

INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, ECONOMICS & MANAGEMENT

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INDIAN TAX POLICIES: HOW FAR RATIONAL**DR. SANJIV MITTAL****PROFESSOR****DEPARTMENT OF MANAGEMENT STUDIES****GGSIIP UNIVERSITY****NEW DELHI****DR. SUNIL KUMAR****ASSOCIATE PROFESSOR****SCHOOL OF MANAGEMENT STUDIES****INDIRA GANDHI NATIONAL OPEN UNIVERSITY (IGNOU)****NEW DELHI****DR. MONIKA GUPTA****PROFESSOR & HEAD****DEPARTMENT OF MANAGEMENT STUDIES****INSTITUTE OF MANAGEMENT STUDIES****NOIDA****ABSTRACT**

The tax reforms of recent years in India are based on Chelliah and Kelkar's recommendations of simple broad-based taxes with a moderate and limited number of rates. The reduction in direct tax rates in the economy has not only increased revenue collection but also accelerated economic growth. This article aims to investigate the effect of India's tax policy on private capital formation. The major problem facing the Indian direct tax system is evasion of income taxes. The article concludes that an expenditure tax is a powerful tool to combat evasion.

KEYWORDS

Direct Tax, Indirect Tax, Evasion, Maximum Marginal Rate.

INTRODUCTION

The tax policy as enunciated in the Budget of 2012-13 does not meet the general expectations of taxpayers who always feel the pinch on one or other account. It is like win some lose more.

Economic growth relies heavily on raising the rate of savings and the level of investment. Taxation reforms in low-income, developing economies like India have yielded beneficial results in terms of reductions in the marginal rates of personal income tax and corporate income tax and the abolition of taxation on income from interest. It is argued that heavy taxation on productive income is detrimental to private capital formation. Several studies (eg, Jenkins 1989; Marsden 1990; Trela & Whalley 1992; Tanzi & Zee 2000) have shown that tax policy and tax mix strategies have made an important contribution to economic growth in developing economies. If there is a discernible influence of taxation policy on capital accumulation and economic growth, then there may be lessons to be learnt for India from its own past experience.

A tax policy pertains to

- Level of taxation i.e. tax-GDP ratio
- Composition of tax-revenue
- Use of tax incentives and
- Tax yield

Taxation is a potent instrument to shape and influence the socio economic policies of a country. It is, of course, difficult to formulate a set of universally acceptable goals of tax policy because of different socio economic and political environment and stages of economic development of different countries. Likewise, objectives of economic policies differ from country to country. Further, priorities and objectives of economic policy keep on changing with the changing economic, social and political environment of the country.

An effective tax policy should aim resource allocation based on the judicious mix, resource allocation based on distributive economic justice and stabilization with the reference to price level. Thus a tax policy emerges out of the interaction between economic rationale and political judgment. The process of compromises and trade off is influenced by the political expediency and economic logic.

In fact, the political requirements and economic thinking change with time, giving a new direction to tax policy. According to Richard Bird, "Tax reform is a never ending process, not "something that can be brought-about once and for all and then forgotten."

REVIEW OF LITERATURE

There are no universal laws that can be discovered concerning the influence of tax policies on a country's economic growth and development. Nevertheless, there are several studies and results that can be draw on to reach some conclusions about the influence of taxation on savings and capital formation and thus of growth. Some of these are described here. Jenkins (1989) and Marsden (1990) argue that lower taxes stimulate growth by increasing the incentive to save and invest. Jenkins (1989) compared the tax system of Sri Lanka prior to 1977 with the system after 1977. The Sri Lankan tax system prior to 1977 was highly regulated. The tax rates were quite high, but were ineffective in raising adequate revenue. The change in government in 1977 saw a number of changes in the tax structure that shifted the bias in the fiscal system from direct taxes to indirect taxes. The tax changes of the 1990s gradually transformed the tax system into one conducive to capital accumulation and growth. An empirical study by Marsden (1990), based on a cross-section analysis of 20 countries, has thrown some light on the effect of tax on the growth rate of the economy. Keeping per capita income constant, the selected countries were compared on the basis of lower and higher levels of taxation and their influence on growth rates over the period 1980-89. In all cases, the countries that imposed a lower effective average tax burden on their populations achieved substantially higher rates of GDP growth than did their more highly taxed counterparts. The average annual rate of growth of GDP was 7.3 percent in the low tax group and 1.1 percent in the high tax group. Moreover, fiscal incentives provided by low tax countries shifted resources from less productive to more productive sectors, thus raising the overall efficiency of resource utilization.

Recent studies by Peter and Kerr (2004) and Kerr and Monsingh (2001a, 2001b) also reveal an inverse relationship between direct taxes and private savings and capital formation. Peter and Kerr (2004) show that a 1 percent change in direct tax per capita (average direct tax per person) in India led to a -0.4 percent change in savings per capita (average savings per person) and thus adversely affected the growth of the economy. The present study uses a private capital formation ratio, an income variable, and direct tax variables to examine the effect of tax policies on the private capital formation ratio.

Major Reforms - A Review: The Indian tax structure has undergone major changes in recent years especially after 1991 in the wake of liberalization and globalization policies initiated by the Government. The tax reforms are part of the package to open up the economy. In August, 1991, the Government of India constituted a Tax Reform Committee to recommend a comprehensive tax reforms of both direct and indirect taxes.

TABLE-1: SHOWING TOTAL TAX REVENUE (DIRECT & INDIRECT) AND DIRECT TAXES WITH PERCENTAGE SHARE (Rs. in crores)

Year	Total Taxes	Direct Taxes	% of Direct Taxes to Total Taxes
1990-91	87722	12260	14.0
1994-95	147849	28878	19.5
1996-97	199840	47294	23.7
1998-99	233069	57404	24.6
2000-01	305630	80947	26.5
2002-03	358943	101236	28.2
2003-04	415582	125613	30.2
2004-05	494047	156804	31.7
2006-07	686903	240728	34.9
2008-09	865802	300456	36.2
2010-11	1095906	408000	40.11

Source: Indian Finance Statistics - Ministry of Finance, GO1.

TABLE-2: SHOWING TRENDS IN MAXIMUM MARGINAL RATE (%)

Financial Year	MMR (%)	Surcharge, if any (%)	Rate including surcharged (%)
1990-91	50	12	56
1992-93	40	12	44.8
1994-95	40	Nil	40
1996-97	40	Nil	40
1998-99	30	Nil	30
2000-01	30	17	35.1
2002-03	30	2	30.6
2004-05	30	10+2**	33.66
2006-07	30	10+3**	33.99
2008-10	30	10+3**	33.99
2010-11	30	10+3**	33.99

From financial year 2009-10, surcharge has been waived off. **Education Cess

Source: Finance Acts of Various years

TABLE-3: EXHIBITING MMR OF SELECTED COUNTRIES

Rank	Country	MMR (%)
1	Brazil	27.5
2	Malaysia	28
3	Canada	29
4	Mexico	30
5	India	30.0(33.99%)
6	US	35
7	Argentina	35
8	Japan	37
9	South Korea	38.5
10	UK	40
11	France	40
12	South Asia	40
13	Germany	42
14	Italy	43
15	Spain	45
16	Australia	45
17	China	45
18	Israel	49

Source: Compiled from relevant website. In India MMR is 30% and Education Cess is 3%. However, Surcharge is abolished from the financial year 2009-2010.

TABLE -4: CORPORATE TAX IN INDIA

Financial year	Tax Rate %	Surcharge %	Effective Tax Rate
1990-91	40	15	46
1992-93	45	15	51.75
1994-95	40	15	46
1996-97	40	7.5	43
1998-99	35	Nil	35
2000-01	35	13	39.55
2002-03	35	2	35.7
2004-05	35	2.5+2**	36.59
2006-07	30	10+3**	33.99
2008-09	30	10+3**	33.99
2010-11	30	10+3**	33.99

Source: Finance Acts of Relevant Years ** Education Cess

TABLE NO. 5: GLOBAL INCOME TAX RATES

Rank	Country	Rate (%)
1	Cyprus	10
2	Ireland	12.5
3	Mauritius	12
4	Hong Kong	17.5
5	Poland	19
6	Singapore	20
7	Portugal	27.5
8	Malaysia	28
9	Thailand	30
10	UK	30
11	India	33.99
12	Philippines	35
13	Spain	35
14	Italy	37.25
15	Germany	38.38
16	US	40
17	Japan	40.7

Source: Compiled from relevant website.

The committee made recommendation for restructuring and rationalization of personal income tax, corporate tax, wealth tax, excise duties, import tariff, tax administration and enforcement machinery. Based on the overall direction and recommendations of committee, tax reforms are geared to build a structure which is simple, relies on moderate tax rates but with a wider base and better environment. Tax Reforms for the period 1991 onwards have not only halted but reversed the declining trend in the share of direct taxes. The share of direct taxes has increased from 14% in 1990-91 to 23.7% in 1996-97 and 34.9% in 2008-09. The budget estimate for the year 2010-11 is estimated at 40 %.

MAXIMUM MARGINAL RATE & TAX REVENUE

An analysis of the table-1 in relation to table-2 discloses the relationship of direct tax collection to maximum marginal rate (tax rate structure). The Indian tax structure had been afflicted by high rates and narrow tax base. Some reforms have helped to improve the direct tax collection. There seems to be an inverse relation between maximum marginal rate of taxation and tax collection. Over the years the maximum marginal rate has travelled down from 85% (97.7% with surcharge) in 1973-74 to 30% in 1997-98 and continue to remains the same till now in 2009-10 with changing rate of surcharge, whereas direct tax collection went up from Rs. 1552 crore in 1973-74 to Rs.408000 crore in 2010-11 (budget estimate). Even after taking cost inflation index into account there has been manifold increase in the direct tax collection - more than 32 times. This enormous increase can well be attributed to major tax reforms and tax payers willingness (tax compliance) to pay tax honestly due to lower tax rate (MMR). This gives the tax payers a sense of pride and satisfaction for being honest and law abiding citizens of the country. Thus, they save themselves of being humiliated at the hands of tax officials if caught in the process of searches and seizure.

The trend can be noticed very evidently from the following table. Even the F.M. realized the impact of lowering maximum marginal rate. In an annual economic indicators conference held on November 08, 2009 the Finance Minister hinted that the maximum marginal rate could fall further. He said, "I am happy to note that the attitude of assesseees towards taxes seems to have undergone a remarkable change. Both corporate and individuals seems to have imbibed the principle that honesty is the best policy. This attitudinal change is the result of moderate and stable tax rates. He pointed out that there has been a 30.6% rise in income tax collection including fringe benefit tax and 47.88% rise in corporate tax collections in 2010-11. There is scope for further moderation, however, this will depend upon greater tax compliance, the F.M. said

GLOBAL SCENARIO PERSONAL INCOME TAX

Considering the buoyancy in the direct tax collection over the years under the impact of rate cut and other measures there was an indication of further rate cut both in personal income tax and corporate tax. With the Government having indicated that there is a case for moderation of tax rates; expectations were a little higher this time. It is this context that a look at the tax regime for individual and corporate in select economies would help put the issue in perspective. Though in view of different level of income, standard of living and employment level of different countries, the tax rate structure of various (selected) countries can not be compared with Indian tax structure, yet a glance at the maximum marginal rate personal income tax rate and corporate rate will certainly provide an insight to make our tax structure at par with other nations. Considering the Asian countries like Japan, China, South Korea, and Malaysia, the maximum marginal income tax is 37%,45%,38.5% and 28% respectively as compared to India (33.99% including surcharge of 10% and Education cess of 3%) whereas American countries like Argentina, Brazil, Canada, Mexico and US have 35%, 27.5%, 29%, 30% and 35% as peak rates (MMR) respectively. The European economies like UK, Italy, French, Germany and Spain levy at 40%, 43%,40%, 42% and 45% respectively as the highest slab rate. This way India is the 5th country charging lowest maximum marginal rate of tax in the ascending order as shown in table 3.

CORPORATE INCOME TAX

Corporate tax in India is levied at flat rate on the profit earned by the company. During the last more than two and a half decades the corporate tax rate to underwent changes in quick succession showing a downward trend (table 4). In the beginning of 1980s, the effective tax rates were around 60% and by the end

of the decade, it came down to 46%. However, during the period 1991-92 to 93-94 the effective tax rate increased to 51.75% and again reduced to 46% in 1994-95. In 1997, the Finance Minister abolished the surcharge on corporate income tax and reduced the tax rate from 40% to 35% on the income of domestic companies. The surcharge was further introduced in 1999-2000 @ 10% and increase to 13% in 2000-01. However, during 2004-05, the finance minister imposed Education Cess of 2% along with surcharge of 2.5%. For the financial year 2005-06, it was 30% plus 10% Surcharge and 2% Education cess. For the current year 2007-08, the rate remains at 30%, surcharge @10% and 3% Education cess making an effective rate of 33.99% for domestic companies other than SMEs (Entities having total income of less than 1 crore). For Foreign companies the rate is up from 41.82% to 42.23%. For MAT paying companies it is now 11.33% as compared to 11.22% (*There is no surcharge for SMEs). Further, the company has to bear another pinch on account of dividend distribution tax which has been hiked from 12.5% to 15% making an effective rate of 16.995% as compared to earlier effective rate of 14.025%. From the financial year 2009-10, the surcharge has been waived off.

Thus India is placed in tenth position in order of lower corporate tax rate. Given a choice between a reduction in the corporate tax rate and other reforms, foreign investors would rather opt for lower rate of tax and stability in the tax regime and transparency in the tax administration which in turn would trigger growth and enlarge the tax base. Most countries across the globe have consistently been clipping the corporate tax rate to woo the foreign investors. The tax rate cut was initiated by the U K who with 52% corporate tax rate in eighties slashed the rate to 30%. Other European Countries have also followed the suit. The reduction in corporate rate should be accompanied by the gradual withdrawal or phasing out of all exemptions and concessions. Because steep cut in rate without pruning exemptions would result in significant loss of revenue.

The actual impact of lowering MMR would be judged only when the exemptions are fully phased out. However, the incentives aimed towards development of infra-structure, backward area or other priority sectors should continue. Hence our direct tax policy should have a judicious mix of reforms i.e. trade off between rate cut and phasing out exemptions.

The lower rate will definitely eliminate the fear psychosis of being taxed at a higher rate. It will help boost the tax collection in a big way by broadening the tax base. Tax policy reforms should act as stimulus to economic growth and should aim to achieve the objectives of simplification, certainty, equity and justice.

An ET survey of 1368 companies grouped under 45 industries found that their aggregate provision for corporate taxes have risen by an annual compound rate of 16.2% in the last five years between 2005-06 and 2010-11 whereas their turnover during the same period has grown by 14% annually. This is significant since the rise in the share of taxes despite the rate cut indicates a rise in the tax compliance rate. Interestingly, India Incorporation seems to have given greater priority to tax payments than to service to shareholders.

Thus, it is established that moderate taxes hold the key to improve tax compliance. It is quite evident that voluntary tax compliance improves the tax collection. Tax reforms have to be viewed as an integral part of over-all economic reforms without which the process will be incomplete. The simplified procedure will eliminate the unnecessary cost of compliance & litigation.

SUGGESTED APPROACH

Revenue buoyancy has given the Finance Minister enough strength to undertake further tax reforms in future. Tax buoyancy and fiscal challenges can be met if the tax policy deals with the following items in the suggested way.

1. Exemptions are essentially subsidy payments to preferred taxpayers. In public finance parlance these are called tax-expenditures and should be treated as such. In fact, the Kelkar Committee had recommended the phasing out of exemptions on the ground that these tend to create pressure group and as such there are chances that these may be misused. Despite the moderation of tax rates, the Indian tax structure is still replete with exemptions of numerous types. Past experience shows that it is not an easy task to away with all exemptions and deductions, though in a phased manner. However, some of these can continue in priority areas and should be replaced by a more transparent method of ensuring relief of the target group only.
2. Lower maximum marginal rate is 20% for non corporate assesseees and 25% tax rate for corporate assesseees or introduce a flat rate of 15% in lieu thereof to break the psychological barrier of higher rate of taxation which compels the assesseees to conceal their actual income and evade tax.

TABLE 6: VALUE OF ASSETS SEIZED

Year	Value of Assets Rs. (in crores)
2003-04	1012.36
2004-05	1308.33
2005-06	1620.87
2006-07	2031.37
2008-09	2262.28
2010-11	3351.69

Source: India – 2012, p.132

This will broaden the tax base and bring the tax buoyancy in tax collections. As the past experience shows that there has been a marked increase in tax collection with every cut in the MMR. Further, this simplification will reduce the cost of administration, tax collection and compliance.

3. Levy of tax on agricultural incomes of those with large holdings, exemption to continue for small land owners. This levy is long overdue. It will help in checking parallel black economy. Agricultural incomes have been used as a tool to convert black money into white. However, it will require great deal of political persuasion to evolve a consensus. The political opponents will try to thwart every attempt to levy tax on agricultural income.

4. The next possible areas for broadening the tax base are religious, charitable and educational institutions who receive donations which should be subject to scrutiny and tax. This will put a check on flow of black money. Further, private educational institutions and nursing homes are no more non-profit making entities.

5. One of the biggest drawbacks of the Indian tax system is the ongoing litigation that it breeds. To reduce unnecessary litigation, there is a need to introduce advance rulings for resident taxpayers as a transparent mechanism to settle tax disputes.

6. Strict penal provisions and prosecution proceedings for tax evasion offences. These may take the form of higher rate of tax on the income concealed along with the penalty which may exceed up to the normal (actual) tax liability. These provisions should be applied to all offenders irrespective of the status of the offender whether he is a politician, bureaucrat or a celebrity.

7. Searches, seizures and raids to be conducted on suspected assesseees owning assets disproportionate to their known sources of income. The unexplained money, unexplained investment, gold or jewellery or any other unexplained asset be confiscated whereas on unexplained expenditure the tax liability should be calculated at a higher rate. And finally rationalization and simplification administrative procedure. The key to tax reform is to bring certainty in administration of the tax department and uniformity in interpretation of tax laws. If this is achieved the people in general, will not have any hesitation in filing tax returns and taxes. It will eliminate the role of middlemen and as such reduce the tax compliance cost. Thus the problem that taxpayers face will be largely addressed. Thus, these measures along with the transparent and simplified procedure will ensure tax buoyancy. However, tax reform is an ongoing process and will continue with the passage of time, economy's requirements, level of growth achieved, the degree of compliance and overall tax administration. Past experience shows that some of the exemptions withdrawn have been brought back. As the saying goes when an economy is stagnant, subsidize it and it is growing tax it. Since our economy is fast growing there is a need to tax it in a way that the people feel the minimum pinch. It is possible only when general exemption and deductions are scrapped and tax rate is lowered. For this, there is a need for strong political will on the part of Government to go ahead with the most challenging and daring task, only when the economic objectives of the National Common Minimum Programme such as maintaining high growth rate, providing universal access to

quality basic education and health, generating gainful employment in agriculture, manufacturing and services and promoting investments, assuring 100 days employment to the bread winners in each family at the minimum wage, focusing on agriculture and infrastructure, accelerating fiscal consolidation and reform and ensuring higher and more efficient fiscal devolution can be achieved.

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A STUDY ON THE IMPACT OF JOB STRESS ON EMPLOYEE'S PERFORMANCE: A COMPARATIVE STUDY OF THE EMPLOYEES OF SALES DEPARTMENT OF LIC AND RELIANCE LIFE INSURANCE COMPANY LTD.

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ABSTRACT

Over the years, a lot of research studies have been undertaken relating to the work place stress and it has been proven that intense or prolonged stress leads to a negative impact on one's mental and physical well being. A fair degree of stress may be felt in all types of occupations, some work places have been known to experience much more stress as compared to others. Life insurance sector is one of the sectors, where the employee's monetary benefits are based on their sales targets although reasonable salary is given to them which is fixed and not based on target achievements. It is a normal tendency that an individual avoid life insurance and prefers to invest their money where high returns are expected. Keeping this aspect in mind, it is a challenge for the employees of the sales department of life insurance companies to convince the prospects and sell them insurance products. This research paper is an attempt to find out the degree of stress between the employee's of LIC and the employee's of Reliance Life Insurance Company.

KEYWORDS

Employee performance, job stress.

RELATIONSHIP BETWEEN STRESS AND WORK PERFORMANCE

Various studies have been conducted to examine the relationship between job stress and job performance. Job performance can be viewed as an activity in which an individual is able to accomplish the task assigned to him/her successfully, subject to the normal constraints of reasonable utilization of the available resources. At a conceptual level, three types of relationships were proposed to exist between the measures of job stress and job performance (Jamal M, 2007). One is a negative linear relationship, when productivity decreases with stress (distress). Productivity can also increase as a consequence of stress, thereby implying a positive linear relationship between the two. Thirdly, there could be a U-shaped or a curvilinear relationship wherein, mild stress could increase the productivity initially up to a peak and then it declines as the person descends into a state of distress. Alternately, there need not be any quantifiable relationship between the two.

INDUSTRY PROFILE

Life Insurance in its modern form came to India from England in the year 1818. Oriental Life Insurance Company started by Europeans in Calcutta was the first life insurance company on Indian soil. All the insurance companies established during that period were brought up with the purpose of looking after the needs of European community and Indian natives were not being insured by these companies. Bharat Insurance Company (1896) was also one of such companies inspired by nationalism.

The Insurance Act 1938 was the first legislation governing not only life insurance but also non-life insurance to provide strict state control over insurance business. The demand for nationalization of life insurance industry was made repeatedly in the past but it gathered momentum in 1944 when a bill to amend the Life Insurance Act 1938 was introduced in the Legislative Assembly. Nationalization was accomplished in two stages; initially the management of the companies was taken over by means of an Ordinance, and later, the ownership too by means of a comprehensive bill. The Parliament of India passed the Life Insurance Corporation Act on the 19th of June 1956, and the Life Insurance Corporation of India was created on 1st September, 1956, with the objective of spreading life insurance much more widely and in particular to the rural areas with a view to reach all insurable persons in the country, providing them adequate financial cover at a reasonable cost. Since life insurance contracts are long term contracts and during the currency of the policy, it requires a variety of services, need was felt in the later years to expand the operations and place a branch office at each district headquarter. Re-organization of LIC took place and large numbers of new branch offices were opened. From then to now, LIC has crossed many milestones and has set unprecedented performance records in various aspects of life insurance business. The same motives which inspired our forefathers to bring insurance into existence in this country inspire us at LIC to take this message of protection to light the lamps of security in as many homes as possible and to help the people in providing security to their families.

RESEARCH OBJECTIVES

1. To explore comparative difference in the job stress of employees of Sales department of Life Insurance Corporation of India and Reliance life insurance company Ltd.
2. To analyze the impact of job stress on performance of the employees of Sales Department.
3. To suggest some policy recommendations that can be adopted to improve the performance of the employees of the Sales Department.
4. To study the recent practices adopted by these organizations to reduce stress.

HYPOTHESIS

Ho: 1 There is no significant difference in the stress level of the Life Insurance Corporation of India and Reliance Life insurance Company Ltd.

HO: 2 There is no linear co-relation between job stress and work performance of employees.

SCOPE OF THE STUDY

To under take the study, convenience sampling method was used so that the respondents can give a clear and fair picture about his/her feeling towards the stress at work place. The study is limited to the three levels of employees designated as Branch Manager/ Assistant Branch Manager ; Sales Manager and Development Officers of Life Insurance Corporation of India and Reliance Life Insurance Limited.

SAMPLE SIZE

A sample of 160 employees have been taken (80 each from LIC and RLIC). These employees are working for New Business Development. The samples were taken from the selected branches falling in the state of Haryana.

DATA ANALYSIS

TABLE 1.1: ARE YOU SATISFIED WITH THE BENEFITS BEING PROVIDED BY THE COMPANY?

S. No.	Contents	LIFE INSURANCE CORPORATION OF INDIA.	RELIANCE LIFE INSURANCE COMPANY LTD.
1	Strongly Satisfied	28	41
2	Satisfied	38	30
3	Moderate	7	9
4	Dissatisfied	3	-
5	Strongly Dissatisfied	4	-
	Total	80	80

Source: Self prepared questionnaire and field survey.

TABLE 1.2: WHAT MORE BENEFITS DO YOU EXPECT FROM THE COMPANY FOR REMOVING YOUR JOB STRESS?

S. No.	Contents	LIFE INSURANCE CORPORATION OF INDIA.	RELIANCE LIFE INSURANCE COMPANY LTD.
1	Bonus	15	19
2	More Salary	29	16
3	Promotion	18	26
4	Reward	17	14
5	Medical Facility	1	5
	Total	80	80

Source: Self prepared questionnaire and field survey.

TABLE 1.3: ARE YOU SATISFIED WITH THE WORKING ENVIRONMENT PROVIDED BY THE COMPANY?

S. No.	Contents	LIFE INSURANCE CORPORATION OF INDIA.	RELIANCE LIFE INSURANCE COMPANY LTD
1	Yes	30	65
2	No	50	15
	Total	80	80

TABLE 1.4: WHAT MORE INFRASTRUCTURE FACILITIES DO YOU THINK TO BE PROVIDED BY THE COMPANY FOR REDUCING YOUR WORK STRESS

S. No.	Contents	LIFE INSURANCE CORPORATION OF INDIA.	RELIANCE LIFE INSURANCE COMPANY LTD
1	Cabinet	40	15
2	Sitting Arrangement	16	25
3	Proper lighting	-	23
4	Personal Computer	24	17
	Total	80	80

Source: Self prepared questionnaire and field survey.

TABLE 1.5: ARE YOU SATISFIED WITH THE INCENTIVE PLANS MADE BY THE COMPANY?

S. No.	Contents	LIFE INSURANCE CORPORATION OF INDIA.	RELIANCE LIFE INSURANCE COMPANY LTD
1	Strongly Agree	21	34
2	Agree	22	19
3	Moderate	16	11
4	Disagree	12	16
5	Strongly disagree	9	--
	Total	80	80

Source: Self prepared questionnaire and field survey.

TABLE 1.6: ANALYZE THE FACTORS WHICH ARE RESPONSIBLE FOR WORK OVERLOAD

S. No.	Contents	LIFE INSURANCE CORPORATION OF INDIA.	RELIANCE LIFE INSURANCE COMPANY LTD
1	Co-workers are inefficient	32	13
2	Cannot consult with worker	2	34
3	Complete work at home	5	10
4	Shortage of help	41	23
	Total	80	80

Source: Self prepared questionnaire and field survey.

TABLE 1.7: WHICH OF THE FOLLOWING GIVES MAXIMUM STRESS?

S. No.	Contents	LIFE INSURANCE CORPORATION OF INDIA.	RELIANCE LIFE INSURANCE COMPANY LTD
1	Work overload	54	39
2	Work under load	-	16
3	Time pressure	15	20
4	Health	11	5
5	Total	80	80

Source: Self prepared questionnaire and field survey.

TABLE 1.8 ANALYZE THE STRESS LEVEL OF EMPLOYEES ON THE BASIS OF THESE FACTORS.

S. No.	Contents	LIFE INSURANCE CORPORATION OF INDIA.	RELIANCE LIFE INSURANCE COMPANY LTD
1	Work load	15	35
2	Time pressure	10	12
3	Promotion	19	25
4	Salary	11	8
5	Pension	25	0
	Total	80	80

Source: Self prepared questionnaire and field survey.

HYPOTHESIS-1:

- 1. Ho: There is no significant difference in the stress level of the employees of Life Insurance Corporation of India and Reliance Life insurance Company Ltd.
- 1. H1: There is a significant difference in the stress level of the employees of Life Insurance Corporation of India and Reliance Life Insurance Company Ltd.

TABLE 1.9: TABLE OF LIFE INSURANCE CORPORATION OF INDIA

Contents	Observed frequency	Expected frequency	O-E	(O-E)2	(O-E)2/E
Work load	15	16	-1	1	0.062
Time pressure	10	16	-6	36	2.25
Promotion	19	16	3	9	0.56
Salary	11	16	-5	25	1.56
Pension	25	16	9	81	5.06
Total	80	80		152	9.49

$$\begin{aligned} \text{Chi-square} &= \frac{\sum (O-E)^2}{E} \\ &= 152/80 \\ &= 1.9 \end{aligned}$$

Where O=observed frequency and E=expected frequency

$$\begin{aligned} \text{Degree of freedom} &= n - 1 \\ &= 5 - 1 = 4 \\ &= 9.49 \end{aligned}$$

In this case chi-square value is less than tabulated value so we can say that null hypothesis is accepted in this case.

TABLE 1.10: TABLE OF RELIANCE LIFE INSURANCE COMPANY LIMITED

Contents	Observed frequency	Expected frequency	O-E	(O-E)2	(O-E)2/E
Work load	35	16	19	361	22.56
Time pressure	12	16	-4	16	1
Promotion	25	16	9	81	5.06
Salary	8	16	-8	64	4
Pension	0	16	-16	256	16
Total				778	48.62

$$\begin{aligned} \text{Chi-square} &= \frac{\sum (O-E)^2}{E} \\ &= 778/80 \\ &= 9.49 \end{aligned}$$

Where O=observed frequency and E=expected frequency

$$\begin{aligned} \text{Degree of freedom} &= n - 1 \\ &= 5 - 1 = 4 \\ &= 9.725 \end{aligned}$$

In this case chi-square value is more than tabulated value so we can say that null hypothesis is rejected in this case.

HYPOTHESIS-2

- H0 there is no linear co-relation between job stress and work performance of employees.
- H1 there is a linear co-relation between job stress and work performance of employees.

TABLE 1.11: TABLE OF LIFE INSURANCE CORPORATION OF INDIA

Contents	Observed frequency	Expected frequency	O-E	(O-E)2	(O-E)2/E
Excellent	35	16	19	361	22.5
Above average	18	16	2	4	0.25
Average	15	16	1	1	0.06
Below average	18	16	2	4	0.25
Unsatisfactory	4	16	12	144	9
Total				514	23.06

$$\begin{aligned} \text{Chi-square} &= \frac{\sum (O-E)^2}{E} \\ &= 514/80 \\ &= 6.425 \end{aligned}$$

Where O=observed frequency and E=expected frequency

$$\begin{aligned} \text{Degree of freedom} &= n - 1 \\ &= 5 - 1 = 4 \\ &= 9.49 \end{aligned}$$

In this case chi-square value is less than tabulated value so we can say that null hypothesis is accepted in this case.

TABLE 1.12: TABLE OF RELIANCE LIFE INSURANCE COMPANY LIMITED

Contents	Observed frequency	Expected frequency	O-E	(O-E)2	(O-E)2/E
Excellent	14	16	2	4	0.25
Above average	22	16	6	36	2.25
Average	40	16	24	576	36
Below average	4	16	12	144	9
Unsatisfactory	0	16	16	256	16
Total				1016	63.5

$$\begin{aligned} \text{Chi-square} &= \frac{\sum (O-E)^2}{E} \\ &= 1016/80 \\ &= 63.5 \end{aligned}$$

Where O=observed frequency and E=expected frequency

$$\begin{aligned} \text{Degree of freedom} &= n - 1 \\ &= 5 - 1 = 4 \\ &= 9.725 \end{aligned}$$

In this case chi-square value is more than tabulated value so we can say that null hypothesis is rejected in this case.

FINDINGS

On the basis of the research carried out on Life insurance Corporation of India and Reliance Life insurance Company Ltd. , it is observed that both the insurance companies are having different work culture from each other and there are different factors of job stress causing stress on the employee's performance . In Life Insurance Corporation of India, job stress is less as compared to Reliance Life Insurance company Ltd. The employees of the Sales department of Reliance Life insurance company Ltd has more job stress regarding time pressure, more supervision, fired without cause any time, insecurity about the job, work overload and on the side, in case of Life Insurance Corporation of India, work load is a cause of concern for job stress. The object of the research is to explore comparative difference in the job stress of employees of life insurance Corporation of India and Reliance life insurance company ltd. The important findings of the study are as under:

- ❖ Benefits which are provided by Reliance Life insurance company Ltd, make, the employees are more satisfied as compared to the LIC employee's. LIC employees are more demanding.
- ❖ Employee's of both the companies desires more benefits like bonus, promotion which helps to brighten their careers.
- ❖ As compared to Reliance Life Insurance, LIC has low job stress regarding competition in the market because LIC has 71% total share of the market and the private insurance sector has 29% share in the market.
- ❖ In both the companies, the working environment is safe. Employees are more satisfied in RLIC than the LIC employee's. Because the work environment is better in private companies.
- ❖ The training facilities are provided by the both companies but the employees of RLIC are more strongly satisfied than the LIC employee's.
- ❖ Impact of training on the performance of the employee's is better in the RLIC as compared to the LIC because training facility is better in the RLIC .Private companies are very much active.
- ❖ As compared to RLIC, LIC employee's get better incentives because private companies employee's are having many target to achieve on time they are having so much time pressure as compared to public companies.
- ❖ The factor over load at work gives more pressure on the job of all employees' whether they belong to public or private, but in LIC, there is also red tape which is not in RLIC and the LIC employee's get much more time as compared to RLIC. In private companies time is less provided to the employee's to complete the task.
- ❖ The factor of poor pension is prevailing in the LIC and they have stable salaries or less salary as compared to the RLIC.
- ❖ Insecurity of job regarding fired without cause is so much in RLIC but not in LIC. Insecurity regarding transfer is more in RLIC as compared to the LIC.
- ❖ Work overload has several reasons like co-workers are inefficient, cannot consult with others, complete work at home, shortage of help etc. In LIC , employees are less efficient than the RLIC, but they can discuss the problems with the others like colleagues which is not much possible in the RLIC. Work under load is more in the LIC as compared to the RLIC due too little responsibility, little chance for growth and in RLIC work under load is also due to the factor over qualified for job.
- ❖ Barriers which affected on job is different in all the companies like the job not suited to the person according to his/her qualification, ability to perform the task is more in LIC as compare to the RLIC and sometimes work goes unrecognized.
- ❖ The factor which gives the maximum stress is different for each person in LIC .The maximum stress is related to health related problems because most of the employee's working there is not from young generation they are mostly above 35 years old. Time pressure is more in RLIC and work overload gives maximum stress which is also more in RLIC.
- ❖ Runaway from stressful situation is very much more in LIC as compare to the RLIC, employee's of the LIC are having the chance to run away from the stressful situations but the private company employee's never get the chance to runaway they are used to face the hard situations to compete with the competition.

CONCLUSION

This study has been undertaken to analyze the impact of job stress on the performance of sales department employees in the selected cities of Haryana that is Panipat, Karnal, Yamunanagar, Kurukshetra, Ambala City and Ambala Cantt. This study revealed that the employees of the Reliance Life insurance company Ltd has faced more job stress as compared to the Life Insurance Corporation of India due to more targets to be achieved at one or the other time, they have lack of time as compared to Life Insurance Corporation of India. Now a day's infrastructure of both the companies is good. Stress levels of LIC employees is less, they have enough time to complete the targets on time. They have job security for the life time but the employees of Reliance Life insurance company Ltd are having less job security because they can be fired anytime without a big cause. Working hours of LIC is less as compared to RLIC. RLIC has provided more benefits to reduce the stress level of the employees, is providing them best environment for them.

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AN ANALYSIS OF FACTORS INFLUENCING MORALITY IN PROCUREMENT OPERATIONS IN CORPORATE SECTOR

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ABSTRACT

Many researchers have covered research on ethics in the procurement operation but have covered little on morality. Morality and ethics may seem to be the same thing but their difference is that ethics has to do with obeying the rules while morality has to do with reasoning and behaving according to values that go beyond narrow self-interest. A change of incentives combined with regulation can improve long-term results and corporate ethics, but it won't create moral organizations. The objective of this study was to establish morality in procurement operation aimed at acquiring right materials and services, from the right supplier. Purchasing officers are faced with the prospect of being held to a higher moral standard in an organization, and this has been used to explain the existence of ineffective and inefficiencies procurement operation. The term "morality" can be used either descriptively to refer to some codes of conduct put forward by a society or, some other group, such as a religion, or accepted by an individual for her own behavior. Morality also refers to the quality of being in accord with standards of right or good conduct or a system of ideas that fall into those same categories. This research looked into factors influencing morality in procurement operations in corporate sector. The findings of this research will be of benefit to researchers and academicians. It will also be beneficial to public procurement firms, private procurement firms and the Government in terms of aiding play the role of addressing the problem of the moral degeneration in procurement department.

KEYWORDS/ABBREVIATIONS USED

Agric Eng	:	Agriculture Engineering
CEO	:	Chief executive officer
EDs	:	Edition(s)
Elect Inst	:	Electrical and Instruments
FSS	:	Fertilizer Supply Section
Gen Management	:	General Management
H & Safety	:	Health and safety
HR Admin	:	Human resources Administration
HR	:	Human Resource
ICT	:	Information and communications Technology
IND Relations	:	Industrial Relations
Mech Eng	:	Mechanical Engineering
Man Accounts	:	Management Account
N/Estate	:	Nuclease Estate
ODS	:	Out growers Development section
OSA	:	Out growers and services Accounts
PPA	:	Public Procurement Act
S & D	:	Sales and Distribution
SD	:	Standard Deviation
SPSS	:	Statistical Package for Social Scientists
Trans & Harv	:	Transport and Harvesting
MW	:	Megawatt

1.0 INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Many organizational issues are directly related to management and how they deal with moral situations and decision-making. On a daily basis, managers of private organizations encounter a concept called 'moral stressa'. These individuals recognize that there are moral stressors in everyday professional life but remain unsure how to handle these situations. They can sometimes find themselves in a situation where they are forced to choose between organizational responsibility and some other competing moral standards in certain situations, acting in a moral manner negatively affects the financial success of the company. This pressure is exemplified by the fact that managers often feel censured and judged when they are candid and critical about the way others act. In other words, when managers enforce or encourage ethical policies and behavior in procurement operation, they feel ostracized by other members of the organization (Walters & Bird, 2004).

Procurement managers feel ostracized by other members because of the ethical decision they make and moral behaviors they put in place using their inner conscience, which contradicts with the actions of the most organization members. This is why ethics in the procurement function is difficult to define. When managers behave unethically, they tend to blame it on their supervisors. Behaving unethically occurs most often when the situation concerns profit issues.

When there are pressures placed on employees by authority figures, it is easier to obey than to disobey. The procurement manager can convince the employees to act against their own ethical beliefs for the benefit of the organization. The loyal employee could also play the role of the disloyal employee (Pettit, Pulley, & Vaught, 1990).

A trend in the organizational climate today is a predominate focus on the misconduct of individuals and a lack of concern with how moral problems arise in the first place. If greater emphasis were placed on preventing these situations from occurring, there would be less of a need to discipline employees. If an organization focuses solely on product and performance while ignoring process, the company will create space for unethical behavior (Doig & Wilson, 1998).

2.0 REVIEW OF LITERATURE

This review summarizes information from the available literature on related aspects of study. It has covered theoretical literature and empirical literature.

2.1 THEORETICAL REVIEW

Moral purchasing or ethical purchasing or ethical sourcing refers to the application of criteria reflective of a morality or, in the terminology of ethics, a theory of value to an individual, family, union, or other group's corporation, university, government purchasing decisions. Paul Hawken argues that certain trust criteria such as credit worthiness or implied warranty, are considered to be part of any purchasing or sourcing decision. However, these terms refer to broader systems of guidance that would, ideally, cause any purchasing decision to disqualify offered products or services based on non-price criteria that do not affect the functional, but rather moral, liabilities of the entire production process (Hawken 1993).

The public procurement profession continues to suffer from high level incidence of immoral conduct (Ntayi 2010). In Uganda, it is estimated that approximately \$107 Million is lost annually to corruption, mostly through public procurement-related transactions (Mugazi 2005). Procurement-related corruption refers to the deviant behavior which manifests itself in abuse of public procurement to favor a certain supplier, "occurring on one's own or the other's initiative in order to achieve an advantage for oneself or a third party" (Rabl and Kuhlmann 2009, p. 268).

2.2 EMPIRICAL REVIEW

Moral purchasing or ethical purchasing or ethical sourcing refers to the application of criteria reflective of a morality or, in the terminology of ethics, a theory of value to an individual, family, union, or other group's corporation, university, government purchasing decisions. Paul Hawken argues that certain trust criteria such as credit worthiness or implied warranty, are considered to be part of any purchasing or sourcing decision. However, these terms refer to broader systems of guidance that would, ideally, cause any purchasing decision to disqualify offered products or services based on non-price criteria that do not affect the functional, but rather moral, liabilities of the entire production process (Hawken 1993).

The mission and vision of any organization influences the entire firm and its constituting department. The procurement department is not an exception. Thomas (2001) believes that moral values start with a company's mission to improve the lives of its staff and satisfaction levels of clients and customers by making systems and processes more effective and efficient. At Mitretek, employees are rewarded for defending organizational values, and Friedman leads a continual dialogue about how best to practice these values. Rewarding employee is one of the major motivational factors in any organizational operation including the procurement function (Friedman 2011).

