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STUDENTS' PERFORMANCE IN SOCIAL STUDIES AS CORRELATES OF MORAL VALUES AND PERCEPTION IN SELECTED SECONDARY SCHOOLS

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ABSTRACT

Africans attach much importance to their culture and tradition. These moral values which are the things that people feel are right, proper and desirable to them and so they are highly cherished. The Nigerian government and policy makers have noted the importance of Social Studies as an inter-disciplinary subject which emerged on the curricula of primary and secondary schools as a result of the quest for relevance in the Nigerian education. The colonial education system was criticized for not being relevant both in purpose and content to the immediate needs of the Nigerian child and the society at large. Equally, most students are interested in Social Studies because it is perceived as a discipline which can promote good behaviour. Therefore moral values which are considered desirable that every good citizen should possess are those that could be achieved through the teaching of Social Studies. A 30 item achievement test was administered on 150 junior secondary school students randomly selected from five secondary schools in the south-west region of Nigeria. Data were analysed using Pearson Moment Correlation (PPMC). The findings of this study revealed that there is a positive significant relationship between students' level of moral values and their perception of Social Studies. Therefore, these call for improved approaches of teaching Social Studies because the subject can positively influence students' moral values.

KEYWORDS

Moral Values, Perception, Social Studies, Students' Performance.

INTRODUCTION

 Social Studies is primarily concerned with the study of people, their activities and relationships as they interact with their physical and socio-cultural environment. Its methodology lays emphasis on finding out, understanding and coping with various problems confronting human beings in the course of survival in their environment. Numerous scholars in the field defined Social Studies as a discipline through which human beings learn about the problems of survival (Ajitoni, 2008; Animasaun, 2005; Fadeyiye, 2005; Ogundare, 2000). As an inter disciplinary subject, Social Studies emerged on the curricula of primary and secondary schools. Today, in facing the challenges of positive values and attitudes, Social Studies is a major part of the school curriculum. It celebrates the uniqueness of the child as it is expressed to each child's intelligence, personality and potential for development (Adeyemi, 2005).

The curriculum of Social Studies has adapted a student centered approach. In this process, understanding the students' perceptions towards Social Studies curriculum is of great importance. The activities that are included in the Social Studies curriculum are researching, drama, and group work activities, field trips, cooperative learning, discussion, mind mapping, brainstorming to mention a few. The integration of information and student activities can help revitalize teachers and students. This can help to improve and develop the quality of education by providing curricular support in difficult subject areas. To achieve these objectives, teachers need to be involved in collaborative projects and development of new teaching strategies. However, the neglect of teaching moral values in schools is hurting our students and causing problems in society. If a person has never learned any moral values, how will she or he able to discern the difference between right and wrong? That is basically the essence of moral values education

Every day students are exposed to violence, dishonesty, and other social problems in the media and the real world. In our daily news and media reports according to Ojebiyi and Salako (2010), one is fed with one serious act of misbehavior or the other in our educational institutions. Such acts include disregards for rules, violation, agitation, secret cult activities, intergroup feuds, abduction, injuries or death to mention just a few. Adu (2004), attributed all to absence of a sense of desirable moral values. Social Studies as a discipline if properly programmed and effectively taught should help to solve social problems that are facing developing countries and the world at large where the old norms are fast losing their grips and no effective substitutes to replace them (Fadeyiye, 2005).

Knowledge gained in school is only one goal of education. The primary goals of education should be enabling students to gain knowledge and moral values. But the real change in the parameters of Social Studies is in its gradual incorporation of the most worrying health issues of our times. As people adjust to situations, as a result of their knowledge, experience and social interactions with other people Social Studies is expected to enable its learners adjust to prevailing circumstances (Ojebiyi and Salako, 2010). Students are expected to develop positive attitudes and values which are the anticipated outcomes of Social Studies teaching because it is designed to nurture the child in all aspects of life – cognitive, spiritual, emotional, moral, social and physical. It is against this background Social Studies as a subject has relevance to everyday life. The underlying philosophy is the teaching of the young about national, international and ethnic concepts as a way of building global citizenship (Yusuf, 2004).

THE GENERAL OBJECTIVES OF SOCIAL STUDIES

The philosophy of Social Studies Education is geared towards formulation of ideas: Integration for national development and the interaction of persons are all aspects of the subject. The objectives stated according to National Policy on Education (Faideye, 2005):

- (1) Development of a capacity to expect, recognize, tolerate, adapt to and encourage social change;
- (2) Development of a capacity recognize, analyze and deal intelligently with complexity and ambiguity in social, economic and political issues;
- (3) Development of a capacity to experience multiple loyalties and identifications;

- (4) Development of a sense of involvement in and sensitivity to the realities of the human condition to moral, social, economic and political situations;
- (5) Development of an understanding of and skills in the formulation of proposition, in distinguishing descriptive, explanatory, predictive and value claims; and in the use of models of inquiry and problem solving.

REVIEW OF LITERATURE

MORAL VALUES AND DELINQUENCY

The role of morality on delinquent behavior has only briefly been explored in the literature, despite the potentially important implications of research findings. Many of the studies that have explored moral values and delinquency have called for future research in this area. Brezina and Piquero (2007) indicate in particular that the relationship between peer involvement and moral beliefs is "under-developed theoretically" and make a request for further research on these topics. Piquero et al. (2005) examined the moderating effects of moral beliefs on delinquency in a sample of 10th grade students and found a gender difference in the way that delinquency related to moral beliefs. The results pointed out that female students' past delinquency was related to later delinquent acts regardless of moral beliefs, but male students' past delinquency was only related to later delinquency for males who scored low on a scale of moral beliefs. Such findings suggest that females who commit delinquent actions may fall into a delinquent role that is difficult to transition out of, whether or not they feel their actions are morally acceptable.

Therefore, for female youth, there may be other more important variables influencing their decision to engage in delinquent behaviors, whereas male youth may be more influenced by their moral values. Similarly, Mears, Ploeger, and Warr (1998) investigated the role of moral values and gender on delinquency; however, they specifically explored how delinquent peers affected this relationship. The study found that as an adolescent's moral disapproval of criminality increases, the effect of delinquent peers is reduced. However, the results showed that, the effect of delinquent peers was stronger for male offenders than for female offenders. Thus, when female offenders with strong moral values (determined by the degree of wrongness the offender assigned to various actions) associated with delinquent peers the effects of the peers were eliminated, yet when male offenders with strong moral values associated with delinquent peers the effects remained.

THE CONCEPT OF SOCIAL STUDIES

Social studies is the integrated study of the social sciences and humanities to promote civic competence. Within the school program, social studies provides coordinated, systematic study drawing upon such disciplines as anthropology, archaeology, economics, geography, history, law, philosophy, political science, psychology, religion, and sociology, as well as appropriate content from the humanities, mathematics, and natural sciences. The primary purpose of social studies is to help young people develop the ability to make informed and reasoned decisions for the public good as citizens of a culturally diverse, democratic society in an interdependent world. (NCSS Task Force on Standards for Teaching and Learning in the Social Studies, 1993, p. 213)

IMPORTANCE OF THE STUDY

The colonial education system was criticized for not being relevant both in purpose and content to the immediate needs of the Nigerian child and the society at large. Equally, most students are interested in Social Studies because it is perceived as a discipline which can promote good behaviour. Therefore moral values which are considered desirable that every good citizen should possess are those that could be achieved through the teaching of Social Studies. The study will prompt the stakeholders to uphold the moral values by encouraging the teaching of Social Studies in school. Similarly this study will build in students right values needed for societal development. Finally, this study will promote the right attitude in learners.

STATEMENT OF THE PROBLEM

Most adolescents engage in anti-social behaviours which include car theft, sexual indulgences, fighting, smoking, thuggery, cultism, prostitution to mention a few. The problem is a complex one accentuated by poverty, broken home, cruelty and rejection. Social Studies embodies sound education for everybody. Social Studies aim at developing good citizenship in the learners because the subject trains children to a full and useful life in the society. Social Studies also place more premiums on the development and inculcation of right attitudes and have the capability to eradicate juvenile delinquency in our schools. This study therefore examined students' performance in Social Studies as correlates of moral values in learners.

OBJECTIVES

- To investigate the perceptions of students about Social Studies
- To determine if there is any relationship between students' perceptions and academic performance
- To determine the effect of moral value on students' perceptions

HYPOTHESES

The following null hypotheses were generated and tested at 0.05. Level of significance:

- **H01:** There is no significant relationship between students' perception of Social Studies and their academic performance in the subject.
- **H02:** There is no significant relationship between students' perception of Social Studies and their level of moral values.

RESEARCH METHODOLOGY

The study adopted a pretest, post-test quasi and control experimental design.

PROCEDURE

The study was carried out among junior secondary school students of five secondary schools in Ogun State in south-west Nigeria. Using the random sampling technique, a sample of (150) students were selected for the study. Thirty students were selected from each of the five schools, the age of the participants ranged between 13 and 18years with a mean of 14.84

INSTRUMENTATION

The study employed the following standardized instrument and was analyzed using inferential statistics of Pearson product moment correlation to test the hypotheses.

ATTITUDINAL SCALE ON SOCIAL STUDIES (ASOS)

The first instrument used is the Questionnaires/attitudinal scale for data collection.

SECTION A: This consists of the demographic data of the students such as school, gender, and ethnic background.

SECTION B: This consists of twenty five Likert scale items and students will be expected to react to each statement based on 4-points Likert scale of Strongly Agree (SA), Agree (A), Disagree (D), and Strongly Disagree (SD).

(4 strongly agree, 3 for Agree, 2 for Disagree and 1 for Strongly Disagree).

