Vol - XIV, No -2, June - December 2016 ISSN / 0976 – 2027

IPSAR

Management Review

Quest for Wisdom

25 Years of Economic Reforms in India

IPSAR
We build better career
INSTITUTE OF PROFESSIONAL STUDIES & RESEARCH

IPSAR, SECTOR-6, CDA, CUTTACK-753014 (ODISHA)

IPSAR MANAGEMENT REVIEW

'25 YEARS OF ECONOMIC REFORMS IN INDIA'

Sub Themes

- **Economic and Fiscal policy reforms and its impact;**
- **Sector wise reforms, its impact:**
- **Banking and Financial Services**
- **Information Technology/Information Technology Enabled Services**
- **Agriculture, Education, Healthcare**
- **Manufacturing, Foreign Trade (Imports and Exports)**
- **Defiance, Telecom, Services,**
- **Others**

Vol-XIV, No-2, June-Dec 2016

Printed at:

Published by: Institute of Professional Studies & Research
(IPSAR House, Sector – 06, CDA, Cuttack – 753014)

INSTITUTE OF PROFESSIONAL STUDIES & RESEARCH
IPSAR HOUSE, Sector – 06, Bidanasi, Cuttack – 14
Approved by AICTE, Govt. of India and Affiliated to Biju Patnaik University of Technology

IPSAR Management Review

Quest for Wisdom

A Journal of Institute of Professional Studies & Research (IPSAR)

GUIDELINES FOR CONTRIBUTORS

IPSAR Management Review invites original research-based papers, articles, communications and management cases on topics of current concern in the area of management and related social sciences.

A general guideline for contributors is listed below:

1. Manuscripts should be sent along with the authorization letter in favour of the Editor-in-Chief that it may be published after necessary editing and the copyright shall remain with the Editor-in-Chief. Manuscript should also accompany a brief resume of the author on a separate sheet.
2. Manuscript should normally be of around 10,000 words (to an extent 20 to 40 A-4 size pages, typed double space). Manuscripts should be submitted by electronic mail: journal@ipsar.ac.in /seminar@ipsar.ac.in followed by typed copies in triplicate with the cover page bearing only title of the paper and author(s) names, designations, official addresses, phone/fax numbers and e-mail address.
3. Abstracts: All the manuscripts should include an abstract of about 100 to 200 words.
4. Footnotes: All footnotes should be indicated by serial numbers in the text and literature cited should be detailed under Notes at the end of the Chapter bearing corresponding numbers.
5. Tables and Figures: Tables should approximate the appearance of printed tables / figures should be placed at the end of the text, after footnotes, appendices and references. Tables should contain a source and units of measurement. Their location in the text should be indicated as follows: Table 1.1 about here.
6. References / Bibliography: To be placed at the end of the paper. The list should mention only those sources cited in the text of the manuscript. The forms are: Books: Patinkin Don. (1972),Studies in Monetary Economics, Harper and Row, New York. Articles in Edited Books: Gupta, S. (2001). “Financial Institutions and Economics Growth”, in Problems and Prospects of Development Banking, ed. By Atmanand. Delhi, International Books, pp. 412-425.

   Journal Article: James Tobin, (1958). ‘Liquidity Preference as Behaviour towards Risk’. Review of Economic studies, XXV, pp. 65-86.

   Reports, etc.: Centre for Monitoring Indian Economy (CMIE) (2000). Monthly Review of the Indian Economy, Mumbai, May, p, 124.
7. Style: The manuscript should normally be typed in double – space, printing in 11-point font on 8.5” x 11” (A-4) size paper with 1.5 inch margin on all four sides.
8. An author will receive a complimentary copy of the issue in which his/her paper appears.

IPSAR Management Review
IPSAR House
CDA, Sector – 06
Cuttack – 14
Tel” 0671-2504578 / 2505395
Fax: 0671 – 2505392
Visit us at: http//www.ipsar.ac.in

IPSAR MANAGEMENT REVIEW
A Journal of Institute of Professional Studies and Research (IPSAR)

25 Years of economic reforms in India

Contents

From the Editor's Desk ………

Emerging areas in Management

Management is no more confined to Marketing, Finance or Human Resources. Disruptive technologies have drastically changed management concepts and areas. Information technology leading the technology revolution has opened up wide choices and shut down some. UBER and OLA cab-services makes you feel that neither you need to buy a transport or avail the public transport. If travelling to any destination by pressing touching your screen of cellphone at an affordable cost, giving you comfort and prestige as well, we would admit that compelling technologies can even change our day to day life! Specialisation is the order of the day. Managing a wedding, taking care of health, studying without a tutor, getting delivered at your doorstep, getting paid or paying while relaxing, have all changed. Growing dominance of disruptive technologies have led to customer centric service like Event Management, E-retailing, E-learning, Pay cards, Call a Doctor service,

C.A.(Dr.) J.K.Misra

Editor

INDIAN REFORMATION IN PUBLIC SECTOR FROM 1991 TO 2016: A SPECTACULAR TRANSFORMATION AND TRANSITIONIN POLICY

Divyajit Das
M.Tech (Structural Eng.), School Of Civil Engineering,
KIIT University, Bhubaneswar
Prof. N.C. Moharana
Associate Professor, School Of Civil Engineering, KIIT University, Bhubaneswar

Abstract

This research paper has vividly introspected into the reformations undertaken in Odisha and India; for ameliorating the economic capabilities in housing and urban infrastructure through public private participation/ partnership. It discussed about the implication of reformation strategies in the 1990s till 2016. 21st century has impacted the sectors of development by virtue of its fiscal and economic reforms. Industrial policy reforms, trade related reformations and public sector reforms have been demonstrated by virtue of the PPP experiences in different parts of India to reinforce about Odisha. The paper comprehensively apprised on the macro aspect of reformations emerging in privatization through PPP deliberated with the types of PPP employed for operational ease. It also discussed about the micro aspect of reformation by sighting instances relevant to the context. This review paper is qualitatively approached from its multi-faceted perspective to issues and challenges. This has theoretical perspective and underpinnings reflected with the subtleties of application in the field. The holistic approach to analysis has integrated into a cohesive, convergent and competent understanding.

Keywords: Government Reformation, Public private partnership, Real-estate, Privatization, Transformation and Transition

Reformation is about Transformation

Transitional economy of India happened through transformational reformation in the policy. The spate of growth in manufacturing and services cradled scope for business; enabling entrepreneurs to become optimistic. Real Estate in Bhubaneswar has made a quantum leap after 1991 due to reforms and Public Private Partnership (PPP). Developmental initiatives and co-operations by stakeholders, entrepreneurs, regulatory bodies and government have endured and snowballed in mobilizing real estate activities, trying to attend to the demand of city.

However, the horizontal and vertical progress as on date has been a mismatch and quite inadequate with respect to demand. PPP did not cater to the facilitation in convergence for a seamless integration. As well can be attributed to the dilatory process of catalysts and agencies responsible for development in the sector. They did play integrate and interplay in reciprocity. However, it is reported that since 2004 the amount of business generated from growth in revenue and taxes have zoomed by around 200% and the capital outlay to around 350% as on 2012. As on 2016 the spiralling growth has been reduced.

In fact in the year 2000 even; Bhubaneswar looked like a sleepy backward city, but later on each day it is seen to be shining rich and prosperous. This course of growth and development has unleashed Bhubaneswar as a hub of real estate mushrooming with services industry booming at every corner. Never the less, the interim regulatory reforms of Bhubaneswar have substantially regularized the unorganized growth architecture of the temple city of India. Currently Bhubaneswar has expanded with tenancy, commercial and mortgage markets as a bastion in eastern India. Contribution to the growth and development is due to the PPP adoption.

Crisis of Growth in Bhubaneswar and PPP

If we take a cursory glance at the estimated population size of Bhubaneswar Municipal Corporation ,(BMC)which is approx. 11 lakhs we are at a loss for the needed scope for affordable housing. The incredible migration to the city has happened in a spree, due to the people flocking from rural regions to urban agglomerations. The semanifestations of development and urbanization has evoked response from the real estate builders; but time lines have not been attended as per the approved schedules of the action plan which can be driven through PPP. To address to the issues; the most important agencies who operate for complimenting to the cityscape are the PWD for roads, National highway authorities, BMC, PHED, BDA, SPCB and sewerage boards, to name a few. These complimenting agencies playing in convergence have ensured the citizen a quasi-comfortable lifestyle, the way it is. However the gaps to coordination and problems are inevitable and needed to be meted. One of the difficult problems of BMC is garbage collection which is an uphill task for the BMC to recycle. Eventually the revenue collected by BMC towards this is 1/10th of other cities, like Visakhapatnam, which is at the rate of Rs. 1200 to Bhubaneswar at Rs. 200. Moreover, BMC's energy infrastructure pays 12.6 croresa year to the energy producing agencies; but towards revenue it collects a meager 60 lakhs only. The sanitation and drainage are also attended by BMC from the revenues generated. The problems of BMC concerning slums are immense. The provisions of shelter and infrastructure is presently addressed by Rajiv Awas Yojna (RAY)to the 99 registered slums spread across 276 acres of government land, but the other slum settlements are not responded. For instance, the problem of the biggest slum Saliasahi is spread across 150 acres accommodating around 7200 households officially can be relocated within 40 to 50 acres. Due to the patchy unplanned growth; the aerial view of Bhubaneswar looks like an island of prosperity surrounded by poverty.

The statistics of 2016 reveal that the urban population of India has grown to around 43crores, which took 20 years to add 20 crores. It is estimated that it shall add around 25 crores to another 20 years from hence. In fact six cities of India have a population which is more than a crore and 68 cities having more than 2 million population. In India we are adding the population of two Chicago every year; which is equivalent to the population size of Mumbai. The archaic rigid procedures of the town planning authorities have restricted the normal course of housing provisions resulting in shortfall. Today we require affordable housing in all states. The speed of urbanization is flocking at apace of around 50%; lead by Tamil Nadu, followed by Gujarat and Kerala. The average speed of urbanization in India is around 30%. Entire gamut of changes can be addressed through the method of PPP and as in adopted in parts visualizing the democratic polity of India.

User Pay Principles

In Odisha the 'user pay principles' of urban places with respect to cost of operation and maintenance have to be fixed. In is estimated that by 2030, Bhubaneswar shall grow by another 30 lakhs population, including Cuttack it shall be around 50 lakhs. It shall have estimated short fall of houses, but for the land litigations which has snipped the rate of growth. The zonal development plan of Bhubaneswar has to be comprehensively made, and the comprehensive development plan of Bhubaneswar has to be forward looking for 2050.

Low Cost Affordable Housing in India

In the context of affordable housing the paradigm best practices can be visualized in Rajasthan housing policy; where in it goes by 5 stages. In Chandigarh approval of houses are given through single window clearance and is the only state where in a single day meeting constituted of the members from 5 agencies clear and approve. The value for money and the value for many has become a billion dollar question before the governance. The CBRI has enforced regulations to be abided by DLF, Raheja's, Assotech, Sapurji and Palenji and Owmax (Chhattisgarh) and Rohtasfor providing houses at 2 lakhs. They are in a way using hydro-form bricks borrowing the concept from South Africa and ferrous cement components andare constructing G+3 affordable houses. Gradually these mechanized ferrous cement components are eating away the markets of traditional bricks and processes. Israel has also adopted this concept for its people to construct affordable houses. Earthquake resistant houses are being architecture with modular format given with horizontal load integration, in which the whole system becomes a monolithic casting into a concrete house. The box section type constructions are hazard proof and are timeless affordable houses.

PPP in Bhubaneswar

Housing has been one of the main concerns for the Indian government in all of its Five-Year Plans, mainly the last five plans. The 10th Five-Year Plan revealed a housing shortage of 22.4 million dwelling units for which the private sector intervention in housing provision is necessary. The National Housing and Habitat Policy in India has moved towards the innovative concept of public-private partnership for housing provision. A model should evolve being supported by government for affordable housing. In Odisha at Bhubaneswar, OSHB started with the PPP concept for its Malisahi project named Chandrama Apartment jointly with BE Engineers and initiated the process as a maiden approach.

However, talking about other major cities, Kolkata had the maiden venture of Bengal Ambuja Housing Development Limited. It was a joint venture company between the West Bengal Housing Board

(WBHB) and Gujarat Ambuja Cements was formed in 1993. It was the start of PPP in the housing sector in Kolkata.

To overcome the shortage of housing the National Housing and Habitat Policy of 1998 aimed to provide shelter to all by 2014. It became a day dream for dwellers who roamed homeless. The Ninth Five-Year plan suggested that there was a need to build and upgrade 10 million dwelling units for urban poor or EWS and 5 million for LIG in the urban centers alone. This was not attended by the government which was obvious for political reasons.

Models of PPP

The normally applied standard four models of PPP are discussed below. The compose the modalities for entire operation of the projects.

Build, Operate and Transfer (BOT)

In this BOT category the private partner is responsible to design, build, operate and transfer back the facility to the public sector. The private sector partner is expected to bring finance for the project and take responsibility to construct and maintain it. The public sector will either pay a rent for using the facility or allow it to collect revenue from the users. The example in place is the national highway projects contracted out by NHAI done in PPP mode.

Lease, Operate and Transfer (LOT)

In the LOT category of PPP as the name indicates a facility which already exists and is under operation, is entrusted to the private sector partner for efficient operation, subject to the terms and conditions decided by mutual agreement. The contract will be for a given for a sufficiently long period and the asset will be transferred back to the government at the end of the Contract. Example of leasing a school building or a hospital to the private sector, along with the staff and all facilities by entrusting the management and control, subject to pre- determined conditions could come under this category.

Build, Own, Operate and Transfer (BOOT)

This is a variation of the BOT model which differs except the ownership of the newly built facility rests with the private party during the period of contract. This result in transfer of most risks related to planning, design, construction and operation of the project to the private partner. In the BOOT category, the facility / project built under PPP will be transferred back to the government department or agency at the end of the contract period, generally at the residual value and after the private partner recovers its investment and reasonable return agreed to as per the contract.

Design, Build, Finance and Operate (DBFO) or Design, Build, Finance, Operate and Maintain (DBFOM)

Here, the private party takes the entire responsibility for design, construct, finance and operate or operate and maintain the project for the period of concession. These are also referred to as ‘Concessions’. The private participant to the project will recover its investment and return on investments (ROI) through the concessions granted or through annuity payments etc.. It may be noted that most of the project risks related to the design, financing and construction would stand transferred to the private partner.

What is Operations Concession in PPP

The term ‘Operations Concession’ is a generic term. It is used to clarify the required features of PPP arrangements. The PPP agreements authorize don the private partner expect returns and recover its investments on concessions granted for a certain period, calculated on the basis of demand projections and growth. These are called operations concession (OC).

In these cases, the public sector department or agency responsible for providing service to the public and collect revenue by way of user charges, toll and tariff etc., assigns its legal or statutory right to the private partner in return for the latter undertaking the responsibility. It then implements the project and maintains required quality. The concession can be collecting tolls and user charges or periodical payments made of annuities or monthly / quarterly/ half-yearly charges on certain assumed basis.

Joint Venture in PPP

In a PPP arrangement commonly followed in our country is for airport development. Here the private sector agency forms a Joint Venture Company (JVC) along with the participating public sector agency latter holding only minority shares. The private sector body is responsible for the design; construction and management of the operations targeted for the PPP and also bring in most of the required investments. The public sector partner's contribute by fixed assets at a predetermined value. The value includes buildings, facilities or even and also contributes to the shareholding capital. It also provides assurances and guarantees required by the private partner to raise funds and ensure smooth operation and construction. The public service for which the joint venture is established will be provided by the entity on certain pre-set conditions and subject to the required quality parameters and specifications.

PPP Safeguards Public Interest

The government reserves the responsibilities and accountability of the public sector agencies, public servants concerned and safeguards public interest by managing the PPP economically, efficiently and effectively. To protect public interest it is essential to plan and implement PPPs efficiently without pitfalls. However according to the World Bank the success of PPP shall depend on the following trajectories:

a. Governments should design projects with risks and incentives that make them attractive to private player.
b. Governments should assess the costs to tax-payers, which can be harder than traditional projects because of the long-term and often uncertain nature of governments.
c. Governments need contract management skills to oversee the arrangements of the life of the contracts.
d. Governments need advocacy and skills to build consensus on the role of PPPs and develop broad programme across different levels and sectors.

A PPP of large magnitude always has variety of stakeholders, where all of them are interlocked in a mutually dependency arrangement with risk sharing. The main sponsor of PPP can be a consortium of parties constituting an incorporated or unincorporated party of leaders. These parties bring in their strengths in finance, technological know- how and project management skills. In most of the case one of them becomes a lead partner. However besides the government other stakeholders are investment bankers, financiers, transaction advisors, vendors, insurers, public interest groups and legal experts.

PPPs fail owing to strong opposition from civil society, local media and other stakeholders. Public opposition lead to numerous cancellations. PPPs have are been confused with privatization. This lack of public support has become a concern of increased project costs, delayed project completion which ultimately jeopardizes the public service sustainability. It needs good stakeholder management and better communication. A main reason for these differences is the lack of informative communication with the principal stakeholders of the project. It is important to inform the stakeholder groups about the virtues of partnership options and convince them about the benefits that would be gained. Stakeholder communication is prepares stakeholders for institutional relationships between the public sector sponsors, the private consortium, the consumers, citizens, tariff-paying citizens, civil society organizations and media to ensure a support base.

Similarly in case of roads and national highways, traffic projections should be done by the specialized transport experts systematically. Not to underestimate the impact of toll projected traffic, it can be twice higher than actual. In some projects hike in quarter of the estimated traffic in first few months of operation can also be observed. Renegotiation and midway changes should be avoided in the project. The potential renegotiation will be taken care by the governments. The Worli Sealink project in Mumbai had faced similar kind of disturbance as in the midway through the construction phase, the project consultants were replaced. The new committed consultants suggested a change in design of the project that resulted in escalating the project cost by Rs 450 crore added with further delays. The potential of using foreign contractors could be considered for larger projects because the current BOT projects are small in India.

In the highway sector it ranges between \$50 million and \$150 million, whereas the overseas BOT projects ranges between \$200 million and \$500 million or even exceeds \$2 billion. Like the Malaysia's North– South Corridor BOT project worth \$3.2 billion and China's Guangzhou/Shenzhen Superhighway worth \$1.6 billion. The highest political level of government has to support specific PPP projects for its formation. The resistance are overcome by a strong political will. The pressures and expectations of political parties, the media and other stakeholders who exert pressure on implementing agencies have to be handled.

Conclusion

The essence of the paper is to acquire a lesson on the subject of PPP in housing and infrastructure. It conclusively realized that governments need to clear out and determine the basic motivation and objectives for PPPs. The legitimate motivators are the resource constraints and maximizing government revenue. This should be driven by the core drivers having improved service standards, efficiency in value for money, customer satisfaction and improved service at optimal costs. To develop a comprehensive policy for participation of private investors and commercial lenders a strategic planning is needed by the government. This can flourish only when they are planned and structured and managed by expert teams. As if they could anticipate future requirements and avail investments in housing and infrastructure facilities on a sustainable and competitive means. It would then capacitate the central government and state organizations for a productive outcome through inclusion of private players for stake-holders improvement.

Reference

[1] 'Facilitating Public Private Partnership for Accelerated Infrastructure Development in India, Workshop report, Dept. of Economic Affair (DEA), 2011.

[2] 'Perspective Plan-VISION 2030 and Comprehensive Development Plan for Bhubaneswar and Cuttack Urban Complex', Report by IIT- Kharagpur, 2007.

[3] Abrahams, C.1994. 'Man's Struggle for Shelter in an Urbanizing World, MIT press, Cambridge.

[4] Aggarwal,A., Jogleka,M.N. and Subrahmanyan, D. 1994. 'Effect of 74th Constitutional Amendment on Local Bodies in Delhi and State Housing Boards', AIHDA Journal.

[5] Akintoye, A., Beck, M. and Hardcastle, C. 2001. 'Public Private Partnerships: Managing Risk and Opportunities', Blackwell Publishing, Oxford.

[6] Alastair, S. G. 1998. 'Sustainable Development and the ASCE Code of Ethics', Journal of Professional Issues in Engineering and Education Practice.

[7] All India Housing Development Association (AIHDA) journal.

[8] Amitabh, A. and Behera,A. 2010. 'Going- Green', Technological and Environmental Sciences, ISCA, Odisha.

[9] Annual Report-2015, Bhubaneswar Municipal Corporation (BMC), Bhubaneswar.

[10] Bryson, J. and Roering, W. 1987. 'Applying Private Sector Strategic Planning to the Public Sector', Journal of American Planning Association.

[11] Cuttack Development Authority (Planning and Building Standards) Regulations, 2001 (2002), Orissa Law Reviews, Cuttack-2.

[12] Cuttack Development Authority (Planning and Building Standards) Regulations, 2001 (2002), Orissa Law Reviews, Cuttack – 2.

[14] Das, and andI.Satpathy. 2007, 'Real Estate Housing Design Module: A Multi-disciplinary New Collaborative Model on Innovative Learning, for Application in India', ConnectED – International Conference on Design Education, University of New South Wales, Sydney, Australia.

[15] Das, B. 1998. 'Global Approach for Inter-active and Effective Management Decision-Making on Housing Schemes in India: A Case Study of Orissa', Smoronika', Orissa State Housing Board, GoO.

[16] Das, B. 2001. 'Value Added Effective Management Decision Making on Housing Schemes for Global Sustenance', International Conference 'Management Beyond Boundaries'.

[17] Das, B. and Dash, A.K., 2010. 'Strategy formulation and its Importance in Jobbing Type of Industries' International conference on Business and Economics', KIIT University jointly with National Taipei University(Taiwan), Ataturk University(Turkey), Czech University of Life Sciences Prague(Czech Republic).

[18] Das, B., Pani, A.K., Mallick, R. K. 2003. 'Housing Market : An Emerging Trend in E-Governance Through Web – Based GIS Technology', Siddhant-National Journal of Decision Making.

[19] Das, B., Pani, A.K., Satapathy, I. 2001. 'Housing Market – An emerging trend in E– Business', ISTE National Seminar.

[20] Das, B.,Pani,A.K. 2004. 'Real Estate Market, Excel Books, New Delhi.

[21] Das, B.2001. 'Value added effective Management decision making on Housing Schemes for Global Sustenance', International Conference on 'Management Beyond Boundaries' organized by Regional College of Management, Bhubaneswar. Published in the conference Volume, Part-III, Emerging changes in service sector, contents serial No.33, PP. 143-144, March 27,2001.

[22] Das,B. 2006. 'Real estate housing market module category : a strategic perspective and its application in Indian context', July 2006,International conference organised by American Real estate and Urban economics (AREUEA) and Asian real estate society (AsRES) at Sauder School of Business, University of British Coloumbia, Vancouver, British Coloumbia, Canada.

[22] Das,B. and Acharya, P. 2006. 'Plumbing Craftsmanship in Real Estate Market', in 'Kushali Magazine' ITI, KIIT Deemed University,PP.-6-7,2006.

[24] Das,B. Satpathy,I. 2009, 'Marketing Strategy in the Downturn Economy: A Facet', Marketing in Recession' (Edited Book), Deptt. Of Business Management, CV Raman College of Engineering, Odisha, pp.101-105.

[25] Dunn, W.N. 1981. 'Public Policy Analysis', Prentice-Hall, London.

[26] Gharbari.com (Orissa Realty News) , 2011. 'On the Growth Track- the Real Estate Sector of Bhubaneswar is all set to Expand at an Unprecedented Rate'. From 'The Times of India'. February, 2011.

[27] HUDCO- Housing and Urban development Corporation Ltd. Bhubaneswar, Odisha.

[28] Income Tax Act 2002, Directorate of house Tax (R.S.P & P.R.) (DIT), New Delhi, published by Bharat Law House Pvt. Ltd., PP. 445 – 448(US 88) and PP. 154 – 163. (US 23 to 29). Income Tax Act 2002, Directorate of Income Tax (R.S.P. & P. R.), New Delhi, Bharat Law House Pvt. Ltd.

[29] India Environment Portal, 2011. 'Orissa Becomes Carbon Emission Conscious'. Report from 'The New Indian Express' of 7th June, 2011.

[30] Mishra,T. 2011. 'Dynamics of Demographic Change and Economic Development : New methods and New Results'. Research World, Vol. 8, ISSN 0974-2379, XIMB.

[31] Orissa Public Private Partnership Policy, 2007.

[32] Osborne, P. 2000. 'Public Private Partnerships Theory and Practice: An International Perspective', Routledge, London.

[33] Ram, G. S. 2003. 'Orissa Survey and Settlement Manual', Orissa Law Reviews, Cuttack.

[34] The Hindu, 2011. 'Modern Multi-Storeyed Market Complex Mooted', India.

[3] The Hindu, 2011. 'Rajiv AwasYojana for Slum Dwellers Approved', India.

www. censusindia.gov.in

www.bdabbsr.in

www.credaiodisha.com

www.ibef.org

www.oshb.org

AN ANALYSIS INTO THE MOVEMENT OF FOREIGN FLOWS OF FUNDS INTO INDIA

Dr. Abhijit Sinha (Corresponding author)
Assistant Professor in Commerce,
Vidyasagar University, West Bengal
E-mail: abhijitsinha_091279@rediffmail.com
&
Mr. Debabrata Jana,
Research Scholar,
Department of Commerce,
Vidyasagar University, West Bengal
E-mail: debabratajana1999@gmail.com

Abstract

India is among the developing economies of the globe. In fact, it is estimated that it would be among the superpowers of the world by 2050. Reports say that India is among the most favourable destinations for making investments. If we go back to the history behind this success story of India, we shall see that the economic reforms of 1991 are among the developments that changed the status of our country within 25 years. It is this change that resulted in the entry of private sector into different industries and more importantly brought in more and more foreign capital into the country. Furthermore, with the fiscal cum monetary reforms and the huge untapped opportunities existing in different sectors, the economy gained momentum and from the early half of the present century, it started growing at a staggering rate of close to double digits before the financial crisis but the brakes on its growth. But, the strength of the economy is visible from the rapid transformation and back-to-momentum during the recent years in contrast to the slowdown that has till today has gripped some of the major economies including US and China.

The present study looks into the movement of funds (through foreign direct investments and equity flows) during the last decade. Also, for further understanding of the trends, the paper glances through the sectoral break-up of the inflows which helps to identify the attractive sectors for FDI and also captures data to help understand the countries/regions from where the funds have been flowing in. The overall study gives a sound understanding to the readers about the trends of foreign inflows following the reforms in 1991.

Key words: Economic reforms, FDI, Equity inflows

1. Introduction

In this era of globalization, capital flows from one country to another has become a routine affair. In fact, for any business to grow, it is necessary to enter into newer markets crossing national boundaries. It has become extremely important to recognize the potential of new, unexplored markets since with growing competition, the domestic markets will move into saturation. Hence, to tap the markets and enter into other countries, one of the popular mechanisms is the foreign direct investment which results in a long-term investment by the investee into the targeted country. It creates a long-term bonding with the investee country. It is beneficial to both the investee and the investor. The investor gets an opportunity to enter into the new market by making investment by way of capital transfer, expertise and technology sharing and the like. This is in addition to the new low-cost production opportunities that companies get in the host country. On the other hand, the country reaps the benefits of the investment that comes in from outside which can spur the growth of that country's economy. Moreover, it creates new employment opportunities in the investee nation and brings in new products with advanced technology. This definitely has an effect on the strategic make-up of the businesses in the host nation because they are bound to think innovatively to stay in the race in the industry.

In addition to the FDI, there is another source by which funds can flow into the economy. It is through foreign institutional investors (portfolio investment) who bring in money into the capital market for investment purpose. The motive in this case is totally different from that in FDI. In the former case, the interest is in putting funds for the long-term by having some controlling stake in the investee organisation.

However, in the latter case, the investment is made with the motive to earn money in the short-term. Any unfavourable development at the global or the country level drives away money from the market, thereby creating a nosedive as funds flow out.

This study focuses on the trend of foreign capital flows during the present century so far which can give an idea about how attractive we have been as an emerging economy to the foreign wealth managers, institutional investors and large multinationals.

2. Literature review

The area of foreign direct investment or FIIs has been an interesting area for research to many researchers across the globe and also in India. In this regard, some of the available literatures which are relevant to this study are discussed in brief.

Bhanagade and Shah (2011) investigate into the extent of impact of FDI to the Indian economy in terms of employment opportunity creation, capital formation etc.

Khatik (2014) looks into the importance and the effect that FDI has on the economy of the host nation. The article however highlights that this investment does not bring in advantages to the developing countries.

Khan (2014) looks into the effect of inorganic growth into the foreign investment flows into the country. The study reveals the existence of strong positive relationship between cross border mergers and acquisitions and foreign direct investment.

Khan and Siddiqui (2011) study the impact of FDI on the Indian economy and also makes a comparative statement on the effect of FDI on the US and Chinese economy. Statistical data analysis shows the positive impact of FDI on employment and growth in the domestic economy.

Kumar (2013) looks into the pattern of growth and FDI inflows during the period following the liberalization of the Indian economy. It shows a steady and healthy growth which is mainly due to the creation of vast opportunities to nations abroad.

Sahoo (2006) makes an analysis on the FDI pattern in South Asian countries comprising of India, Bangladesh, Sri Lanka, Pakistan and Nepal. The researcher highlights the set of reforms taking place in this part of the globe with respect to international business and finance. They point to the need to attract more FDI from the developed nations and international financial organizations.

Saini (2015) looks into the FDI trend during the periods 1991-2000 and 2001-2012 to identify any difference in the trend during the periods. The areas explored include not only the trend but also the sectoral break-up of the funds over the years.

Research gap:

It is true that several papers have explored into the FDI flows into India**.** But, this paper is a different one since in addition to the trends of flow we have tested the statistical strength of the difference, if any that exists in the trend over the years. Moreover, very few papers have made a study considering the latest years.

3.1. Objectives of the study

The present study has manifold objectives which are:

(a) To study the trend of flow of foreign funds into India
(b) To identify the segments attracting the funds
(c) To identify whether there is any structural break in the fund flows during the pre and post-financial crisis.

3.2. Research design

The present study analyses the fund flows into India during the period from 2000 to 2015. The funds considered are in terms of FDI and FII. The points that have been considered are to understand the trend of flows over time and also to capture information to understand the direction of the flows in terms of sectors and from which destination. For understanding the existence of structural break, if any (due to the occurrence of the financial crisis), the Chow Test has been applied that uses the F-statistic to decide whether the null hypothesis will be accepted or rejected.

4. Analysis and findings

4.1 This section of the study shows the flow pattern during the period 2000 to 2015. By foreign flows, we mean three components, viz. through FDI, re-investment of earnings by multinationals and the intra-company fund flows. The most important one for an economy is the extent of foreign direct investments which implies the movement of fresh foreign capital into the economy and the intention of the investor to have a controlling state in the investee organisation. This not only gives an indication of investment attractiveness of a country but also helps to built foreign reserves. The following table gives the details.

Table 1: Trends in fund flows into India

Year	% FDI through the FIPB/Automatic/ Acquisition route	Re- invested earnings
2000-01	58.05	33.51
2001-02	63.69	26.84
2002-03	51.12	36.41
2003-04	50.83	33.78
2004-05	53.71	31.47
2005-06	61.82	30.80
2006-07	68.28	25.53
2007-08	70.52	22.04
2008-09	74.90	21.57
2009-10	67.84	22.96
2010-11	61.34	34.26
2011-12	74.82	17.63
2012-13	63.63	28.81
2013-14	67.41	24.91
2014-15	68.51	22.12
2015-16	72.13	18.12

Source: DIPP report

The table shows that there is an overall increasing trend during the period. In fact, there has been an increase in the fund flow during the pre-financial crisis period that is 2000 to 2007. The main reason is the stable and fast growing economy that the world had seen during the early years of the present century. Data reveals that the economy was at its best with the gross domestic product galloping at close to double digit figures. During that period, the percentage of foreign flows through the automatic / acquisition route jumped from 58% in 2000-01 to 70.52% in 2007-08.

After that, the financial crisis (popularly referred to as the 'sub-prime' mortgage crisis) struck the US economy which had repercussions across the globe including the major economies, some of whom have not yet been able to heal the wounds yet. Data reveals that that the FDI flows had come down immediately with the percentage lowering to 61% by 2010-11 from 70.5% in 2007-08. Since then, the economy did not pick up well with the domestic slump continuing, low capital formation growth, slowdown in industries, serious problems in the banking front, less than average rainfall which did not go well with the foreign interested investors. However, since 2012-13, there was a turnaround and slowly the investments from foreign investors has been picking up. The percentage has increased from 63% in 2012-13 to 72.13% by 2015-16 and we hope that the upbeat pattern continues in the coming years also.

4.2 This section of the paper highlights the breakup of the flows between the foreign direct investment and foreign institutional investments. It is an important analysis since there is a critical difference between the two. The former is considered to be a stable and long-term investment, in contrast to the volatile and short-term investment flow (because of which it is referred to as 'hot money'). The table below gives the details.

Table 2: Trend of FDI and FII flows into India (in US$ million)

Year	Total FDI inflows	FII (net)	FDI to FII (net)
2000-01	4,029	1,847	2.18
2001-02	6,130	1,505	4.07
2002-03	5,035	377	13.36
2003-04	4,322	10,918	0.40
2004-05	6,051	8,686	0.70
2005-06	8,961	9,926	0.90
2006-07	22,826	3,225	7.08
2007-08	34,843	20,328	1.71
2008-09	41,873	(-) 15,017	----
2009-10	37,745	29,048	1.30
2010-11	34,847	29,422	1.18
2011-12	46,556	16,812	2.77
2012-13	34,298	27,582	1.24
2013-14	36,046	5,009	7.20
2014-15	45,148	40,923	1.10
2015-16	55,457	(-) 3,516	------

Source: DIPP report

This part of the analysis shows an increasing pattern in the foreign direct investment which shows that the Indian economy has been among the top favourite destinations for routing the funds from outside. From US$4029 million in 2000-01, the FDI inflows have increased to US$55,457 million by 2015-16. A further look into the trend shows that there has been a break in the flow in 2009-10, the year following the financial crisis during which foreign funds had come in at a lower rate due to apprehension of the fragile condition of our country's economy by foreign investors.

In contrast, there has been a much severe effect on the FII flows into the capital market. It is true that 'hot money' has also been flowing in at a fast rate but the important point in the table is the data between 2007-08 and 2008-09. After the economic crisis across the globe, there was a net outflow of funds from the capital market which shows the risk that the capital market is exposed to if it relies more on the foreign capital. Due to this, there was a sharp decline in the market index, be it the sensex or the nifty or any other index that resulted in the erosion of investors' wealth, there was negative flow to the extent of US$ 15,017 million. However, things improved dramatically by 2010-11 during which there was a recovery of the domestic economy which again raised the confidence of the foreign investors. Overall, it is observed that during the post-financial crisis period, there has not been any steady flow; instead there have been ups and downs in the level of net foreign inflows. The recent developments shows major liberalization measures taken in fifteen sectors in the country and has eased the process of FDI approval (Economic Times, June 16, 2016).

If we make statistical analysis of the FDI flow during the pre and post-crisis period, things will be much more clear. During the period from 2000-01 to 2007-08, the growth rate has been a phenomenal at 28.3%, which came down to only 5.1% during the period 2009-10 till the last year. For the purpose, semi-log method has been used which is commonly used for arriving at growth rates.

Table 3: Growth rate in FDI during 2000-01 to 2007-08

Model Summary and Parameter Estimates							
Equation	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Constant	b1
Exponential	.749	17.940	1	6	.005	2.335E3	.283

Source: Calculation by authors

Table 4: Growth rate in FDI during 2009-10 to 2015-16

Model Summary and Parameter Estimates							
Equation	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Constant	b1
Exponential	.361	2.829	1	5	.153	3.336E4	.051

Source: Calculation by authors

Testing for structural break

In this part, we test for structural break, if any that exists during the study period with regard to FDI flows into the country. The Chow test is applied for deducting the same. The test uses the F-statistic to draw inference. The cut-off point is considered to be the year of the crisis.

Hypothesis tested:

Ho: There is no structural break during the study period.

H1: There is structural break during the study period.

The F-statistic is applied as follows:

$$F_{k,n+m-2k} = \frac{(SSE_R - SSE_1 - SSE_2)/K}{(SSE_1 + SSE_2)/(n+m-2k)}$$

Where SSE_R = error sum of square for the entire period

SSE_1 = error sum of square for the first period

SSE_2 = error sum of square for the second period

k is the number of regressors (including the constant term) which is equal to 2 in our case.

n and m are the number of observations during the first and second period respectively which in our case is 8 for both.

The calculation shows that the computed value (6.727) is more than the $F_{2,12,0.05}$ (3.89). Hence, the null hypothesis is rejected at 5% level of significance. It points to that fact that there exists a structural break between the two periods as expected due to the severe effect of the financial crisis that occurred in 2007-08.

Similar such analysis has also been made for the FII flows. Analysis reveals that during the pre and post-crisis period, the growth rates are 35.9% and negative 8.90%.

Table 5: Growth rate in FII during 2000-01 to 2007-08

Model Summary and Parameter Estimates							
Equation	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Constant	b1
Exponential	.442	4.762	1	6	.072	792.695	.359

Source: Calculation by authors

Table 6: Growth rate in FII during 2008-09 to 2015-16

Model Summary and Parameter Estimates							
Equation	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Constant	b1
Exponential	.048	.203	1	4	.675	2.838E4	-.089

Source: Calculation by authors

4.3 This section shows the percentage of FDI equity flows as a percentage of total FDI flows. The year on year growth rate reveals that just following crisis, the flows took a major hit since there were net outflows instead of inflows. In terms of percentage to the total FDI flows, there is an overall uptrend during the period.

Table 7: FDI Equity flows as a % of total FDI flows

Year	y-o-y growth (%) of FDI inflows	%
2000-01	----	61.13
2001-02	65%	66.31
2002-03	(33)	53.72
2003-04	(19)	50.62
2004-05	47	53.20
2005-06	72	61.82
2006-07	125	54.73
2007-08	97	70.53
2008-09	28	74.98
2009-10	(18)	68.44
2010-11	(17)	61.36
2011-12	64	75.44
2012-13	(36)	65.38
2013-14	8	67.41
2014-15	27	68.51
2015-16	29	72.13

Source: Calculation by authors

4.4 Identifying the investing nations

This table below shows the economies which have been the major source of foreign direct investments during the period 2010 to 2016. The data reveals that routing the funds through Mauritius is the main reason of such a high investment percentage taking place from the nation. The reason is the double taxation avoidance treaty that India has with the nation so that no income is taxed twice. Singapore is the other nation also making huge FDI inflows into our domestic economy.