2.3 CRITIQUE OF THE EXISTING LITERATURE

Thomas (2011), Doig & Wilson, (1998, p. 2), and (Walters & Bird, 2004) et. al argued that organizations sometimes find themselves in a situation where they are forced to choose between organizational responsibility and some other competing moral standards. This pressure is exemplified by the fact that managers often feel censured and judged when they are candid and critical about the way the others act. In other words, when managers enforce or encourage morality, they feel hated by other members of the organization. This raises questions when it comes to the procurement function of any firm. This research thus strived to analyze factors influencing morality in procurement operation in the corporate sector.

3.0 IMPORTANCE OF THE STUDY

The findings of this study will be of importance to Private and public firms in Kenya. They will aid procurement officials to help them understand the role of morality thus, enable them understand the vital role played by each employee in carrying day to day activities in the purchasing process. The findings will help government ministries understand the significance of morality in the procurement department. The findings will also be used as reference by future researchers who might be researching on a similar topic and similar areas of research.

4.0 STATEMENT OF THE PROBLEM

In most procurement procedures moral standards have not been highly upheld hence leading to the many scandals in Kenya such as the Goldenberg scandal, Anglo leasing scandal (2006), Kenya military corruption scandal (2010) etc. These scandals have been often termed to be corrupt practices. The obvious major contributor is due to the procurement personnel not upholding their moral standards.

Therefore, there is need for rules and regulation in private firms that support moral values to be upheld. Private firms have regulatory bodies that guide their day to day operations. Regulatory bodies ensure adherence of morality i.e. code of conduct of employees, policies and procedures. Morality provides reasonable assurance to the organization that their funds and other resources of the organization have not been mismanaged by persons under concerned (Alex, 2011).

It also ensures good customer service, good relationship within the organization and good relationships with suppliers (David, 2012). The main objective of procurement department is to ensure materials are acquired of the right quality, right quantity, at the right time, from the right place at a cheaper price. Morality enables employee to be honest always and to tell the truth in all circumstances and to be transparent in all their operations. This does not mean there is no room for improving moral standards in private firms. This research thus strived to analyze factors influencing morality in procurement operation in corporate sectors.

5.0 OBJECTIVES OF THE STUDY

5.1 GENERAL OBJECTIVE

The general objective of this research was to analyze factors influencing morality in procurement operation in corporate sectors.

5.2 SPECIFIC OBJECTIVES

The specific objectives of this study were:

- i. To find out constituent of morality in procurement
- ii. To analyze procurement policies.
- iii. To investigate role of morality in effective procurement operations

6.0 RESEARCH METHODOLOGY

6.1 INTRODUCTION

This provided information on how data was collected and inferences made as well as the mode of research conduct itself.

6.2 RESEARCH DESIGN

Descriptive research design was used in this study. Descriptive research studies are designed to obtain pertinent and precise information concerning the current status of phenomena and whenever possible to draw valid general conclusions from the fact discovered (Lockesh 1984) surveys also aim at obtaining information, which can be analyzed, pattern extracted and comparison made (Bell, 1993), hence choice for this study.

6.3 TARGET POPULATION

The target population for this study consisted of 80 employees of Mumias sugar Company. They emerged from the management cadre and subordinate staff cadre.

TABLE 6.1: TARGET POPULATION

Employee Management	Population	Percentage %
Heads of department	12	15
Assistant heads of department	12	15
Supervisors	12	15
Subordinates	44	55
Total	80	100

Source: Researchers, 2013

6.4 SAMPLE SIZE AND SAMPLING TECHNIQUE

This refers to the number of items to be selected from the universe to constitute a sample (Kothari, 2004). A ratio of 0.5 was selected from the population. Simple random sampling was used to obtain the respondents. A sample is a finite part of a statistical population whose properties are studied to gain information about the whole (Webster, 1985). The sample characteristic was summarized in the table below:

TABLE 6.2: SAMPLE SIZE

Staff	Target Population	Ratio	Sample size
Management			
Heads of department	12	0.5	6
Assistant heads of departments	12	0.5	6
Employees			
Supervisors	12	0.5	6
Subordinates	44	0.5	22
Total	80		40

Source: Researchers, 2013

6.5 DATA COLLECTION

Primary data were obtained by the use of survey method. Primary data were collected using structured and semi-structured questions through use of self-administered questionnaires. Secondary data were collected through identification and analysis of literature containing information relevant to the research problem and the research objectives.

7.0 RESULTS AND DISCUSSION

7.1 INTRODUCTION

This represents the findings of the research. A discussion of the research findings is provided hereunder.

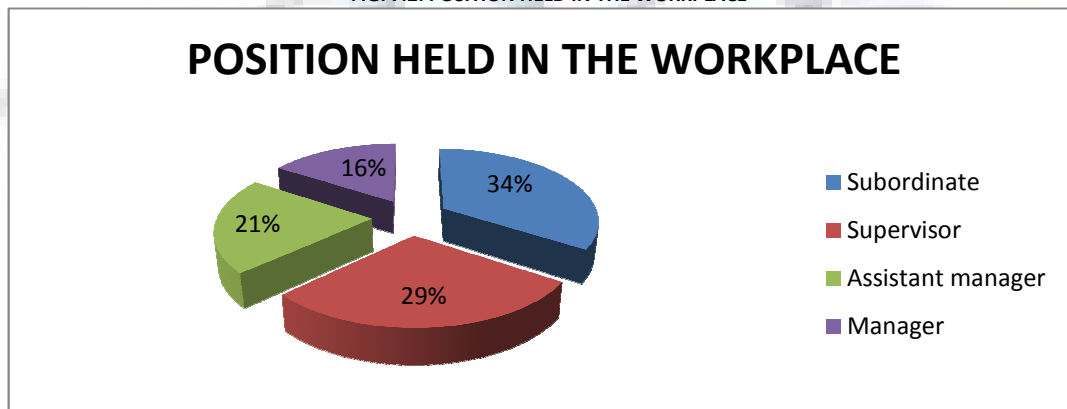
7.2 GENERAL INFORMATION

TABLE 7.1: RESPONSE RATE

Respondents(departments)	Questionnaire issued	Questionnaire received	Response rate (Percentage)
Purchasing	4	4	100%
Stores	4	4	100%
Treasury	4	4	100%
Out growers and service account	2	2	100%
Management account	4	4	100%
Quality assurance	4	4	100%
Sales	3	3	100%
Transport	2	2	100%
Security	2	2	100%
Internal audit	4	4	100%
Human resource	2	2	100%
Production	2	0	0%
ICT	3	3	100%
TOTAL	40	38	1100%

Thirty eight out of the forty questionnaires issued were returned fully filled with the remainder remaining unreturned. There was a higher response from all other department other than production department.

FIG. 7.2: POSITION HELD IN THE WORKPLACE



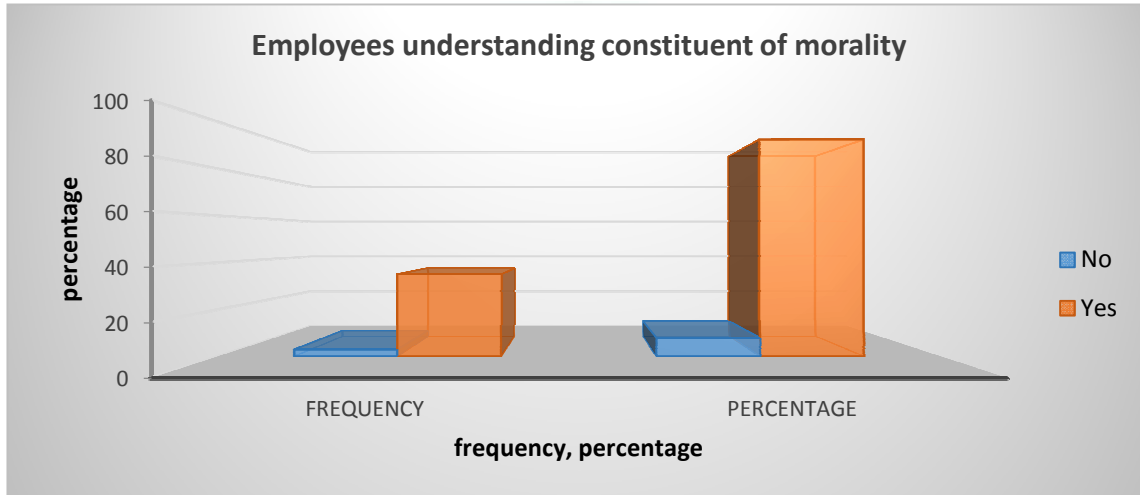
From the study, a majority 13 (34.2%) of the respondents were subordinates, 11 (28.9%) of the respondents were supervisors, 8 (21.1%) of the respondents were assistant managers while the minority 6(15.8%) of the respondents were managers. For an organization to run smoothly there has to be one manager in charge of a department who is accountable for the organizational operation and who leads others to do the right thing always thus enhancing good morals in the organization.

TABLE 7.3: DURATION OF EMPLOYMENT

Duration	Frequency	Percent
1 years	3	7.9
2 years	11	28.9
3 years	5	13.2
4 years	7	18.4
5 years and above	12	31.6
Total	38	100.0

Information provided indicates that most respondents had worked in the organization for 5 years and above. A majority of 31.6% respondents worked for over 5 years. Those with 2 years work experience were 28.9% whereas those with 3 years work experience were a paltry 13.2%. On the other hand, while those with 4 years work experience were 18.4%, those that had 1 year work experience were 7.9%. This insinuated that the organization preferred employees who have more years of work experience since they possessed required skilled, were morally upright and had technical expertise capable of tackling complicated related issues in the organization.

FIG. 7.4: EMPLOYEES UNDERSTANDING CONSTITUENT OF MORALITY



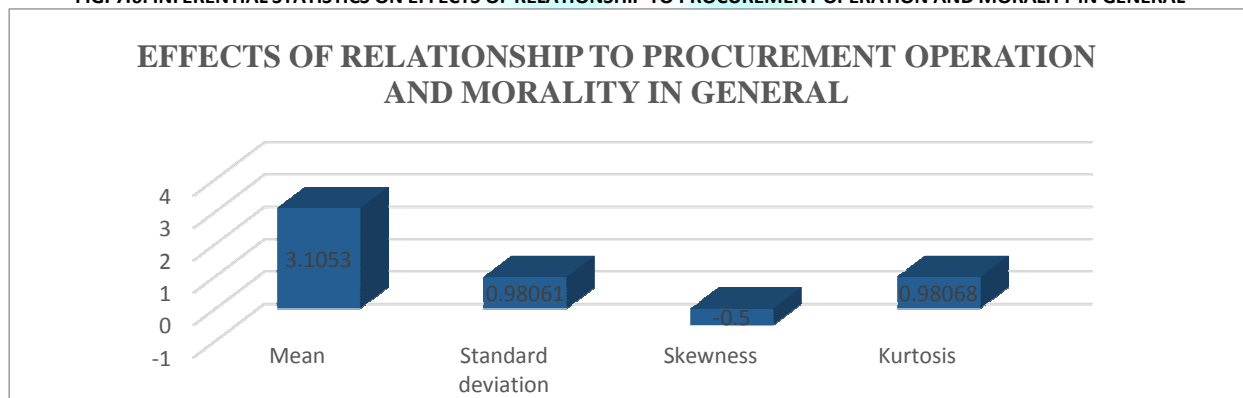
The table/fig. indicates that 35 (92.1%) of the respondents (the majority) were aware of morality and its composition while 3 (7.9 %) of the respondents were not aware of morality and its composition. This insinuates that their knowledge of morality has improved the working environment in the organization.

TABLE 7.5: ADVOCATING RELATIONSHIPS (DATING) BETWEEN EMPLOYEES OR EMPLOYEES WITH SUPPLIERS

	Frequency	Percent	Mean	Standard deviation	Skewness	Kurtosis
Not at all	14	36.8				
Very little	7	18.4				
Somewhat	11	28.9	2.1316	1.09473	.509	-1.045
To a great extent	6	15.8				
Total	38	100.0				

The table reveals that 14(36.8%) of the respondent (the majority) indicated that the organization and themselves did not advocate such relationships. 7(18.4%) of the respondents indicated that relationships are there but on rare occasions. 11(28.9%) of the respondents indicated that such relationships are there but not practiced by everybody, while 6(15.8%) of the respondent indicated that the company has no restrictions on such relationships.

FIG. 7.6: INFERENCE STATISTICS ON EFFECTS OF RELATIONSHIP TO PROCUREMENT OPERATION AND MORALITY IN GENERAL



According to the respondents there is relationship between procurement operation and morality to a moderate extent i.e mean is 3.1053 which lies at (3) on the likert scale weightage. The standard deviation 0.765 is below 1 indicating that that most of the respondents were clustered around this variable. A negative number -0.5 shows that the response is positively skewed i.e. right tailed and that the values are above the mean indicating that relationships will have an effect on procurement operation and morality in general. Morality is a key factor in procurement and entire organisation. An organization that does not endorse morality is likely not to perform since employees will lack discipline and would engage in practices that will lead to downfall of the organisation.

TABLE 7.7: MORAL CONDUCT START WITH A STATEMENT FROM THE SENIOR PROCUREMENT OFFICER ABOUT HIS COMMITMENT ON MORAL PRACTICES

	Frequency	Percent	Mean	Standard deviation	Skewness	Kurtosis
Strongly disagree	2	5.3				
Disagree	19	26.3				
Neutral	11	28.9	3.1316	1.09473	-.013	-.765
Agree	11	28.9				
Strongly agree	4	10.5				
Total		100				

The mean 3.1316 which is in a mean range in the likert scale weightage indicates that most respondents were neutral to the accession that moral conduct in their organisation start with a statement from the senior procurement officer about his commitment on moral practices. The reason for this is that the management instructs employees what to do rather than them doing first and being an example.

8.0 FINDINGS

8.1 SUMMARY

The study indicated that procurement official and suppliers do not fully adhere to procurement codes of conduct. In both cases the response was neutral according to mean 2.3894 and mean 2.7105. This clearly indicates that both procurement officials and suppliers ignore to adhere to codes of conduct and operate contrary. In this study it could be concluded that factors that influence morality in procurement operation in corporate sectors are; level of education, level of income, employees understanding constituent of morality, procurement policies, rewarding and punishing employees, mission vision and core values of the organization. Others include frequent communication to employees regarding moral values and ethics training.

9.0 RECOMMENDATIONS

- Management should frequently conduct training for all employees on moral skills and ethics through seminars and workshops.
- They should also encourage their employees to go for further studies to enhance their general skills

10.0 CONCLUSION

From the study the researchers conclude that, management should ensure that the appointed designated officer to overlooks the general procurement activities should be well known to all individuals. The individuals should be encouraged to be free with him/her and also to report cases of immoral behaviors when witnessed.

11.0 LIMITATIONS

The following limitations were faced during the study.

1. Some of the staff were very unwilling to be interviewed and refused to fill the questionnaire since they took it as interrogation. The researchers decided to give questionnaires to willing respondents.
2. The company is a busy institution and therefore the respondents did not get enough time for interviews.

12.0 SCOPE FOR FURTHER RESEARCH

The researchers suggest that further studies be conducted on the importance of procurement policies and the role of morality in procurement operations.

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APPENDICE

QUESTIONNAIRE

A) Demographic data of respondents

1. Gender (a) male () (b) female () (tick appropriately)
 2. Age (optional a) below 25 yrs. () b) 25- 35 yrs. () c) 35-45 yrs. () d) 45 yrs. and above ()
 3. Position held in the workplace: (a) Manager () (b) Assistant manager () (c) Supervisor () (d) Subordinate ()
 4. Duration of employment (a) 1yr () (b) 2yrs () (c) 3yrs () (d)4yrs () (e)5yrs and above ()
 5. Academic qualification (a) O-Level () (b) Certificate () (c) Diploma () (d) Degree () (e) Masters () (f) PhD ()
- Others, specify..... (Tick appropriately)

B) (Tick appropriately) CONSTITUENT OF MORALITY

6. Does employee understand constituent of morality?

(a) Yes () (b) No ()

7. Do you think it is important for employees to understand constituent of morality.

(a) Yes () (b) No ()

8. To your own opinion do you advocate relationships (dating) between employees or between employees with supplier?

(a) To a great extent () (b) Very little () (c) Somewhat () (d) Not at all ()

9. To your own opinion do those relationships affect the procurement operation and morality in general?

(a) To a great extent () (b) Very little () (c) Somewhat () (d) Not at all ()

10. Does the morality cover key elements, such as conflicts of interest, financial irregularities, and compliance to laws?

(a) To a great extent () (b) Very little () (c) Somewhat () (d) Not at all ()

11. Does level of education and level of income affect morality?

(a) To a great extent () (b) Very little () (c) Somewhat () (d) Not at all ()

C. (Tick appropriately) PROCUREMENT POLICIES

12. Do procurement policies have an effect on procurement operation?

(a) Strongly agree () (b) agree () (c) Neutral () (d) strongly disagree () (e) Disagree ()

13. To what extent does procurement policies affects procurement activities?

(a) To a great extent () (b) Very little () (c) Somewhat () (d) Not at all ()

14. Do procurement officials adhere to codes of conduct of procurement?

(a) To a great extent () (b) Very little () (c) Somewhat () (d) Not at all ()

15. Do suppliers adhere to moral conduct of procurement?

(a) To a great extent () (b) Very little () (c) Somewhat () (d) Not at all ()

16. Is ethics a focus during employee evaluations, supplier selection and customer contract acceptance?

(a) To a great extent () (b) Very little () (c) Somewhat () (d) Not at all ()

17. Does management reward employees who adhere to moral conduct of procurement?

(a) Strongly agree () (b) agree () (c) Neutral () (d) strongly disagree () (e) disagree ()

18. If yes, does management portray conflict of interest?

(a) To a great extent () (b) Very little () (c) Somewhat () (d) Not at all ()

19. Has management established an ethical "tone at the top" by setting a good example of moral conduct, providing positive and open communication, and supporting moral conduct?

(a) Strongly agree () (b) agree () (c) Neutral () (d) strongly disagree () (e) disagree ()

20. Is there fairness, impartiality and transparency in the tendering process?

(a) To a great extent () (b) Very little () (c) Somewhat () (d) Not at all ()

21. Does moral conduct start with a statement from the senior procurement officer about his commitment on moral practices?

(a) Strongly agree () (b) agree () (c) Neutral () (d) strongly disagree () (e) disagree ()

22. Do employees receive ethics training on a regular basis?

(a) Strongly agree () (b) agree () (c) Neutral () (d) strongly disagree () (e) disagree ()

23. Is there a form of communication to all employees regarding morality on a regular basis via formats such as organization newsletter articles and posters?

(a) Strongly agree () (b) agree () (c) Neutral () (d) strongly disagree () (e) disagree ()

24. If yes, which form of communication does the organization use?

(a) Newsletter article () (d) Brochures ()

(b) Posters () (e) Face to face/Meetings ()

(c) Memos ()

Any other

C. ROLE OF MORALITY

25. Is there a designated officer who overlooks the general procurement activities and ensure they are in line with morality?

(a) Yes () (b) No () (c) Don't know () (d) Not sure ()

26. To what extent does morality affects procurement activities?

(a) To a great extent () (b) Very little () (c) Somewhat () (d) Not at all ()

27. Does the organization punish employees who do not adhere to moral values?

(a) Strongly agree () (b) agree () (c) Neutral () (d) strongly disagree () (e) disagree ()

28. If you agree, what forms of punishment are employees subjected to

(a) suspension () (b) expulsion () (c) retrenchment () (d) Taken to court () Any other.....

29. Is the procurement activities undertaken in an ethical and acceptable way?

(a) Strongly agree () (b) agree () (c) Neutral () (d) strongly disagree () (e) disagree ()

30. Does the company's mission, vision and core values influence morality and procurement performance?

(a) To a great extent () (b) Very little () (c) Somewhat () (d) Not at all ()

THANK YOU VERY MUCH

ANALYSIS OF INDIA'S TRADING WITH CANADA UNDER THE LIBERALIZED REGIME

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ABSTRACT

India, an emerging economy, has witnessed unprecedented levels of economic expansion, along with countries such as China, Russia, Mexico and Brazil. India, being a cost effective and labor intensive economy, has benefited immensely from outsourcing of work from developed countries, and a strong manufacturing and export oriented industrial framework. As the economic pace is picking up, global commodity prices have staged a comeback from their lows and global trade has also seen reasonably healthy growth over the last two years. India and Canada pursue bilateral relations through the mechanism of annual Foreign Office Consultations, Trade Policy Consultations, Strategic Dialogue and meetings of S&T Committee, Joint Working Group on Counter-terrorism, Environment Forum Committee, Energy Forum, Steering Committee on Mining and Earth Sciences; Joint Working Groups on Pulses, Plant Protection, Health, Agriculture and SPS issues. Canada is one of the wealthiest and top ten trading nations in the world. It is a member of the Organization for Economic Cooperation and Development (OECD) and the G8. Canada has strong democratic traditions upheld through parliamentary government. Canada is endowed with vast natural reserves in potash, uranium, coal, oil and gas, diamonds, forest products, etc. Canada is well-known for its advanced technological base in agriculture, food processing, education, science and technology, innovation, environment, cleaner technologies; etc. This paper examines the prospects of trade between India and Canada. Globalization and liberalization have brought new opportunities in our country in trade, business, services and employment

KEYWORDS

trade policy, global exports boom, economy, sustainable development.

INTRODUCTION

India is the second most populous country in the World and has changing economic, social, political, cultural demographic and life-style pattern that have been drawing global attention in recent years. The failure of 'Alma Ata Declaration' in fulfilling its objectives to shift resources from urban to rural scene, reiterates the urgency of looking for alternative strategies at the national and local level. To improve the prevailing situation, the problem of population is to be addressed both at the macro and micro level in a holistic way with genuine efforts to bring the poorest of the poor to the centre of the economic policies. A paradigm shift from the current 'FDI-Export Model' to a 'Socio-Economic Model' is required, to meet the needs of rural population.

Almost the entire northern part of the North American continent is occupied by Canada and is rated as the world's second largest country. Canada has a population of over 30 million people and an approximate growth rate of 1 per cent owing to its migration policies. Much of the population constitutes of people of diverse ethnicity who migrated from several European and Asian countries. By the year 2070, Canada's population is estimated to become 60 million. Diversity is an outstanding feature of the demographics of Canada. The economy of Canada has been growing steadily over the past several decades. The economic revolution of 1800s helped the country attain substantial economic growth in almost all sectors of business and trade. New technological innovations have greatly reshaped the country's economy. The economy of Canada is dominated by the service industry employing three quarters of the Canadian population. There is also a huge manufacturing sector in Canada. International trade constitutes a large part of the country's economy, with the United States as the main trading partner. India would welcome investment from Indian exports to Canada include readymade garments, textiles, cotton yarn, carpets, gem and jewellery and precious stones, organic chemicals, coffee, spices, light engineering goods, iron and steel articles, footwear and leather products. India is a vital trade partner for Canada. Canada's commerce strategy for India involves the coordination of efforts by Canada's missions in India, federal government departments, provinces, and the private sector. This strategy has defined priority sectors to increase two-way trade, investment and technology partnerships. These priority sectors include: education, clean technologies (including renewable energy), information and communications technology and infrastructure. Top Canadian exports to India include vegetables (mostly peas and lentils), fertilizers, paper and paperboard, machinery, wood pulp, precious stones, and iron and steel. Canadian imports from India include organic chemicals, precious stones and metals, knit apparel, woven apparel, machinery, and iron and steel. The economy of Canada has been growing steadily over the past several decades. The economic revolution of 1800s helped the country attain substantial economic growth in almost all sectors of business and trade. New technological innovations have greatly reshaped the country's economy. The economy of Canada is dominated by the service industry employing three quarters of the Canadian population. There is also a huge manufacturing sector in Canada. International trade constitutes a large part of the country's economy, with the United States as the main trading partner. Imports from Canada include newsprint, wood pulp, asbestos, potash, peas, iron scrap, copper, minerals, and industrial chemicals. Canada in sectors such as infrastructure, energy, mining, health, education, communication, food processing, information technology, etc. It appears that the India-Canada trade relationship is significantly under-traded. For example, total trade between India and Canada is three times smaller than the size of trade between India and Australia, even though the Canadian economy is about 50% larger than that of Australia. In terms of investment; Canadian companies have modest presence in India. They have grown considerably in five major areas: power and energy, equipments; oil and gas; environment products and services; telecommunications and information technology; and the financial sector, including insurance. India would like Canada to make use of India's skilled and trained manpower base and establish manufacturing units or enter into joint ventures in India. Indian and Canadian companies can also join hands in taking up joint projects in other countries. The atmosphere is vibrant. The opening of international markets has led to earnest endeavors to improve product quality to secure marketing. Paper shall also shed some light on the various relations. In July 2011, Canada and India completed the second round of negotiations toward a Comprehensive Economic Partnership Agreement (CEPA). CEPA negotiations remain a key priority in the Government of Canada's international trade plan; Canada will seek to conclude the CEPA in 2013. This paper lays emphasis on the future of trade opportunities that exists between two countries. Along with the factors discussions relating to internet fuelling the growth will also be discussed. Results of the paper shall give impetus for further research. The Government of Canada is committed to creating economic prosperity for Canadians by strengthening and increasing trade and investment with India. The benefits of FTA would be in multiple folds as the Canadian farmers don't get as many subsidies as many Indian farmers get from the government. However, FTA will help to bring more food to India at lower prices. Canada is also big source of crude oil which is the need of the time for India. Canada has been providing development assistance to the Indian NGOs and promoting the local industry too. Authors have made an attempt to surface the multifold benefits that both the countries experience as a result of trade and export under the influence of liberalization and Globalization. Trade remedies would be discussed with the objective of maintaining appropriate protection from unfair trading practices, including a potential discussion of global safeguard measures, while ensuring that the benefits of trade liberalization are not undermined and allowing potential exports to be realized, in accordance with the rights and obligations established by the WTO Agreement. The paper shall study the various trade agreements that exist between two countries like CEPA etc.

VOLATILITY OF CANADIAN EXPORTS TO INDIA (NCAER STUDY, 2011)

Canadian exports to India tended to be as volatile as exports to other emerging markets over the 1985-2000 periods. The source of this volatility is concentrated in 20 sectors that accounted for roughly two-thirds of Canada's exports to India. India ranks relatively high, 4th out of 16 emerging markets, with respect to how much these top-20 sectors contributed to export volatility. We developed a new model to explain the causes of

Canadian export instability to India. Based on panel regression estimates on 18 sectors for the 1993-1999 periods, we find that export concentration and changes in Indian tariffs have an impact on Canadian export stability.

Export diversification strategies of the Government of Canada together with on-going liberalization of the Indian economy will likely result in reduced volatility in Canadian exports to India. On average, we find a 1% increase in concentration results in a 0.25% increase in export instability. Our results vary across sectors with instability in the Paper Products and Transport Equipment sectors showing large and significant responses to increases in export concentration (between 3.9%-6.4%). We also find that as Indian tariffs decline by 1%, Canadian export growth accelerates by 3%. Further, a 1% decline in Indian tariffs also results in a 2.9% decrease in volatility of Canadian exports.

REVIEW OF LITERATURE

In the present era of globalization, the world has been gradually integrated to a single economic region but different countries have been unable to resist the powerful negative forces of globalization. Hence, they have to adjust themselves according to the new economic order like internationalization of trade and liberalization of financial transaction (Steger, 2003). The economic community of West African States (ECOWAS), the European Union (EU), the North American Free Trade Agreement (NAFTA), the Central American Common Market (CACM), the East African Community (EAC), the Arab Common Market (ACM), the Association of South Asian Nation (ASEAN), and Free Trade Area and Latin America Free Trade Area (LAFTA) are some economic groupings formed on the basis of economic cooperation to promote trade among different countries of the world. It is a known fact that these common economic associations were formed with an objective of providing mutual help among the member countries (Nangbri, 2006).

Subsequently, several agreements for trade and economic cooperation were made exclusively to promote foreign trade among member countries in the recent past. The Bangladesh-India-Myanmar-SriLanka-Thailand Economic Cooperation (BIMSTEC), the Mekong-Ganga Cooperation (MGC), the South Asian Association for Regional Cooperation (SAARC), is few examples of agreements for economic cooperation and enhancing trade in the Asian region (Sharma, 2004). The European Union was formally established on November 1, 1993. It comprised of 25 member countries (as on May1, 2004). The EU-25 represented just 7.7 per cent of world population and accounted for more than 20 per cent of world trade (Europa, 2004). Basically, India had a multi-dimensional relationship with the EU, which is our largest trading partner, the biggest source of FDI and also a home to a large and influential Indian diasporas. India's strength lies in traditional exports like textiles, agriculture, marine exports, gems and jewellery, leather and engineering and electronic products. Sectors like chemicals, carpets, granites and minerals have exhibited the fastest growth in recent years. The bilateral trade between India and EU in monetary term was US \$31.28 billion in 2005 and now increased to US \$ 44.68 billion in 2008 (Sikdar, 2006).

Mohnen (2001) has postulated a model of free trade in a world characterized by perfect competition involving the two economies of Europe and Canada. They also locate the comparative advantages of these two economies through constructing a competitive benchmark based only on the fundamentals of cited economies namely, endowments, preferences and technologies. Sikdar et al (2005) apply a similar theoretical framework to explain trade flows between the two South Asian counties of India and Bangladesh. The fall out of Doha- WTO development round (2001) after having seven rounds of negotiations among member countries forced critics like Noble Laureate Joseph Stiglitz (Business India, 2009) to slam the US insistence that extra duties should be imposed only if the exports surged by 40 percent. India also believes that nobody in agriculture has a 40 percent margin. In fact, a 40 percent decline in price would put most developing countries in a state of bankruptcy. A study in the US found that, if all trade barriers in agriculture, services and manufacture were reduced by 33 percent as a result of the Doha Development Agenda, these would be an increase in global welfare, of \$574 billion. A 2008 study by World Bank's lead economist Kym Anderson found that global income could increase by more than \$3000 billion per year of this; \$2500 billion would go to the developing world [Business India, 2009].

Faber (1999) made a study in which he addresses the question whether FTAs between the ACP countries and the European Union will produce better results than the existing one and provides an economic analysis of the FTA approach for EU-ACP relations. The recent economic slowdown has taken its toll on India's textile exports. At \$ 16.90 billion, total textile exports were down 3.14 per cent for the 10 month period ended January 2009. This has been revealed by a latest study titled "Impact of Economic Slowdown on Textile and Clothing Industry" commissioned jointly by CITI, TEXPROCIL, APEC and SRTEPC. The study attributes 'the slip between the cup and lip' on textile exports due to the lack of cost competitiveness among Indian producers as compared to countries like China, Bangladesh, Vietnam, and SriLanka. This has resulted in a shift of demand from these countries to the markets of US and EU (Business India, 2009).

RESEARCH GAP

The studies reviewed here are not exhaustive in depth and many studies have identified different causes for countries decline of exports and increase of imports. Some studies have attempted to postulate a kind of relationship that exists between countries level of exports and countries ex-im policies. Many studies have relied on theoretical literature which deals with model building exercise that helps to explain the pattern of bilateral trade flows between countries. The studies that conducted macro level research in different countries have applied themselves on the issue of cost-benefit analysis of forming a free trade area or zone to promote international trade. The WTO-Doha round started in 2001 and so far conducted seven rounds addressed the problems and challenges of international trade agreements in a phased manner to end up with ultimate failures for obvious reasons. Hence, a more comprehensive approach towards the analysis of the bilateral or MFN status or multi-lateral treaty etc., between India and Canada is lacking in the existing literature. Therefore, the present paper earnestly looks at filling this gap by considering the nexus between India and Canada on trade related issues.

OBJECTIVES OF THE STUDY

1. To study the economic status of India and Canada with reference to selected years.
2. To examine the quantum of trade related aspects in India and Canada.
3. To analyze the trends in exports between India and Canada.
4. To study the gap between imports and exports.
5. To suggest appropriate policy measures to promote trade between India and Canada.

HYPOTHESES OF THE STUDY

1. There is no significant pattern emerged in demographic profile of Canada.
2. There is certain significant growth of exports occurred between India and Canada.
3. Canada's economic growth is higher than India's economic growth.

METHODOLOGY

RESEARCH METHODOLOGY

- The construction of regression model for any economic variables involves a host of factors such as explanation of dependant and independent variables, relationship between variables postulated, specification of the variables, and choice of period, the selection of cut-off points for different sub-periods determining the coefficient and variable parameters and appropriate interpretation of results.
- The most commonly used statistical procedure to get at the regression parameters has been to postulate some trend equations. This procedure of estimating the relationship between dependant and explanatory variables has three important issues namely, choice of equation, avoidance of volatility error in the data and estimation of sub-periods analysis, if any. Empirically, it has been observed that the popular forms of regression equations for estimation of variables are simple, normal, multiple, step-wise, pseudo, logistic etc.,

■ But each of these regression equations imposes restrictions upon the character of the variables process which ultimately decides the outcome of the results. Any data with maximum allowable 5 per cent error on both sides can be useful in estimating the nexus between the variables and also postulating a good reliable model. The present study largely used the economic survey (Government of India) data for the period 2001-2011 (10 year period) to estimate the variables so postulated to get at the results.

The present study is based on secondary data. The data relating to economic indicators, trade and exports are collected from Ministry of Commerce and Economic surveys, Government of India, CMIE reports, Mumbai and RBI reports. The data relating to Canada’s demographic profile, trade and exports are collected from various internet websites. The study attempts to unravel the mysteries behind ‘poor exports in India by considering the quantum of trade, investment pattern and ex-im policy in post economic reform process. The study also captures the nexus between trade and export status on economic development in India and Canada. To make the study more meaningful and comparative, percentages and ratio analysis have been used in order to interpret the data. The study used a regression model to gauge the quantum of trends in exports and imports between India and Canada during the period 1999-00—2010-11

MODEL PRELUDE

The construction of regression model for any economic variables involves a host of factors such as explanation of dependant and independent variables, relationship between variables postulated, specification of the variables, and choice of period, the selection of cut-off points for different sub-periods determining the coefficient and variable parameters and appropriate interpretation of results. The most commonly used statistical procedure to get at the regression parameters has been to postulate some trend equations. This procedure of estimating the relationship between dependant and explanatory variables has three important issues namely, choice of equation, avoidance of volatile error in the data and estimation of sub-periods analysis, if any. Empirically, it has been observed that the popular forms of regression equations for estimation of variables are simple, normal, multiple, step-wise, pseudo, probit and logistic etc., But each of these regression equations imposes restrictions upon the character of the variables process which ultimately decides the outcome of the results. Any data with maximum allowable 5 per cent error on both sides can be useful in estimating the nexus between the variables and also postulating a good reliable model. The present study largely used the economic survey (Government of India) data for the period 1999-00-2008-09 (10 year period) to estimate the variables so postulated to get at the results.

THE MODEL

$$Y_i = B_0 + B_1 X_{1i} + B_2 X_{2i} + E_i,$$

where Y_i are values of the dependent variable, $X_{1i}, X_{2i}, \dots, X_{mi}$ are values of m independent variables, E_i - random errors, $N > m+1$ is the sample size. Multiple regression finds the set of parameters B_0, B_1, \dots, B_m that provides the best fit between the model and the given data (which are a set of N vectors - $\{Y_i, X_{1i}, \dots, X_{mi}\}, i=1, \dots, N\}$).

Y_i = Year or time period (1999-00-2008-09).

X_{1i} = Total value of imports from Canada in Rs. Crore.

X_{2i} = Total value of exports to Canada in Rs. Crore.

E_i = random errors.

RESULTS AND DISCUSSION

The table 1 presents the certain demographic status of Canada. The total population of Canada as per 2006 government estimate is about 3.31 crore (Indian System) which is abysmally very low (less than 3 per cent) when compared to India’s total population. It is not even having the population of small state in India. With regard to growth rate of population, Canada is recorded only 0.88 per cent as against India’s 1.8 per cent. The Birth Rate of population posted a very low at 10.78 for Canada (2006) as against 26.1 per 1000 live population for India (2001). The Death Rate for Canada (2006) is also accounted very low at 7.80 as against India posted at 8.7. The net migration rate per 1000 population for Canada recorded as 5.85 as against India’s 12.3.

TABLE 1: BASIC DEMOGRAPHIC STATUS OF CANADA

Category	2010
Total Population	33,098,932
Population Growth Rate	0.88 %
Birth Rate per 1000 population	10.78
Death Rate per 1000 population	7.80
Net Migration Rate per 1000 Population	5.85

Source: Website: 123 independenceday.com

TABLE 2: IMR AND TFR OF CANADA

Category	2011
IMR rate per 1000 live births	4.69
Male infant M.R. per 1000 live births	5.15
Female I.M.R per 1000 live births	4.22
Life Expectancy at birth in years	80.22
Male L.E. at birth	76.86
Female L.E at birth	83.74
Total Fertility Rate	1.61

Source: Website: 123 independenceday.com

Table 2 shows the total infant mortality rate, life expectancy rate at birth and total fertility in Canada. The infant mortality rate of Canada is one of the lowest in the world at 4.69 as against India’s IMR at 55 (2007). Similarly, total life expectancy rate at birth of Canada stands at 80.22 as against India’s life expectancy posted at 64.6 (2001). The total fertility rate of Canada is again recorded as one of the lowest in the world at 1.61 as against India’s total fertility rate at 2.9. The demography of Canada is far ahead than India in keeping the status quo of the best demographic country in the world.

TABLE 3: LITERACY RATE AND RELIGIOUS STATUS OF CANADA

Category	2011
Total Literacy Rate in %	99
Male	99
Female	99
Major Religions (%)	2
Roman Catholic	42.6
Protestant	23.3
Other Christian	4.4
Muslims	1.9
Unspecified	11.8

Source: Website: 123 independenceday.com

Table 3 captures the literacy rate and religious distribution of population of Canada in terms of various aspects. It reveals the religious concentration of people which is high in Roman Catholic with 42.6 per cent followed by protestant 23.3 per cent, Muslims 1.9 per cent and unspecified 11.8 per cent. Canada enjoys the highest literacy rates with 99 per cent possibly due to the good educational policies employed right from the primary education and running up to the higher level. This is well attested by the fact that male (99 %) and female (99 %) attainment of highest literacy level long back. The private and public participation in boosting literacy rates as well as higher education is some thing to be reckoned with good governance.

TABLE 4: KEY ECONOMIC INDICATORS OF INDIA: 2004-05-2009-10

Item	Units	2004-05	2006-07	2007-08	2008-09	2009-10	2010-11
GDP	Rs.crore	2402727	2602065	2844942	3120029	3402716	3609425
Growth Rate	%	8.4	8.3	9.3	9.7	9.1	6.1
Savings Rate	% of GDP	29.8	31.7	34.2	35.7	37.7	Na
Capital Formation Rate	% of GDP	27.6	32.1	35.5	36.9	39.1	Na
Food-grains Production	Million tonne	213.2	198.4	208.6	217.3	230.8	229.9
Export Growth	% of Change	21.1	30.8	23.4	22.6	28.9	Na
Import Growth	% of Change	27.3	42.7	33.8	24.5	35.4	Na

Source: Economic Survey, 2010-11.

The key economic indicators of India are presented in Table 4. It shows that GDP at constant market prices is significantly increased from Rs.2402727 Cr in 2003-04 to Rs. 3609425 Cr in 2008-09. This reveals the fact that India is one of the fast emerging economies in the world. But on the other hand, if one looks closely at savings rate of India, it doesn't give the status of emerging economy due to lower savings rate we recorded at 29.8 per cent of GDP in 2003-04 to 37.7 per cent of GDP in 2007-08. The expected savings rate should be 45 per cent of our GDP. The capital formation rate has also recorded similar to that of savings rate during the cited period for obvious reasons. The food grains production has increased tremendously from 213.2 m.t. in 2003-04 to 229.9 m.t in 2008-09, shows rosy picture of the status of food supply in India. But due to the exclusion of poor people from the purview of food grains accessibility on account of high food prices, the robust production of food-grains has not percolated in to the mouths of the poor in rural India. On the most sensitive issue of export and import growth rate, India accounted for more imports surplus during the period 2003-4-2008-09 than that of what it should be (export surplus).

TABLE 5: CANADA ECONOMY - KEY FACTS

GDP (purchasing power)	US\$1.274 trillion	GDP (Per capita in 2007)	US\$38,200
GDP (real growth rate in 2007)	2.7%	Rate of inflation in 2007 (consumer prices)	2.4%
Imports in 2007	US\$394.4 billion	Exports in 2007	US\$440.1 billion
Growth rate of industrial production in 2007	1.6%	External debt	US\$758.6 billion

Source: © Stanley St Labs.

Table 5 captures the major key facts of Canada. The Canadian economy is the eighth largest in the world according to the IMF. As of 2007, its nominal GDP was \$1.274 trillion, with growth of 2.7%. It is part of the G8 and other 'rich clubs' such as the OECD.