ACHIEVEMENT TEST ON SOCIAL STUDIES (ATSS)

The second instrument used is the achievement test on Social Studies. The preparation of copies of the performance test was guided by the 9-Year basic education curriculum (Social Studies) for Junior Secondary 1-3 by Nigerian Educational and Research Development Council (NERDC) and Universal Basic Education Commission (UBEC).

RELIABILITY OF THE INSTRUMENTS

Using cronbach alpha, the attitudinal scale has its reliability coefficient = $\alpha = 0.89$.
 For the achievement test, the reliability coefficient using cronbach alpha 20 is $\alpha = 0.77$

RESULTS AND DISCUSSION

One research question was answered in this study:
 Research question: How do students perceive Social Studies as a subject?

FINDINGS

TABLE 1: ANSWERING RESEARCH QUESTION-HOW DO STUDENTS PERCEIVE SOCIAL STUDIES?

No	Statement	SA	A	D	SD	- X	STD.D
1	Most students have interest in Social Studies	90 (60.0)	43 (28.7)	10 (6.7)	- (0.0)	3.39	97
2	Social Studies is simple to pass	82 (54.7)	49 (32.7)	8 (5.3)	2 (1.3)	3.29	1.06
3	Social Studies promote moral in students	80 (51.6)	53 (35.2)	6 (4.1)	- (0.0)	3.18	1.20
4	The content of Social Studies is related to the society	80 (53.3)	27 (18.0)	24 (16.0)	10 (6.7)	3.06	1.27
5	Social Studies is just like any other subject	34 (22.7)	47 (31.3)	39 (26.0)	24 (16.0)	2.53	1.13
6	Social Studies must be offered at the senior school level	72 (48.0)	37 (24.7)	21 (14.0)	12 (0.0)	3.29	2.49
	Weighted Average	3.12		78%			

Table 1 shows that the students agreed that most students have interest in social studies ($x = 3.39$), that social studies is simple to pass ($x = 3.29$), that social studies promote moral in students ($x = 3.18$) that the content of social studies is related to the society ($x = 3.06$), that social studies is just like any other subject ($x = 2.53$) and that social studies must be offered at the senior secondary school level ($x = 3.29$). The weighted average is 3.12 which is equivalent to 78%. This implies that the perception of the students is on the positive side and can be rated up to 78. Hence, there is a significant relationship between students' perception of Social Studies and their academic performance in the subject. Positive perception amounts to high performance.

RESEARCH H01

There is no significant relationship between students' perception of Social Studies and their academic performance in the subject.

TABLE 2: SUMMARY OF PEARSON PRODUCT MOMENT CORRELATION

Variable	N	Mean	Std D	R	P	Remark
Students' performance	150	16.43	5.80	.733	.000	Significant
Students' perception	150	19.71	10.28			

Table 2 revealed that there is a positive significant relationship between students' perception and their performance in Social Studies ($r = 0.733$; $P < .05$). Therefore, H01 is rejected. The positive relationship implies that the better the students' perception, the better their academic performance.

RESEARCH H02:

There is no significant relationship between students' perception of Social Studies and their level of moral values.

TABLE 3: SUMMARY OF PEARSON PRODUCT MOMENT CORRELATION (PPMC)

Variable	N	Mean	Std. D	R	P	Remark
Students' level of moral values	150	15.98	3.77	.378	.000	Significant
Students' perception of Social Studies	150	19.71	10.28			

Table 3 revealed that there is a positive significant relationship between students' level of moral values and their perception of Social Studies ($r = 0.378$; $p < .05$). So, H03 is rejected. The positive relationship implies that the better students' perception of social studies, the better their moral values. Fadeiye (2005) supports this finding; he stated that social studies as a discipline is geared towards ensuring good citizenship in Nigeria. A cursory look at the social studies curriculum at all levels of education shows that the subject is tailored towards ensuring good citizenship education. Attitudes, values, skills, behaviours such as respect for leaders, parents, love, patriotism, dignity of labour and other positive attitudes are promoted in social studies.

RECOMMENDATIONS AND SUGGESTIONS

On the basis of the findings of the study and subsequent discussions with special consideration of the nature of Social Studies and its effect on moral values of students, the following recommendations are made:

Firstly, while propagating science and technology, Social Studies should not be relegated to the background by stake holders in the education industry. Social Studies aims at understanding human relationships and producing citizens with skills, competences, moral values and reasoned judgment to effectively live, interact, interrelate and contribute positively to the social, economic, political and cultural development of the society (Ajitoni, 2008). The mass media can be used to emphasize the importance of Social Studies.

Only qualified Social Studies teachers must be employed to teach the subject and not novice. Instructional environments and the ability of instructors to develop teaching strategies are germane for the transfer of knowledge and attitude. Qualified teachers would be able to make lessons lively and interesting by providing various learning experiences for the learners. Developing appropriate knowledge and right attitudes towards people is essential for peaceful co-existence in any society. It has been postulated that with the right type of attitude and appropriate knowledge, students better understand the nature, complexity and development of societies throughout the world (Bennet, 2006; Garmon, 2004; Lee, 2006).

The government at all levels should provide resources in terms of finance, physical, material and human resources for effective teaching and learning of Social Studies. There is the need to re-examine Social Studies curriculum because there are current societal issues that needs to be included in the curriculum since Social Studies draws its contents from the society. The learners too should be involved in curriculum planning and implementation in order to build a meaningful understanding of concepts which they can use to solve various problems in their lives.

For these principles to be effectively translated into action, children and youth must be provided with learning experiences which relate, as far as possible, to the challenges of their everyday lives. Schools are strategically placed to make a significant contribution to this process and by so doing play their appropriate role as exemplars of values and moral action. For this to be possible, schools must act out of a fundamental understanding of the multiplicity of factors which influence the development of children and youth. They must focus on working with all social action groups with viable programmes which cater to children and youth and this should include parents and community groups. School rules and regulations, teaching and other staff relationships must be infused with democratic principles and the quality of the physical environment must be shaped deliberately to continually and consistently provide opportunities that support and reinforce the adoption of positive values within the school, the family and the nation.

Community groups that aim to help maintain an environment that facilitates the development of positive values in children are a crucial aid to any values education programme. The truism that parents alone cannot bring up a child is at the basis of the importance of community groups. Their activities ultimately complement that of the school in ensuring that the child is presented with values that lead to a future that ensures good citizenship. In particular, community groups should endeavour to lay good examples for the children to emulate those characters and traits that are properly valued by our society.

CONCLUSIONS

Taking a clue from Adu (2004); attitudes of students have effects on his/her school work and learning attitudes in general. If a student has a positive attitude about teachers and likes school work, it is almost inevitable that he would experience some success. He will work more effectively and therefore achieve some goals. This is illustrated in tables 1 and 2 where students' academic performance was high as a result of their perception of Social Studies. Most students are interested in Social Studies because it is perceived as a subject that promotes moral values and its contents are related to societal values. Therefore, for Social Studies to achieve its high objectives and influence the right type of attitudes in the learners there is the need to improve the teaching and learning of Social Studies.

Training of Social Studies teachers must be embarked upon in terms of in-service training, seminars, workshops, symposium where they could be exposed to modern teaching methods and rudiments of the teaching profession. This would go a long way in improving teaching and learning of Social Studies. Also, improved remuneration and better condition of service will serve as a positive reinforcement for teacher as they would be stimulated to work harder.

The greatest challenge that is facing our nation Nigeria is how to cope with the inadequacies and disruptive students' reactions. The frequency of the occurrences can be drastically reduced to manageable level, through the adoption of management, strategies which can take into account all the sources and factors that could interplay to generate adverse behavior from students.

SCOPE FOR FURTHER RESEARCH

This study is limited to the students' performance in social studies as correlates of moral values and perception in selected secondary schools. However, another study can be replicated by looking at teaching methods as it affect academic performance in social studies or looking at students' attitude to Social Studies as correlate to their academic performance.

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COMMITMENT AND MOTIVATION OF AIDED COLLEGE TEACHERS IN TAMIL NADU

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ABSTRACT

This is an empirical study on employee's commitment and motivational factors conducted among the aided college teachers in Tamilnadu. This attempts to learn the conditions under which people can be motivated to perform their work in organizations, with the primary motive to identify the potential factors along with other twenty five factors which motivate and demotivate the focus group. The factors were ranked and quantified with scale values appropriated through questionnaires. The formulated hypotheses were tested using statistical tools and stratified with sub group analysis. Major findings and suggestive measures were scientifically reported. This study has explored and widened the concept of motivation in general and identified the factors which motivate and demotivate the teachers in aided colleges of Tamilnadu. Further, the Focus of the study is to assess the current level of College Teacher's Commitment, learn whether different groups of Academicians have different needs or issues for developing an actionable implementation plan for continuously improving the level of Commitment, which is significant for not only their Teaching professional excellence but also the educational academic excellence to develop the student community to be future responsible Citizens.

KEYWORDS

employees, commitment, motivation.

INTRODUCTION

Human Resource is of paramount importance for the success of any organization whether social, educational, industrial or Business organization. Most of the problems in organizational setting are human and social rather than physical or technical. Hence motivated employees are essential for the success of any organization. Educational institutions are not an exception to this rule. India has a large formal education system. Under the control of universities and colleges, the success of the system of education mainly relies on the role of the teaching community. A teacher's responsibility and duty does not end with simply teaching the lessons prescribed in the curriculum. More than that, he has to be a role model for the younger generation by living an ideal life. A highly motivated teacher is a source of inspiration to their students. They can discharge their duties properly only if they are reasonably satisfied with their environment. On the other hand, a dissatisfied teacher would be a burden to the institution. They tend to be absent more frequently than others; the quality of their work is likely to be less satisfactory and they tend to show slackness towards the institution in general and to students in particular. In the light of such a situation, in the present study, the researcher has made an attempt to study the employee's commitment & motivational factors of teachers who are working in aided colleges in Tamil Nadu.