Table 8: FDI inflows (top ten) from different countries
[Based on data from April 2000 to March 2016]

Rank	% during 2013-2016	Country	Inflows (Rs. crores)	%
1	26.54	Mauritius	480,363.08	33.24
2	30.40	Singapore	256,666.81	15.90
3	7.94	United Kingdom	115,591.93	8.01
4	7.78	Japan	110,671.35	7.27
5	7.45	U.S.A	94,574.89	6.22
6	10.30	Netherlands	94,533.14	6.00
7	3.88	Germany	44,870.10	2.99
8	2.09	Cyprus	42,680.76	2.96
9	1.82	France	26,525.03	1.77
10	1.79	UAE	21,648.17	1.40

Source: DIPP

The recent news report (Hindu, May 28, 2016) shows that the maximum equity inflows have come from countries like Singapore, Mauritius, US, Netherlands and Japan.

4.5 Identifying the prominent FDI attracting sectors

This section of the paper takes a look at the FDI flows into the different sectors of the country. The table below reveals that during the study period, the service sector (that contributes maximum to the GDP) attracts the maximum (17.6%) FDI with the banking and especially the insurance sector requiring funds/capital. The few other sectors include construction (real estate), computer, telecommunications and automobiles. The top ten sectors have attracted around 65 % of the total FDI from 2000 to 2016.

Table 9: FDI inflows (top ten) to different sectors
[Based on data from April 2000 to March 2016]

Rank	Sector	Rs. crores	%
1	Services Sector	258,354.22	17.60
2	Construction Development:	113,936.35	8.38
3	Computer Software & Hardware	112,183.92	7.28
4	Telecommunications	92,728.71	6.37
5	Automobile Industry	81,394.21	5.22
6	Drugs & Pharmaceuticals	70,097.36	4.80
7	Chemicals (Other Than Fertilizers)	59,555.37	4.12
8	Trading	68,836.54	4.12
9	Power	52,613.34	3.63
10	Hotel & Tourism	49,709.68	3.20

Source: DIPP

5. Conclusions

The role of foreign capital is extremely important to any economy of the world. The present study looks into the trends of foreign flows into the domestic economy. Analysis of the data available from different websites shows the rapid growth of inflows during the first half of the study period. However, following the economic crisis of 2007, the flows had taken a nose dive in the immediately following two years resulting in the sharp decline in fund inflows after which it shows an improvement. The main reason behind the steadiness is the resilience that the economy showed to the external shock in comparison to even the major economies of the world. But, it is heartening to know that the effect of the economic slump still exists and the recovery process is very low. However, in terms of FDI and the foreign portfolio, it is observed that things are back on the track and the main factors responsible include a vibrant economy, stability of the economy among others. During the study period, there exists a structural break-up in the trend line showing a significant difference between the pre- and post-financial crisis period.

References

[1] Agarwal, Gaurav and Khan M. A. (2011). Impact of FDI on GDP: A Comparative Study of China and India. *International Journal of Business and Management*, 6(10), October

[2] Bhanagade, D.B and Shah, Pallavi .A (2011), Study of Impact of FDI on Indian Economy, II

[3] Khatik, S.K. (2014). Foreign Direct Investment in India: Prospects and Challenges. *MERC Global's International Journal of Social Science & Management*, 1(1), 45-58

[4] Khan, A.A. (2014). FDI Flows in Developing Countries: An Empirical Study, *Global Journal of Finance and Management*, 6(1), 27-34

[5] Khan, A.A. (2014). A study of FDI Flows in India vis-a-vis Mergers and Acquisitions, IJARMSS, 3(12), December

[6] Khan.A.Q and Siddiqui Ahmad, Taufeeque (2011). Impact of FDI on Indian Economy: A Comparison with China & USA. *International Journal of Business & Information technology*, 1(1)

[7] Krishna, M. J., & Venugopal, J. (2003). Determinants of Private Foreign Investment in Post-Reform India. *Savings and Development*, 27 (4), 441-461.

[8] Nayak, R. K. (2013), 'Trend and Patterns Of FDI Inflow Into India', *International journal of Research in Commerce, Economics & Management*, 3(5), May

[9] Sahoo, P. (2006). Foreign Direct Investment in South Asia: Policy, Trends, Impact and Determinants, *ADB Institute Discussion Paper* No. 56, 1-76

[10] Saini, A. (2015). Trends of FDI Inflow in Indian Economy. *IOSR Journal of Business and Management*, 1-10.

IMPACT ASSESSMENT OF MICROFINANCE: A STUDY ON THE LIVELIHOOD OF THE FINANCIALLY UNDERPRIVILEGED

Dr. Soumendra Kumar Patra
Sr. Assistant Professor (QT & Decision Science),
School of Management Studies,
Ravenshaw University, Cuttack -7530031, Odisha,
soumendra.patra@gmail.com, Mb. No. +91-9090080826/9337661420

Abstract

Microfinance has emerged as an effective tool for poverty alleviation. Several microfinance programmes have significantly helped in the upliftment of the disadvantaged and vulnerable section of the society. This paper aims to evaluate the impact of one such microfinance programme on the lives of its beneficiaries. To assess the impact of the programme, primary data was collected from 100 beneficiaries of Bhadrakh district in Odisha. Statistical methods have been used to determine the relationships between variables. Data has been summarized and presented in the form of tables and charts. Results have revealed an increase in the income, expenditure, savings, and household assets. Results of the ANOVA showed that the income varies significantly across the different livelihood activities. In addition to this, it was found savings of the beneficiaries is significantly dependent on their income.

Keywords: Microfinance, Impact assessment, Income, Savings, Financial, Underprivileged.

Introduction

In layman's term, microfinance is the provision of loans, savings, insurance and other financial products or services to the financially underprivileged who otherwise do not have access to these services. Microfinance has been defined differently by different authors. According to Otero (1999), "microfinance is the provision of financial services to low-income poor and very poor self-employed people." Schreiner and Colombet (2001) defined microfinance as "the attempt to improve access to small deposits and small loans for poor households neglected by banks". NABARD Task Force 2000 has defined microfinance as "provision of thrift, credit, and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas enabling them to raise their income levels and improve living standards." Microfinance, thus, helps empower the poor and vulnerable section of the society and has emerged as a means of economic development.

India, since independence, has been trying to address the problems of the poor and the underprivileged. As a step to include the poor in the banking domain, NABARD in 1992 launched the SHG-Bank Linkage Programme. The SHG-Bank Linkage programme has expanded at a past face and is the largest microfinance programme in India. Along these lines, a significant number of Microfinance Institutions or MFIs (which include NBFC MFIs, trusts, societies etc.) have evolved which, are extending financial and non-financial support to the financially underprivileged. The mainstreaming of microfinance is evident from the microfinance programmes initiated by new generation private sector banks like ICICI Bank, HDFC Bank, etc. (Satish, 2005). All these developments point to the growing realization that the poor are bankable.

HDFC Bank's Sustainable Livelihood Banking

In an attempt to reach the still unbanked and with a view to provide financial services to the poor, especially women, HDFC Bank started the Sustainable Livelihood Initiative. The main aim of this initiative is to further its financial inclusion objective by empowering livelihoods in the under-banked and unbanked segments of the population. SLI (Sustainable Livelihood Initiative) provides a host of financial services like loans, savings account, micro-recurring deposits, and micro-insurance products.

SLI (Sustainable Livelihood Initiative) has taken a holistic approach towards developing the rural poor by offering training and enhancing skills and credit counselling and financial literacy of the participants. Till 2012, SLI has taken its microfinance lending to more than 5,174 villages in 20 states covering more than 20 lakh households under this initiative. The SLI programme in Odisha has covered 5395 households (Table 1).

Table I. HDFC Bank's SLI Business Performance Report in Odisha (Quarter June'16)

Particular	June'16 Quarter	Cumulative since inception
Loan disbursement (Rs. in Crs.)	1.23	4.24
Families included	929	5,395
Districts covered		3
Business location		3
Villages covered		51
No frill accounts	1,204	4,320

Microfinance impact studies – a review of literature

Several studies have been conducted which confirm that microfinance programmes have significant impact on increasing income and reducing poverty. An improvement in the standard of living of the households has also been reported by studies. A number of studies also point out the fact that participation in the programme has led to greater levels of women empowerment. However, some impact studies have also shown that the microfinance programmes are not reaching the poorest of the poor. The loans are being utilized for non-income generating activities and women have limited control over group loans resulting in limited women empowerment.

Hossain (1988) conducted an impact assessment study of Grameen Bank's microfinance programme in Bangladesh by comparing the participants and the non-participants in the programme. The study revealed a positive impact of the microfinance programme on the economic activities of members as compared to non-members. The average household income of the Grameen Bank members was 43% higher as compared to the eligible non-participants.

Morduch (1998), during 1991-92, investigated a cross-sectional data of 1,800 households in Bangladesh served by microfinance programmes of Grameen Bank, BRAC, and BRDB. It was concluded that microcredit contributed to reducing household vulnerability. The household that participated in the survey had significantly lower variation in consumption and labour supply across seasons as compared to a control group of households in the area not served by any microfinance programme.

Puhazhendhi and Satyasai (2000) conducted a study commissioned by NABARD in 223 states spread over 11 states across India. The comparison of pre- and post-SHG situation revealed a 33% rise in the average annual income from pre- to post-SHG situation. It was also found that 40% of the incremental income was generated from non-farm activities.

Todd (2001) studied the impact of SHARE Microfinance Ltd. on its clients. The compared existing clients who had received assistance and new clients who were yet to receive any. It was found that 76.8% of the clients had experienced a reduction in poverty which included 38.4% shifting from very poor to moderately poor category and 17.6% that had left poverty entirely. It was also found that most of the mature clients send their children to school and spend money for health purposes as compared to the new clients.

Singh (2001) conducted a study in Uttar Pradesh to find out the socio-economic impact of microfinance. The study showed an increase in the annual income by 28% and increase in the value of assets by 46%.

Gaonkar (2001) investigated the impact of SHGs on women in Goa. The study demonstrated that SHGs helped in improving their quality of life by increasing their income, savings, consumption expenditure, self-confidence, productive use of free time, getting opportunity to improve hidden talents and getting more importance in the family.

Kabeer and Noponen (2005) assessed the socio-economic impact of PRADAN's microfinance programme in Jharkhand. Members reported higher levels of savings and lower incidence of indebtedness. The study also revealed that members had better access to food, clean drinking water, as well as improved housing.

Yamuna (2007) assessed the status of SHG members in Coimbatore. The study reported an increase in the income level, savings, value of assets and household durables.

Borbora and Mahanta (2008) studied the role of credit in the generation of employment opportunities in Assam. It was found that 43% of the beneficiaries expanded their source of income and the microcredit linked SHG programme significantly increased the employability and promoted the habit of savings.

Thus, most of the studies reveal a positive impact of microfinance programmes on the lives of the poor. It has therefore been regarded as a poverty alleviation tool and is considered to be helpful in attaining millennium development goals by reducing hunger and poverty and empowering women.

Purpose of the study

The present study is an attempt to assess the impact of microcredit programme of HDFC Bank's Sustainable Livelihood Initiative (SLI). The paper investigates the pre- and post-intervention scenario by mainly concentrating on income, expenditure, savings, and asset base of the participants. In addition, the research study also tries to determine the income differences across the various livelihood activities. Further, the paper tries to determine the dependency of savings on income.

Methodology

To assess the impact of SLI microcredit, primary data was collected from 100 respondents in the Bhadrakh district of Odisha through convenience sampling. Participants of the survey were beneficiaries of SLI programme of HDFC. The impact assessment was made by comparing the clients' present position with respect to their position before availing the microcredit facility.

Analysis of Variance (ANOVA) technique was used to explore the income variation across groups. Correlation and regression has been used to determine the dependency of savings of the respondents on their income. Tabular and graphical methods have been utilized to represent the data.

The study intended to capture the true picture of the impact of microfinance on the livelihood of the rural poor. The subsequent section discusses the results on the study. It was observed from the study that 98% of the respondents took assistance from HDFC Bank's SLI to expand their existing livelihoods and rest 2% to start a new business. It was also found that 100% of the respondents utilized the assistance in productive purposes.

Change in households' income

Table 2 shows that, on an average clients' income has increased by 35% after joining the SLI programme. The highest income change (Rs. 19,743 per year) has been observed for handloom. The average annual income for the livestock sector has also increased significantly but the highest change recorded in the handloom sector implies that clients' prefer investing the handloom sector as it generates more income as compared to rest of the sectors.

It is important to note that none of the respondents in the survey were involved in agriculture or cropping. The reason may be attributed to the fact that majority of the respondents (94%) are landless having neither homestead land, nor cultivable land. Moreover, it can be inferred that agriculture or cropping required more drudgery as compared to other non-land based activities like livestock, poultry and handloom.

Table 2: Average annual income generation from different livelihood activities

Source of Income	Household's Income (Rupee/year)		Change in Income	
	Before	After	Rupee	Percent
Livestock	27,046	42,330	15,284	57%
Poultry	32,500	47,200	14,700	45%
Fishery	25,783	36,960	11,177	43%
Handloom	44,071	63,814	19,743	45%
Others	57,573	61,555	3,982	7%
Total	186973	251859	64886	35%

Income effect of SLI

Figure 1 show that the microcredit facility has resulted in increasing the households' yearly income. The microcredit has significantly alleviated their income base and most of them now earn more than Rs. 50,000 annually, which was not the case earlier.

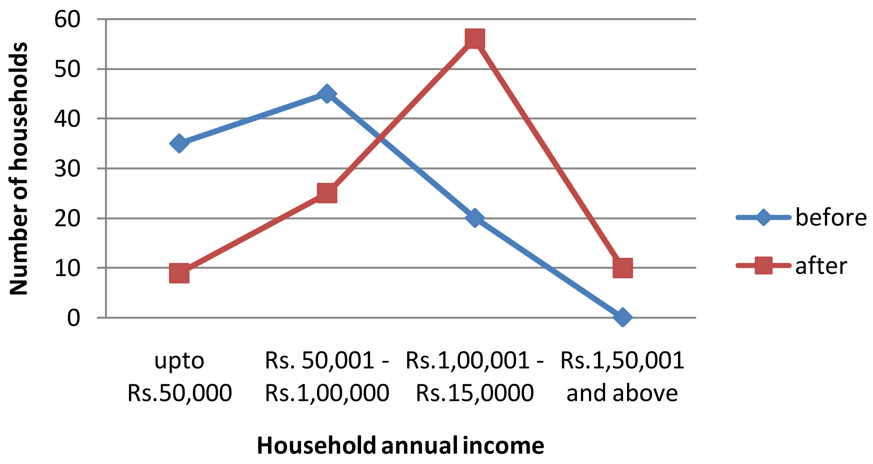


Figure 1: Change in the households' yearly income

Income variation across livelihoods

To understand if there is any significant variation in income of the beneficiaries with respect to their livelihoods an analysis of variance (ANOVA) test was conducted. The respondents (or beneficiaries) were classified on the basis of their livelihood activity. Thus, the research hypothesis is:

H_{0a}- There is no difference of income across the groups based on their livelihood activity.

H_{1a}- There is significant difference of income across the groups based on their livelihood activity.

Table 3 presents the output of the one-way ANOVA test and table 4 presents the descriptive statistics and means of the income from various livelihood activities. It can be observed from Table 3 that F-value is 10.615 and p-value is 0.000. Therefore, there exists a significant difference in the income across groups based on their livelihood activities at 0.01 significance level. Table 4 further shows that the means of income differ significantly across the 'others' category and livestock, poultry, handloom, and fishery taken together.

Table 3: Output table of one-way ANOVA (Income)

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	88474699.671	4	22118674.918	10.615	.000
Within Groups	197950756.329	95	2083692.172		
Total	286425456.000	99			

Table 4: Descriptive statistics table for one-way ANOVA (Income)

Particulars	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Others	4	9000.0	2000.00	1000.0	5817.5	12182.4	6000.00	10000.00
Poultry	10	5600.0	875.59	276.8	4973.6	6226.3	5000.00	8000.00
Livestock	18	4833.3	938.08	221.2	4366.8	5299.8	2500.00	6300.00
Handloom	45	5480.4	1586.31	236.4	5003.8	5957.0	2800.00	9000.00
Fishery	23	4195.6	1557.52	324.7	3522.1	4869.1	500.00	7000.00
Total	100	5221.2	1700.93	170.0	4883.6	5558.7	500.00	10000.00

Change in households' expenditure

Table 3 shows the expenditure of the households, further segregating the various sources. The household expenditure of the SLI clients' on an average has increased by Rs. 11,937 per annum. Expenditure on food shows the highest increase (Rs. 4344 per year) followed by education (Rs. 2785 per year) and repairs and maintenance (Rs. 2475 per year). The increase in repairs and maintenance (81%) is significant which may be attributed to the fact that poor always avoid these expenses due to shortage of money. But whenever they have ability they try to create better facilities or improve and repair the existing ones.

Table 5: Annual expenditure of households

Sources of Expenditure	Household's expenditure(Rupee/year)		Change in expenditure	
	Before	After	Rupee	Percent
Food	17232	21576	4344	25%
Clothing	7356	8802	1446	20%
Education	8430	11215	2785	33%
Health	4950	4988	38	1%
Repairs and Maintenance	3040	5515	2475	81%
Others	4925	5774	849	17%
Total	45932	57869	11937	26%

Change in the asset base of the households'

Clients' assets denote his or her land, house, furniture as well as the livestock and poultry. The assets possessed by the clients' before joining the SLI and after joining the SLI are presented in Table 4. The mean values indicate that there has been a significant increase in the poultry and livestock asset category. Further increase is noted in the number of equipments as well. However, there has been no increase in both homestead as well as cultivable land.

Table 6: Household assets owned by the households

Household assets	Mean value before availing credit	Mean value after availing credit
Homestead land	0.09	0.09
Cultivable land	0	0
House	0.06	0.07
Equipment	0.52	0.86
Livestock	2.14	3.67
Poultry	3.51	5.68
Electronic goods	0	0.37

Change in households' savings

The annual savings of the households, on an average, increased by Rs. 1142 per annum. When asked about their savings options, the respondents preferred savings account (42%), insurance (32%) and fixed deposits (10%). A significant portion of the respondents also maintained deposits with the local societies (14%) which form the other savings options.

Association between income and savings

To determine the association between savings of the beneficiaries with respect to their income a test of correlation was performed. Therefore, the hypothesis is:

H_{0b}-There is no linear relationship between savings of beneficiaries and their income.

H_b- There is a significant linear relationship between savings of beneficiaries and their income.

Table 7: Correlation Matrix

Particulars		Income	Savings
Income	Pearson Correlation	1	.965**
	Sig. (2-tailed)		.000
	N	100	100
Savings	Pearson Correlation	.965**	1
	Sig. (2-tailed)	.000	
	N	100	100
**. Correlation is significant at the 0.01 level (2-tailed).			

Table 7 presents the output of the correlation test. It can be observed from the table that savings and income is highly correlated (0.965) at significance level 0.01.To further test the dependency of savings on income linear regression analysis was performed. To determine if the data is fit for linear regression both the variables were put in a scatter plot. Figure 3 shows the scatter plot of income and savings and it can be observed that a straight line can be fitted through the points.

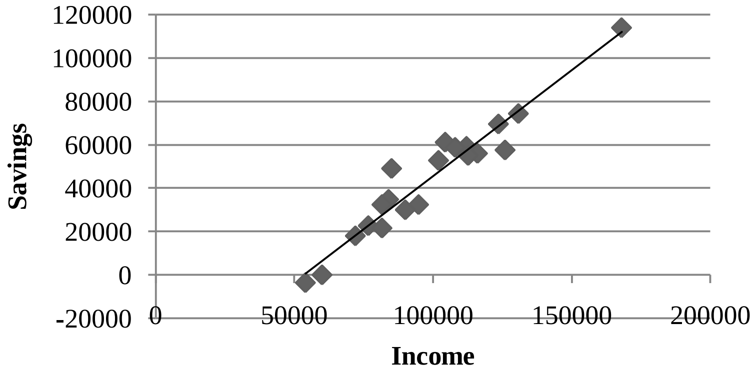


Figure 3: Scatter plot of income and savings

Linear regression analysis was performed by selecting income as the independent variable and savings as the dependent variable. Result of the test is displayed in tables 8, 9 and 10.

Table 8: Model summary of linear regression analysis

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.965[a]	.931	.930	7066.38059
a. Predictors: (Constant), income				

Table 8: Regression analysis (ANOVA)

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	65880732131.72	1	65880732131.72	1319.3	.000[b]
	Residual	4893505992.27	98	49933734.6		
	Total	70774238124.0	99			
a. Dependent Variable: Savings						
b. Predictors: (Constant),Income						

Table 9: Regression analysis coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-52197.679	2762.559		-18.895	.000
	Income	.978	.027	.965	36.323	.000
a. Dependent Variable: Savings						

Table 8 shows that the value of R^2 is 0.931 (greater than 0.7) indicating fitness of the model. Table 9 shows that the significance against the F value (1319.363) is 0.000. It is also seen that the value of constant (a) is -52197.679, whereas (b) is 0.978 and both are returning a significance level, against t test, of 0.000.
This implies that variation in savings of the beneficiaries can be explained with the knowledge of their income. The R^2 value of 0.931 indicates that approximately 93% of variance in savings of the respondents can be accounted for by the knowledge of their income.

Conclusion

Microfinance is now considered to be a well-established poverty alleviation programme. The respondents in the study reported an increase in the income, savings, expenditure and the asset base of their households. In was further evident from the study that the microcredit received under the SLI programme was utilized for income generating activities. Majority of the respondents in the study were landless and as a result all the respondents were engaged in non-land based livelihood activities. The study revealed that the income of the respondents have signification variation with respect to their livelihood activities. It was also established through the study that an increase in the income of the beneficiaries results in a significant increase in their savings. From this observation it can be concluded that the respondents have developed the habit of savings. This is further evidenced from the fact that all the respondents have savings accounts and a significant number of respondents also preferred life insurance as a saving option.

Finally, it can be concluded that the microfinance programme has benefitted the clients immensely and has been successful in bringing positive changes in terms of their income, savings, and asset base.

Reference

[1] Borbora, S., & Mahanta, R. (2008). Microfinance Through Self Help Groups and its Impact: A Case of Rashtriya Grameen Vikas Nidhi-Credit and Saving Programme in Assam. Empowerment of Women Through Self Help Groups, 42-43.

[2] Gaonkar, R. R. (2001). Working and Impact of Self-Help Groups in Goa. Indian Journal of Agricultural Economics, 56, 471.

[3] Hossain, M. (1988). Credit for Alleviation of Rural Poverty: The Grameen Bank in Bangladeh. IFPRI Research Report, 65.

[4] Kabeer, N., & Noponen, H. (2005). Social and Economic Impacts of PRADAN’s Self Help Group Microfinance and Livelihoods Promotion Program: Analysis from Jharkhand, India. Imp-Act: Improving the Impact of Microfinance on Poverty: Action Research Program Working Paper,11, University of Sussex, Brighton.

[5] Morduch, J. (1998). Does Microfinance Really Help the Poor? New Evidence from Flagship Programs in Bangladesh. Research Program in Developemtn Studies Working Paper, 198, Woodrow Wilson School of public and International Affairs, Princeton Uniersity, Princeton, New Jersey.

[6] Puhazhendhi, V. & Satyasai, K. J. S. (2000). Micro Finance for Rural People: An impact evaluation, Microcredit Innovations Department, National Bank for Agriculture and Rural Development, Mumbai.

[7] Rahman, M. M., & Ahmed, F. (2010). Impact of microfinance of IBBL on the rural poor’s livelihood in Bangladesh: an empirical study. International Journal of Islamic and Middle Eastern Finance Management, 3, 168-190.

[8] Satish, P. (2005). Mainstreaming of Indian Microfinance. Economic and Political Weekly, 40, 1731-1739.

[9] Shylendra, H. S. (2006). Microfinance Institutions in Andhra Pradesh: Crisis and Diagnosis. Economic and Political Weekly, 41, 1959-1963.

[10] Singh, D. K. (2001). Imapct of Self Help Groups on the Economy of Marginalized Farmers of Kanpur Dehat District of Uttar Pradesh –A Case Study. Indian Journal of Agricultural Economics, 56, 463-64.

EVALUATING THE SERVICE OF PRIVATE BANKS: A QUALITY ASSESSMENT

Dr. Pallabi Mishra
Department of Business Administration
Utkal University, Bhubaneswar
Mobile: 9437133190
E mail: pallabi.iitkgp@gmail.com

Corresponding author:
Dr. Biswajit Prasad Chhatoi
School of Management Studies
Ravenshaw University
Mobile: 9437133384
Email:chhatoiprasad@gmail.com

Abstract

Service sector is an essential industry for us. It consists of hospitality, health care and banks. Banking consists of public and private sectors apart from cooperative banks. Private Banks have mushroomed up at all nooks and corners of our country. At this point the question that is raised is about the satisfaction level of service quality. To address above research question an attempt has made to indentify the service quality of Nationalised banks in Cuttack town with the help of SERVQUAL model. An analytical research was made with 200 respondents to arrive at any conclusion. The findings suggested that the SERVQUAL is negative for all the variables in the study. The perception-expectation gap is highest in case of reliability and lowest for attitude.

Key Words: Nationalised banks, Reliability, Assurance, Tangibles, Empathy & Responsiveness

Introduction

Service Industry is one of the most promising and growing industry in India. Service sector in India contributes 57.9% towards the GDP growth in 2015 and provides employment up to 28.1% of employed population. It includes banks, airlines, tourism, health, education, hotel and other industries. The banking The Indian banking system consists of 26 public sector banks, 25 private sector banks, 43 foreign banks, 56 regional rural banks, 1,589 urban cooperative banks and 93,550 rural cooperative banks, in addition to cooperative credit institutions. Public-sector banks control nearly 80 percent of the market, thereby leaving comparatively much smaller shares for its private peers (www.ibef.org, 2016). With the potential to become the fifth largest banking industry in the world by 2020 and third largest by 2025 according to KPMG-CII report, India's banking and financial sector is expanding rapidly. The Indian Banking industry is currently worth Rs. 81 trillion (US $ 1.31 trillion) and banks are now utilizing the latest technologies like internet and mobile devices to carry out transactions and communicate with the masses (www.info.shine.com, 2016). Banks provide services to customers. The services provided by a bank for customers must be quality oriented. Consumer perception of service qualityis a complex process. Service quality being abstract in nature is difficult to measure. Therefore, multiple dimensions of service quality have been suggested (Brady & Cronin, 2001). One of the most popular models, SERVQUAL, used in service marketing, was developed by Parasuraman et al (1985, 1988). SERVQUAL is based on the perception gap between the received service quality and the expected service quality, and has been widely adopted for explaining consumer perception of service quality. Originally 10 dimensions of service quality were proposed (reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding the consumer, and tangibles). Later these were reduced to five (reliability, responsiveness, empathy, assurances and tangibles).

According to Oliver (2005), SERVQUAL is the method that assesses client satisfaction as a result of the difference between expectation and the performance obtained. According to Zeithaml, Parasuraman and Berry (1990), SERVQUAL is universal and can be applied to any service organization to assess the quality of services provided.

Objective of the study

To find the gap between customers' expectations and experiences of service quality provided by private banks.

Literature Review

'Service Quality' is a business administration term used to describe achievement in service. It reflects both objective and subjective aspects of service. The accurate measurement of an objective aspect of customer service requires the use of carefully predefined criteria. The measurement of subjective aspects of customer service depends on the conformity of the expected benefit with the perceived result. This in turn depends upon the customer's imagination of the service they might receive and the service provider's talent to present this imagined service.

The five key dimensions of SERVQUAL model were Tangibility, Reliability, Responsiveness, Assurance and Empathy. 22 attributes (Parasuraman et.al.1985,1988) for the SERVQUAL model was consider as the variables of the study and distributed over 5 dimensions. The details of the 5 dimensions are as

- Reliability: the ability to perform the promised service dependably and accurately.
- Assurance: the knowledge and courtesy of employees and their ability to convey trust and confidence
- Tangibles: the appearance of physical facilities, equipment, personnel and communication materials
- Empathy: the provision of caring, individualized attention to customers
- Responsiveness: the willingness to help customers and to provide prompt service

The study by Choudhury, 2015 revealed four dimensions of service quality in retail banking, namely, customer-orientedness, reliability, tangibles and convenience and showed that the service quality factor customer-orientedness comprising of the responsiveness and attitude of employees is most important in influencing customers' behavioural intentions in the case of private sector banks and reliability of the service is most influential in the case of public sector banks.

Choudhury, 2014 has found that in the case of the private sector banks, customer-orientedness has been found to be the most important factor while for public sector banks, reliability has been found to be the most important factor.

Franklin and Balaji, 2013 have examined the service quality dimensions and their impacts on customers' satisfaction across the bank customers in Trichy. Results indicate that female has expressed highly level of satisfaction towards the service quality dimensions compare to male. There is little aspect they do not satisfy. Also, it was found that customers satisfaction did increased or decreased with service dimension across the private banks customers. Additionally, results indicate that 5 aspects of the service dimension are examined individually in relation to their satisfaction, only 3 facets of the service dimension were significantly correlated namely tangibility, reliability and responsiveness with satisfactions. In generally it can be said that the results of this study indicate the extant of the high satisfaction levels that exist among the customers towards the service dimension across customers of private banks in Trichy,Tamilnadu State.

Swar, 2012 study shows that banks can assess dimensions of service delivery to determine the level of services provided and to decide which dimensions need improvement. In order to develop service delivery, it is necessary to contact employees frequently and evaluate their service experiences.

Ghost and Gnanadhas, 2011 have found out that service quality is important mainly in the service business enterprises. Growth and development of the enterprise majorly depends on the service quality. As service quality is the only way to satisfy majority customers, enterprises concentrate more on the service quality today. Quality in service is also interrelated to other behavioral outcomes of the customers. The study understands the various customer perceptions about the service quality factors like Assurance, Empathy, Responsiveness, Reliability and Tangibility in the banking industry and the satisfaction level towards the banks. It also analyses the impact of these service quality factors on the satisfaction level based on the demographic differences. The study collects the perceptions about the various service quality factors through purposive sampling method and analyses the impact of the service quality factors. The data were collected on the basis of the various demographics like, rural – urban area, education standards, income level, occupation difference, age groups etc. And finally, study concludes saying about the existence of a close bond between the service quality factors and the customer satisfaction level. And also it is found that the impact of the service quality factors on customer satisfaction was varying with the demography of the customers.

Munusamy,et. al., 2010 have focused on the measurement of the customer satisfaction through delivery of service quality in banking sector in Malaysia. And it highlights the parameters in banking industry for improvement in delivery of service quality. And also gives a snapshot of some appropriate methods that have been used for the measurement of customer satisfaction. The methodology followed was data collection from random respondents of the general population. Considering the fact that different group of people from different backgrounds have different expectation level, a large respondent population was targeted for the research. The questionnaire was collected from 117 respondents from different backgrounds. The study found that assurance has a positive relationship with customer satisfaction, but without significant effect. Reliability is the timeliness and accuracy in service provided, and says reliability does not have much impact on customer satisfaction. Tangibles include the appearance of the company, and the study found that it has high positive correlation with customer satisfaction. The study says that there is no much relation between empathy and satisfaction. Responsiveness is the timely response, which the customers get from their service providers. The study suggests that responsiveness factor is highly related to customer satisfaction.

Heryanto, 2011 objective of the study was to understand the influence of service quality on customer satisfaction on the main branch of Bank Nagari. The study focuses on how the influence of service quality affects the satisfaction of the banking customers of the Bank Nagari, Padang. The sample size taken for the study is 100 savings customers of the bank. Data was collected from the population by accidental random sampling technique. A simple Regression model is fitted to the data. The paper defines the various dimensions of the service quality like *Responsiveness, Reliability, Tangibility, Assurance and Empathy*. And the Customer satisfaction factors like *Speed, Accuracy, Safe, Suave, and Comfort.*The characteristics of the respondents were considered based on their demographic profiles like sex, age, income, occupation etc. And the profile perceptions about the service quality and the customer satisfaction were analyzed from the indicators of the same. Service quality has 17 indicators and Customer satisfaction has 12 indicators. The various indicators of both the service quality and customer satisfaction are measured using the scores from the questionnaire given to the sample population on a 5- Level Likert Scale. And then the regression model was estimated using SPSS tool. From the analysis, the study concludes that there is a significant relation between the service quality and the customer satisfaction. And service quality is very important and consists of actions like quick response, commitment, staff availability, right service fat right time, complaint solution, competency and capability of the staff in the bank.

Mehta, 2012 measured the service quality in the banking sector. Segmentation of the customers based on their perception about the high and low service quality factors and identifying the relation between both, find the importance of various dimensions of service quality and its influence on customer satisfaction.The study also defines the various dimensions of service quality and uses regression analysis to understand the relative importance between the dimensions. The sample population was counted to be total 293 respondents from 6 banks using purposive sampling and personal interview was conducted. To perform segmentation analysis, the customers were classified based on their service quality scores. The report found that the *type of account* held by the customer has more influence on the service quality segments. Hence the study suggests that the type of account is a significant demographic variable in measuring the service quality perception. The relative importance of the various dimensions influencing the Overall service quality, Overall customer satisfaction, Loyalty intention and Likelihood of recommendation are analysed. The study concludes saying that *reliability* dimension has the highest shortfall and *assurance* shows the lowest, when compared with customer expectations. And also suggests that type of account is a significant variable in profiling the two segments.

Malik, et. al, 2011 discussed service quality perception's contribution in customer satisfaction. The research hypothesis is that clients using retail banking services with favorable perceptions of service quality dimensions will experience higher satisfaction. Data collection was done from the banking customers from government, international and privately held banks in Lahore, Pakistan.From the findings, the study concludes that not all SERVQUAL dimensions have the role in boosting the satisfaction level of the banking customers in context with Pakistan. Also says *assurance* has higher contribution than *reliability.* The study has more implications on the banking practioners in Pakistan. The study findings also support the positive relationship of service quality with satisfaction as found by Dagger et al. The study concludes that the relationship between service quality and satisfaction varies because of the variability of the service quality dimensions.

Santhiyavalli, 2011 evaluated the service quality of the SBI in Coimbatore area. The study would also help in understanding of the customer perception of service quality in selected branches of SBI and also the major factors responsible for the customer satisfaction. The study was performed for duration of 6 months covering five branches at R.S Puram, Saibaba Colony, Singanallur, Race Course Road and Ganapathy road. SERVQUAL technique was used in the study using 22 variables under the dimensions, *tangibility, reliability, responsiveness, assurance & empathy.*Gap Analysis was used to find the shortfalls in the dimensions of service quality of the banking service. The variables for data collection, used in the study are the demographic variables like age, gender, educational qualification, marital status occupation and annual income. Primary data was collected from the e-banking customers of the branch through a questionnaire with 22 statements under the five dimensions. Convenience sampling was used to select the sample respondents. 250 responses were received and the responses were captured on a 7 Likert scale. Results of the study shows that most of the customers fall in the range of “agree” and “partially agree” for the services offered by SBI. As the gap scores were less for *Assurance*, the customers are satisfied with security aspects and *Empathy* has the highest gap score, which implies the dissatisfaction of the customers. Factor analysis conducted clearly indicates that the five dimensions *Assurance*, *Empathy*, *Tangibility*, *Reliability* and *Responsiveness* are the major factors influencing the customer satisfaction.

Jun, 2001 study is to understand the customer perceptions on the internet service quality, the various dimensions associated with the satisfaction. The study focuses on the various issues associated with the internet banking service quality. The study identified 17 dimensions of service quality, which are classified as Customer service quality, banking service product quality, online systems quality. The various incidents happened with the customers were content analyzed. The study discusses about the main four dimensions for customer service quality as *Access, Courtesy, Responsiveness and Reliability.* Critical Incident Technique (CIT) was used in the study to identify the key indicators of the Internet banking Service Quality. Incidents were collected from various organizations that access internet banking services for the day to day process The study identified the attributes for Customer service quality like *reliability, responsiveness, credibility, competence, courtesy, access, communication, understanding the customer, collaboration & continuous improvement* based on focus group discussions. The last two attributes *collaboration and continuous improvement* has been identified uniquely by the authors of this paper. It briefly discusses about the attributes collaboration and continuous improvement with case studies from the customer experiences. The study concludes saying that; any initiative for quality should begin with defining the customers. Identification and measurement of the customer expectations will help banks in assessing their service quality.

Servqual

The original SERVQUAL scale uses 22 questions to measure the five dimensions of service quality: reliability, tangibility, security, empathy and responsibility. These questions should be scored on a Likert scale from 1 to 7. The extremes are marked as agree completely (excellent) and disagree completely (mediocre). The results of the two sections (perceptions and expectations) are compared to reach a parameter (gap) for each of the questions, that is, the final score is generated by the difference between them (Parameter = Perception – Expectation). A negative result indicates the perceptions are below expectations, revealing the service failures that generate an unsatisfactory result for the client. A positive score indicates the service provider is offering a better than expected service (COELHO, 2004).

Research Methodology

The structure of the present study for data collection includes primary and secondary. Customers of nationalized banks in the city of Cuttack were taken as the population of the study. 200 respondents selected randomly as the sample respondents. The data was collected through deliberate sampling. The major data collection tool was a questionnaire, developed using a seven point (1 to 7) Likert scale, elaborating 30 variables based on the five dimensions of SERVQUAL model.

Results and Discussion

The collected data was put forth for analysis leading to the following results and discussions.