Unlike most developed economies, Canada has moved from agriculture straight to services, which now account for nearly 67.9% of GDP. This industry is very diverse and includes the retail sector, financial services, real estate, education, health, high-tech, entertainment and tourism. All these sectors are developing at a rapid rate with retail and health leading growth. The service industry employs 75% of the 17.9 million working Canadians. Another important factor in the country's development was the free trade agreement with the US that was signed in 1989, as well as the NAFTA treaty of 1994. These agreements linked several other key countries such as Mexico, Israel, Chile and Costa Rica to Canada and its economy. In January 2008, the country has also agreed to a Canadian-European free trade association that has further developed its robust economy (123 independence day.com).

TABLE 6: INDIA'S QUANTUM OF IMPORTS FROM CANADA 1999-00—2008-09

Year	(US \$) in Million	(Rs) in Crores	% of shares
2001-02	--	1605	0.8
2002-03	--	1814	0.8
2003-04	--	2525	0.9
2004-05	--	2741	0.9
2005-06	725.9	3336	0.9
2006-07	775.7	3485	0.7
2007-08	895.0	3963	0.6
2008-09	1774	8042.7	0.9
2009-10	1972.2	7940.2	0.9
2010-11	1780.8	7965	0.9

Source: Economic Survey, 2010-11.

Table 6 presents the India's quantum of imports from Canada for the period 1999-00-2008-09. The total monetary value of imports from Canada has increased significantly from Rs. 1605 Cr to Rs. 7965 Cr in 2008-09. Correspondingly, in terms of US million dollar value also, the quantum of imports has increased substantially from \$ 725.9 in 2003-04 to \$1780 in 2008-09. This substantiates the well attested fact that the Canadian technology driven products are well known at the global level and India is no exception to this view and hence our Imports bill swelled during the period. We import many products from Canada. Canada is the second-largest country in the world by land mass (after Russia), and is blessed with natural resources. Oil and lumber - and pulp & paper - are two vital industries and exports. According to the USGS, Canada has the second-largest oil reserves in the world, with its large oil and gas reserves in Alberta, British Columbia and Saskatchewan and the Athabasca Tar Sands. Canadian mines are leading producers of nickel, gold, diamonds, uranium, and lead.

TABLE 7: INDIA'S QUANTUM OF EXPORTS TO CANADA

Year	(US \$) in Million	(Rs) in Crores	% of shares
2000-01	--	2578	1.6
2002-03	--	2999	1.6
2003-04	--	2789	1.3
2004-05	--	3379	1.3
2005-06	763	3507	1.2
2006-07	866	3894	1.0
2007-08	1008.7	4466	1.0
2008-09	1110.4	5024.5	1.02
2009-10	1265.3	5094	1.2
2010-11	1006.8	4503.6	1.2

Source: Economic Survey, 2008-09.

Table 7 underscores the importance of India's exports to Canada for the period 1999-00-2008-09. India has achieved the Herculean task of higher exports target within some reasonable years of international trade with superb confidence. India's exports to Canada has significantly increased from Rs.2578 Cr in 1999-00 to Rs.4503 Cr in 2008-09. In terms of US million dollars, the total value of exports increased from \$ 763 in 2003-04 to 1006.8 in 2008-09. This is possible due to the presence of high quality and durability of our products which actually attracted several foreign countries including Canada to place orders to buy multifarious products from India. The foreign trade policy, ex-im policy and other related policies introduced by the centre from time to time attracted many foreign businessman to India to have business with our entrepreneurs. This resulted in furthering our export earnings and foreign direct investment significantly. Further, good business climate, backed up by good infrastructure facilities and fine marketing facilities have made India an international hub for global business. The feel good policy, India shining policy and made in India policy has significantly increased the image and prestige of our country at the international level.

TABLE 8: SUMMARY RESULTS OF REGRESSION MODEL FOR IMPORTS AND EXPORTS BETWEEN INDIA AND CANADA: 1999-00-2008-09

Category	No.of Observations	Coefficient value	Standard Error	' t ' value	Adjusted R Square Value
Imports	10	1.071E-03	1.228	6.834*	.835
Exports	10	3.107E-03	1.105	7.715*	.867

Note: * Significant at 1 per cent level.

Table 8 captures the summary results of the regression model concerning imports and exports between India and Canada during the period 1999-00-2010-11. The regression results reveals that exports of goods and services to Canada has steeply increased for the period 1999-00-2008-09. The numerical data for the ten year period presented in the earlier table (10) relating to India's exports to Canada shows the consistent increase of our exports from Rs.2578 Cr to Rs. 4503.6 Cr in 2008-09 with a record of earning more than Rs.5000 Cr occurred on two occasions between 2006-2008. This is again well brought out from the regression results that exports posted positive coefficient value of 3.107 and emerged statistically significant at 1 per cent level. The government of India's good monetary and foreign trade policy fine tuned with appropriate introduction of economic reforms since 1991 has dramatically changed the exports earning capacity of our nation. On the other hand, our total monetary value of imports from Canada posted a different picture during the study period. The imports figure increased consistently with a spurt once in three years during the study period and eventually posting a record of imports to the tune of Rs. 8042 Cr in 2006-07. This is factually attested in the results of regression model that the coefficient values of imports posted at 1.071 and emerged statistically significant at 1 per cent level. This further lends credence to the fact imports value is greater than exports between India and Canada and at the same time Exports value is greater than imports between Canada and India.

INDO-CANADA TRADE RELATIONS

According to the recent figures on India's foreign trade partners, Canada accounts for 1.2% of India's total exports and 0.9% of imports. Indian exports to Canada have increased from C\$ 280 million in 1992 to C\$ 1326 million in 2003 (January to November): a five-fold increase. Canadian exports to India have marginally increased from C\$ 529 million in 1992 to C\$ 658 million in 2003 (January to November). Bilateral trade between the two countries accelerated to C\$2.45 billion in 2004. The trade balance has been in India's favour ever since 1993. In Rupee terms, India's total exports to Canada were Rs 3507 crore (\$1,423 million) in 2003 and imports from Canada amounted to Rs 3336 crore. India exports readymade garments, textiles, cotton yarn, carpets, floor spreads, gem & jewellery & precious stones, organic chemicals, coffee, spices, light engineering goods, iron & steel articles, footwear and leather products, rice, cereals, processed foods and marine products to Canada. India's major items of import from Canada include newsprint, wood pulp, asbestos, potash, peas, iron scrap, copper, minerals and industrial chemicals.

India is Canada's largest trading partner in South Asia, but is ranked as Canada's 18th largest export market. There is a room for improvement in the trade between the two countries as India's share in Canada's imports is not even 0.5%.

With the removal of the overseas investment ceiling of US \$100 million, rapid increase in FDI in Canada by Indian software manufacturers has been seen. Since 2001, Indian flagship companies have expanded their operations in Canada with several setting up software development centers.

Though, Canadian companies are enjoying increasing success in the Indian market, Canada has a modest presence in India in terms of investment. Their major thrust is in five areas: power & energy, equipment & services; oil and gas; environment products & services; telecommunications & information technology; and the financial sector, including insurance. Growth of service sector sales reflect Canadian strength in traditional areas such as consulting and engineering, as well as a growing Canadian presence in fields such as education, software development, and financial services.

In line with India's market liberalization, Canadian FDI in India reached Cdn \$144 million in 2002, while Indian FDI in Canada increased from Cdn \$18 million in 1999 to Cdn \$29 million in 2002. As part of the joint G-8 pledge on food security, Canada will more than double its investment in food security and provide \$600 million in increased funding over three years, reaching \$1.18 billion in overall funding. In total, G-8 members pledged to mobilize at least USD \$15 billion (CAD \$17.4 billion) over three years. The new funding will go to bilateral programming and multilateral initiatives.

Canada is a global leader in increasing food security, with our overall investment including food aid reaching over \$580 million in fiscal year 2008-2009, a nearly 40% year-over-year increase. Our long-standing commitment was recently re-affirmed by the identification of food security as one of Canada's five international assistance priorities. With over a billion people now suffering from hunger, food security is a critical global challenge whose effects are felt most dramatically by the world's poorest and most vulnerable (Economy of Canada, © Stanley St Labs).

A NOTE ON EXPORT TAX

Export taxes are not prohibited by the WTO. About one third of WTO members impose export duties. For example, Indonesia applies taxes on palm oil exports and Madagascar on vanilla, coffee, pepper and cloves. Other examples include Mexico on sub-products of endangered species, Guatemala on coffee, Costa Rica on bananas, Mozambique on cashews, Ghana on cocoa, bauxite and manganese, Pakistan on raw/wet blue hides and skins and Malaysia on certain fish, birds eggs, fruit, nut, palm seeds, gums and resins. To ensure availability of raw materials for industries or to promote further processing, Sri Lanka levies export cesses on tea, coconut products, raw hides and skins. Brazil imposes export tax on cashew nuts with shells, tobacco, leather and skins to ensure domestic market supply, Thailand on hides, wood, rubber and metal scrap to protect its environment, Norway on fish and fish products, Canada on Canadian manufactured tobacco, Hong Kong on clothing and footwear, and Turkey on raw skins, hazelnuts and semi processed leather. New Zealand also imposes commodity levies and some recovery charges on some exports. In contrast, on the basis of recognition that export taxes distort trade, many regional trade agreements (like EU and NAFTA) and bilateral trade agreements (like Canada-Chile, Japan-Singapore and EU-Mexico trade agreements) have prohibited export taxes. Export taxes are mainly used by developing and least developed countries (LDCs). According to one recent study, among the 15 LDCs and 30 OECD countries reviewed in the context of the WTO Trade Policy Review Mechanism, 10 LDCs and 3 OECD countries impose export duties. The products on which export taxes are primarily imposed include agricultural products such as sugar, coffee and cocoa, forestry products and leather, hides and skins products. India, which is not a major user of export taxes/duties, maintains export tax on hides, skins, and leathers, tanned and untanned (not including manufacture of leather) to ensure export of high value-added leather goods, and very nominal cesses on certain commodities (Economic Survey, 2004-05).

SUMMARY AND CONCLUSION

Globalization has integrated the economies across the world. Financial structure within the country and across the globe has tended to become more harmonized. The domination of Anglo-Saxon model at the international level has encouraged the countries to do away the barriers existing before the start of economic globalization in the name of structural adjustment and macroeconomic stabilization. The free flow of capital (long and short-term nature) has been observed at increasing rate. Speculation has become dominant factor today to decide the fate of any firm and country. The diversifications of services provided by the financial institutions under one roof has done away the compartmentalized practices of financial institutions. The intermixing of activities by banks and stock markets has brought each other very close in such a way that health of one has become indicator of health of the other. This definite direction of financial

structure and the role of finance in such financial structure has resulted the current global crisis, the strongest after the 1929 economic crisis. The current crisis has led to the rise of unemployment, decline of GDP growth rates and social unrest across the world. Whether the world will come out of the serious recession with the given type of financial structure or not is the question which will be answered in the future (Shri Ram College of commerce, 2010). Almost the entire northern part of the North American continent is occupied by Canada and is rated as the world's second largest country. Canada has a population of over 30 million people and an approximate growth rate of 1.0% owing to its migration policies. Much of the population constitutes of people of diverse ethnicity who migrated from several European and Asian countries. By the year 2070, Canada's population is estimated to become 60 million. Diversity is an outstanding feature of the demographics of Canada. Canada is a major supplier of agricultural products worldwide like wheat and other grains. The country's major trading partner is the United States followed by Europe and Asia. Over the last decade, the proportion of the population and GDP in the agricultural sector has declined drastically.

The Agricultural sector accounted for only 2.3% of the country's GDP in 2004. Manufacturing falls under the secondary industrial sectors of Canada and accounted for 26.4% of the country's GDP in 2004. Southwest Ontario has a major manufacturing sector with automobile as the primary industry. Ontario houses the branch plants of the leading automobile manufacturers of USA and Japan. There are also many Canadian parts factories in Ontario, like Magna International and Linamar Corporation. Currently Ontario manufactures more vehicles than its neighboring state. The services sector dominates the economy of Canada. It accounted for 71.3% of the country's GDP in 2004, employing about three quarter of the Canadian population. The retail sector is the largest employer under the services sector, employing about 12% of the country's population.

The G-20 countries which include India, Brazil and South Africa have tried to tackle the issues concerning the global trade in farm products within the ambit of WTO. The G-20 was forced to accept the version of the Agreement on Agriculture (AOA) presented by the G-8 countries. The agreement sought to help opening up of the protected markets of India and China for agri-business for North America and the European Unions. The basic aim of the G-8 is to bring a trade fight within the group of developing countries in the global market for agricultural exports. The paradigm of the AOA as conceived in the WTO is not only alien to the kind of peasant farming that prevails in the G-20 countries but also creating a rift among developing economies. The propaganda and myth about trade liberalization was that it would lift India's poor from below poverty line come by providing market access to rich. The market access rules of WTO are however, not wiping out poverty, they are wiping out the poor (MPOS, November, 2008, P 4-5).

Article 4 on market access in the WTO Agreement on Agriculture robs the rural poor of livelihoods by enabling powerful corporations from rich countries to dump artificially cheap, subsidized products on poor countries, and preventing poor countries from protecting themselves from dumping that threatens the very survival of poor peasants and small producers.

SUGGESTIONS

1. Both India and Canada should explore the possibility of linking trade agreement along with investment protection pact.
2. Economic integration with commodity cartel may lead to good harmonious trade relations between India and Canada.
3. The greater the elasticity of demand for regional products and the greater their supply elasticity, the greater the possibility of trade creation between India and Canada.
4. Free Trade Agreements (FTAs) is a special case where all tariff and non-tariff barriers are abolished and free access is allowed to the products of member countries must be attempted very often than not to promote foreign trade.
5. Similarly, Preferential Trade Agreements (PTAs) in which members of the PTA impose a preferential tariff or lower customs duty on the product originating from the member countries.
6. Under Common Markets (CMs) there should be a free flow of factors of production in addition to free flow of goods.
7. The emergence of European Union (EU) in 1992 and North American Free Trade Agreement (NAFTA) in 1994 has led to the further introduction of RTAs in Asia to boost international trade.

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ANALYSIS OF STRATEGIC HUMAN RESOURCE MANAGEMENT PRACTICES ON ORGANIZATION EFFICIENCY IN THE PRIVATE SECTOR: A CASE STUDY OF NAKUMATT HOLDINGS LIMITED

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ABSTRACT

This study aimed at identifying the strategic human resource practices that are prevalent in Nakumatt Holdings Limited. It essentially sought to establish the benefits that are brought about by the application of certain strategic human resource practices in Nakumatt Holdings Limited. It also looked at the modes of efficiency which are gained by strategic human resource practices in Nakumatt Holdings Limited. The researchers adopted the descriptive form of research design. The sample was drawn from a population of about 100 Nakumatt Holdings Limited employees. The sampling technique used was stratified sampling technique. The findings of this study are expected to be of great benefit to Nakumatt Holdings Limited, its staff, researchers, as well as academicians. Additionally, customers and the general public are expected to increase their knowledge and understanding of the vital role of strategic human resource practices in Nakumatt Holdings Limited. Aspiring business persons may learn from the successes of Nakumatt Holdings Limited and emulate these successes while learning too from the hurdles faced by them.

KEYWORDS/ABBREVIATIONS USED

BSE	: Business Studies and Economics
HRM	: Human Resource Management
HRM	: Human Resource Management
IHRM	: Institute of Human Resource Management
JKUAT	: Jomo Kenyatta University of Agriculture and Technology
NHL	: Nakumatt Holdings Limited
SHRP	: Strategic Human Resource Practices

1.0 INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Changing business environment in knowledge economy has made adoption of strategic human resource management (SHRM) imperative for competitive advantage and efficiency. The impact of HRM practices on business performance has been extensively studied in the recent past. However, the impact of strategic human resource practices on organizational efficiency has not extensively been done. Studies have found a positive association between HRM practices and firms' performance. Within Kenya, limited research has been done to examine the relationship of HRM practices and organizational performance and efficiency (Dyer and Reeves, 1995).

Organizations always strive to improve on their productivity, efficiency, performance and also to gain competitive advantages over other players within their respective industries. There are a number of ways through which organizations can improve on their performance and efficiency. Strategic human resource management practices can play a significant role for the achievement of competitive edges, efficiency and also in the overall performance of organizations. Hence, there is need for organizations to employ appropriate strategic human resource management practices that are capable of enhancing service delivery and thereby impacting on efficiency (Barley, 1991).

Unlike the public sector, there is rampant competition within the private sector as firms try to outperform their competitors. Firms within the private sector usually thrive to ensure that their customers are satisfied and hence service delivery is key factor in their operations. For the firms in the private sector to achieve their objectives of enhancing service delivery, strategic human resource management practices play a key role. In an effort to achieve this, employment of appropriate strategic human resource practices can play significant role (Pfeffer, 1995).

2.0 REVIEW OF LITERATURE

This review summarizes information from the available literature on related aspects of study. It has covered theoretical literature and empirical literature.

2.1 THEORETICAL REVIEW

There is general consensus that SHRM practices do not lead directly to business efficiency. Rather they influence firm resources, such as the human capital of the firm like skills, knowledge, potential, or employee behaviors, and it is these resources that may ultimately lead to efficiency (Wright et.al 1994; Delery 1998). This implies that there are mediating variables between SHRM practices and organizational efficiency, although, rather few researchers (Huselid 1995; Becker et al 1997; Fey et al 2000; Guest 2001; Boselie et al 2001; Park, et al 2003; Paul and Anantharaman 2003) who feel otherwise.

Delery (1998) argues that "it is important that future research attempts to specify the mediators and also attempts to collect measures of these constructs. This issue is crucial for continued theoretical development in HRM". Similarly, Bowen and Ostroff (2004) argue that the question still left unanswered is the process through which HRM practices impact on organizational efficiency. Moreover, Doty and Delery (1997) assert that HRM practices influence firm performance and efficiency by creating a workforce that is skilled, motivated, and empowered, all at minimal costs. Paul and Anantharaman (2003) assumed that the intervening

variables of employee competence, teamwork, organizational commitment, and customer orientation affect the organizational efficiency through employee retention, employee productivity, product quality, speed of delivery, and operating costs. These, they state, have direct effects on organizational efficiency.

2.2 EMPIRICAL REVIEW

In meta-analysis of 104 articles, Boselie et al., (2005) concluded that the top four HRM Practices are efficient recruitment and selection, training and development, contingency and reward system, and performance management that have been extensively used by different researchers. Their study investigated five HRM practices namely; training and development, recruitment and selection, compensation and reward, performance appraisal, and employee relation and examined the effects of these practices on subjective measures of performance on product quality, productivity efficiency and overall perceived performance compared to industry average.

In a study of 428 firms in Finland, HRM practices had positive influence on firms' performance Lahteenmaki et al. (1998). Guthrie (2001) studied 128 companies in New Zealand and found positive relationship between high-involvement work practices and firms' performance. In Taiwan, Chang and Chen (2002) studied 62 firms to determine the effects of HRM practices on business performance and found a positive association. Stavrou and Brewster (2005), in a study of 3702 firms from European Members countries discovered a positive association between strategic HRM practices and business performance.

2.3 CRITIQUE OF THE EXISTING LITERATURE

Some researchers seem to suggest that there is a correlation between strategies and performance. They however fail to not whether this influence is skewed towards positively inclined or negatively declined (Becker & Huselid, 1998; Boselie, 2002; Guest, 1997). Others argue that HRM practices and efficiency research have common attributes as well as contradictions (Boselie et al., 2005; Katou&Budhwar, 2006; Wall & Wood, 2005, Wright & Boswell, 2002). Most studies had generally covered areas of HR consulting, HR motivation, workforce and productivity among others, however no studies were until now done in this area of strategic HRM practices and the organization efficiency.

3.0 IMPORTANCE OF THE STUDY

The findings of this study will benefit among others, Nakumatt Holdings Limited, Human Resource Managers, researchers and academicians. The recommendations suggested will enable Nakumatt Holdings Limited improve on their overall performance as well as the performance of employees. All these will culminate in better service to the masses.

Human resource managers will also gain from the study that uncovers some of the strategic human resource management practices that work best for organizations. Researchers as well as academicians will in turn better improve their understanding and knowledge about strategic human resource management practices. Besides, customers as well as the public in general would enhance their knowledge as well as understanding of the vital roles that are played by strategic human resource management practices.

4.0 STATEMENT OF THE PROBLEM

Organizations always strive to improve on their efficiency, performance, and also to gain competitive edges over their competitors. Gaining efficiency as well as competitive edges has been a big challenge to organizations. There are a lot that organizations, mainly those within the private sector can do to improve on their efficiency. Besides, strategic human resource practices can play very big roles in enhancing overall efficiency besides enhancing performance and competitive edges. A number of organizations, have, however, not explored this (Abert, 2012).

This is because strategic human resource management practices have direct influences on the quality of products and services that are offered by organizations and hence influences customer satisfaction. Numerous organizations, however, have not realized the benefits that are brought by strategic human resource practices (Williamson, 2012). This study therefore elaborated how effective application of appropriate strategic human resource practices can impact on organizational efficiency. It also looked at the modes of efficiency gained by strategic human resource management practices.

5.0 OBJECTIVES OF THE STUDY

5.1 GENERAL OBJECTIVE

The general objective of the study was to establish the importance of strategic human resource management practices in Nakumatt Holdings Limited.

5.2 SPECIFIC OBJECTIVES

The specific objectives of this study were:

1. To identify the strategic human resource management practices prevalent in Nakumatt Holdings Limited.
2. To establish the significance of strategic human resource management practices in Nakumatt Holdings Limited
3. To find out the modes of efficiency gained by strategic human resource management practices.

6.0 RESEARCH METHODOLOGY

6.1 INTRODUCTION

This aspect looks at the research design, target population, sampling design and sample procedure, sample size, data collection methods and data analysis and presentation.

6.2 RESEARCH DESIGN

The researchers adopted a descriptive study approach in this area. This was because the design is concerned with the answering the questions who, what, which, when, where or how much (Cooper & Schindler, 2001), making it informative.

6.3 TARGET POPULATION

The population of interest in this study consisted of 50 respondents covering employees of NHL from branches which were selected randomly. The major concentration was at their regional office in Kisumu and its other branches in Mombasa and Nairobi. This was because of practical accessibility, capacity, time and budgetary constraints.

TABLE 6.3: TARGET POPULATION

NAKUMATT	Target Population (N)	Percentage (%)
Branch managers	2	2
Supplies managers	18	18
Marketing managers	30	30
TOTAL	50	50

Source: Researchers, 2013

6.4 SAMPLE SIZE AND SAMPLING TECHNIQUE

A ratio of fifty percent was chosen from the population of the study thereby making it convenient but nevertheless representative of the target populous. The sample characteristic was summarized in the table below:

TABLE 6.4: SAMPLE SIZE

Outlets	Target Population (N)	Ratio	Sample Size (n)
Branch managers	2	0.5	1
Supplies managers	18	0.5	9
Marketing managers	30	0.5	15
TOTALS	50		25

Source: Researchers, 2013

6.5 DATA COLLECTION

Survey method was used to collect data. both primary and secondary data was required. Primary data was collected by use of questionnaire method whereas secondary data was collected from the past research works, Internet, relevant journals, magazines, newspapers and the IHRM publications. The questionnaires were structured in such a way that they elicit specific information from the respondents. The questions comprised of multiple choice, open-ended and dichotomous questions. In addition, scale attitude type of questionnaires was used to evaluate the strength of attitudes held by the respondents.

7.0 RESULTS AND DISCUSSION

7.1 INTRODUCTION

This aspect presents the findings of the research and presents the same systematically. A discussion of the research findings is provided hereunder.

7.2 GENERAL INFORMATION

TABLE 7.1: RESPONSE RATE

Questionnaire	Frequency	Percent,%
Returned	25	100%
Not returned	0	0%
Total	25	100

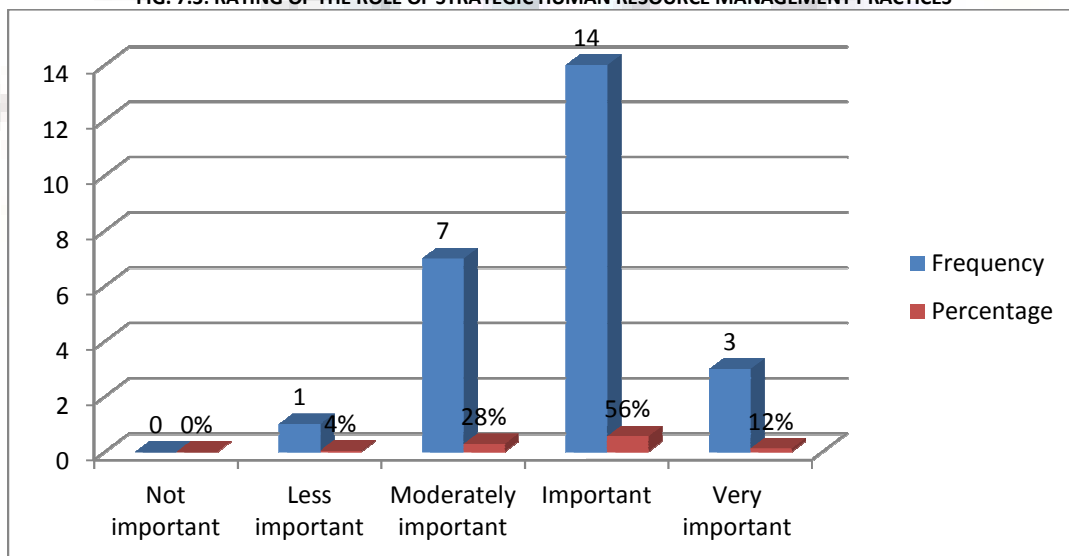
Twenty five questionnaires issued were returned fully filled. The response rate reflected the view of Mugenda & Mugenda (2003) who indicated that a response rate of 70% and over is very good as it gives a representative sample for meaningful generalization and minimizes errors.

TABLE 7.2: STATEMENT ON STRATEGIC HUMAN RESOURCE MANAGEMENT PRACTICES

Variable	Score	N	(%)	Mean score/5	Sdev	Skewness
Without management’s commitment the implementation of competitive strategic human resource practices is impossible.	1	0	0%	4.28	0.792	-0.564
	2	0	0%			
	3	5	20%			
	4	8	32%			
	5	12	48%			
It is the responsibility of management to allocate resources required for the training and development of the employees to impact the desired practices so as to enhance organization’s efficiency.	1	0	0%	4.56	0.917	-2.839
	2	1	4%			
	3	1	4%			
	4	5	20%			
	5	18	72%			
The management can ensure effective implementation of right strategic human resource practice without other employees.	1	2	8%	4.25	1.363	-1.547
	2	2	8%			
	3	2	8%			
	4	1	4%			
	5	18	72%			
I think it is the responsibility of management to identify changes in the level of efficiency in the firm and implement remedial mechanisms in order to remain relevant.	1	0	0%	4.72	0.614	-2.127
	2	0	0%			
	3	2	8%			
	4	3	12%			
	5	20	80%			
The management must ensure that employees are effectively trained to adapt to the performance demands in the firm	1	0	0%	4.52	0.770	-1.261
	2	0	0%			
	3	4	16%			
	4	4	16%			
	5	17	68%			

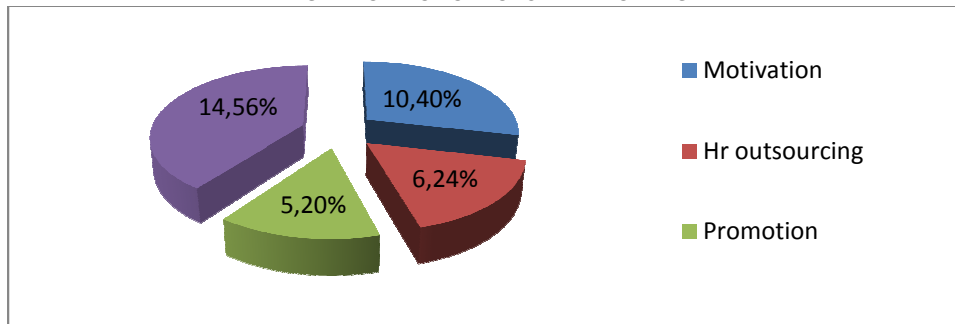
From the study, all twenty five respondents, 68% (17) strongly agree, 8% (4) agree and 8% (4) moderately agree) agreed that the management must ensure that employees are effectively trained to adapt to the performance demands in the firm. The mean score was 4.52 with a standard deviation of 0.770. This is a strong indication that management must ensure that employees are effectively trained to adapt to the performance demands in the firm. A skewness figure of -1.261 indicates a negatively skewed distribution and hence the concentration of a larger value on the left side. As a result the distribution curve is left tailed.

FIG. 7.3: RATING OF THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT PRACTICES



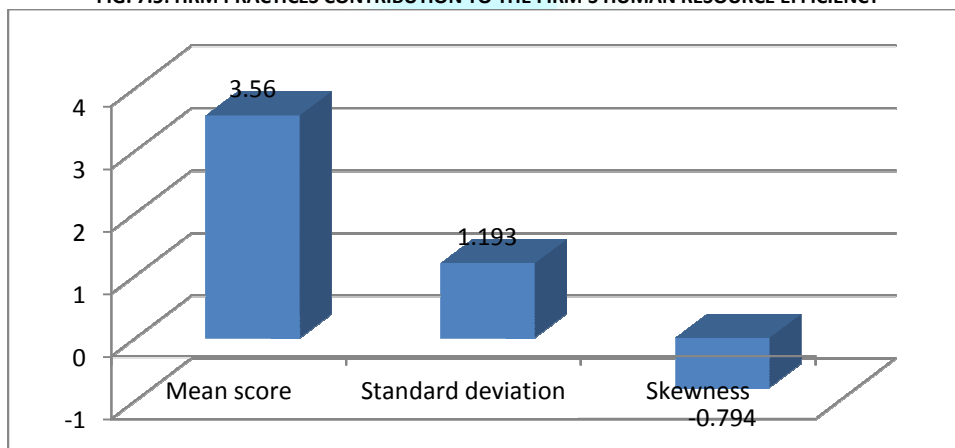
The Fig./table shows that 12% (3) respondents rated the role of strategic human resource management practices in organizational performance as very important, 56% (14) important, 28% (7) moderately important and 4% (1) said less important. A mean score of 3.76 and standard deviation of 0.723 is a further indication that the role of strategic human resource management practices is truly importance in organizational performance. A skewness value of -0.312 indicate asymmetric distribution. The distribution is negatively skewed and hence the concentration of a larger value on the left side of the distribution. Consequently, the distribution curve is distorted on the left side.

FIG. 7.4: OPINION ON POLICY AND WORKING



A survey was conducted to determine opinion on policy and working with regard to some of strategic human resource practices. 40% (10) of the respondent well understood motivation, 24% (6) had knowledge on HR outsourcing, 20% (5) had knowledge of promotion and 16% (4) knew something about customer relationship management. Furthermore, a mean of 2.12 and standard deviation of 1.13 is an indication that the respondent had knowledge of these practices.

FIG. 7.5: HRM PRACTICES CONTRIBUTION TO THE FIRM'S HUMAN RESOURCE EFFICIENCY



The findings illustrate that 44% (11) of respondents were of the opinion that HRM practices contribute to the firm's strategic human resource efficiency. 20% (5) believe it is very well, 16% (4) said moderately well, 12% (3) of the respondent said the contribution was fairly well while 8% (2) indicated that such practices do not contribute to the firm's human resource efficiency. A mean score of 3.56 is an insinuation that there is well contributes of such HRM practices to the firm's human resource efficiency. A standard deviation of 1.193 is an indication that the staff understands the contribution of such hrp to the firm's human resource efficiency. A skewness value of -0.794 indicates negatively skewed distribution, therefore, the concentration of a larger value on the left side of the distribution. Consequently, the distribution curve is slightly distorted to the left.

TABLE 7.6: STATEMENTS HR POLICIES

Variable	Score	N	(%)	Mean score/5	Sdev	Skewness
I think without the right HR practices, Retail Chain Management is impossible.	1	0	0%	3.88	1.201	-1.005
	2	1	4%			
	3	4	16%			
	4	10	40%			
	5	9	36%			
Skills is dynamic hence the need to continuously train the employee.	1	0	0%	4.44	0.870	-1.452
	2	1	4%			
	3	3	12%			
	4	5	20%			
	5	16	64%			
Knowledge is directly proportional to the level of education.	1	4	16%	3.28	1.487	-0.277
	2	5	20%			
	3	3	12%			
	4	6	24%			
	5	7	28%			
I think in order for good results of knowledge to be achieved one must be motivated.	1	0	0%	4.68	0.627	-1.858
	2	0	0%			
	3	2	8%			
	4	4	16%			
	5	19	76%			
I think organization efficiency can only be achieved through management commitment.	1	0	0%	4.20	0.957	-1.053
	2	2	8%			
	3	3	12%			
	4	8	32%			
	5	12	48%			

With regard to organization efficiency and management commitment, 92% (strongly agree 48% (12), agree 32% (8), and moderately agree 12% (3)) felt that organization efficiency can only be achieved through management commitment while 8% (2) disagreed. The mean score was 4.20 and a standard deviation of 0.957 indicating that there was management commitment which ensures efficiency at NHL. It displays a coefficient of skewness of -1.053. This is also a negatively skewed distribution meaning the data is left tailed.

8.0 FINDINGS

8.1 SUMMARY

From the study, most of the statements had negative skewness values and this shows uneven distribution of views. Majority of the employees had positive comments of impact to strategic human resource practices. 88% indicated that there were laws which regulated strategic human resource policies. As depicted such policies majorly originated from shareholder (40%), management (36%) and government (24%). It was clear that the policies relation with the labor law was effective (64%). The study also found out that HR policies play an important role in relation to the realization of the firm's strategic human resource performance target.

9.0 RECOMMENDATIONS

- NHL needs to enhance operational efficiency through adoption of sound strategic human resource management practices. These practices should meet the employee demands in term of job satisfaction and conducive working environment.
- The choice of any practice should be one that maximizes the positive impact and minimizes the negative consequences on the work force and organization efficiency at large.
- The strategic human resource management practices and policies must always be in line with the labor law. Such will assist in avoiding law suites and disputes which might be costly at the end.

10.0 CONCLUSION

From the study the researchers conclude that, good strategic human resource management practices contribute to business success through efficient operations. In this way, the employees are able to maintain good relations and remain motivated enhancing individual employee performance. This leads to better overall performance of the firm. Sound strategic human resource management practices also leads to satisfactory integration with other policies.

11.0 LIMITATIONS

The following limitations were faced during the study.

1. The respondents were hesitant in giving information for fear of breach of confidentiality in favor of competitors. To counter this, the researchers assured them that the findings of the study were for academic purposes only.
2. Some respondents were unwilling to cooperate thus leading to so much time being spent explaining about the significance of the study and trying to find more information. This resulted to a few questionnaires being collected.

12.0 SCOPE FOR FURTHER RESEARCH

The study was only conducted in the retail outlet. Similar studies could be replicated in other sectors to examine the implication of strategic human resource management practices on organization efficiency.

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APPENDICE

QUESTIONNAIRE

This questionnaire has been set in relation to the objectives of the study. All the questions relate to the effects of strategic human resource practices on organizational efficiency. Kindly read the questions carefully and answer them as honestly as possible by ticking (✓), rating, specifying or writing the correct answers precisely on the spaces provided.

PART 1: GENERAL INFORMATION

1. Gender
 - a) Male
 - b). Female

- b. Age
 Below 25years 25-35 years 35years and above
2. What is the name of your organization? _____
 3. In which department do you work? _____
 4. What's your designation? _____
 5. How long have you worked in this retail chain? _____
 6. What is your academic qualification?
 a) Certificate b). Diploma c).Graduate d). Post graduate
 - f). other (specify) _____

d. What is your present area of specialization?

- Human resource Management
- Marketing
- Procurement
- Sales
- Administration
- Finance
- IT

Any other (Specify).....

PART2: ROLE OF MANAGEMENT IN THE IMPLEMENTATION OF THE SUITABLE STRATEGIC HUMAN RESOURCE MANAGEMENT PRACTICES?

1. Does your Company use any strategic human resource practice?
 Yes No
2. If YES, which one (s)? _____
3. Who has been responsible for the implementation of appropriate strategic human resource practices in the retail chain?
 a).Management b).Employees c).Stakeholders
4. Did that process of implementation receive any support from the management?
 Yes No
5. If YES, specify the form of support _____
6. What efforts does your management execute to apply strategic human resource practices? (specify) _____
7. What improvement mechanisms does your management put in place to enhance the alignment of the employee skills and the strategic human resource practices?(specify) _____
8. In your opinion how do you rate the improvement mechanisms of your management towards the alignment in (.7) above?
 a). Excellent b).Very Good c).Good d). Fair e).Poor
9. Kindly read the following statements relating to the role of management on the implementation of best strategic human resource practices and show the degree to which you agree or disagree by ticking where appropriate. Please note that the numbers indicated therein in the table represent your level of agreement ranging as follows:
 a). Strongly disagree-1 b).Disagree-2 c).Moderately agree-3 d). Agree-4 e).Strongly agree-5

No	Statement	1	2	3	4	5
1	I think without management's commitment the implementation of competitive strategic human resource practices is impossible.					
2	It is the responsibility of management to allocate resources required for the training and development of the employees to impact the desired practices so as to enhance organization's efficiency.					
3	The management can ensure effective implementation of right strategic human resource practice without other employees.					
4	I think it is the responsibility of management to identify changes in the level of efficiency in the firm and implement remedial mechanisms in order to remain relevant.					
5	The management must ensure that employees are effectively trained to adapt to the performance demands in the firm.					

10. How do you rate the role of strategic human resource management practices in organizational performance?
 a) Very important
 b) Important
 c) Moderately important
 d) Less important
 e) Not important

PART 3: IMPORTANCE OF ACADEMIC QUALIFICATIONS TO THE STRATEGIC HUMAN RESOURCE EFFICIENCY AND COMPETITIVE PERFORMANCE.

11. Do you have any academic qualification that fits your job assignments?
 Yes No
12. If YES, how does it assist you to achieve efficiency in your job and team performance in general?(specify) _____
13. From the following information human resource practices listed below, which ones do you have knowledge about? (Tick where appropriate).

No.	HR practices	Yes	No
a	Motivation		
b	Promotion		
c	HR outsourcing		
d	Customer Relationship Management		

14. How well are the practices above are contributes to the firm's strategic human resource efficiency?
 a) Very well
 b) Well
 c) Moderately well
 d) Fairly well
 e) Not at all
15. (i). Have you ever been trained on any of the HR practices mentioned in no.13 above?
 Yes No
 (ii). Who organized the training?
 a). Management b). Government c).Stakeholders
 b). any other (specify) _____
 (iii). How often are you trained on the customer service and customer service management?
 a) Very often

- b) Often
 - c) Less often
 - d) Not at all
16. Do you utilize any of the following sources of knowledge on HR practices and retail merchandise management?

No.	Source	Yes	No
a	Consultancy		
b	Management		
c	The Internet		

17. Are the HR training available in your company adequate?
Yes No
18. Briefly specify how vital HR knowledge and skills is sustained in your company? _____
19. Kindly read the following statements relating to the importance of HR practices to a Retail Chain Management and show the extent to which you agree or disagree by ticking where appropriate. Kindly note that the numbers indicated below represent the level to which you agree or disagree.
- a). Strongly disagree-1 b).Disagree-2 c).Moderately agree-3 d). Agree-4 e).Strongly agree-5

No	Statement	1	2	3	4	5
1	I think without the right HR practices, Retail Chain Management is impossible.					
2	Skills is dynamic hence the need to continuously train the employee.					
3	Knowledge is directly proportional to the level of education.					
4	I think in order for good results of knowledge to be achieved one must be motivated.					
5	I think organization efficiency can only be achieved through management commitment.					

20. How do you rate the importance of HR academic qualifications to the realization of a sound organizational efficiency?
a) Very important
b) Important
c) Moderately important
d) Less important
e) Not important

PART4: ROLE OF HR POLICIES IN THE RELATION TO THE MODES OF EFFICIENCY ADOPTED BY THE RETAIL CHAIN.

21. Is there HR practices in your company regulated by any policies?
Yes No
22. Based on your knowledge and experience in the field, who is the source of these policies used in the implementation of sound HR practices in the firm?
a). Management b) Government c).Shareholders d). any other (specify) _____
23. Is it important to have policies regulating the employee behavior and practices?
Yes No
24. What are the effects of HR policies on the firm’s efficiency and performance?
a) _____
b) _____
25. (i). In your opinion, are the negative effects of policies on the organizational efficiency more than the positives effects?
Yes No
(ii). If NO, what do you recommend? (Specify) _____
26. How does your company ensure that the employees abide by the policies? (specify) _____
27. (i). Are the policies applicable in your organization regulated by the government in any way?
Yes No
(ii). If YES, do you conduct your HR management in accordance to the labor laws of Kenya?
Yes No
(iii). How do you rate the effectiveness of the law?
a) Very effective
b) Effective
c) Moderately effective
d) Slightly effective
e) Ineffective
28. How does the application of HRpolicies integrate with other policies in your organization?
a) Very well
b) Well
c) Moderately well
d) Bad
e) Very bad
29. Kindly read the following statements relating to the role of HR policies and show the degree to which you agree or disagree by ticking where appropriate. Please note that the numbers indicated therein represent your level of agreement or disagreement with the statements.
a). Strongly disagree-1 b).Disagree-2 c).Moderately agree-3 d). Agree-4 e).Strongly agree-5

No	Statement	1	2	3	4	5
1	Policies result to conflicts in the employee interests and the firm’s goals					
2	Policies should be well communicated for them to be followed.					
3	The management must oversee the implementation of policies.					
4	Policies alone cannot ensure efficiency in the Retail chain’s performance.					
5	Policies hinder the integration of individuals’ own prowess to discharge duties since this can be ignored, penalized, or unrewarded.					