DDI's research concludes that commitment comprises individual values, focused work, and interpersonal support. Each of these three components has subcomponents that further define the meaning of commitment: one who is enthusiastic and inspired by his/her work, committed and is fascinated by his/her work, cares about the future of the organization, shares a strong emotional bond with the organization be loyal to the organization and the customers, The employee should have ample opportunities for his career development and growth, The employee should feel proud of being associated with the organization, The nature and type of co workers also influences the employee's commitment level, employees should get ample on-the-job opportunities to develop their skill set, employee should value his relationship with his boss. All these factors when combined help in increasing employee commitment levels.

AIM OF THE STUDY

The aim of this study is to focus on employee's commitment & motivation of college teachers with special reference to aided colleges in Tamil Nadu.

OBJECTIVES

- (i) To study the employee's commitment and motivational pattern, of the focus group along the lines of identified motivational dimensions.
- (ii) To study the ranked importance assigned by the focus group for identified motivational dimension.

SCOPE AND LIMITATIONS OF THE STUDY

The complex phenomena of motivation cannot be fully studied with an empirical research and that too for academics. The results obtained through this study highly depend upon the strategy of answering the questions by the respondents. The findings obtained through this study may not be applicable to other groups. Further the motivational factors are generally regarded as fluctuating and both external and internal dynamics can play a role on this in future. The research is targeted at obtaining the employees commitment & motivation factors of the focus group at a particular part of time of their career, the research period.

RESEARCH METHODOLOGY

The researchers have used sampling survey for this research. The study is focused on employee's commitment & motivation of College Teachers with special reference to government aided college teachers in Tamil Nadu. 200 Teachers were selected through judgmental sampling. The period of study indicates the time-frame of data collection. In this case the period refers to May 2012 to July 2012. Primary data were collected employing the questionnaire method. The collected data were tabulated, cross-checked and worked out to get analytical information. These produce inferences about the particular dimensions and the dimensional factors concerning identified commitment & motivation inspirers. Simple percentage analysis, Factor Analysis, principal Component Analysis, One way ANOVA were carried out besides hypotheses testing with appropriate statistical tools. The following score key was used to the rank analysis and extent perception analysis.

CALCULATION OF SCALE SCORE

The scale range can vary from “greatly reduces” to “greatly increases” employees commitment & motivation in five modes. This qualitative feature is quantified by assuming values as given below.

- Greatly reduces my motivation -2
- Tends to reduce my motivation-1
- Has no effect on my motivation - 0
- Tends to increase my motivation +1
- Greatly increases my motivation +2

HYPOTHESES TESTING

The following hypotheses were formulated and tested using method appropriate statistical testing method.

- H_0 -The factor1 scores do not vary with the demographic profile of the respondents at 5%.
- H_1 The factor1 scores vary with the demographic profile of the respondents at 5%.
- H_0 -The level of Job Satisfaction does not vary with the demographic profile of the respondents at 5%.
- H_1 The level of Job Satisfaction does vary with the demographic profile of the respondents at 5%.

PROFILE OF THE RESPONDENTS OF THE STUDY I

Age		22-31 Yrs	31 - 40 Yrs	40 - 49 Yrs	49 – 58 Yrs	Total
	count		100	47	27	26
%		50.00%	23.50%	13.50%	13.00%	100.00%
Designation		Assistant Professor	Associate Professor	Professor	Principal	Total
	Count	118	56	18	8	200
%		59.00%	28.00%	9.00%	4.00%	100.00%

PROFILE OF THE RESPONDENTS OF THE STUDY II

Gender		Male	Female	Total
	Count	118	82	200
%		59.00%	41.00%	100.00%
Marital status		Unmarried	Married	Total
	Count	80	120	200
%		40.00%	60.00%	100.00%
Type of family		Nuclear	Joint Family	Total
	Count	89	111	200
%		44.50%	55.50%	100.00%

From the above table it could be seen that 100 respondents forming 50% of respondents belong to the age between 22 and 31 years, 47 respondents forming 23.5% are between 31 and 40 years, 27 respondents forming 13.5% are between 40 and 49 years and 26 respondents forming 13% of respondents are between 49 and 58 years. Half of the respondents of the study were in the ages between 22 and 31 years.

118 respondents forming 59% of respondents were Assistant Professors, 56 respondents forming 28% of respondents were Associate Professors, 18 respondents forming 9% of respondents were Professors, and 8 respondents forming 4% of the respondents were Principals.

118 respondents forming 59% of respondents were Male and the rest were female. 120 respondents forming 60 % of the total respondents were married and the rest unmarried.

111 respondents forming 55.5% were from joint family and the remaining was from nuclear family.

OPINION WITH REGARD TO VARIABLES (EMPLOYEES COMMITMENT & MOTIVATION)

Variables		Greatly Reduces	Tends to Reduce	Has no Effect	Tends to Increase	Greatly Increases	Total
achievements	count	0	0	0	156	44	200
	%	.0%	.0%	.0%	78.0%	22.0%	100%
recognition	count	0	18	81	101	0	200
	%	.0%	9.0%	40.5%	50.5%	.0%	100%
assignments	count	0	100	93	7	0	200
	%	.0%	50.0%	46.5%	3.5%	.0%	100%
commitment towards job.	count	0	113	43	44	0	200
	%	.0%	56.5%	21.5%	22.0%	.0%	100%
career progression	count	0	101	18	81	0	200
	%	.0%	50.5%	9.0%	40.5%	.0%	100%
remuneration	count	0	0	37	44	119	200
	%	.0%	.0%	18.5%	22.0%	59.5%	100%
ethics	count	0	119	0	37	44	200
	%	.0%	59.5%	.0%	18.5%	22.0%	100%
self-esteem	count	0	138	18	0	44	200
	%	.0%	69.0%	9.0%	.0%	22.0%	100%
realisation	count	0	0	156	44	0	200
	%	.0%	.0%	78.0%	22.0%	.0%	100%
power	count	0	18	101	81	0	200
	%	.0%	9.0%	50.5%	40.5%	.0%	100%
flexibility	count	0	18	101	37	44	200
	%	.0%	9.0%	50.5%	18.5%	22.0%	100%
job security	count	0	18	44	0	138	200
	%	.0%	9.0%	22.0%	.0%	69.0%	100%
activity	count	0	156	44	0	0	200
	%	.0%	78.0%	22.0%	.0%	.0%	100%
status	count	0	37	101	62	0	200
	%	.0%	18.5%	50.5%	31.0%	.0%	100%
autonomy	count	0	0	138	62	0	200
	%	.0%	.0%	69.0%	31.0%	.0%	100%
team work	count	0	55	101	44	0	200
	%	.0%	27.5%	50.5%	22.0%	.0%	100%
feeling pressure of work	count	0	101	62	37	0	200
	%	.0%	50.5%	31.0%	18.5%	.0%	100%
sense of competition	count	0	37	0	163	0	200
	%	.0%	18.5%	.0%	81.5%	.0%	100%
fear of failure	count	0	156	44	0	0	200
	%	.0%	78.0%	22.0%	.0%	.0%	100%
doing your work rightly	count	0	0	44	55	101	200
	%	.0%	.0%	22.0%	27.5%	50.5%	100%
stimulation	count	0	0	124	76	0	200
	%	.0%	.0%	62.0%	38.0%	.0%	100%
competencies	count	18	37	101	44	0	200
	%	9.0%	18.5%	50.5%	22.0%	.0%	100%
continuing to work	count	0	37	163	0	0	200
	%	.0%	18.5%	81.5%	.0%	.0%	100%
at work, do your opinions seem to count	count	0	18	138	44	0	200
	%	.0%	9.0%	69.0%	22.0%	.0%	100%
praise	count	0	55	44	101	0	200
	%	.0%	27.5%	22.0%	50.5%	.0%	100%

The table above shows the opinion with regard to variables (Employees Commitment & Motivation) it could be seen that the variables like activity, fear of failure, feeling pressure of work, self-esteem, ethics, commitment towards job, career progression, assignments tends to reduce the work commitment. Moreover it can be seen that the variables are remuneration, job security, doing your work rightly motivate the work. The factors that do not have any effect over motivation were continuing to work, realisation, autonomy, at work do your opinions count, stimulation, power, flexibility, status, team work and competencies. The variables like sense of competition, achievements, recognition, and praise tend to increase the work motivation.

FACTOR ANALYSIS

The variables for motivation were treated to factor analysis to know the important variables motivating college teachers. The communalities both initial and extracted were as follows:

COMMUNALITIES

VARIABLES	INITIAL	EXTRACTION
achievements	1.000	.999
recognition	1.000	.995
assignments	1.000	.576
commitment towards job.	1.000	.975
career progression	1.000	.997
remuneration	1.000	.997
ethics	1.000	.998
self-esteem	1.000	.999
realisation	1.000	.999
power	1.000	.999
flexibility	1.000	.998
job security	1.000	.999
activity	1.000	.999
status	1.000	1.000
autonomy	1.000	.999
team work	1.000	.996
feeling of pressure of work	1.000	.995
sense of competition	1.000	.997
fear of failure	1.000	.999
doing your work rightly	1.000	.998
stimulation	1.000	.711
competencies	1.000	.995
continuing to work	1.000	.997
at work, do your opinions seem to count	1.000	.997
praise	1.000	.994

Extraction method used was principal component analysis. Rotation method adopted was varimax with Kaiser Normalization. Rotation converged in 3 iterations.