Table 1: Demographics of the respondents

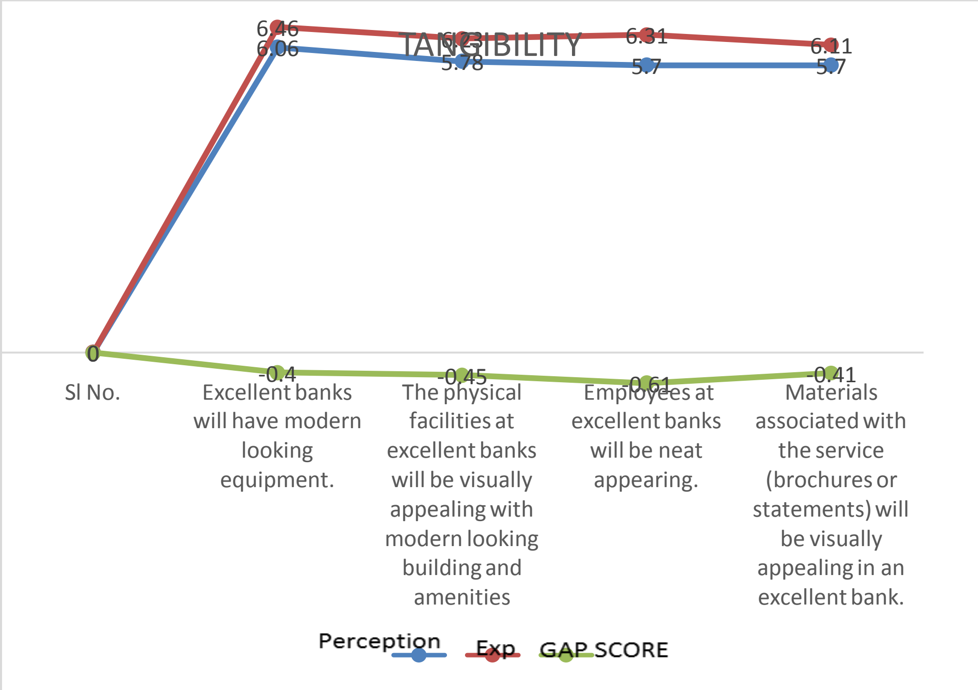
Age	**Percentage (%)**
18-28 years	41
29-39 years	32
40-51 years	15
52-62 years	7
>63 years	5
Gender	
Male	66
Female	34
Educational qualification	
General	
<Graduate	6
Graduate	41
Post Graduate	19
Above	0
Professional	
<Graduate	0
Graduate	4
Post Graduate	11
Above	0
Technical	
<Graduate	0
Graduate	11
Post Graduate	8
Above	0
Profession	
Government Service	26
Private Service	36
Businessman	25
Housewife	5
Student	8
Income	
< 2.5 lakhs	25
2.5 lakhs-5 lakhs	46
5lakhs-10lakhs	18
> 10 lakhs	11

From table 1 it is seen that most of the respondents were youngsters between the age group of 18-28 and 66% were male. Under education most of the respondents were graduates in general education followed by post graduates in professional and graduates in technical. Most of the respondents are private service holders. The income level was maximum between 2.5 lakhs-5 lakhs.

Table 2: Tangibility Gap

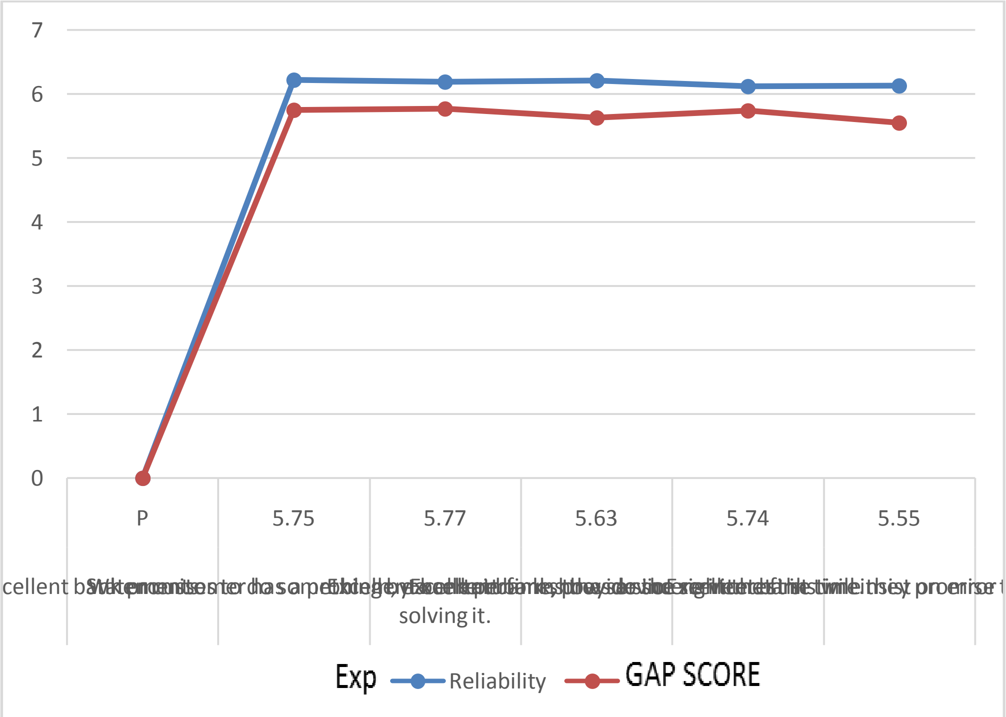
Statement	**P**	**E**	**Gap Score(P-E**
Excellent banks will have modern looking equipment.	6.06	6.46	-0.4
The physical facilities at excellent banks will be visually appealing with modern looking building and amenities	5.78	6.23	-0.45

Employees at excellent banks will be neat appearing.	5.7	6.31	-0.61
Materials associated with the service (brochures or statements) will be visually appealing in an excellent bank.	5.7	6.11	-0.41
		Average S.Score	**-0.4675**



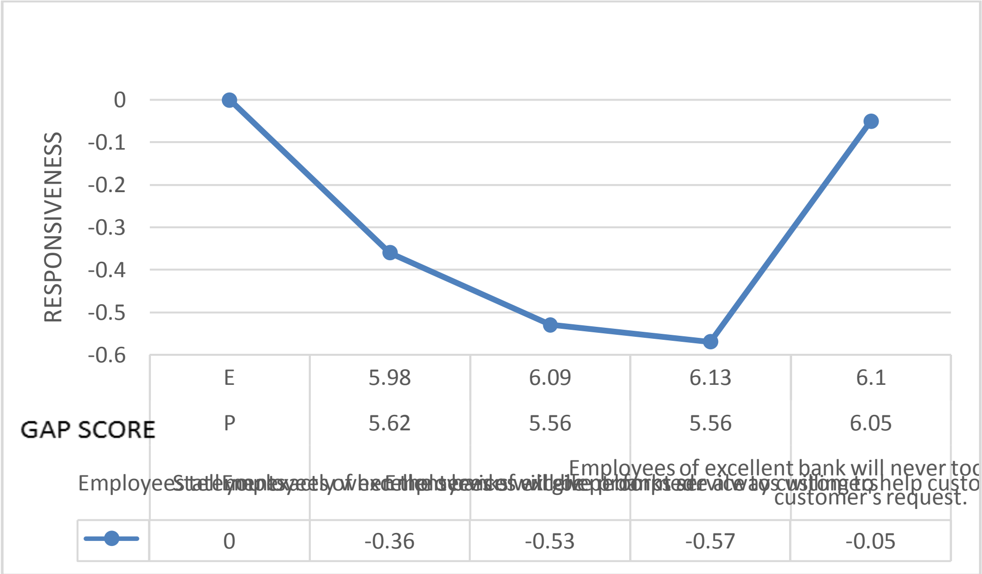
The expectation (E→6.46) of respondents is more than the perception (P→6.06) in case of having modern looking equipment with a gap (G→-0.4) which is negative. The expectation (E→6.23) of respondents more than the perceptions (P→5.78)in case of having physical facilities that be visually appealing with modern looking building and amenities with a gap (G→-0.45) which is negative. The expectations (E→6.31) of respondents more than the perceptions (P→5.7) in case having neat appearing employees with a gap (G→-0.61) which is negative. The expectation (E→6.11) of respondents more than the perception (P→5.7) in case of having visually appealing materials associated with the service (brochures or statements) with a gap(G→-0.41)which is negative. The average score of Tangibility is -0.4675 which is negative showing that private banks donot meet the expectations of the respondents.

Table 3: Reliability Gap			
Statements	**P**	**E**	**Gap Score(P-E)**
When bank promises to do something by a certain time, they do so.	5.75	6.22	-0.47
When customer has a problem, bank shows a sincere interest in solving it.	5.77	6.19	-0.42
Bank performs the service right the first time.	5.63	6.21	-0.58
Bank provide the service at the time they promise to do so.	5.74	6.12	-0.38
Excellent banks will insist on error free records.	5.55	6.13	-0.58
		Average S.Score	-0.486



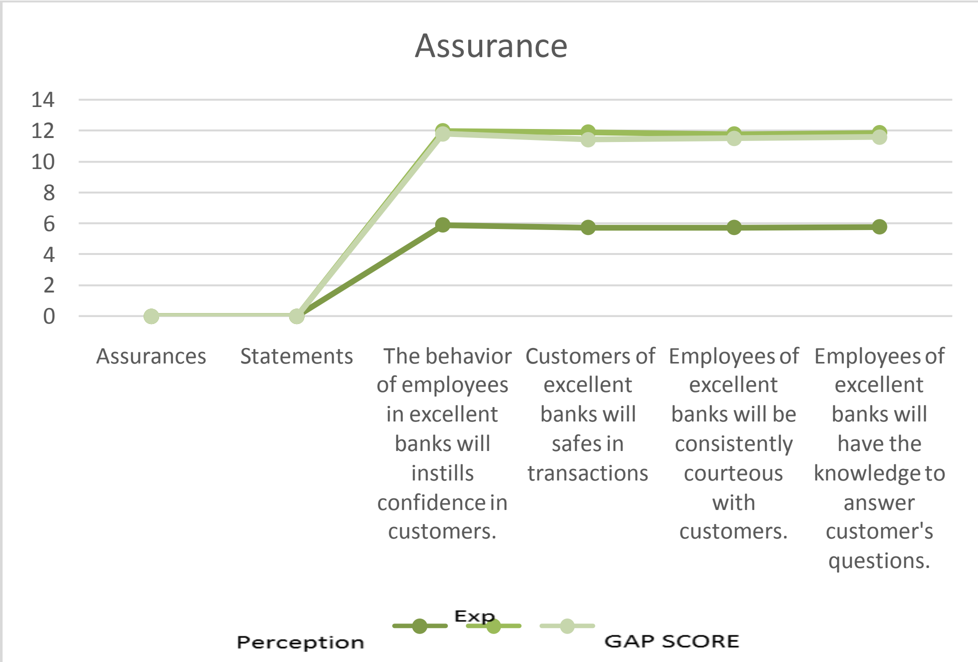
The expectation (E→6.22) of respondents more than the perception (P→5.75) in case promising of doing something on time, they do so with a gap (G→-0.47) which is negative. The expectation (E→6.19) of respondents more than the perception (P→5.77) in case when problem arises, they show sincere interest in solving it with a gap (G→-0.42) which is negative. The expectation (E→6.21) of respondents more than the perception (P→5.63) in case performs the service right the first time with a gap (G→-0.58) which is negative. The expectation (E→6.12) of respondents more than the perception (P→5.74) in case provide the service at the time they promise to do so with a gap (G→-0.38) which is negative. The expectation (E→6.13) of the respondents then the perception(P→5.55) in case of insisting error free records with a gap(G→-0.58) which is negative. The average score of Reliability is -0.486 which is negative showing that private banks donot meet the expectations of the respondents.

Table 4: Responsiveness Gap			
Statements	**P**	**E**	**Gap Score**
Employees tell you exactly when the services will be performed.	5.62	5.98	-0.36
Employees of banks will give prompt service to customers	5.56	6.09	-0.53
Employees of banks are always willing to help customers.	5.56	6.13	-0.57
Employees of bank will never too busy to respond to customer's request.	6.05	6.1	-0.05
		Avg score	**-0.3775**



The expectation (E→5.98) of respondents more than the perception (P→5.62) in this employees tell exactly when the services will be performed with a gap (G→-0.36) which is negative. The expectation (E→6.09) of respondents more than the perceptions(P→5.56) in case employees giving prompt service to customers with a gap (G→-0.53)which is negative. The expectation (E→6.13) of respondents more than the perception (P→5.56) Employees are always willing to help customers with a gap(G→-0.57) which is negative. The expectations (E→6.1) of respondents more than the perceptions (P→6.05) here employees will never too busy to respond to customer's request with a gap (G→-0.0500) which is negative. The overall average score is -0.3775 which is highly significant showing very low responsiveness from the banks' employees.

Table 5:Assurance			
Statements	**P**	**E**	**Gap Score(P-E)**
The behaviour of employees in excellent banks will instills confidence in customers.	5.9	6.08	-0.18
Customers of excellent banks will safes in transactions	5.72	6.17	-0.45
Employees of excellent banks will be consistently courteous with customers.	5.75	6.03	-0.28
Employees of excellent banks will have the knowledge to answer customer's questions.	5.79	6.08	-0.29
		Avg score	**-0.3**

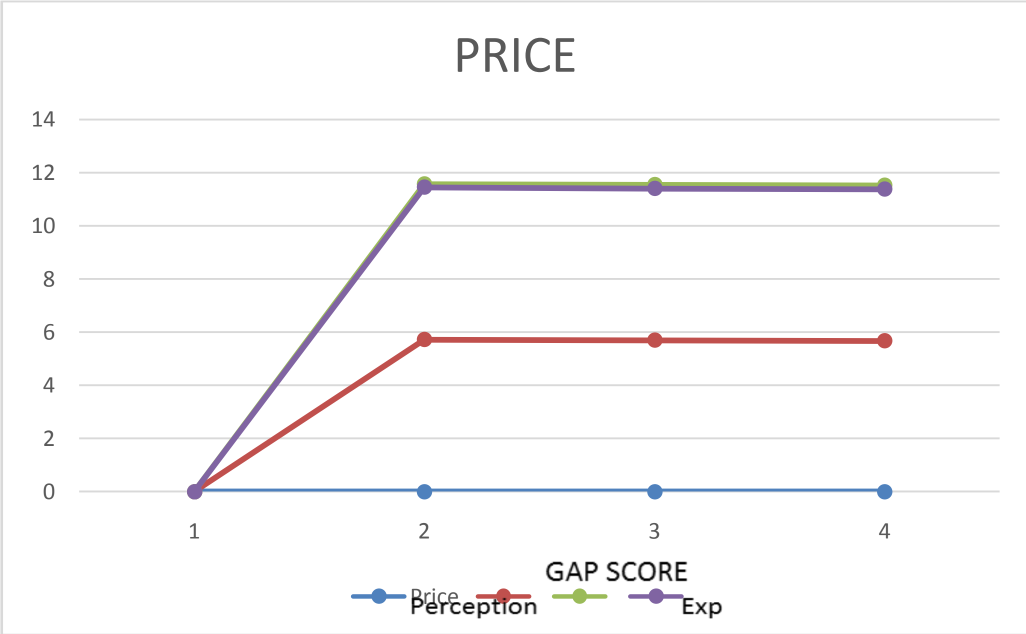


The expectation (E→6.08) of respondents more than the perception (P→5.9) Thebehaviour of employees will instils confidence in customers with a gap (G→-0.18) which is negative. The expectation (E→6.17) of respondents more than the perception (P→5.72) in this customer feel safe in transactions with a gap (G→-0.45) which is negative. The expectation (E→6.03) of respondents more than the perception (P→5.75be consistently courteous with customers with a gap (G→-0.28) which is negative. The expectation (E→6.08) of respondents then the perception (P→5.79) will have the knowledge to answer customer's questions with a gap (G→-0.29) which is negative. The overall average score of Assurance is -0.3.

Table 6: Empathy			
Statements	**P**	**E**	**Gap Score**
Banks will give customers individual attention.	5.75	6.15	-0.4
Banks having operating hours convenient to all their customers.	5.73	6.11	-0.38
Banks will having employees who give customers personal attention.	5.72	6	-0.28
Excellent banks will have their customer's best interests at heart	5.69	5.96	-0.27
The employees of excellent banks will understand the specific needs of their customer's.	5.71	6.05	-0.34
		Avg score	**-0.334**

The expectation (E→6.15) of respondents more than the perceptions (P→5.75) employees gives customers individual attention with a gap (G→-0.4) which is negative. The expectation (E→6.11) of respondents more than the perceptions (P→5.73) having operators hours convenient to all their customers with a gap (G→-0.38) which is negative. The expectation (E→6.00) of respondents more than the perception (P→5.72) having employees who give customers personal attention with a gap (G→-0.28) which is negative. The expectation (E→5.96) of respondents more than the perception (P→5.69) employees having their customer's best interests at heart with a gap (G→-0.27) which is negative. The expectation (E→6.05) of respondents more than the perceptions (P→5.71) employees understand the specific needs of their customer's with a gap (G→-0.34) which is negative. So the overall average score of empathy is -0.334.

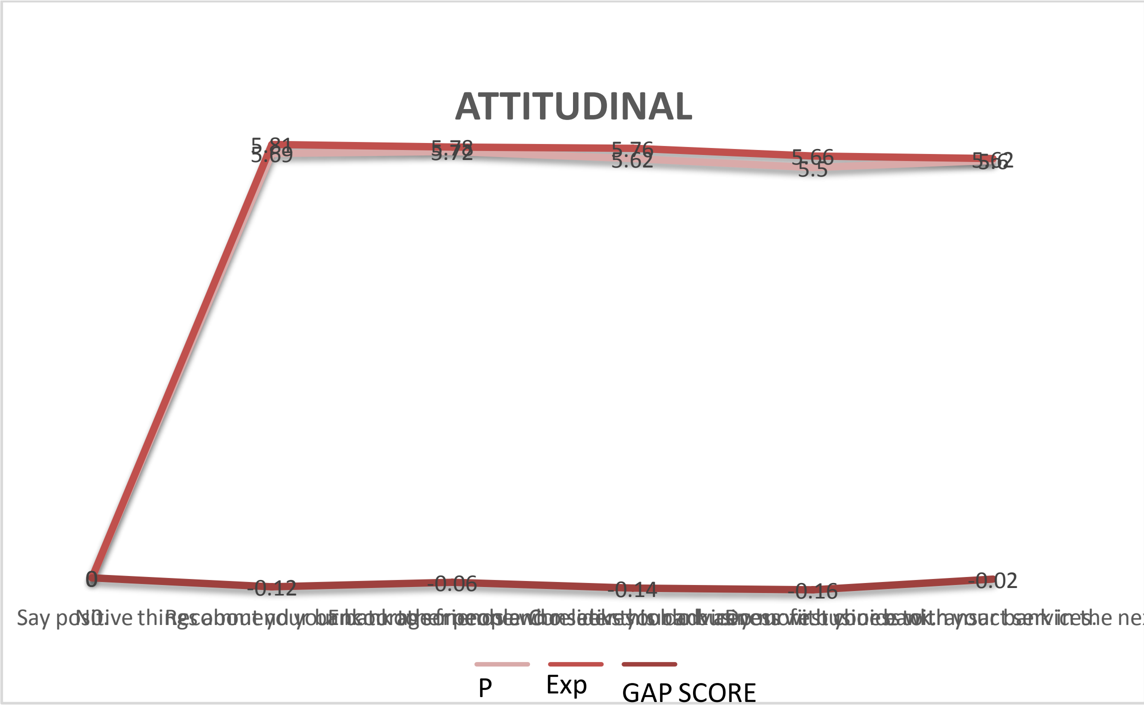
Table 7:Price			
Statements	**P**	**E**	**Gap Score(P-E)**
The excellent banks will give competitive interest rates	5.72	5.85	-0.13
The excellent bank will charge reasonable service charge	5.69	5.86	-0.17
The excellent bank has good complaint handling system to resolve our problems, if any with the bank. Overall service quality of my bank is good.	5.68	5.85	-0.17
		Avg score	**-0.1566667**



The expectation (E→5.85) of respondents more than the perceptions (P→5.72) will having competitive interest rates with a gap (G→-0.13) which is negative. The expectation (E→5.86) of respondents more than the perceptions (P→5.69) in case of having charge reasonable service charge with a gap (G→-0.17) which is negative. The expectation (E→5.85) of respondents more than the perceptions (P→5.68) has good complaint handling system to resolve our problems, if any with the bank. Overall service quality of my bank is good with a gap (G→-0.1700) which is negative. So overall average score of Price is -0.1566667 .

Table 8: Attitudinal

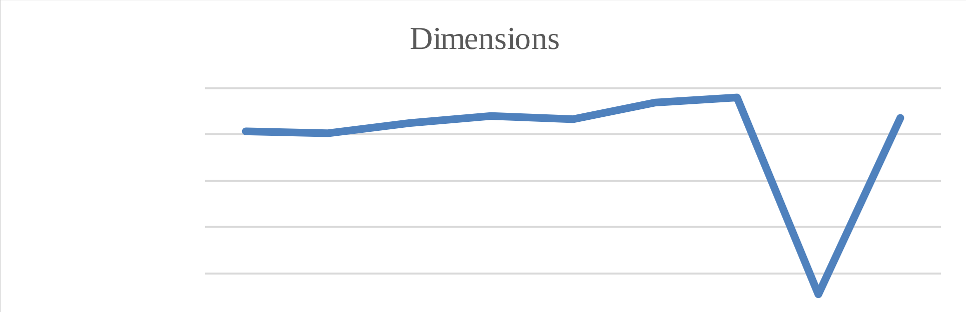
Statements	**P**	**E**	**Gap score**
Say positive things about your bank to other people.	5.69	5.81	-0.12
Recommend your bank to someone who seeks your advice.	5.72	5.78	-0.06
Encourage friends and relatives to do business with your bank.	5.62	5.76	-0.14
Consider this bank as your first choice to transact services.	5.5	5.66	-0.16
Do more business with your bank in the next few years.	5.6	5.62	-0.02
		Avg score	**-0.1**



The expectation (E→5.81) of respondents more than the perceptions (P→5.69) Say positive things about your bank to other people with a gap (G→-0.12) which is negative. The expectation (E→5.78) of respondents more than the perceptions (P→5.72) in recommend your bank to someone who seeks your advice with a gap (G→-0.06) which is negative. The expectation (E→5.76) of respondents more than the perceptions (P→5.62) in encourage friends and relatives to do business with a gap (G→-0.14) which is negative. The expectation (E→5.66) of respondents more than the perceptions (P→5.5) as your first choice to transact services with a gap (G→-0.16) which is negative. The expectation (E→5.62) of respondents more than the perceptions (P→5.6), do more business in the next few years with a gap (G→-0.02) which is negative. So the overall average score of Attitudinal is- 0.1.

Table 9: Calculation Unweighted SERVQUAL score

Dimensions	**Score**
Average**Tangibles** SERVQUAL Score	-0.467
Average **Reliability** SERVQUAL Score	-0.486
Average**Responsiveness**SERVQUAL score	-0.3775
Average **Assurances** SERVQUAL score	-0.3
Average **Empathy** SERVQUAL score	-0.334
Average**Price** SERVQUAL score	-0.1563
Average**Attitudinal** SERVQUAL score	-0.1
TOTAL	-2.2208
SERVQUAL SCORE	-0.317257143



	Average Tangibles SERVQUAL Score	Average Reliabilty SERVQUAL Score	Average Responsiiveness SERVQUAL SCORE	Average Assurances SERVQUAL SCORE	Average Empathy SERVQUAL SCORE	Average Price SERVQUAL SCORE	Average Attitudinal SERVQUAL SCORE	TOTAL	SERVQUAL SCORE
Column2	-0.467	-0.486	-0.3775	-0.3	-0.334	-0.1563	-0.1	-2.2208	-0.3172

The primary objective of the research is to identify the service quality of private banks in Curttack town. The researcher has applied SERVQUAL for the above purpose. The main findings are as follows. Private Banks are in general unable to satisfy their customer. It is because service quality is an intangible product which cannot be physically touched. The perception or experience of any human being is generally less than the expectation that he or she has towards any product. When it comes to service like banking the gap between perception and expectation becomes greater as our perception is most of the times situation based. Highest gap was indentified in reliability of the bank staff, which is because of privatisation and a feeling of insecurity amongst the customers towards the private banks. It becomes apparent on the part of the bank to train its employees to gain the confidence of the customers towards the bank by motivating them and assuring them of the safety of their savings. Minimum gap was indentified in Attitude. The attitude of employees of private banks was pleasing and conducive for the customers.

Conclusion

The entry of Private and Foreign players in banking business has, undoubtedly, contributed to the strengthening of banking business by creating a competitive atmosphere. But when it comes to customer satisfaction by the quality of service offered by the private banks they lag behind. A satisfied customer would bring several new prospects to the bank. Keeping this in mind the banks should try their level best to provide optimum quality of service to their existing customers. This would not only contribute to their profits but their goodwill and brand image too.

References

[1] Choudhury, K. (2015). Service quality and customers' behavioural intentions. *Asia Pacific Journal of Marketing and Logistics, 27*(5), 735-n/a.

[2] Choudhury, K. (2014). The influence of customer-perceived service quality on customers' behavioural intentions: A study of public and private sector banks, class and mass banking and consumer policy implications. *International Review on Public and Non - Profit Marketing, 11*(1), 47-73.

[3] Fatima, S., EdwardGnanadhas, M. (2011). Impact of Service Quality In Commercial Banks On The Customer satisfaction: An Empirical Study. International Journal of Multidisciplinary Research Vol.1 Issue 6, October 2011, ISSN 2231 5780, 19-37.

[4] Franklin, M., & Balaji, S. G. (2013). SERVICE QUALITY DIMENSIONS AND ITS EFFECT ON CUSTOMER SATISFACTION: A CASE STUDY ACROSS THE PRIVATE BANKS IN TRICHY. *International Journal of Management Research and Reviews, 3*(6), 2986-2991.

[5] GhoshHazaraSandip and Kailash B L (2010), "Impact of Service Quality on Customer Satisfaction, Loyalty and Commitment in the Indian Banking Sector", *Indian Journal of Marketing*, Vol. 40, No. 5, p. 23.

[6] Heryanto. (2011). Effect of Service Quality On Customer Satisfaction With Bank Nagari ,Main

Branch Padang. International journal of Business and Management Tomorrow Vol1 no.2, November 2011, ISSN:2249-9962, 1-14.

[7] Jun, Minjoon., Cai, Shaohan. (2001). The Key Determinants Of Internet banking Service Quality: A Content Analysis. International Journal Of bank Marketing, July 2001, 276-291.

[8] http://www.ibef.org/industry/banking-india.aspx#sthash.GyFr1lDs.dpuf.(2016)

[9] Malik, Muhammad Eshan., Naeem, Basharat., Arif, Zoune. (2011). How Do Service Quality Perceptions Contribute In satisfying Banking Customers?. Interdisciplinary Journal of Contemporary Research In Business Vol 3,No.8,December 2011, 646-653.

[10] Mehta, Parmita. Measuring Service Quality in Retail Banking Sector in Context of Gujarat. Ninth AIMS International Conference on Management,January 2012, 38-46.

[11] Munusamy, Jayaraman., Chelliah, Shankar., Mun, HorWai. (2010). Service Quality Delivery and Its Impact On Customer Satisfaction in the Banking Sector in Malaysia. International Journal Of Innovation, Management and Technology, Vol 1, No. 4, October 2010, ISSN:2010-0248, 398-404.

[12] Nair,R., Ranjith P V., Bose, S and Charu Si (2010) A Study of Service Quality on Banks with Servqual Model SIES Journal of Management, Vol.7(1): 35-45

[13] Parasuraman A, Zeithamal V A and Berry L L (1985), "A Conceptual Model of Service Quality and Its Implications for Future Research", *Journal of Marketing*, Vol. 9, Fall, pp. 41-50.

[14] Parasuraman A, Zeithamal V A and Berry L L (1988), "SERVQUAL: A Multiple- Item Scale for Measuring Consumer Perceptions of Service Quality", *Journal of Retailing*, Vol. 64, No. 1, pp. 12-40.

[15] Santhiyavalli, S. (2011).Customer's Perception Of Service Quality of State Bank Of India-A Factor Analysis. IJMBS Vol.1, Issue 3, September 2011, ISSN:2330-9519 (online)|ISSN:2231-2463(Print), 78-84.

[16] Swar, B. N. (2012). Managing customers perceptions and expectations of service delivery in selected banks in odisha. *Vidwat*, *5*(2), 25-33.

RELEVANCE OF EXCLUSIVE ECONOMIC REFORMS: WITH SPECIFIC REFERENCE TO TOURISM

S. Meera
Assistant Professor (IB), Indian Institute of Tourism and Travel Management (Under Ministry Of Tourism),Nellore

Abstract

Economic reforms embarked in 1991 in India, and it has ushered lot of changes in Indian economy. Globalization, Liberalization and economic reforms have been evaluated in different industrial segments. However nothing much is found or rather documented for in the context of Tourism, despite the industry status accorded to Tourism in 1980's.

This has called for a need to evaluate the growth in Tourism sector or its contribution in post globalised period especially in the context of foreign exchange earnings from tourism to substantiate the relevance of economic reforms in tourism and also to estimate the benefits if any, accrued to Tourism and allied activities, from other sectors like logistics, hospitality which have benefitted directly from economic reforms . Inbound Tourism is considered as an invisible item of export and data on foreign exchange earnings from tourism and Travel attests the same. After globalization, outbound tourism has also witnessed a boost. This paper attempts to evaluate the contribution of tourism to the Foreign exchange earnings in the post globalization period. As the exact contribution of tourism can be comprehended on the basis of inter-industry comparison in the post globalized era, the paper includes an inter-industry comparison using Grubel Index, between international tourism receipts and international payments in the post globalized scenario. On the basis of this, the paper has attempted to highlight the need for economic reforms especially in the context of tourism.

Key Words: Tourism, Post Globalization, Grubel Index,CAGR

Introduction:

Tourism as an industry has ushered into a new area of expansion and importance. The significance of tourism has been well recognized in both the developed and developing countries. In fact, tourism has enormous potential of employment generation and poverty alleviation. Tourism has also changed the landscape and nature based tourist destinations have emerged as most potential alternative forms of tourism. The recent policy changes will help in realizing the full potential of India in tourism growth; however, it faces numerous new challenges and a lot of competition both from within and outside of the country. Tourism has emerged as one of the most important area in the planning process of different countries. For a number of countries, it is one of the major source of foreign exchange earnings. However, India's entry to this sector has been quite late. Its share is less than 0.4% in the world tourists traffic, though India has large potential of tourism (cultural, heritage, ecological and other form of tourism). Tourism has also emerged as one of the lucrative business in India. Globalization has shown the path of tourism development and promotion in the new millennium. Importantly, new tourism policy of India envisages strategic planning, management and development of the tourism sector in India. AwadeshKr.Singh(2011)

The estimates of WTO project astounding growth of travel and tourism during the coming decades. It is estimated that (Bejbaruah, 2002).

- by 2020 there will be 1.6 billion international tourist arrivals world-wide;
- they will be spending about $2,000 billion; the sustained annual average growth rate in tourism will be 4.3%in arrivals and 6.7% in receipts - which is far above the probable expansion of the world's wealth, which will be growing only at about 3% per annum;
- Today, international tourism has emerged as a huge economic giant, accounting for 11.6% of the world's GDP generating over US $4.1 trillion (2000) output and employing 10.4% of the worldwide employment.

Objectives

Analyse the trend of foreign exchange earnings generated from tourism especially in the post globalised period.
Intra Industry comparison

Suggest the need for economic reforms in the context of Tourism.

Methodology

Data has been considered for the period 2000-2010 as tourism industry has witnessed enormous changes in the period which is attributed to the implications of General Agreement of Trade in Services (GATS), the International Agreement of world trade Organization. The resilience of tourism industry in the face of second wave of depression: (2008-2010), is often debated. So it was decided to focus on the period and economic contribution of tourism has been examined by analyzing the share of tourism in GDP, foreign exchange earnings in the post globalized period. The Grubel Index is constructed for intra industry comparison which helps in analyzing the receipts corresponding to payments made during the post globalized period.

Foreign Tourist Arrivals

Table No.1 Foreign Tourist Arrivals from 2000-2010

Year	Arrivals (In Millions)	% Change over the previous year
2000	2.65	
2001	2.54	-0.04
2002	2.38	-0.06
2003	2.73	0.14
2004	3.46	0.27
2005	3.92	0.13
2006	4.45	0.14
2007	5.08	0.14
2008	5.28	0.04
2009	5.17	-0.02
2010	5.58	0.08

Ministry of Tourism, Govt of India(2010) Bureau of Immigration.

The number of foreign tourists arriving from all over the world rose from 0.37 percent to 0.53 percent as has been stated by UN World Tourism Organization (UNWTO) in the year 2006. This remarkable growth in the graph of tourism industry in India popularized the entire South Asia as one of the most spectacular tourist terminal. The foreign tourist arrivals has increased as indicated in Table (1) from 2.65 million to 5.58 Million; However the percentage change in comparison to previous year is not satisfactory. However there has been a robust growth in tourist arrivals in the period 2006-07, following which the government designed a number of holiday packages and other attractive scheme which has reaped benefits in the year 2010 as tourism industry could withstand the second wave of depression.(as the percentage change is positive)

Indian tourism industry contributes to around 5.9 percent of the country's GDP and it provides employment to around 41.8 million.

Foreign Exchange Earnings from Tourism

The foreign Exchange Earnings has increased over a period of time from 2000-2011.The Percentage change is quite encouraging especially from 2009 to 2010.

FOREIGN EXCHANGE EARNINGS (FEE), IN US DOLLARS MILLIONS, FROM TOURISM IN INDIA, 1997-2014 (Table No.3)

Year	FEE From Tourism in India	Percentage (%) change over the previous year
1997	2889	2.0
1998	2948	2.0
1999	3009	2.1
2000	3460	15.0
2001	3198	-7.6
2002	3103	-3.0
2003	4463	43.8
2004	6170	38.2
2005	7493	21.4
2006	8634	15.2
2007	10729	24.3
2008	11832	10.3
2009	11136	-5.9
2010	14193	27.5
2011	16564	16.7
2012	17737	7.1

Source : Ministry of Tourism, Government of India (2010), Bureau of Immigration

The Foreign exchange earnings has not been very stable. However it has been increasing after 2003,although the increase has been in a diminishing rate. Isolated events like global financial crisis or terrorist attacks at Taj might have cast an influence in Foreign tourist arrivals resulting in decrease in foreign exchange earnings in the year 2009. The Compound Annual growth rate is 12.01%.

Grubel Lloyd Index for intra trade comparison in the context of Tourism (Table No.4) (Values in USD)

Year	Exports	Imports	GL Index
1995	2,582,000,000	996,000,000	.5568
1996	2,831,000,000	913,000,000	.4878
1997	2,890,000,000	1,342,000,000	.6348
1998	2,949,000,000	1,713,000,000	.7349
1999	3,010,000,000	2,010,000,000	.9810
2000	3,598,000,000	3,686,000,000	.9879
2001	3,342,000,000	4,367,000,000	.8541
2002	3,300,000,000	4,350,000,000	.8628
2003	4,560,000,000	4,385,000,000	.9805
2004	6,307,000,000	5,783,000,000	.9567
2005	7,659,000,000	8,277,000,000	.9613
2006	8,915,000,000	8,738,000,000	.9900
2007	11,234,000,000	10,690,000,000	.9752
2008	12,462,000,000	12,083,000,000	.9846
2009	11,136,000,000	9,310,000,000	.9107
2010	14,160,000,000	10,549,000,000	.8539
2011	17,518,000,000	13,722,000,000	.8785

Source: World Tourism Organization, Yearbook of Tourism statistics, Compendium of Tourism Statistics and data files.

Grubel Lloyd index is used for intra industry comparison. For this purpose the international tourism receipts (export) and payments (imports) are considered to compute the GL Index. It can be calculated using the formula 1-{(X-M))/(X+M)} where X indicates the exports and M indicates the imports.

Interpretation of GLI

The GLI index will be Zero if a country solely exports or imports. If the value of exports is equal to imports in any particular year, the GL index shall be one. In the normal circumstances when both the import and export is taking place, the value will lie between zero and one.The more the value is closer to one I, the more balanced is exports along the imports of a country. The nearer the value of the GL index is to zero, it indicates that the nation is moving either towards exports or imports (Williamson and Milner 1991). Table number 4 indicates the imports, exports and GL index for all the years from 1995 to 2011.

The values are above .63 since 1997 to 2011; nearer to 1,indicating that the exports are attempting to balance imports. However after 1998, the value is above .85 and even reached .99(2006) which indicates that the nation is moving towards either ‘more exporting country’ or ‘ only importing country’.On the basis of a visual analysis of the absolute figures pertaining to exports and imports ,it is clear that India’s Exports are encouraging after 1999,which reveals that India is moving towards more exporting country ,which could be attributed to overall changes in global business environment, year 2006, is indicating highest GLI which could be the impact of signing of GATS,multilateral trade agreement of WTO.

Need for Economic Reforms exclusively focusing on Tourism

Certain aspects pertaining exclusive to Tourism, which is an amalgam of other segments makes it imperative to concentrate on the reforms, to enhance economic contribution.

1. Need for continuous Tourism Innovations to sustain

The schumpeter’s theory of profit has established the link between Innovations and Profit. The innovations in tourism sector can also contribute towards profits and enhanced the economic contribution of tourism. This can be made possible through economic reforms only as it will usher more capital and other resources.

Need for Tourism Innovation

1. Customer preferences have shifted from conventional forms of tourism to innovative forms promising adventure, knowledge, dynamism
2. Consumer sovereignty has increased due to cut throat competition among tourism companies offering innovation travel packages with more customized schemes.
3. Purchasing power in general has increased and there is enhanced demand for better hospitality and visitor experience.
4. Innovative marketing strategies along with IT enabled services is required for increasing customer satisfaction and effective delivery of services is a must for any service industry and tourism industry is not an exception.
5. Penetration of E-tourism and other applications has necessitated innovations.

Organizational Innovations (as in Thomas Cook, Cox and Kings), Product and process innovations as in the case of Macau, Mexico are examples of economic Implications of tourism innovations. Innovations in tourism sector need to be well planned so as to maximize the overall gains from such innovation in all the segments of tourism and travel industry. Niche products like Medical tourism can be developed further.

Conceptual considerations underlying innovations must be adequately addressed through a proper framework so as to maximize the benefits from innovations. Adequate adaptation of innovation at all levels in the regional,local,cultural context also must be ensured so as to convert tourism into a catalyst inducing changes in monetary and nonmonetary terms. Cost Benefit analysis, impact of innovation in tourism and other allied economic activities need to be evaluated. Tourism product innovations can have a long term impact on destination communities which might contradict with the short term gains. Thorough analysis must be made from short term and long term perspective considering human, monetary and nonmonetary dimensions. Innovations at all levels and forms must be encouraged at all levels and forms after proper evaluation and prerequisites of innovation must be preplanned to benefit from innovation.