30. How do you rate the role of HR policies in relation to the realization of the firm’s strategic human resource performance target?
a) Very important
b) Important
c) Moderately important
d) Less important
e) Not important

Thank you for your invaluable information and cooperation.

SHOULD INDIAN MSMEs USE FINANCIAL DERIVATIVES?

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ABSTRACT

During the period of year 2007-08, when rupee was appreciating against US dollar and was even expected to touch Rs 35 against a dollar, many MSME (Micro Small and Medium Enterprises) exporters (and others) entered into forex derivative contracts with banks to hedge against the currency fluctuations, which ultimately turn out to be sour and in the process, SME (small and medium enterprises) lost thousands of crores in the process and many cases were filed in Indian courts in this regard. The situation is turn out to be similar at present also, albeit in different manner this time, where very volatile rupee fluctuation against dollar is unnerving the importers and exporters alike. This paper discusses about the background of previous fall out of derivative uses and related issues by MSMEs and proposes the measures to minimize the risk associated with derivative products uses by MSMEs.

KEYWORDS

MSME, SME, Financial Derivatives, Rupee Fluctuation.

INTRODUCTION

Rupee has breached the barrier of 64 against the dollar on August 20, 2013 and in near future expected to breach the psychological barrier of Rs. 70 against the dollar, paving the way for widespread panic and sense of gloom in the market, being reflected by the recent tanking of Indian Bourses. Fluctuation of rupee against the dollar has been perhaps most dramatic among its peers in currency markets in recent years, which during the year 2007-08 was being anticipated to touch the value of Rs. 35 against a dollar (touching Rs. 39.15 per \$ on Jan 12, 2008) while currently moving towards Rs. 70 against dollar in steadfast manner (as it seems now).

While the situation in 2007-08 created panic among the exporters and forced them to hedge against the dollar, under the influence of some public and private banks, ultimately getting their fingers burned in forex derivatives contracts, of which MSME exporters were worst hit, resulting in the losses running over thousands of crores, which severely affected exporting MSME clusters like Tirupur (Tamilnadu) and Ludhiana (Panjab), urging Reserve Bank of India, courts and government to step in.

The situation is more or less similar at present in 2013 on this front, albeit in a different manner; while in 2007-08, the sufferers were the exporters and beneficiaries were the importers, the situation has turned quite upside down. Though the volatility is disturbing both.

In a rare ray of hope, this situation may propel Indian economy towards being export oriented in somewhat similar manner as to how it was achieved by Japan, South Korea, many South East Asian nations and China in the past, as even the most daring finance minister would not have dared to devalue the rupee to such extent and manner, provided there is a clear political will to do it, which is perhaps the greatest deficit India is facing currently.

This situation is and will be hammering on burgeoning import and importers will be forced to mitigate their currency risk with the help of forex derivatives.

As it is famously said, 'history repeats itself twice, first as a tragedy and then as a farce', which might very well turn out the case if proper precautions are not administered specifically in the case of small importers.

This paper discusses the use of derivative products by Indian MSMEs in the past and proposes the measures to prevent the life threatening (of business) use of derivative products.

THE BACKGROUND

In year 2008-09, according to the Federation of Indian Exporters Organization (FIEO), based on the rough estimates, the SME sector alone has estimated to have lost over 20 billion rupees. According to A. Sakthivel, President of FIEO, banks, especially foreign banks, had wrongly sold derivative products to SMEs by exploiting the SME sector and violated the stipulated norms and procedures of the Reserve Bank of India.

The exporters were not informed about the full implications of derivatives and most had entered into contracts in good faith. Their losses had forced some SMEs to close down, while a few others were on the verge of closure.

FIEO had urged to the Finance Ministry urged to check the exploitation of the SMEs sector by the banks and financial institutions.

Exporters had lost heavily through derivative products offered by financial institutions at a time when they had hedged their risks in the wake of the appreciation of the rupee.

Cases were launched against the banks, among these most notable one was Rajshree Sugar and Chemicals Ltd. Vs. Axis Bank Ltd. In a ruling that set the precedent for at least a dozen cases between companies that bought complex derivative products and banks that sold them, the Madras high court on Oct. 14, 2008 ruled in favor of Axis Bank Ltd.

The high court held that the derivative contract is not a wagering contract, meaning it was not illegal and the bank is entitled to recover the money from the party. This ruling clearly throws out the claim of innocence on the part of the firms and expect them to be prepared to bear the consequences of their actions in derivative contracts.

In an advertisement on the April 28, 2008, by Apex Chamber of Commerce & Industry (Punjab) in a leading national business daily seeking intervention of the finance minister and the Reserve Bank Governor in order to 'save SME/business from currency derivatives.' The advertisement alleged that some private sector banks created special currency derivative products which were then sold to the firms to hedge against the currency fluctuations.

Exporters in various parts of the country be it in Panjab or in Tamilnadu devastated by these contracts and the original estimate of the loss on derivatives -- Rs. 20,000 crore (Rs 200 billion) -for India as a whole during the period, does not seem to be too conservative.

According to a report published by Tahelka on March 19, 2012 this whole issue characterizes the features of a scam which could turn out to be a bigger scam than 2G in which nineteen banks who violated the RBI and FEMA guidelines to sell forex derivatives to exporters in year 2000, caused a monstrous loss of Rs. 25 lakh crores.

This incomprehensive background gives the gist of potential threat arising due to the unmindful use of financial derivatives which increases manifolds in the case of SMEs due to their financial size and intellectual competence.

SO, ARE DERIVATIVE PRODUCTS SO DANGEROUS?

In one of his famous addresses, legendary investor Mr. Warren Buffet compares derivative products with weapons of mass destruction, which indeed proved to be true when the world financial structure bend to its knees due to USA's mortgage loan crisis, ripples of which were felt throughout the world, a direct result of reckless and greedy use of derivative products in unbridled speculation as against of risk mitigation, which is what the basic purpose of derivative products intended for.

On the other side, use and proliferation of derivative products cannot be separated from the international financial net. According to the estimates forex derivative contracts to the tune of \$3 trillion were traded in India as on December 2007 whereas the total foreign exposure of India was not more than \$500 billion annually. Companies across sectors entered into derivative agreements with nationalized and private banks to safeguard their foreign exchange risks.

So, it is quite clear from the above statements that derivatives are indeed one of the potent in the hand of a hedger which well turn out to be dangerous if not handled with care. In this way it could be very well compared with the fire which is used to cook food, but if handled improperly can harm its user to the extreme.

SO, WHAT THESE DERIVATIVE PRODUCTS ARE

In simple terms, derivatives (in finance) are financial products which derive their value from some other underline assets. These instruments derive their value from the price and other related variables of the underlying asset. They do not have worth of their own and derive their value from the claim they give to their owners to own some other financial assets or security. One of the simplest example of derivative product is Sensex, which derive its value from underlying 30 scripts.

The asset underlying a derivative may be commodity or a financial asset. Derivatives are those financial instruments that derive their value from the other assets. For example, the price of any commodity to be delivered after two months will depend, among so many things, on the present and expected price of this commodity.

According to IAS 39, "a derivative is a financial instrument : (i) whose value changes in response to the change in a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates , a credit rating or credit index, or similar variable; (ii) that requires no initial net investment or little initial net investment relative to other types of contracts that have a similar response to changes in market conditions; and (iii) that is settled at a future date.

According to section 45U of RBI Amendment Act 2006, "Derivative means an instrument, to be settled at a future date whose value is derive from changes in interest rate, foreign exchange rate, credit rating or credit index,, price of securities(also called 'underlying'), or a combination of more than one of them and includes interest rate swaps, forward rate agreements, foreign currency swaps, foreign currency rupee swaps, foreign currency options, foreign currency rupee options or such other instruments as may be specified by the bank from time to time."

NEED FOR SMEs TO BE MORE CAUTIOUS WHILE DEALING IN THE DERIVATIVE PRODUCTS

While throughout the world, derivative products are extensively being used and despite several hiccups in the past due to their reckless use, these products are here to stay as an important tool for hedging, speculation, price discovery and market efficiency.

It is empirically provable as to what extent reckless use of these products, clubbed with human greed, could trouble not just the individual investors and business firms but to the national economy itself considering the case of USA's mortgage crisis and European sovereign default crisis in the past, its very nature requires to be more cautious if being used by small players in the market. Here are three main factors why SMEs needs to exercise greater restrains in their use as compared to their bigger counterparts-

1. **Economic Size:** Size does matters in the finance. Finance or money being the prominent resource to allow the firm for its perpetual functioning, is almost always act as a bottleneck for SMEs where studies after studies have marked it as perhaps biggest hurdle in the growth of these firms, where SMEs find themselves struggling more to acquire money from the market than the bigger firms, where banks and government itself open purse for the bigger firms. Consider how USA bailed out its multinationals during the crisis, case of Kingfisher Airlines in India and the ratio of bad loans across sectors, which is much lower in the case of SMEs in India.

This small economic size (medium enterprises are defined in the case of manufacturing and service sector is up to Rs. 5 crore and 2 crore respectively in total capital investment) makes them very vulnerable to even small tremors on financial front, while bigger firms having more resources at their disposal are capable to swim over any minor financial stress easily.

2. **Availability of Intellectual Capital:** This point is also directly related with the first one. Bigger firms having more financial muscles, have greater access to the financially trained manpower and specialized departments to handle their financial decisions, while in majority of SME firms, like all other decisions, quality of financial decisions also solely depend on the competence of entrepreneur's itself and in the case of complex decisions like the purchase of forex derivatives, they rely heavily on their banks, unable to comprehend and judge the nitty-gritties of various issues involved in underline decision and ones decision is taken, they are bound to bear its consequences.

3. **Need for Financial Derivatives:** While the simple plain vanilla products like options and forward contracts are widely used without even bothering about the complex jargons associated with them, complex forex derivatives are mainly needed to hedge the currency risks of importers and exporters. If the underlying contract is big enough, fluctuations in currency market may heavily dent the bottom line of the firm.

SMEs by using their traditionally tested methods like taking orders only in rupee terms, might not be bothered about the fluctuations, though this rout is not feasible always as in the case of bigger orders given the international trade is heavily dependent on US dollar.

What is intended here is that majority of SME exporters might not feel to use these products at all, had they not opted for aggressive export expansion until and unless someone make them realize to use these products, like their banks.

PRECAUTIONS NEEDS TO BE TAKEN

As SMEs have already burned their fingers with derivatives in the past and thus ought to be more cautious in the dealing with these, there are several precautions which needs to be exercised by these firms to prevent getting embroiled in the menace again.

1. Take orders only in rupee terms: This option is suitable only for the SMEs entering into exports with limited amount of exports order which successfully shields them from any negative fluctuation in currency market.
2. If you don't understand-don't touch: Follow the traditional wisdom-not to play with unknown water. It may very well turn out to be risky.
3. If you have not thought about it, probably you don't need it.
4. Take the help of an independent qualified consultant-Do not solely and blindly dependent on the advice and persuasion of your bank.
5. Enhance own competence -know what you are doing: It calls about regularly updating oneself about the happenings in financial world within one's own country and beyond as demanded by the cut throat completion.
6. Decide the issue in group manner: This may overcome the many structural limitations like size and intellectual capital, if the issues are properly discussed in the professional bodies of SME exporters themselves.

CONCLUSION

It is quite ironic that the derivative products, which were primarily devised as a potent risk mitigation tool have turn out to be a risk in themselves. Despite this contradiction, the lure of these products and uncertainty in the market might compel the firms to use these products and decision to use these products need a careful consideration. Prevention is always better than the cure, so the decision of using them needs to be sufficed by the risk bearing capacity of the entrepreneur which is different and unique for every individual and perhaps the best suggestion about the risk bearing capacity could be-take only that amount of risk which doesn't affect one's leisure sleep.

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IMPLICATIONS OF REVISED DIRECT TAXES CODE ON PURCHASING POWER OF INDIVIDUALS

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ABSTRACT

After almost a year of deliberations and consultations, direct taxes code was finally tabled in Parliament on Aug 30, 2010. The final shape of the code leaves much to be desired as some of the more appealing proposals on direct taxation, included in the first draft code released in Aug 2009, have been altogether shelved or diluted in the final bill. Economists have been critically remarking on the architectural design of taxation systems, deeming the legislations as insufferably intricate and incoherent. Their derisive predicament is that taxation complexities would turn majority of the professionals into tax lawyers or tax accountants, thus subverting the responsive balance of socio-economic roles. It might sound outrageously far sighted but such provocations did set in motion tax simplification acts in the form of the Direct Taxes Code, 2010 ("DTC") and the Goods and Services Tax ("GST"). These tax reforms intend to sweep away needless and long-winded clauses rooted in the rudimentary structures. The present paper aims to attempt the impact of DTC on purchasing power of individuals.

KEYWORDS

DTC, purchasing power.

TAX RATES

The elementary question before any person is about the tax slabs. The proposed tax slabs under the DTC are mentioned in the table below:



Slabs	Rates
0 - 200,000	Nil
200,001 - 500,000	10%
500,001 - 1,000,000	20%
1,000,000 and above	30%

Historically, the tax slabs are favourably structured for women and senior citizens. The proposed DTC extends that favour only in case of senior citizens and men and women are proposed to be treated at par with a view to promote gender equality.

The proposed tax slabs for senior citizens are as follows:

Slabs	Rates
0 - 250,000	Nil
250,001 - 500,000	10%
500,001 - 1,000,000	20%
1,000,000 and above	30%

The discussion with respect to the tax slabs is incomplete if the reference is not invited to the corporate tax rate. The revised DTC proposes to treat both domestic and foreign companies at par and tax them at 30%. Currently, domestic and foreign companies are taxed at the rate of 33.22% and 42.23%, respectively.

The original DTC proposed to charge Minimum Alternate Tax ("MAT") as a percentage of gross assets. This proposal was criticized, especially in case of loss making companies, companies with long gestation period, companies with huge capital work-in-progress and companies undergoing expansion. Accordingly, the revised DTC proposes to charge MAT with reference to book profit as is the case in current Income-tax Act, 1961 ("ITA"), levy MAT at 20% of book profits, and carry forward the credit up to 15 years.

EEE REGIME VS. EET REGIME

Under the current ITA, long-term savings scheme such as provident fund, approved superannuation fund, and life insurance are covered under the EEE method of taxation, wherein the contribution, accretion and withdrawal are all exempt from tax (exemption is at all the three stages and, therefore, it is referred to as "EEE"). However, the original DTC had proposed EET method of taxation wherein the withdrawals (*i.e.*, the third stage) would have been taxable.

The revised DTC has retraced its steps back to the EEE regime for various saving schemes. The keys reasons for the retraction are obviously popular public demand, absence of universal social security system and administrative hassles in taxing the withdrawals. EEE method of taxation is proposed to be restored for:

Provident fund under Provident Funds Act, 1925

Any other provident fund set up by the Central Government and notified in this behalf

Approved Superannuation Fund

This is a welcome relief to the individual taxpayers.

EMPLOYMENT INCOME

There are certain investments which will be eligible for exemption. Payment of life insurance premium, health insurance premium and tuition fees would qualify for deduction to the extent of Rs. 50,000. However, additional benefit is proposed for contribution to approved funds for which deduction would be to an extent of Rs. 100,000.

With respect to the exemption on medical reimbursement, the exemption limit has been increased from Rs. 15,000 to Rs. 50,000. This means that individuals would enjoy the enhanced limit to claim the actual medical expenses.

CAPITAL GAINS

Original DTC had eliminated the distinction between long-term and short-term capital gains and the concept of capital asset. Original DTC had instead provided that 'any' gains arising from transfer of 'investment assets' (as opposed to 'business assets') would be taxed at applicable marginal tax rate for residents and special rate of 30% in case of non-residents. Further, it was proposed that Securities Transaction Tax (STT) should continue.

The revised DTC also proposes that Securities Transaction Tax (STT) should not be abolished. Further, the revised DTC proposes that there will be no capital gains tax on sale of equity shares of a company or unit of an equity oriented fund subject to the condition that:

The holding period is more than a year; and

STT is paid on the transfer.

However, in case equity shares of a company or unit of an equity oriented fund are held for a period of less than one year but STT is paid on the transfer, capital gains tax will be payable only on 50% of the gains.

The other major proposals include an option provided to the taxpayer to substitute fair market value of the asset as on 1st April, 2000 for purchase price of the asset. This means that the taxpayer can avail the option to compute capital gain by using the fair market value in case there is a significant difference between the purchase price and the fair market value on 1st April, 2000. Further, with respect to the cost of acquisition of asset, the cost would be treated as *Nil* if such a cost cannot be determined or ascertained.

With respect to exemptions on capital gains, an exemption can be claimed if a residential house is acquired out of the proceeds on transfer of original asset. However, this exemption benefit is subject to the condition that the taxpayer should not own more than one residential house on the date of transfer of original asset. Besides, the exemption shall be withdrawn if the residential house purchased to claim the exemption benefit is transferred within a period of one year. As under the current regime this limit is three years, the taxpayers will be benefited as they will have to retain the property for a reduced period under the new provisions.

INCOME FROM HOUSE PROPERTY

There have been challenges under this head of income as even the self-occupied properties may be taxed under the current regime in certain specific situations. This is because self-occupied properties are treated as deemed to be let out property in case an individual owns more than one house property. To remove the hardships, the revised DTC proposes to tax income from house property only if the property is let out.

Another challenge under this head of income is with respect to the treatment of those properties which are let out and letting out is in the nature of trade, commerce or business. There is always a mystification whether such income will be treated as income from house property or business income. The revised DTC will resolve this paradox as it proposes to tax such income as income from house property. This will clearly not only reduce the complexities, but will also reduce the benefits to the taxpayers as the taxpayers will not be able to claim higher deductions.

The revised DTC proposes to retain deduction to the extent of Rs. 150,000 on interest paid on loan against self-occupied house property, but does not extend the benefit of deduction on the principal amount. Further, the murky side is that two or more co-owners would be considered an Association of Persons if their shares are not definite and ascertainable, thereby getting the brunt of higher tax slab.

WEALTH TAX

There have been enormous discussions with respect to the exemption limit for imposing wealth tax. The original DTC proposed to substantially increase the limit from the existing threshold of 30 lakhs to 50 crores. The revised DTC proposes to keep the threshold limit as 1 crore. Accordingly, wealth tax is proposed to be levied at the rate of 1% with an exemption limit of 1 crore. Before the final version is in place, the Government will have to seriously think of increasing the exemption limit so as to ensure that a large number of assesseees is out of hassle of compliance and tax payment.

Another significant change proposed is that only non-profit organizations would be exempt from levy of wealth tax. Further, some new categories of assets have also been introduced such as:

Archaeological collections, drawings, paintings, sculptures or any other work of art

Valuable watches of more than Rs. 50,000

Equity or preference shares held in Controlled Foreign Companies.

CONCLUSION

It is estimated that the implementation of the revised DTC may reduce the revenue collections on the direct tax front by approximately 50,000 crores. This means that the purchasing power of the taxpayers will improve to that extent and they would have extra amount to either spend or invest. The taxpayers will have a motivation to spend if the taxes are moderate on the indirect tax front. Accordingly, it is imperative that the GST is implemented before the DTC is effective or at the most both the tax reforms are implemented together. This will impact revenue collections as implementation of GST will increase the tax base, moderate the tax rate, and improve compliance, thereby enhancing indirect tax collections.

The advent of these tax reforms surely projects to augment India's competitiveness and would usher in a new era of Industrial Revolution. To put it into achievement, the Government can no longer follow a sachet approach and the success would depend on whether the Government will be able to take quick decisions and negotiate with our unruly States

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AMBEDKAR'S VIEWS ON INDO-PAK PARTITION AND SOCIAL CONCERN**DR. RAMESH KAMBLE****ASST. PROFESSOR****SCHOOL OF SOCIAL SCIENCES****DEPARTMENT OF HISTORY & ARCHEOLOGY****R C UNIVERSITY P G CENTRE****VACHANA SANGAM BIJAPUR****C U. DHAVALESHWAR****ASST. PROFESSOR****SCHOOL OF SOCIAL SCIENCES****DEPARTMENT OF SOCIAL WORK****R C UNIVERSITY P G CENTRE****VACHANA SANGAM BIJAPUR****ABSTRACT**

A historical region of northwest Pakistan on the Afghanistan border. Long a strategic area because of its proximity to the Khyber Pass, it is the traditional home of the Pathans, an Indo-Iranian people. The region was annexed by the British in 1849 and became part of Pakistan after independence was achieved in 1947. British India was covered by India, East Pakistan and West Pakistan. But due to the continue dispute of Muslim League and Pakistani favored Indian Politicians United India Divided in Two parts. Opinions of BRA on India partitions are historically considered as most wised thoughts forever. Ambedkar was so against with this partition and he discussed all the consequences and some implications of the partition in his book the Pakistan or partition of India. Here researcher made an effort to know and analyze his thoughts on this particular issue in present context and discussed over social change with contemporary society.

KEYWORDS

Indo-Pak partition, Ambedkar's view, social concern.

INTRODUCTION

Ambedkar is quite categorical in his assertion that the communal or minority question should be properly settled before the British leave India. He feels that the minorities cannot be left to the mercy of "aggressive majority" as he puts it. Ambedkar has thoroughly examined the Muslim (or rather Muslim League) point of view in the first section of his book "Muslim Case for Pakistan". Explaining Muslim League view he says, "Is it or is it not a fact that Muslims of India are an exclusive group? Is it or is it not a fact that they have consciousness of kind? Is it or is it not a fact that every Muslim is possessed by a longing to his own group and not to any no-Muslim group?" Ambedkar makes a very pertinent point in this respect and Indian Muslims should coolly deliberate over this. Ambedkar says, what is important to note is that it is the minority nations, which have taken the lead in opposing the formation of a communal party. For they know that if they form a communal party the major community will also form a communal party and the majority community will thereby find it easy to establish communal Raj. It is vicious method of self-protection."

MUSLIM CASE FOR PAK

The Muslim case for PAK is sought to be justified on the following grounds –

- 1) What the Muslims are asking for is the creation of administrative areas, which are ethically more homogenous.
- 2) The Muslims want these homogenous administrative areas which are predominantly Muslim to be constituted into separate states
 - a) because the Muslims by themselves constitute a separate nation and desire to have a national home and,
 - b) because experience shows that the Hindus want to use their majority to treat the Muslims as though they were second-class citizens in an alien state.

This part is devoted to the exposition of these grounds.

1. On 26/3/1940 the Muslim League at its Lahore passed a series of resolutions that one, emphatically reiterates that the Scheme of Federation embodied in the Government of India Act, 1935 is totally unsuited to – unworkable and altogether unacceptable to Muslim India, two Muslim India will not be satisfied unless the whole constitutional plan is reconsidered de novo and no revised plan would be acceptable to the Muslims unless it is framed with their approval and consent, three no constitutional plan would be workable and acceptable to the Muslims unless it is designated on three principles i.e. geographically contiguous units are demarcated into regions which should be so constituted with such territorial adjustments as may be in necessary, what areas of North Western and Eastern zones of India where Muslims are numerically in a majority should be grouped to constitute Independent States in which the Constituent units shall be autonomous and sovereign. That adequate safeguards must be provided for in the constitution for minorities in these areas as well other parts of India where Muslims are in a minority.

What this means that Punjab, North West Frontier Province (NWFP), Baluchistan, Sind and Bengal shall be incorporated as independent states outside India. It might appear that this scheme is a new one but it is merely resuscitates a scheme which was put forth by Sir Mahomed Iqbal in this Presidential address to the Muslim League at its Annual Session held at Lucknow in December 1930. The scheme was not adopted by the League in 1930. It was, however, taken up by one Mr Rehmat Ali who gave it the name Pakistan, by which it is known. 'Friends he divided India into two parts modern day PAK and India'. An attempt was made privately to obtain consent of the British Government. They declined because they imagined that this was a revival of the old Muslim empire. The League had now enlarged the original scheme of PAK to include Assam and Bengal. 'Friends the rate at which Bangaladeshis are infiltrating into West Bengal and Assam they might become Muslim majority states sooner then later. This would be followed by Muslim dominated state governments after which the state of Hindus is only well known if their experience in Kashmir Valley, Bangladesh and PAK is anything to go by'.

2. The scheme shocked Hindu India!

The linking of Northwest provinces is an age-old project put forth by successive Viceroy & Administrators. Of these provinces Punjab, N.W.F. P was one province ever since the Brit conquered Punjab in 1849. It was only in 1901 that Lord Curzon created the present two provinces. Although Punjab and Sindh are connected by a single river the former was conquered after Sindh so the province had to be governed by Bombay being closest to it. With the conquest of Baluchistan Sindh was no longer a frontier district so there was no need to separate it from Bombay / make it part of Punjab. Had the British not acquired Baluchistan and Lord Curzon not thought of carving out NWFP out of Punjab, we would have witnessed the creation of PAK as an Administrative unit long ago.

Similarly the claim for the creation of a national Muslim state in Bengal is not new. The Partition of Bengal in 1905 created a West Bengal (Hindu) with Calcutta as capital and an East Bengal (Muslim) & Assam with capital at Dacca. The partition was abrogated in 1911 by the British who yielded to the Hindus, who were

opposed to it and did not care for the wishes of the Muslims. Had the partition not be annulled, the Muslim state in Eastern Bengal would have been 35 years old now.

3. Is the idea of separation of PAK from Hindustan shocking? If so let me recall a few facts which are relevant to the issue and which form the basic principles of Congress Policy. It will be remembered that when Mr Gandhi captured the Congress he did two things to popularize it.

One was to introduce Civil Disobedience. Before Gandhi there were two political parties contending for power, the Liberals and the Terrorists of Bengal. Conditions for admission to the former were not merely education but a high degree of learning and for the latter it was those who were prepared to give their lives. Civil Disobedience did not require learning or giving up your life. It is an easy middle way for that large majority who has no learning, do not wish to undergo extreme penalty and at the same time obtain the fame and notoriety of being patriots. This middle path made the Congress more popular than others.

The second thing Mr Gandhi did was to **introduce the principle of Linguistic States**. In the constitution that was framed by the Congress under the inspiration and guidance of Gandhi India was to be divided into 20 provinces with a language and head quarter. 'Friends I am not reproducing the entire list'. In this distribution there is no attention paid to area, population or revenue.

The dominant factor in creation of the provinces is Language. No thought is given to the fear that it might introduce a disruptive force in the already loose structure of the Indian social life. The scheme was put forth by the Congress with sole object of winning people to the Congress by appealing to their local patriotism. The idea caught on that when the Congress came to power it was forced to put it into effect.

Orissa was separated from Bihar. Andhra is demanding separation from Madras, Karnatak from Maharashtra. The only linguistic province that is not demanding separation from Maharashtra is Gujarat. This is because Gujarat has realized that union with Maharashtra is, politically, as well as commercially a better investment. 'Friends Maharashtra and Gujarat did eventually become separate states I think in 1960'.

It is no saying that the separation of Karnatak and Andhra is based on linguistic difference and that the claim to separation of PAK is based on cultural difference. This is a distinction without difference. Linguistic difference is another name for cultural difference. So what is so shocking about PAK another manifestation of a cultural unit demanding freedom for the growth of its own distinctive culture?

HINDU CASE

There seem to be three reasons present to the mind of the Hindus who are opposing this scheme of PAK. They are as under -

1. Because it involves breaking up the unity of India – chapter 5.
2. Because it weakens the defense of India – chapter 6.
3. Because it fails to solve the communal problem – chapter 7.

Is there any substance in these objections? Read on –

BREAK-UP OF UNITY

Before the Hindus complain about the destruction of the unity of India, let them answer this 'What unity is there between PAK and Hindustan?'

Those Hindus who maintain the affirmative chiefly rely upon the fact that the areas, which the Muslims want to be separated from India, were always part of India. Historically this is no doubt true. Not only was this area a part of India when Chandragupta was a ruler, it was also a part of India when Hymen Tsang, the Chinese pilgrim visited India in the 7th century ad. It is true that when Tsang came, not only Punjab but also what is now Afghanistan was part of India and further the people of Punjab and Afghanistan were either Vedic or Buddhists by religion. But what has happened since Tsang left India?

The invasion of Sind by M Bin Qasim started in 711 a.d followed by a series of terrible invasions by Muhammad of Gazni in 1001 ad. Within a short span of 30 years he invaded India 17 times. He was followed by Mahommed Ghor. Then followed the incursions of Mogal hordes of Chingiz Khan, they first came in 1221. Of their inroads the most terrible was under Taimur in 1398. Then came Babur in 1526. In 1738 Nadirshah's invading host swept over Punjab like a flooded river furious as the ocean. He was followed by Ahmed Shah Abdali in 1761, smashed the forces of the Marathas at Panipat and crushed forever the attempt of the Hindus to gain the ground they had lost to their Muslim invaders.

How will the creation of PAK affect the question of the defence of Hindustan? The question is not a very urgent one, for there is no immediate reason to suppose that PAK will be at war with Hindustan immediately after it is brought into being. 'Friends BRA had not anticipated British tactical support to the Pakis (read Muslims) in the state of Jammu & Kashmir. The two countries went to war soon after attaining independence. Please read an article on the site by Claude Arpi titled 'who Created the Kashmir Mess'.

The questions may be answered under three heads, question of frontiers, question of resources and question of armed forces.

QUESTION OF FRONTIERS

Hindus would say that PAK leaves it without a scientific frontier. There are two points, which if taken into account will show that Hindu apprehension is uncalled for. One it is no use insisting that any particular boundary is the safest, for the simple reason that geographical conditions are not decisive in the world today and modern technique has robbed natural frontiers of much of their former importance. Two it is always possible for nations with no natural boundaries to make good this defect. Artificial barriers can always be created. There is no reason to suppose that the Hindus will not be able to accomplish this. 'Friends the bombing of Afghanistan by the U.S. proves BRA's point'.

QUESTION OF RESOURCES

Moreover if resources are adequate there it is always possible to overcome the difficulties created by an unscientific or a weak frontier.

TABLE 1

Resources of	Area – sq kms	Population - crs	Revenues Rs crs
1. PAK (N.W.P, Punjab, Sind, Baluchistan, Bengal)	288,988	8.02	60.56
2. Hindustan	607,657	17.85	96.24
After Adjustment revenues would be - PAK			36
Hindustan			120

These are gross figures, revenues derived by Central Government from railways, posts etc are not included. Just as some additions will have to be made to these figures, so certain deductions will need to be made, mostly to PAK's account. The whole of Punjab and Bengal will not go to PAK meaning app 50 % of revenues from these two provinces would go to India, represented by the adjusted numbers shown above. **Creation of PAK will not leave Hindustan in a weakened condition.**

QUESTION OF ARMED FORCES

The defence of a country depends more on its fighting force than on its scientific frontier or resources. What are the fighting resources available to PAK and Hindustan? The Simon Commission pointed out a special feature of the Indian Defence Problem in the sense that there were special areas, which alone offered recruits to the Indian army. The Commission found this state of affairs natural to India and in support it cited the following figures recruited from different Provinces during the Great War.

TABLE 2

Sr No	Province	Combat + Non Combat recruits enlisted. '000
1.	Madras	92
2.	Bombay, Ajmer-Merwara	80
3.	Bengal & Burma, Bihar & Orissa, Assam	134
4.	Punjab, N.W.F.P. Baluchistan	493 - 43%.
5.	United Provinces	281 - 24%.
6.	Central provinces, Nepal	75
	TOTAL	1155

This data reveals that the fighting forces available for the defence of India mostly come from the area, which is PAK. Then how can Hindustan defend itself? The facts brought out by the Commission are beyond question but it cannot be said that only PAK can produce soldiers and Hindustan cannot. **Do only people of Northwestern India belong to Martial Classes?**

From the above data it appears so. But Mr Chaudhari (see his articles on 'The martial Races of India' published in the modern Review of July-September 1930, Jan-Feb 1931) has by his data demonstrated that this far from true. He shows that the predominance of the men of the Northwest took place as early as the Mutiny of 1857 some 20 years before the theory of martial and non-martial classes were projected in a distinct form in 1879. **Their predominance had nothing to do with their alleged fighting qualities but was due to the fact that they had helped the British suppress the Mutiny in which the Bengal Army was completely involved.** The Mutiny blew up the old Bengal army and brought into existence a Punjabized and barbarized army resembling the Indian army of today in broad lines and general propositions of its composition.

The gap created by the revolt of the Hindustani regiments of the Bengal army was once filled up by the Sikhs and other Punjabis, Hillmen eager for revenge. Said Gen Mansfield, the Chief of Staff of the Indian Army about the Sikhs "It is not because they loved us, but because they hated Hindustan and the Bengal army that Sikhs had flocked to our standard instead of seeking the opportunity to strike again for their freedom. The services rendered by the Sikhs and the Gurkhas during the Mutiny were not forgotten and henceforward Punjab & Nepal had the place of honor in the Indian Army".

As a result of the above people from Northwest India came to be regularly employed in the army and came to look upon it as an occupation with a security and a career that was denied to men from the rest of India. This was not the case with people in the rest of India. It must be noted that occupation becomes hereditary and that the most difficult for a man to do is to change his occupation. This distinction between martial and non-martial classes is purely arbitrary. But apart from this there is enough fighting material in Hindustan. There are the Sikhs, the Rajputs, Marathas and even the people of Madras as was observed by Sir General F P Haines a one time Commander-in-Chief in India.

SOCIAL CONCERN

BRA had great social concern about integrated India. His thoughts on social change after partition of India are have remarkable evidences in independent India and Pakistan. BRA had dream of secular states as he was against with religiously influenced fundamentalist nature of any country which denied equality among the citizens of the state in all the form. In this view he questioned some religious' and social practices of both Hindus and Muslims and concluded with considerable solution for the betterment of both societies.

BRA suggests that, before portion of India some social and economic stagnant matters should be sort out. BRA shared his views on empowerment of women by improving her Position through political reservation and removing some social practices which are denying her social freedom specially Purdah system / burkha systems. Continuously he stresses over economic stagnation of both Hindu and Muslims. To overcome, from this he suggested to create a job opportunity to the people and sustain them financially then go for further action either it's integrated or separated India.

By the in-depth study of religious' attitude of both Hindus and Muslims of integrated India BRA came into the conclusion about the chances of communal disturbance during and after partition of India and such communal aggressions leads to Political aggression of the Muslims and Hindus. However he suggest, system should try to develop secular mentality among the people by that we would have dream of integrated India which is covered by both India and Pakistan. Such effort reduce the National Frustration and develop love care cooperation and coordination in the mind of the all the citizens of country.

CONCLUSION

BRA was the master mind for progressive state, he has developed nationalistic, secular attitude with his sacred soul. His views about portions of India are always clears that any country or state should not be divide on the base of religions or fundamentalist way. Such portions are absolutely threat for development of the country, in this regard he shared many experiences before the Indian society and parliament, especially he proposed for secular state. As a result of his thought India adopted secularism in constitution for development and achieving those constantly. At the same time Pakistan went in wrong way and straggling hard to overcome from basic issue which are religiously supported and sponsored. BRA views on portions was not only politically concerned, he had great social concern and developmental attitude. As a result of his thought we are going to become super power in this decade.

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FDI IN E-COMMERCE: GOOD OR BAD

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ABSTRACT

Internet has brought significant changes in the way businesses are conducted today. Owing to busy lifestyle "On the Go" shopping formula has become need of the hour. People today can shop anywhere within minutes, be it their homes or offices, and at any time of the day at their leisure. The online market sector is mushrooming in terms of offerings ranging from travel, hotel reservations movies and books to matrimonial services, electronic gadgets, fashion accessories and groceries. Indian E-commerce sector has shown a very exciting growth trend in past few years and is expected to show even better growth in coming years with more users coming online by increase in internet penetration through laptops, smartphones, tablets and dongles. Growth in Indian E-Commerce sector seems to be explosive in nature. Thus this sector offers huge unharnessed potential. Every nation on the global map is trying to integrate its economy with rest of the world. E-commerce sector is one of the pillars of Indian Economy and many global players are willing to invest in it. The present paper makes an attempt to study the current scenario of Indian E-commerce sector and highlighting the positive and negative impacts of FDI inflow in E-commerce on the Indian society and economy as a whole. The research approach is exploratory in nature. This paper has major implications for investors who intend to reap the benefits of FDI and Government who need to frame suitable policies. They can look deeper into upcoming trends and potential opportunities.

JEL CODE

F21

KEYWORDS

E-Commerce, Foreign Direct Investment, Inventory based model, M-commerce, Market Place Model.

INTRODUCTION

Internet has become a key ingredient of strenuous and busy lifestyle. 'Internet' has become the central-hub for communication, explorations, connecting with people or for official purposes. Resultantly, Internet growth has led to a plethora of new developments, such as decreased margins for companies as consumers turn more and more to the internet to buy goods and demand the best prices.

E-Commerce means buying and selling of goods or services is conducted over electronic systems such as the Internet and other computer networks. Electronic commerce comprises of online transaction processing, electronic funds transfer, online marketing, etc. It also includes 'M-commerce' which means buying and selling goods and services through use of various mobile devices or smart phones. It means "the delivery of e-commerce capabilities directly into the consumer's hand, anywhere, via wireless technology." The various services available on M-Commerce are Mobile Money Transfer, Mobile ATM, Mobile ticketing, Mobile vouchers, coupons and loyalty cards, News, Stock Quotes, shopping apps, Mobile brokerage etc. Launching of Google Wallet Mobile App is one of the recent developments.

E-commerce is about two decades old, yet due to its fascinating dimensions, it remains a challenging area for researchers and professionals.

Ecommerce can be sub-divided into four main categories given below:

B2B COMMERCE

It encompasses all those activities in which one business builds relationships with other businesses for efficiently managing several of their business functions. Thus it involves commerce transactions between businesses, such as between a manufacturer and a wholesaler, or between a wholesaler and a retailer. IndiaMART.com is one such B2B online market place which provides a platform for businesses to find other competitive suppliers.

B2C COMMERCE

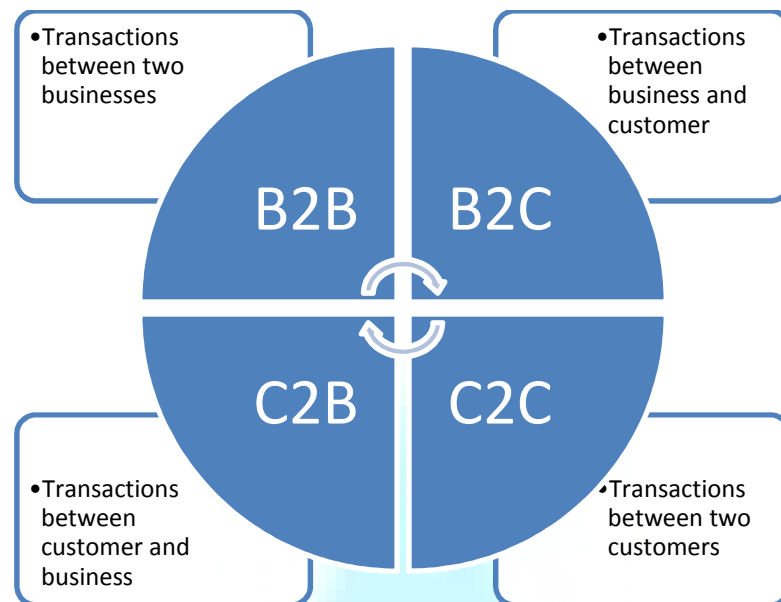
It include all those activities in which Businesses sell to the general public typically through catalogues utilizing shopping cart software. Thus manufacturer or the intermediary directly trade with the consumer.

C2C COMMERCE

In this model consumers have dealings with other consumers. E-commerce has made it possible to bring together strangers and providing a platform for them to trade on. For example, eBay, olx and Quikr enable consumers to transact with other consumers.

C2B COMMERCE

A consumer posts his requirements with a set budget online and within hours companies review the consumer's requirements and bid on the project. The consumer reviews the bids and selects the company that will complete the project.



MODELS OF E-COMMERCE

• MARKET PLACE MODEL

It serves as a platform for business transactions between buyers and sellers to take place and earns commission from sellers of goods/services, in return for the services provided. Ownership of the inventory in this model lies with the firms who advertise their products on the website and are ultimate sellers of goods or services. Thus Market Place works as a facilitator of e-commerce.

• INVENTORY BASED MODEL

In this model, ownership of goods and services and market place lies with the same entity. This model is engaged in e-commerce directly.