TOTAL VARIANCE EXPLAINED

Components	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	13.156	52.622	52.622	13.156	52.622	52.622	9.425	37.701	37.701
2	7.491	29.965	82.587	7.491	29.965	82.587	8.139	32.554	70.255
3	3.560	14.239	96.826	3.560	14.239	96.826	6.643	26.571	96.826
4	.474	1.897	98.723						
5	.292	1.169	99.893						
6	.027	.107	100.000						
7	.000	.000	100.000						
8	.000	.000	100.000						
9	.000	.000	100.000						
10	.000	.000	100.000						
11	.000	.000	100.000						
12	.000	.000	100.000						
13	.000	.000	100.000						
14	.000	.000	100.000						
15	.000	.000	100.000						
16	.000	.000	100.000						
17	.000	.000	100.000						
18	.000	.000	100.000						
19	.000	.000	100.000						
20	.000	.000	100.000						
21	.000	.000	100.000						
22	.000	.000	100.000						
23	.000	.000	100.000						
24	.000	.000	100.000						
25	.000	.000	100.000						

Extraction Method: Principal Component Analysis.

On extraction initially, the factor one is able to explain 52.622% of the variance, the factor two is able to explain 29.965% of the variance, the factor third is able to explain 14.239% of the variance and the three factors are able to explain 96.826% of the variation. On rotation, the factor one is able to explain 37.701% of the variance, the factor two is able to explain 32.554% of the variance, the factor three is able to explain 26.571% of the variance and the three factors are able to explain 96.826% of the variation. On initial extraction factor one explains high percentage of total variance, on varimax rotation also factor one explains more variations than the other factors so it is considered more important with regard to employees commitment & motivation. The initial and the extracted communalities were computed along with the rotated components using varimax rotation and are displayed in the table follows:

UN-ROTATED COMPONENT MATRIX

Factors	Components		
	1	2	3
commitment towards job.	.973	-.161	.048
doing your work rightly	-.962	.199	.184
achievements	.951	.307	.018
realisation	.951	.307	.018
fear of failure	.951	.307	.018
activity	.951	.307	.018
ethics	.939	-.277	.201
self-esteem	.938	.274	-.210
flexibility	.892	-.075	.444
career progression	.828	-.557	-.031
autonomy	.787	.178	-.590
at work, do your opinions seem to count	.783	.318	.532
power	.696	-.313	.646
assignments	.619	-.433	-.076
continuing to work	-.036	.950	-.304
sense of competition	-.036	.950	-.304
feeling of pressure of work	.511	-.856	-.048
praise	-.424	.822	.372
remuneration	-.539	.781	-.312
team work	.584	.772	.242
stimulation	-.203	-.763	-.296
competencies	.510	.680	.522
status	.505	.652	-.565
job security	-.641	-.110	.759
recognition	-.535	.510	.670

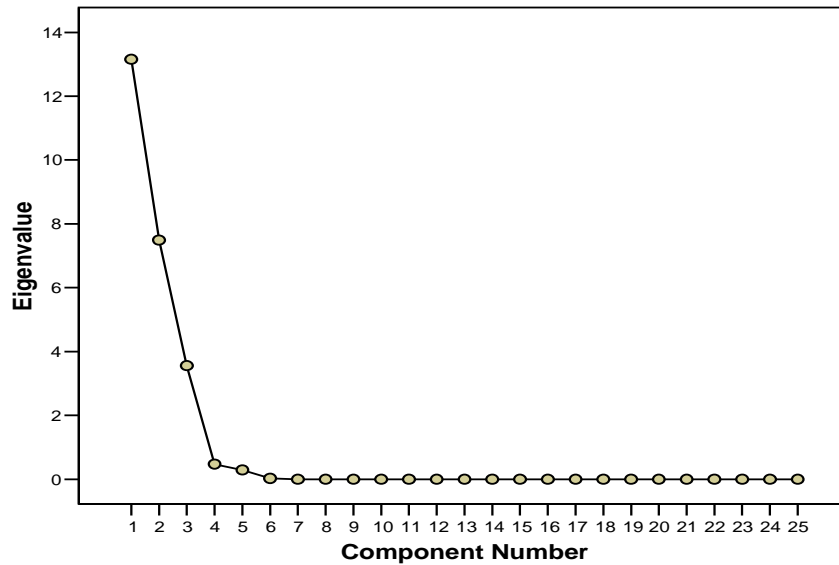
Extraction method: principal component analysis. a 3 components extracted.

ROTATED COMPONENT MATRIX

Factors	Components		
	1	2	3
At work, do your opinions seem to count	.997	-.048	.038
Competencies	.917	.385	-.070
Flexibility	.888	-.440	.130
Team Work	.850	.479	.211
Achievements	.831	-.053	.553
Realisation	.831	-.053	.553
Fear of Failure	.831	-.053	.553
Activity	.831	-.053	.553
Power	.768	-.616	-.171
Ethics	.714	-.613	.335
Commitment towards Job.	.696	-.499	.491
feeling of pressure of work	.047	-.968	.237
Remuneration	-.296	.953	.034
Sense of Competition	.145	.932	.329
Continuing to work	.145	.932	.329
Praise	.187	.866	-.458
Career Progression	.401	-.805	.433
Assignments	.264	-.611	.365
Stimulation	-.592	-.599	.049
Job security	-.094	.030	-.994
Autonomy	.322	-.040	.945
Status	.296	.496	.816
Recognition	.158	.579	-.797
Self-Esteem	.682	-.051	.729
doing your work rightly	-.544	.501	-.671

Extraction method: principal component analysis. Rotation method: varimax with Kaiser Normalization. a rotation converged in 3 iterations. The table above shows that three factors loaded and their factor loadings.

Scree Plot



The plot clearly shows the three factors extracted

VARIABLES LOADED ON FACTOR 1

Variables	Factor Component 1
At work, do your opinions seem to count	.997
Competencies	.917
Flexibility	.888
Team Work	.850
Achievements	.831
Realisation	.831
Fear of Failure	.831
Activity	.831
Power	.768
Ethics	.714
Commitment towards Job.	.696

The factor is named as acceptance of competencies and opinion based on factor loading.

VARIABLES LOADED ON FACTOR 2

Variables	Factor Component 2
feeling of pressure of work	-.968
Remuneration	.953
Sense of Competition	.932
continuous work	.932
praise	.866
Career Progression	-.805
Assignments	-.611
stimulation	-.599

The factor is named as work pressure remuneration and competition based on factor loading

VARIABLES LOADED ON FACTOR 3

Variables	Factor Component 3
Job security	-.994
Autonomy	.945
Status	.816
Recognition	-.797
self-esteem	.729
doing your work rightly	-.671

The factor is named as autonomy and job security based on factor loading

ONE WAY ANOVA BETWEEN FACTOR 1 (ACCEPTANCE OF COMPETENCIES AND OPINION) AND DEMOGRAPHICS OF THE RESPONDENTS

Demographics	Variance	Sum of Squares	Degrees of Freedom	Mean Square	F	Significance	Acceptance of Null Hypothesis
Age	Between Groups	94.341	7	13.477	19.246	.000	Not Accepted
	Within Groups	134.454	192	.700			
	Total	228.795	199				
Gender	Between Groups	16.870	7	2.410	14.684	.000	Not Accepted
	Within Groups	31.510	192	.164			
	Total	48.380	199				
Marital status	Between Groups	12.822	7	1.832	9.997	.000	Not Accepted
	Within Groups	35.178	192	.183			
	Total	48.000	199				
Type of family	Between Groups	7.988	7	1.141	5.292	.000	Not Accepted
	Within Groups	41.407	192	.216			
	Total	49.395	199				
Designation	Between Groups	24.966	7	3.567	6.355	.000	Not Accepted
	Within Groups	107.754	192	.561			
	Total	132.720	199				

H₀-The factor1 scores do not vary with the demographic profile of the respondents at 5%.

H₁ - The factor1 scores vary with the demographic profile of the respondents at 5%.

From the table above it can be found that the factor1 scores do not vary with the demographics such age gender, marital status, type of family and designation at 5% level as all the values of significance of F is less than 0.05. So we accept H₁ and conclude that the factor1 scores vary with the demographic profile of the respondents at 5%.

OVERALL LEVEL OF SATISFACTION TOWARDS PRESENT JOB

level of satisfaction	Frequency	Percent
Highly Dissatisfied	6	3.0
Dissatisfied	14	7.0
Neither satisfied nor Dissatisfied	90	45.0
Satisfied	90	45.0
Total	200	100.0

From the above table it can be inferred that 90respondents forming 45% of the respondent are satisfied and 45% are neither satisfied nor dissatisfied respectively. 6 respondents forming 3% of the respondents were highly dissatisfied and 14 respondents forming 7% were dissatisfied with their job. So it can be understood that only 10 % of the total respondents are dissatisfied.

SATISFACTION AND DEMOGRAPHICS ONE WAY ANOVA

Demographics	Variance	Sum of Squares	Degrees of Freedom	Mean Square	F	Significance	Acceptance of Null Hypothesis
Age	Between Groups	12.282	3	4.094	3.706	.013	Not Accepted
	Within Groups	216.513	196	1.105			
	Total	228.795	199				
Gender	Between Groups	3.196	3	1.065	4.621	.004	Not Accepted
	Within Groups	45.184	196	.231			
	Total	48.380	199				
Marital status	Between Groups	1.083	3	.361	1.507	.214	Accepted
	Within Groups	46.917	196	.239			
	Total	48.000	199				
Type of family	Between Groups	1.689	3	.563	2.313	.077	Accepted
	Within Groups	47.706	196	.243			
	Total	49.395	199				
Designation	Between Groups	25.885	3	8.628	15.830	.000	Not Accepted
	Within Groups	106.835	196	.545			
	Total	132.720	199				

H₀-The level of Job Satisfaction do not vary with the demographic profile of the respondents at 5%.