2. Emergence of Alternate Tourism approaches like sustainable tourism, responsible tourism can be given importance with a view point of maximising the economic returns from tourism without affecting the environment.
3. Contribution from tourism can be maximised only by improving the infrastructure. Efforts need to be taken to improve the economic and social infrastructure as such; which will have positive influence on tourism and enhance the tourist inflow from different parts of the world.
4. Visitor experience is a very important parameter which needs to be |enhanced in order to attract both foreign and domestic tourists. Concrete measures must be taken in coordination with different allied sectors of tourism like hospitality, etc.
5. Trained manpower is a must for any industry to perform better and therefore the existing human resource in the tourism and allied sector must be provided adequate training suiting the requirements of the industry and its clients.

On the basis of all these factors, it can be concluded that the economic reforms initiated in the context of Tourism, needs to be expedited ; attracting foreign Intuitional Investments and Foreign Direct Investment for assuring better visitor experience at destinations and to enhance the economic contribution from tourism.

References

[1] Archer, B. H., and J.E. Fletcher (1996) The economic impact of tourism in the Seychelles. Annals of Tourism Research 23(1), pp. 32-47

[2] Awadhesh Kr. Singh., and AbdulMajeedMulla (2011), Management of Tourism in India, Madhav Books, New Delhi

[3] Brau, R., A. Lanza, and F. Pigliaru (2003) How fast are the tourism countries growing? The cross-country evidence.CRENoS Centro RicercheEconomiche Nord Sud, Working Paper No03-09, http//www.crenos.it/working/pdf/03-09.pdf (Accessed 09 May 2006)

[4] Lanza, A., and F. Pigliaru (1999) why are tourism countries small and fast-growing. CRENoS Centro RicercheEconomiche Nord Sud, Working Paper No99-06, www.crenos.it/crenos/PDF/99-6.pdf (Accessed 09 May 2006)

[5] System of National Accounts /SNA/ (1993), United Nations Statistical Division, International Monetary Fund, World Bank, EUROSTAT, Organisation for Economic Cooperation and Development

[6] Williamson, John and Milner, Chris (1991) *The World Economy*. New York University Press: New York, p. 62, 90-91.

Vol-XIV, No-2, June-Dec 2016

EDUCATION AND ECONOMIC REFORM: IMPACT ON JUVENILE CRIME RATE

Authors:
Ms. Ananya Mitra
Faculty in Economics
United School of Business Management,
Bhubaneswar, Odisha.
Email: ya.lubalu.dibya@gmail.com

Dr. Shradhanjali Panda
Faculty in Finance
Ravenshaw University,
Cuttack, Odisha.
Email: shradha313@yahoo.co.in

Abstract

Purpose **-** *The purpose of the paper is to study the effect of education on juvenile crime rate.*
Design – Past literature is used in establishing link between education and crime rate. Data from various reports are used to show apprehension rate of juveniles and their education level for a time period of 15years (2001-2015). Simple statistical tools are used to derive the conclusions.
Findings – The paper found that RTE instead of reducing juvenile crime actually manifested it in leaps and bounds.
Practical implications – Children are the future of the nation. This study points out the ineffectiveness of primary education in curtailing crime; on the other hand the effectiveness of higher secondary education in reducing juvenile crime. All that is required is to retain and strengthen education system in the intermediate phase to get a positive effect of education on crime.
Originality – Increase in juvenile delinquency with rising public expenditure in school and enrollment ratio, suggests the need for out of the box thinking towards this sensitive issue.

Keywords –Education, Juvenile Crime, India

Introduction

Every country in one way or other is intrigued by crime. Reducing crime rate to zero is not possible but the rate can be minimized. Crime rate can be controlled and reduced by simultaneous adaptation of pre and post crime scenario. Post crime holding the offender accountable for his/her offence and punishing them according to the law and in pre stage detect the cause of criminal activities and accordingly deal with it. The paper attempts to study education as an ex ante or pre crime reducing mechanism. The reason education reduces crime rate is because it increases the economic returns to legal and productive work, it increases stress factor as potential criminals are made aware of the negativity of their criminal activity, it help the individual to think rationally during weak moment, and create a sense of risk adverseness in them. Researchers studying on returns on education have segregated the cost of education into two categories- private cost and social cost. Crime generates high negative externality and increases social costs. As education is able to reduce crime it also means education is successful in reducing both social cost (violence and productive labour force in prison) and economic cost (money spent in police, court, prisoners, and surveillance). This paper provides an insight into the effectiveness of present education towards reducing crime in India.

Literature Survey

An individual's education level may impact on the decision to commit a crime. Past researchers have shown that crime is more prominent among low educated people compared to higher educated individuals. Using micro data from the NLSY and Becker (1968) and Ben-Porath (1967) investment model of human capital formation, Lochner finds a strong negative effect of education on unskilled property crime and violent crime. Lochner and Moretti (2004) using three different data sources showed education significantly reducing crime rate. According to Usher (1997) education generates a 'civilization effect', there by reducing crime. As per Witte and Tauchen (1994) compulsory schooling reduces time with the children to commit crime. Ehrlich (1975b) finds a positive relationship between the average number of school years completed by the adult population and property crimes committed across the U.S. in 1960. Freeman (1986) finds a strong association between church attendance and lower crime participation rates for needy youths. Glaeser et al. (1996) emphasize the role of social interactions in explaining the continuous prevalence of high crime rates. "The nation needs to focus dollars and efforts on reforming school climates to keep students engaged in ways that will lead them toward college and a career and away from crime and prison," said Bob Wise, president of the Alliance for Excellent Education and former governor of West Virginia. In 1997, 75% of state and 59% of federal prison inmates in the US did not have a high school diploma (Harlow 2003). In 2001, more than 75 % of convicted persons in Italy had not completed high school (Buonanno and Leonida 2006), while incarceration rates among men ages 21-25 in the United Kingdom were more than eight times higher for those without an education qualification (i.e. dropouts) relative to those with a qualification (Machin, Marie and Vujic 2011). Finally, among Swedes born between 1943 and 1955, men with at least one criminal conviction had completed 0.7 years less schooling, on average, than men without a conviction; the difference for women was roughly half this size (Hjalmarsson, Holmlund and Lindquist 2011). Enforcement and punishment are not the only way to reduce juvenile crimes. Increasing educational attainment and school quality can significantly reduce crime rates.

Objective:

The objective of the paper is:

1. To study the trend of juvenile crime rate in India from 2001-2015
2. To make an inter-state comparison of juvenile crime rate during 2001-2015
3. To study the effectiveness of RTE in reducing juvenile crime

Methodology

The paper is based on secondary data collected from various publication of National *Crime* Records Bureau (NCRB). The time period of study is from 2001 to 2015. The variables used are the juveniles at the prison, and their education level. Simple statistical tools are used to derive the conclusions.

Juvenile Delinquency

The word 'Juvenile' has been derived from Latin term 'juvenis' meaning thereby Young. The term 'delinquency' has also been derived from the term do (away from) and liqueur (to leave). The Latin initiative "delinquere' translate as to emit in its original earliest sense. Pope Clement XI, in 1704 gave the idea of 'the correction and instruction of profligate youth'. The trend was followed and funded by Elizabeth Fry, which later led to development of Britain Reformatory Schools Act and Industrial Schools Acts. In 1847 United States of America established special courts for juveniles. In 1899 Chicago established the first 'Juvenile Court' Juveniles Offenders Act. It was the same year when the term 'Juvenile justice' was used for the first time by the legislature by the state of Illinois, USA, while passing the Juvenile Court Act.

Definitions of Juvenile/Child under various national legislations:

1. Child Marriage Restraint Act, 1929:Section 2 (a), "Child" means a person who, if a male, has not completed twenty one years of age, and if a female, has not completed eighteen years of age.
2. Immoral Traffic (Prevention) Act, 1956: Section 2 (a), "Child" means a person who has not completed the age of sixteen years.
3. Child Labor (Prohibition and Regulation) Act, 1986: Section 2 (ii), "Child" means a person who has not completed the age of 14 years.

Juvenile Justice (Care and Protection of Children) Act, 2000

The Act is a central Act, which came into force on April 1, 2001, throughout the country. It is based on (i) provisions of the Indian Constitution; (ii) United Nations Convention on Rights of the Child, 1989; (iii) United Nations Standard Minimum Rules for the Administration of Juvenile Justice, 1985 (the Beijing Rules); (iv) United Nations Rules for the Protection of Juveniles deprived of their Liberty, 1990. The

Juvenile Justice Act, in its preamble itself signifies the need of the child care by providing that it is an Act to consolidate and amend the law relating to juveniles in conflict with law and children in need of care and protection, by providing for proper care, protection and treatment by catering to their development needs, and by adopting a child-friendly approach in the adjudication and disposition of matters in the best interest of children and for their ultimate rehabilitation through various institutions established under this enactment. Recently the exhaustive amendments of 2006, and rules framed in the year 2007 is credit worthy as it incorporates many aspects regarding juveniles.

Crime rate in India

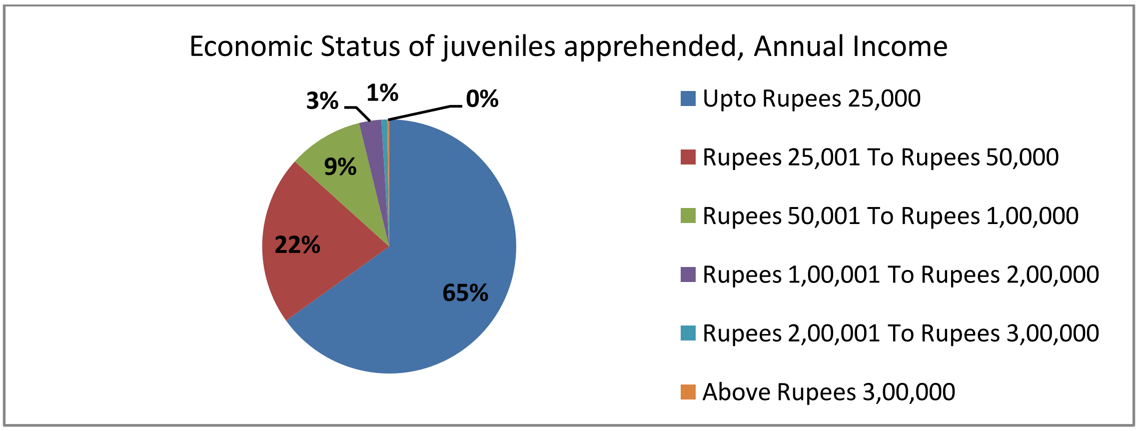
The statistics of juvenile crimes in the country against total crime in the country indicates steady decline in early 1990s and static in late 1990s and then again rose significantly in early 2000 and still increasing gradually. A large number of juveniles (68.4%) belong to the poor families. (Income below 25000/) Main IPC offences in which they are reported to be involved are hurt, theft, burglary, riot and molestation. Similarly, main SLL offences are gambling, excise and Prohibition. The table below gives a clear picture of the rate of juvenile delinquency under the Indian Penal Code (IPC), incidence of juvenile (SLL) crimes in India and juveniles apprehended under IPC and SLL (age wise) during the period 1990 to 2000.

Year	Juvenile Crimes	% to total crimes	Juvenile (SLL) crimes	% to total crimes	Juveniles Apprehended under IPC and SLL & their age.			
					Number	AGE(in years)		
						7 - 12	12 - 16	16 – 18
1990	15, 230	0.9	14,799	0.45	30, 816	11.9	76.5	11.5
1991	12, 588	0.8	22,143	0.66	29, 591	19.7	63.8	16.4
1992	11,100	0.7	7,532	0.21	21, 358	16.1	69.3	14.7
1993	9, 465	0.6	7,199	0.19	20, 067	19.6	67.0	13.5
1994	8, 561	0.5	5,962	0.15	17, 203	21.5	64.3	14.3
1995	9, 766	0.6	5,255	0.12	18, 793	18.0	63.9	18.1
1996	10, 024	0.6	5,719	0.12	19, 098	18.3	59.6	22.1
1997	7, 909	0.5	4,408	0.09	17, 796	15.4	68.4	16.2
1998	9, 352	0.5	6,007	0.14	18, 923	17.6	61.0	21.3
1999	8, 888	0.5	5,569	0.18	18, 460	21.9	55.9	22.3
2000	9, 267	0.5	5,154	0.15	17, 982	18.3	63.3	18.4

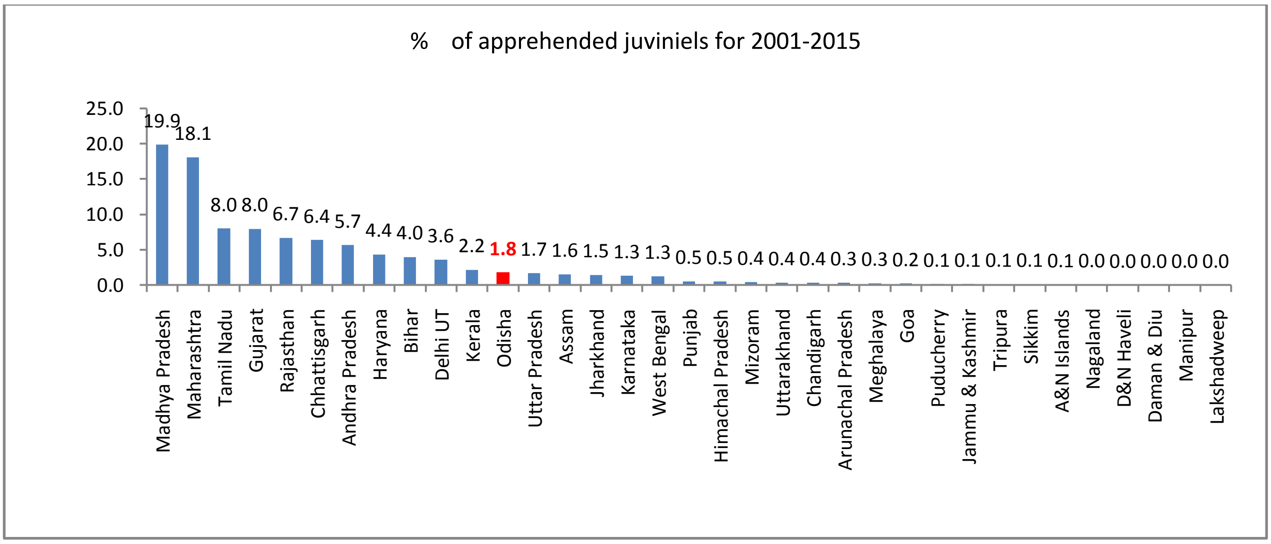
Source: NCRB, report, 1990-2007 New Delhi.15

Income and Crime Rate

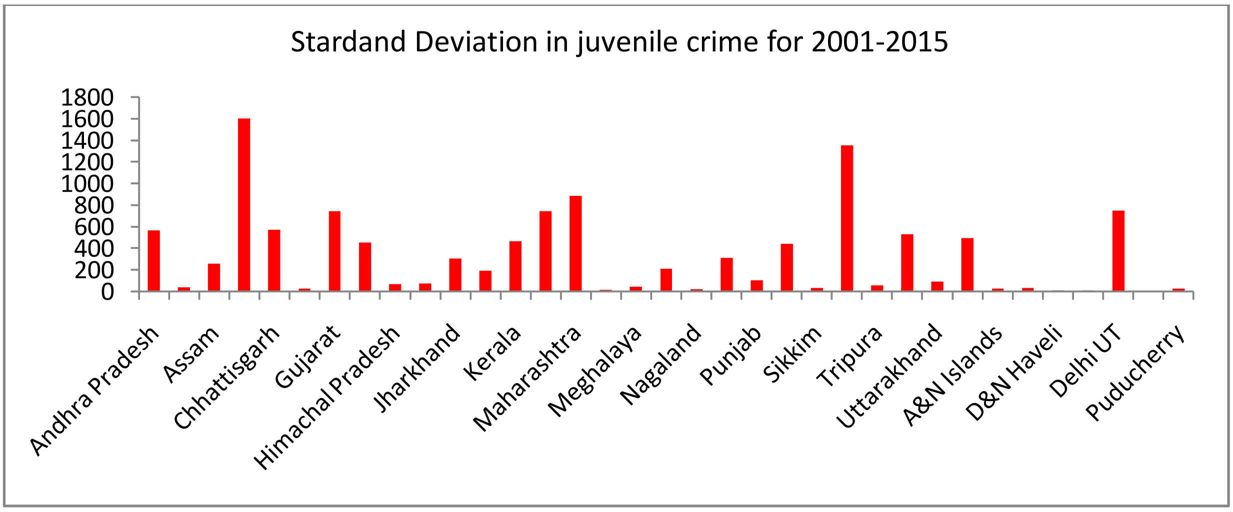
Apprehended juveniles mostly came from lower strata of income group. The government run public sector schools, with free education has to be there only hope of schooling. Over the years government has spent crores of rupees towards school and mass education, leading to increase in enrollment ratio. But the RTE Act actually increased the potential for dropouts, especially among poor and backward classes.



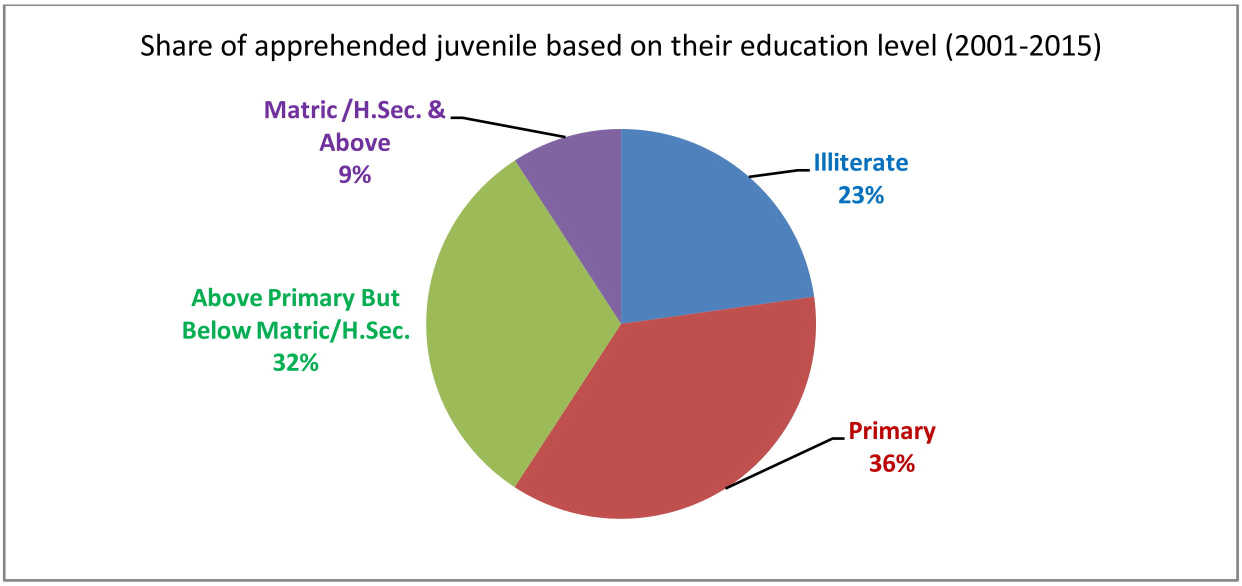
The graph below shows the share of Indian states in juvenile crimes. Developed states like Maharashtra, TN and Gujarat have a major share. The eastern states has negligible share in juvenile crime. This may be due to the population level of the developed states.



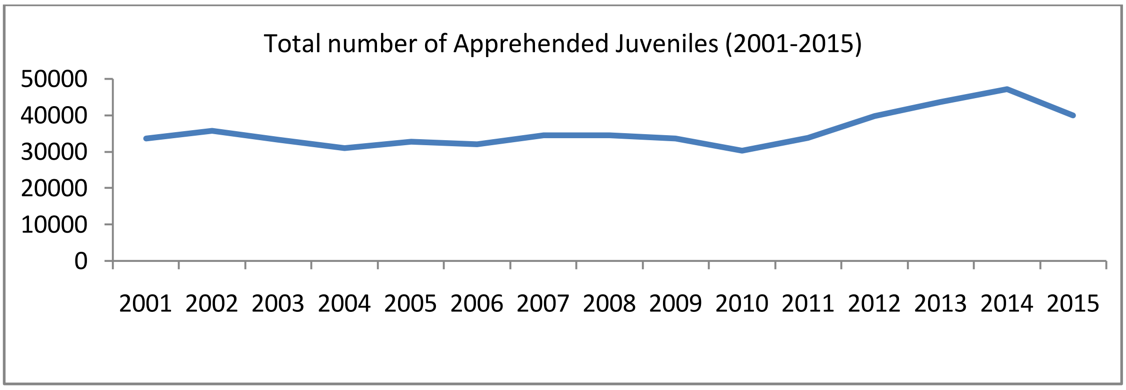
The SD of juvenile crime over the last fifteen years shows a mixed response. Some states show a fluctuating trend like Bihar, TN, Delhi and Maharashtra. Higher SD represents that the frequency of juvenile apprehension is not consistent over the years. That is to say that the number of crime drastically changes every year.



It can be seen from the pie chart that the children with primary education are more prone to criminal activity compare to illiterate children. The share begins to fall as a child increases his/her education level. Once the child crosses the 10th board the participation rate falls drastically.



The Right of Children to Free and Compulsory Education Act or Right to Education Act (RTE) was passed by the parliament on 4 August 2009 for children in the age groups of 6 to 14 in India under Article 21A of the Constitution of India. But as can be seen the total number of apprehended Juveniles started rising instead of falling immediately after the enactment of the act. The amendments in the new law made it practically impossible to implement the RTE. Parents, scared of the huge fines that they may have to pay for employing their children, lied about school attendance and unwillingly complied with contractors in employing them at low wage rate.



Juvenile Justice (Care and Protection of Children) Act, 2015

After the 2012 Delhi gang rape, or otherwise known as *NIRVAYA, the* **Juvenile Justice (Care and Protection of Children) Act, 2000, was replaced by** Juvenile Justice (Care and Protection of Children) Act, 2015. The Bill permits juveniles between the ages of 16-18 years to be tried as adults for heinous offences. Post reform, there has been a fall in juvenile crime in India.

Suggestions

Prevention is better than cure works fabulously while resolving juvenile delinquency. Control of delinquency needs effective implementation of Juvenile Justice Act, with full public awareness and proper orientation and training to professionals and law enforcement agencies. Regular up gradation and formation of systematic panel to assess the needs and requirements of the juveniles. The police should adopt innovative and reformative approach while dealing with such cases. Government should try to motivate them to join main stream of the society and regain their self-confidence. Governments should encourage and provide support to NGOs providing juvenile services. All the stakeholders should give coordination and networking, as the aims of juvenile justice could be achieved mainly through concentrated and co-ordinate functioning.

Reference

[1] Barro, R., Lee, J., 1996. New measures of educational attainment. Mimeographed, Department of Economics. Harvard University, Cambridge, MA

[2] Becker, G. S. (1968). Crime and punishment: An economic approach. Journal of Political Economy, 76 (2), 169–217.

[3] Ben-Porath, Y. (1967). The production of Human Capital and the life cycle of earnings. Journal of Political Economy, 75 (4), 352–365.

[4] Buonanno, P., & Leonida, L. (2006). Education and crime: evidence from Italian regions. *Applied Economics Letters*, *13*(11), 709-713.

[5] Cherry, T. L., & List, J. A. (2002). Aggregation bias in the economic model of crime. Economics Letters, 75 (1), 81–86.

[6] Ehrlich, I. (1973). Participation in illegitimate activities: A theoretical and empirical investigation. Journal of Political Economy, 81 (3), 521–565.

[7] Ehrlich, I., 1975b. On the relation between education and crime. In: Juster, F.T. (Ed.), Education, Income and Human Behavior. McGraw-Hill, New York.

[8] Fajnzylber, P., Lederman, D., & Loayza, N. (2002). Inequality and violent crime. Journal of Law and Economics, 45(1), 1–40.

[9] Freeman, R. B. (1996). Why do so many young American men commit crimes and what might we do about it? Journal of Economic Perspectives, 10 (1), 25–42.

[10] Freeman, R., 1986. Who escapes? The relation of churchgoing and other background factors to the socioeconomic performance of black male youths from inner city tracks. In: Freeman, R.B., Holzer, H. (Eds.), The Black Youth Employment Crisis. University of Chicago Press, Chicago.

[11] Freeman,R.,1992.Crimeand the employment of disadvantaged youths. In: Harrell, A.,Peterson,G. (Eds.),Drugs, Crime and social Isolation: Barriers to Urban Opportunity. Urban Institute Press,Washington, DC.

[12] Glaeser, E. L., Sacerdote, B., & Scheinkman, J. A. (1996). Crime and social interactions. Quarterly Journal of Economics, 111 (2), 507–548.

[13] Glaeser, E., Sacerdote, B., 1999. Why is there more crime in cities? Journal of Political Economy, 107, S225-S258.

[14] Glaeser, E., Sacerdote, B., Scheinkman, J., 1996. Crime and social interactions. Quarterly Journal of Economics 111, 507-548.

[15] Harlow, C. W. (2003). Education and Correctional Populations. Bureau of Justice Statistics Special Report.

[16] Hjalmarsson, R., Holmlund, H., & Lindquist, M. J. (2015). The Effect of Education on Criminal Convictions and Incarceration: Causal Evidence from Micro-data. *The Economic Journal*, *125*(587), 1290-1326.

[17] Journal of Law and Economics, 44(1), 259–283.

[18] Lochner, L. (2004). Education, work and crime: A human capital approach. International Economic Review,45 (3), 811–843.

[19] Lochner,L.,&Moretti,E.(2004).Theeffectofeducationoncrime:Evidence from prison inmates, arrests, and self-reports. American Economic Review, 94(1), 155–189.

[20] Machin, S., Marie, O., & Vujić, S. (2011). The crime reducing effect of education. *The Economic Journal*, *121*(552), 463-484.

[21] Raphael, S., & Winter-Ebmer, R. (2001). Identifying the effect of unemployment on crime.

[22] Sah, R. K. (1991). Social osmosis and patterns of crime. Journal of Political Economy, 99

[23] Usher, D. (1997). Education as deterrent to crime. Canadian Journal of Economics, 30(2), 367–384.

[24] Witte, A. D., & Tauchen, H. (1994). Work and crime: An exploration using panel data. Public Finance, 49, 155–167.

Vol-XIV, No-2, June-Dec 2016

A REVIEW ON STOCK MARKET OVERREACTION AND CONTRARIAN PROFIT: SOME INSIGHTS

Sthiti Pragyan Biswal
Research Scholar, Department of Business Administration
School of Management Studies, Ravenshaw University, Cuttack, India
E-mail: sthitifinance@gmail.com

Corresponding Author - Dr. Munmun Mohanty
Associate Professor, Department of Business Administration
School of Management Studies, Ravenshaw University, Cuttack, India
E-mail: munmun@raveshawbschool.ac.in

Abstract

Existence of overreaction effect and contrarian profits has become one of the ongoing debate topic. The debate could be traced back to 80's but till now there is no strong evidence on its existence. This paper critically examine the different work of various author and put a possible hope for the existence of the effect. This paper also highlights the need for further research to establish strong evidence regarding the existence of the effect.

Key Words: Overreaction Effect, Contrarian Strategies, CAPM, Random walk

Introduction

In 1970, Fama claims that stock prices accurately reflects all the available information at all times, hence there is no question of earning excess return from the stock market. So it becomes the most dominant themes in the financial market research and gained the attention of financial economist towards stock market efficiency. But this concept was challenged by DeBondt and Thaler (1985) by saying that stock market is subject to the waves of optimism and pessimism. He refers to it as "Overreaction Effect". Since then it has become a grey area among the financial economist now–a-days. Overreaction hypothesis asserts that stock prices shoot up over good news and drop over bad news from the stock fundamental values for a temporary period. However after a period of it again reverts back to its fundamental value there by suggesting that prices have overreacted in initial period and that it subsequently corrects itself. This has resulted in development of several theoretical and behavioural models.

The purpose of the study is to review the available literature on the overreaction effect and contrarian profit. Section two of the paper gives the brief review of the effect and contrarian profit. Section three of the paper discusses the various pros and cons of presence of the overreaction effect and contrarian profit finally section four concludes.

Overreaction Effect And Contrarian Profit: An Overview

De Bondth and Thaler (1985) explained the overreaction effect by proposing two hypotheses as follows:

- Extreme movements in stock prices will be followed by subsequent price movements in the opposite direction.
- The more extreme the initial price movement, the greater will be the subsequent adjustment.

To test these hypotheses they took NYSE monthly data for the period of 1926-1982. They took the stocks that have either extreme capital gain or looses over the last five years. The methodology used by them involved the construction of two portfolios i.e. Winner and Loser. Extreme high return securities were coming under Winner portfolio and Loser portfolio composed of extreme low return securities. Empirical result of the study shows that the average cumulative residual between the extreme portfolios equals to significant gain of 24.6%.Many other studies had conducted by supporting the findings of the De Bondt and Thaler(1985) by Fama and French(1988), Poterba and Summers(1988), Brown and Harlow (1988) and Bowman and Iversan (1998).There is a famous quote says that" Never swims against the Tide" .It means Today's winner may be the tomorrow's winner and Vice versa. But Contrarian investment strategy claims that "Today's winner may be the tomorrow's looser and Vice-versa. Zarowin(1989,1990) proposed that the differential size drives the Winner Vs Losers phenomenon rather than assumed investor overreaction.Size effect refers to the tendency of small capitalisation shares to outperform to the large capitalisation shares over the longer horizons.Conrad and Kaul (1993) who found evidence that contrarian strategy is profitable for short term and long term while momentum strategy is profitable for medium term.

Sanjay Sehegal and I Balakrishnan(2002) says that there is a weak reversal pattern in long term returns and strong continuation pattern in short term returns for the Indian market. For this study he took the month end share prices for 364 companies of CRISIL-500 index which represent 97 industry groups from July 1989 to March 1999. They creates five portfolio among which bottom 20% securities are called "Loser Portfolio" and top 20 percent securities are called " Winners Portfolio". From the study they find out that Long term return do exhibit a reversal pattern once the short term moment is controlled by skipping one year between portfolio formation and portfolio holding period.

Ruhani Ali, Zamir Ahmad and Shangkari V. Anusakumar (2011) suggested that there is a negative relationship between trading volume and overreaction. It means investor may be able to obtain significant profits by implementing a short term contrarian strategy focused on low volume stocks. For this study 297 stocks are taken from January 2000 to October 2010 listed in the Bursa Malaysia. Again Loser and Winner portfolio are created for the study and ranked according to the past week return. They calculated the Mark adjusted return and ACAR of the portfolio. The result shows that investors might be able to make profit in Malasiyan market by applying contrarian strategy but overreaction is present only for the periods of up to 12 weeks.

Hsieh and Hodnett (2011) suggested that there exist a saturation point for the past losers and past winners. The reversal takes place while they reach the saturation point.

Hu, YuYan (2012) suggested that there is no significant existence of market overreaction. For the study the monthly return data of all stocks in S&P 500 are taken from the year January 1986 to December 2009 and January is taken as the base year. Cumulative excess return and market adjusted excess returns are calculated. T-value and p-value are also calculated and t-statistics was found to be non significant.

Raj S. Dhankar and Supriya Maheswari (2014) conducted the experiment to study the existence of contrarian profits in Indian stock market. For the study they took the monthly closing adjusted prices from NSE India for the year of Jan 1997 to March 2013. 328 stocks are taken into consideration to conduct the study. They form the Winner and looser portfolio from the stocks. They found that Indian investor can earn abnormal profit by applying the contrarian strategy. Hence a lot of research is needed on the behavioural explanation of investor's overreaction and the kind of behavioural patterns that generates such reaction.

Critiques Of The Overreaction And Contrarian Profit

With regard to bid–ask spread, Loughram and Ritter (1996) challenged the findings of Conrad and Kaul (1993). Authors provided direct evidence showing that the DeBondt and Thaler (1985) findings were not driven by the use of cumulating single period returns as compared to buy and hold returns. With the help of direct tests, they further found little differences in test period returns whether CAR (Cumulative abnormal returns)as proposed by DeBondt and Thalerorbuy and hold returns were used. Loughram and Ritter further claimed that the buy and hold method provides a sharper distinction between the portfolios, but once portfolios are selected, both CAR strategy and buy and hold Strategy will provide similar results. Furthermore, they also suggested that the differences in loser and winner thirty-sixth CAR results as reported by Conrad and Kaul (1993) were different from DeBondt and Thaler (1985) mainly due to survivorship bias in Conrad and Kaul (1993) sample. Further, Dissanaike (1997) using the methods employed by Chan (1988) and Ball and Kothari (1989) to control for time varying risk, founds little evidence supporting the claim that changes in betas leads to price reversals. Moreover, by restricting the sample to large and better knowncompaniestominimize the biases created by bid-ask effect and infrequent trading, significant abnormal returns were observed. This shows that the existence and the causes of the overreaction effect are still open to debate

The increase in overconfidence promotes the initial overreaction and generates the return momentum. The overreaction in prices will eventually be corrected in the longer run as investors observed future news and realized their mistakes, leading to long run reversals. Behavioural finance offers unconventional explanations on the most important question of, why prices deviate from their fundamental values. According to Hirshleifer (2001), behavioural finance is based on the claim that human behaviour and perceptions represents the two crucial elements of financial decision making. According to behaviourist, contrarian profits are due to market inefficiency and investors non-rational behaviour. However, Locke and Gupta(2009) has pointed out that it is still unclear whether such violations of market efficiency can be given a behavioural explanations or these are the results of rational response of investors towards the market constraints. Hence, lot of research is needed on the behavioural explanation of investor's overreaction and the kind of behavioural patterns that generates such reaction.

The result of Hu,YuYan (2012) says that there is no existence of stock market overreaction in US market which contradict the statement given by De Bondt and Thaler(1985) , Narashima Jegadeesh and Sheridan Titman(1993)etc. So it needs to be re-examine the study. He explains that the data are taken into consideration for the empirical results were from index which influences a lot. Investors tend to be more optimistic in large companies. They are likely to hold the stock for longer time even the stock price drops.

Sitangshu Khatua and Hemanta kumar Pradhan (2014) put a new light to the study by analysing overreaction effect and event study and put a blow to the hypothesis of overreaction effect by saying that market players act differently to earning announcement during different market volatility conditions. They provides the macro level inputs to the policy makers which keep the momentum in overreaction effect and contrarian profit for further study in micro level.

Raj S.Dhankar and supriya Maheswari(2014) explains the contrarian profit which contradict the study conducted by Sanjay Sehegal and I Balakrishnan(2002) who says that contrarian profit based on long term shows positive return. But Raj S.Dhankar and supriya Maheswari(2014) said that size of the firm does not create overreaction hence overreaction were not influenced by Size effect and there study also found that all the long term contrarian strategies shows positive contrarian profits however none of them were found to be statistically significant.

Scope For Future Research

By discussing all the literature review one major limitations is that, most of the statistical overreaction and contrarian profit evidences are based upon trading strategies hence an empirical evaluation of multifactor asset pricing model may be required in Indian context to verify if rational explanation could be provided for such trading anomalies which pose a challenge to standard CAPM. Again many researchers have proposed that much of the potential momentum and contrarian profits may get eliminated after adjusting for transaction cost. Therefore further research is necessary to validate the practical implementation of these strategies in Indian stock market. Also the literature does not give any particular statistical evidence regarding stock market overreaction. So it is necessary to research whether stock market overreacts and the cause behind the overreaction. We need to do more empirical research to re-examine the existence of overreaction effect not only developed but also in less developed and emerging market and compare the contrarian strategies of different market.

Conclusion

Random walk hypothesis focused on the returns either to individual securities or to portfolio securities. However contrary to argument of the hypothesis, the fact that documented was stocks returns are often positively cross auto correlated, which reconcile the negative serial dependence in individual security returns with positive auto correlations in market index. "Overreaction Effect" has been re-examined frequently and has been challenged on various factors. Till date those studies were conducted mainly concentrated upon existence of long and short term overreaction effect and sources and reasons of contrarian profits but there is no concrete evidence or any statistical technique to show the existence of overreaction effect. But still the literature review inspire the young researcher to full fill those gap and give a new light to this area overreaction effect.

References

[1]. Ahmad, Z., & Hussain, S. (2001). KLSE Long Run Overreaction and the Chinese New Year Effect. *Journal of Business,Finance and Accounting,28(1)&(2)*, 63-112.

[2]. Albert, R., & Henderson, G. (1995). Firm Size,Overreaction and Return Reversals. *Quaterly Journal Of Business Economics,34*, 60-80.

[3]. Ali, N., Nassair, A. M., Hassan, T., & Abidin, S. Z. (2011). Stock Overreaction Behaviour in Bursa Malaysia: Does the length of formation Period matter. *British Journal of Economics*, 42-56.

[4]. Alonso A., R. (1990). Overreaction in the Spanish Equity Market. *Journal of Banking and Finance,14*, 469-481.

[5]. Bacmann, J. F., & Dubois, M. (1998). Contrarian strategies and cross-autocorrelations in stock returns: Evidence from France. *In Social Science Research Network Electronic Library, & European Financial Management Association 1998 Meeting*

[6]. Ball, R., & Kothari, S. (1989). Non Stationary Expected Returns : implications for Test of Market efficiency and Srial Correlation in Returns. *Journal of Financial Economics,25*, 51-74.

[7]. Ball, R., Kothari, S., & Shanken, J. (1995). Problems in measuring portfolio performance:An application to contrarian Investment Strategies. *Journal of Financial Economics 38*, 79-107.

[8]. Barberis, N., & R.Vishny. (1998). A model of Investor Sentiment2. *journal of Financial Economics,49*, 307-343.

[9]. Baytas, A., & Cakici, N. (1999). Do Market Overreact:international Evidence. *Journal of Banking and Finance,23*, 1121-1144.

[10]. Bildik, R., & Gulay, G. (2007). Profitability of Contrarian Strategy :Evidence from the Istanbul Stock Exchange. *International Review of Finance*, 61-87.

[11]. Bowman, R., & Iverson, D. (1998). Short run Overreaction in New Zealand stock market. *Pacific Basin Finance journal 6*, 475-491.