LITERATURE REVIEW

Devajit Mahanta in his paper –“Impact of foreign direct investments on Indian economy” stated that Foreign Direct Investment (FDI) is a strategic component of investment needed by India for its sustained economic growth and development through creation of jobs, expansion of existing manufacturing industries, projects in the field of healthcare, retail, education, research and development.

Sharma Reetu and Khurana Nikita in their paper “Role of Foreign Direct Investment (FDI) in Different Sectors” examined the sector wise FDI inflows in India during post reform period and showed that FDI is related positively with real GDP. FDI provides a sound base for economic growth and development by improving the financial position of the country. They concluded that government should focus on simplifying and relaxing entry barriers for business activities and providing investor friendly laws and tax system for foreign investors.

Alka Raghunath & Murlidhar in their paper- “Problem and Prospects of E-Commerce” stated that rapidly changing technology is continually bringing new goods and services to the market accompanied by new strategies to sell them. They concluded that in order to increase consumer adoption of e-services, the sources of consumer confusion, apprehension and risk need to be identified, understood and alleviated.

Renuka Sagar and Lalitha in their paper “Sectoral trends and patterns of FDI in India” analyzed the FDI flows in the country and also discussed the direct proportionate effect in economic growth of the country. According to them FDI has helped the Indian economy grow and the government should continue to encourage more investments of this sort. Attracting foreign direct investment has become an integral part of the economic development strategies for India. FDI has been a booming factor that has bolstered the economic life of India.

OBJECTIVES

1. To scrutinize the need of FDI in E-commerce in India.
2. To analyse the current trends and patterns of growth of Indian E-Commerce sector.
3. To examine the opportunities & challenges in online business.
4. To study the implications of bringing in FDI in Indian E-Commerce sector.
5. To compare the state of Indian E-Commerce sector with that of other developing nations.
6. To suggest the removal of various barriers for FDI in Indian E-Commerce sector.

METHODOLOGY OF THE STUDY

The kind of research conducted here is exploratory research. Information was collected from various secondary sources to explore potentiality of E-commerce market and study the impact of FDI in E-Commerce sector on Indian Economy. Further statistics published by Department of Industrial Policy & Promotion, Economic Surveys of India and Ministry of Commerce and Industry, Bulletin of Reserve Bank of India, Department of Telecommunications, Internet and Mobile Association of India, IMF, etc. have also been accessed to justify the above mentioned objectives.

E-COMMERCE IN INDIA

India is at the cusp of digital revolution. Many Indian portal sites are now selling a diverse range of products and services from flowers, apparels, hotel reservations jewellery, greeting cards, and movie tickets to groceries, matrimonial services, cosmetics, electronic gadgets, and computers. People turn to the Internet to buy everything from electronics to books, houses, cars and even groceries, pushing e-commerce revenues. More and more companies are opting for selling wares through the internet route, offering numerous gift coupons and discounts to buyers.

Besides electronics, customer grip grew considerably in categories like fashion and jewellery, home and kitchen and lifestyle accessories like watches and perfumes.

With stock exchanges coming online the time for true e-commerce in India has finally arrived. On the darker side there are many challenges faced by e-commerce sites in India. Relatively small credit card population create payment challenges. Delivery of goods to consumer by couriers and postal services is not very reliable in rural areas. However, the speed post and courier system has improved tremendously in recent years. Modern computer technology like secured

socket layer (SSL) helps to protect against payment fraud, and to share information with suppliers and business partners. With further improvement in payment and delivery system it is expected that India will soon become a major player in the e-commerce market.

A report by the Internet and Mobile Association of India has revealed that India's e-commerce market is growing at an average rate of 70% annually and has grown over 500 % since 2007.⁴

There have been profound changes in the e-commerce industry in recent years. An important entry in the Indian online market was that of one of the world's largest online player Amazon.com. It got launched in India as 'Junglee.com'. One of the largest player in India's E-commerce- Flipkart acquired Letsbuy. Healthkart had acquired Madeinhealth. TravelGuru, which was acquired by Travelocity in 2009, once again got acquired by Yatra in 2012. FashionAndYou acquired UrbanTouch . Myntra.com acquired SherSingh.

Internet usage continues to grow in India. According to the Internet & Mobile Association of India (IAMAI) the low cost of broadband has helped increase Internet usage. High demand for ".in" domain registrations are also factors for the increase in online users. According to a research report published by IAMAI (INTERNET AND MOBILE ASSOCIATION OF INDIA) in October 2013 the number of internet users reached 205 Million. The number of internet users in urban India is 137 Million in October 2013 and In Rural India, there are 68 Million Internet users in October 2013. Total percentage of online buyers to internet users is 18%.

The penetration of e-commerce is low compared to markets like the US and the UK but is growing at a much faster rate with a large number of new entrants.

KEY DRIVERS IN THIS GROWTH

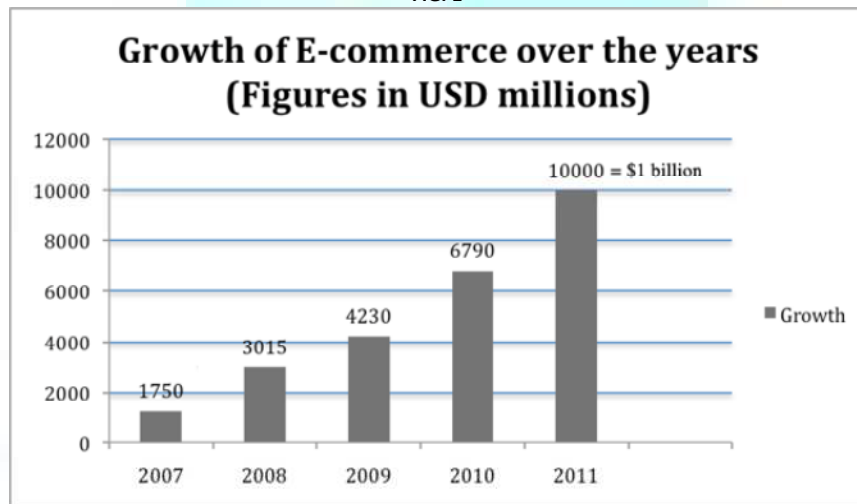
- Declining broadband subscription prices and thus Increasing use of broadband Internet
- 3G services penetration into Indian market. . Moreover, the likely launch of 4G services is expected to augment the country's internet user base further.
- Rising standards of living and a burgeoning, upwardly mobile middle class with high disposable incomes
- Availability of much wider product range compared to what is available at brick and mortar retailers.
- Busy lifestyles, urban traffic congestion and lack of time for offline shopping
- Lower prices compared to brick and mortar retail driven by disintermediation and reduced inventory and real estate costs.
- Availability of more payment options boosted the e-commerce industry like credit/debit cards, cash on delivery.
- Building consumer confidence and overcoming concerns about the risk of fraud is essential. The enhanced security measures introduced by the Reserve Bank of India through second factor authentication were an important development, making transactions safer by reducing fraud and risk.
- the proliferation of internet-enabled devices likewise Smartphone, tablets, i-pad, dongles
- Favourable demographics
- Increased usage of online classified sites, with more consumers buying and selling second-hand goods'
- Evolution of the online marketplace model with sites like eBay, Flipkart, Snapdeal, Infibeam, qnetindia.in and Tradus.
- Online services such as banking, ticketing (including airlines, bus, railways), bill payments, hotel booking etc. have been of tremendous benefit for the customers. Most experts believe that overall e-commerce will increase exponentially in coming years.

Low cost of personal computers, a growing installed base for Internet use, and an increasingly competitive Internet Service Provider (ISP) market will help fuel e-commerce growth in World's second most populous nation. Most experts believe that overall e-commerce will increase exponentially in coming years. Indian middle class of 288 million people is equal to the entire U.S. consumer base. This makes India a real attractive market for e-commerce.

Although the trend of e-Commerce started in India some 15 years back, but the appropriate ecosystem has now started to fall in place. The e-Commerce market in India has enjoyed phenomenal growth of almost 50% in the last few years.

The following figure depicts the growth of E-commerce in India in the last couple of years:¹

FIG. 1

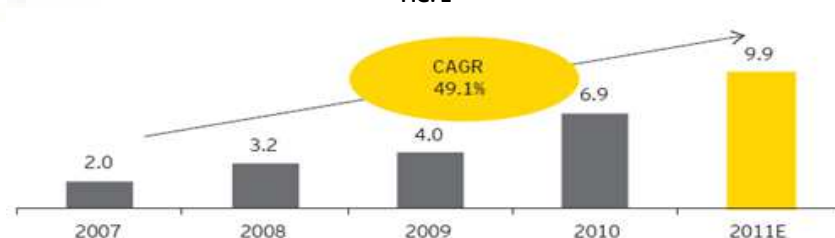


Source: A report by the Internet and Mobile Association of India 2013

According to "Digital Commerce" IAMAI reports, March 2011 India's consumer facing e-Commerce market (B2C-C2C) grew at a whopping CAGR of 49.1% from 2007 to 2011 to reach a market size of US\$9.9 billion. Online travel, the largest domestic B2C e-Commerce segment, accounted for 81% revenues in 2011.

CONSUMER FACING E-COMMERCE MARKET SIZE (US\$ BILLIONS)

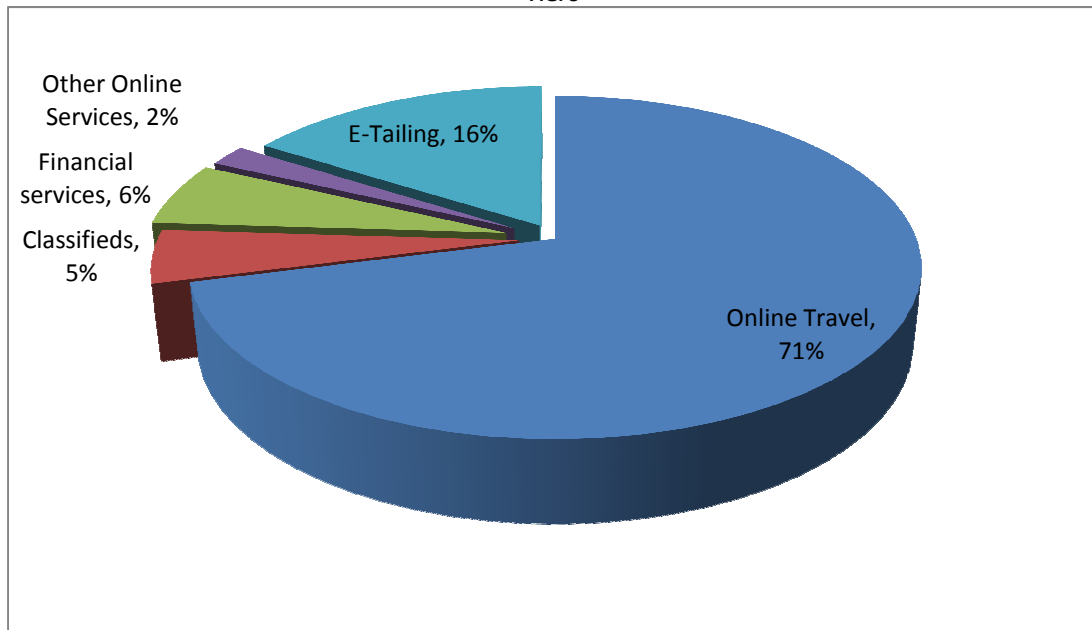
FIG. 2



Source: IAMAI

The e-commerce market in India was largely dominated by the online travel industry with 80% market share while electronic retail (E-Tailing) held second spot with 6.48% market share.

FIG. 3



Source: IAMAI

As we can see above E-commerce market in India is skewed in favour of online travel (71% of the market). Online travel transactions mainly comprise of online booking of airline tickets, railway tickets and hotel bookings. The biggest players in the online travel sector are Makemytrip.com, Yatra.com and the IRCTC website for railway bookings.

Internet has become an integral part of lifestyle of people, for remaining connected with friends, accessing and sending emails, buying movie tickets and ordering food. The changing lifestyles of people force them rely on the internet for their shopping needs because of the ease of shopping from one's home and that too 24x7. Convenience is the key driving force and people around the world sitting in comfort of their homes, can accomplish what they desire through a few mouse clicks, taps on keyboard or touch on their Smartphone and tablets. Further having an extensive product assortment online to choose from has brought about increased dependence on the online medium. They can choose from variety of products and services through virtual e-catalogues. Ecommerce helps customer to avoid problem of stock, time and distance. Browsing, adding to shopping cart and paying online has simplified shopping. Buyer does not have to face crowd or parking problems.

The trend of online shopping in India is set to see greater heights in coming years, not just because of India's increasing internet population, but also due to supporting elements in ecosystem. Players have made rigorous efforts to improve areas such as logistics and payment infrastructure. Moreover, the Indian consumer's perception of online shopping has undergone a radical change, and only for the good. These developments have opened the floodgates for a whole host of professionals to find their niche in this industry. Foreign investors are taking a keen interest in the country's e-Commerce market.

MARKET SIZE & GROWTH

Today the number of internet users in the world is more than 2 billion.² Out of this, India has a total of 13.30 million broadband connections.³ This penetration of internet coupled with the increasing confidence of the internet users to purchase online, has led to nearly 40% of such users (which is close of 7.4 million users) purchasing products.⁴

The number of users making online transactions in India is expected to grow from 11 million in 2011 to 38 million in 2015

It is not surprising; therefore, that India is in a prime position for the growth and development of the e-commerce sector. India is being ranked as Facebook's third largest audience after the US and Brazil. Social media networks such as Facebook are likely to increasingly become channels for sales and consumer engagement.

Factors responsible for the sudden burst in growth of E-commerce in India are:

- Rapidly augmenting Internet user base Technological advancements such as Voice over Internet Protocol (VOIP) have traversed the gap between buyers and sellers online.
- The emergence of blogs as an avenue for information dissemination and two-way communication for online E-Commerce vendors.
- Improved fraud prevention technologies that provide a secure business environment and help prevent credit card frauds, identity thefts and phishing.
- Bigger web presence of Small and Medium Enterprises (SME's) and Corporate because of lower marketing and infrastructure costs.

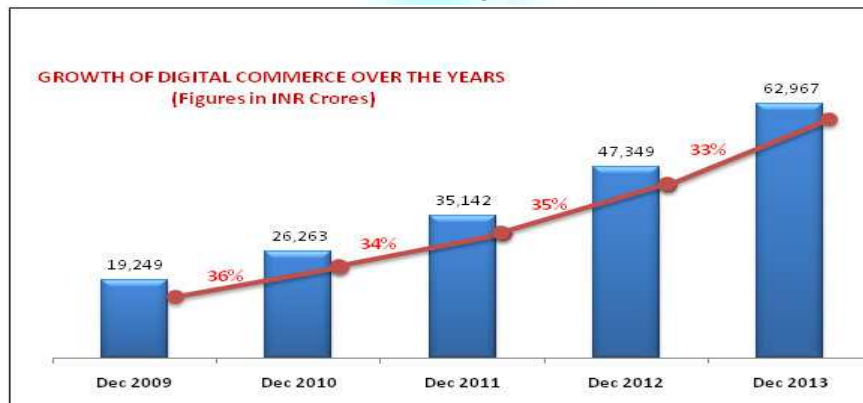
CLOUD SURROUNDING E-COMMERCE MARKET IN INDIA

- There are no specific e-Commerce laws in India. The sector is governed by the IT Act 2000, which regulates the legal obligations of sellers and buyers of goods and services in cyberspace. Apart from the IT Act 2000, e-Commerce in India needs to comply with other statutory laws in force in India, like Indian Contract Act, Consumer Protection Act 1986, Indian Penal Code and Foreign Investment Regulations. E-Commerce companies also require complying with banking and financial laws, wherever applicable. Laws regulating e-Commerce in India are still evolving and lack clarity. This poses a challenge for potential entrants and existing players. Furthermore, the lack of law firms or lawyers specializing in e-Commerce laws compounds the problem.
- There is a lack of proper distribution channels particularly in tier 2 and tier 3 cities. Missing gaps in supply chain infrastructure is limiting the access to far flung areas where a significant portion of the population resides.
- The element of "fun" in the shopping experience is missing in case of online shopping.
- There are worries in the minds of customers about the personal security and that the financial details entered while shopping online will be misused.
- In some cases customers are sceptical about the quality of the product.
- Low average broadband speed and flat average internet speed is another negativity attached.
- Online payment landscape is further marred by low penetration of credit and debit cards, especially in smaller cities, towns and rural areas.

E-COMMERCE IN INDIA IN COMPARISON TO OTHER EMERGING ECONOMIES

- Middle class in many of the developing countries, including India, is rapidly embracing online shopping. However, India falls behind not only US, China and Australia in terms of Internet density, but also countries like Sri Lanka and Pakistan. Sri Lanka has an internet penetration of 15%. Better internet connectivity and the presence of an internet- savvy customer segment have led to growth of e-commerce in Sri Lanka with an existing market size of USD 2 billion. Pakistan, with an internet penetration of 15% has an existing market size of consumer e-commerce of USD 4 billion. Incidentally FDI in inventory-based consumer e-commerce is allowed in both these countries. (IAMAI-KPMG report, September 2013).
- As per IAMAI report October 2013, India has 205 million active internet users. Total percentage of online buyers to internet users is 18%. Compared to India, China, Brazil, Sri Lanka and Pakistan have internet population of 538 (40%), 79 (40%), 3.2 (15%) and 29 (15%) millions respectively. Therefore, lower internet density continues to remain a challenge for e-commerce in India.
- According to a NASSCOM report, the IT-BPO industry is expected to account for 10% of India’s GDP by 2020, while the share of telecommunication services in India’s GDP is expected to increase to 15 percent by 2015. With these supporting factors, the e-commerce industry is also expected to contribute much more to the GDP.
- The share of B2B transactions in global e-commerce transactions are is about 90%. Indian E-commerce market is based on market placed model. Thus large number of manufacturers, traders and Micro, Small & Medium Enterprises will benefit by advertising their goods & services on this market placed model.
- E-commerce industry in India is one of the fastest growing segments in the Asia region. According to an Internet and Mobile Association of India (IAMAI) report With a astounding CAGR of 34.49% from 2009 to 2013, the Industry has expanded from INR 19249 Crore (US\$ 3.49 billion) to INR 62,967 Crore (US\$ 8.60 billion) depicted in following figure.

FIG. 4

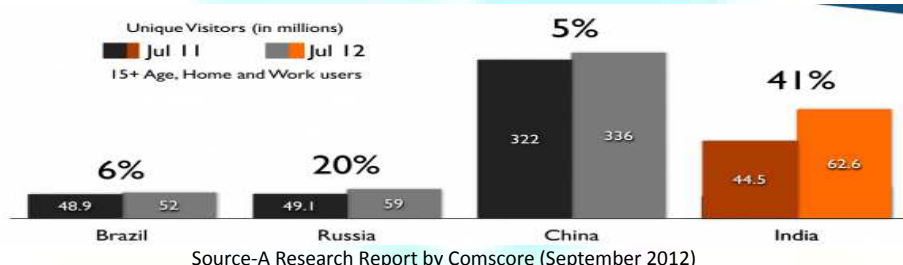


Source: IAMAI

Segment-wise, B2C segment dominated the sector with a 56.0 % share in 2010–11. Together, the B2C and C2C segments have shown momentous growth; their aggregate market size stood at US \$ 9.9 billion in 2011, whilst that for B2B segment was estimated at around US \$ 48.8 million. B2B segment’s acceptance is on a rising trend due to its growing awareness amongst Small and Medium Enterprises (SMEs), which are close to 13 million in number.

- According to a report of Comscore, India is the fastest growing market among BRIC nations. 18 million users got added in Indian online market, showing annual growth rate of 41% (shown in following figure):

FIG. 5

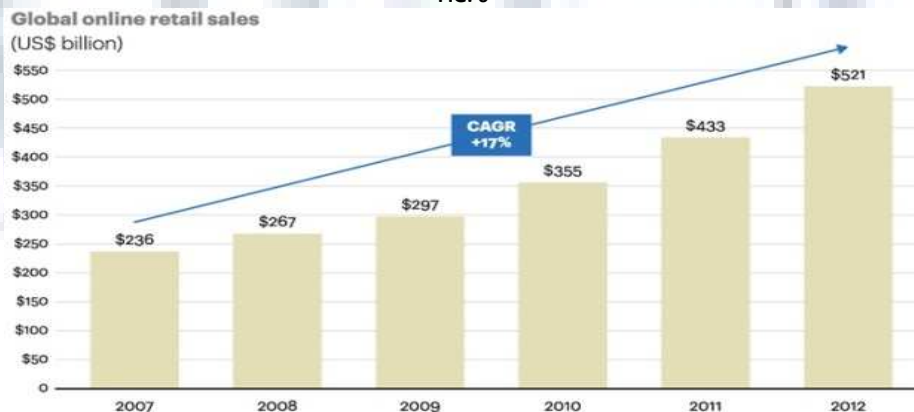


Source-A Research Report by Comscore (September 2012)

INDIA’S ONLINE RETAIL IN COMPARISON TO THE WORLD’S ONLINE RETAIL

The world’s E-Retail sector has observed Compounded Annual Growth Rate (CAGR) of 17% during year 2007-12 globally as shown in following figure:

FIG. 6

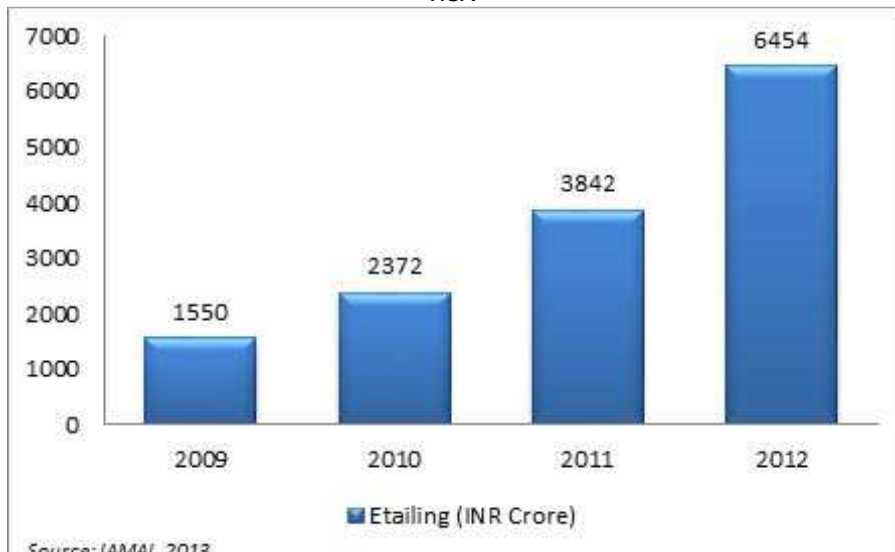


Note: Online retail sales exclude sales tax and are at constant 2012 exchange rates. Source: Euromonitor

Globally over the past three years, online retail has grown at The Compounded Annual Growth Rate (CAGR) of 20.60% from 2009-2012.

However, **Indian online retail sector** is witnessing a much rapid growth. The Indian E-tailing market grew at an incredible Compounded Annual Growth Rate (CAGR) of 60.88% in the last 3 years as depicted in following figure:

FIG. 7



ONLINE TRAVEL SEGMENT

Online travel constitutes a sizeable portion of E-commerce market. The online travel segment has seen a healthy CAGR of 55.5% during 2007-2012. This is due to rise of disposable income, surge in demand for domestic travel and the boom of the tourism industry. Domestic travel contributed to as much as 50% of the total market, followed by railways tickets, international air tickets, hotel bookings and bus tickets. The online travel segment market is expected to grow at a CAGR of 32% for the next 5 years and will remain a leading contributor to the total e-commerce revenue.

FIG. 8



ONLINE FINANCIAL SERVICES

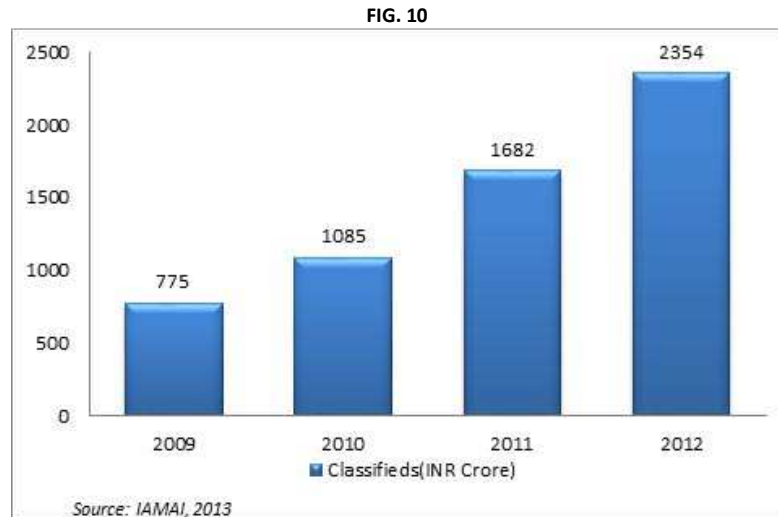
The financial services segment includes applying for insurance, paying online bills, and premiums and online transactions for financial services.

FIG. 9



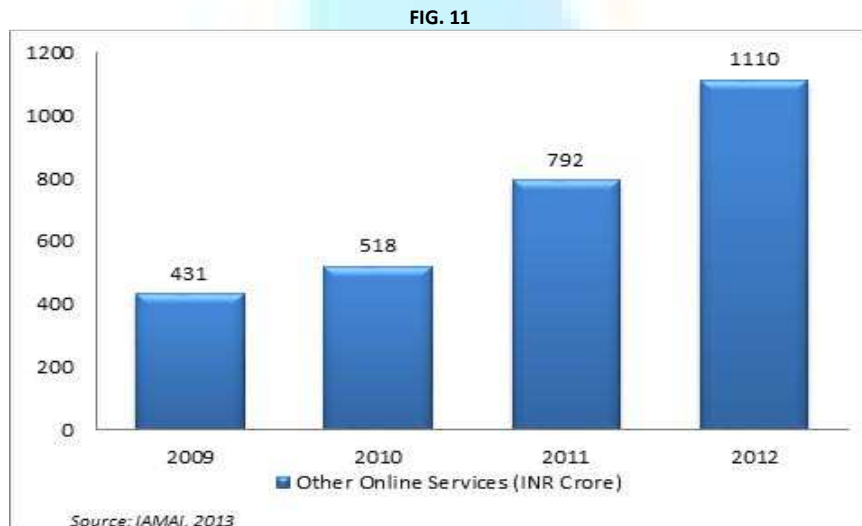
ONLINE CLASSIFIEDS

Online classified segment has also observed 40% growth over the last few years. The growth is mainly fuelled by services like online placement services, online matrimonial services.



OTHER ONLINE SERVICES

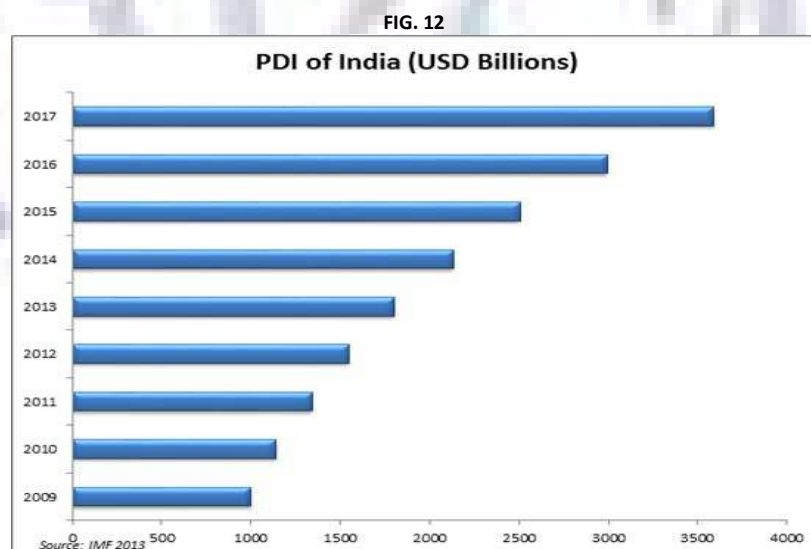
These include offering online services like buying entertainment tickets, food and grocery items. Bookmyshow.com is a major player in the segment.



SUPPORTING MACRO-ECONOMIC FACTORS

RISING PERSONAL DISPOSABLE INCOME

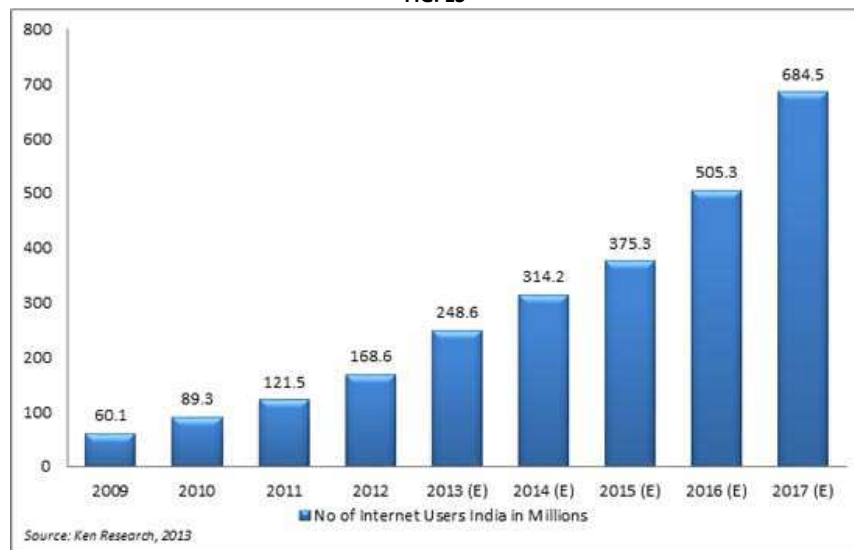
According to the IMF, personal disposable income has grown by 15.8% annually from 2007 to 2012 reaching to US\$ 1546 billion in 2012. As personal disposable income rise, it indicates that the standard of living has improved. Resultantly, demand for goods and services are expected to rise further. With more disposable income, the benefits offered by e-commerce will lead to growth in this sector further.



INCREASE IN INTERNET USER BASE IN INDIA

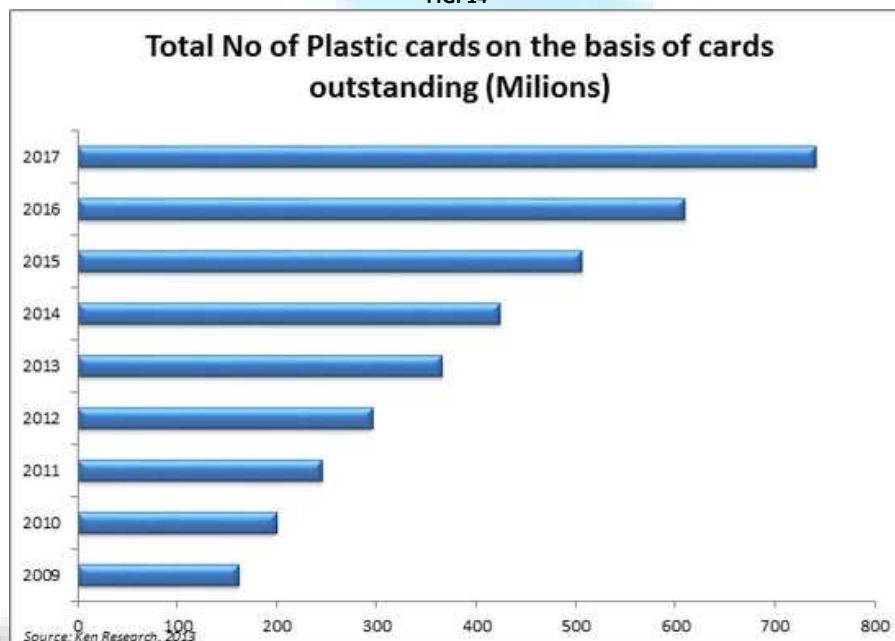
Internet penetration has increased by a CAGR of 30% from 2007 to 2012. There has been an increase in number of active internet users and such trend is expected to continue.

FIG. 13

**INCREASE IN USE OF CREDIT & DEBIT CARDS**

Almost every bank these days provide facility of online banking and debit card facility. With the financial inclusion crusade of RBI, the number of bank accounts will rise and hence number of debit cards will also shoot up. This will invariably lead to more online transactions.

FIG. 14

**CURRENT SCENARIO OF REGULATIONS ON FDI IN E-COMMERCE**

As per existing FDI policy, FDI up to 100% is permitted in B2B e-commerce activities under the automatic route. Retail trading through e-commerce is not permissible, for companies with FDI, engaged in the activity of single brand retail trading or multi-brand retail trading. Thus existing FDI policy does not permit FDI in B2C e-commerce.

FAVOURABLE SIDE OF PROMOTION OF FDI IN E-COMMERCE

- Foreign investors investing in e-commerce will bring in the much-needed investments in the ecosystem, e.g., in logistics, payments, to drive market growth.
- Earlier to access foreign capital, some players used to set up a separate entity for activities where 100% FDI is allowed. This covers back-end operations such as logistics, inventory and technology, which enables 100% Indian-owned and controlled front-end entities to leverage on the capabilities of these back-end operations. With this new directive, future investments would be routed through the same path as earlier.
- Domestic players will work harder to build their capabilities while facing competition from the arrival of global players in India.
- FDI in E-commerce will have positive spillover effects on associated industries such as logistics, online advertising, media, telecommunications and Information Technology Enabled Services (Call centres and BPO's).
- It will give a boost to India's infrastructural development. Increased capital will help to fill gaps in supply chain, distribution system and warehousing.
- It will act as a catalyst to manufacturing sector. Overall growth in retail sector will have cascading effect in manufacturing sector which will positively contribute to overall growth of economy
- It will reduce the need for middlemen lowering the transaction costs, reduced overhead and reduced inventory and labour costs.
- Adopting business strategies of global standards will lead to better work culture and customer service.

- With increased access to buyers and sellers, Micro, Small & Medium Enterprises will reach out to customers far beyond their immediate location, both locally within India and abroad.
- It shall also create new job opportunities in India.
- It will lead to better traceability and transparency in the whole system. It will not only empower consumers with information and data but will also help in better compliance of regulatory framework.
- A higher order of customer satisfaction can be ensured because of more responsive order taking, improved after-sales services, wider variety to choose from and competitive pricing.

DARKER SIDE OF PROMOTION OF FDI IN E- COMMERCE

- This initiative will be against the spirit of FDI policy in Multi Brand Retail Trading. As allowing FDI in E-commerce will provide foreign players complete geographical reach and FDI in multi brand retail trade is being restricted to cities with a population of more than one million or any other city as per the choice of consenting states.
- It will gravely debilitate small time trading of brick and mortar stores. Small shopkeepers are not highly qualified and will not be able to compete with sound e-retail business format.
- Because of large scale of economic operations, foreign players in the proposed inventory based model will have more bargaining power and may resort to predatory pricing.
- Further global players will have detrimental impact on our domestic industry. It will lead to creation of monopolies in E-commerce, manufacturing, logistics and retail sector.
- Allowing the entry of foreign E-retailers may shrink Indian entrepreneurship and may adversely affect Micro, Small & Medium Enterprises.

CONCLUSION

Nowadays, consumers are becoming sophisticated. Sellers have to be creative and skilful. Success will largely depend upon innovation on part of retailer. They have to take care of customer expectations from pre-purchase to delivery of product or service. E-commerce in India is still in nascent stage but is rapidly growing; even the most-pessimistic projections indicate a boom. India being the second most populous country of the world has huge online market and tremendous potential. Once Indian Government will roll out its National Optical Fibre Network Plan, internet penetration is expected to increase. Foreign players are looking to tap the opportunity in the sector.

Foreign investors are closely eyeing opportunity in the E-commerce hub of India to capitalise on the anticipated growth potential. Government needs to focus on the regulatory front. Unlike many other countries, India still does not have dedicated e-Commerce laws. E-Commerce will continue on its growth path combined with support from the Government of India. The onus is, therefore, on the government to formulate dedicated e-Commerce laws so that current issues in the sector's legal environment can be addressed. Further we need robust backend infrastructure, i.e., a safe platform with integrated payment solutions and the logistics. We require technologies coupled with higher internet density. India needs to work on these areas to realize true potential of e-commerce business in the country.

A limit for minimum capitalization should be laid down for foreign entrants and also a limit for percentage of sourcing from domestic manufacturers should be fixed up. FDI in E-commerce is one of the best options available in quest of India's overall growth. E-commerce sector in India will explode in coming years and Growth rate of India's GDP will bolster with the welcome of this initiative. Thus the Indian E-commerce industry is all set for flourishing in the future with foreign players entering into it.

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IS IT ETHICAL TO EMPLOY CHILDREN IN ADVERTISEMENTS? A FEW CASE STUDIES OF INDIAN ADVERTISEMENTS

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ABSTRACT

In an era of diverse marketing and advertising platforms, entertainment and modern culture, where cut throat competition dominates and seldom unethical methods of cost cutting is a concern for the industry, children from all over the world are involved in a great number for marketing and advertising activities. The last decade has observed the role-play of children in advertisement constantly moving upward. The need to add ethics in modern marketing and advertising is essential as we have a duty to live a good moral life. This duty is as much applicable to the business lives as to our private lives. And marketing professionals also know that ethics brings good business. This paper throws light on various aspects in which an advertisement with a child can affect his/her future. An adult likes to watch an advertisement with a kid smiling through the TV set, but fails to realize what could be of the child who is subjected to this fame even before he/she understands the meaning of fame. After all, the companies certainly do not have the children's moral or social well-being in mind; they are solely concerned about profits.

KEYWORDS

Business Ethics, Advertising, Children.

1. INTRODUCTION

One are the days when cartoons were used in the commercial advertisements but now is the time when children (1-14)years of age have hit the advertising industry on a big scale. Today we live in a commercial world with fast growing technologies, the advertising and marketing ethics have been changing too. Ethics have always been an important aspect of every business activity , although the term has meant different things at different times in different lands to different people. Nonetheless, as ethical concerns are an inseparable element of business, advertising cannot ignore them. Advertisers are doing business with thousands of people may be millions of people across the globe so they must practice what is right. Thus advertisers and admen are increasingly under pressure for creating the socio-cultural religious sensitivities and sensibilities of consumers. And unfortunately things are becoming worse day by day. The society in which we live has always imposed context on the commercial ads that involves children. The Children's Advertising Review Unit (CARU) of the Better Business Bureau (BBB), which also monitors kid's programming, requires that adults be shown supervising children when products or activities could be risky.

2. OBJECTIVE OF STUDY

The objective of this paper is to evaluate the various ways in which an advertisement employing a child can affect him/her psychologically. What is the use of employing children in corporate advertisements that have nothing to do with children? What could be the effect of advertisements on the lives of children who appear in them or watch them? An advertiser should follow specified guidelines that should be kept in mind while making advertisements with children.

3. CHILDREN IN ADVERTISEMENTS

This is one question that has been surfacing time and again that whether having children in ads is ethical or not. Let us first take some instances where children appear in ads. A recent ad of Tata Docomo commercial shows children and toddlers dancing to a Bollywood number, Dhinka Chika, without any inhibitions and then the commercial ends with a voice over, saying, "Open up. It's a wonderful feeling, Laugh, Talk, Share. By seeing this ad children these days are asking their parents for mobile phones. Children are the most vulnerable part of society. Today we see these little toddlers endorsing electronic gadgets, mobile connections, biscuits, soaps and detergents, flipkart online shopping, insurance products and other products which are mainly used and consumed by adults. For instance, an ad for surf excel shows a kid playing in mud pretending to be a pet dog just to cheer up his teacher who has lost her pet. The idea behind the ad is that it is ok to dirty your clothes to make someone happy, thus, their tag line is "daag acche hain".

What does a child has to do about the various discounts offered by online agencies in fashion clothing and apparels. And above all, is it even sensible to portray a bunch of kids in overly dressed style as in the various flipkart advertisements of " The Flipkart Fashion Sale", "Fashion has a New Address". The flipkart advertisement of "India Wants to Know" and "Shopping k Naya Address" shows a few kids imitating adults in a news bulletin, why not use adults instead? Are these ads meant to teach children to go into acting and quit education?

4. PSYCHOLOGICAL IMPACT OF CHILDREN IN ADS

The question that arises is that why do we need kids in such ads when the product being sold is to be used by adults and kids do not even have the knowledge about them and whether using kids and little tots in these ads is ethical?

The answers are not too hard to find. The advertisers try to grab the attention of the audience by using cute children in their ads. Sumit Kishore, group Account Director of Euro RSCG, said that a reason why children have begun dominating advertisements is because of their innocence. "when you are flipping channels, the chances that you will stop on one is more when you see a cute little child saying something or a baby gurgling than the sight of an older person enacting the same. "One tends to listen to a child babble something because it seems innocent and true. Featuring a child in an ad thus plays up the emotional factor in the audience and wins over them."