H₁ - The level of Job Satisfaction do vary with the demographic profile of the respondents at 5%.

From the table above it can be found that the level of Job Satisfaction does not vary with the demographics such age gender and designation at 5% level as all the values of significance of F are less than 0.05. So we accept H₁ and conclude that the level of Job satisfaction varies with the demographic profile of the respondents at 5%.

It is also found that the level of job satisfaction varies with the demographics such marital status and family type at 5% level as all the values of significance of F are greater than 0.05. So we accept H₀ and conclude that the level of Job satisfaction does not vary with the demographic profile of the respondents at 5%.

CONCLUSION

This study has analyzed commitment & motivation factors of This aided College Teachers in Tamil Nadu. The first variable is loaded with the factors at work, do your opinions seem to count, competencies, flexibility, team work, achievements, realizations, fear of failure, activity, power, ethics, commitment towards job. The second variable is loaded with the factors of feeling of work pressure, remuneration, sense of competition, continuous work, praise, career progression, assignments, and stimulation. The third variable is loaded with the factors of job security, autonomy, status, recognition, self-esteem, work rights and differentiated needs. This study has established substantially the general theoretical opinion on the motivation e.g Maslow's Hierarchy of Needs, Alderfer ERG Theory etc that higher the level of needs lower the tendency to need felt at level below is proved to be wrong. The higher level needs fulfilled groups also opined to seek the fulfillment of basic needs of Motivation. Further the first factor scores vary with the demographic profile of the respondents at 5%. The respondents 'overall satisfaction', 'neither satisfied nor dissatisfied' is 45%. 3% of the respondents were highly dissatisfied and 7% were dissatisfied with their job. The levels

of Job satisfaction do vary with the demographic profile such as age gender and designation of the respondents at 5%. The level of Job satisfaction does not vary with the demographic profile such marital status and family type of respondents at 5%. As far as the employee's commitment and motivation is concerned in the long run, it is optimal to move employees towards an internal/growth orientation, where they are self-motivated to higher commitment. But where are they in the short run? To manage them right now, there is need to recognize their current preferred motivation and fulfill it through the management and state government. The employee commitment is required for heightening their emotional connection that an employee feels for his or her job, which influences him to exert higher effort to his or her profession. Teacher's commitment and motivation are increasingly viewed as the magic ingredient that helps educational institutions to attain academic excellence by the power effort unleashed by employees. The committed and motivated employee who is intellectually and emotionally bound with the organization feels passionate about its goals and is committed towards its values. Thus he goes the extra mile beyond the required Jobs. The need of the hour is that our academic communities are also required to go extra mile beyond the specified Jobs.

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CORPORATE FINANCE DEVELOPMENT THROUGH INSTITUTE INTERACTIONS IN SERVICE AND NON SERVICE SECTORS, ETHIOPIA

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ABSTRACT

This article mentioned about the importance and usage of the corporate finance development through the institution and industry. It mentioned about the corporate finance and the firm, Importance of Corporate Finance Technical Education, Need to Establish Linkages with Industry, Need to Establish Linkages with Industry and Industry Institute Interaction. It is also mentioned about the important areas should be trained and strengthen the interaction so mutually they will growth which will help them to improve the profit maximization of the company in the global village.

KEYWORDS

corporate finance development, institute interactions in service.

CORPORATE FINANCE AND THE FIRM

In case, any firm wanted to be success there are three main points are important. First, successful companies have skilled people at all levels inside the company, including a. leaders who develop and articulate sound strategic visions; b. managers who make value-adding decisions, design efficient business processes, and train and motivate work forces; and c. a capable work force willing to implement the company's strategies and tactics. Second, successful companies have strong relationships with groups that are outside the company. Third, successful companies have sufficient capital to execute their plans and support their operations. Just as a stool needs all three legs to stand, a successful company must have all three attributes: skilled people, strong external relationships, and sufficient capital.

Corporate finance is very important for any organization. They contribute for the growth of the organization. It serves to achieve the common financial goal of the organization. Organization are made up of people and function through people. Without people organizations cannot exist. The resources of men, money, materials and machinery are collected, co-ordinated and utilized through people. Skilled People are the most significant resource of any organization which is called Corporate Finance Human Resource. It may be defined as the total knowledge, skills, creative abilities, talents and aptitudes of an organization's workforce, as well as the values, attitudes, approaches and beliefs of the individuals involved in the affairs of the organization. It is the sum total or aggregate of inherent abilities, acquired knowledge and skills represented by the talents and aptitudes of the persons employed in the organization.

HRD in Corporate finance is the framework for helping employee's development their personal and organizational skills, knowledge, and abilities. It includes such opportunities as employee training, employee career development, performance management and development, coaching, mentoring, succession planning, key employee identification, tuition assistance and organization development in the area of corporate finance. Every organization aims at accomplishing its objective. Corporate finance manager helps to one of the achievement of the aim of the firm.

IMPORTANCE OF CORPORATE FINANCE TECHNICAL EDUCATION

Corporate finance education is one of the most significant components of human resource development spectrum with great potential for adding value to firm, for contributing to the national economy.

Today, when nations around the world are coming closer thus removing the barriers and becoming part of the global village in terms of corporate finance. The necessary for Ethiopia to gear itself for global competition in every field including accounting and finance and its research in industry and institution. Corporate finance education is clearly, the most important contribution to the company.

Better interaction between accounting and finance institutions and industry is the need of the hour. This will have great bearings on the corporate finance Curriculum, exposure of industrial atmosphere to corporate finance students and subsequent placement of young corporate finance managers in industries across the country. With the advent of globalization and opening up of Ethiopian economy to outside world, competition among industries have become stiff. There is an urgent need to prepare corporate finance students for jobs in multinational companies, by exposing them to newer areas. These objectives only be achieved well by bridging the gap between industry and the accounting and finance academic institute.

NEED TO ESTABLISH LINKAGES WITH INDUSTRY

To cope up with the changing scenario, it has become very-essential for the corporate finance institutions to establish a meaningful and permanent partnership with industry. This will facilitate in using the experience, expertise and resource available in both the system for mutual benefits. This fact has been realized by all those concerned with the development of accounting and finance education and industrial systems. Efforts are being made to initiate and sustain the interaction.

INDUSTRY INSTITUTE INTERACTION

Industry-institute Interaction means the interaction between the professional institutes and the industries in the profession. To be sustainable their interaction has to be meaningful and mutually beneficial. This interaction is expected to be symbiotic in nature in which both partners compliment each other. It provides the synergy of the strengths and resources of both, contributing to not only the progress of the industry and the Institute but also the Society and the Nation as a whole, which is the need of the hour in this competitive environment.

Every institution can study the need of the Industry-Institute Interaction Practices, Identify the areas of strength and weakness in Industry Institution relations, study the Industry-Academy linkages through HRD centre, analyse the benefits of Industry-Institute Interaction both in accounting and finance Institution and in Industry and to develop the Industry-Institute Interaction model for the corporate fiancé Education system.

The linkage between Industry and Institutions are of paramount importance for bringing relevance to the accounting and finance education. The demand for this interaction is more in view of the changing Ethiopia and global economic scenario. An effective partnership between institute and industry in a mutual supportive role provides a powerful environment that encourages innovation and creativity. Institute provides the most important ingredients to the industries in the form of technical manpower. The main aim of accounting and finance education institutes is to provide adequate number of technically trained manpower equipped with knowledge and skill required to perform their day-to-day jobs in the industries.

The Industry-Institute Interaction (III) is being practiced in so many institutions in Ethiopia and abroad. In Ethiopia after globalization, almost in all categories of institutions this Industry-Institute Interaction is in practice. It is good to know the feasibility and nature of the practice of III in accounting and finance institutions.

If, the following services are provided by the industries to the accounting finance institutions that will strengthen the profession in the field. They are,

1. Membership of Advisory Boards/Committees
2. Framing of Syllabus/Curriculum Development
3. Industrial Training of Staff
4. Industrial training of Students
5. Industrial Visit of Students and Staff
6. On Campus Recruitment of Students
7. Guest Lectures
8. Assistance for Project Work of Students
9. Resource Sharing
10. Project Evaluation for Examinations.