[12]. Brailsford, T. (January 1992). A test For the Winner-Loser Anomaly In the Australian Equity Market: 1958-87. *Journal of Business Finance and Accounting*, 225-241.

[13]. Brown, K., & Harlow, W. (1988). Market Overreaction:Magnituide and Intensity. *Journal of Portfolio Management*, 6-13.

[14]. Campbell, K. a. (1997). Long term Overreaction in the UK stock market and size adjustments. *Applied Financial Economics,7*, 537-548.

[15]. Chan, K. (1988). On the Contrarian Investment Strategy. *Journal Of Business,61*, 147-163.

[16]. Chopra, N., Lakonishok, J., & Ritter, J. (1992). Measuring Anormal Performance. *Journal of financial Economics,31*, 235-268.

[17]. Clare, A., & Thomas, S. (October 1995). The Overreaction Hypothesis And the UK Stock Market. *Journal of Business & Accounting*, 961-973.

[18]. Da Costa, N. (1994). Overreaction in Brazilian stock market. *Journal of Banking and Finance,18*, 633-642.

[19]. Daniel, K. a. (1998). Investor Psychology and security under-and Overreactions. *Journal of Finance,53*, 1839-85.

[20]. DeBondt, F., & Thaler.R. (1987). Further evidence on the investor overreaction and stock market seasonality. *Journal of Finance,42*, 557-81.

[21]. DeBondt, W. F., & Thaler, R. (July 1985). Does the Stock Market Overreact? *The Journal of Finance, Vol XL, No 3*, 793-805.

[22]. Dhouib, F. H., & Abaoub, E. (2007). Does the Tunsian Stock Market Overreact? *Asian Academy of Management Journal of Accounting and Finance, 3*(2), 83-107.

[23]. Dissanaike, G. (1997). Do Stock Market Investors Overreact. *Journal of Business and Accounting,24*, 27-49.

[24]. Fama, E. (1970). Efficient Capital Markets: a review of theory and Empirical work. *Journal of Finance,25*, 383-417.

[25]. Fama, E., & French, K. (1988). Permanent and Temporary Components of Stock Prices. *Journal of Political Economy,96*, 246-273.

[26]. Forner, C., & Marhuenda, J. (n.d.). The Contrarian Strategy in the Spanish Stock Market. *EFMA 2000, Athens. doi:10.2139/ssrn.251828*.

[27]. Gunasekarage, A., & Power, D. (2005). Stock Market Overreaction: Some evidence from Colombo Stock Exchange . *Journal of Emerging market*, 5-17.

[28]. Hirsshleifer, D. (2001). Investor Psychology and Asset Prices. *Journal of Finance,56*, 1533-1598.

[29]. Hong, H., & Stein, J. (1999). A unified theory of underreaction, Momentum Trading and overreaction in asset markets. *Journal of Finance,54*, 2143-2184.

[30]. Howe, J. (1986). Evidence on Stock Market Overreaction. *Financial analysts Journal, July-August*, 27-31.

[31]. Hsieh, H.-H., & Hodnett, K. (2011). Tests of Overreaction Hypothesis and the Timing of Mean Reversals on the JSE Securities Exchange (JSE):the case of South Africa. *Journal of Applied Finance and Banking*, 107-130.

[32]. Jegadeesh, N., & Titman, S. (1993). Returns to buying winners and selling losers: implications for stock market efficiency. *Journal of Finance,48*, 65-91.

[33]. Jones, S. (1993). Another look at Time Varying Risk and Return in a Long Horizon Contrarian Trading Strategy. *Journal of Financial Economics,33*, 67-93.

[34]. Kahneman, D., Slovic, P., & Teversky, A. (1982). Judgement Under uncertainity: heuristics and Biases. *Cambridge University Press*, 287-293.

[35]. Kaul, G., & Nimalendrum, M. (1990). Price Reversals:Bid-Ask Errors or Market Overreaction. *Journal of Financial Economics,28*, 67-93.

[36]. Kryzanowski, L., & Zhang, H. (1992). The Contrarian Investment Strategy does not work in Canadian Markets. *Journal of Financial and Quantitative Analysis,September*, 383-395.

[37]. Locke, S., & Gupta, K. (2009). Applicability of Contrarian Strategy in Bombay Stock Exchange. *Journal of Emerging Market Finance*, 165-189.

[38]. Loughran, T., & ritter, J. (1996). Long Term Market Overreaction:the effect of Low Priced Stocks. *Journal of Finance,51*, 1959-1970.

[39]. Page, M., & Way, C. (1992/1993). Stock market Overreaction:the south african Evidence. *Investment Analysts Journal*, 35-49.

[40]. Pettengill, G., & Jordan, B. (1990). The Overreaction Hypothesis,Firm Size and Stock Market Seasonality. *Journal of Portfolio Management ,Spring*, 60-64.

[41]. Poterba, J., & Summers, L. (1988). Mean Reversion in Stock Prices: Evidence and Implications. *Journal of Financial Economics,22*, 27-59.

[42]. Richard, A. (1997). Winner-Loser Reversals in National Stock Market Indices: Can they be explained? *Journal of Finance,December*.

[43]. Saleh, W. (2007). Overreaction:the sensitivity of defining the duration of formation period. *Applied Financial Economics,17*, 45-61.

[44]. Stock, D. (1990). Winner and Loser Anomalies in the German Stock Market. *Journal of Institutional and theoretical Economics, 146*(No.3), 518-529.

[45]. Khatua, Sitangshu. & Pradhan,H.(2014). Examining Overreaction in Indian Stock Market for Quarterly News. Journal of Emerging Market Finance,1-16.

IMPACT OF GLOBALISATION: AGRARIAN CRISIS AND FARMERS SUICIDES IN INDIA

Author(s):
Mr.Sunil Kumar Das Bendi
Faculty in Business Administration,
Modern Institute of Technology and Management, Bhubaneswar
Email id: bsunilxyz@gmail.com

Dr. Tushar Kant Pany
HOD, School of commerce, Ravenshaw University, Cuttack
Email id: tusharpany@yahoo.co.in

Abstract

India is primarily an agrarian country and its economy is agrarian. Even now, 60% of India's population is dependent on agriculture for their livelihood. India has been witnessing huge number of farmers' suicides in the last two decades. It was with the Structural Adjustment Programme (SAP) in 1991 that the policy of globalisation was concretely introduced in India. Based on this policy and the directives of the World Bank, International Monetary Fund and World Trade Organisation, the Indian economy was substantially overhauled. The Export-Import policy was liberalised; the import and customs duties of many products were drastically lowered or totally dropped so that they could be imported without any restriction. The government started reducing its investment in agriculture and the industrial sector allowing the private sector to take over. The restructuring of the public distribution system really affected the availability of food grains to the poor at subsidized rates. All such measures had implications for the farm sector. This paper seeks to look into these and other similar negative trends in Indian agriculture today, and in analyzing the causes, will look at the extent to which liberalization reforms have contributed to its current condition.

Keywords: agrarian crisis, farmer's suicides, globalization, economy.

Introduction

Liberalization and globalization have had a complex effect on the Indian agricultural sector and this is quite different from other nations who carried out radical land reforms before embarking upon macro-economic reforms. The liberalization of India's economy was adopted by India in 1991. Facing a severe economic crisis, India approached the IMF for a loan, and the IMF granted what is called a 'structural adjustment' loan, which is a loan with certain conditions attached which relate to a structural change in the economy. Essentially, the reforms sought to gradually phase out government control of the market (liberalization), privatize public sector organizations (privatization), and reduce export subsidies and import barriers to enable free trade (globalization). India has been witnessing huge number of farmers' suicides in the last two decades. Never before in the history of mankind has the spate of farmers' suicides occurred anywhere in the world.

The main causes for such a negative effect can be attributed to India's failure to make better policies, investment measures and domestic preparations before liberalizing the economy. Various planning policies have helped the nation achieve the stage that it has now reached but the time has come for the role of the state to be redefined. The state should be given the role of a promoter cum facilitator of development. The so called market friendly policies that were designed to facilitate and diversify more private investment to make farming more viable and to compact land holdings will have to be revised.

Objectives:

The objectives of the study are
(i) To study negative trends in Indian agriculture
(ii) To study the reasons behind the continuing farmer suicides
(iii) To analyse the causes to which liberalization has contributed to its current condition

Agrarian Crisis and Farmers' Suicides:

It was with the Structural Adjustment Programme (SAP) in 1991 that the policy of globalisation was concretely introduced in India. Based on this policy and the directives of the World Bank, International Monetary Fund and World Trade Organisation, the Indian economy was substantially overhauled. The Export-Import policy was liberalised; the import and customs duties of many products were drastically lowered or totally dropped so that they could be imported without any restriction. The government started reducing its investment in agriculture and the industrial sector allowing the private sector to take over. The restructuring of the public distribution system really affected the availability of food grains to the poor at subsidised rates. All such measures had implications for the farm sector.

Table 1 – Farmers' suicides in India 1995 to 2012

S.No	States	Farmers suicides in India
1	Maharashtra	53,818
2	Karnataka	33,326
3	Kerala	18,907
4	Punjab	1,363
5	Chattisgarh	15,340
6	Telangana	28,891
7	AndhraPradesh	10,007

Source: National Crimes Record Bureau (NCRB) GOI, 2012

Agriculture employs 60% of the Indian population today, yet it contributes only 20.6% to the GDP. Agricultural production fell by 12.6% in 2003, one of the sharpest drops in independent India's history. Agricultural growth slowed from 4.69% in 1991 to 2.6% in 1997-1998 and to 1.1% in 2002-2003. (Agricultural Statistics at a Glance, 2008) This slowdown in agriculture is in contrast to the 6% growth rate of the Indian economy for almost the whole of the past decade. Farmer suicides were 12% of the total suicides in the country in 2000, the highest ever in independent India's history. (Unofficial estimates put them as high as 100,000 across the country, while government estimates are much lower at 25,000. This is largely because only those who hold the title of land in their names are considered farmers, and this ignores women farmers who rarely hold land titles, and other family members who run the farms.) Agricultural wages even today are $1.5 – $2.0 a day, some of the lowest in the world. Institutional credit (or regulated credit) accounts for only 20% of credit taken among small and marginal farmers in rural areas, with the remaining being provided by private moneylenders who charge interest rates as high as 24% a month. An NSSO2 survey in 2005 found that 66% of all farm households own less than one hectare of land. It also found that 48.6% of all farmer households are in debt.

The Crisis Facing Indian Agriculture

FIFTEEN years of economic liberalisation have adversely affected Indian agriculture. The most prominent manifestation of this is in the drastic decline in the growth rate of food grains. The rate of growth of agricultural output was gradually increasing in 1950-1990, and it was more than the rate of growth of the population. In the 1980s the agricultural output grew at about four per cent per annum. Thus India became self-sufficient in food and started exporting wheat and rice. But during the 10-year period after the start of liberalisation, the rate of growth declined to two per cent. According to the Mid-term Appraisal of the Tenth Five Year Plan (2002-07), the rate of growth of the GDP in agriculture and allied sectors was just one per cent per annum during the year 2002-05. As a result, per capita availability of foodgrains decreased; the growth rate of population became higher than that of food grains, and India started to import food grains at a much higher price than that in the domestic market.

Secondly, unemployment in the agricultural sector increased during the reform period as agriculture was not profitable due to the fall in the price of farm products. As a result, the number of people who are employed in the primary sector and the area under cultivation decreased, which in turn caused a decline in rural employment. According to the National Sample Survey, the annual rate of growth of the employment in the rural areas was 2.07 per cent in 1987-1984, while it declined to a mere 0.66 per cent in 1993-2000, which corresponds to the period of liberalisation. It is not only the farmers but also the Dalits and tribals, who heavily depend on agriculture, became unemployed.

The biggest problem Indian agriculture faces today and the number one cause of farmer suicides is debt. Forcing farmers into a debt trap are soaring input costs, the plummeting price of produce and a lack of proper credit facilities, which makes farmers turn to private moneylenders who charge exorbitant rates of interest. In order to repay these debts, farmers borrow again and get caught in a debt trap. I will examine each one these causes which led to the current crisis in Andhra Pradesh, Kerala and Maharashtra, and analyze the role that liberalization policies have played. The suicide of farmers is the third fall-out of stagnation in agriculture. When agriculture was not yielding remunerative income, the life of the farmers became very desperate. Many of them committed suicide as a last resort. According to the National Crime Records Bureau, 17,060 farmers committed suicide in the country in 2006 with Maharashtra having the highest number of (4453) suicide deaths. Punjab is the latest in the list of States having farmers' suicide. This is a record in the agricultural history of India. It points to the acute nature of the problem which has affected the vast majority of the population, and which has created a real crisis.

Agrarian Crisis and role of Liberalization

a. Seeds:

The biggest input for farmers is seeds. Before liberalization, farmers across the country had access to seeds from state government institutions. For example, AP's APSSDC3 produced its own seeds, was responsible for their quality and price, and had a statutory duty to ensure seeds were supplied to all regions in the state, no matter how remote. The seed market was well regulated, and this ensured quality in privately sold seeds too. With liberalization, India's seed market was opened up to global agribusinesses like Monsanto, Cargill and Syn Genta. Also, following the deregulation guidelines of the IMF, 14 of the 24 units of the APSSDC's seed processing units were closed down in 2003, with similar closures in other states. This hit farmers doubly hard: in an unregulated market, seed prices shot up, and fake seeds made an appearance in a big way. Seed cost per acre in 1991 was Rs. 70 (AUD 2) but in 2005, after the dismantling of APSSDC and other similar organizations, the price jumped to Rs. 1000 (AUD 28), a hike of 1428%, with the cost of genetically modified pest resistant seeds like Monsanto's BT Cotton costing Rs. 3200 or more per acre, (AUD 91) a hike of 3555%. BT Cotton is cotton seed that is genetically modified to resist pests, the success of which is disputed: farmers in Andhra Pradesh and Maharashtra now claim that yields are far lower than promised by Monsanto, and there are fears that pests are developing resistance to the seeds. Expecting high yields, farmers invest heavily in such seeds. Also BT Cotton and other new seeds guarantee a much lower germination rate of 65% as opposed to a 90% rate of state certified seeds. Hence 35% of the farmer's investment in seeds is a waste. Output is not commensurate with the heavy investment in the seeds, and farmers are pushed into debt. The abundant availability of spurious seeds is another problem which leads to crop failures. Either tempted by their lower price, or unable to discern the difference, farmers invest heavily in these seeds, and again, low output pushes them into debt. Earlier, farmers could save a part of the harvest and use the seeds for the next cultivation, but some genetically modified seeds, known as Terminator, prevent harvested seeds from germinating, hence forcing the farmers to invest in them every season.

b. Fertilizer and Pesticide

One measure of the liberalization policy which had an immediate adverse effect on farmers was the devaluation of the Indian Rupee in 1991 by 25% (an explicit condition of the IMF loan). Indian crops became very cheap and attractive in the global market, and led to an export drive. Farmers were encouraged to shift from growing a mixture of traditional crops to export oriented 'cash crops' like chilli, cotton and tobacco. These need far more inputs of pesticide, fertilizer and water than traditional crops. Liberalization policies reduced pesticide subsidy (another explicit condition of the IMF agreement) by two thirds by 2000. Farmers in Maharashtra who spent Rs. 90 an acre (AUD 2.5) now spend between Rs. 1000 and 3000 (AUD 28.5 – 85) representing a hike of 1000% to 3333%. Fertilizer prices have increased 300% Electricity tariffs have also been increased: in Andhra Pradesh tariff was increased 5 times between 1998 and 2003.Pre-liberalization, subsidized electricity was a success, allowing farmers to keep costs of production low. These costs increased dramatically when farmers turned to cultivation of cash crops, needing more water, hence more water pumps and higher consumption of electricity. Andhra Pradesh being traditionally drought prone worsened the situation. This caused huge, unsustainable losses for the Andhra Pradesh State Electricity Board, which increased tariffs. (This was initiated by Chandrababu Naidu in partnership with Britain's DFID4 and the World Bank.) Also, the fact that only 39% of India's cultivable land is irrigated makes cultivation of cash crops largely unviable, but export oriented liberalization policies and seed companies looking for profits continue to push farmers in that direction.

c. Low Price of Output

With a view to open India's markets, the liberalization reforms also withdrew tariffs and duties on imports, which protect and encourage domestic industry. By 2001, India completely removed restrictions on imports of almost 1,500 items including food. As a result, cheap imports flooded the market, pushing prices of crops like cotton and pepper down. Import tariffs on cotton now stand between 0 – 10%, encouraging imports into the country. This excess supply of cotton in the market led cotton prices to crash more than 60% since 1995. As a result, most of the farmer suicides in Maharashtra were concentrated in the cotton belt till 2003 (after which paddy farmers followed the suicide trend). Similarly, Kerala, which is world renowned for pepper, has suffered as a result of 0% duty on imports of pepper from SAARC5 countries. Pepper, which sold at Rs. 27,000 a quintal (AUD 771) in 1998, crashed to Rs. 5000 (AUD 142) in 2004, a decline of 81%. As a result, Indian exports of pepper fell 31% in 2003 from the previous year. Combined with this, drought and crop failure has hit the pepper farmers of Kerala hard, and have forced them into a debt trap. Close to 50% of suicides among Kerala's farmers have been in pepper producing districts.

Food grains figures							
Crop	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Rice	99.18	89.09	95.98	105.31	105.24	106.54	103.24
Wheat	80.68	80.8	86.87	94.88	93.51	95.91	95.76
Jowar	7.25	6.70	7.00	6.01	5.28	5.39	4.83
Bajra	8.89	6.51	10.37	10.28	8.74	9.38	7.91
Maize	19.73	16.72	21.73	21.76	22.26	24.35	22.97
Coarse Cereals	40.04	33.55	43.4	42.04	40.04	43.05	39.85
Tur	2.27	2.46	2.86	2.65	3.02	3.29	2.75
Gram	7.06	7.48	8.22	7.70	8.83	9.88	8.28
Urad	1.17	1.24	1.76	1.77	1.90	1.51	1.61
Moong	1.03	0.69	1.8	1.63	1.19	1.5	1.39
Total Pulses	14.57	14.66	18.24	17.09	18.34	19.27	18.43
Total Food Grains	234.47	218.11	244.49	259.32	257.13	264.77	257.07
Groundnut	7.17	5.43	8.26	6.96	4.69	9.67	7.47
Rapeseed and Mustard	7.2	6.61	8.18	6.6	8.03	7.96	7.36
Soyabeen	9.91	9.96	12.74	12.21	14.66	11.99	14.64
Total Nine oilseeds	27.72	24.88	32.48	29.8	30.94	32.88	29.83
Cotton (million bales of 170 kgs each)	22.28	24.02	33	35.2	34.22	36.59	35.15
Jute (million bales of 180 kgs each)	10.37	11.82	10.62	11.4	10.93	11.58	11.47
Sugarcane	285.03	292.3	342.38	361.04	341.2	350.02	354.95
Source : Annual Report 2014-15 - Department of Agriculture							

d. Lack of Credit Facilities and Dependence on Private Money Lenders

In 1969, major Indian banks were nationalized, and priority was given to agrarian credit which was hitherto severely neglected. However, with liberalization, efficiency being of utmost importance, such lending was deemed as being low-profit and inefficient, and credit extended to farmers was reduced dramatically, falling to 10.3% in 2001 against a recommended target of 18%. A lack of rural infrastructure deters private banks from setting up rural branches, with the responsibility falling on the government, which has reduced rural spending as a result of its liberalization policies. Rural development expenditure, which averaged 14.5% of GDP during 1985–1990 was reduced to 8% by 1998, and further to 6% since then. This at a time when agriculture was going through a crisis proved disastrous for farmers, who turned to private money lenders who charge exorbitant rates of interest, sometimes up to 24% a month. (Seeds of Suicide, 2005) With input costs and output prices being what they are, coupled with crop failures and drought, they are pushed into debt which is impossible to repay. 12 out of India’s 28 states have 50% and higher indebtedness among farm households. Andhra Pradesh has the highest percentage of indebted farm households — 82%. 64.4% of Kerala’s farm households and 54.8% of Maharashtra’s farm households are indebted (NSSO, 2003) Indebtedness has been identified as the single major cause of suicides in both Andhra Pradesh, Kerala and Maharashtra. (Analysis of Farmer Suicides in Kerala, 2006, who’s suicide is it anyway, 2005, Saving small farmers, 2005).

e. Decline In Government Investment In The Agricultural Sector

Studies show that after the economic reforms started, the government’s expenditure and investment in the agricultural sector have been drastically reduced. This is based on the policy of minimum intervention by the government enunciated by the policy of globalisation. The expenditure of the government in rural development, including agriculture, irrigation, flood control, village industry, energy and transport, declined from an average of 14.5 per cent in 1986-1990 to six per cent in 1995-2000. When the economic reforms started, the annual rate of growth of irrigated land was 2.62 per cent; later it got reduced to 0.5 per cent in the post-reform period. The consequences were many. The rate of capital formation in agriculture came down, and the agricultural growth rate was also reduced. This has affected the purchasing power of the rural people and subsequently their standard of living.

f. Restructuring of the Public Distribution System (PDS):

As part of the neo-liberal policy, the government restructured the PDS by creating two groups—Below Poverty Line (BPL) and Above Poverty Line (APL)—and continuously increased the prices of food grains distributed through ration shops. As a result, even the poor people did not buy the subsidised foodgrains and it got accumulated in godowns to be spoiled or sold in the open market. As the in-take from PDS was less it has affected the food security of the poor, especially in the rural areas, and this has indirectly affected the market and the farmers.

g. Special Economic Zones

As part of the economic reforms, the system of taking over land by the government for commercial and industrial purposes was introduced in the country. As per the Special Economic Zones Act of 2005, the government has so far notified about 400 such zones in the country. Very often it is fertile land which has been acquired. According to Khasanoki, a writer, the government has acquired five million hectares of land for purposes other than agriculture between 1991 and 2003. This is almost half of what was acquired during the last 40 years. It was in the news that the government decided to acquire 10,120 hectares of land near Mumbai (almost one-third area of Mumbai) for the Reliance Company and reduced it to 5000 hectors due to public pressure. Since the SEZ deprives the farmers of their land and livelihood, it is harmful to agriculture. In order to promote export and industrial growth in line with globalization the SEZ was introduced in many countries.

Farmers Suicide with reference to Odisha:

Suicides by farmers is not new in Odisha. According to Government records, between 1997 and 2008, 3500 odd farmers killed themselves. Suicides have been reported from across the state, but a large percentage has occurred in the western Odisha districts of Bargarh, Bolangir and Sambalpur. All three districts lacks irrigational facilities – in Bolangir, just about 3 per cent of land is irrigated. The reason for farmer suicide remained the same over the years: crop failure, indebtedness, the inability to continue farming due to illness, loss of prestige and self- esteem after being forced to work as labourers following the failure of crops, and domestic problems arising out of poverty.

Recommendations:

THE agricultural crisis is affecting a majority of the people in India. The farmers who produce food materials for the country are in deep distress. The marginalised people like the Dalits and tribals, who depend on agriculture, are getting unemployed and struggling for their livelihood. The ordinary people, especially the poor, have lost their food security. The crisis in agriculture is a crisis of the country as a whole and so needs urgent attention. Some of the suggestions are being listed here.

1. Quantitative restrictions should be imposed on import of agricultural products. Since the import policy was the major reason for the crash in prices of many agricultural products, there should be restrictions on the quantity and customs duty of such products. Necessary import duty and quantitative restrictions should be imposed on imported goods to protect our farmers who should be given priority to the discipline of the WTO.
2. Subsidy and concessions given to agriculture but removed in the post-reform period should be restored. This is a must to make agriculture remunerative. One of the main disputes in the Doha Round of talks at the WTO is the high subsidy given by the United States and European Union to their farmers in spite of the WTO regulation. India should assert its right to give sufficient subsidy to its farmers to offset the rising cost of cultivation and protect their livelihood.
3. Bank loans should be easily made available to the farmers, especially since the input cost of agriculture has gone up. The government should seriously think of restoring the low rate of interest to farmers given by banks and other financial institutions as it had done before the reform period. In fact, the M.S. Swaminathan Commission for Agriculture has recommended a low rate of four per cent interest for the farmers.
4. The government should augment its investment and expenditure in the farm sector. One reason for the agricultural stagnation is low government expenditure. Investment in agriculture and its allied sectors, including irrigation, transport, communication and farm research, should be drastically increased, and the government should aim at integrated development of the rural areas. Effecting Implementation of National Rural Employment Guarantee Scheme can also become a means of revival of the rural economy.
5. There is a need for periodic revision of the procurement prices for farm produce making those remunerative. This will help the farmers to meet the increasing expenses for farm inputs and ensure at least remunerative income. According to the Swaminathan Commission, unless agriculture is made a profitable enterprise, its present crisis cannot be solved. The Commission has suggested 50 per cent more of the total production cost as supportive price for food grains.
6. The government should revise the policy on Special Economic Zones as it goes against the interest of farmers and the agricultural sector. It should not acquire fertile agricultural land for SEZs. When it does take over land for essential public utilities, it should give just compensation and initiate comprehensive rehabilitation measures.
7. Bold steps should be taken to implement land reforms which were not implemented in most States. Feudal structures and landlordism based on large holdings of land by high caste and class people even now tend to keep a majority of the people, especially Dalits and backward castes, in the rural areas under their control and domination. Neo-liberal policies with privatisation will only reinforce and strengthen these unjust and exploitative structures. Therefore, there is a need for conscious efforts and positive steps from the government side to implement land reforms. Surplus land acquired thus should be distributed to the Dalit and adivasi farmers. According to Amartya Sen, the Nobel Laureate, though the economic growth rate of India is impressive, India cannot play a significant role in the global economic scenario unless it completes land reforms.
8. The rural economy, particularly agriculture, will be greatly benefit if programmes meant for economically backward sections, including the Integrated Child Development Schemes, mid-day

meals for school children and the National Rural Employment Guarantee Scheme, are effectively implemented. Food security of the poor will be ensured if the public distribution system is efficiently run. All these programmes will increase the purchasing power of the rural people and indirectly help agriculture itself.

Conclusion

The development of agriculture and farmers is extremely important for the overall development of the nation. A agrarian crisis and farmers' suicides are crippling the nation's economy and also breaking the spine of the farmers. The unabatedly continuing spate of farmers' suicides should be stopped forthwith. The family members of the deceased should be taken care of. Agriculture should be protected and farmers saved in the interest of the people of the country as a whole. The suggestions based on this specific study will go a long way in providing solutions to the agrarian crisis and farmers' suicides, provided the Government implement them sincerely and faithfully.

References:

[1] Amol R. Dongre, Pradeep R. Deshmukh (2012) Farmers' suicides in the Vidarbha region of Maharashtra India: a qualitative exploration of their causes, J Inj Violence Res. Jan; 4(1): 2-6.

[2] Assadi Muzaffar (1998) Farmers' Suicides: Signs of Distress in Rural Economy, Economic and Weekly, Vol.3, No.13.

[3] Bharathan Geeta (2000) Bt-cotton in India: Anatomy of a controversy, Current Science, VOL. 79, NO. 8, 25October2000, pp No1067-1075.

[4] Chandrasekhara Rao (2005) Total Factor Productivity in Andhra Pradesh Agriculture, Agricultural Economics Research Review, Vol. 18 January-June, pp 1-19.

[5] Chindarkar, Namrata (2007) A Comparative Analysis of Farmers' Suicides in Andhra Pradesh, India, Methodological Innovations Online. 2(2) pp 6-19.

[6] Damodaran, A (2001) WTO Agriculture Agreement, Common Property Resources and Income Diversification Strategy, Economic and Political Weekly, September 22nd.

[7] Dealluck Irengbam (2012) Study of Suicide Victims of Agriculture in Punjab, International Journal of Management & Business studies, Vol. 2, Issue 1, Jan. - March 2012.

[8] Glenn Davis Stone (2007), Agricultural Deskilling and the Spread of Genetically Modified Cotton in Warangal, Current Anthropology Volume 48, Number 1, February 2007, ppNo.67-103.

[9] Glenn Davis Stone (2012), Constructing Facts Bt Cotton Narratives in India, Economic & Political Weekly September 22,vol,XLVI no 38 pp No.62-70.

[10] Jeromi.P.D (2007) Farmers' Indebtedness and Suicides Impact of Agricultural Trade Liberalization in Kerala, Economic and Political Weekly August 4,pp no3241-3247.

[11] Mahendra Dev (2005) "Agriculture and Rural Employment in the Budget", Economic and Political Weekly, Vol. XL, No. 14, pp. 1410-1413.

[12] Mallika Kaur (2010) The Paradox of India's Bread Basket: Farmer Suicides in Punjab, PRAXIS the Fletcher Journal of Human Security, VOLUME XXV –pp No39-60

[13] Mohanty B B (2013) Farmers Suicides in India Durkheim's Types, Economic &political Weekly May 25, vol xlviii no 21 page no 45-54.

[14] Mohanty B.B., Sangeeta. S (2004) "Farmers Suicides in Maharashtra" Economic and Political Weekly, Vol XXXIX, No. 52,pp. 5599-5606.

[15] Muzaffar Assadi,(2000) "Karnataka Seed Tribunal: Interrogating Farmers' Suicides", Economic and Political Weekly, October 28.

[16] Value added per worker is reduced. There is evidence for this statement. Reference- India's Runaway 'Growth', Part III, Aspects of India's Political Economy, No.46, Research Unit for Political Economy, Ground Floor, Sidhwa Estate, N.A. Sawant Marg, Colaba, Mumbai (Page No. 31)

AGRICULTURAL SECTOR AND SUSTAINABILITY OF HUMAN RESOURCE DEVELOPMENT IN INDIA

Prof. Ashok Kumar Mishra
Dean & HOD (MBA)
Institute of Professional Studies & Research
E-mail – ashok7mishra@gmail.com

Abstract

Agriculture is the backbone of Indian economy. Since independence India is making effort to develop the agriculture, but it seems that everything has been confined in the pen and paper. Vigorous and aggressive action has not been taken by the government. On the contrary, the farmers are being exploited by the local moneylenders. The catastrophe and plight of Indian farmers have gone up to such an extent, the farmers are pressurized to commit suicide to be free from stress. The sustainability of farmers is at stake.

Key words: HRD, Sustainability, Agricultural Sector, Stress.

Introduction:

Human Resource constitutes the most important bulk of any society. Though our country is moving in the path of modernisation, yet human resources are indispensible for the development of the nation. In India, basically the farmers are engaged in agriculture and farming. Though many students are passing out from various agricultural universities, they are not directly engaged in farming or agricultural production. On the contrary, they are joining in executive or similar cadre jobs in government departments or government corporations. They are well versed in theories, but are seldom acquainted with the practical aspect of agricultural sector. Their objective is to get high salary, perks and incentives and lead a life of ease and comfort. The farmers have taken the entire burden in their shoulders and feeding crores and crores people of the country. But, for the last five years, farmers are suffering from terrible agony because of mutlti faceted problems. Water is not being provided and the irrigation system is not working properly. Farmers have to depend on monsoon, but monsoon has become highly irregular. So they are not being able to repay the loan to the banks and money lenders because of poor harvest. So their sustainability has become a question mark. Government should take steps in war footing to solve the problems.

Causal Model of the System

The causal relationship among various parameters of the system is shown in Figure 1. This figure shows flow of graduates with interactive positive and negative loops operating through intake, output, stock, sector growth, skills, attrition, and recruitment in various employing sectors. The model has two positive loops emanating from growth driven demand. This is balanced by one negative loop influenced by skill-set, unemployment and outturn.

Model Validation and Simulation

To develop confidence in the model, it was validated following scheme proposed by Mohapatra et al, (1994). The structure of the model was validated through detailed discussion with the experts from university and employers. Simulation process requires defining initial values for the base year i.e.1991. The initial values of model parameters were compiled and computed from secondary sources or decided considering historical growth scenario. The base year data, various growth rates and table functions used in the model are given in Tables 1 and 2. Basic data for the model on stock, enrolment, intake, drop out, and growth rate of agri-education are given in Table 1. The additional employment generated is proportional to the sectoral capacity growth, i.e. agricultural GDP for government, annual sale for private, expenditure for academic and agricultural credit for finance institutes. For the remaining three sectors (NGOs, Self employment and others) the number of employed agricultural human resource defined their capacity. The values for sector-specific parameters such as employed stock, initial capacity, growth rate, employment multiplier, recruitment rates were arrived through review of available published data (IAMR,2001; AFFC,2000; DST,1999; TCS,2000; DGET, 2002; and DES, 2004) and discussions with the executives / managers in various sectors. Desired skill-set for broad sectors are compiled from discussions with the Chief Executive Officers and curriculum composition is given in Table 3.

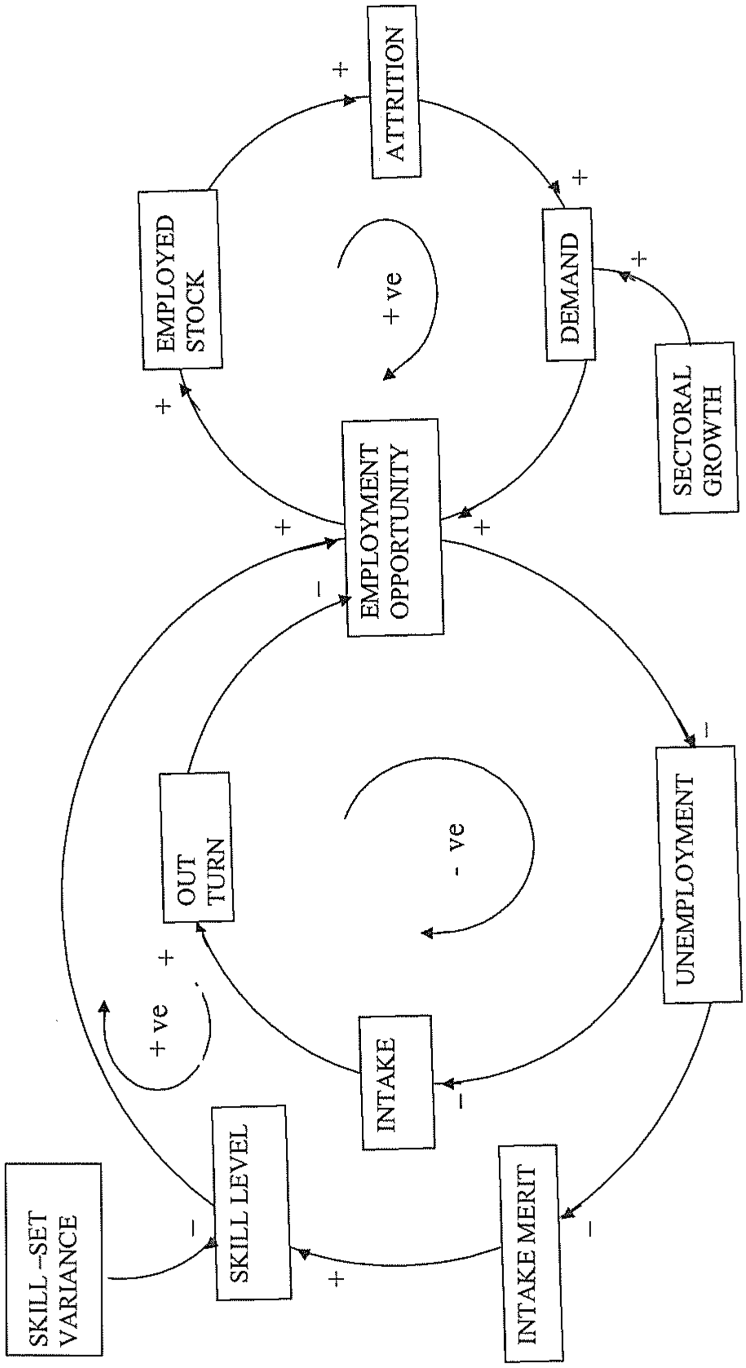


Figure 1 : The causal loop diagram

Figure – 1: The casual diagram

Table 1: Basic data for the base year: 1991

Sl. No	Variable	Value
1	Total Stock	202800
2	Enrolment	56000
3	Intake	15500
4	Dropout rate	30 percent
5	Intake Growth Rate	2.0 percent

Source: Compiled and computed from DST (2000) and Rao, D.R, and Muralidhar U, (1994)

Table 2: Sectoral parameters for base year 1991

Sl.No	Sector	Employed Stock	Initial Capacity	Capacity growth rate (%)	
				1991	2020
1	Government	80685	Rs 2044.21 billion	2.5	2
2	Private	32274	Rs 934.59 billion	10	5
3	Academic, R & D	19364	Rs 61.32 billion	3	2.5
4	Financial Institutes	9682	Rs 185.72 billion	15	5
5	NGOs	1614	1614 number	6	3.5
6	Self Employed	1614	1614 number	6	3.5
7	Others	16137	16137 number	5	4

Source: Compiled and computed from DES – 2004, and CMIE , 2004 and feedback from CEOs.
* The growth rates for 2020 were arrived from the discussions with the executives.

Table 3: Desired Skill-set

Sl.No	Sector	Desired Skill – Set (%)	
		Technical Skill	Soft Skill
1	Government	70	30
2	Private	60	40
3	Academic, R & D	80	20
4	Financial Institutes	50	50
5	NGOs	40	60
6	Others	60	40
7	Non-agriculture	50	50

Source: Compiled from the discussions with CEOs of various sectors.

The model result is validated comparing simulated output with available data on total stock of agricultural human resource for the period 1991 to 2000 (DST, 2000) and shown in Figure 2. The variance in parameter estimation is found to be with in acceptable error limits (1.7 per cent). As the stock values match with the corresponding reported values, the model was considered to be reasonably good representation of reality. The validated model is used for developing future scenario and related parametric analysis.