Another reason is that kids have in advertising gurus words, "pestering power"- the ability to escalate the sales of a particular product. According to Ramesh Shri Vats, executive vice president of Rediffusion advertising agency, young children have a greater say in the household these days. In other words, they have a

greater influence on their parents in deciding which item should be bought. Children as young as eight or nine have started becoming increasingly aware of various products and are very well informed. They have the pestering power by which they can influence the household decisions when it comes to buying something.

Sumit Seth, creative consultant with Sahara said children are part of the most easily influenced category. Thus advertisers featuring children first convince the child sitting in front of the TV who in turn convinces his/her parents to buy that particular product. Earlier it was the woman who used to decide which product to choose and buy. But now it's the kids who decide which brand to go for and parents gladly oblige them also.

Children's reactions to advertisement can be very different from grown-ups. If adults see a product advertised and don't find it when they go shopping they forget about it. As children develop the ability to recognise and understand ads and their purpose they start making demands. If these demands are not fulfilled they might start screaming or throwing themselves to the floor. It is difficult to explain to young children the reasons why they cannot have everything which - according to advertising - is 'for them'.

Children don't have the capacity to know the difference between advertising and marketing gimmicks, and real promises. It is a very well known fact that children imitate what adults are doing. Advertisers need to take care of this important fact while deciding upon the matter to be shown in their advertisement. It is only fair to leave them out of the world of marketing and advertising, as they will not be able to understand the full reasons for their being there. Much like kids quickly fall subject to advertising tricks in supermarkets, their preferences, and even world view, may be coloured by working in advertising.

Child modelling and child advertising have become a big business for both the advertising companies and parents of these children. From newborn to teens they are busy in advertising and getting spotlight. Children these days are fond of working on commercials because of many reasons but still we found out for most of them the common reason is recognition and getting money

5. GUIDELINES WHEN PLANNING AND PREPARING ETHICAL ADVERTISING

- 1 Advertisers should take great care in assessing the level of knowledge, sophistication and maturity of the intended audience. In particular great care should be taken when communicating with younger children who may have a lack of ability to comprehend the purpose of advertising and differentiate between it and non-advertising messages;
- 2 Advertisers should ensure that the language and manner of any advertisement is easily understood by those children for whom it is intended;
- 3 Advertisers should not exploit the lively imagination of children and their use of make-believe, by creating communications that take unfair advantage of their commercial innocence;
- 4 Advertisers should not portray unsociable or stereotyped behaviour; every opportunity should be taken to promote such attributes as friendship, kindness, honesty, justice, generosity and the like. Care should be taken to avoid any suggestion of bullying, vindictiveness, cruelty or behaviour involving undesirable body language or other anti-social gestures;
- 5 Advertisers should take great care to avoid any inference of or endorsement for discrimination based on race, religion or sex.
- 6 Advertising should not unfairly imitate programme or editorial content so as to confuse children as to what is advertising and what is not; where there is danger of this there should be clear statement marking it as an advertisement;
- 7 Advertisements should not portray violence or aggression, nor contain menacing or horrific elements likely to disturb children;
- 8 Advertisements should be rigorous in depicting proper behaviour and must avoid suggesting any activity that would be unsafe for children;
- 9 Advertisements should not suggest any feeling of inferiority or unsociability for not buying the product or service;
- 10 Children should not appear in any hazardous situation or be depicted behaving dangerously or irresponsibly (except in public service advertising where a problem is being addressed); children should not appear in street scene without supervision unless they appear old enough to take care of themselves; care should be taken not to place them in the context of potentially dangerous situations as with fire, matches, petrol, electrical appliances, inappropriate medicines or household substances; they must not be seen to operate vehicles, farm machinery, unsuitable electrical appliances and the like; purchase;
- 11 Where price is mentioned or suggested, a clear and complete price for the product or service must be given, any additional items offered must be clearly defined; there must be no appeal to excessive purchasing;
- 12 If additional items are needed, such as batteries, this should be clearly communicated;
- 13 A product that is part of a series should be placed in the context of that series;
- 14 Advertising should not exaggerate what is attainable by a child with the product or service
- 15 No appeal to a charity should be unfairly used to pressurise children or create a feeling of guilt in them;

6. CONCLUSION

It would seem to be fairer and more sensible to start educating children about the commercial intentions of companies at an age when they can rationalise and are no longer predominantly motivated by emotions. Expecting children to learn about advertisements before that age would seem to be rather futile as well as creating difficulties for the child and the family. Research has confirmed the influence of the media upon the close conformity between children's tastes and perceived needs and the content of the programmes they watch. Teachers say that they know what has been on TV the night before, by the games the children play the next day.

Employing an adult of more recognition, for instance an actor or a sports-person, is tend to be more expensive in commercials than putting a cute kid.

So it can be safely argued, employing children in advertisements is unethical, because small children do not have mental faculty to be able to decide what is good for them and what is not. What is unethical here, is the fact that the advertisers try to influence the minds of innocent little kids and thereby harm the society, if not directly then indirectly.

Advertising with the young generation must not encourage children to be involved in dangerous activities or undermine the authority of their parents. Therefore, ads must be regulated in terms of both the language and images they use and all the topics that might potentially cause negative effects on children must be excluded from the ads that might be watched by children.

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STUDYING THE EFFECT OF UTILIZING FINANCING METHODS ON LIQUIDATION OF CAPITAL MARKET (TEHRAN STOCK EXCHANGE)

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ABSTRACT

Regarding the fact that financing has changed into a very important issue for the companies during the recent years because of privatization trends and the shortages in financial resources the present research is going to assess the utilization of financing methods by firms accepted in Tehran Stock Exchange on liquidation factor. The time period for the research is a 5 years period from 2006 to 2010 and the statistical population entails all companies accepted in Tehran Stock Exchange. The companies selected after sampling were 55 and there have been 275 observations carried out. The research method used here is applied regarding the goal and it is descriptive based on the administration method. To analyze the research data we have used descriptive and inferential statistical methods by using economy evaluation software of E views edition 7. According to the research results the first minor hypothesis claiming that there is a meaningful relationship between financing methods through issuing ordinary stock and liquidation is not accepted. Also the second minor hypothesis showing that there is a meaningful relationship between financing methods through the receipt and paying back the loan itself plus the liquidation is not approved. Also the third hypothesis is approved.

KEYWORDS

financing, liquidation, common stock, loan, accumulated profit, Tehran Stock Exchange (TSE).

INTRODUCTION

Regarding the speed and progress of the science and technology in the world, financial management and capital markets have benefited from these advances and they also have developed like other branches of science. Financing is one of the most important decisions made in every company. Today financing is one of the most attractive issues which is dealt with in texts, books, and business and accounting journals. This attractiveness is due to the knowledge and the type of supplying the capital needed to continue the activities of the companies. Thus, to achieve the financial resources and regarding the liquidation indexes in the recent years, scholars and specialized people are needed in financing and capital market.

Using appropriate and varied methods of financing to administer profitable projects can have a major role in growth of the companies and also in increasing the wealth of stockholders which is considered to be among the most important goals of the companies and entities.

Some researchers have categorized financing methods into two groups of low cost and high cost. Meanwhile some others have divided it into two groups of short-term and long-term.

Short-term financing methods: they are methods which should be settled during a fiscal year.

Long-term financing methods: they are methods which last more than one year to pay back.

RESEARCH LITERATURE

In a research carried out by Davood Jafari-e-Seresht, the liquidation degree of Tehran Stock Exchange has been used as the dependent variable which was calculated by using a direct criterion of liquidation that is the ratio of transactions flow and two indirect criteria including lack of liquidity measures of Amihud and Wagner. The general result of the research showed that the privatization program had had a considerable effect through public supply of the stocks of the governmental companies in Tehran Stock Exchange on the development and liquidation of this market [5].

In a research carried out by Sami Ben Naser, Narjes Bobakri, and Samir Ghaziani the effect of privatization on market size and liquidation has been shown in a sample containing 31 developing markets. They found out that the amount of privatization and using the indexes of privatization in capital market will result in capital market progress (market investment and value added). But we should not ignore geographical effects and also international sanctions. They used GMM (generalized method of moment) in order to estimate the features of dynamic panels and found out that this process can lead to better results mostly in Asian countries where the conditions before doing privatization have been appropriate [10]. Maybe the most famous research paper done in the field is Bortolotti & et al's through which the relationship between privatization and liquidation has been assessed using the index of Amihud's lack of liquidity index [14].

POPULATION AND STATISTICAL SAMPLE

The statistical society investigated in the present research is Tehran Stock Exchange.

In this research we have used systematic deletion method (sifting technique) to choose our statistical sample. To select our statistical sample, the companies with following characteristics were chosen and others were deleted:

1. Due to their different nature in activities, investing companies, insurance companies, leasing companies and banks were deleted and manufacturing companies were chosen.
2. To choose a convergent sample, those chosen were among the companies accepted in Tehran Stock Exchange since the year 2006 and their stocks have been transacted from the beginning of the year 2006.
3. To choose active companies, their transactions should not have been stopped during the years between 2006 and 2010. In other words, the stocks of these companies should have been active during the years mentioned and their stop should not last more than 6 months.
4. To be able to compare the data and avoid divergence, the companies' fiscal year should end on 29th of Esfand and they should not have had fiscal year changing during the years between 2006 and 2010.
5. The companies should not have negative owners' equity.
6. Financial statements and the descriptive notes about them should be available.

By applying the conditions above, the number of the sample selected from among statistical sample was 55 companies and 385 (years- companies).

DATA COLLECTION AND DATA CATEGORIZATION

1- The transaction system in bourse and informing software: in first step the data needed to calculate the variables related to stock market were extracted by using bourse software (mainly Rahaward-e-Novin, Tomba, and Tadbirpardaz). Then the final amounts of these data were compared with the information in stock transaction system.

2- statistical software and economical measuring: Excel software was used in collecting, categorizing, and primary processing of the data. In this phase, the data related to stock market extracted from informing and transaction software of bourse were directly entered into Excel. After proper categorization of the data and carrying out the calculations and primary processing, the output data were used to administer the model and test the research hypotheses by using Eviews7 software.

INTRODUCING THE MULTI-VARIABLE REGRESSION PATTERN TO TEST RESEARCH HYPOTHESES

1- The model utilized for the main hypothesis: there is a meaningful relationship between financing methods and liquidation.

$$(1) \quad LIQ_{it} = \beta_1 + \beta_2 St_{it} + \beta_3 Le_{it} + \beta_4 Re_{it} + \beta_5 size_{it} + e_{it}$$

1-1- The first minor hypothesis: there is a meaningful relationship between financing through issuing common stocks and liquidation.

$$(2) \quad LIQ_{it} = \beta_1 + \beta_2 St_{it} + \beta_3 size_{it} + e_{it}$$

1-2- The second minor hypothesis: there is a meaningful relationship between financing through the receipt and paying back the original amount of the loan and liquidation.

$$(3) \quad LIQ_{it} = \beta_1 + \beta_2 Le_{it} + \beta_3 size_{it} + e_{it}$$

1-3- The third minor hypothesis: there is a meaningful relationship between financing through accumulated profit and liquidation.

$$(4) \quad LIQ_{it} = \beta_1 + \beta_2 Re_{it} + \beta_3 size_{it} + e_{it}$$

The issues considered in estimating the models

The fundamental criticism towards the estimation of the regression models we encounter is related to classic presupposition rejection (variance heteroskedasticity, self-correlation, co-linearity, and proper Torque) [13, 21].

1- Normality

To study the normality of the data we have used normality tests. These tests are generally divided into two groups of graphical methods and numerical methods. Graphical methods present only a sketch of the random distribution of the variable but numerical methods are able to prepare an objective and quantitative criterion to judge about the normality of random distribution of the variables [23]. In numerical methods we can use both descriptive statistics and different techniques and tests of inferential statistics [24].

2- Variance heteroskedasticity

One of the classic presuppositions of the regression analysis is regarding the convergence or similarity of the error variance distribution and if it is rejected there would be heteroskedasticity elements of variance. In fact variance heteroskedasticity is caused due to lack of equality of the dependent variable's variance in different periods [25, 28]. When the dependent variable's variance is not equal, the variance of heteroskedasticity elements will not be the same during different periods and thus the estimation of the model will be damaged and inefficiency will be resulted.

If the regression model is considered as the following equation:

$$(1) \quad y_t = b_1 + b_2 x_t + b_3 z_t + e_t \quad \text{White's test model will be as follows:}$$

$$(2) \quad e_t^2 = \alpha_0 + \alpha_1 x_t + \alpha_2 z_t + \alpha_3 x_t^2 + \alpha_4 z_t^2 + \alpha_5 x_t z_t + \varepsilon_t$$

F statistics and Kai2 statistics test will be calculated for the result of multiplying the observations and identification coefficient for this model.

3- Variables' Consistency

Because it is possible that the economic variables having integrative data be inconsistent before utilizing it in the model the needed studies should be carried out to recognize their consistency and consistency or inconsistency of these variables should be well documented [25]. In fact, some operations such as using the ordinary least square (OLS) is done in experimental researches regarding the consistency of the variables. Consistency can be studied in the two forms of absolute consistency and weak consistency [16, 22]. To avoid using inconsistent data in the models, we can test the present variables in the model using three methods below:

- Graphical method
- Co-correlation (which presents correlation type against a specified software)
- Unit root testing method

Also there are 3 tests to study and test the unit root test in statistical software which are usually used in the following forms:

- Dikky Foulter Test (DF)
- Added Dikky Foulter Test (ADF)
- Philipse Prone test (PP)

In testing another Fauler Dikki method, the variable having time series will regress with a delay.

$$(3) \quad y_t = \mu + \rho y_{t-1} + \zeta$$

Then we can conclude that the series Y is a consistent series if the delay for it in the regression above is $-1 < \rho < 1$. If $\rho = 1$, we can say that the series is not consistent. If we have a random walk with drift during the process started in some points of the dependent variable variance we continuously will encounter increases and it will move forwards to the infinity. In Dikki Fauler's test the additive of the regression equation will be devised as follows:

$$(4) \quad \Delta y_t = \delta y_{t-1} + \sum \delta \Delta y_{t-1} + \varepsilon$$

In this regression the consistency requirement of the regression is the lower than zero amount of sigma (ρ). Also by observing the existence of a less delay, we should delay the model until self-correlation is removed. In economic measurement software usually the critical area testing of the unit is done in three assurance points including %99, %95, and % 90.

Zero hypothesis and H_1 in testing consistency are as follows:

$$\begin{cases} H_0: \rho = 1 \\ H_1: \rho \neq 1 \end{cases} \quad \text{Data Analysis Methods}$$

In regression statistics there is a type of mathematical function which is applied between the dependent variable from one hand and the independent variable on the other hand [18].

To test the hypothesis, the effect of the independent variable on the dependent variable is tested [8].

$$(5) \quad y = a + bx \Rightarrow \quad b = \frac{\sum(x-\bar{x})(y-\bar{y})}{\sum(x-\bar{x})^2}, \quad a = \bar{y} - bx$$

Regarding total regression and linear relationship in meaningfulness test we have:

Zero hypotheses shows that the total coefficients of the regression equals zero.

Research hypothesis shows that at least one of the independent variable's coefficients is meaningful.

If the statistics calculated for the test is bigger than the critical statistics or the meaningfulness level calculated is less than 0.05, at least one of the independent variables has a meaningful regression coefficient or there is a linear relationship between the two variables [3].

The recognition coefficient is analyzed as follows:

- Independent variable does not create any changes in dependent variable. ($r^2 = 0$)
- All changes of the dependent variable can be expressed by the independent variable. ($r^2 = 1$)

The bigger amount of the absolute amount of the identification coefficient than zero and close to 1, shows that the relationship between independent and dependent variables is stronger.

DESCRIPTIVE STUDY OF THE RESEARCH DATA

To enter data analysis step, the descriptive statistics of the data including the indexes of centralization, dispersion indexes, and deviation from the symmetry and also Jark Bra's test which approves the normal distribution of the wastes is calculated and the results are shown in table 2.

TABLE (2): THE DESCRIPTIVE STATISTICS OF THE DEPENDENT VARIABLES

Dependent and independent variables					
variable	common stock	bank loan	accumulated profit	liquidation	size
variable symbol	St	Le	Re	Liq	Size
average	3.4312	3.3889	1.29E+11	0.002077	26.8376
mean	0.0000	0.0000	1.25E+10	0.000488	26.77
maximum	27.63	28.61	1.18E + 13	0.041587	32.03
minimum	0.0000	0.0000	-2.55E+13	1.08E-0.5	22.37
criterion deviation	8.5994	8.4972	9.33E+11	0.0049	1/4045
loosening	2.1120	2.1164	8.89	4.8303	0.4970
stretch	5.4897	5.5196	101.8194	30.4463	5.6159
Jark-Bra statistics	275.468	278.0524	115516.9	9700.997	89.7369
statistics probability	0.0000	0.0000	0.0000	0.0000	0.0000
number of observations	275				

To calculate the variable liquidation, there are different indexes. But in the present research we have used transaction flows to calculate the variable under investigation.

The ratio of transactions flows = the number of stocks transacted/total stocked published

THE RESULTS OF TESTS AND ESTIMATIONS CARRIED OUT

In the present research we have used static integrative data to test the hypothesis. In this method we can use a test entitled Chow to select from among the two integrated models and it is called structural changes test. To test the research hypotheses, first fixed time effects outcomes are estimated and then structural changes test will be used to study the existence of fixed effects as follows:

H₀: lack of existence of fixed effects >> pool model

H₁: existence of fixed effects >> fixed effects model

Regarding P-Value gained for the zero hypotheses considering the width equal from the focal points is rejected. Therefore, in this phase the fixed effects model is chosen as a priority for the first and second main hypotheses and their related minor hypotheses (due to the lack of space in the present paper we have not brought the tables related to Chow's tests here).

1- Hausman's Test

The results of Chow's test for first and second main hypotheses and their related minor hypotheses show that the model selected is fixed effects. Now we should test fixed effects model compared to random effects model. To do so, we used Hausman's test. To do Hausman's test first we should estimate random effects-time model. Hausman's test was arranged to study the existence of random effects in the following form:

H₀: There is not any correlation between individual effects and the descriptive variables >> Random Effects model

H₁: There is a correlation between individual effects and the descriptive variables >> Fixed Effects model

The results of these tests are presented in table 3:

TABLE (3): THE RESULTS OF HAUSMAN'S TEST OF HYPOTHESES

Hypothesis	Kai Square Statistics	Freedom degree	P-Value	Test result
Minor 1	10.315438	2	0.0141	Fixed effects model
Minor 2	10.572427	2	0.0311	Fixed effects model
Minor 3	10.331809	2	0.0471	Fixed effects model
Main	11.430350	4	0.0024	Fixed effects model

As it can be seen in the results of table 3, the amount of P-Value is less than %5. Thus, the most appropriate method for the first hypothesis is fixed effects model.

2- Hypotheses' test based on model determined

To test the research hypothesis after doing Hausman's test and selecting the fixed effects model we have tried to estimate the model coefficients by using the least generalized squares (EGLS).

First minor hypothesis: there is a meaningful relationship between financing through issuing common stocks and stock liquidation.

H₀: there is not a meaningful relationship between financing through issuing common stocks and stock liquidation.

H₁: there is a meaningful relationship between financing through issuing common stocks and stock liquidation.

TABLE (4): FINAL BALANCE OF THE MODEL BY USING EGLS ESTIMATOR FOR THE FIRST MINOR HYPOTHESIS

Liq dependent variable							
Regression model's $liq_{it} = \beta_1 + \beta_2 St_{it} + \beta_3 si_{it} + e_{it}$							
Hypothesis	independent and controlling variable	coefficients	T statistics	P-Value	F statistics	Durbin-Watson	Adjusted R ²
1	St	1.51	0.515	0.606	4.01	2.42	0.44
	Size	0.000	2.893	0.004			
	Ar (1)	-0.181	-4.278	0.000			

Second minor hypothesis: there is a meaningful relationship between financing through receipt and paying back the original loan and stock liquidation.

H₀: there is not a meaningful relationship between financing through receipt and paying back the original loan and stock liquidation.

H₁: there is a meaningful relationship between financing through receipt and paying back the original loan and stock liquidation.

TABLE (5): FINAL BALANCE OF THE MODEL BY USING EGLS ESTIMATOR FOR THE SECOND MINOR HYPOTHESIS

Liq dependent variable							
Regression model's $liq_{it} = \beta_1 + \beta_2 D_{it} + \beta_3 si_{it} + e_{it}$							
Hypothesis	independent and controlling variable	coefficients	T statistics	P-Value	F statistics	Durbin-Watson	Adjusted R ²
2	Le	-6.22	-0.71	0.481	10.67	2.43	0.77
	Size	0.000	6.79	0.000			
	Ar (1)	-0.370	-44.09	0.000			
	Ar (2)	-0.350	-7.90	0.000			

Third minor hypothesis: there is a meaningful relationship between financing through accumulated profit method and stock liquidation.

H₀: there is not a meaningful relationship between financing through accumulated profit method and stock liquidation.

H₁: there is a meaningful relationship between financing through accumulated profit method and stock liquidation.

TABLE (6): FINAL BALANCE OF THE MODEL BY USING EGLS ESTIMATOR FOR THE THIRD MINOR HYPOTHESIS

Liq dependent variable							
Regression model's $Li_{it} = \beta_1 + \beta_2 R_{it} + \beta_3 si_{it} + e_{it}$							
Hypothesis	independent and controlling variable	coefficients	T statistics	P-Value	F statistics	Durbin-Watson	Adjusted R ²
3	Re	-1.03	-5.58	0.000	4.15	2.44	0.45
	Size	0.000	2.60	0.01			
	Ar (1)	-0.194	-4.32	0.000			

The main hypothesis: there is a meaningful relationship between different methods of financing and stock liquidation.

To test the main hypothesis, the zero hypotheses and the opposing hypothesis were described as follows:

H₀: there is not a meaningful relationship between different methods of financing and stock liquidation.

H₁: there is a meaningful relationship between different methods of financing and stock liquidation.

The summary of the results regarding the main hypothesis is presented in table 4-7.

TABLE (7): FINAL BALANCE OF THE MODEL BY USING EGLS ESTIMATOR FOR THE MAIN HYPOTHESIS

Liq dependent variable							
Regression model's $liq_{it} = \beta_1 + \beta_2 St_{it} + \beta_3 D_{it} + \beta_4 R_{it} + \beta_5 si_{it} + e_{it}$							
Hypothesis	independent and controlling variable	coefficients	T statistics	P-Value	F statistics	Durbin-Watson	Adjusted R ²
Main	St	2.88	0.95	0.341	4.11	2.39	0.46
	Re	-1.10	-5.41	0.000			
	Le	-2.50	-2.12	0.035			
	Size	0.000	2.68	0.007			
	Ar (1)	-0.18	-4.69	0.000			

Testing consistency of research variables

In the Hadri's tests the zero hypotheses shows the existence of a unified root and if the probability of the table is less than 0.05, zero hypothesis would rejected with %95 probability. Regarding table (8) the results of consistency test (unified root) of the research variables shows that the research variables have been consistent and thus zero hypothesis of having a unified root of the variables is rejected.

TABLE (8): THE RESULTS OF HADRI'S TEST

Variables	Statistics	Probability	Test result
LIQ	23.7402	0.0000	consistent
Size			
St	26.3641	0.0000	
Le			
Re			

CONCLUSION

In the present research we have used a direct liquidation criterion of the ratio of transactions' flow compared to hypotheses' test. To test the hypotheses we have taken into consideration 4 models in which there were variables related to the hypotheses, controlling variables and dependent variables. Therefore, the general models below were devised as the basic models of the research to test the hypotheses:

$$liq_{it} = \beta_1 + \beta_2 St_{it} + \beta_3 si_{it} + e_{it}$$

$$liq_{it} = \beta_1 + \beta_2 D_{it} + \beta_3 si_{it} + e_{it}$$

$$Li_{it} = \beta_1 + \beta_2 R_{it} + \beta_3 si_{it} + e_{it}$$

$$liq_{it} = \beta_1 + \beta_2 St_{it} + \beta_3 D_{it} + \beta_4 R_{it} + \beta_5 si_{it} + e_{it}$$

In these equations, St, Le, Re, and Size represent common stock issuing, bank loans, accumulated profit and firm size, respectively and Liq represents liquidation as the dependent variable and e showed the model residuals.

- **In first hypothesis:** correlation coefficient of issuing common stocks is not meaningful and the relationship between stock issuing and liquidation is rejected.
- **In second hypothesis:** correlation coefficient of bank loans is not meaningful and the relationship between bank loans and liquidation is rejected.
- **In third hypothesis:** accumulated profit and firm size variables in this model could describe %45 of the changes in liquidation of the stocks which is a good level of approving.
- **In main hypothesis:** the relationship between different methods of financing and stock liquidation is approved.

The total results of the hypotheses have been presented in table 9.

TABLE (9): SUMMARY OF RESULTS OF HYPOTHESES' TEST

Hypothesis 1	rejected
Hypothesis 2	rejected
Hypothesis 3	approved
Main Hypothesis	approved

RESEARCH SUGGESTIONS

Regarding the results gained from the present research, the following items are suggested:

- The appropriate distribution of the number of companies regarding their sizes and total Rial values of the stocks supplies during every season as the considerable factors affecting the desirable level preserving and the consistent liquidation should be taken into consideration.
- Regarding some regulatory and operational limitations present in the market besides studying the efficiency of different types of liquidation in Tehran Stock Exchange in determining the liquidity degree more accurately and scientific, market value and the return of Tehran Stock Exchange, the appropriate criteria should be selected or if it is needed new criteria should be devised considering capital market conditions in Iran.
- Due to the considerable effects of transferring the information in efficient and semi-efficient markets on stocks price and its liquidation, Stock Exchange Organization should help training the stockholders to interpret the data published in bourse properly and activate its education and research departments. Thus, stockholders will not encounter losses due to the inappropriate interpretation of the information published by bourse and not change their directions in capital investment towards other activities. Also it is suggested that financial analysts should be more active in market to help the information to be analyzed regarding different dimensions and make stock exchange to be more efficient to be able to sell a share more rapidly and with less expenses.

RESEARCH LIMITATIONS

One of the leading factors of research projects in all countries is the existence of abundant information resources in time and accessible. But in developing countries and due to the lack of having organized information centers and the lack of ability to use the power of computer broadly and the fear of revealing the information prevent the researchers and research centers to have access to the information on the part of the information resources. Accordingly in our country there are limitations in accessing the information.

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IDENTIFYING AND RANKING FACTORS CONTRIBUTING TO OUTSTANDING CLAIMS IN QHARD HASSAN MEHR IRAN BANK USING FSIMILARITY METHOD

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ABSTRACT

The purpose of the current research is to identify and rank the contributing factors to outstanding claims in Qhard Hassan Mehr Iran Bank. A descriptive-inferential method was used and the population consists of natural and legal persons contributing to outstanding claims in Qhard Hassan Mehr Iran Bank, a number of 14948 files at the time of the study. A stratified sampling method was used: the percentage each branch of the bank (the branches being studied) in the grand population is determined after calculating the proportion of the participants and then each sample is selected in random in relation with the proportion of that group in the population. The participants in the study were 117 individuals among those who have outstanding claims in the branches of Qhard Hassan Mehr Iran Bank. 116 out of 117 questionnaires were returned resulting in return rate of 99%. Out of these returned questionnaires 114 were useable; thus the final sample included 114 participants upon which the statistical analysis of this study is carried out. The instrument used was a researcher-made questionnaire with 20 close-ended questions, designed on a 5-scale likert with a Cronbach validity of 87%. Descriptive and inferential statistics (Kendal correlation coefficient and freedman test) was utilized to analyze data. In order to rank the contributing factors leading to outstanding claims in Qhard Hassan Mehr Iran Bank, FSIMILARITY method was used. The results indicated that all of the three hypotheses in this research were accepted with a 95% level of significance.

KEYWORDS

bank system; liability; applicant (customer); claims; security.

INTRODUCTION

One of the major problems banks and finance and credit institutes Nowadays face are the outstanding claims and unrecieved facilities of them, since the so called facilities has not been totally paid by the customers and part of the facilities remain in the accounts as outstanding claims. This is one of the fundamental problems the bank system of Iran suffers from; thus research in this regard and finding the origins of this problem to prevent the growth of outstanding claims in the offered facilities and/or collecting them potentially or actually, increases possibilities to earn new income and enables these institutions to make plans with regard to utilize recourses and earn higher income.

THEORETICAL BACKGROUND

By attracting wandering capital and correctly planning, the bank system improves and expands economic activities.

In this economic pattern, banks should offer facilities by considering security of the capital so that the principal and the expected profit be received in the due time; however, because of default in some of the facilities, large amounts of outstanding claims has been created. The presence of the necessary facilities related to the outstanding claims compensates the shortage of a considerable amount of bank resources and by leading these resources to production and service sections, develops and improves the country.

Banks are trustworthy to depositary holders. In order to follow honesty in an increasingly principled use of the resources and decreasing the likely dangers, effective managing, whilst following legal obligations by offering facilities to the customers, actual or legal, they should try to decrease outstanding claims . It means that the process of giving loans ought to be in a way that, in addition to collect the original resources, the expected interest should be returned (if possible) in the due time. This is of great importance regarding the young population of the country and the need to return the consumed resources as soon as possible in order to offer new facilities. According to huge amounts of outstanding claims and overdue maturity, it is necessary to examine the effective factors on the occurrence of and the increase in the outstanding claims and to prioritize these factors. And then appropriate solutions may be offered based on this knowledge.

This study, along with the identification of the effective factors on the occurrence of the outstanding claims , investigates the relationship between intra-organization and inter-organization factors of Qhard Hassan Mehr Iran Bank contributing to the outstanding claims , prioritizes them through new multi- variable decision making techniques, and finally suggests solutions to decrease outstanding claims and to raise the usefulness and effectiveness of the so called bank and also enabling it in offering facilities.

EMPIRICAL REVIEW

Hashemi Nodehi (1989) has studies "A survey of factors contributing to the outstanding and overdue of facilities in Bank Maskan in 1987-1989" in his MA thesis.

Najaf (2009) computed the factors contributing to outstanding claims by analyzing the main components and utilizing orthogonal varimax orbiting method as seen by managers and experts. Initial outputs showed that the correlation matrix determinant of 0.0007 equals a non-zero number, KMO equals 0.74, and the result of criot bartlet test equal to 1113.384 is statically significant, $p < .0001$. In the last output, the eight factors extracted by the way of pc method were rotated through varimax. The set of questions being correlated with a common factor forming a factor analysis are named as follows: 1) weakness in processes of expert giving loans; 2) subjective inferences in giving credits; 3) impressibility of the bank system of political and economic upheavals of the country; 4) difference in the rate of facilities offered to customers; 5) weakness in the process of mechanized giving facilities to customers; 6) weakness in the supervising and controlling processes over collecting the claims; 7) the weakness of juridical concerns in the process of collecting the Bank claims; 8) weakness in the process of taking security and utilizing it correctly. These factors specify 50/87 percent of the whole variance.

Morton (2003), in his study, considers non-performing facilities as a result of unfounded measures of credit, ineffective policies taken, taking risks without paying attention to the limited bankroll and wrong function indices.

One of the important studies considering this issue was done by Prashanth K. Reddy(2002) under the title of "the comparative study of the outstanding claims in the bank system of India in universal scale, similarities, differences and corrective movements". In this study, the major factors that are contributing to outstanding claims were examined from five Asian countries including China, Thailand, Korea, Japan and India.

Another research, "the outstanding claims, reasons and options", conducted by Shafiqh-ol-islam et al. (2005) was done about solving the problems of the non-performing loans. In this research, it was attempted to state some methods of the retrieval of the non-performing loans or the requirements concerning this process.

Gol dstein, & Turner, (1996), in their study, "Banking Crises in Emerging Economies: Origins and Policy Options" which was conducted in the International Accounts Settlements Bank, attempted to examine the reasons of the banking crises.

GU O Ning-ning (2007) studied "Causes and solutions of non-performing: loan in Chinese commercial banks". He examined causes of outstanding claims and in Chinese commercial banks and solutions suggested to solve this problem.

The next study belongs to Turkey conducted by Karabulut *ET. al.* (2002). In order to examine causes of the outstanding claims, the effect of insurance of the deposits without limit of the nonperforming was investigated.

In his study, "examining factors contributing to outstanding claims with overdue and options to solve them", Kazaj (2010) considers failure to attend to the credit risk of banks customers as the most important cause of outstanding claims in Iran.

Ruhi Zahrayi (2000), in his study, "options to prevent outstanding claims", divides causes of outstanding claims in two categories: a) causes not controlled by the bank including unstable huge economics, inference of the government (such as problems related to imperative determination of interest rate and the commitment of the banks to grant obligatory facilities), insolvency and inability of the debtor, etc. b) Factors under the control of the banks including ill management of financial resources and failure to form optimum portfolio in bank assets, weak management skills, problems in practice, imperfect management of risk, etc.

METHODOLOGY

The propose of the current study is to Identify and rank the contributing factors to outstanding claims in Qhard Hassan Mehr Iran Bank in which a descriptive survey was used. "A survey is a study in which the researcher makes use of questionnaires and interviews to discover people's beliefs, thoughts, perceptions and preferences." (Salimi, 1992). In this study questionnaires were used.

PARTICIPANTS AND SAMPLING

Various studies similar to this one have been done in different banks and some of them will be pointed out later. However, no research was found in which factors contributing to outstanding claims were ranked though multi- variable decision making techniques.

INSTRUMENTATION

Converting the responds to data is an integral part of a study. The researcher needs an instrumentation device for this conversion. Whenever a particular variable value is determined in a particular testee especially at a particular point in time, we say that we have measured that variable. Measurement includes rules to assign numbers to things, people or events in order to make them quantitative, (Human, 1997). Since choices depend on a measurement device and the research instrumentation depends on the purposes and the selected methodology, and the design of this study is a descriptive-survey, the appropriate instrumentation to collect data is questionnaires. So, a research-made questionnaire made up of 20 close-ended questions was used.

RESEARCH QUESTION

What is ranking the contributing factors to the outstanding claims in Qhard Hassan Mehr Iran Bank sequenced?

HYPOTHESES

1. There is a significant relationship between failure to have an appropriate supervision before, during and after granting facilities (such as considering an opportunity to pay the outstanding claims, weakness in the quality of the process and stages of inspection, failure to accurately evaluate financial and credit status of the applicant, warrantor(s), failure to properly assess the credit status of the warrantor(s), etc.) and occurrence of the outstanding claims Qhard Hassan Mehr Iran Bank during 2009 to 2013.
2. There is a significant relationship between instability of money and financial policies, lawful rules, legal governmental options (such as changes in status of trade markets by unpredictable changes in inflation rates and also in political relations across countries, drastic changes in currency rates which influences free imports of some goods which damage domestic manufacturing, etc.) and the appearance of the outstanding claims in Qhard Hassan Mehr Iran Bank during 2009 to 2013.
3. There is a significant relationship among intra-organization and inter-organization factors causing disorder in the process of paying the facilities (such as supervene incidents, Passing away of facilities' holder and problems regarding probate, absence of an integrated information system in the country, slow inspections in judicial courts, the small interest rate of facilities in relation to the cost of earning money in the unofficial market, etc.) and the appearance of the outstanding claims in Qhard Hassan Mehr Iran Bank during 2009 to 2013.

PROCEDURE

Analyzing Data was done in two phases; a descriptive and an inferential phase using Microsoft SPSS. In the descriptive phase statistical characteristics such as frequency, percentage, and standard deviation, and in the inferential phase freedman test, and Kendal correlation coefficient was used. In order to answer the research question (ranking the contributing factors to the outstanding claims in Qhard Hassan Mehr Iran Bank) multi- variable decision making techniques in a phase environment were used. (F-SIMILARITY technique)

DATA ANALYSIS

A Freedman test was used to test the hypotheses. As tables 1 and 2 show, According to the average rank of factors in Qhard Hassan Mehr Iran Bank, these factors were effective in the appearance of outstanding claims in this bank.

TABLE 1: RANKS OF FACTORS IN QHARD HASSAN MEHR IRAN BANK

factors contributing to outstanding claims	average rank	Priority in contributing to non-performing demand
changes in status of trade markets by unpredictable changes in inflation rates	10.94	5
changes in status of trade markets by unpredictable changes in political relations between countries	10.58	7
Drastic changes in currency rates impacting feasibility of projects and eliminate the motivation to reimburse them.	12.39	2
free imports of some goods which damage domestic manufacturing and domestic manufacturers lose the opportunity to sell and repay facilities	9.15	16
Changes in tariffs or imports and exports of goods	10.34	11
Annual budget waivers and obligation of banks to grant note and task facilities in projects with low yields	10.33	12
Appearance of force majeure incidents	10.3	13
Passing away of facilities' holder and problems regarding probate.	6.9	20
absence of an integrated information system in the country	7.35	19
slow inspections in judicial courts	11.96	3
Trusting in or being hopeful for authorities with regard to giving time to pay the outstanding claims	9.42	15
weakness in the quality of the process and stages of inspection of granted facilities	10.67	6
Failure to correctly evaluate financial and credit status of the applicant, warrantor(s)	10.49	8
the small interest rate of loss in relation to the cost of earning money in the unofficial market	40.47	9
Absence of an integrated information website in the bank	8.74	18
Absence of a system of accurate evaluation of customers and absence of a strong group of experts and absence of financial consulting institutes	13.36	1
Absence of an effective management over assets items	10.25	14
slowness of administrative collection routine of claims according to the existent provisions of the law	10.42	10
Remission of the delay fine when settling debts in some cases	9.12	17
Failure to acquire valuable and valid securities by the banks	11.93	4

TABLE 2: STATISTICS OF FREEDMAN TEST IN QHARD HASSAN MEHR IRAN BANK

Number	114
Square K	218/543
Degree of freedom	19
Degree of significance	0/000

Variables showing bank supervision include:

Failure to acquire valuable and valid securities by banks - absence of an integrated information database in the bank – failure to accurately assess the financial and credit status of the applicant, warrantor(s)- Remission of the delay fine when settling debt in some cases - trusting in or being hopeful for authorities with regard to giving time to pay the outstanding claim- weakness in the quality of the process and stages of inspection of granted facilities- absence of a system of accurate evaluation of customers and shortage of a strong group of experts and absence of financial consulting institutes.

1. As shown in table.3, the correlation relationship between supervision of the bank and the appearance of the outstanding claims has been calculated. The determined relationship is significant, as sig is smaller than 0.05.

TABLE 3: RELATIONSHIPS BETWEEN SUPERVISION OF THE BANK AND OUTSTANDING CLAIMS

Amount of outstanding claims in Qhard Hassan Mehr Iran Bank			
0.23	Correlation coefficient	supervision of bank	Kendal Correlation coefficient
0.033	Sig		
114	Number		

2. Instability of money and financial policies, lawful rules, legal governmental options, in 2009 to 2013 was among causes of outstanding claims in Qhard Hassan Mehr Iran Bank.

The variables that are considered as the components of money and financial policies, and the lawful rules include:

Annual budget waivers and obligation of banks to grant note and task facilities in projects with low yields - free import of some goods which damage domestic manufacturing and domestic manufacturers lose the opportunity to sell and repay facilities. - Changes in tariffs and/or imports and exports of goods - changes in status of trade markets by unpredictable changes in inflation rates - Drastic changes in currency rates impacting empirical justifiability of plans and eliminate the motivation to reimburse them. - Changes in status of trade markets by unpredictable changes in political relations across countries

TABLE 4: THE RELATIONSHIP BETWEEN MONEY AND FINANCIAL POLICIES, AND THE LAWFUL RULES

Amount of outstanding claims in Qhard Hassan Mehr Iran Bank			
.018	Correlation coefficient	money and financial policies, and the lawful rules	Kendal Correlation coefficient
0.024	Sig		
114	Number		

According to table 4 and that the calculated sig is smaller than 0.05, it can be concluded that there is a significant relationship between money and financial policies, and the lawful rules and Amount of outstanding claims in the bank.

3. It seems that the interfering intra- and inter-organization factors in the process of paying for the facilities, except for the above factors, were among factors contributing to outstanding claims in Qhard Hassan Mehr Iran Bank

Independent variables in this hypothesis include:

slowness of administrative collection routine of claims according to the existent provisions of the law - slow inspections in judicial courts -the small interest rate of loss in relation to the cost of earning money in the unofficial market - changes in status of trade markets by unpredictable changes in political relations across countries - Occurrence of force majeure incidents - Passing away of facilities' holder and problems regarding probate - Absence of an effective management over assets items - absence of an integrated information system in the country.

As shown the table. 5, the correlation relationship between the interfering intra- and inter-organization factors and Amount of outstanding claims in Qhard Hassan Mehr Iran Bank, has been calculated. The relationship is a significant one, as sig equals 0.024. This means that the relationship is significant at 5% level of error.