The industry and institution interaction in the following areas which really help them to improve their corporate finance system and economy. They are, Financial Markets, Issues, Investments and Intermediaries; **evaluation of Financial Performance** - Return on Equity, Liquidity Ratios, Asset Management Ratios, Profitability Ratios, Leverage Ratios, Market Value Ratios, The Du Pont Method and Ratios and Growth (Comparisons); **Financial Planning and Forecasting** - Budget Details, Budgeted Financial Statements, Concepts in Budgeting and Making the Budgeting Process Work; **Capital Budgeting Analysis** - Calculating the Discounted Cash Flows of Projects, Economic Criteria for Evaluating Capital Projects and Consideration in Capital Budgeting Analysis; **Managing Cash Flow** - Cash Flow Cycles, Cash Flow Planning, Short Term Financing; **Finer Points in Cash Flow Management** - The Management of Capital, Concepts and Theories, Calculating the Cost of Capital, The Financing Decisions and The Financing Market Place; **Mergers and Acquisitions** - Concepts, Legal and Regulatory Considerations, Due Diligence, Valuation Concepts and Standards, The Valuation Process, Post Merger Integration and Anti-Take over Defenses; **Creating Value through Financial Management** - New Role of Finance, Value Based Management Measuring Value and Real Sources of Value; **Strategic Planning** - Preliminary Considerations, Organizing the Process, Assessing the Situations, Developing the Strategic Plan and Implementing the Strategic Plan; **The Balanced Scorecard** - Concepts, Strategic Foundations; **Competitive Intelligence** - Concepts, Tools and Techniques, Counter Intelligence, Critical Concepts, Analytical Models, Advanced Techniques and Corporate Intelligence Systems; **Public Offering** - Preliminary considerations, Preparing for the IPO, Registering the IPO and Selling the IPO; **Creating Value in the Non Profit Sector** - The framework for Value Based Management, Strategic Planning, Organizational Resources, Leadership and Accountability and Performance Measurement; **Process Improvement** - Fundamental Tools of the Trade, Capability Maturity Model, Six Sigma and Lean Thinking.

Risks and Return - Measuring of Return, Measuring Risk, Modern Portfolio Theory, Risk in Portfolios, The Efficient Frontier and Diversification; **Bonds and Their Valuation** - Characteristics of Bonds, Classifications of bonds and Bond Valuation; **Stocks and Their Valuation** - Valuation of Equity Shares and Techniques of Fundamental Equity Valuation; **Corporate Valuation** - Risk, Cost of Capital and Estimating Corporate Value; **Capital Budgeting: Evaluating Cash flows** - Process of Capital Budgeting, Types of Proposals, The Concepts of Cash Flows, Methods of Appraisal in Capital Budgeting, Risk and Uncertainty in Capital Budget Factors and Limitations; **Capital Structure Decisions** - Measuring Capital Structure, Interpreting Capital Structure, Leverages and Capital Structure Theories; **Distributions to Shareholders: Dividends and Repurchases** - Dividend Payments, Dividend Policy, Dividend Policy Theories, Residual Dividend Policy and Stock Repurchase; **Corporate Restructuring** - Types of Corporate Restructuring, Mergers and Consolidations, Types of Mergers, Government and Mergers and Financing Mergers; **Leasing Financing** - Types of Leases, Lease Analysis, Tax treatment of leases, Effects on financial statements, Lessee's analysis and Lessor's analysis; **Derivatives and Risk Management** - Forwards, Futures, Options and SWAPS; **ERP - Solution of Your Corporate Finance** - ERP and Related Technologies, Implementation of ERP Systems, Functional Modules, Life Cycle of ERP and Implementation Factors

CONCLUSION

In this 21st century, people can expect a continuing education change in the corporate finance education paradigm with a greater emphasis on system thinking. Industry Institute Partnership (IIP), needs to be reoriented very seriously. All areas of interaction in this partnership are to be properly stabilized making them more worthy and result oriented. The professionals from either side have to make up their minds not to keep their partnership merely as a formality because it is a desire of a society. The professional from industry and institute must join their hands to generate, the future technocrats who are skilled, able, and efficient enough to suit the industry requirements. Industry-Institute Interaction can be successful in making accounting and finance institutions more relevant to society needs and in making industry more competitive through the provision of a more highly skilled workforce.

The key to success in promoting the development of mutually beneficial relationships is to provide structured opportunities for dialogue between industry and institution partners and to provide training that increases the awareness and skills of the institution partners. When institution representative's clearly demonstrate their commitment to meeting the human resource development in corporate finance needs of industry and the institution proves it can provide high quality services, the industry welcomes institute-interaction with open arms to improve the profit.

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PROJECT MANAGEMENT PRACTICE IN PUBLIC SECTOR

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ABSTRACT

The paper researched the implementation of the project management (PM) practice in public sector in Kurdistan province. The PM Lifecycles, tools and techniques were displayed. Ninety two copies of questionnaire were administered to 92 public organizations in Kurdistan to create primary data. The illustrative analysis techniques using percentages and table presentations linked with coefficient of correlation were used for data analysis. The study showed that implementation of PM tools and techniques area necessary management approach that care for obtain indicated purposes within limited time and budget limits through maximum use of resources. Additionally the study important that there is lack of in-depth knowledge of PM tools and techniques in public sector organizations sampled, also high cost of implementation was also studied by the defendants. The study suggested among others that PM tools and techniques should be practical progressively limiteding government organizations where resistance to change is noticed to be high.

KEYWORDS

Project Management, Public sector, Practice, Kurdistan province.

1. INTRODUCTION

Due to the fact that project is a multidisciplinary word that has different meaning from different outlook and guidance., Architects, Managers, Engineers and so on, have their definitions according to their experiences as far as their professions are interested. Pinto (2007) quoted that Project is a nonpermanent worker activity or make an effort to achieve a goal guaranteedly to create a unique output (product or service) within budget, time and standards. Turner and Muller (2003) determined project as an organization of human materials and financial resources in a strange way, to guarantee a unique range of work, of given limitation, within restrictions of cost and time, determined by quantitative and qualitative purposes so as to achieve a favorable change. The uniqueness of project is indicating to its real nature that there may not be a pre-existent of architectural copy drawing on white paper and the text in blue for the project's accomplishment and there may not be a need to repeat the project once completed. Its goal characteristics may be well perceive as achieving stated purposes or solve a particular problem, while its nonpermanent nature represents a discontinuous, explainable start and conclusion. Abbasi and Al-Mharmah (2000) define Project management as the art and science of planning, designing and managing work throughout all the stages of the project life cycle. It is also concerned as a system or procedure of planning, designing, scheduling, managing and controlling mutually connected project activities in order to obtain limited purposes or goal within a limited time, budget and standards (Lewis, 2007). Project Management is an inventive management practice that care for obtain stated or indicated purposes within limited time and budget limited through maximum use of resources (Stuckenbruck & Zomorrodian, 1987). It helps organization in authorizing their limited resources in the best way possible in order to obtain repeating success and meeting the anticipations of stakeholders. Government and organizations generally undertake different projects with the purpose of producing new service or improving the practical productivity of the existent ones. All these projects require suitable skills and techniques that exceed technical proficiencies only, but surround good and sound skills to manage limited budgets, and observe shrinking schedules and unexpected results, while at the same time dealing with people and organizational issues (Abbasi & Al-Mharmah, 2000). The implementation of project management practice in public sector has been recognized as an effective approach which would help in improving management abilities and allow public sector to effectively complete projects and achieve developmental purposes (Arnaboldiet al, 2004). It is also recognized as a key enabler with whom public sector organizations acceptance business improvement methodologies such as Lean Management and TQM, improve their productivity and competitiveness. Studies have confirmed that implementation of modern project management methods and techniques have a great effect on public organizations. Arnaboldiet al (2004) studied that implementation of project management strategy in public sector was as a result of compression on governments to reject bureaucratic organization in favor of poor, structures. White & Fortune (2002) examined the project management practice in public sector in UK by collecting data from 236 project managers in some public organizations. The result of the study showed that 41% of the reported projects were judged to be completely successful though some difficulty was reported. Similarly, Abbasi & Al-Mharmah (2000) investigated the project management tools and techniques used by the public sector in Jordan by surveying 50 industrial public firms. The study found out that the use of project management tools and techniques among the public sector companies was considerably low, but when practiced effectively would result in tangible benefit in all aspects of planning, scheduling and observing the time, cost and limitations of projects. In Kurdistan province, the implementation of modern project management tools, methods and techniques is still not well established in public sector, these results into non-performance of public organizations and their contractors in performing their duties about the budget, limitations and deadlines of the projects awarded. Studies have recognized social and political systems, cultural blocks and lack of financial support as obstacles to successful project planning and accomplishment in Kurdistan providence public sector (Idoro & Patunola-Ajayi, 2009). Therefore this paper purposes at investigating the project management tools and techniques being used in Kurdistan providence public sector, their benefits, obstacles and difficulty with a view of recommending suitable actions.

2. PROJECT MANAGEMENT STAGES

Project management stages differently known as project lifecycle refers to the stages in a project's development. Project lifecycle is important because it presents the logic that controls a project. It also helps in developing plans for accomplish the project. Pinto, (2007) recognized four distinct project life cycle stages which are: Conceptualization, Planning, Accomplishment, and finalizing. Conceptualization according to Pinto (2007) refers to the development of the initial goal and technical limitation for a project. The range of work is determined, necessary resources (people, money, material & machine) recognized, and important organizational contributions or stakeholders signed on. Also, probability study is guided at this stage to investigate whether the project can be continued or not. Planning is the stage in which detailed limitations, diagrammatic, schedules and other plans are developed. It is also a stage where the project solution is in addition developed in as much detail as possible and steps necessary to meet the project's purposes are put in place. At this stage the individual segments of the project called work bundles are shattered, individual tasks made, and the procedure for finalizing clearly described. Project schedule, the

substantial work and the estimated cost of finalizing are also recognized. Anything that might raise a threat to the successful finalizing of the project is also recognized at this stage. Finally all the project stakeholders must be recognized at this stage of the project so as to establish a communication plan that describes information needed and the delivery method to be used to keep stakeholders informed (Patel, 2008). Accomplishment stage deals with substantial performance of the work of the project. Development is continuously observed and suitable adjustments are made and variances registered so as to support the original project plan. During project accomplishment, project tasks are performed and development information is being reported through regular team meetings. The project manager uses this information to support control over the guidance of the project by measuring the performance of the project activities comparing the results with the project plan and takes corrective actions as needed (Westland, 2006). Finalizing occurs when the completed project is transferred to the customer, project documentation is handed over to the business, and suppliers' contracts concluded, project resources released and the project closing communicated to all stakeholders. The final step is to conduct lesson learned studies; to examine what went well and what didn't. Through this type of analysis, the knowledge of experience is transferred back to the project organization which will help future management teams.