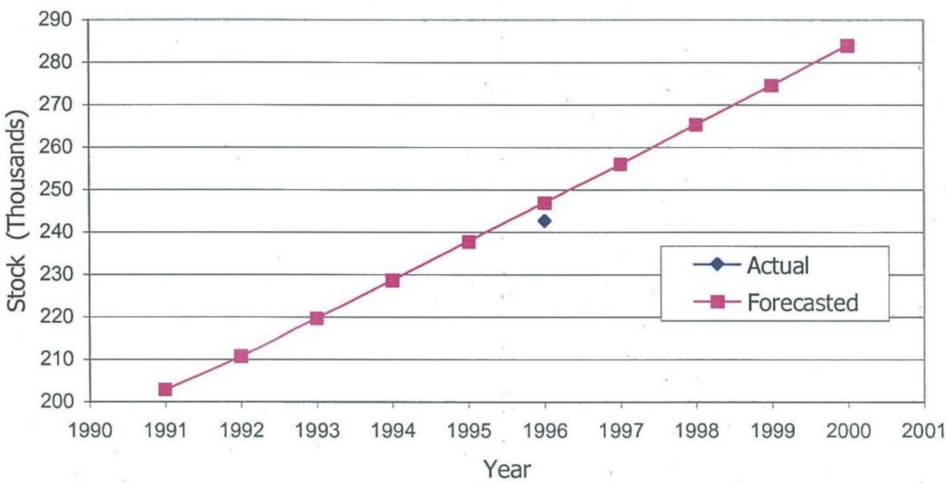


Figure 2 : Total stock of agricultural manpower

Generation of Future Scenario

The supply and demand scenario of trained agricultural human resource for the period 2001 – 2020 is developed. Model uses time lag of four years for graduating. The curriculum adopted by the agricultural universities was revised during 1995 keeping in view the employment opportunities at that point of time (ICAR 1995). Analysis of this representative syllabus suggests that about 80 per cent of the total credits are devoted to imparting technical (subject specific) skills; whereas about 20 per cent are marked for developing soft skill. The long-term impact of continuing with same syllabus is as under.

Supply and Demand

The forecasted annual supply and demand for agricultural human resource is shown in Figure. The supply of human resource is projected to be around 16000 in 2020 against a demand of nearly 15000. Though the growth in government sector is assumed to be modest at 2.5 per cent, positive and healthy growth in other sectors drives the model to reduce demand supply gap with time.

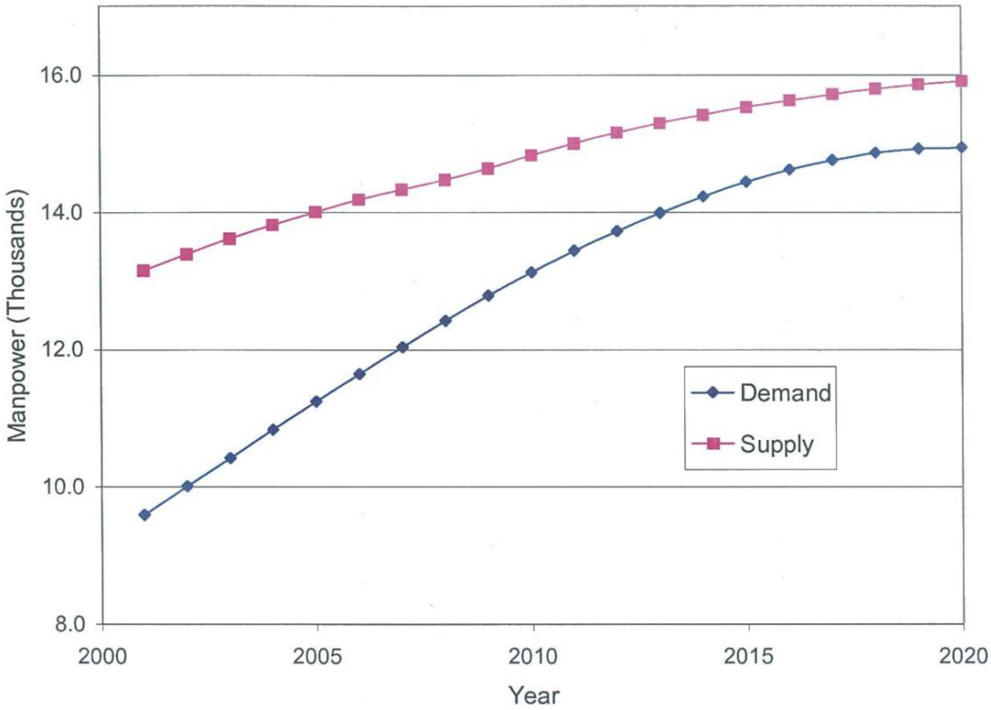


Figure 3: Supply and Demand of Manpower

The annual supply-demand gap, declines from 27.1 per cent in 2001 to A minimum of 5.93 per cent in 2019 and thereafter registers a slow growth to 6.1 per cent in 2020 (Figure 4). In absolute numbers the gap reduces from 3562 in 2001 to the minimum of 933 in 2018 and then increases to 966 in 2020. This increase in the supply-demand gap towards the tail end of the simulation period reflects the cyclic behaviour of the supply and demand sub-sectors, i.e., with increased demand (reduction of the gap) supply (intake) increases resulting in increased supply demand gap in later years i.e. during 2018-2020. During this period annual intake would go up by about 14 per cent, whereas the outturn will increase by 20 per cent. Correspondingly, the dropout rate reduces from 26 to 22 percent. This is because of increased interest in the courses due to improved employment opportunity.

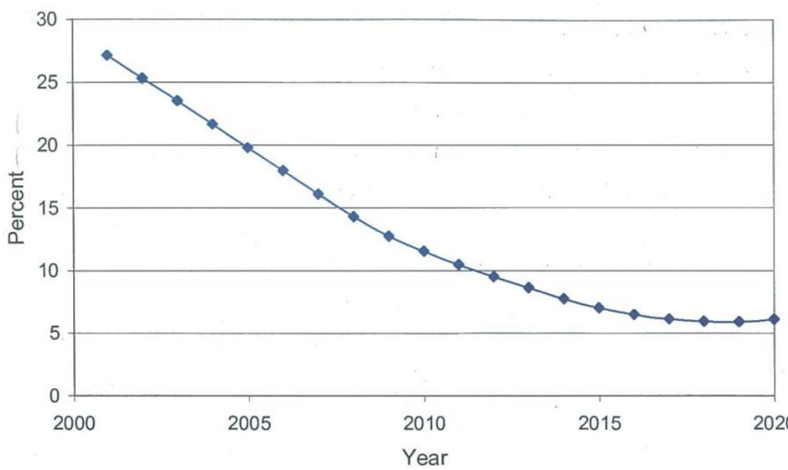


Figure 4 : Ratio of Annual Supply and demand gap to Supply

Stock of Agricultural Human resource

Both the total and the employed stock of agricultural human resource is shown in Figure 5. The total stock increase from 290 thousands in 2001 to about 474 thousands in 2020 out of this nearly 380 thousands will be employed, leaving about 20 per cent unemployed. These estimates are comparable with the projections made by other similar studies (Table 4).

Table 4: Projected Total stock of Agricultural Human resource

Sl. No	Year	Total Stock	
		Present Study	IAMR
1	2001	289683	266716
2	2005	327484	3133570
3	2010	376021	379755
4	2020	474307	....

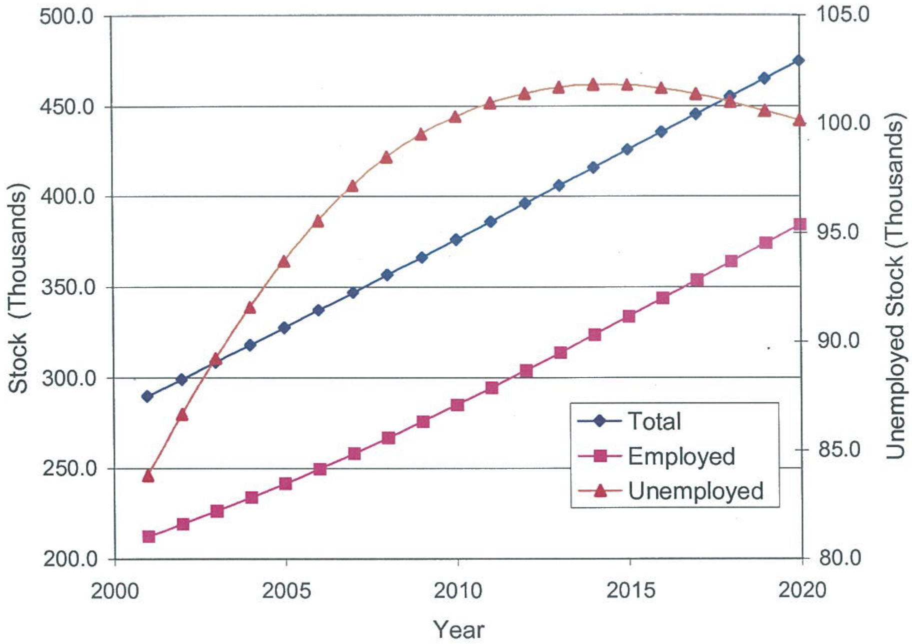


Figure 5: Stock of Agricultural Manpower

The unemployed stock accumulates to the maximum of 101.8 thousands in 2013 and declines gradually there after to a level of 100.2 thousands in 2020 (Figure 5). This variation follows the pattern of annual supply-demand gap reflecting level of annual unemployment. Even though the unemployment increases in absolute numbers till 2013, the overall unemployment ratio (ratio of unemployed to total stock) declines during this entire period from 28.9 per cent in 2001 to 20.6 per cent in 2020 (Figure 6). Figure 7 depicts the composition of employed stock in various sectors of employment. The Private sector comprising of fertilizer, pesticide, seeds, agricultural machinery and processing industries will take-over government sector as major employers of agricultural human resource by 2007, and this sector accounts for nearly 42.1 per cent of employment by 2020 as against 24.6 per cent in government sector. Financial institutes follow these two sectors in terms of providing employment to the agricultural human resource. With reducing job opportunities in government and academic sectors, graduates would opt for employment in other sectors.

Private sector would become major employment creation source and, hence, it would keep reducing unemployment at rather slow rate.

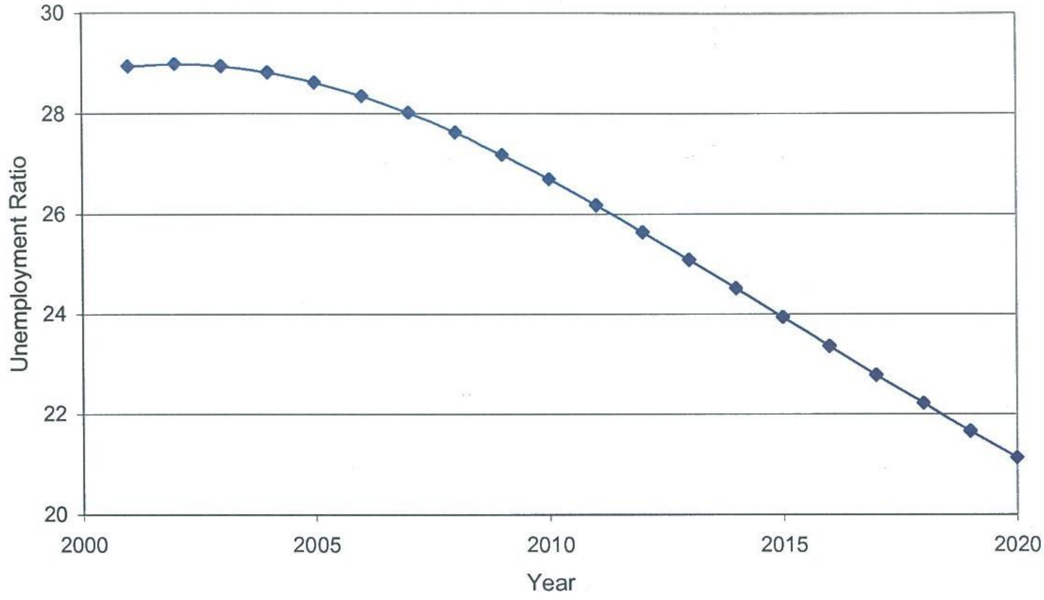


Figure 6 : Overall Unemploment Ratio

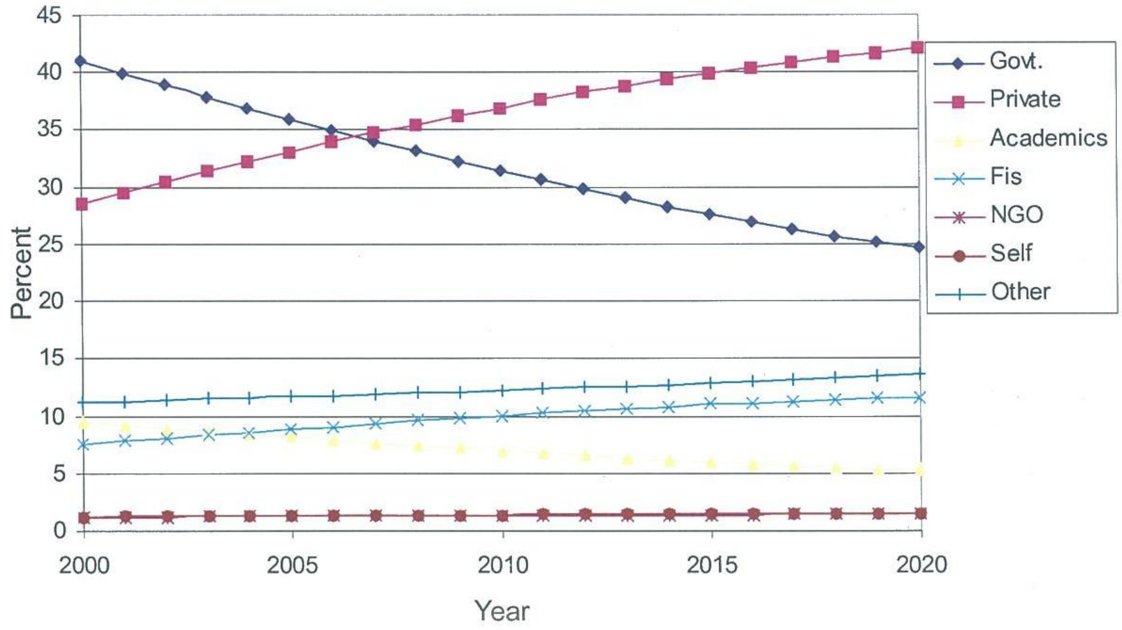


Figure 7: Composition of Employed Stock

Conclusion

Sustainability through agriculture has become a menace in India. Educated young graduates are not coming to the agricultural sector because of government apathy and non-cooperation. How quality seeds, inadequate water supply, delay in payment of subsides dependence on monsoon rain are some other factors which abstain them from coming to this field. In India, agriculture is basically done by traditional farmers. As they are mostly uneducated, they are easily and evenly exploited by the village or other moneylenders. Various projects launched by the government are not being able to provide them benefits. So, most of the experienced and expertise farmers are retreating from agriculture. They could find it, suitable and productive to open a 'stationery shop' the human resource development has become a questions mark. The real development of human resources will occur when the initiative shall be taken by all the government the farmers, the government officials and the experts from agricultural research centres and universities.

References

[1] AFFC (2000), Study on Assessment of Human resource Needs and Development, A.F. Ferguson & Co, New Delhi

[2] CMIE (2004), Industry Market Size and Shares, Economic Intelligence Service, Center for Monitoring Indian Economy, Mumbai

[3] DES (2004), Agricultural Statistics: At A Glance, Directorate of Economics and Statistics, New Delhi

[4] DGET (2002), Occupational – Educational Pattern of Employees in India (Public Sector- 1996),

[5] Directorate General of Employment and Training, Ministry of Labour, Government of India, New Delhi

[6] DST (1999) Research and Development statistics 1996-97 , NSTMIS Division, Department of Science and Technology(MST, GOI), New Delhi

[7] DST (2000) Data book, NSTMIS Division, Department of Science and Technology(MST, GOI), New Delhi

[8] IAMR (2001), Assessment of Human resource needs in agriculture and allied sectors, Institute of Applied Human resource Research Report

[9] ICAR (1995) Report of Third Deans' Committee on Agricultural Education in India, ICAR, New Delhi.

[10] Mohapatra,P.K.J., Mondal,P., and Bora, M.C, (1994) Introduction to System Dynamics Modeling, University Press, Hyderabad

[11] Rao,D.R, and Muralidhar U, (1994) A study on Agricultural University Information System (AGRIUNIS), National Academy of Agricultural Research Management, Hyderabad,

[12] TCS (2000) Study of human resource needs of the agriculture sector in Tamilnadu, Tata Consultancy Services Report

[13] Williems, E. (1996) Human resource Forecasting and Modelling Replacement Demand : An Overview ROA-W-1996/4E. Research Centre for Education and the Labour Market, Maastricht University, Maastricht.

COACHING, MENTORING AND PEER-NETWORKING: CHALLENGES FOR THE RETAIL SECTOR

Mr.Shyamasundar Tripathy
Research Scholar,
Ravenshaw University,Cuttack, Odisha
shyamasundar.tripathy33@gmail.com
Dr. Sujata Mangaraj
Dean, Ravenshaw Business School
Ravenshaw University, Cuttack, Odisha
drsujatamangaraj@gmail.com

Abstract

This paper aims to summarise the current state of coaching, mentoring and peer-networking practices in retail sector to provide a basis for future research which will provide a frame of reference ensuring that research builds on previous studies and adds to knowledge rather than replicating previous findings in innocence, the methodology adopted for this paper was the articles which have been published in selected peer-reviewed international journals in the recent years were collected by using databases proquest and researchgate.net.

The paper is divided into two sections. The first sections review the state of research over coaching and mentoring research has accelerated at warp speed. The second section considers the future direction of coaching, mentoring and peer-networking in retail sector.

The insights deduced in the paper are primarily based on research articles selected for critical review and analysis in the domain of coaching, mentoring, peer-networking and its challenges in retail sector and interpreted only as key concerns in the area.

Key words- *coaching, mentoring, retail sector, peer-networking, challenges in retail sector*

1. Introduction

Retaining talents is one of the primary management tools for 21st century human asset management because the significant resource for firms competing in this century is no longer land, capital and other tangible assets but the human capital necessary to adapt organisations to global competition and maximise the benefits associated with the current technological boom. Employee's values and work preferences are also of major importance. Whilst, Ingham (2006) considered people who are in the key position, the leader team, the individual who has the scarce capability or make particular contribution to the organisation is talent. At the same time, talent means the total of all the skills, knowledge, experience and behaviours that a person has and brings to work. Talent therefore, is used as an all encompassing term to describe the human resources that organisations want to acquire and develop in order to meet their business goals

Retail is currently the booming sector of the Indian economy. This trend is expected to continue uninterrupted for at least the next two-three decades, attracting huge attention from all quarters of the economy - entrepreneurs, business heads, investors as well as real estate owners and builders. Retail sector is also expected to create huge employment as it will expand across the country at a massive scale. The reasons for this expansion of retail is evidently related to the liberalization and opening up of the Indian economy which had immense effects on the consumer demand, tastes and preferences as well as the buying capacities of the Indians (specially the growing middle class) over the past few years. Slowly and steadily retail has witnessed considerable growth while a new form of organized retail sector has emerged within the retail industry. Stated simply, it refers to the organized retail chains managed by big corporate houses such as the Pantaloons group, Future group, Reliance group and so on.

Retail market in India is expected to grow from US $600 billion to US $1 trillion by 2020. Retail has traditionally been a major sector in India employing millions of people. Retailing currently contributes 22% of India's GDP and 8% of employment (Indian brand equity foundation, 2015). The major shift has been the emergence of an organized sector within the retail industry. In common parlance organized sector usually denotes unionization. However, in the Indian context organized sector is differentiated from unorganized sector in terms of employment status.

1.1 Objectives of Study

The objectives are as follows:

1. To study the process and methods of existing coaching and mentoring system in retail sector.
2. To find out methods to overcome coaching and mentoring challenges in retail sector.
3. To identify the effect peer networking for the retention of talents in retail sector.

1.2 Research Methodology

Keywords searches are employed to identify articles recently published in specific management databases such researchgate.net and proquest. Initial key words searches are performed using terms such as Coaching, Mentoring, Retail sector, Peer networking, Challenges in retail sector. These searches resulted adequate number of related articles and selected articles has intensively reviewed for this study.

2. Concept of Mentoring and Coaching

Mentoring relates primarily to the identification and nurturing of potential for the whole person. It can be a long-term relationship, where the goals may change but are always set by the learner. The learner owns both the goals and the process. Feedback comes from within the mentee. The mentor helps them to develop insight and understanding through intrinsic observation that is becoming more aware of their own experiences.'

Coaching relates primarily to performance improvement (often short-term) in a specific skills area. The goals or at least the intermediate or sub-goals, are typically set with or at the suggestion of the coach. While the learner has primary ownership of the goal, the coach has primary ownership of the process. In most cases, coaching involves direct extrinsic feedback (i.e. the coach reports to the coachee what he or she has observed).

2.1 Differences between mentoring and coaching

Mentoring - Mentoring is an indefinite, relationship based on activity with several specific but wide ranging goals. It does not have to be a formal process. The mentor is a facilitator who works with either an individual or a group of people over an extended time period. The agenda is open and continues to evolve over the longer term. Mentoring seeks to build wisdom – the ability to apply skills, knowledge and experience to new situations and processes.

Coaching - The focus is on meeting very specific objectives within a set period of time. Coaching is mainly concerned with performance and the development of certain skills.

It usually takes place on a one-to-one basis and has a very specific purpose. There is usually a planned programme with a much shorter timeframe than in mentoring, so the learning goals are usually determined in advance.

Mentoring and coaching can be 'stand alone' activities, but they can also be used to complement each other.

2.2 Parallels between mentoring and coaching

Both mentoring and coaching take place independently of line managers – they are open, honest relationships between the mentor or coach and their protégé. A mentor or coach is an 'accountability partner' who works in their proteges best interests. He or she will bring a new approach to either a specific skill or an entire career.

Neither mentoring nor coaching is about teaching, instruction or telling somebody what to do. The role of mentors and coaches is to ask their protégé the right questions to promote greater self-awareness and more informed decision making. The role of mentors and coaches is not to solve problems, but to question how the best solutions might be found.

The mentoring or coaching process evolves over time. The aims are not inflexible, but may change as the protégé reaches the set goals and learns new behaviour. The process continues until everybody is satisfied that the objectives have been achieved.

2.3 For whom mentoring or coaching appropriate in retail sector.

Mentoring or coaching might be appropriate for:

- Senior managers who are unlikely to benefit from conventional training courses
- Managers who need the space to develop or improve new or existing skills
- Those on a 'fast track' career programme
- Staff who need to focus more on their career paths
- Managers who have reached a career plateau and want to progress, but do not know how to
- Employees returning to work after a career break
- Staff wanting to improve their skills and abilities
- Staff or managers working through difficult issues.

3. Effective coaching steps to overcome challenges in retail sector

3.1 Analyse/identify what is to be achieved

Compare current performance against the desired result by using business tools such as sales results, profit and loss reports etc.

Identify the staff members' gaps or barriers to achieving the desired result.

Mutually agree on the desired goal.

3.2. Identify the best learning style for the staff member

Ask or determine the staff members' preferred learning style.

Adapt or develop material to support the chosen learning style/s.

3.3. Create an action plan

Outline specific events or activities that will assist in achieving the goal.

Allocate a timeframe for each action.

3.4. Review

Conduct regular meetings to ensure the completion of actions against the timeframes allocated.

Compare improvements against the desired result.

3.5 Repeat

Coaching is the process of continuous improvement and will change and develop as the staff members skills and goals develop.

Continue to change or redevelop your action plans to suit further goals that have been identified.

4. Effective coaching steps to overcome challenges in retail sector

4.1 Be a positive role model

Good mentors are well respected by their mentees and should therefore always act in a manner that upholds that trust and respect.

Good mentors will also be inclusive of their mentee when it comes to extending invitations to participate in events that will enhance the mentees abilities.

4.2 Be genuine

A mentoring relationship is a very personal relationship and is served well by the mentor understanding the hopes, dreams and goals of the mentee.

Showing genuine interest and enthusiasm will help in cementing the relationship and continuing to build trust within the relationship.

4.3 Provide a fresh perspective

Openly share your experiences, insight and mistakes in a way that is of assistance to the mentee.

Act as a sounding board and allow them to reach their own conclusions.

Provide objective feedback.

Use open questioning to draw out and clarify details.

Offer advice only when asked.

4.4 Acknowledge achievements

Build confidence through the celebration and acknowledgement of achievements and milestones.

5. Role of Peer networking in retail sector

Peer networking is a problem-solving and decision-making approach built on interaction, both structured and informal, among two or more people defined as “equals” by their similar goals and interests, job roles or place in a community. Peers come together to exchange information, disseminate good practices, and build leadership structure for work they do together, such as a community change initiative.

Good Practices of Peer Networking

Study results indicate that internal and external peer networking activities of the retail sector were seen as successful because they:

- Provide a safe, trustful place for participants to interact on topics important to them
- Encourage personal as well as professional interactions among participants
- Customize the peer networking structure to meet specific participant needs
- Promote opportunities for the participants and their organizations to collaborate
- Encourage participant feedback about the strengths and challenges of peer networking

Challenges of Peer Networking

The research also identified several drawbacks or limitations of peer networking activities, along with operating strategies that are important but difficult to implement:

- Peer networking is costly in both time and money
- Participants in peer networking may find it difficult to take action on good ideas they’ve developed
- The goals of peer networking may be difficult to identify and to share with others.
- Peer networking may be difficult to integrate with other activities.

6. Conclusion

Employees are the most important assets for any organization. So the organization must ensure that the right person is hired for the right position at the right time and he is trained and developed properly to accomplish his job activities effectively. Employees in the retail sector are required to provide appropriate coaching and mentoring to overcome different challenges according to the demands of the industry. Due to competitive scenario prevailing the jobs are becoming challenging and skilled workforce is required to meet the demand, the role of coaching, mentoring and peer networking has vital role for motivation and performance of employees in retail sector. There are several factors which influence the employee performance and motivation in the organization but this research consider the employee coaching, mentoring and peer networking only. Which are play an important role in achieving organizational objective, building effective teams, healthy interpersonal relationships among co-workers and managers and good working environment in the organization which enhance employee motivation and leads to better organizational performance.

7. Recommendations

This research consider employee coaching, mentoring and peer networking only limited variables which affect the, future research could add some other variables that affect employee performance and motivation like organization climate and leadership in the organization. To get more accurate results more questions and more respondents should be included. Future research should enlarge diversity of data by adding respondents from other sectors also which will make significant contribution to the results.

8. Limitations of the Study

The current study has some limitations. The outcome of the study is based on peer reviewed journal articles which has been considered for this study. Retail sector is further divided into organized and unorganized retail, organized retail again divided into physical and online retail. This study cover only organized retail sector. Limited time span is also another limitation of this study.

Reference

[1] Joo, Baek-Kyoo. "*Executive coaching: A conceptual framework from an integrative review of practice and research.*" Human Resource Development Review 4.4 (2005): 462-488.

[2] Haggard, Dana L., et al. "Who is a mentor? A review of evolving definitions and implications for research." *Journal of management* 37.1 (2011): 280-304.

[3] Lahoti Jyoti, Indian journal of applied research, vol.4, issue 8, august 2014, "*role, scope and challenges of HR in retail sector*".

[4] Jack, Anthony I., et al. "*Visioning in the brain: an FMRI study of inspirational coaching and mentoring.*" Social neuroscience 8.4 (2013): 369-384.

[5] Clutterbuck, David. "What's happening in coaching and mentoring and what is the difference between them." *Development and Learning in Organizations: An International Journal* 22.4 (2008): 8-10.

[6] Clutterbuck, D., Conor, M., Pokora, J., Rock, D., & Schwartz, J. (1991). Mentor. *Development and Learning in Organizations*, *22*(4), 8-10.

[7] MacLennan, N. (1995). *Coaching and mentoring*. Gower Publishing Company.

[8] Garvey, B., Stokes, P., & Megginson, D. (2014). *Coaching and mentoring: Theory and practice*. Sage.

[9] Manchala G, Kandulapati Suresh, international journal of management and business studies, vol.1, issue 2, june 2011, "*retail employee engagement in hyderabad*".

[10] P Pakkeerappa, KodikalRashmi, March 2012, vol.3, issue 3, international journal of research in commerce and management, "*managing employee retention and turnover in retail sector*".

[11] Parameswaran, M., Susarla, A., & Whinston, A. B. (2001). P2P networking: an information sharing alternative. *Computer*, *34*(7), 31-38.

[12] Sophia van Zyl, A. (2009). The impact of Social Networking 2.0 on organisations. *The Electronic Library*, *27*(6), 906-918.

[13] Clark, C.S., Dobbins, G.H. and Ladd, R.T. (1993), "Exploratory field study of training motivation: influences of involvement, credibility, and transfer climate", *Group & Organization Management*, Vol. 18 No. 3, pp. 292-307.

[14] Cohen, J. (1992), "A power primer", Psychological Bulletin, Vol. 112 No. 1, pp. 155-9. Colquitt, J.A., LePine, J.A. and Noe, R.A. (2000), "Toward an integrative theory of training motivation: a meta-analytic path analysis of 20 years of research", *Journal of Applied Psychology*, Vol. 85 No. 5, pp. 678-707

[15] http://www.astd.org/Publications/Magazines/TD/TD-Archive/2009/10/

[16] Cream-of-the-Crop-the-Rest-of-the-BEST

ADVANCEMENT OF MOBILE AND DIGITAL TECHNOLOGY IN MARKETING

Sayed Izharul Hasnain (Faculty – IPSAR)
Email – izharul2004@gmail.com - Mobile – 9337455231

Abstract

In the modern world companies prefer direct marketing over traditional promotional tools. The growth of direct marketing has been attributed to rapid advances in technology and the changing market context. The fundamental ability of direct marketers to communicate with consumers and to elicit a response, combined with the ubiquitous nature and power of mobile and other digital technology, provides a synergy that will increase the potential for the success of direct marketing. The aim of this paper is to provide an analytical framework identifying the developments in the digital environment from e-marketing to m-marketing, and to device strategies to maximize benefit out of the latest trends.

Key words – Promotional tools, direct marketing, digital technology, e-marketing, m-marketing.

Introduction

Once on a sunny Sunday I was strolling leisurely in my locality. I found some known faces in the chowk. I saw that one of the boys was wearing Puma shoes which I had not seen in any showroom in Cuttack or Bhubaneswar. I asked him from where he purchased it. He said he purchased it online. I asked him you do not have a computer at home so how you ordered. He said “bhai aap kis zamane me ho” brother you are in which era. Now a day’s everything happens through smart phone. That was the moment when I realized that how popular the M-commerce has become, and how technology is changing the life of common people.

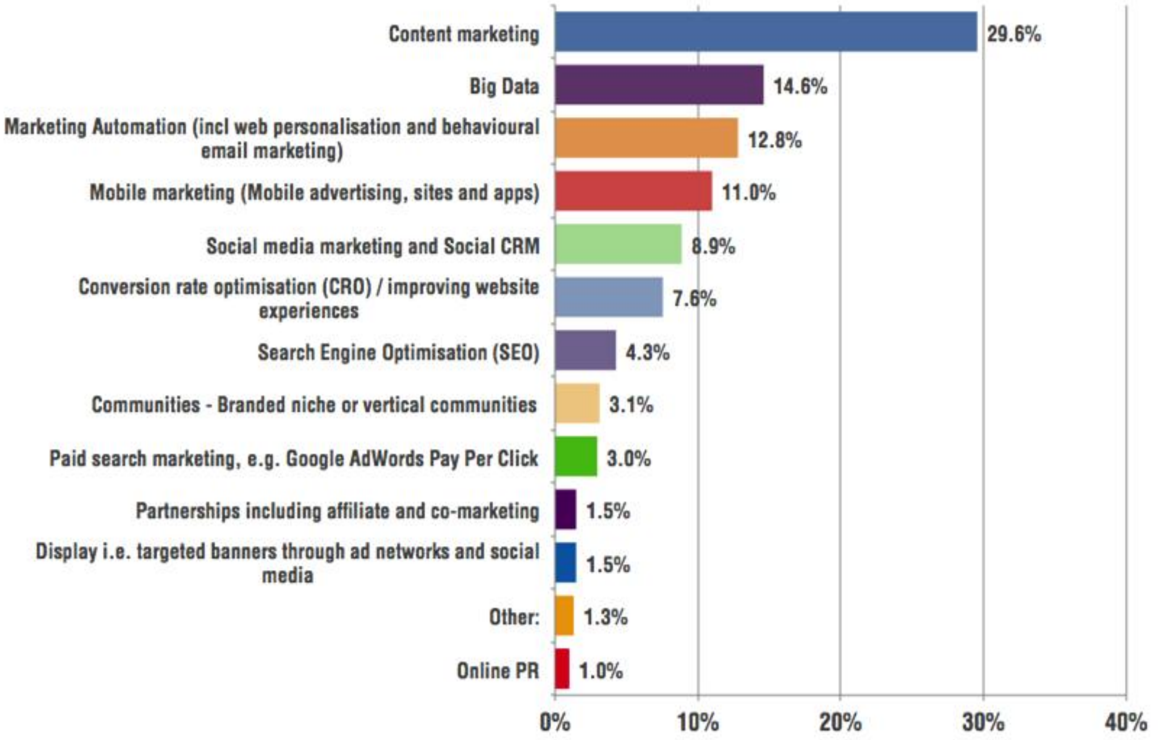
Currently in India, the national economy and marketplace are undergoing rapid changes and transformation. A large number of reasons could be attributed to these changes. One of the reasons in these changes in the Indian Market Scenario is Globalization, and the subsequent and resulting explosive growth of global trade and the international competition.

The other reason for these changes in the Indian Market Scenario is the technological change. This is an important factor because the technological competitiveness is making, not only the Indian market, but also the global marketplace cutthroat. Direct marketing through technology is the buzzword and every marketer is trying to get a pie of the cake. Let us analyse the effect of mobile and advanced technology in marketing.

Digital Marketing

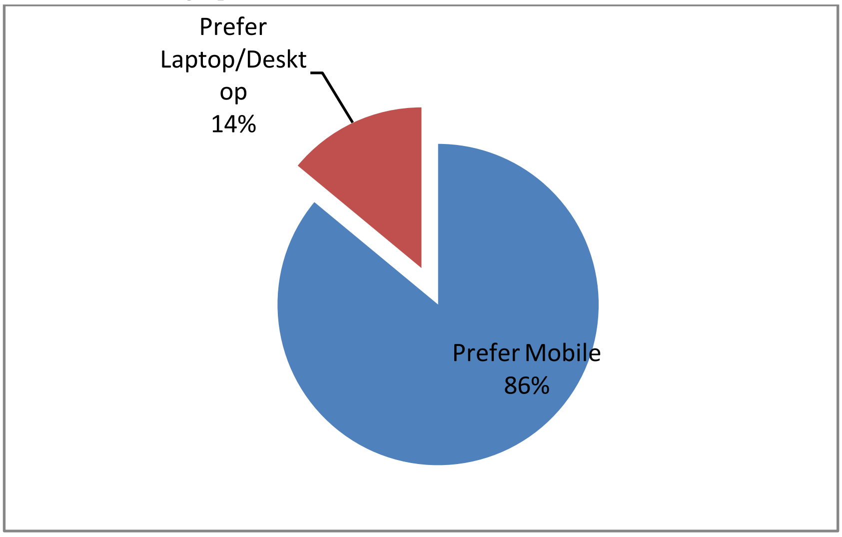
Content marketing and web personalization and behavioural email marketing is the favourite among marketers but mobile marketing and M-commerce is also gaining importance.

The following Graph shows the trend in digital marketing which will be commercially important in the year 2016.



Source – Smart Insight, Digital marketing trends

The above graph shows that mobile marketing is next to content marketing and Big Data. Here one thing is to be understood that now a days people use mobile phone for all activities which are digital in nature, may it be browsing or information search etc. The smart phone has replaced desktop and laptops. I conducted a survey in my locality as well as with some students. I asked them in order to check facebook, search for any information, shopping in any portal etc they prefer to do it in laptop or in mobile. The results are shown in the graph below.

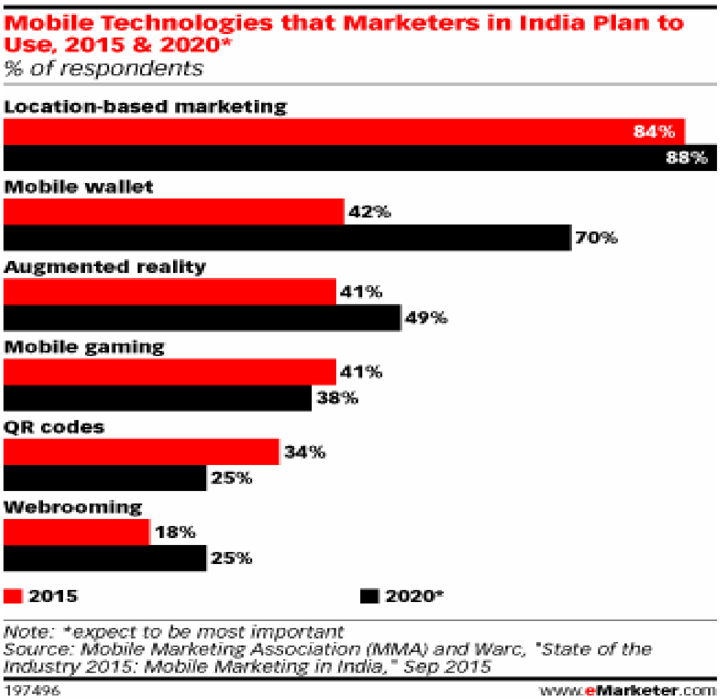


The percentage of people who said that they prefer laptop or desktop was because they did not have smart phone.

Future Trend in mobile marketing

Apart from the above things the core mobile marketing is also going to increase in the coming years. The following graph shows the future.

Mobile marketing is going to look substantially different five years from now, according to marketers in India.