TABLE 5: THE RELATIONSHIP BETWEEN THE INTERFERING INTRA- AND INTER-ORGANIZATION FACTORS IN QHARD HASSAN MEHR IRAN BANK

Amount of outstanding claims in Qhard Hassan Mehr Iran Bank			
0.15	Correlation coefficient	the interfering factors	Kendal Correlation coefficient
0.024	Sig		
114	Number		

Ranking of effective factors contributing to outstanding claims in Qhard Hassan Mehr Iran Bank using Fsimilarity

FIRST STEP: ESTABLISHING DECISION MATRIX

For establishing decision matrix, effective factors contributing to the outstanding claims in row and presented answers by members of statistical population have been placed in the column. It was assumed that scale of the entire individuals was the same in presenting the answers. Some part of decision matrix in current research is as follows:

TABLE 6: DECISION MATRIX

Decision Matrix	Case 1	Case 2	Case 3	Case 4	Case 5
Free import of some goods which damage domestic manufacturing and domestic manufacturers missed selling opportunities and reimbursement of facilities.	3	4	3	1	2
Passing away of facilities' holder and problems regarding probate.	4	2	1	2	2
Absence of an integrated database in banks.	3	3	2	3	3

SECOND STEP: PHASING THE ANSWERS BY MEMBERS OF THE SAMPLE

In order to faze numbers, we use triangular phase numbers. Some parts of matrix of the phase answers are shown in table 17-4:

TABLE 7: PHASING PRESENTED ANSWERS

phase Decision Matrix	Case 1			Case 2		
Free imports of some goods which damage domestic manufacturing and domestic manufacturers lose the opportunity to sell and repay facilities.	4	5	6	5	6,5	8
Passing away of facilities' holder and problems regarding probate.	5	6,5	8	3	3,5	5
Absence of an integrated database in banks.	6	5	4	6	5	4

THIRD STEP: NORMALIZATION OF DECISION MATRIX:

For doing this job, each member of each column has been divided to the maximum number of that column:

TABLE 8: NORMALIZED DECISION MATRIX

Normalizing phase Decision Matrix	Case 1			Case 2		
Free imports of some goods which damage domestic manufacturing and domestic manufacturers lose the opportunity to sell and repay facilities.	0.666667	0.833333	0.666667	0.625	0.8125	1
Passing away of facilities' holder and problems regarding probate.	0.833333	1.083333	0.888889	0.375	0.4375	0.625
Absence of an integrated database in the bank.	0.666667	0.833333	0.666667	0.5	0.625	0.75

FOURTH STEP: DEFINITION OF POSITIVE AND NEGATIVE IDEAL VECTORS

The maximum and the minimum amount of each column of the previous table are respectively defined as the positive ideal and the negative ideal.

TABLE 9: DEFINITION OF THE POSITIVE AND THE NEGATIVE IDEAL

I ⁺	1.166667	1.333333	1	0.625	0.8125	1
I ⁻	0.5	0.583333	0.555556	0.125	0.25	0.375

FIFTH STEP: DEFINITION OF POSITIVE SIMILARITY (S+) AND NEGATIVE SIMILARITY (S-)

By using the following formulas separately for low, medium and high bound of each phase number:

$$S^+ : \frac{X}{|I^+|} = \frac{\cos \theta |A_i|}{|I^+|}$$

$$S^- : \frac{X}{|I^-|} = \frac{\cos \theta |A_i|}{|I^-|}$$

For example, table of calculating negative and positive similarities for low bound of phase numbers is as follows:

TABLE 10: CALCULATING NEGATIVE AND POSITIVE SIMILARITIES

	Cos θ +	S+	Cos θ -	S-
Free imports of some goods which damage domestic manufacturing and domestic manufacturers lose the opportunity to sell and repay facilities.	0.877445	0.50917	0.841402	0.433412
Passing away of facilities' holder and problems regarding probate.	0.904737	0.594133	0.824479	0.373522
Absence of an integrated database in the bank.	0.910652	0.616008	0.837245	0.367875

SIXTH STEP: FINAL RANKING

TABLE 11: FINAL RANKING OF FACTORS

A20	A19	A18	A17	A16	A15	A14	A13	A12	A11	A10	A9	A8	A7	A6	A5	A4	A3	A2	A1		
1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0.87565	1	A1	
1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	A2	
1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0.572677	0.74337	A3	
1	1	0.78087	0.935322	0.94034	1	1	0.947877	0.906428	1	0.816749	1	1	1	1	0.969859	1	0.704379	0.442168	0.563601	A4	
1	1	0.636503	0.92815	0.939048	1	1	0.952241	0.87433	1	0.703274	1	1	1	1	1	1	0.49458	0.066984	0.2967	A5	
1	1	0.534802	0.840927	0.882357	1	1	0.893317	0.795788	1	0.60703	1	1	1	1	0.918426	0.991506	0.38066	0	0.192323	A6	
0.458036	0.723233	0.506456	0.608336	0.661074	0.709802	0.864104	0.66022	0.605404	0.704505	0.533599	0.80369	1	1	0.62345	0.631197	0.684744	0.447415	0.253352	0.357552	A7	
0.680231	0.83497	0.634874	0.714587	0.742384	0.781774	0.894992	0.743256	0.707676	0.777795	0.655213	0.851262	1	0.997452	0.733693	0.731947	0.76494	0.590873	0.438043	0.512671	A8	
0.792178	1	0.648169	0.787028	0.818473	0.887777	1	0.822165	0.770033	0.881172	0.682329	1	1	1	0.832782	0.818308	0.863846	0.574716	0.329775	0.452205	A9	
1	1	0.956306	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0.864352	0.543356	0.679685	A10
1	1	0.771781	0.922432	0.929696	1	1	0.936786	0.895038	1	0.806955	1	1	1	0.988911	0.956085	0.987175	0.696735	0.439488	0.559082	A11	
1	1	0.808951	1	1	1	1	1	1	1	0.863865	1	1	1	1	1	1	1	0.692887	0.314217	0.49395	A12
1	1	0.822354	0.99696	0.990141	1	1	1	0.960083	1	0.861958	1	1	1	1	1	1	1	0.738244	0.450267	0.581464	A13
0.772087	1	0.668045	0.777076	0.803935	0.858538	1	0.806552	0.764252	0.853283	0.695072	0.948558	1	1	0.81034	0.80115	0.838694	0.609844	0.410357	0.507301	A14	
1	1	0.759611	0.912694	0.921885	1	1	0.928872	0.885469	0.993095	0.795468	1	1	1	0.979452	0.946984	0.979726	0.683074	0.422034	0.544474	A15	
1	1	0.867039	1	1	1	1	1	0.977119	1	0.898868	1	1	1	1	1	1	1	0.799425	0.559958	0.664251	A16
1	1	0.723071	1	0.989031	1	1	1	0.941111	1	0.785026	1	1	1	1	1	1	1	0.591817	0.181341	0.389091	A17
1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0.883899	0.488013	0.656359	A18
1.216811	1	3.86449	2.224129	11.38937	3.123892	2.082929	5.594997	3.031142	3.221541	3.535453	1.986127	1	1	1.62778	2.025955	2.661684	4.541854	16.479544	52.90527	A19	
1	1	0.883961	0.948855	0.949988	0.984372	1	0.953429	0.93638	0.981408	0.899129	1	1	1	0.975074	0.962535	0.975588	0.851574	0.730387	0.780429	A20	
0.458036	0.723233	0.506456	0.608336	0.661074	0.709802	0.864104	0.66022	0.605404	0.704505	0.533599	0.80369	1	0.997452	0.62345	0.631197	0.684744	0.38066	0	0.192323	Min	
17	5	16	13	9	6	3	10	14	7	15	4	1	2	12	11	8	18	20	19	Rank	

Considering the created ranks, the most effective factors contributing to the outstanding claims in Qhard Hassan Mehr Iran Bank including:

- 1 Absence of accurate evaluation system of customers and shortage of an efficient expert group and absence of financial consulting institutes.
- 2 The slow legal process in judicial courts.
- 3 Absence of the necessary precision regarding financial and credit status of the warrantor(s).
- 4 Changes in the trade market status due to unpredicted changes of inflation rate.
- 5 Drastic changes of currency rate impacting economical justifiably of the plans and eliminate reimbursement motivation.

- 6 Weakness in the Quality of process and stages of investigating granted facilities.
- 7 Changes in customs' tariffs or changes in exporting and importing goods.
- 8 Slowness of administrative procedure of collection of claims according to existent regulations.
- 9 Low level of delay damage rate in relation to cost of earning money in the unofficial market.
- 10 Failure to acquire valuable and valid securities by banks.
- 11 Changes in the trade market status due to changes in political relations across countries.
- 12 Occurrence of force majeure incidents.
- 13 Absence of an effective management on assets items.
- 14 Changes in customs' tariffs or changes in exporting and importing goods.
- 15 Trusting in or being hopeful of authorities to give an opportunity to pay for the outstanding claims.
- 16 Absence of integrated information system in the country.
- 17 Remission of the delay fine when paying up debt in some cases.
- 18 Absence of an integrated data base in the bank.
- 19 Free import of some goods which damage domestic manufacturing and domestic manufacturers lose the opportunity to sell and repay facilities.
- 20 Passing away of facilities' holder and problems regarding probate.

SUGGESTIONS

Suggestions which are presented below are based on the priority which is obtained from FSIMILARITY method in the major question of the research.

- 1) By using the calculation of various financial ratios such as the ratio of debt to capital, etc. concerning financial and credit status of the warrantor(s) the necessary precision be taken.
- 2) Drastic changes in currency rate impact economical justifiably of the plans and eliminate reimbursement motivation. So, it is suggested that, (after considering these changes), transactions and estimations be made based on currencies which has more relative stability.
- 3) By using information and communications technology and re-examining the processes, weakness in quality of the process and stages of examining the granted facilities, be resolved.
- 4) Since annual wavers of budget laws and obligation of banks to grant note and task facilities in projects with low yields, has been one of the factors contributing to outstanding claims, it is suggested that banks, within their authorities, be more careful in taking securities and warrantor(s) of these loans.
- 5) By accurate prediction of interest rate in future periods, changes in status of trade markets be estimated and considered in offering facilities.
- 6) Taking securities other than property securities may impose high risks to the banks, so it is suggested that property securities be requested as much as possible in high amounts.
- 7) Since there is possibility of change in status of trade markets due to changes in political relations across countries, it is suggested that reconsideration of presenting loans be considered by accurate review of the level and type of relations with other countries.
- 8) Since Occurrence of supervene incidents, Passing away of facilities' holder and problems regarding probate are factors of outstanding claims, some measures should be taken that payments of claims not be depend on individuals. This matter is feasible through taking proper securities, reliable warrantors and finally insuring the loans.
- 9) By creating and developing consulting and expert section, the loans will be conducted in directions which have the lowest risk and market economic and technical justification.
- 10) Since changes in customs' tariffs or creating change in exporting and importing goods may result in outstanding claims, so it is suggested that these factors be considered in presenting loans.
- 11) It should be considered that being hopeful toward authorities for extending the deadline of paying outstanding claims, be considered as a principal.

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AN INVESTIGATION INTO THE IMPACT OF MICROFINANCE LOANS ON PERFORMANCE OF SMALL BUSINESSES: A CASE STUDY OF MERU SOUTH DISTRICT-KENYA

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ABSTRACT

Access to financial services by self-employed persons in small business enterprises is one of the limiting factors that inhibit growth and development of these small businesses. The problem of accessibility is created by s lending policies. This is displayed in the form of prescribed minimum loan amounts, complicated application procedures and restricting credit for specific purposes. For small business enterprises, reliable access to short-term credit and small amounts of credit is more valuable and appropriate in credit programs aimed at such enterprises. High interest rates charged on loan by lenders make small businesses unable to borrow. Hence, there is a need to look for better ways to provide financial services to these small businesses whose collateral base is limited. In this study, microfinance loan (microcredit) is seen as a way to facilitate economic activities through creation of a financial market for small businesses. Provision of financial services to the small businesses will enable them to start economic activities. The objective of this study was to derive the relationship between provision of microfinance loans to small businesses and their performance in relation to their sales. The researchers used both primary and secondary data for the investigation. Descriptive and inferential statistics were used to analyze the study findings. Efficient service delivery, lower savings, low interest, simple interest rates, loans to poor people and easily accessed makes MFI more popular. Indeed, those small businesses that were able to obtain MFI loans reported increased sales revenue.

KEYWORDS

Business, Loans, Microfinance, Performance.

INTRODUCTION

BACKGROUND TO THE STUDY

The world's poor have little access to the financial products and services that help those in the developed world bridge the gap during rough times. According to a study conducted in Kenya in 2006, about 6.5 million out of the 17.4 million adult Kenyans are unserved by financial system, while Microfinance Institutions (MFIs) and SACCOs take care of some 1.3 million people. In many cases, mainstream commercial banks are the main available sources of capital. They provide loans to smooth incomes during rough times or help individuals improve their small businesses. But they do so at exorbitant interest rates. The lack of adequate credit facilities in Kenya's rural areas is a significant obstacle to building rural financial market.

The Kenya Government has since the early 1990's shown an interest in the development of small business enterprises. It has been aided by donors such as the World Bank, UNDP, USAID, the European Union, Ford Foundation and CIDA. In a survey carried out in rural Indonesia, Mosley (1996) reports that as many as 70% of the households interviewed borrowed from informal lenders. These informal alternatives exist in such forms as family loans, savings clubs, money lenders and merry-go-round. They are usually limited by amount, rigidly administered or available only at exorbitant interest rates. Access to financial services acts as a buffer for sudden emergencies, business risks, seasonal slumps or events such as floods or death in the family events that can push a poor family into destitution. Those promoting microfinance for women see it as initiating a virtuous upward spiral of economic, social and political empowerment. Microfinance programmes have generally targeted women as clients. Women have proved to be more financially responsible. The expansion of credit programme for women in Africa dates back to the mid - 1980s but increased dramatically in the late 1990s and into the 21st century.

LITERATURE REVIEW

According to Sebta and Gregory (1996), microfinance is a small-scale financial service to clients that are economically active in various urban and rural areas. According to them, microfinance has been proven to be effective in fighting poverty by providing entrepreneurial activities and financing small businesses in both urban and rural areas. Microfinance activities are also associated with initiatives that results in a positive impact on social and human development, for example, studies have found they lead to positive changes in micro-enterprise output, assets, employment and income. In addition to these effects on the entrepreneurial activity of the poor, microfinance is being attributed to positive effects on issues such as household income, savings, children's education, health and nutrition and women's empowerment (Sebsta & Gregory, 1996).

While microfinance is not a panacea to eradicate poverty, Juan Somavia, Chile's Permanent Representative to the United Nations stated at the micro-credit summit in February 1997 that it is "a new and already tested tool for discovering new solution to an old and intractable problem". He adds that; what I like most about micro-credit is that it builds on age-old human instinct: the need to believe in ourselves and use our imagination to dare take risk all in pursuit of the most worthwhile of all causes - the advancement of yourself and community. According to a survey carried out in Asia, Zeller and Sharma (1998), there are lessons that can be learnt from studying the relationship between the informal lenders and their poor clients. These include the following: First, a credible long-term relationship is key to enforcing loan repayment. The borrower will repay the loan if he or she expects to be able to borrow again in the future. Second, financial services should be tailored to the demand of the borrowers, for example farm loans that can only be used for seeds or fertilizer reduce the flexibility of

household to make the use of loan, for example a farmer needs working capital to plant the seeds. More so decision making on loans granted should be made at the local level and institutions out to have clear plans for loan recovery before lending begins. Lastly, saving services should be provided and incentives for managers of rural financial programme should be built into the programmes.

INNOVATIONS KEY TO FINANCIAL SERVICES FOR THE POOR AND SMALL BUSINESSES

Recently, microfinance institution designed to serve the poor, such as the Grameen Bank in Bangladesh, have received wide attention, but these institutions depend on subsidies from national governments and international donors. Zeller & Sharma (1998) argue that these subsidies represent good investments of public funds on two accounts; they enable services, to be offered that the market place is not willing to provide on its own and they have been proven in the growth of small businesses and alleviate poverty. Although excessive government interference and rigid regulations have suppressed innovations in financial services, liberalization of financial markets alone has not been able to trigger the kind of innovation that reduces transactions costs for the poor. Rural financial markets in developing countries have inherent problems that make investment risky and costly, clients are too scattered, rural clients all want to borrow at the same time (in the pre-harvest season) and to save immediately after the harvest and the poor own few assets to secure loans. Private sector financial institutions are reluctant to take on these risks.

MICROFINANCE LOANS AND WOMEN'S EMPOWERMENT

The expansion of credit programmes for women in Africa dates back to the mid - 1980s but increased dramatically in the late 1990s and into the years after 2000. From 1950s poverty - targeted credit become an established part of many large - large scale agricultural programme. In Zimbabwe, Cameroon and elsewhere saving clubs and credit unions were set up for women and men by missionaries' (Mayoux 1998). By 1980s, gender lobbies within some governments and aid agencies were attempting to increase women's access to credit and savings within this wider context of poverty – targeted microfinance to start and expand small businesses. It is further assumed that support for female entrepreneurs will increase women's employment more generally tapping underutilized resources for economic development, Downing (1991).

Although access to microfinance from Kenya rural enterprise programme (K-Rep) and Care Kenya, for women has been made possible through different programmes, evidence indicates there are still continuing widespread barriers to women's access in many programmes. This is partly because of regulations in many mixed-sex programme e.g collateral requirements or targeting of services to particular activities where men predominate or have an advantage and/or opposition of female programme members ACORD (1996). Even in women only or women targeted programme women were being prevented from participating because of opposition from husbands and/or requirements for husband's signature in loan application (Kamaragi, 1997).

THE MILLENNIUM DEVELOPMENT GOALS (MGDs)

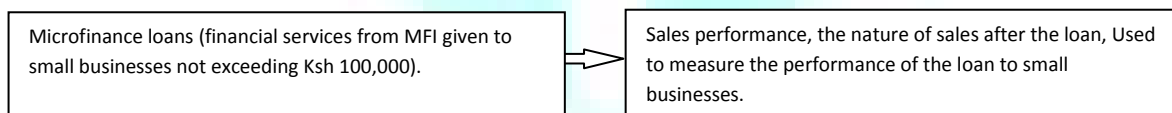
Nine years ago, leaders from 189 countries agreed on a vision for the future. They agreed to create a world in which developed and developing countries work in partnership for the betterment of all. This vision took the shape of eight millennium development goals which are providing countries around the world with a framework for development goals. The MDGs are drawn from the action and target contained in millennium declaration that was adopted by 189 nations and signed by 147 heads of states and governments during the UN millennium summit in September 2000. The eight MDGs include eradicating extreme poverty and hunger, achieve universal primary education, promote gender equality and empower women, reduce child mortality, improve maternal health, combat HIV/AIDS malaria and other diseases, ensure environmental sustainability and develop global partnership for development.

Annual report (2007) from Department for International Development indicates that progress towards the MDGs has been significant since the year 2000 but unequal across the world. It indicates that China for example has made huge strides in many of the goals although child mortality and combating HIV and other diseases remain a challenge. This report indicates that there is a general progress in some goals but lagging in majority of the goals. Sub-Saharan Africa is particularly off track to meet any of the targets by 2015.

CONCEPTUAL FRAMEWORK

Microfinance loans to small businesses increase the capital for the business. This will give the business more cash flow which enables them to buy in bulk, thus able to get quantity and cash discounts. These discounts that are offered to the business are extended to the consumers by giving them lower price which lead to more sales for the business which lead to increase in sales turnover and thus more profit for the business. More sales for the business lead to increase in sales turnover and thus more profit for the business and business expansion.

Micro-finance loans increase capital for small businesses.



Source: Researcher (2012)

SIGNIFICANCE OF THE STUDY

This study will assist various stakeholders, in policy formulation and implementation in financial framework for provision of credit facilities to small businesses. These include; microfinance institutions, government in financial framework to provide credit facilities and other money lending institutions concerning the need to adopt and put emphasis to small lending on small businesses for economic development.

LIMITATIONS

- i. Microfinance is not very well-developed and thus the respondent were scattered. This made it impossible to reach some respondents.
- ii. There was refusal by some respondents to give information concerning their businesses and income which biased the sample in a way that is not readily evident.
- iii. High illiteracy levels affected the quality of data collected.

STATEMENT OF PROBLEM

Financial services are not adequately available in Kenya (Kimotho, 2007). Non-availability is further compounded by interest rates charged on loans by the main stream commercial banks. Second, the poor who need financial services more usually have no collateral which is a necessity to borrow loans from the mainstream banks. The result is inadequate financial services for small businesses and insufficient credit facilities that are important for economic development. Inadequate availability of credit facilities from financial institutions inhibits growth and expansion of small businesses. Microfinance loans may be a way to bridge this gap by providing finances to the small businesses in the rural areas. The study therefore aimed at investigating the impact of microfinance loans on the performance of small businesses and hence the general economic development of the country.

OBJECTIVES OF THE STUDY

The purpose of this study was to find out whether there is any correlation between provision of microfinance loans to small business and their performance.

SPECIFIC OBJECTIVES

- i. Establish the nature of correlation between level of sales and MFI loans.

- ii. To find out the correlation between sales and MFI.
- iii. To find out the amount of variances in sales explained by MFI loans.

RESEARCH QUESTIONS

- i. What is the nature of correlation between sales and amount of MFI loans?
What is the correlation coefficient between MFI loans and Sales?
- ii. What percentage of sales variances is explained by MFI loans?

RESEARCH METHODOLOGY

The research adopted a descriptive design to investigate the casual relationship between variables and give additional information concerning variables of interest. The study targeted all small business owners who had acquired loans from Kenya Rural Enterprises Programme (K-Rep) in Meru South District, a microfinance institution. Systematic random sampling method was used to select forty one respondents interviewed in the study. The research instrument used in the study was structured open and closed-ended questionnaire comprising a series of questions dealing with some psychological social, educational topics.

PILOT STUDY

The research instrument was presented to establish their validity and reliability. The researcher sought expert advice from the supervisor. Any ambiguities detected in the questionnaire were corrected before actual administration to the sampled respondents.

VALIDITY

Orodho (2004:184) defines validity as the degree to which a test measures what it purports to measure. Mugenda and Mugenda (1999:99) quoting Gay (1982) define validity as the degree to which results obtained from data analysis actually represent the phenomenon under study.

RELIABILITY

Mugenda and Mugenda (1999:95) posit that reliability is a measure of degree to which a researcher instrument yields consistent results or data after repeated trials. Reliability of the research instrument was assessed using the split half method whereby the test was divided into two equivalent halves and score of one half correlated with those of the other half (Koul, 1984).

DATA COLLECTION

Primary data were collected using a questionnaire. The questionnaire was administered by the researcher with the help of research assistants. Both open-ended and closed-ended questionnaires were used so as to capture a wide variety of information from respondents. Secondary data was sought from the available research reports and other documented sources kept by microfinance institutions.

DATA ANALYSIS

Descriptive and inferential statistics were used. These were used to describe and summarize the basic features of the data in the study, whereas the inferential statistics were used to infer the sample results to the population. The statistical Package for Social Science (SPSS) and Microsoft Excel were used to analyze the data to obtain frequency tables, percentage frequencies, mean, range, pie charts and bar graphs. Open-ended questions were coded by grouping responses according to recurring themes.

DATA ANALYSIS AND PRESENTATION OF FINDINGS

INTRODUCTION

This study probed the impact of microfinance loans on the performance of small businesses in Meru South District.

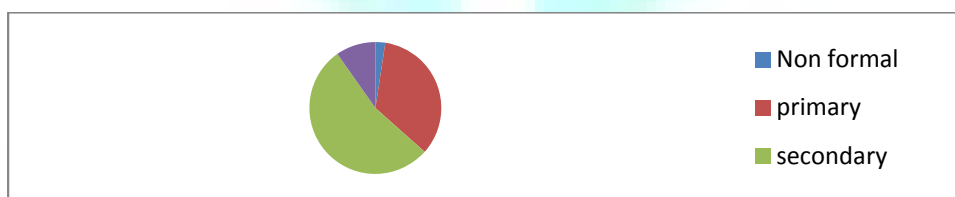
EDUCATION LEVEL

More than half of the respondents 22(53.7%) had attained secondary of education, 4(9.8%) above secondary, 14(34.1%) primary and 1(2.4%) non-formal education. Mean level of education = 2.71, Range = 3, Median = 3.00, SD = 0.680) (Fig. 4.1)

EDUCATIONAL LEVEL

TABLE 1

Education level	No. of respondents	% percentage
Non-Formal	1	2.4
Primary	14	34.1
Secondary	22	53.7
Post secondary	4	9.8



The respondents operated diverse types of businesses ranging from grocort 8(19.5%), hotel/kiosk 6(14.6%), hardware 1(2.4%), butchery 2(4.9%), farming 6(14.6%), shop 6(14.6%) saloon 3(7.3%), shoe maker 1(2.4%), jua kali 2(4.9%), mechanics 2(4.9%), photography 1 (2.4%), boutique 1 (2.4%), transport 1 (2.4%) and bar/restaurant 1 (2.4%) (Table 2).

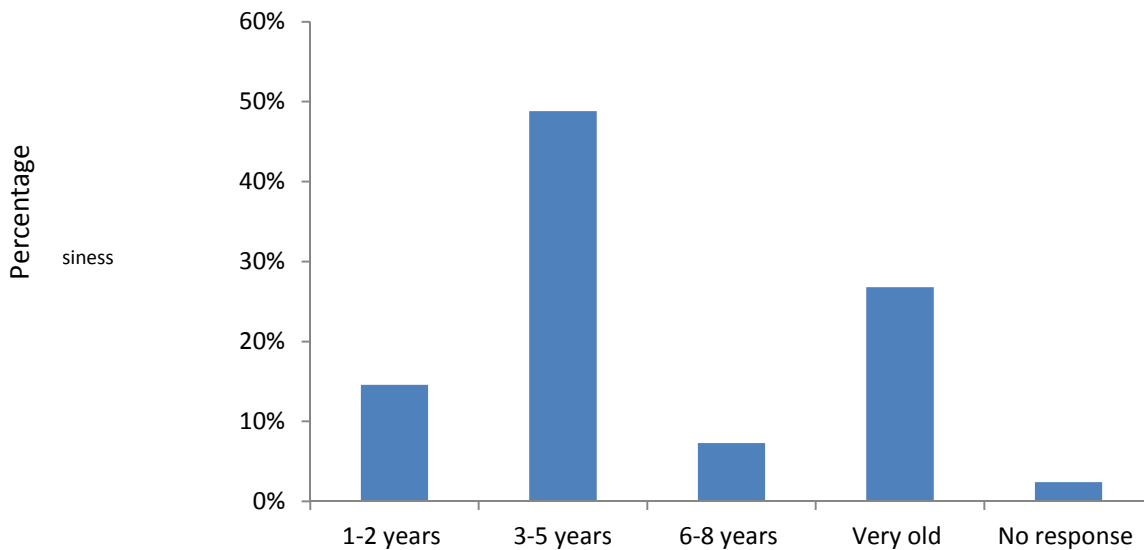
TABLE 2: TYPE OF BUSINESS

Type of business	Frequency	Percent
Grocery	8	19.5
Hotel/Kiosk	6	14.6
Hardware	1	2.4
Butchery	2	4.9
Farming	6	14.6
Shop	6	14.6
Saloon	3	7.3
Shoe maker	1	2.4
Jua kali	2	4.9
Mechanics	2	4.9
Photography	1	2.4
Boutique	1	2.4
Transport	1	2.4
Bar/restaurant	1	2.4
Total	41	100.0

Nearly half of the businesses 20 (48.8%) had operated for 3 – 5 years while the rest 6 (14.6%) 1.2 years, 3 (7.3%) 6-8 years, 11 (26.8%) very old and 1 (2.4%) did not comment (Fig. 1).

AGE OF BUSINESS

FIG. 1 AGE OF BUSINESS

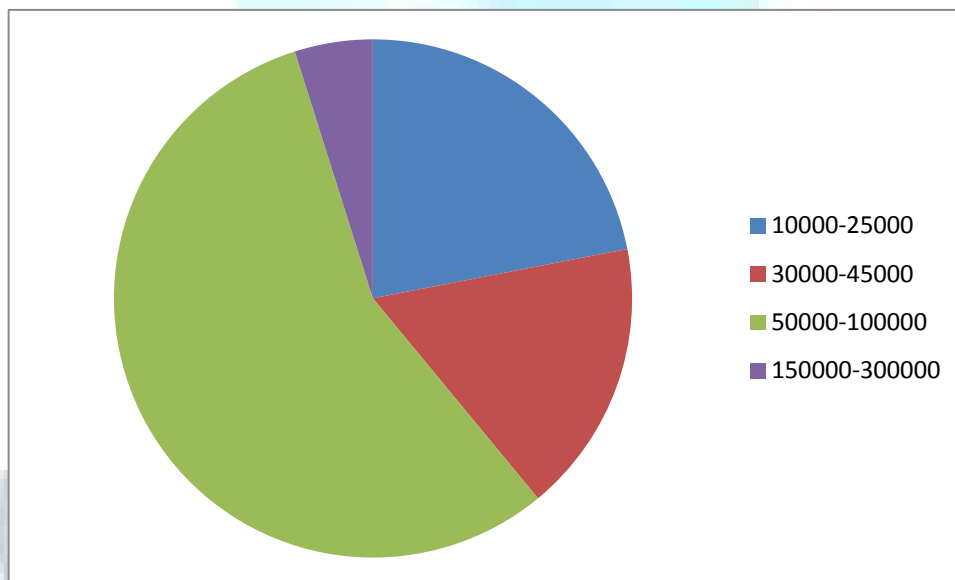


The Nature of Correlation Between Sales and MFI Loans

More than fifty percent of the respondents 23 (56.1%) indicate that they had borrowed between 50,000 – 100,000 from MFIs, 9(22%) borrowed between 10,000 – 25,000, 7 (17.1%) borrowed between 30,000 – 45,000 while only 2 (4.9%) had borrowed between 150,000 – 300,000 (Table 3).

TABLE 3: BORROWED MONEY

Borrowed money	Frequency	Percentage
10,000 – 25,000	9	22.0
30,000 – 45,000	7	17.1
50,000 – 100,000	23	56.1
150,000 – 300,000	2	4.9
Total	41	100.0



Most of the respondents 29 (70.7%) indicated that they used borrowed funds from MFIs primarily on regular and constant part of personal/business financing, 5 (12.2%) spent it on cyclical personal/business financing, 5 (12.2%) spent on seasonal personal/business financing while the rest 2 (4.9%) used it on non-spontaneous needs (Table 4).

TABLE 4: PRIMARY USE OF FUNDS

Primary use for funds	Frequency	Percent
Regular personal/business Financing	29	70.7
Cycling personal/business Financing	5	12.2
Seasonal personal/business Financing	5	12.2
Non-spontaneous needs	2	4.9
Total	41	100.0

Majority of the respondents indicated that the loans they obtain from MFIs always required collateral, 2 (4.9%) said occasional collateral, 7 (17.1%) non-collateral loans and 1 (2.4%) did not comment (Table 5).

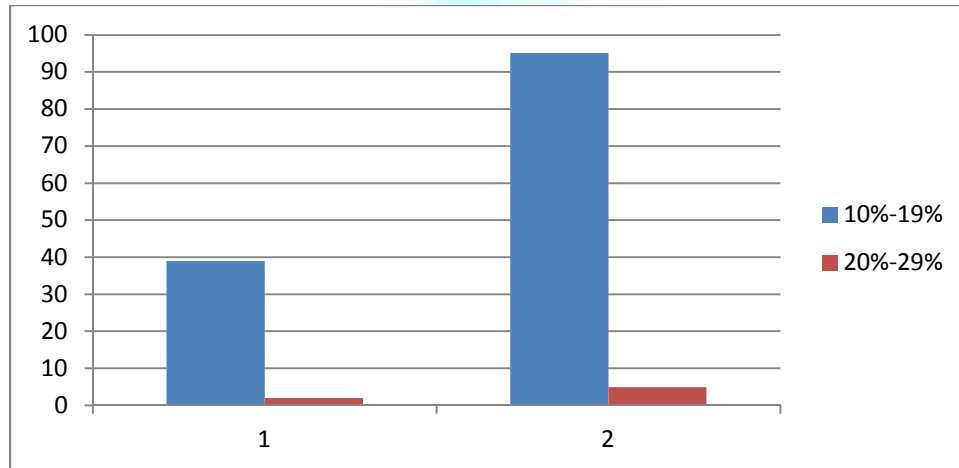
TABLE 5: COLLATERAL LOANS

Collateral loans	Frequency	Percent
Non-collateral loans	7	17.1
Occasional collateral Loans	2	4.9
Always required Collateral loans	31	75.6
No response	1	2.4
Total	41	100.0

Most of the respondents 39 (95.1%) estimated their annual interest rate on loans obtains from MFIs at between 10% - 19.9% while the rest 2 (4.9%) said it was between 20% - 29.9% (Table 6).

TABLE 6: ESTIMATED ANNUAL INTEREST RATE

Estimated Annual Interest Rate	Frequency	Percent
Between 10% - 19%	39	95.1
Between 20% - 29.9%	2	4.9
Total	41	100



Fifteen (36.6%) of the respondents indicated that what they liked most about MFI financing is efficient service delivery, 3 (7.3%) said weekly payments/short period, 8 (19.5%) lower savings/low interest, 2 (4.9%) simple interest rates, 2 (4.9%) loan poor people, 2 (2.9%) high interest rate and 9 (22%) easy access than banks (Table 7).

TABLE 7: LIKED THINGS ABOUT MFI FINANCING

Liked things about MFI financing	Frequency	Percent
Weekly payments/short period	3	7.3
Lower savings/low interest	8	19.5
Efficient service delivery	15	36.6
Simple interest rates	2	4.9
Loan poor people	2	4.9
High interest rate	2	4.9
Easy access than Banks	9	22.0
Total	41	100.0

Twelve respondents indicated that what they dislike most about MFI financing was weekly meetings and payments, 9 (22%) high interest, 4 (9.8%) no individual loan, 4 (9.8%) group guaranteeing/forfeiture, 3 (97.3%) delay of cheque processing, 2 (4.95%) lower grace period/lower savings while 4 (9.85%) had nothing to complain about MFIs.

The amount of Variances in Sales Explained by MFI Loans

More than half of the respondents 22 (53.7%) indicated that sales revenue of their business increased after MFI loan, 16 (39%) strongly agree while 3 (7.3%) strongly disagree (Fig. 4.5).

	No.of respondents	% percentage
Agree	22	53.7
Strongly agree	16	39
Disagree	3	7.3
Total	41	100



SUMMARY

This study examined the impact of microfinance loans on the performance of small businesses in Meru South District using descriptive study design. Data was collected from both primary and secondary sources. Primary data were collected using self-administered questionnaires. Secondary sources included libraries and other documented sources kept by microfinance institutions. Data were analysed using Statistical Package for Social Sciences (SPSS) to obtain frequency tables, percentage frequencies, mean, range, bar graphs and pie charts. A sample of forty one respondents operating diverse types of businesses participated in the study.

The study established that more than fifty percent of the respondents had borrowed between Kshs. 50,000 – 100,000 from MFIs. It emerged that most of the respondents used borrowed funds from MFIs primarily on regular and constant part of personal/business financing. Majority of the respondents indicated that the loans they obtain from MFIs always required collateral and attracted an annual interest rate at between 10% - 19.9%. MFI financing is liked because of efficient service delivery, weekly payments/short period, lower savings/low interest, simple interest rates, loans to poor people and easily accessed compared to Banks. Some respondents dislike MFI financing because of weekly meetings and payments, high interest, no individual loan, group guaranteeing/forfeiture, delay of cheque processing and lower grace period/lower savings. Overall, more than half of the respondents indicated that sales revenue of their business increased after MFI loan.

CONCLUSION

Access to capital for startup and expansion is extremely important for small business in Meru South District. Micro-Finance Institutions (MFIs) have emerged valuable sources of capital especially for those segments of the society that are locked out by mainstream banks on claims of being uncreditworth. Indeed, those small businesses that were able to obtain MFI loans reported increased sales revenue. Therefore, more efforts are required to enable more people to access MFIs credit facility in Meru South District.

RECOMMENDATIONS

Based on the findings the following recommendations can be made;

- 1 There is need to bolster the coverage of MFIs in Meru South District.
- 2 The interest rates charged by MFIs should be reduced to encourage more people in Meru South District to obtain MFI loans.
- 3 Collateral should be discouraged as a basis for awarding MFI loans.
- 4 The Public should be sensitized on the availability of MFI loans.

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MARKETING PROCEDURE OF HANDICRAFT PRODUCTS: A STUDY ON CONCH SHELL INDUSTRY OF WEST BENGAL IN INDIA

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ABSTRACT

The importance of rural sector in Indian economy cannot be undermined. The handicraft artisans of India, atleast a large majority of them, are known for their perfection of craftsmanship, excellence of design, form and an unsurpassed sense of colour. The artisan was an important factor in the equation of the Indian society and culture. The present research paper is based on primary survey conducted on conch shell industry in West Bengal. The sample survey comprises of 240 household units selected from four districts in West Bengal. At present rural conch shell producers/suppliers are struggling to market their products and services due to various reasons. Rural producers are facing serious problems about technical and marketing knowledge. They are also ignorant about modern marketing issues like quality, delivery schedule, packaging, after-sales-service, etc. However few studies have been conducted on conch shell handicraft items to access the marketing of rural products in the urban market using retail format. The present communication reviews in this field studies in the Indian context. A brief review includes in following sequence i.e. framework of rural handicraft marketing for conch shell products, marketing of conch shell products. The paper suggests that if proper measures are not taken to help the artisans and provide support to them, then the beautiful art will have to face extinction.

KEYWORDS

Rural marketing, Rural handicraft products, Artisans.

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1. INTRODUCTION

India is one of the important suppliers of handicrafts to the world market. India is known globally for her rich heritage of Arts & Crafts. India is the only country in the world with an unbroken, living vibrant tradition of crafts. Handicrafts are unique expressions of a particular culture or community through local craftsmanship and materials. The handicraft sector is a home-based industry which requires minimum expenditure, infrastructure or training to set up. They provide ample opportunities for employment even with low capital investments and become a prominent medium for foreign earnings, are prepared by using hands or with the use of simple tools. It uses existing skills and locally available materials. Income generation through craft does not (and this is important in a rural society) disturb the cultural and social balance of either the home or the community. Handicrafts play very important role in representing the culture and traditions of any country or region. Handicrafts are a substantial medium to preserve of rich traditional art, heritage and culture, traditional skills and talents which are associated with people's lifestyle and history. The Handicraft sector has, however, suffered due to its being unorganized, with the additional constraints of lack of education, low capital, and poor exposure to new technologies, absence of market intelligence, and a poor institutional framework. In India West Bengal occupies a premier place in respect of the development of conch shell industry. West Bengal is known the country over for its artistically designed conch shell, spread over certain important centre, since the distant past. Conch Crafts an ancient folk craft, dating back at least two thousand years. Conch shell Handicrafts play very important role in representing the culture and traditions of West Bengal in India. This handicraft is a substantial medium to preserve of rich traditional art, heritage and culture, traditional skills and talents which are associated with people's lifestyle and history. Conch shell handicraft is also hugely important in terms of economic development. They provide ample opportunities for employment even with low capital investments and become a prominent medium for foreign earnings. The conch or chank shell (*Turbinellapyrum*) is so intimately connected with the religious and social life of the people of India. Conch shell industries comprises the following types of units –a) Independents units b) Dependent or Tied units. The independent units are equipped with the requisite facilities for the manufacture of body, processing facilities. They have their own arrangements for the procurement of conch shell through middlemen. The dependent units neither have any processing arrangements for raw materials nor do they have any facility. These units are entirely dependent for their requirements of processed raw materials the privately owned manufacturing units. Marketing is an important productive function on which depends the ultimate success or failure of a production unit. Unless the goods produced are sold off on remunerative prices quickly without to wait for long in the godowns and warehouses by the manufacturers, no productive activity can be continuous and successfully carried on. It is, in fact, the 'barometer' or prosperity and adversity of an industry. The primary objective of all marketing effort is to place goods in the hands of consumer. In fact, marketing implies "the performances of business activities that direct the flow of goods and services from producer to consumer or the user".¹ The general object of presenting this study is to examine marketing procedure of conch shell products and marketing problems of the industry.

2. REVIEW OF LITERATURE

Sen (1935) notes that the use of conch bracelets by Bengali woman was described in ancient bangle literature and suggests that conch craft developed independently in Dhaka.

Sen (1961) discussed economic behavior of craftsman and production process of conch shell industry of West Bengal and Sikkim.

Nishar Ahmed (1980) express that the satisfactory performance in marketing of handicrafts could be possible due to the special interest taken by central as well as State Government to boost up the export of handicraft article and the qualitative performance of the artisans.

Narver et al (1990) explored the relationship between sustainable competitive advantage and market orientation. Market orientation in business culture effectively and efficiently create superior value of customers. A substantial market orientation must be the foundation for a business competitive advantage strategy

In the opinion of Tahroi and Singh, (1993) rural industrialization has been vital issue for the country to ensure socio economic development of the nation.