3. PROJECT MANAGEMENT TOOLS AND TECHNIQUES

Different tools and techniques are used in managing projects for a worthwhile result. Some of these tools and techniques are Work Breakdown Structure, Gantt Charts, Project Networks (Critical Path Method and Programmed Evaluation and Review Techniques), Cost Benefit Analysis, Graphical Evaluation and Review Technique (GERT), and Project Software. Work Breakdown Structure (WBS) deals with breaking down of the projects into controllable individual ingredients in a hierarchical structure. Such a structure explains tasks that can be completed freely of other tasks, promoting resource allocation, task of responsibilities and measurement and control of project. Wysocki (2009) also studied that it is an actual tool for defining work bundles and developing and following the cost and schedule for the project. WBS provides an ordinary framework for the natural development in general planning and control of a project and is the foundation for dividing work into explainable increases from which the declaration of Work can be developed and technical, schedule cost, and labor hour reporting can be recognized. Gantt chart is a useful tool for planning and scheduling projects. It shows graphical representation of the duration of tasks against the development of time. It was developed by Henry Gantt in 1915 purposely for observing projects development and following. Gantt charts have become an ordinary technique for representing the stages and activities of project Work Breakdown Structure (WBS) so they can be understood by wide viewers all over the world (Wysocki, 2009). Cost Benefit Analysis (CBA) is one of the most widely accepted and practical methods for project appraisal for large scale substructure in the public and private sector. CBA is a prescriptive method that provides guidance on the criteria to take account in decision making, ensuring that the net accumulate, benefits to society outweigh net accumulate, costs (Patel, 2008). Graphical Evaluation and Review Technique (GERT) is a network analysis technique used in project management that allows probabilistic relation of both network logic and activity duration estimates. It is a useful management tool for planning, coordinating, and controlling complex projects (Westland, 2006). The key objective of GERT is to appraise on the foundation of the network logic and estimated duration of the activity and extract inference about some activities that may not be performed (Olateju, et al 2011). GERT can be used with a complimentary network analysis evaluation techniques used in project management such as CPM and PERT. Critical Path Method is also a project network analysis technique used to determine which succession of activities (path) has the least amount of scheduling flexibility and therefore will most likely determine when the project can be completed. Program Evaluation and Review Technique (PERT) is an event-and-probability based network analysis system generally used in projects where activities and their durations are difficult to define. PERT is often used in large programmed where the project involves numerous organizations at widely different locations.

4. RESEARCH METHODOLOGY

In this research project management practice by the public organizations in Kurdistan province, was adopted to analyze; because of its advantages of distinguishing characteristics of a large population from a group of individuals, the economy of the design and the quick approach in data collection (Luthans & Davis, 1982). In order to analyze the practice of project management by the public organizations in Kurdistan province, survey research approach was adopted. This was used because of its advantages of distinguishing characteristics of a large population from a group of individuals, the economy of the design and the quick approach in data collection (Luthans & Davis, 1982). The sample selected for this study included of 92 which was randomly selected from public organizations of Kurdistan province. Questionnaire was used as an instrument of data collection with the purpose of collecting information about project management practices in the public sector, the reasons behind using Project management tools, benefits, problems and obstacles. Relevant statistical analysis was guided on the collected data to investigate different problems within an organization or company of this research. The questionnaire was completed by interviewing the person in charge of the each agency's project planning and management. This method improved the data precision and gravity. The questionnaire was planned from review of related literature to the study. It was pre-tested with five managers from the sample size in order to check and ensure that not unconnected questions were present.

5. RESULTS AND DISCUSSION

Table 1 show 77.17% of the defendants male while 22.83% are females and as well as defendants with bachelor's degree rank highest with 51.08% followed by Masters' degree holders with 31.5% while the remaining 17.4% have professional qualifications. As observed, all the defendants are educated therefore this provides a strong base for understanding, better employment and implementation of project management techniques and tools. In addition observation of the table showed that majority of the defendants have worked more than three years in the organizations under study, this shows that they are experienced in the organization and can give exact information as far as the subject matter is interested. Table 2 shows tools and techniques of project management being employed in the sampled public agencies in Kurdistan province. The defendants were displayed with 9 alternatives and were asked to indicate which had been used in their agency's project. The alternatives included in the list were those found in standard textbooks on project management. Defendants were also encouraged to include any tools or techniques not mentioned, if necessary. Table 2 shows percentage of frequency of use and confidence interval. The analysis of the table shows that Gantt chart is the most frequently used tools with 66%, Cost Benefit Analysis 59%, declaration of Work 29%, Work Breakdown Structure 24%, project management software (15%), and other decision making techniques 16%. PERT and CPM, GERT are some of the rarely used or not employed tools by the agencies. This really shows that project management tools and techniques are still not well carried out in most of the public agencies studied. In Table 3, the obstacles facing the implementation of project management tools and techniques in public agencies were analyzed. As shown, the very important obstacle is lack of project management knowledge (84%) – most of the defendants are not well trained in the art of project management – therefore to implement PM tools and techniques in all PM life cycle become serious problems. Other obstacles expressed verbally or in writing by the defendants are; change of authority, lack of leadership obligation, bribery and corruption, low level of professional training in PM, and inflexible organizational structure. Table 4, tested the benefits of utilizing project management tools and techniques. All the defendants believed that if PM tools and techniques are well practical, it would lead to reduction in cost and time exceeds and more project success. As showed by Table 4, 76% believed that it would provide the opportunity of following the project development, 69% believed that it would improve better communication, while 65% noticed that PM tools would lead to good management of resources. Other benefits expressed verbally or in writing by the defendants are; better work organization, better time employment and better quality. This is being an integral part of a successive sequence of operations with the study of Abbasi and Al-Mharmah (2000) that find that among other benefits, knowing work development and having better work organization are highly noticed benefits of PM tools and techniques implementation. Table 5 showed that high cost is the major disadvantage studied in implementation of PM tools and techniques. Other difficulties studied by the defendants are; lack of proficiencies, poor coordinate with customers and difficult to model real world. Table 6 shows the outlook of the defendants on how to improve the implementation of PM tools and techniques in public sector. Condition of suitable training in PM to all the person in charge of project, recruitment of project management specialist, higher obligation from the government, foundation of Project Management Office (PMO) in each of the agency are some of the suggested solutions by the defendants. Correlation coefficients among different factors that could affect the level of implementation of PM tools and techniques, the obstacles, and the noticed benefits were analyzed and shown in Table 7. Some of the factors considered are; cost of implementation, age of the agency, employee experience,

government obligation and total number of employees. The result pointed out that age of the agency and government obligations have negative correlations with implementing PM tools, obstacles and noticed benefits. Therefore, it can be concluded that government organizations are still resisting the implementation of PM tools and techniques; also the government is not doing enough in establishing a strong defensive position of the tools and techniques of PM in most of its organizations.

6. CONCLUSION

Implementing PM tools and techniques in public organizations has become an important issue in many developing countries, due to its successful implementation in private organizations and its verified effectiveness and flexibility in achieving project goals and purposes. Due to its nature Kurdistan province is witnessing unparalleled capital projects in Kurdistan organization of school renovation, development and mobilization which require better implementation and utilization of effective and effective management tools and techniques. Studying the implementation of PM tools and techniques in public sector in Kurdistan province would serve as enlightening experience to the government and other decision maker to better plan their effort toward effective implementation of PM tools and techniques. If properly practical, PM tools and techniques would result intangible benefits in every way of project planning, scheduling and controlling the cost, time and quality. Educational qualification of the defendants showed that good majority of the sampled population are well educated which provide a reliable base for better employment and implementation of PM tools and techniques. Gantt charts, WBS and CBA are some of the practical PM tools and techniques by the defendant because of their simple and understanding nature, however, lack of complete knowledge of these tools and techniques still form a very important obstacle facing implementation. In connection with noticed benefits, the general agreement is that implementing PM tools effectively will help in project following, better communication, better resource employment and better quality among others. The difficulty in form of high cost, lack of proficiencies in PM and difficulty in real world modeling are mentioned by the defendants. To tackle the difficulty, the defendants believed that sufficient training should be given to the employee in art of PM, professionals in PM should be employed and Project management Offices should be recognized across the government organizations. In views of the findings of this research, the authors suggested the following actions, for proper implementation of PM tools and techniques in Kurdistan province in general;

- (i) Government should step up its obligation in implementing PM tools and techniques in its entire project. The bureaucracy that has established itself in all government businesses should be controlled as far as all government projects are interested, so as not to become ineffective and unproductive.
- (ii) Proper implementation of PM tools and techniques can serve as an instrument for change. It can establish a wonderful training ground for future managers and skilled workers, and be an effective means of bringing about administrative reform in public organizations.
- (iii) Appropriate organizational design should be chosen so as to make the implementation of PM tools and techniques firm with culture and political environment of the government organizations.
- (iv) Suitable PM training should be given to employee in charge of projects; this would increase the knowledge of employees about different PM tools and techniques available for suitable choice. Also PM professionals should be employed for proper and suitable implementation of PM tools and techniques.
- (v) As suggested by the defendants, Project Management Offices should be established across all the government organizations with purpose of managing, observing and controlling the projects embarked by their institution. This will improve efficient and effective implementation of PM tools and techniques.
- (vi) Lastly, PM tools and techniques should be practical progressively specifically in government organizations where resistance to change noticed to be high. Serious implementation should be avoided so as not to lead to disturbing changes such as power struggles, loss of job management confusion (Struckenbruck & Zomorrodian, 1987).