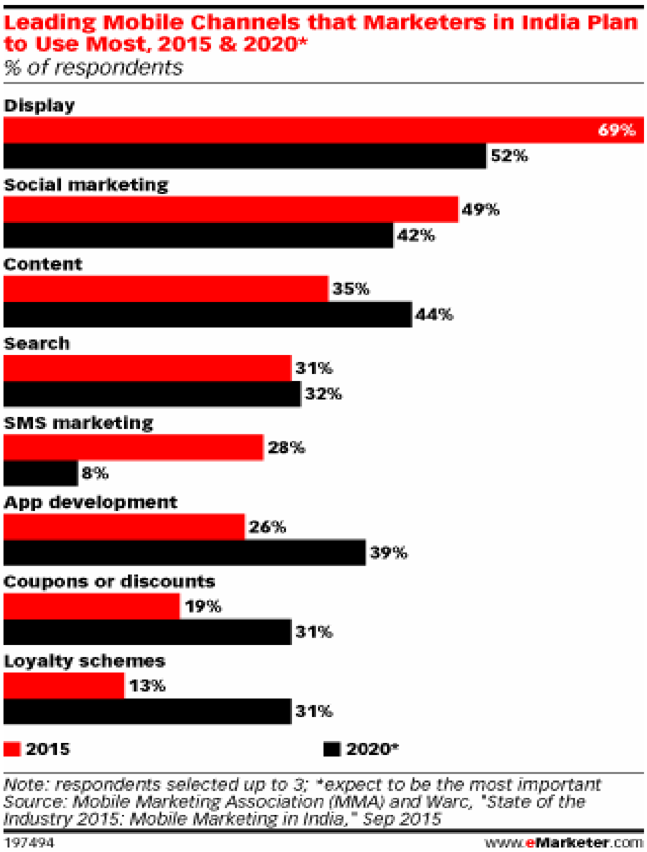


Share

The Mobile Marketing Association (MMA) and Warc found that location-based marketing was the No. 1 mobile technology currently in use in India, with 84% of marketers using it. It will still be tops in 2020, with little shift in usage, respondents believe—but a lot else will change.

This year, mobile wallets are virtually tied with augmented reality and mobile gaming, each used by around two in five marketers. But as mobile wallets rise 66.7% in usage, they will pull far away from the other two technologies, which will rise by 8 percentage point sand fall by 3 points, respectively.

In another big shift, QR codes and webrooming are expected to be in equal usage in five years, even though this year QR codes are almost twice as common.



Technologies are not the only thing that marketers in India expect to change in their mobile efforts. This year's most popular mobile format, display, is expected to be important to significantly fewer respondents in 2020. The current No. 2 mobile channels will also decrease in importance, with social marketing dropping from 49% to 42%. SMS marketing will also significantly drop in marketers' priorities, and are expected to become the least important mobile marketing format queried.

Other channels will be getting more attention. Loyalty schemes will more than double in importance. Coupons and discounts, and app development will also make significant gains. Mobile content marketing, currently in third place, will rise to No. 2 as it surpasses social in importance.

Spending on Mobile Advertising to Exceed That of Desktop Advertising

As of 2015, marketers are spending a little over a billion dollars more on desktop advertising than on mobile advertising. Crossing this milestone would be more than mere symbolism – it would indicate that marketers are not only embracing the app model, but also finding tremendous success in reaching the consumers on the small screen. The sector is expected to get a huge push in 2016.

By 2017, spending on Mobile Advertising is expected to be double that of Desktop Advertising.

The market for mobile advertising is not merely growing; it is exploding. In fact, this medium is expected to outgrow all other digital ad platforms. Taking that into account, the future certainly promises to be bigger and better for the industry.

Marketers and advertisers realize that the future lies in mobile marketing and are taking big steps to incorporate the power of the platform in their strategies. However, the mobile advertising platform remains immensely underutilized due to a lack of knowledge in maximizing the space.

Shift towards the App Model

For mobile marketers and advertisers, the big swing is the shift towards apps. After all, mobile marketing is no longer about banner ads. From mid-2013 to mid-2014, AdBlock usage grew by as much as 70 percent. What is more illuminating is that 41 percent of young customers (18-29 years) use AdBlock technology. Customers now try to eliminate ads from the experience completely.

On the other hand, people are now spending more time than ever on mobile apps. Mobile app usage made up about 86 percent of the total time spent by users on mobile devices. While the mobile experience is still clunky due to the absence of a smooth transition from one app to another, the situation is rapidly changing.

Conclusion

As evident from all the reports, the future of mobile advertising is extremely bright with a promise of better customer engagement and return on investment. The users would want advertisers to reach them with ease and offer timely and relevant information, promotions, and discounts right on their mobile devices. Mobile advertising also enables a deeper level of personalization, and that is a win-win situation for both the marketers and the audience. Many companies have been providing various types of mobile advertising, in-app advertising, mobile app development, mobile site development, mobile game development services to companies across the globe, and we see a huge rise in the demand for these services.

Reference

[1] http://www.smartinsights.com/managing-digital-marketing/marketing-innovation/digital-marketing-trends-2015/

[2] http://www.emarketer.com/Mobile-Marketing-Will-Shift-India

[3] https://www.outsource2india.com/kpo/market-research-services.asp

[4] Vargo, Stephen L., Robert F. Lusch. 2004. Evolving to a new dominant logic for marketing. J. Marketing 68(1) 18–28.

[5] Tellis, Gerard J., Stefan Stremersch, Eden Yin. 2003. The international takeoff of new products: The role of economics, culture, and country innovativeness. Marketing Sci. 22(2) 188–208.

[6] Steven M. Shugan, (2004) The Impact of Advancing Technology on Marketing and Academic Research. Marketing Science 23(4):469-475. http://dx.doi.org/10.1287/mksc.1040.0096

INFORMATION TECHNOLOGY ENABLED SERVICES OF ECONOMIC REFORMS IN INVENTORY MANAGEMENT

Mr. Deepak Ranjan Biswal
Lecturer-IPSAR Business School,CDA,Cuttack
E-mail:-deepaka.biswal@gmail.com

Abstract

Inventory means to deals with stock materials that can be purchase and sale in a business organization. it includes the following categories. how much amount of stocks are purchase and sale. which go down in the stock . there are units of measures.

Inventory is defined as," the quantity of goods or materials on hand" Inventory management software is a computer-based system for tracking inventory levels, orders, sales and deliveries. It can also be used in the manufacturing industry to create a work order, bill of materials and other production-related documents. Companies use inventory management software to avoid product overstock and outages. It is a tool for organizing inventory data that before was generally stored in hard-copy form or in spreadsheets.

A fully automated demand forecasting and inventory optimization system to attain key inventory optimization metrics such as:

- *Reorder point: the number of units that should trigger a replenishment order*
- *Order quantity: the number of units that should be reordered, based on the reorder point, stock on hand and stock on order[*
- *Lead demand: the number of units that will be sold during the lead time·*
- *Stock cover: the number of days left before a stock out if no reorder is made.*
- *Accuracy: the expected accuracy of the forecasts*

Keywords:- *Inventory management software, budgeting system, Inventory decisions, ordering costs, holding costs*

Introduction:

Information Technology (IT) is one of the world's fastest growing economic activities, which envisages easier flow of information at various levels in the desired pattern .

Inventory management is also about knowing where all your stock is and ensuring everything is accounted for at any given time. An *inventory management system* is a process for managing and locating objects or materials.

Many shops now use stock control systems. The term "stock control system" can be used to include various aspects of controlling the amount of stock on the shelves and in the stockroom and how reordering happens. Typical features of stock control software include: Ensuring that the products are on the shelf in shops in just the right quantity.

- Recognizing when a customer has bought a product.
- Automatically signaling when more products need to be put on the shelf from the stockroom.
- Automatically reordering stock at the appropriate time from the main warehouse.
- Automatically producing management information reports that could be used both by local managers and at head office.

It enabled Services also called web enabled services or remote services or Tele-working, covers the entire of operations which exploit information technology for improving efficiency of an organization. These services provide a wide range of career options that include opportunities in call Centre, medical transcription, medical billing and coding, back office operations; revenue claims processing, legal databases, content development, payrolls, logistics management, GIS (Geographical Information System), HR services, web services etc.

Objectives of the study:-

(i) To minimize capital investment in inventory by eliminating excessive stocks

(ii) To ensure availability of needed inventory for uninterrupted production and for meeting consumer demand;

(iii) To provide a scientific basis for planning of inventory needs

(iv) To tiding over the demand fluctuations by maintaining reasonable safety stock;

(v) To minimize risk of loss due to obsolescence, deterioration, etc.;

(vi) To maintain necessary records for protecting against thefts, wastes leakages of inventories and to decide timely replenishment of stocks.

Automatically discover and store IT asset data

The first step to gaining control of your IT inventory is establishing an up-to-date list of your hardware and software assets. Manually tracking IT assets on spreadsheets is time-consuming and prone to errors.

Track assets throughout their life cycle

Track your software assets, such as version, installation or purchase date, latest software updates, and more. Track hardware details, such as purchase date, usage, warranty expiration date, and location. This actionable data helps you decide if you should replace old or faulty hardware, and more. Manage vendor contracts and familiarize yourself with contracts, purchase orders, and expiration details. Having this information in your asset management system makes it easy to know when to extend or renew a contract with your vendor or hardware/software provider.

Quickly alert and report on IT assets

Quickly and accurately report on asset inventory with charts and tables. Built-in reports show current asset usage along with model number, last update dates, names of admins who installed the updates, total resources used, unused hardware, etc. You can even select a specific server and generate reports on all the software and hardware resources that are associated with it.

Challenges in Implementing Information Technology In Inventory Management

Inventory management challenge No. 1: Integrating demand planning and inventory planning

User , systems and databases must all talk to each other. You might also have to create a demand and supply planning organization overseen by someone in the executive suite. Integrating specialized demand and inventory planning software together, and to related systems such as ERP, is both an opportunity and a need not adequately addressed by the industry.

Inventory management challenge No. 2: Training users of demand planning and inventory management software

People, forecasting will be an entirely new discipline. Companies that have successfully implemented inventory management software stress the importance of teaching the underlying methodologies before handing out the software.

Slide shows and classroom instruction can spread the gospel about your company's new planning processes. A trainer approach is one of the quickest, least-expensive ways to make people comfortable with inventory management software.

Ease of use should be high on your list of criteria when deciding among vendors, but don't ask people to take on too much at once.

Inventory management challenge No. 3: Change management: Dumping those old spreadsheets and paper

Inventory managers can be reluctant to give up their familiar ways. You might have to forbid the use of spreadsheets, for example, to get people to switch to new inventory management software. To ease the

transition and build trust, sit down with users and demonstrate the benefits. Ironically, it might help to simulate the software in Microsoft Excel for those who have never made the transition from paper.
Executive champions in the IT and business sides and easy-to-use software can also further buy-in that enables cultural change.

Inventory management challenge No. 4: Standardizing data

Some companies have been tripped up by having too many definitions for the same data, such as purchase orders and product categories. Standardizing data definitions is a necessary step in building an architecture that works across departments and locations.

Inventory management challenge No. 5: Choosing just the demand planning and inventory management modules that suit your business

The unique nature of your demand will determine which components you need. Goods can be expensive to ship overseas and delays can squash revenue gains, so a well-honed demand planning tool updated with real-time sales numbers is essential. But if your sales typically come from large deals, inventory management software merits more attention.

Information Technology Systems Inventory Management

- Information technology system there are no policies, procedures, or standards for safeguarding and accounting for computer equipment, or for replacing computer equipment. Although the Committee on Information Technology and the Department of Telecommunications and Information Services are responsible to provide information technology leadership, they have not provided leadership citywide or to City departments for better management of their information technology inventory.
- City departments have inconsistent practices in managing information technology inventory. In a review of 13 City departments, inventory reports varied significantly in the information that they provided, ranging from (a) basic information, such as the equipment vendor, serial number, and model (b) more detailed information such as the name of the staff person assigned to each computer, the operating system version, and the date of equipment deployment.
- Larger City departments, such as the Municipal Transportation Agency and Public Utilities Commission, have formal asset management tools to maintain and manage information technology systems and equipment. However, most City departments lack a formal method to manage their information technology assets, impairing their ability to forecast replacement cycles and future financing requirements.
- Enterprise departments, with a consistent revenue stream, are able to replace or upgrade their information technology systems on a regular basis. General Fund-supported departments generally have much longer replacement cycles than enterprise departments. Because older equipment is only able to operate using older operating systems and older versions of applications, those departments with older computers generally support a greater number of operating system types and application types. For example, the Fire Department supports Microsoft Office versions 97, 2000, and 2003, and, therefore, Fire Department information technology staff must be able to support Microsoft Windows versions 95, 98, 2000, and XP.

The Budget Analyst's review of the information technology systems inventories of the remaining eight departments is summarized in the following table.

Computer Equipment Audit Results

Department	No. of Desktop Computers	No. of Laptop Computers	Sample Size	No. Not Located	Desktop Replacement Cycle	Comments
Building Inspection	257	12	31	0	3 Years	All new desktop computers
City Planning	262	2	30	0	6 to 7 Years	Win 2000
Elections [1]	180	32	30	0	5 to 6 Years	Win 2000 & XP. All computers located on initial visit.
Public Health (General Hospital) [2]	1,083	91	30	4 desktops	Funding dependent. Some computers are 10 years old.	Inventory includes an additional 424 thin clients at SFGH. [3]
Treasurer-Tax Collector	296	17	31	0	3 to 4 years	All computers located promptly on initial visit.
Fire	365	31	36	0	Funding dependent. Field workstations were purchased before 2000. Some Win 95 in use.	All computers located promptly on initial visit (two-day duration because of dispersed locations).
Juvenile Probation	127	4	36	0	3 to 4 Years	
Recreation and Park	240	31	45	2 laptops, 2 desktops	4 to 8 years	
Total	**2,810**	**22**	**269**	**8**		

As shown in the table above, of the total sample of 269 computers, out of a population of 2,810 total computers, the Budget Analyst was able to verify the existence of all but eight computers, four each in the Recreation and Park Department and San Francisco General Hospital. Although there was variation in the control environments of the six remaining departments, in general those control environments functioned appropriately, with little search time necessary to identify the selected computers.

San Francisco General Hospital and the Recreation and Park Department operate in the most challenging control environments of the selected departments. At San Francisco General Hospital, many of the computers, even desktop computers, are mobile, and medical staff move them around freely. Computers allocated to the Recreation and Park Department are dispersed to approximately 59 sites throughout the City, and the information technology staff allocated to the department consist of six information technology positions, including one manager.

This review indicates that, while certain City departments are accounting for their computer assets effectively, others, as exemplified in the Office of the Assessor-Recorder, the Recreation and Park Department, and San Francisco General Hospital, need to improve their accountability of computer assets. To ensure against future inventory errors, the Budget Analyst recommends that the City develop (a) citywide policies on maintaining computer inventories and (b) a quality control process to ensure adequate compliance with such policies.

Use of Asset Management Tools

City departments with large information technology systems, such as the Public Utilities Commission and the Municipal Transportation Agency, use formal asset management tools for management and maintenance of their information technology systems. Asset management tools can automate and track equipment and software inventories. These tools have the capability to collect hardware (e.g., Pentium IV processor) and software (e.g., Windows 2000 Operating System) information and can greatly enhance a department's ability to manage: (a) the life cycle of its computer assets, from deployment to disposal; (b) software license compliance; (c) software patches; and, (d) software distribution and upgrades.

The Public Utilities Commission, whose information technology systems includes an International Business Machine (IBM) mainframe, 120 servers, 1,725 desktop computers, and 394 laptop computers, uses an asset management tool named Track-IT Enterprise. Track-IT is an automated asset management tool which electronically maintains a hardware and software inventory of all of the Public Utilities Commission's systems. Track-IT automatically conducts an audit of any hardware or software when it is first connected to the Public Utilities Commission's network and a network user logs on. Thereafter, Track-IT repeats this audit every 90 days in order to maintain up-to-date inventory information in the Track-IT database.

With an effective asset management program, departments can better forecast budget expenditures throughout the life cycles of all of their information technology systems.

Computer Replacement Policies and Practices

The ages of existing information technology systems vary significantly by department. Typically, enterprise departments - with a consistent revenue stream - are able to use more recent technology and replace their information technology systems on a regular basis. This contrasts with General Fund-supported departments, which generally have much longer replacement cycles than enterprise departments. For example, the Fire Department has a 400 megahertz, Windows 95 desktop in its administrative office that takes several minutes just to load the computer's basic operating system. By contrast, every desktop computer within the Department of Building Inspection is approximately one year old.

Conclusion

In any business, make it big or small, we must understand that taking good care of our inventory is very important. If we as managers do not understand the concept of good inventory management, we must learn to be familiar with it and its applications. One of the reasons for the failure of a business is its inventory management. There are many ways to fight failure, and we can start from here. There are new technology that can help us maintain and supervise our inventory. What we can do is learn, implement and evaluate our business. And you can start with your INVENTORY!!!!!

References:

[1] http://hyperserver.engrg.uwo.ca/es492b/Lectures/Lect12/tsld014.htm
[2] http://hyperserver.engrg.uwo.ca/es492b/Lectures/Lect12/tsld005.htm
[3] Hilton, Ronald W., *Managerial Accounting*. McGraw-Hill,Inc (1994). p.407
[4] http://www.ainet.com/opt/csus/invntory.htm 2.) http://www.inventorymanagement.com/news.htm
[5] Hilton, Ronald W., *Managerial Accounting*. McGraw-Hill,Inc (1994). p.13-14, p. 407,p.218
[6] http://www.freenet.edmonton.ab.ca/imasc/#IncomeStatement
[7] http://www.cris.com/~kthill/inventry.htm
[8] http://www.execpc.com/~matplan/page2.html
[9] http://www.ainet.com/opt/csus/invntory.htm10.) http://www.ainet.com/opt/csus/invntory.htm

IMPORTANCE OF HEALTH IN HUMAN DEVELOPMENT: A STUDY ON ODISHA

***SK. Kalimulaha**
Research Scholar, Dept. of Economics, Ravenshaw University, Odisha
Sk.kalimulaha@gmail.com, Ph No.- 9338510780

**** Kshitish Kumar Khuntia**
Sr. Lecturer, Dept. of Economics, Centurion University, Odisha
Khuntia_kshitish@rediffmail.com, Ph.No- 9238606745

Abstract:

Human development comprises with development of three attributes of the people; knowledge, skill and capacities. The concept of human development is complex and multidimensional. There are three measurable indicators of human development - namely, Human Development Index (HDI), Gender Development Index (GDI), and Reproductive Health Index (RHI). Among the three indices to measure human development index, health index plays an important role to measure human development of the country. The health index is measured with the variable such as life expectancy at birth. According to UNDP-HDR 2004, Indian ranks 127th among 177 countries as per the value of HDI (=0.595). Of the three sub-indices, the value of life expectancy index is highest (=0.64) and is followed by education index (0.59) and GDP index (=0.55). The present study aims to analyse the human development index (HDI) of Odisha and India in general and the health sector performance to ascertain the health status of the state in particular. After analysis of the secondary data of different health plans and programmes, it is concluded that policy makers should give more emphasis on the provision of health care facilities for rural and weaker section of the state.

Keywords: HDI (Human Development Index), Health Indicators, MMR & CBR, provision of healthcare

1. Introduction:

Human Resource is regarded as the most important factor and agent of economic development of the country. A country is said to be healthy, if it's human resource is developed and it comprises with the aggregate of peoples' attributes including; knowledge, skill and capacities. Most precisely, the human resource development is the process of increasing these attributes of all the people in a given society (Pramanik, 1980). Since human resource constitutes one of the fundamental ingredients of qualitative and quantitative production, if these resources are not provided with a basic standard, the productivity of the economy has to be affected (Khuntia, 2011). The concept of human development is complex and multidimensional. There are three measurable indicators of human development - namely, Human Development Index (HDI), Gender Development Index (GDI), and Reproductive Health Index (RHI). Since human resource constitutes the most important indicators of economic development so policy makers of all countries are giving constant effort to develop their human resources. The process started with the effort led by the late Pakistani economist Mahbub ul Haq, together with a group of scholars that included Amartya Sen and the first Human Development Report was published in the year 1990, emphasis on the real per capita income of the country as a measure for the country's development and well-being. The report however does not indicate that the country's people as a whole are better off (Singh, 2011).

Human development index (HDI) is extensively used to measure the standard of living of a country. HDI is calculated based on three indices; life expectancy to measure longevity, educational attainment to represent knowledge and real gross domestic product (GDP) to represent income (Antony & Laxmaiah, 2008). It is a standard means of measuring well-being, especially child welfare. It is used to distinguish whether the country is a developed, a developing or an under-developed country, and also to measure the impact of economic policies on quality of life (Wikipedia). Among these three indices, health index is an important parameter of measuring human development. For instance, UNDP-HDR 2004 ranks India 127th among 177 countries as per the value of HDI (=0.595). Of the three sub-indices, the value of life expectancy index is highest (=0.64) and is followed by education index (0.59) and GDP index (=0.55) (Narayana, 2006). The present paper basically focused on the Human Development Index and health in India in general and comparison of two states like Kerala and Odisha in particular.

1.1 India's HDI value and rank

Although, human development being a part of India's Five Year plans but its achievement has been poor with compare to other country (Tilak, 1999). According to United Nation Development Programme (UNDP) HDR 2011, India is occupied 134th rank out of 187 countries and territories in 2011. However, in fact, India's comparative international performance suggests that, among the BRIC nations, India's improvement in the last decade (2000-2011) has been better than Brazil, China and Russia, marking a 19% growth in HDI. India's HDI value increased from 0.344 to 0.547, an increase of 59.0 per cent or average annual increase of about 1.5 per cent. Table explains India's progress in details of its HDI indicators from 1980 to 2011.

Table 1.1: India's HDI trends based on consistent time series data and new component indicators

Year	Life expectancy at birth	Expected years of schooling	Means years of schooling	GNI per capita (2005 PPP$)	HDI value
1980	55.3	6.5	1.9	896	0.344
1985	57.0	7.3	2.4	1,043	0.380
1990	58.3	7.7	3.0	1,229	0.410
1995	59.8	8.3	3.3	1,453	0.437
2000	61.6	8.4	3.6	1,747	0.461
2005	63.3	9.9	4.0	2,280	0.504
2010	65.1	10.3	4.4	3,248	0.542
2011	65.4	10.3	4.4	3,468	0.547

Source: Human Development Report- 2011

From the table 1.1, it can be found that, India's life expectancy at birth increased by 10.1 years, mean years of schooling increased by 2.5 years and expected years of schooling increased by 3.9 years from 1980 to 2011.There is a significant increase in GNI per capita, which is about 287.0 per cent from 1980 to 2011, which shows country's overall economic development.

1.2 Objectives of the Study:

The objectives of the study comprises with important issues with related to analysis of HDR 2011.

1. To ascertain the composite human development status of Odisha
2. To compare the HDI of Odisha with Kerala

To analyses the health status with respect to human development in comparision with top three states and bottom three states.

1.3 Research methodology:

The main objective of this paper is to analyse the importance of health index and its variables in human development in India and Odisha. This analysis is intended to know the health indicator of the state with relation to other states. Then it tries to give the suggestions after deriving the conclusion. The present study is basically relies on the secondary data to fulfill the objectives. It focuses on human development and health in the state of Odisha. For this purpose, the secondary data were analysed on life expectancy at birth, death rates and mortality status, infant mortality rates in rural and urban areas and children under age five with symptoms of ARI, fever and diarrhea in odisha and India from the various government publications. The important sources of the secondary data are Annual Report of Health and Family Welfare, India Human Development Report- 2011, Family Welfare Statistics-2011, SRS, 2007, Indian Economic Survey, Human Development Reports, Health Statistics of India, Educational Statistics at a Glance, and Studies in Educational Statistics, and reports of NSS Rounds. The data has been analysed on the basis of the performance of the state from 2000 to 2011. In order to make a comparative analysis, all the states of the country has been divide to three parts i.e. (i) Top three states, (2) Bottom three states and (3) country's performance. Tabular form of presentation has been carried out for the smooth analysis of data.

2. OVERVIEW OF ODISHA:

Odisha is regarded as one of the poor state in the country having rich mineral resources. While 45 percent of its people still live in poverty, the state is today emerging from a period of economic stagnation and deep financial stress (World Bank, 2012). The land area of Odisha is 155,707 Sq. Kms., which is 4.74 per cent of the total land area of India and 10th largest state in India in terms of physical size. The state is one of the least urbanized states in India. As per the 2001 census, the rate of urbanization is 14.97%, which is only higher than Assam and Bihar among the major States. Amongst the districts in the state, the lowest degree of urbanization (having less than 5% urban population) is in the district of Nayagarh 4.29% and the highest degree of urbanization is in the district of Khurda 42.93%. 15 districts have urban population below 10% and 5 districts have urban population above 25%. Odisha reported an average real annual growth rate of 9.44 percent during the last five years (2005-06 to 2009-10). In the first three years of the 11th plan, the State's average real annual growth rate is of the order of 9.57 percent. There is, however, a significant quantitative difference. Compared to the Indian economy, the economy of Odisha is more agricultural, less industrial and less service-oriented. The service sector at the national level accounted for about 65 percent of GDP in 2009-10 against only 53.73 percent for Odisha. The state GDP has registered growth rates of 10.91

per cent, 7.24 per cent and 10.57 per cent in 2007-08, 2008-09 and 2009-10 respectively, posting higher growth than national average, according to data of Economic Survey for 2010-11 released by department of Planning and Coordination. Capital investment in the state has gone up from Rs 1038.06 crore in 2005-06 to Rs 4285.10 crore in 2010-11. As percentage of GDP, this has gone up from 1.24 per cent to 2.30 per cent. In 2009-10 (quick estimates), the service sector accounted for about 54 percent of the Gross State Domestic Product (GSDP) followed by industry (28%) and agriculture (18%). Administratively Odisha has 3 revenue divisions, 30 districts, 58 Sub-divisions, 171 tehsils and 314 community development blocks. There are 105 local bodies, 31 towns, 6235 Gram Panchayats and 51, 124 villages. Bhubaneswar is the State Capital.

2.1 Human Development Status in Odisha:

Odisha has the third lowest population density among the major Indian states. However, there are significant inter-district variations. The state has a peculiar demographic regime – relatively low and steadily declining birth rate going hand in hand with relatively high and very slowly declining death rate. The rate of urbanisation is also very slow. The sex ratio is the third highest among major Indian states (HDR, 2004). Odisha has been one of the most natural disaster-prone states of India. Floods and droughts regularly devastate the State and cyclones are common. Frequent occurrences of natural calamities stand as a barrier to economic progress of the state.

Among the three measurable indicators of human development, the RHI focuses on an essential condition of the reproductive health dimension. These gains in significance in light of the fact that, in both HDI and GDI for Odisha, it is the health index which has the lowest relative value (compared to education and income indices). From the gender point of view also, it is necessary to focus on reproductive health – that is recently being emphasised both from the substantive and measurement points of view (HDR, 2011). According to the report, Odisha occupies 22nd rank among all the states in India. Table explains the HDI in Odisha with comparision with other states in India.

TABLE 2.1: HDI IN ODISHA AND OTHER STATE 1999-2000 TO 2007-08

State	HDI 1999-2000	HDI 2007-8	Rank 1999-2000	Rank 2007-8
(1)	(2)	(3)	(4)	(5)
Kerala	0.677	0.790	2	1
Delhi	0.783	0.750	1	2
Himachal Pradesh	0.581	0.652	4	3
Goa	0.595	0.617	3	4
Punjab	0.543	0.605	5	5
NE (excluding Assam)	0.473	0.573	9	6
Maharashtra	0.501	0.572	6	7
Tamil Nadu	0.480	0.570	8	8
Haryana	0.501	0.552	7	9
Jammu and Kashmir	0.465	0.529	11	10
Gujarat	0.466	0.527	10	11
Karnataka	0.432	0.519	12	12
West Bengal	0.422	0.492	13	13
Uttaranchal	0.339	0.490	16	14
Andhra Pradesh	0.368	0.473	15	15
Assam	0.336	0.444	17	16
Rajasthan	0.387	0.434	14	17
Uttar Pradesh	0.316	0.380	18	18
Jharkhand	0.268	0.376	23	19
Madhya Pradesh	0.285	0.375	20	20
Bihar	0.292	0.367	19	21
Odisha	0.275	0.362	22	22
Chhattisgarh	0.278	0.358	21	23

Source: India Human Development Report, 2011

From the table 2.1, it is revealed that the aggregate HDI scores estimated for Odisha, were 0.537 in 2006 and 0.461 in 1996, for Kerala, it was 0.76 in 2006 and 0.74 in 1996 and for India, 0.650 in 2006 and 0.53 in 1996 respectively. Another interesting fact can be derived from the above table is that, in all the states the HDI fluctuated from 1999-2000 to 2007-08 except Odisha. The rank of Odisha remained constant in HDI table which is 22. It can be revealed that there is not a significant change in the human development index in Odisha. As earlier state that, health is an important parameter of the calculation of HDI, the present study focuses on the issue involved with the health sector in Odisha with reference to analysis of different health programmes.

2.2 Health Indicators of Odisha

While accessing public health in Odisha, social, regional and gender disparities play the important role. As most of the people are lived in rural areas, so their socio-economic condition creates obstacles in the path of accessing basic health care facilities. Odisha has been giving constant efforts to improve its health situation and obviously there is some improvement in this sector. Table explains the current status of health indicators of odisha with respect to all Indian figures.

TABLE-2.2: DEMOGRAPHIC, SOCIO-ECONOMIC AND HEALTH PROFILE OF ODISHA STATE AS COMPARED TO INDIA FIGURES

Sl No	Item	Odisha	India
(1)	(2)	(3)	(4)
1	Total population (State of World Population,2010) (in millions)	41.9	1210.19
2	Decadal Growth (Census 20011) (%)	16.25	17.64
3	Crude Birth Rate (SRS 2009)	21.0	22.5
4	Crude Death Rate (SRS 2009)	8.8	7.3
5	Total Fertility Rate (SRS 2009)	2.4	2.6
6	Infant Mortality Rate (SRS 2009)	65	50
7	Maternal Mortality Ratio	258* 303**	212* 254**
8	Sex Ratio-Females per 1000 males (Census 2011)	972	940
9	Population below Poverty line (%)	47.15	26.10
10	Literacy Rate (Census 20011) (%) Male Fema,e	73.38 82.40 64.36	74.04 82.14 65.46

*SRS (2007-2009), **SRS (2004-2006)

As per the data (SRS-2009), it is revealed that Crude Birth Rate (CBR) of Odisha is 21.0 which is lower than the national level i.e. 22.5. It indicates that the state is doing well to control the birth rate. But in case of Maternal Mortality Ratio (MMR) the state is higher than the national average. In terms of standard of living of the people of Odisha, 47.15% population are below the poverty line with comparision to India, i.e. 26.10. The female literacy rate is 64.36 percent which is little lower than the all India level i.e.65.46.

2.3 Health Vs Human Development (Odisha)

Health is one of the important indicators that decide the human development of a nation or state. According to State Human Development Report, Odisha, 2004, "the value of Human Development Index (HDI) for the state as a whole is 0.579. Of the three components of HDI, the education index has the highest weight (0.723) whereas the health index has the lowest weight (0.468) and the income index (0.545) lies in between. An inter district analysis of HDI rank of Odisha presented in the below table clearly shows a wide disparity between lowest and highest HDI rank districts with regard to the health status of inhabitants in those districts. The health index of districts in the state ranges from as low as 0.006 to as high as 0.782.

TABLE- 2.3: HEALTH, INCOME, EDUCATION AND HUMAN DEVELOPMENT INDEX OF DISTRICTS IN ODISHA

District	Health Index	Income Index	Education Index	HDI Value	HDI Rank
(1)	(2)	(3)	(4)	(5)	(6)
Malkangiri	0.122	0.497	0.491	0.37	30
Kandhamal	0.006	0.516	0.645	0.389	29
Gajapati	0.173	0.558	0.561	0.431	28
Koraput	0.218	0.539	0.535	0.431	27
Nabarangpur	0.34	0.453	0.516	0.436	26
Rayagada	0.25	0.547	0.531	0.443	25
Keonjhar	0.34	0.547	0.704	0.53	24
Boudh	0.423	0.497	0.688	0.536	23
Jajpur	0.333	0.499	0.786	0.54	22
Balangir	0.468	0.504	0.666	0.546	21
Ganjam	0.404	0.532	0.718	0.551	20
Jagatsinghpur	0.288	0.549	0.833	0.557	19
Balasore	0.442	0.466	0.77	0.559	18
Bargarh	0.449	0.517	0.727	0.565	17
Sonepur	0.474	0.492	0.731	0.566	16

Nayagarh	0.462	0.485	0.766	0.571	15
Nuapada	0.692	0.47	0.582	0.581	14
Sambalpur	0.436	0.59	0.742	0.589	13
Dhenkanal	0.468	0.534	0.773	0.591	12
Kalahandi	0.763	0.471	0.585	0.606	11
Kendrapara	0.596	0.466	0.815	0.626	10
Mayurbhanj	0.782	0.489	0.647	0.639	9
Bhadrak	0.673	0.463	0.803	0.646	8
Puri	0.622	0.527	0.823	0.657	7
Angul	0.481	0.748	0.76	0.663	6
Deogarh	0.776	0.532	0.698	0.669	5
Sundargarh	0.692	0.618	0.74	0.683	4
Cuttack	0.686	0.587	0.813	0.695	3
Jharsuguda	0.635	0.757	0.773	0.722	2
Khurda	0.724	0.639	0.845	0.736	1
Odisha	0.468	0.545	0.723	0.579	

Source: State Human Development Report, Odisha, 2004

It is clear from the above table 2.3 that, Khurda district is the highest HDI rank in terms to its health, income and education index, i.e.0.724, 0.639 and 0.845 respectively, where Malkangiri district has lowest HDI rank i.e. 0.122, 0.497 and 0.491 respectively. Therefore, it can be concluded that, good health of people is an essential indicator for attaining better human development.

2.3.1 Death Rates and Mortality Status

The three important indicator of health i.e. death rates, infant mortality and maternal mortality are more in Odisha with comparison to Kerala and All-India rates. According to Sample Registration System (SRS), 2009 the Death Rates in Odisha is highest in the country which stands at 9.2 as against 7.4 of the country as a whole. The most distress fact that, the death rate status of rural Odisha i.e.9.5, which is more than its urban areas i.e. 7.0. Odisha ranks last among the states in the country for both rural and urban areas. However, if the death rate between 2001 to 2009 is compared, Odisha has not shown dismal result in reducing the death rates despite all the difficulties that the state is socio-culturally and naturally bestowed with. During this period, Odisha could reduce the death rate by 1.7 point which is second highest among all the states in the country.

TABLE 2.4: DEATH RATES IN INDIA, ODISHA AND KERALA, 2001 & 2009

India/Kerala/Odisha	Total		Rural		Urban	
	2001	2009	2001	2009	2001	2009
(1)	(2)	(3)	(4)	(5)	(6)	(7)
India	8.4	7.3	9.1	7.8	6.3	5.8
Kerla	6.6	6.8	6.8	6.8	6.2	6.5
Odisha	10.4	8.8	10.8	9.2	6.8	6.8

Source: Family Welfare Statistics, 2011

Although birth rates has declined from 23.5 (in year 2001) to 21.0 (in year 2009) to 71 (in 2007) in Odisha but it is much higher than Kerala. The surprising fact that, in 2009 the birth rate in Odisha is less than All India rate i.e. 22.5. The below table explains the comparative data on birth rate in India, Odisha and Kerala. In 2009, the birth rate in rural (21.9) is higher than the urban area (15.7) in Odisha.

TABLE 2.5: BIRTH RATES IN INDIA, ODISHA AND KERALA, 2001 & 2009

	Total		Rural		Urban	
(1)	(2)		(3)		(4)	
	2001	2009	2001	2009	2001	2009
India	25.4	22.5	27.1	24.1	20.3	18.3
Kerla	17.3	14.7	17.4	14.6	16.7	14.9
Odisha	23.5	21.0	24.0	21.9	19.7	15.7

Source: Family Welfare Statistics, 2011

TABLE 2.6: INFANT MORTALITY RATES IN RURAL AND URBAN AREAS OF INDIA, ODISHA AND OTHER STATES, 2007

	Total			Rural			Urban		
(1)	(2)			(3)			(4)		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
India	55	55	56	61	60	61	37	36	39
Top Three States									
Kerala	13	12	13	14	13	14	10	9	11

Maharashtra	34	33	35	41	41	42	24	21	26
Tamil Nadu	35	34	36	38	38	39	31	30	33
Bottom Three Staes									
Uttar Pradesh	69	67	70	72	71	74	51	50	51
Odisha	71	70	72	73	72	74	52	49	55
Madhya Pradesh	72	72	72	77	77	77	50	50	51

Source: SRS, 2007

From the above table, it can be revealed that, there is not a very significant difference between male and female infant deaths recorded in the state. As shown in the above table, when 70 male infants per 1000 live births died in 2007, the state recorded little higher i.e. 72 deaths of female infants during the same period. Irrespective of minimal differences between male and female deaths, the overall infant mortality rate of the state portrays a dismal health scenario of the state.

Policy Implications:

The socio-economic condition of Odish is very poor with compare to other state so most of the people are unable to access minimum level of health care facilities. In remote and tribal districts, minimum health services are not available because of poor functioning of public health care institutions. Despite these constraints, the Government of Orissa has been giving constant effort to develop the development of the health sector and to achieve equity in health. The policy makers of the state are aware about the fact that health index plays an important role in the process of economic development. National Rural Health Mission (NRHM) is the live example of the initiation which aims to have a participatory, public health and primary health care orientation. However, it needs to be pointed out here that while time-bound targeted reductions in IMR and MMR have been bring out, the specific requirements of these policy goals (such as the required increase in the coverage of antenatal care and of institutional deliveries, etc.) and their organisational and financial implications have not been spelt out. There are some suggestions for the betterment of the policy implication; (1) more budgets should be required for the development of primary health care providers in Odisha (2) an attempt should be made to involve Panchayati Raj Institutions (PRIs), local NGOs, and Self-help Groups in managing healthcare institutions (3) there should be a concerted effort to increase institutional deliveries to reduce both infant and maternal mortality (4) Vector control programmes need to be intensified because these diseases are most critical problem for the state of Odisha and (5) The child immunisation drive needs to be intensified and an attempt should be made to achieve 100 per cent by 2012. Last but not the least, building rural and urban infrastructure, attracting private investment, strengthening social security systems and mobilizing and energizing the rural poor will be a priority. Steps taken by the State Government include Mission Shakti to empower women, launching the Infant Mortality Mission to reduce IMR, and new health strategy should be undertaken to increase health index in the state.

Bibliography:

[1] Pramanik, A.K (1980): "Concept and Use of Human Resource Development", Southern Economist, 37(14): 5-6, 1980.

[2] Antony, G.M. & Laxmaiah (2008): "Human development, poverty, health & nutrition situation in India", Indian J Med Res 128, August 2008, pp 198-205

[3] Singh, S. (2011), India's Human Development Index (HDI) has risen by 21 % during the last decade, IndiaStudyChannel.com, Posted Date: 23-Oct-2011

[4] Tilak Jandhayala B.G, "Elementary Education in India in the 1990s: Problems and Perspectives", Margin, 27(4), 1995.