Prof Dr. Venugopal Rao (1994) has elaborated about marketing of handicrafts in which he has also highlighted about activities of artisans.

According to Reardon (1998) the success of rural industries crucially depends on two major function i.e. effective marketing and internal resource generation including finance. Marketing involves everything which could be important to lead the market.

Liang, Chen et al (2002) has discussed that China has, since the late 1970s, actively pursued a strategy of rural industrialisation by encouraging the development of rural industries which provide employment opportunities for the surplus labour in agriculture.

According to Aziz (2006), in India, entrepreneurs first emerged in the rural area. They were basically traditional artisans, cultivators and businessmen engaged in production and distribution of goods and services required by the people.

¹ R.S.Davar, Modern Marketing Management. Bombay Progressive Corporation private Ltd., 1977, p.4.

Kashyap and Raut, (2006) found that craftsmen have lack of understanding about the local demand pattern of the area, market dynamics, market channel, price fluctuation and value addition possibility which can help them to develop a comprehensive intervention plan based on market realities.

Giron et al (2007) concluded that marketing strategies are the key factor for the success of rural artisans in Mexican city. These strategies are important because it is related to the other element of success, for the use of pricing strategies oriented to profits. The second most important strategy is the use of personal recommendation which is used to promote products. Product diversification and the information artisans gave to customers were representatively the third and fourth strategy.

Rajagopal, (2009) highlights upon the new models of brand management in bottom-of-the- pyramid markets, considering the personality traits, image, technology and reputation of firms associated with the brands. New initiatives are to manage the global brands in BOP markets comprising suburban and rural markets that need to be implemented in the existing organizational culture.

Craig and Douglas, (2011) envisaged the role of marketing in tapping potential in rural areas and suggested how firms can help potential consumers develop their purchasing power, thus creating a situation that benefits both consumers and the firm.

Aitha, (2012) conclude that the distribution channel length varies in regions based on variation in the external environment. Village retailer with his unique buying preferences also influences the by distribution channel.

Shweta Sharma (2012) discussed about the Significance of Conch Bangles. Conch Bangles made of conch shells won by Hindu Women in Bengal, as ornaments at the weddings as a religious rite.

From the brief review of the existing literature it appears that marketing aspects of conch shell industry in West Bengal have not been adequately discussed.

3. NEED OF THE STUDY

The growth of conch shell industry improves the production of the durable consumer goods of mass consumption especially for women. This study is designed at throwing light on the present state of marketing of the conch shell products. It also aims at the formulation of suitable suggestion and plans for its future development on sound footing.

4. STATEMENT OF THE PROBLEM

At present conch shell product suppliers are struggling to market their products and services due to various reasons. Rural conch shell producers are facing serious problems about technical and marketing knowledge. They are also ignorant about modern marketing issues like quality, delivery schedule, packaging, after-sales-service, etc. However few studies have been conducted to access the marketing of conch shell products in the urban market using retail format. The present communication reviews in this field studies in the Indian context.

5. OBJECTIVES

The general object of presenting this study is to assess marketing of conch shell products and marketing problems of the industry.

6. HYPOTHESES & RESEARCH METHODOLOGY

The required data for the present study have been collected both from primary and secondary sources. Primary data have been collected through the "Survey Method" with the help of structured questionnaire from 240 units. Total sample 240 household units include 22.50 percent independent units, 77.50 percent tied units. Four Districts of West Bengal namely North 24-Paraganas, Purba Medinipur, Paschim Medinipur and Bankura selected on the basis of concentration of conch shell handicraft units.

7. RESULTS & DISCUSSION

7.1 PRODUCT VARIETIES AND USES OF CONCH SHELL

India is known for its rich and diverse culture². Conch craft³ of West Bengal has a close significance to the rich culture of its state. The craft of conch shell⁴ is a very old craft of Bengal. Although the religious use of the chank shell is still widespread in India, the main trade of the shell in modern India is between Tamil Nadu, where the fishery is based, and West Bengal, where most of the carvers and bangle makers work, and where the retail outlets are concentrated. *Shankha*⁵ is a conch shell which is of ritual and religious importance in both Hinduism and Buddhism. The shankha is the shell of a species of large predatory sea snail, *Turbinella pyrum*, which lives in the Indian Ocean and surrounding seas. *Shankh*⁶ this instrument has a strong association with the Hindu religion. The conch shell⁷ is a major Hindu article of prayer, used as a trumpet and in order to get rid of negative energy and evil spirits. It is also used as a container for holy water (*shankha teertham*). Conch, or conque, is a musical instrument⁸, a wind instrument that is made from a seashell, the shell of one of several different kinds of very large seasnail. These instruments are sometimes referred to as "shell trumpets". A powder⁹ made from the shell material is used in Indian Ayurvedic medicine, primarily as a cure for stomach ailments and for increasing beauty and strength. *Shankha*¹⁰ (conch bangles) made of conch shell are worn by Hindu women as ornaments at their weddings as a religious rite. Two distinct kinds of conch shells left handed conch¹¹ and right handed conch are used to achieve divine benediction and also mythological beliefs rooted. The conch shell products of West Bengal may be divided under the following heads: conch bangle (*sankha*), blowing conch, other by products of conch shell.

It is evident from the above table that the all surveyed 240 conch shell units (100 %) in West Bengal are manufacturing Conch bangle (*sankha*). The manufacture of other by products of conch shell or decoration articles like spoons, forks, costume jewellery, table lamps etc are the distinctive feature in West Bengal. They together account for 125 units (52.08 %). As these are engage only in decoration work on the conch shell industry, their number is naturally not large at any centre in the state. On this basis, the organization of conch shell units by type of products of conch shell may be detailed as Table 7.1

TABLE 7.1: ORGANISATION OF UNITS ACCORDING TO LINE OF MANUFACTURE OF CONCH SHELL PRODUCTS

Type of products	Paschim Medinipur	Purba Medinipur	Bankura	North 24 Paraganas	Total	Total
Conch bangle (<i>sankha</i>)	60 (25)	60 (25)	60 (25)	60 (25)	240 (100)	240
Blowing conch	50 (20.83)	40 (16.67)	30 (12.50)	25 (10.42)	145 (60.42)	240
Other by products of conch shell	35 (14.58)	25 (10.42)	40 (16.67)	25 (10.42)	125 (52.08)	240

Source: Field survey; Note: parentheses indicate the percentage shares.

² <http://marrymeweddings.in/wpblog/bangles-for-the-indian-bride.html> viewed as Bangles For The Indian Bride

³ <http://www.craftandartisans.com/shell-craft-of-west-bengal.html> viewed as Shell Craft of West Bengal

⁴ <http://www.infobanc.com/shell.htm> viewed as shell and conch shell

⁵ <http://en.wikipedia.org/wiki/Shankha>

⁶ http://chandranantha.com/articles/indian_music/shankh.html viewed as Shankh

⁷ <http://www.religiousportal.com/SacredShankha.html> viewed as Sacred Shankha (Conch Shell)

⁸ [http://en.wikipedia.org/wiki/Conch_\(musical_instrument\)](http://en.wikipedia.org/wiki/Conch_(musical_instrument)) viewed as Conch (instrument)

⁹ <http://en.wikipedia.org/wiki/Shankha>

¹⁰ http://www.banglapedia.org/HT/S_0292.HTM

¹¹ http://www.indianetzone.com/25/types_conch_shell.htm Viewed as Types of conch shell

7.2 TYPES OF DESIGN OF CONCH SHELL PRODUCT

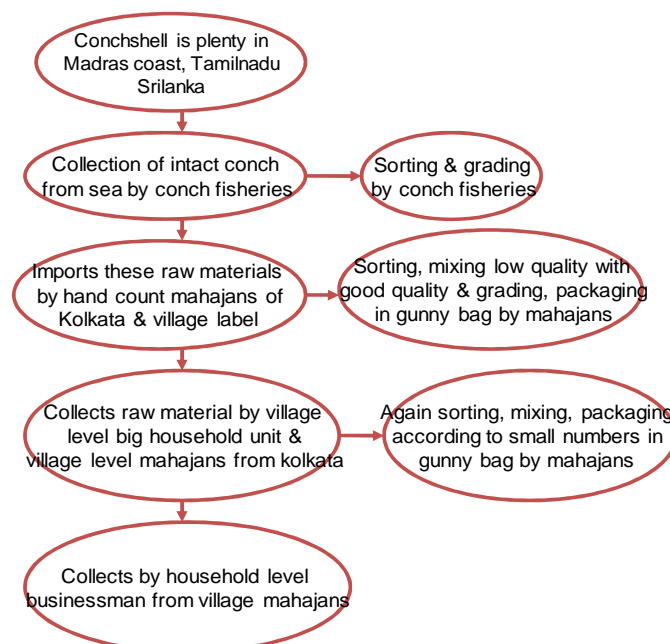
The conchshell craft is not a new art in Bengal, famous for the unique form of its arts and crafts¹². Conch shell¹³ craft is one of the most unique and most beautiful forms of handicrafts practiced in West Bengal. The conch shell artists are known as the 'Shankharis' in West Bengal. They practice their hereditary art with an expertise that is honed by ages of experience and skill. Shimmering conch shells are sliced with simple hand tools and perfectly fashioned to form shell jewelry like bangles, bracelets, pendants and a range of other jewelry items. It is an extremely sophisticated and delicate craft of West Bengal. The craft of Conch Shell decorating can be traced back to the Indus Valley Civilization¹⁴. The nimble fingers of the craftsmen turned every article they touched into a thing of joy. Most of the designs, forms and colours employed by them have evolved slowly through the disciplined efforts of generations of craftsmen.

Craftsmen create episodes from the Hindu epic Mahabharata or stories that revolve around Lord Krishna on these shells. While some craftsmen draw the image of Lord Shiva over the shell, others create entire episodes from the Mahabharata on it. Then, the stories of Lord Krishna also serve as popular themes for engraving the conch shells. The craftspersons keep the interest of entire country and design many different patterns and shapes of bangles. The designs crafted on the bangles to please the wealthy families are indeed very attractive. Designs of fish, Capricorn, butterfly, pitcher, *chillum*, lotus bud, paddy sheaf; leaf of marigold, parakeet and bamboo line are crafted on these bangles. Decoration and engraving on conch shells are done with a variety of files. The surface of the conch is hard and is difficult to slice it. Craftspersons use diamond cutter which has sharp teeth to cut the hard surface. Each artisan has his own unique style, it is very difficult to carve a conch shell and takes a minimum of two to three months to make just one conch shell article. Despite attempts to mechanize some of the processes, most chank shell workers still employ the traditional tools and techniques. *Sankharis* or conchshell workers are adept at making fashion bangles, bracelets and a range of ornaments out of conchshell. The craftspersons also design conch shells used to make jewelry items brooches, pendants, finger rings and ear rings like bangles, armlets, rings, lockets, buttons, hairpins and clips. Apart from engraved shells, other conch shell crafts include making items like table lamps, incense holders, ashtrays, vermilion containers, spoons and forks from the shells.

7.3 PACKING AND TRANSPORTATION METHODS USED IN CONCH SHELL INDUSTRY

"Packing, regarding as an integral part of any industrial activity, is a mean of safe delivery of any manufactured or processed item from the point of production through various stages of the distribution, until it reaches the ultimate buyer at a minimum overall cost."¹⁵ The technique of packing is not so simple as it appears to be. The producer should give special attention to this aspect of business as he would gain if there is less due to breakages in transit. The bag method of packing is safely used for conch shell to be sent to distances. Defective transportation system between the points of production and the markets hinders the movement of goods and makes primary marketing costly, the additional charge ordinarily falling upon the shoulders of the producers. "The functions of physical supply involve the creation of place utility through transportation and the creation of time utility through storage or warehousing."¹⁶ The main raw materials used in the manufacture of conch shell products like *sankha* is intact conch shell. These materials is not available locally which are obtained from nearer places in the State; the other raw materials are imported from other States from long distances specially from Tamilnadu and Srilanka, which is only possible through railway and motor trucks. The manufacturers prefer road transportation over railways because it is quicker and there are lesser damages in transit. Internal transport is also important for transportation of raw material of conch shell, i.e., intact conch shell packaged in gunny bag from the private body/conch shell manufacturing units to the places of work of small conch shell units. For internal transport purpose 'Rickshaws', bus, mini truck etc are in use at almost all conch shell centres in the State. Since the the sale of conch shell products has increased to a great extent, they are now a day sent almost too every part of the State and the nearby States. For transporting the finished products to distant places the most important means are the railways and the roads.

Raw Material Collection Channels



¹² <http://www.bharatonline.com/west-bengal/arts-and-crafts/conch-shell-craft.html> viewed as Conch Shell Crafts

¹³ <http://www.indiaunveiled.in/subartscrafts/unique-conch-shell-craft-bengal> viewed as Unique Conch Shell Craft of Bengal

¹⁴ <http://www.india9.com/i9show/Conch-Shell-Craft-41314.htm> viewed as Conch Shell Craft

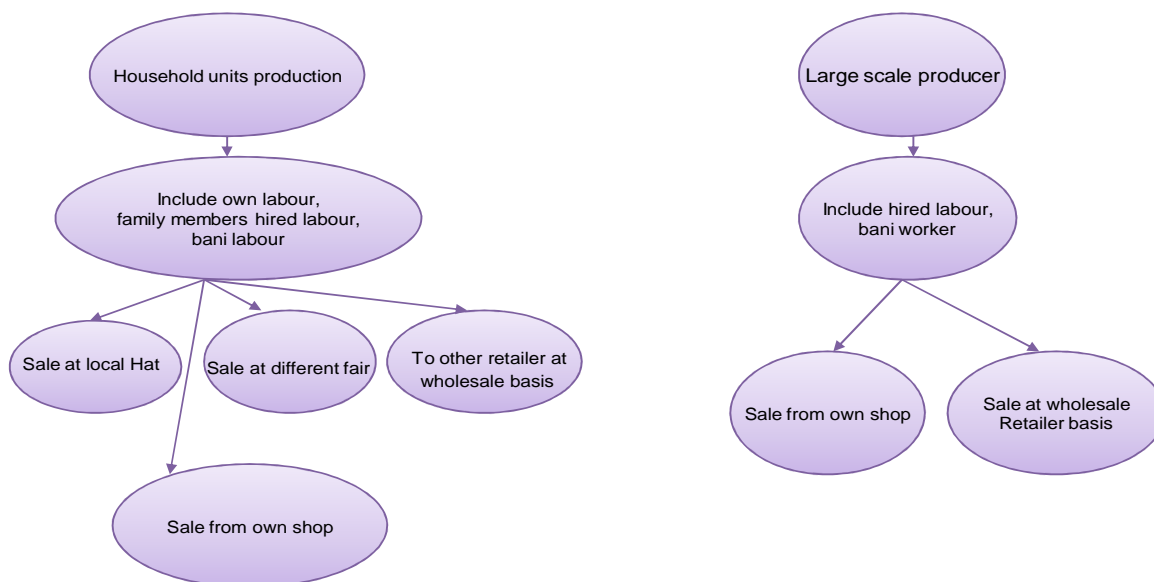
¹⁵ C.V.N. Rao, Role of Packaging in Marketing and Distribution, an article published in Laghu Udyog Samachar; Vol. I, April, 1977, No. 9, p. 16.

¹⁶ Clark and Clark, Principles of Marketing, New York, The Macmillan Co., 1962, p.407

7.4 FRAMEWORK OF MARKETING OF CONCH SHELL PRODUCTS

Messrs. Clark and Clark also define marketing almost in the same sense. "Marketing consists of those efforts which effect transfers in the ownership of goods and services and care for their physical distribution. The marketing process, consequently, involves both mental and physical aspects: mental, in that sellers must know what buyers want and buyers must know what is for sale, and physical in that goods must be moved to the places at which they are wanted by the time they are wanted"¹⁷. Marketing channels are the means employed by manufacturers and sellers to get their products to the market and into the hands of the ultimate users. In conch shell industry products are distributed mainly through following intermediaries as a part of distribution network: importers, indenting agents, distributors, wholesalers, retailers, dealers, commission agents. Products are sold mainly through following market places: Small and Large Retail Outlets, Supermarkets, Retail outlets situated in Malls, Shopping Websites (Using e-Commerce and Internet), Company Owned Showrooms and Retail Chains. The conch shell wholesalers make their purchases from the small conch shell producers and the factory owners directly. They are responsible for concentrating conch shell in large quantities in their godowns and dispersing it in bulk to the conch shell dealers throughout the country. All of them have their own godowns whether in their own premises or in the rented buildings. These wholesalers are persons with strong financial resources. They have better market contacts with the local and outside conch shell merchants and are better acquainted with the day-to-day changes in the conch shell trade. On account of trading on large scale, they are able to save in transportation costs also. The wholesalers also make advances to the conch shell artisans, small producers when needed. Due to weak financial position of the small producers in particular, the credit given by the wholesalers is a great help to them. In almost all principal conch shell centres in the State, a large quantity of conch shell producers is marketed through the local conch shell dealers. They are the persons who maintain their own shops and stalls and market conch shell products to local and outside consumers mostly on retail basis. Generally, major part of suppliers are procured from the conch shell wholesalers because the latter are able to give them goods on credit which the conch shell owners can seldom afford to give. Such conch shell dealers also operate in cities and towns other than those where conch shell manufacturing is not carried on in the State and outside. They obtain their requirements of conch shell goods either by direct purchase from the conch shell owners or through orders from the conch shell wholesalers.

Marketing Channels for Sale of Conch Product



4

8. FINDINGS AND DISCUSSION

Conchshell being an unorganized manufacturing carried out mostly in the household premises it has its varied labour process. The major marketing channels constitute door-to door sales, sales in hatt, bazaar etc., supplying the product to fixed sellers, sales through own counter, contract with local trader; or middlemen of traders, contract with master artisans, or wholesale traders, or exporters and export agencies, sales through own salesman, through advertisement, fairs etc. The conchshell producer sells their products through three different way namely i) direct selling at Hat, Shop or Fair as a retailer ii) through middleman at wholesale basis iii) through direct selling and through middleman.

The marketing systems and organization existing in the conch shell industry in the State are not without their defects. The main shortcomings may be summarized as below:

ABSENCE OF COMMON MARKETING ORGANISATION

The conch shell producers of the State have no separate marketing organization of their own and are unaware of the modern methods of sales promotion. Hence, they face great difficulty in selling their products. The conch shell units adopt such particular marketing system as they deem fit and desirable on any particular occasion. When the conch shell producers stand in need of money, they do not hesitate to sell their products even at lower prices. They sometimes sell their products partly on credit which is seldom realized in full. Their knowledge about their markets is utterly limited. The existing systems are adopted individually and involve comparatively higher expenditure in cartage and freight. A suitable common marketing organization could easily overcome these shortcomings.

INADEQUATE ADVERTISEMENT AND PUBLICITY

¹⁷ Clark and Clark, Principles of Marketing. New York, The Macmillan Co., 1962, pp. 4-5

Advertisement has assumed special importance in modern times where a large number of firms are producing identical products with resultant cut-throat competition. It is one of the essential functions of a good marketing organization. Unless people know about the product of any particular producer, its merits and superiority over competing brands, no significant amount of sales can be effected. The majorities of conch shell units in the State are small manufacturers with poor financial resources and limited production and cannot possibly meet the huge expenses of modern advertisement. Advertisement of goods tends to expand the market as a result of which production increases. This, in turn, goes to lower the manufacturing costs. Advertisement activities are limited to occasional display and sales in big fairs and exhibitions and fixing up of stalls showing the processes of shaping and finishing of conch shell products by the State Government. However few bugger units also publish their printed catalogue with offsets of their products.

LACK OF SHOW ROOMS AND DISPLAYING ARRANGEMENTS

Lack of show rooms and displaying facilities is another important defect. Most of the conch shell units are indifferent to the benefits of show rooms and displaying arrangements. Small conch shell units sell all their products just after finishing their products and do not stock them. In the State the units maintain show rooms to display their products either in a portion of their dwellings or in the unit premises in a heterogeneous manner but as a matter of fact, they are not strictly rooms in real sense of the term.

UNSATISFACTORY STANDARDIZATION AND GRADING

Standardization implies establishment of certain standards based upon intrinsic physical properties or qualities of commodity with a view to further sub-dividing it into several grades and classes, while grading simply means dividing the products of varying quality and size into lots conforming to certain standard. In conch shell industry in West Bengal, there is no scale to measure the quality of a fixed standard and grade of the conch shell products. There is no gradation but a medley of different qualities. Only big conch shell units in the industry do carry out proper grading of their products. Hence, they are able to fetch higher prices, while others who do not do grading suffer considerable loss by selling their goods in mixed bulks at cheaper rates. Conch shell producers in competition do not care for quality; they concentrate only on quantity and reduction in costs. They compete with each other in manufacturing larger quantities and in selling them at lower rates. The big conch shell units produce different types of high quality products and do not offer any competition to the small conch shell units and face no effective competition in the market.

9. RECOMMENDATIONS

A suitable common marketing organization could easily overcome several shortcomings. Existence of effective marketing organization and practices occupy an exceedingly significant place in the context of small and cottage industries. Another essential requirement of good marketing system is the satisfaction of consumer which is the most important goal of a business enterprise. Customer satisfaction is the heart of marketing process. The policies, programmes and strategies of the production units should be planned, organized and executed to satisfy the existing needs of the consumer in the most efficient manner and to anticipate their changing tastes and buying attitudes. To satisfy its consumers more effectively, the firm should lay greater emphasis on the value and services provided by product rather than its mere physical or technical features. Further, the firm should think more in terms of profitable sale rather than more volume for its own sake. The essential requirement of a good marketing organization is the existence of adequate marketing research facilities with the enterprise. In these days of cut-throat competition and greater sophistication in the tastes and habits of the consumers and consequent clamouring for variety, frequent changes in their demands for various reasons, no industry can survive unless it is constantly engaged in developing better and sophisticated marketing systems to catch fancy of the customers. Unless the customer knows what is being produced and what are its salient features and superiority over the other similar products of other producers in the industry, no concern can successfully sell off its products remuneratively and quickly. Good advertisement invariably yields good results and the money invested in it never goes waste and in turn brings greater profits. For conch shell industry it is very essential to have a cost effective and efficient distribution channel that adds value into whole value chain. Effective Distribution channel and Integrated Supply Chain Management help in growth of industry and make it more competitive.

10. CONCLUSIONS

However, the conch shell industry has, however, suffered due to its being unorganized, with the additional constraints of lack of education, low capital, and poor exposure to new technologies, absence of market intelligence, and a poor institutional framework, lack of infrastructure & technological support, lack of awareness of international and new trends and poor promotional campaigns are a few drawbacks of industry which needs to be overcome. It is estimated that conch shell handicraft Industry in India is all set to grow with rapid rate in future and contribute its share towards economic development handsomely.

11. SCOPE FOR FURTHER RESEARCH

The present work suffers from some limitations. An in-depth study on the wage structure of conch shell artisans, raw materials, capital and product markets could be in future.

12. ACKNOWLEDGMENTS

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PRESENT ECONOMIC JHUM ACTIVITIES OF THE CHAKMAS OF TRIPURA**UTTAM KUMAR DAS****RESEARCH SCHOLAR****DHARMANAGAR GOVERNMENT DEGREE COLLEGE****DHARMANAGAR NORTH****ABSTRACT**

The livelihood of the Chakmas were mainly depended on farming on settled areas as well as JHUMING. The Chakmas who fully lived on JHUM cultivation were leading a migratory life in search of cultivable JHUM land year by year. To facilitate JHUM cultivation and harvesting of crops they build a small hut in the JHUM land. This hut is known as TAUNG is derived from the Burmese/Arakanese. Besides the JHMIA families there were many Chakma families who lived on settled cultivable lands. "In one point they (Chakmas) differ from all the other hill tribes, - they are very averse to changing the sites of their villages, which are kept from generation to generation at one place, they do not aim at any permanency of structure, the houses being built in the fashion of the hills with bamboos only and roofs thatched with wild jungle leaves/sun grass".

KEYWORDS

jhum activities, chakmas.

INTRODUCTION

The Chakmas of Tripura are one of the tribes of Indo-Bangladesh Sub-continent. Anthropologically they belong to a branch of Tibeto-Burmese tribe and this Tibeto-Burmese Tribe originally belonged to the Mongolian race. The Chakmas of Tripura mainly believe in the stream of HINAYANI Buddhism. But among them various rituals of animism are in vogue also. The eminent historian Dr. Heinz Bechert referred the above facts in his book, "Contemporary Buddhism in Bengal and Tripura", (Educational Miscellany, Vol-IV, 1967 & 68)". Contemporary and legendary sources also admit the facts. The original abode of the Chakmas of Tripura was in the Hill Tracts of Chittagong in Bangladesh. They also have been dwelling in India comprising the state so Tripura, Mizoram, Arunachal Pradesh, Assam and West Bengal. About one lakh seventy five thousands of Chakmas live here. Besides there in the Arakan regions of Burma more than one lakh of tribes men originated from Chakmas have been settling there. This tribe is known in that region as DAINNAK. It may be said that the Chakmas living in Bangladesh and India are not maintaining any relation now-a days with the DAINNAKS. Prof. S.K. Chatterjee in his book, "Origin and Development of Bengali Language, "Calcutta, Reprint, at page 140, referred the above fact of the Chakmas named. The eminent writer Sugata Chakma in his book. "CHAKMA PARICHI", (Rangamati, 1983, page No. 1) clearly showed that the Chakma language is reasonably taken as one of the Aryan groups of languages. This language contains relativity with the New Indo-Aryan language which derived from the branch of "PURBI-MAGADHI" of Indo-Aryan languages. Niranjana Chakma, another scholar and reputed writer, gave reasons in his book, "CHAKMA BHASA O SANSKRITI PRASANGA", Agartala, 1989, page-31, that the Chakma language has close relations with the languages of the tribes of Tibeto-Burmese living in the North Eastern regions of India. The Chakmas of Tripura mainly penetrated from Arakan in the long distant past through the Chittagone Hill Tracts. It is also very difficult to ascertain when and how they have extended their habitation into Tripura. However it is acceptable that the Chakmas penetrated into the soil of Tripura in the historical past due to natural course of their movement or for other reasons. The coming down of Chakmas from Arakan along the river course was a continuous process as they moved from one river branch to another. Ultimately they came and settled down in Tripura in the early Muslim period of Bengal. The kings of Tripura and Arkan were waging wars for maintaining supremacy over Chittagong. Statue was the Chakma king of Southern Chittagong on the Arakan border. From the source of Chakma History we know that this King Satrua became in same and subjected the people to numerous in-human behavior and atrocities. His people rose against the in-human treatments under such a tyrannous regime. This king was called Pagala Raja. He was ultimately killed by his subjects. The widow of the Pagala Raja fled away to Tripura with her two daughters and some of her faithful courtiers. Later on one of her daughters was married into a noble Tripura family. From this time onward the Chakmas in batches immigrated into Tripura. They were in search of JHUM CULTIVATION and tillable land. During the reign of the Chakma queen Kalindi there was a major exodus of the Chakmas into Tripura for permanent settlement there. Reports are available that above 4,000 Chakmas crossed over into Tripura in 1884. To facilitate our discussion regarding the origin of the Chakmas, their homeland as well as their national where-about, we are citing some opinion of some authors. R.H. Sneyd Hutchin son's "Chittagong Hill Tracts", (Delhi, reprint, 1978, Page-21), says "The tribe is known as THEK by the Burmese and Tui-thek by the kukis..... The Chakmas are undoubtedly of Arakanese origin. They immigrated into Chittagong District where they intermarried largely with the Bengalese wholes' language they speak." S.P. Talukdar in his book, "The Chakmas, life and struggle", (New Delhi, 1987, page-) says "The word CHAWNGMA or SAWNGMA or CHAKMA or CHUKMA means the people of Task or theca clan who are the progenitors of Burmese race." Dr. Dullal Choudhury in his book, "CHAKMA PRABAD (Bengali), (Calcutta, 1980, page-5) says "Ethnically the Chakmas belong to the South East Asian races and through the ages of history, they had been moving to the west from Cambodia—Thailand area towards Burma and ultimately to Chittagong Hill tracts. In the areas extending from Chittagong Hill Tracts to Arakans." But we know from Chakma legends that during the reign of Maharaja Krishna Maniky-a of Tripura (1760-1783 AD.) one Kirtichandra Dewan of Chittagong Hill Tracts settled down at the Gomati valley of Tripura with some of his followers. At that time in the eastern mountain lan borders of Tripura were disturbed by the tribes KUKIS and they sometimes would cross the Gomati valley and would atrocite in the plains by looting and killing the people of Tripura. Once Maharaja Krishna Maniky-a, it is said sought the help of this Kirtichandra Dewan to suppress the disturbing elements KUKIS for protecting his subjects. Kirtichandra Dewan marched against the KUKIS with Chakma and Tripuri soldiers and showed his skill and valor in the battle and subdued the KUKIS. The Maharaja was very pleased with him and honored him by conferring the title NARAYAN or NARAN. From that time Kirtichandra Dewan become known as NARAYAN Dewan in the Chakma society. But it is to be mentioned here that there is no corroboration of this fact in the history of Tripura. But there is a clear record about this in the Chakma history written by Madhab Chandra Chakma in his book, "Sri Sri Rajnama" (published from Chittagong in 1940—P. 71). Though historical references are got about Chakmas that they penetrated into Tripura during the 18th and the 19th Centuries but there are several reliable sources that the Chakmas had good relations with the Tripurians many centuries prior to the period under reference. The relation and contact between the Tripurians and the Chakmas was affirmed by Sneha Kumar Chakma in his essay, "TRIPURAY CHAKMA JATI" which was published on 19th June of 1976 in the news paper of Tripura named JAGARAN. To quote from the book, "SWADHIN TRIPURA CENSUS REPORT", (First Edition, 1906) written by Asit Chandra Choudhury, "At least for sixty years they (Chakmas) have been setting up a colony in the surroundings of Belonia, from thence gradually they spread. "On the basis of the account of Asit Chandra Choudhury the Chakmas entered into Tripura in the year 1840 A.D. This book of Asit Chandra Choudhury is reprinted by the Tribal Research Institute, Govt. of Tripura, in 1995.

THE ORIGIN PROBLEM AND HISTORICAL BACK GROUND OF THE CHAKMAS

The Burmese call the Chakmas as Task or Theca, the kukis call them as Tui-thek, the Mogs call them as Saak (putting very feeble accent on the letter 'K'), the Tripurians call them as Chhakhuma and the local Bengalese of Chittagong call them as Chammua. But the Chakmas accurately pronounce them as Changma in accordance with the proper generic term. The British pronounce the name of Changma as Chakma. In later periods the Changmas became known as Chakmas in written form in every where. In the point of anthropological sphere the Chakmas are of Mogoloid origin and there remains no scope of doubt about the origin of the Chakmas. So in this respect the Chakmas are the out- comes to India. But it is very difficult to ascertain the time of their advent into India. The scholars take it granted that prior long year to the advent of the Aryans in the northwestern parts of India the Mongolian ethnic groups emigrated in north-eastern regions of

India departing from the regions of South Western China, The emigrants into India in the far ancient periods are defined by Scholars as Indo-Mongoloid. In this respect the eminent philologist Dr. Suniti Kumar Chatterjee discussed elaborately in his famous book "Kirat-Janakirti". These Indo-Mongoloid ethnic groups were extensively influenced by the Indian Aryan civilizations. By the observations on the Chakmas traditional society and culture, their heritage and ancient history, interferences are logically formed that the Chakmas belong to the Indo-Mongoloid ethnic groups. The Chakmas have their traditional Ethnic Chronicle named BIJAK written in Chakma language. In it we find that the Chakmas departed India in ancient times and entered into Burma now Myanmar and lived there for long years. In later periods about in the fourteenth century A.D. They came to the plains of Chittagong in India leaving Myanmar. Gradually they proceeded towards Chittagong Hill Tracts and settled down there. But some researching scholars in modern times regard the Chakmas as descendants from the South-eastern people. Such as the eminent anthropologist of West Germany Dr. Heinz Be chart says "Anthropologically the Chakmas belong to the peoples of South-east Asia. Their dress shows similarities with the dress of Burmese and Shan people. There is also a number of customs which hint at a form of "Animism" is very similar to that the people of Burmese and Shan groups before their conversion to Buddhism"(Contemporary Buddhism in Bengal and Tripura by Dr. Heinz Be chart, "Education Miscellany", Vol. IV, No. 3 and 4, Dec. 1967 to March, 1968). In this contest the views of the most famous folklorist Dr. Dulal Choudhury are very interesting and far reaching. He said, "The Chakmas are the inhabitants of the south-eastern Asia. They are of Mongoloid ethnic groups' origin. In the long years ago they lived in the Manchuria regions. At that period they were nomadic. Four to five hundred years ago they lived in the Chinghai regions of the Thailand. Later on due to geographical changes and in quest of permanent settlement they entered into Burma and Arakan. In the pre-British period in India they speeded over in the Hill Tracts of Chittagong, Assam, Arakan and Tripura." However, in ancient times the Chakmas went to Burma from north India and later on they entered into Chittagong through Arakan and proceeded towards Hill Tracts of Chittagong and settled there or they entered into Chittagong Hill Tracts coming from Chinghai of Thailand through the regions of north and central Burma and Arakan and it stands on facts that the Chakmas lived in Burma for long years in the past. For this reason their history is inclined and mixed with the Burmese history largely. This truth can not be abided. The ancestors of the Chakmas were known somewhere as kudu or Task or Theca.

To discuss about the above mentioned Chakma chronicles it is necessary to state that from the kingdom of the king Tain Sureswari i.e. from the beginning of the sixteenth century the reliability on the chronicles are formed. Much information prior to this period are found in the Burmese history. In this context it is to be mentioned here that the Chakma historians want to mark the year 1333 that is from the downfall of the Arun Jug as the year of coming of the Chakmas from Burma to Chittagong. In the year 1777 the struggle began on an offensive mood and continued up to 1787. In many battles the Chakma soldiers repulsed the British army gallantly. Later on the English took the policy of forbidding the Chakmas for entrance to the markets in the plain areas. The English policy was to debar the economical process of the Chakmas. Naturally strain on economy bluntly hurt and the Chakma king Janbox Khan was compelled to be subdued to the English with promising a fixed amount of money to send annually to the English Chaucer in lieu of giving cotton – tax. Thus the British rule continued up to 1947. After the partition of India Chittagong was included with defunct East Pakistan now Bangladesh. Chittagong is now a district of Bangladesh.

METHODS

To study on "Economic Settlement of Chakmas youths-prospect and possibilities" Chakmas dominating Udaipur, Sadar, Kamalpur and Kailashahar Sub-Division of the South Tripura, West Tripura and North Tripura District was selected. Detailed information on population, Area Climate, Topography, Land, Cultivation practice for Agricultural and Horticultural crops, Forestry, Animal husbandary, Industry, Markets, Gaon panchayat, V.L.W. circle, Agricultural Sector, etc. were collected agricultural Sub-Division wise of North Tripura Argil. District. In this connection it may be mentioned here that area and boundary of North Tripura district is same for Revenue Department and Agricultural Department. A standard questionnaire was prepared and random sampling procedure was followed to collect house hold wise information from each Agricultural Sector of Unakoti, North Tripura, South Tripura and West Tripura Argil. District. Special emphasis also given to collect information from Chakmas youths of each house hold to identify their preference of occupation and requirement for economic settlement. To study "Economic settlement of Chakmas youth-prospects and possibilities" questionnaires for unemployed Chakmas youth (Boys/Girls) were prepared with an aim to collect preference of occupation. The field work for the study was conducted between January 2010 to April-2011 and data on prescribed format were compiled. During field study observation of the V.L.W. and Argil Sector officer (Gazette) for each Chakmas house hold especially for Economic Settlement also into consideration. A sample of 700 Chakmas house holds was drawn on random sampling basis i.e. 70 Chakmas families and youths per Agriculture sector. The author also discussed with the different Chakmas groups & incorporated the open ions in this report.

RESULTS

(1) JHUM CULTIVATION: In the long distant past the Chakmas penetrated from Arakan through the Hill tracts into Tripura. The fertile Hill tracts of Tripura were one of their attractions to come and settle to live there. Like other tribes of Tripura the landless Chakmas fully depended on the system of Jhum cultivation for their livelihood. The method of jhum cultivation is almost the same of all tribes usually follow. Jhum is a familiar term to the tribal people. Sometimes they are called Jhumias as they live on Jhuming. The system of cultivation of Jhum may be grouped into the following stages:

A. PLOT SELECTION AND CUTTING: At first plots of virgin forest land usually measuring one to five acres are selected on a suitable hill or its slopes. A virgin area is chosen because of its great fertility resulting a bumper crop. After having plot selection the bushes and trees are cut down. The branches of the large trees are cut down because they give shade to the crops which are affected by low production. The process of cutting is completed during the winter season in the month of November to February. The family members who have working capacity are engaged considering the voluminous of works.

B. DRYING AND SETTING FIRE: After cutting the trees herbs and bushes are kept to dry in the sun. When these are well dried in the intense sun fire and these are burnt. The bushes, weeds and herbs are burnt to ashes. The stems and branches of big trees are half burnt.

C. CLEARING OF BURNT AND SOWING THE SEEDS: In April and May rainfall comes and the plot is cleared off. The half burnt stems and branches are used as fuel wood. When the rain comes the plot of land becomes fertile. Various crops together with paddy are shown in the JHUM area. Sesame, Cotton, Variety of potatoes, Cucumbers, Melons, Bringers, Chillies, Ladies fingers and other variety of spices are cultivated. For JHUM cultivation the Chakmas use little edge-shaped hoes, cutter locally named as TAGAL and Khanate. The seeds are put together in the short holes made by the sharp end of TAGAL. When sowing of seeds is completed a MONOGHAR is made with bamboo and twigs. MONOGHAR is a Chakma term for a temporary house in a plot of JHUM area to look after the crops by protecting from wild beasts. Some of the members of the family and in times of need the whole family transfer their residence to this MONOGHAR for the time being to protect their crops.

D. COLLECTION OS CROPS: In the months of May and June the maize plant yields their crops. After this paddy comes in the months of June to August. During August and September cotton is plucked. Other vegetables are also plunked in the meantime. After harvesting the crops the JHUMIAS sell these products at the local markets to purchase the daily needs as salt, oil, dried fish, salted fish etc.

PRODUCTS OF JHUM CULTIVATION AS GIVEN BELOW ARE BASED ON GOOD JHUM HARVEST

Name of Crops	Seeds shown Per acre land	Products per acre of land
Cotton	3 seers	4 to 5 mounds.
Paddy	10 seers	5 to 8 mounds.
Sesame	0.25 seers	2 to 3 mounds.
Cucumber locally		
Named as Chandra,		
Marfa		3 to 4 mounds.
Lady's fingers, beans And other vegetables		0.25 to 0.5 mounds.
Brinjal		0.5 to 1 mounds.
Chilies		1 to 2 mounds.
Cords		6 to 8 mounds.

RANYA is the local name of the deserted JHUM. The legend goes that this RANYA is sometime called as a vegetable market.

CONCLUDING REMARKS

The process of JHUM cultivation severely affects the forest in several kinds. As a result of continuous JHUMING forest become a savanna which means grass land mixed with a few trees. To revert a forest again it takes at least eight to twelve years. Dense forests are lowering in numbers. Tigers, elephants and other wild beasts are hereby seen in the forests. Firing of JHUMING plots may sometimes spread to the other forest area and destroy other portion of the forest also. This type of cultivation may cause a climatic change over the whole forest areas. This may cause the low or irregular rainfall. The temperature of the area may be increased or decreased. In the economic point of view as well as the social environmental point the government has been alarming against the coming dangers from the JHUMING system of cultivation. Soil preservation is a burning question of the day.

Since restrictions have been imposing on JHUM CULTIVATION for preservation of soil and to protect forest the landless Chakmas have been fallen into troubles. They had to search out JHUMING land becomes scarce day by day a good number of landless Chakmas are moving out of Tripura in quest of fertile JHUMING land in the neighboring states. They are to live with the Bengalese and they are accustomed to Bengalese habit of living. Thus we find many of the Chakmas in Tripura are accustomed, to Bengalese customs. The land holders Chakmas are adopting themselves to till the land with plough. Even they are acquiring knowledge to use modern tools to grow more corn. The Agriculture Dep't. Has been providing various facilities to modernize their agricultural system. The young generations are very much interested to use modern techniques and have become a part & parcel of the green revolution of India.

Conservativeness is a tribal feature. The Chakmas are no exception to this. We know that the Chakmas have been scrupulously following their age-old social customs and customary laws in every sphere of their life. But in a transitory world every thing has been rapidly changing. Dynamism is the life of a society. With the advancement of modern civilization and to coup with the changing of Socioeconomic and political spheres the Chakmas have adapted aptly with the changing situations. Yet it is surprising to see that the Chakmas still retain their identity following their traditional cultural practices and speaking their own mother tongue. I would like to mention here some of my observations.

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