[5] Mehrotra, S. and Gandhi, A (2011): "The financial Express" Posted: Thursday, Nov 03, 2011 at 0347 hrs IST

[6] Narayana, M.R (2006): "Measurement of education achievement in human development: Evidence from India", International Education Journal, 2006, 7(1), 85-97, ISSN 1443-1475 © 2006 Shannon Research Press, http://go.worldbank.org/U3YA770CC0, World Bank, 2012

[7] Government of Odisha (2010-11): Economic Survey Odisha, Directorate of Economics and Statistics, Planning and Coordination Department, Bhubaneswar.

[8] The Hindu (2009): "State Doubles Delivery Rate", Publish: September, 2009

[9] Khuntia, K.,(2012): "Provision of Healthcare Facilities: A Comparative Study in Odisha", Unpublished PhD Thesis, odisha

[10] http://en.wikipedia.org/wiki/Human_Development_Index

Capital Market Reforms in India

***Mrs. Krishna Kavitha Acharya**
Asst. Professor, IPSAR
****Dr. Kishore Kumar Das, Reader, Dept. of Commerce & Management, Ravenshaw University. Cuttack,ODISHA**

Abstract

Indian capital market is the one of the oldest capital markets in the world. It witnessed a major transformation and structural change since 1991. This article gives brief account of capital market developments in India under various heads like Indian capital market before 1990's , Indian capital market after 1990's, primary market developments, secondary market developments, depository participant and also recent initiatives taken by the capital market in India.

Keywords: capital market, structural changes, transformational l changes, primary market, secondary market, depository participant.

Historical profile of Indian capital market:

The Indian capital market dates back18th century is one of the oldest capital markets in the world. The oldest stock exchange in Asia was set up in Bombay in 1875 with the name of Bombay Stock Exchange. Gradually 19 stock exchanges were set up in different states of India. In this chapter an attempt has been made by the researcher to review the Capital Market Developments that has taken p lace in India in two phases such as:

- Scenario of Capital Market in India – Before 1990's
- Scenario of Capital Market in India – After 1990's

Scenario of capital market in India - Before 1990's

Long term corporate needs of the corporate sector were met by the all India Financial institutions like IDBI,IFCI,ICICI and investment institutions like UTI,LIC,GIC etc. Companies till 1990's. The corporate world was less dependent on capital market till 1990s.

Short term financial needs for working capital were met by the commercial banks which has a wide network of branches all over the country. For the development of capital market in India, three important legislations namely, Capital Issues (control) Act 1947: Securities Contracts (Regulation) Act, 1956; and Companies Act, 1956 were enacted in different years. The pricing of the securities issued in the primary market was decided by the controller of capital issues. As of 1992, the Bombay stock exchange was a monopoly and the trading system was 'open outcry' system on the trading floor. The retail investors residing outside Bombay has to take the help of the sub brokers to access the market liquidity. They used to charge professional fees as well as mark up price, which was usually 10% more than the actual trade price. Badla system of trading allowed in the market which allowed the brokers to carry forward the positions to the net settlement session by simply paying the badla charges. The final step of the trade was physical settlement. Physical share certificates were printed on the paper. This involves the risk of theft, administrative inefficiencies, deliberate delays in settlement on both at the BSE and the firm. This delay in settlement leads to manipulations by the firms on their own stocks. The investors of Bombay were facing fewer problems when compared with other investors, because they could physical visit the BSE brokers, clearing house, Company's Registrar and accelerates the process of transfer. Six months were taken for transfer process to the investors outside Bombay, who were unable to visit the BSE, Company's registrars, and clearing house, due to this the investors outside Bombay were unable to receive the benefits of dividend payments, stock splits, rights issue. The above factors like delay in settlement, low standard of technology, floor based trading, administrative inefficiencies were responsible for the poor functioning of the capital market till 1992.

Scenario of Capital Market in India – After 1990's:

After 1991, in the LPG era, a lot of developments like financial sector reforms and capital market reforms were initiated during this period. These reforms made structural and transformational changes in the Indian capital market. In the year 1992, Controller of capital issues was abolished and SEBI (Securities and Exchange Board of India) was incorporated in 1988 and acquired a statutory status in 1992. In this year, the modern stock Exchange NSE (National Stock Exchange) was established which introduced new trading platform to the Indian capital market. Indian Capital Market has achieved commendable progress since the inception of SEBI and has been transformed into one of the dynamic capital markets of the world.

Classification of capital market:

On the basis of functioning, capital market can be classified as primary market and secondary market.

- New Issue Market (Primary Market): For meeting the financial requirements like modernization, expansion, diversification etc, companies issue various types of securities in the primary market. If an unlisted company issue securities for the first time and become a listed company it is called an IPO (Initial Public Offering). If already existing listed company issues securities and procure capital, it is termed as FPO (Follow on Public Offering).
- Secondary Market (Stock Exchange): In Secondary market, the securities issued in the primary market can be traded. Stock exchange provides liquidity to the primary market instruments. The potential investors can buy securities in the stock exchange and the existing investors can sale their securities in the stock exchange, in this way stock exchange provides liquidity to the financial instruments. It Provides liquidity to the secondary market instruments.

Methods of Raising Capital in the Primary Market:

In Primary market, the companies can issue different types of securities in various methods.

- Public issues or Sale through prospectus
- Private Placement
- Offer for sale or Bought out deal
- Rights issue
- Table 1: Resources Mobilised from the Primary Market
- Note: Instrument-wise break up may not tally to the total number of issues, as for one issue there could be more than one instrument.
- (Amount Rs. in crores)

YEAR	TOTAL		CATEGORY – WISE				ISSUE TYPE			
			Public		Rights		Listed		IPOs	
	No.	Amt	No.	Amt	No.	Amt	No.	Amt	No.	Amt
1	2	3	4	5	6	7	8	9	10	11
2010-11	91	67,609	68	58,105	23	9,503	38	32,049	53	35,559
2011-12	71	48,468	55	46,093	16	2,375	17	6,953	54	41,515
2012-13	69	32,455	53	23,510	16	8,945	36	25,926	33	6,528
2013-14	90	55,652	75	51,075	15	4,576	52	45,416	38	1,236
2014-15	88	19,202	70	12,452	18	6750	42	15,891	44	3311

YEAR	INSTRUMENT- WISE									
	Equities									
	At par		At premium		CCPS		Bonds		Others	
	No.	Amt	No.	Amt	No.	Amt	No.	Amt	No.	Amt
1	12	13	14	15	16	17	18	19	20	21
2010-11	2	50	78	57,617	1	490	10	9,451	1	2,487
2011-12	4	104	47	12,753	0	0	20	35,611	0	0
2012-13	4	571	45	14,902	0	0	20	16,982	0	0
2013-14	19	824	36	12,445	0	0	35	42,383	0	0
2014-15	8	49	55	8740	1	1,000	24	9413	0	0

- **Source: SEBI handbook of statistics 2015**
- **CCPS: Cumulative Convertible Preference Shares.**
- **IPOs: Initial Public Offerings**
- From the above table it was clear that public issues are more than rights issues in the five year period of our analysis. The number of public issues is more in the year 2013-14. Whereas the rights issue are more in the year 2010-11. Equities issues at premium are more than issue at par.

- Table.2: Industry Wise Classification of Capital raised in Public and Rights issue(Amount in Crores)

Industry	2010-11	2011-12	2012-13	2013-14	2014-15
Banking/FIs	17,248	35,611	8,273	29,700	2873
Cement & Construction	2,841	187	9	731	2035
Chemical	247	0	9	0	8
Electronics	0	121	0	0	33
Engineering	1394	217	74	591	525
Entertainment	715	89	12	602	884
Finance	2210	7708	10,739	6058	7756
Food Processing	1,245	0	19	0	25
Healthcare	292	65	210	0	0
Information Technology	170	138	4	19	137
Paper & pulp	0	306	0	28	0
Power	9,469	0	0	11,702	0
Plastic	0	11	0	18	8
Printing	52	71	0	0	0
Telecommunication	0	0	4,173	5	0
Textile	207	0	582	14	388
Others	31,519	3,943	8,352	6,184	4357
Total	67,609	48,468	32,455	55,652	19,202

- Source: SEBI Handbook of statistics, 2015

- Industry-wise classification banking & FI mobilized highest capital among all sectors in the 5 years except in 2012-13 and 2014-15. In these two years, finance sector raised highest amount of funds. In the year 2012-13, funds mobilized by finance sector was 10,739 crores whereas banking was only 8,273 crores. Similarly, in the year 2014-15, the funds mobilized were highest in finance sector than banking sector. Power sector raised funds only in two years out of 5 years of study i.e., 2010-11 and 2013-14, whereas textile sector which raised funds of only 1191crores in the 5 years of analysis.

- **Secondary Market**
- **Secondary Market (Stock Exchange)**
- **Securities Contracts Regulation Act, 1956.**
- "It is an association, organization or body of individuals whether incorporated or not, established for the purpose of assisting, regulating and controlling business in buying, selling and dealing in securities."
- Stock exchange is a place where securities issued by the central and state governments, public bodies and joint stock companies is traded.
- BSE (Bombay stock Exchange): The Bombay Stock Exchange (BSE) is an Indian stock exchange located at Dalal Street, Kala Ghoda, Mumbai, Maharashtra, India. Established in 1875, the BSE is Asia's first stock exchange and the world's fastest stock exchange with a median trade speed of 6 microseconds. The BSE is the world's 11th largest stock exchange with an overall market capitalization of $1.7 trillion as of January 23, 2015. More than 5500 companies are publicly listed on the BSE.
- On August 31, 1957, the BSE became the first stock exchange to be recognized by the Indian Government under the Securities Contracts Regulation Act. In 1980, the exchange moved to the Phiroze Jeejeebhoy Towers at Dalal Street, Fort area. In 1986, it developed the BSE SENSEX (Sensitivity Index), giving the BSE a means to measure the overall performance of the exchange. Historically BSE is an open outcry floor trading exchange, in 1995, it switched to an electronic trading system developed by CMC Ltd. This automated, screen-based trading platform called BSE On-Line Trading (BOLT) had a capacity of 8 million orders per day. The BSE has also introduced a centralized exchange-based internet trading system, BSEWEBx.co.in to enable investors anywhere in the world to trade on the BSE platform.

- Table 3: Trends in Cash Market Segment of BSE

Year →	2010-11	2011-12	2012-13	2013-14	2014-15
No. of Companies Listed	5,067	5,133	5,211	5,336	5624
No. of Companies Permitted	91	95	76	92	93
No. of Companies Traded	2,933	2,977	2,867	2,841	2818
No. of Trades (lakh)	5,285	3,944	3,235	3,632	7111
Traded Quantity(lakh)	9,90,777	6,54,137	5,67,220	4,79,951	8,56,755
Turnover (Rs crore)	11,05,027	6,67,498	5,48,774	5,21,664	8,54,845
Avg Daily Turnover (Rs crore)	4,333	2,681	2,195	2,078	3518
Avg Trade Size	20,910	16,925	16,963	14,362	8,56,755
Demat Securities Traded Quantity (lakh)	9,89,999	6,53,445	5,67,125	4,79,951	8,54,755
Demat Turnover (crore)	11,03,978	6,66,761	5,48,725	5,21,664	8,54,842
Market Capitalisation (crore)	68,39,084	62,14,941	63,87,887	74,15,296	1,01,49,290

- Source: SEBI handbook of statistics on Indian securities market, 2015

- The number of trading companies listed in BSE is 5,336 in 2013-14. Out of that companies are 2841. The traded quantity was declining year by Year. It was highest in 2010-11. It has reduced by almost 50% from 2010-11 to 2013-14. Similarly, the average daily turnover, average trade size, demat turnover, demat securities traded (quantity) also reducing year on year basis, whereas the market capitalization increased from 2010-11 to 2013-14.

- **National Stock Exchange:**
- The National Stock Exchange (NSE) is India's leading stock exchange covering various cities and towns across the country. NSE was set up by leading institutions to provide a modern, fully automated screen-based trading system with national reach. The Exchange has brought about unparalleled transparency, speed & efficiency, safety and market integrity. It has set up facilities that serve as a model for the securities industry in terms of systems, practices and procedures.
- NSE has played a catalytic role in reforming the Indian securities market in terms of microstructure, market practices and trading volumes. The market today uses state-of-art information technology to provide an efficient and transparent trading, clearing and settlement mechanism, and has witnessed several innovations in products & services viz. demutualization of stock exchange governance, screen based trading, compression of settlement cycles, dematerialization and electronic transfer of securities, securities lending and borrowing, professionalization of trading members, fine-tuned risk management systems, emergence of clearing corporations to assume counterparty risks, market of debt and derivative instruments and intensive use of information technology.

- **Table 4: Companies Listed, Permitted to Trade, Available for Trading on the CM Segment**

Month/Year	No. of Companies Listed *	No. of Companies Permitted *	No. of Companies Available for Trading * @	Market Capitalisation (` Crores) *
Nov-94	-	300	300	292,637
Mar-95	135	543	678	363,350
Mar-96	422	847	1,269	401,459
Mar-97	550	934	1,484	419,367
Mar-98	612	745	1,357	481,503
Mar-99	648	609	1,254	491,175
Mar-00	720	479	1,152	1,020,426
Mar-01	785	320	1,029	657,847
Mar-02	793	197	890	636,861
Mar-03	818	107	788	537,133
Mar-04	909	18	787	1,120,976

Mar-05	970	1	839	1,585,585
Mar-06	1,069	--	929	2,813,201
Mar-07	1,228	-	1,084	3,367,350
Mar-08	1,381	--	1,236	4,858,122
Mar-09	1,432	--	1,291	2,896,194
Mar-10	1,470	37	1,359	6,009,173
Mar-11	1,574	61	1,484	6,702,616
Mar-12	1,646	73	1,563	6,096,518
Mar-13	1,666	76	1,582	6,239,035
Mar-14	1,688	75	1,586	7,277,720
Mar-15	1,733	4	1,544	9,930,122

- **Source: NSE fact book 2015**
- * At the end of the period. @ Excludes suspended companies.

- The companies listed in NSE in the year March, 95 were only 135. This is gradually increased to 1733 companies in March, 2015. Out of this 1733, the companies available for trading are only 1544. Market capitalization of NSE gradually increasing year on year basis except 2001,2002 and 2003. In these three years the market capitalization has reduced to some extent. In the year 2010, the market capitalization
- has increased 107% i.e., from 2,896,194 crores to 6,009,173crores.

Depository Participant (DP):

It is an agent the depository. They are the intermediaries between the depository and the investors. There is an agreement between the DPs and the depository under the Depositories Act. In a strictly legal sense, a DP is an entity who is registered with SEBI under the sub section 1A of Section 12 of the SEBI Act. As per the provisions of this Act, a DP can offer depository-related services only after obtaining a certificate of registration from SEBI.(D&P) Regulations, 1996 prescribe a minimum net worth of Rs. 50 lakh for stockbrokers, R&T agents and non-banking finance companies (NBFC), for granting them a certificate of registration to act as DPs. If a stockbroker seeks to act as a DP in more than one depository, he should comply with the specified net worth criterion separately for each such depository. No minimum net worth criterion has been prescribed for other categories of DPs; however, depositories can fix a higher net worth criterion for their DPs.

Services provided by Depository

- After opening a demat account the physical securities of the investors can be converted into electronic form. It is also known as Dematerialisation.
- Transfer of securities, change of beneficial ownership
- Settlement of trades done on exchange connected to the Depository
- Pledging and Un pledging of Securities for loan against shares
- Corporate action benefits directly transfer to the Demat and Bank account of customer.

There are two major of depositories in India. One is the National Securities Depository Limited (NSDL) and the other is the Central Depository Service (India) Limited (CDSL). Every Depository Participant (DP) needs to be registered under this Depository before it begins its operation or trade in the market.

NSDL:

The paper-based settlement of trades caused substantial problems such as bad delivery and delayed transfer of title. These problems made the enactment of Depositories Act in August 1996 paved the way for establishment of National Securities Depository Limited (NSDL), the first depository in India. It went on to establish infrastructure based on international standards that handles most of the securities held and settled in de-materialized form in the Indian capital markets.

In the depository system, securities are held in depository accounts, which are similar to holding funds in bank accounts. Transfer of ownership of securities is done through simple account transfers. This method does away with all the risks and hassles normally associated with paperwork. Consequently, the cost of transacting in a depository environment is considerably lower as compared to transacting in certificates.

CDSL:

Central Depository Services Limited (CDSL) is the second Indian central securities depository based in Mumbai. Its main function is the holding securities either in certificated or dematerialised form, to enable book entry transfer of securities. CDSL is promoted by Bombay Stock Exchange Limited (BSE) jointly with State Bank of India, Bank of India, Bank of Baroda, HDFC Bank, Standard Chartered Bank, Axis Bank and Union Bank of India.

Table 5: Progress of Dematerialisation at NSDL and CDSL

	NSDL			CDSL		
Year/Month	Beneficial Owner Accounts (Number)	Demat Value (crore)	Demat Quantity (securities in crore	Beneficial Owner Accounts (Number)	Demat Value (crore)	Demat Quantity (securities in crore
2011-12	1,20,44,917	71,32,300	57,980	79,17,184	10,20,569	13,357
2012-13	1,26,84,512	76,79,027	68,648	83,27,482	10,20,569	15,179
2013-14	1,30,53,656	89,39,900	79,550	87,77,049	10,87,603	17,731
2014-15	1,37,05,179	1,17,48,315	92,736	96,10,002	13,94,264	20,601

Source: SEBI Handbook of Statistics 2015

The number of demat accounts are increasing year on year basis in both NSDL and CDSL. But this number is more in case of NSDL than CDSL. The growth is especially highest in the year 2014-15 in both the depositories.

Recent Initiatives In Capital Market

SEBI introduced the Application Supported by Blocked Amount (ASBA) as a new mode of payment in Public issue. In this kind of mechanism the application money remains blocked in the bank account of the applicant till the allotment is finalized. Direct Market Access facility was introduced for institutional investors in April 2008 by SEBI. In an endeavour to strengthen the risk management framework, margining for institutional trades was made mandatory by SEBI. Reduction in time for Right Issues was reduced from 16 weeks to 6 weeks. A change in Securities Lending and Borrowing (SLB) Scheme was introduced in April 2008. Currency Futures were launched on USD-INR pair in India in August 2008 by NSE, and October 2008 by BSE and MCX. Removal of Quantitative restrictions imposed on the Overseas Derivatives Instruments (ODIs) for FII.

- Exit Option to Regional Stock Exchanges (RSEs).
- Listing of close-ended schemes launched on or after December 12, 2008 along with daily computation of NAV was made compulsory.
- SEBI permitted NSE to launch Interest Rate Futures on August 31, 2009.
- The securities issued in the Primary Market are traded in the Secondary Market. Exchanges in
- India offer screen based, electronic trading. The trading system is connected using the VSAT
- Technology from around 201 cities. There are 8652 trading members registered with SEBI at the end of March 2009. Enormous amount of developments have taken place in the secondary market during the last one decade. The selected indicators in this period.
- SEBI would continue to nurture the Mutual Fund Industry and thereby attract more and more household participation in the capital market.
- Gold Exchange Traded Fund (GETF) has been introduced in India and in addition, SEBI is also working for the introduction of the Real Estate Mutual Fund, which is likely to mitigate the housing requirement of many households.
- SEBI has been authorized to set up a National Institute of Securities Markets (NISM) for teaching and training intermediaries in the securities market and promoting research.

Conclusion:

Thus the Indian Capital Market is in transition. There has been a revolutionary change over a period of time. In fact, on almost all the operational and systematic risk management parameters, settlement system, disclosures, accounting standards, the Indian Capital Market is at par with the global standards. The goal of SEBI is to make the Indian Capital Market truly world class, competitive, transparent and efficient. The perception is steadily growing about the Indian Capital Market, as a dynamic market, among the international community. Let us dream to make our Indian Capital Market a benchmark for the rest of the world.

Reference:

[1] SEBI Handbook of Statistics, 2015
[2] PHD Chamber (PHD Research Be reau Retail Investor's Survey: October, 2012
[3] NSE Factbook 2015
[4] Website of NSE
[5] Website of BSE
[6] Website of the income tax department, Government of India.
[7] NCFM capital market module (dealers)
[8] NCFM capital market module (beginners)

Indian Mutual Fund Industry and Looking Ahead

Shahnawaz Ali
Research Scholar, Ravenshaw University;
CFA Level 1 exam passed, PGDM (Finance), M.Com
Cuttack, India
E-mail: shah_ali03@yahoo.co.uk

Abstract

The purpose of this research is to find out the status of Indian mutual fund Industry, the reasons why it is still have a very low penetration level in India when compared to other developed, underdeveloped and developing economies. I have tried to figure out figure out the reasons for lack of trust of Indian investors in mutual funds. And also tried to come out with probable solutions to this problem.

Keywords: investors, mutual funds, Indian investors, investments, mutual fund industry, low penetration, NAV.

Introduction

One of the most important and greatest innovations in financial industry is mutual funds for channelizing the savings of the households towards the productive assets. In most of the developed countriesmutual funds has already made its place, where it offers better diversified returns than even the banks and other financial institutions. In India too mutual funds has been trying to get an acceptance among the investor community. It has gained a substantial growth over the past few decades, but yet it has a long journey to go. Further with technology coming into place, digitalization has made it paperless to further invest in mutual funds. Although many banks and financial institutions have ventured into this business, still we are yet to see the wide spread acceptance of mutual funds among the common man in India. Despite a decent growth in mutual funds industry over last few years, yet it has its own set of problems like, decline of Net Asset Values (NAV) below the issue prices, cost, regulations, services, financial instability, profitability and others, which is a matter of concern to our investors. As the people are becoming more aware of these shortcomings, it is affecting in an adverse manner the investors stake in this industry.

The penetration of mutual funds in India is very low as compared to other developed and developing countries. The asset under management (AUM) as a percentage of gross domestic product (GDP) for India is roughly 5 % – 6 %, which is way lower than as compared to other developing countries like Brazil 33% and South Africa 33%. And developed countries like United States has a 77% of GDP, as a contribution to the mutual fund industry by the retail segment. The purpose of this study is to investigate and find a solution to the present scenario in the Indian retail mutual fund industry. The Asset under Management (AUM) as a percent of GDP for India is roughly 5 – 6 %, significantly lower than other developing countries like Brazil 40% and South Africa 33%. Developed countries like US has a 77% contribution to mutual fund industry by the retail segment. The investors need to understand that mutual funds is a way to meet their long term financial goals and not just a means of short term financial gains. Given the short term volatility and uncertainty, the investor perceives investments in the capital market to be risky and unsafe, and hesitates to channelize his savings into mutual funds products. Regulatory Authority needs to instill that confidence in the minds of the investors and encourage them to stay invested in funds to derive the desired benefits.

Mutual fund industry has shown a good growth since SEBI introduced the Securities Exchange Board of India (Mutual Fund) Regulations, 1993, which paved way for private players in the mutual fund industry, with the AUM showing a good growth over the last one decade. But most of the growth was witnessed in the debt MFs, hardly the equity fund has shown any remarkable growth. Also majority of the AUM is from the corporates rather than the individual retail investors.

SEBI being a regulatory authority for MF industry, it has tried to introduce regulations since its inception to increase the trust of the investors in the MF industry and bring transparency. It introduced a few regulatory changes like abolition of entry load in 2009, so as to benefit the investors. But it has had a hit on the distribution channel and AMCs. The cost of the funds which were earlier borne by the investors directly is now borne by AMCs. Also the Maintenance cost is now being capped at 1.25% where the net assets not exceeding Rs. 100 crores and 1% over the net assets above Rs. 100 crores. Whereas if we compare with other developed countries like US and UK, the entry load can be charged upto 5% and there is no such cap on maintenance cost annually.

The aim of this research is to find out the means and ways in which the retail investors penetration can be increased from 5 % – 6 % of GDP to somewhat like with other developed and developing countries, where it is anywhere between 40% in Brazil and up to 77% in US. Also the trust has to be developed in the equity funds, where the investors' participation is the lowest. Almost 60% of the AUM comes from the debt related funds.

A comparative study is when carried out comparing articles and reports on mutual fund industry and its role in shaping the future of Mutual fund Industry. Since over seventy percent of the AUM is being managed by top seven AMCs out of 44 companies who have good distribution network, interviews needed to be conducted with the other AMCs to find out the challenges they face to reach the investors and win their confidence. Mutual fund industry needs a separate independent regulatory authority like insurance industry is having IRDA (Insurance Regulatory and Development Authority), so as to regulate the inefficiencies of the mutual fund industry and try to take necessary steps in promoting the Mutual Funds in India.

Retail investors' feedback is important to decide, what makes them to choose other investment options over mutual funds and especially equity MFs.

A comparison between the developed market like US which has a 77% participation in MF and India which has 5% – 6% of national GDP market participation in the Indian Mutual funds. And find out the reasons why Indian Mutual Fund Industry has a very low penetration to the retail segment. Also draw some lessons from the US Mutual funds Industry, how they were able to successfully reach to the masses and were able penetrate almost 77% of GDP.

Recommendation:

Mutual fund presence in the country is heavily skewed in thefavor of the top 60 districts of India. Even within the 60 districts, a lion's share ofthe mutual fund presence originates from Mumbai. This is primarily due to thefact that Mumbai houses the headquarters (or the financial headquarters) ofmost of the large companies, thereby getting a bulk of investments through thenon-retail or institutional avenues. If the non-retail customers are taken out,Mumbai starts looking like the other larger metros of the country.

However, there remains a large untapped market waiting to be explored andserviced. Some of these areas, such as Himachal Pradesh, Haryana andManipur are already experiencing high growth rates (albeit from a smallerbase). However, this growth can be sped up substantially if the proper areas aretargeted.

The areas where industry is facing problems are actually the areas of its potential for achieving long-term growth. Some more factors that also point the good future of mutual funds can be listed as:

1. The low penetration level of domestic AMCs and the continuous process of urbanisation, enhanced financial literacy and a huge young population with an increased risk appetite are

also likely to be instrumental in the long-term growth of the retail segment of the mutual fundsindustry.

2. Public sector banks and post-offices have a good network base. They have significant reach beyond the top 20 cities in semi-urban and rural areas and the potential to build a strong retail investors base. Public sector banks may play a crucial role in strengthening the mutual funds distribution system. However, they are not committed to do so but their role will provide the platform needed for mutual funds distribution.
3. With the entry of global players, competition for the domestic mutual funds is expected to increase. In view of the intense competition and shrinking margins, the industry is likely to witness some consolidation as AMCs will review business strategy and explore exit/ mergers in case of no significant competitive advantage. With this, only efficient players will stay in the industry.
4. Mutual fund managers are required to upgrade their skills as in the coming years they will have to manage the pooled money of investors in a more professional way owing to the intense competition.
5. The newly created Financial Stability and Development Council (FSDC) by the Ministry of Finance will act as a coordinator across multiple financial sector regulations in India. It will look into the matters relating to financial inclusion, financial development and literacy across the whole financial sector, which also includes mutual funds. The council will certainly boost up the prospects of the mutual funds industry in India by making people financially literate

Conclusions and Policy Recommendations

Thus, on the basis of the above analysis, we can predict a very bright future for the mutual funds industry in India. However, to be more competitive, the industry is suggested to take necessary steps with regard to regulations involving fund governance, penalty, education, distribution, fund names and investment policies disclosure provisions. Also, to boost up the confidence of investors, the problems and queries of investors are needed to be dealt with properly and promptly. With rising expectations of investors, operational costs also increase. Hence, check on operational costs is needed. After sales services is required to be sound. There is also a need to add variety into products marketed by mutual funds. Different types of ETFs, college savings fund, e-funds, green funds, socially responsible financial instruments, fund of hedge funds, advanced money market funds, renewable and energy/ climate change funds, rural and urban development funds etc. have to be developed to cater to the entire needs of investors and economy. Mutual fund companies are required to upgrade their skills, technology and cost management techniques.

References

1. Adajania, K. E. (2013). MF industry needs to look at standardization in a new light. *HT Mint,* September.
2. Anagol, S., Marisetty, V. B., Sane, R., &Venugopal, B. G. (2013). On the Impact of RegulatingCommissions: Evidence from the Indian Mutual Funds Market.
3. Association of Mutual Funds in India. (2013). *AMFI Quarterly Updates.* Retrieved October 14, 2013, from amfiindia.com: http://portal.amfiindia.com/spages/aqu-vol12-issueIV.pdf
4. Economic times.
5. Google.com

The Darkest cloud that needs a silver lining

Sofia Raymond Peabody
Rustomjee Academy for Global Careers
Dahanu Road, India
Faculty-Business
MBA-HR
sofia07_peabody@rediffmail.com

Abstract

'Labors" the most valuable asset not just for any organization but the country at large. They play a crucial role in the economic growth of the organization and the country as well. Though many laws have been formed and reformed to safeguard the dignity of the labor, little has been done to raise the bars of protection for child labor and human trafficking in particular.

Modi's government appears to be stimulating economic growth and encouragement for investors through the "Make in India" campaign, but there seems to be no signs of reforms or staunch and stringent laws and its implementation for child labor and human trafficking.

The article throws light on past reforms on the above, its impact, the need for change at the hour, the necessity for its implementation, and a complete makeover in the laws for a better and safe India to live in for women and children.

Keywords: - Economic growth, Child Labor, Human Trafficking, safety for women and children, education, makeover of laws and its implementation.

Introduction

India is 2nd largest region in human trafficking in the world says UN office for drugs and crime.In India trafficking exists mainly because of rising demand for the domestic maids due to rising income in urban areas and fast pace of lifestyle of urban people that leave them with no time for household chores.It's a modern form of slavery. Particularly, women and children are recruited and obtained through fraudulent means and forced to labor against their will, often lured by false promises, decent jobs and better living.

Trafficking industry is driven by global demand for cheap, unskilled and exploitable labor. It seems that global profits through forced labors is 44.3 billion annually. The Human Trafficking Industry is the second largest Criminal Industry worldwide and none the less is growing.
The International Labor Organization estimates that at least 12.3 million people are victims of forced labor at any given time. 80% of trafficking are women and children and average age of victims is 20 years.

Most Common causes: -

1. Poverty
2. Gender Discrimination
3. Illiteracy, Low level of education
4. Regional conflicts
5. Lack of job opportunities etc.

Unfortunately, these conditions pressurize women to migrate ad unscrupulous recruiters or employers who through force or fraudulently place women in job situations to which they neither consent nor can freely escape. Most women fall prey to such circumstances and are forced to work in sex trade, domestic, agricultural and factory work. They experience physical as well as psychological abuse including beatings, sexual abuse, food and self-deprivation, threats to themselves, their family members and isolation from the outside world.

Growing trafficking issues requires legal intervention at all stages.A well-functioning criminal justice system will protect and promote individual rights. Our efforts in reforming criminal procedure codes should be free from bias and contain enhanced protection of rights for accused and victims both at all stages of investigation.

A lot has also been shown in movies like, ‘charfutiya chhokare’, ‘Thira, ‘Mardaani’ that gives a clear picture of the pathetic and cruel situation that trafficked victims go through.

Currently there is no community based rehabilitation service. Victims neither get any protection nor security. No shelter homes and no medical care. Traffickers are rarely arrested. Victims continue to live in financially bad conditions, fear, trauma, depression, anxiety. Instead of jailing the victims like trafficker they should be provided with assistance. However, this is what exactly the same the anti-trafficking law reads. It shows far more compassion and makes a clear distinction between traffickers and trafficked. (Prevention, Protection and Rehabilitation Bill, 2016) It talks about setting up of committees at district, state and central level. The draft anti-trafficking bill vision was grand, but still is dissatisfying and ambiguous.It lacks clarity over the end goal because the bill seems to work on the presumption that the crime of trafficking and the penalties for it are pre-defined elsewhere and jumps directly into addressing the crime through formation of committees, special courts and rehabilitation services. The draft bill remains in a confused state.Activists working to end human trafficking have, for decades, found the Immoral Traffic Act to be narrow in its scope and have called for more focus on sensitive to victims of trafficking.

The draft bill enumerates long pending changes in the law. The current law is an amalgam, it makes it nearly impossible to investigate crime, protect victims and help with proper rehabilitation. However, it is of little help.The efforts to protect the victim varies from state to state. A Uniformity in the law is crucial.

Government authorities do not proactively identify and rescue the victims. Quality of many of the shelter homes are poor and the disbursement of rehabilitation funds is sporadic. Treating Victim as victim and not as offenders is another matter of concerns.

Another, dark cloud that covers India is partial or complete ban on Child Labor. The Future of India lies on the young ones. So instead of forcing them into labor, educating them should be a mandate. The Index report 2016 shows that Global Slavery is round 45.8 million people in the world. There are more than 18 million people or 1.4 % of the total population who are living in conditions of slavery in India.

Constitution of India prohibits child labor in hazardous industries but not in non-hazardous industries. (64 industries have been defined as hazardous and it is a criminal offense to employ children in such industries.) Child labor deprives the child of his/her childhood, his/her basic education, his/her mental growth at that time which is tender and can be tended just the right way.

In India average age for child labor is seen among the age of 5-14years. Child labor hampers their physical growth as well as their mental stability.

Recommendations

1. Awareness about Human Trafficking: -Education and knowledge of trafficking in persons among all members of society are key to beating human traffickers. Using all of the means at our disposal to raise awareness about the crime, its nature, causes and damage to victims - Governments, civil society, the press, private companies: each and every entity must work toward promoting knowledge of this issue.

2. Promoting cross border co-operation: - Stability, security, structured domestic laws and cross border laws, for women and children in particular will help take a step closer to combat Human trafficking.
3. Devise and implement strategies and plans: - Developing and implementing strategic plans is the next important aspect. It will help in controlling the rise in crime. Moreover, the, action plan will turn the vision to reality.
4. Effective victim protection and assistance: - It is a fundamental requirement to assist the victim in court procedures as well as protection by providing crisis intervention, accompanying victims while dealing with the media.
5. Training the officers, prosecutors and judges to investigate effectively: - Advocacy through training programs so as to provide with services to the victims andthe opportunity to acquire the basic skills and knowledge the allied professionals need to better assist victims of crime will help in meeting the target of reduction in the crime.
6. The progress should be monitored:- Monitoring the progress and efforts made by governments to reduce crime, enforcement of the law will help maintain criminal justice.
7. Counselling, Shelter for the victims, medical – mental assistance are some the steps to bring relief to the victims. It is important to work for the mental wellness, psychological stability and hopelessness of the victims.
8. Impose harsher penalties and make trafficking non-bail able offence: - Harsh penalties and punishment is necessary for grievous crimes so that it is averted. Courts should practice immediate justice procedure as delay in the system will increase the proportion of crime.

Conclusion

Though we hope that the final form of the draft anti-trafficking bill is more robust and uproots the inhumane crime, it still stays pending in the court with no signs of, "What's Next".

Though reforms speak a lot about stricter punishment for violation of law by the employer its implementation is shallow. Most of the times there are no efforts made by the government officials to tackle the problem. Monetary punishment is pretty easy to escape. Also, the minimum/ maximum imprisonment of years is easily bail able by employers through fraudulent means and influences. In such cases the only way out is to have the organization shut for minimum/ maximum months so the employer feels the pinch of losses. Circumstances where child works to help his/family there should be support from the employer of doing so after school hours.

Lot has been written on punishment to parents, guardians and employers when found with child labor in the organization, but loopholes in the lines of investigation entangles the offence which soon disappears and nothing comes to light.

The socio- economic condition of India can change through educating the children and help remove poverty. Striking balance between the two is the need of the hour.

We desire for not only Clean and Green India, but also a Better and Safe India for women and children.

References

https://www.unodc.org/unodc/en/frontpage/2011/February/awareness-and-education-are-key-to-beating-human-trafficking.html

https://www.google.co.in/webhp?sourceid=chrome-instant&ion=1&espv=2&ie=UTF-8#q=importance+of+devising+strategies+and+plans+for+social+issues&*

http://www.merinews.com/article/counselling-and-its-importance/15901411.shtml

http://www.careerride.com/view/harsh-punishments-are-more-effective-in-reducing-crime-12477.aspx

Google.com

Human Trafficking: A Global Perspective-Book by Louise Shelley

IPSAR Management Review

Quest for Wisdom

A Journal of Institute of Professional Studies and Research (IPSAR)

Annual Subscription Rates	For Institutions	For Students
* In India, Nepal & Bhutan (in Rs.)	300	150
* Other Countries (US$)	20	15

Please Note:

1. The Journal is Bi-annual. Subscription will be from January to December.
2. Cheques / DDs should be in favour of Director, IPSAR, Cuttack
3. The Subscription should be sent to:
   Institute of Professional Studies and Research
   IPSAR House, Sector – 06, Cuttack – 14

SUBSCRIPTION ORDER FORM

Enclosed Cheque / DD Number ……………………… Dated ……………………… for Rs / US$ ………………………

Drawn on ……

Towards subscription of Journal of IPSAR Management Review for one year (Volume three)

Subscriber's Details ……………………………………………………………………………………………………

Name & Designation ……………………………………………………………………………………………………

Mailing Address ……

…………………………………………………………………………………… PIN / ZIP ………………………………

Phone (with STD / ISD Code) ………………………………………………………… Fax …………………………………

E-mail ……………………………………………………………………………………

Date Place Signature and Seal

STATEMENT ABOUT OWNERSHIP AND OTHER PARTICULARS OF THE JOURNAL IPSAR MANAGEMENT REVIEW

1.	Place of Publication	:	Cuttack
2.	Periodicity of its Publication	:	Bi-Annual
3.	Printer's Name	:	Harekrishna Printer, Cuttack
	Whether Citizen of India	:	Yes
4.	Publisher's Name	:	IPSAR House
	Whether Citizen of India	:	Yes
	Address	:	Sector – 06, CDA
			Cuttack – 753014 (INDIA)
5.	Editor's Name	:	Dr.Jiten Kumar Misra
	Whether Citizen of India	:	Yes
	Address	:	Sector – 06, CDA
			Cuttack -753014, (INDIA)

I, Dr.Jiten Kumar Misra hereby declare that the particulars given are true to the best of my knowledge and belief.

(Sd/-)
Dr.J.K.Misra
(Signature of the Editor)

IPSAR

We build better career

INSTITUTE OF PROFESSIONAL STUDIES & RESEARCH

IPSAR, SECTOR-6, CDA, CUTTACK-753014 (ODISHA)