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TABLES

TABLE 1: PERSONAL CHARACTERISTICS OF THE RESPONDENTS

Sex of the Respondents	No	%
Male	71	77.17
Female	21	22.83
Highest Qualification		
B.sc/HND	47	51.08
Master's degree	29	31.5
Professional qualification	16	17.4
Working Experience (years/		
1-5	08	8.7
6-10	28	30.5
11-15	44	47.8
16-20	12	13.0
Above 20 years		

TABLE 2: PROJECT MANAGEMENT TOOLS AND TECHNIQUES EMPLOYED

Technique/tools	%	95 %Confidence
Work Breakdown Structure	24	6.8 -35.8
Declaration of Work	29	14.9- 45.9
Critical Path Method	3	0.0- 8.8
Gantt chart	66	55.3-86.8
Cost Benefit Analysis	59	37.8-73.5
Program Evaluation and Review Technique	-	-
Graphical Evaluation and Review Technique		
Project Management Software	15	3.9-28.2
Other decision making techniques	16	4.8-22.9

TABLE 3: OBSTACLES FACING PM IMPLEMENTATION

Obstacles	%	95 %Confidence
Lack of professional training	45	22.7-57.7
Bribery and corruption	53	23.8-57.7
Lack of PM knowledge	84	57.8-89.6
Lack of managementobligation	24	19.9-41.3
Inflexible organizational structure	33	15.8- 49.7

TABLE 4: NOTICED BENEFIT OFIMPLEMENTING PM TOOLS AND TECHNIQUES

noticed benefits	%	95 %Confidence
Better communication	69	58.5-86.9
Good management of resources	65	56.8-85.4
Known work development	76	53.5-89.8
Better Quality	60	35.4-76.3
Better work organization	54	32.3-67.9
Better Time employment	62	43.8-78.6

TABLE 5: DISADVANTAGE AFFECTINGIMPLEMENTATION OF PM TOOLS AND TECHNIQUES

Disadvantage	%	95 %Confidence
Lack of expertise	68	50.2-76.6
Poor coordinate with customers	43	23.4-58.9
High cost of implementation	85	58.5-80.5
Difficulty in modeling real world	54	33.1-70.8

TABLE 6: SUGGESTION FOR IMPROVING IMPLEMENTATION OF PM TOOLS AND TECHNIQUES

Suggestions	%	95 %Confidence
Recruitment of PM specialist	73	52.4-84.9
Higher obligation from government	55	31.1-69.6
Establishment of PMO	51	26.7-62.4
Condition ofsuitable PM training	69	58.4-88.9

TABLE 7: CORRELATION COEFFICIENTS

	Useable PM tools and techniques	Obstacles	Noticed benefits
Cost of implementation	0.438	0.366	0.262
Age of the firm	-0.456	-0.431	-0.366
Employee experience	0.624	0.588	0.237
Government obligation	-0.535	-0.491	0.384
Total number of employee	0.527	0.433	0.391

AN ANALYSIS ON THE RESPONDENTS PERCEPTION OF THE RECRUITMENT AND SELECTION PROCESS AND ITS EFFECT ON THE PERFORMANCE OF EMPLOYEES IN THE MICRO- FINANCE INSTITUTIONS IN RWANDA

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ABSTRACT

The study investigated the recruitment and selection process and its effect on employee performance in the microfinance institutions in Kigali Rwanda. The Study on recruitment and selection process on employee performance focused on elaborating the relationship between the variables (the recruitment policy, recruitment procedures, cost constraints, selection techniques, and selection criteria) in the microfinance institutions in Kigali Rwanda. The performance of the employees in the Microfinance institutions performance has been poor in the last decade. Hence the need to determine the suitable recruitment and selection strategies that could increase their performance. Research questions were generated to investigate the topic. The empirical documents were technically used to deepen the insight on the existing literature. The data were collected from the microfinance institutions in Kigali city, Rwanda. Data was collected through a self constructed and statistically validated questionnaire. Convenience sampling technique was used to administer the questionnaires to the respondents. Out of the 290 questionnaires distributed, 274 were retrieved with usable data for statistical analysis reflecting a 94% retrieval success. The study found that there was a significant positive correlation between recruitment and selection, and employee performance in the microfinance institutions.

KEYWORDS

Recruitment, selection, performance.

INTRODUCTION

Human Resource management is the management function that implements strategies and policies relating to the management of individuals (Patterson, 1987). Every organization always goes through the process of selecting, recruiting, and retrenching of its employees. In the United States as well as multinational or international corporations, human resource reflects a quantitative and strategic approach to workforce management demanded by corporate management to gain a competitive advantage, and to utilize limited and highly skilled workers (McLean, Osman-Gani & Cho, 2004). However, over time, usefulness and effectiveness of human resource practices in the performance of microfinance institutions have not been clearly defined and focus of HRM practices has mainly been on multinational or international corporations. Yet the outlook of all organizations, regardless of sizes and types, are directly linked to their personnel. According to Ominde (1964), human resource is the most important asset of an organization because it is the one that manipulates all other resources, to function according to the stipulated plan so as to meet organizational goals and have a competitive advantage. The performance of microfinance institutions in Kigali, Rwanda should therefore be a reflection of the performance of their staff, and how they are managed, and more specifically, how they are recruited and selected for the available positions.

Recruitment is the process of attracting, screening, and selecting qualified people for a job. According to Montana and Charnov (2000), recruitment includes sourcing candidates by advertising or other methods, screening potential candidates using tests and interviews, selecting candidates based on the results of the tests or interviews, and on-boarding to ensure that the candidates are able to fulfill their new roles effectively. Recruitment forms a major part of an organization's overall resourcing strategies, which identifies and secures people needed for an organization to survive and succeed in the short to medium-term (Elwood & James, 1996). Moreover, as Zheng (2006) and Croucher (2008) point out, there is a positive and significant relationship between recruitment and selection and the performance of a firm. Sang (2005) also discovered a positive association between recruitment and selection and business performance. Ichniowski and Shaw (1999), Katou and Bedhwar (2006), and Wright et al. (2005) also reported similar positive results between recruitment and selection and performance in Canada, in Finland and in New Zealand. However, these studies and reports focused mainly on large corporate organizations, and not microfinance institutions. But more particularly, the case of recruitment and selection and performance of microfinance institutions in Kigali, Rwanda in particular still needs to be investigated. The process of hiring requires engagement of the persons responsible in looking for the appropriate skills required so that the organizations can meet their objectives and thus have a competitive advantage. There are many ways to improve productivity, but none is more powerful than making the right hiring decision. Therefore, it is clear that effective recruitment and selection will remain a central human resource objective for the foreseeable future, (Derek and Steven 2008).

A company's ability to recruit and manage talent has become a key pillar for the overall health and longevity of the organization. Motivated employees with applicable knowledge skills, abilities, and other attributes, remain critical to the success of any organization. However, recruitment and selection as a human resource management functions, are one of the activities that impact critically on the performance of an organization. (Jackoson & Schuler 1999). In contrary, it is understood and accepted that poor recruitment and selection decisions continue to affect organizational performance and limit goal achievement. Acquiring and retaining high quality talent is critical to an organization's success, and further having a competitive advantage (Bown, Don, & Harvey, 2000). The recruitment and selection process majorly entails identifying, attracting and choosing suitable people so as to meet the organization's human resource requirement. Both are integrated and intertwined activities in that where recruitment stops, and selection begins can be termed as a moot point (Beardwell & Claydon, 2007).

Beardwell and Claydon, (2007) indicates that the importance of ensuring that the selection of the right people to join the workforce has become increasingly apparent, emphasis on people as the prime source of competitive advantage has grown. As the job market becomes increasingly competitive and the available skills grow more diverse, recruiters need to be more selective in their choices, since poor recruiting decisions can produce long term negative effects, among

them being high training and development costs, incidence of poor performance and high turnover which, in turn impact on staff morale, productivity of goods and services, (Collings & Wood, 2009). Organizations recognize the crucial part their people play in achieving and sustaining a competitive advantage and they are therefore aware of the need to attract people of the right caliber. Because of skills shortage and the resultant war for talent. Talent management has become well established as an HR priority and is recognized to be of strategic importance to business organizations. The process of recruitment and selection are closely linked. Both activities are directed towards obtaining employees with the requisite competencies and attitudes. Recruitment activities play a great deal of impaction in laying the groundwork for the selection process by providing the pool of applicants from whom the selectors may choose. (Foot & Hook, 2008).

The staffing process, putting the right people in the right positions at the right time, is one of most critical tasks any organization faces. The quality of the work performed can be only as high as the capacities of the people performing it. Recruitment is the process of finding qualified people and encouraging them to apply for work with the firm. Selection is the process of choosing among those who do apply. Together these two facets of human resources management supply the lifeblood to the organization. (Decenzo & Robbins, 2005). A successful recruitment campaign will have resulted in a good number of applications from people who are suitably qualified for the vacancy and the next step or task is to select the most suitable persons from the highlighted positions. Employers must consider who should be involved in this task and provide support in terms of policies, procedures and training, (Foot & Hook, 2008). According to Mondy (2009), Human resource is traditionally seen as the soft side of business, but he submits that attracting and retaining the right people for the organization is the hard side of business because that is the foundation upon which everything is based. While literature is abounding with studies conducted mostly in the developed world, in the Rwandan context this area is underrepresented as no studies to the best knowledge of the authors have been conducted in this area. It is against this background that this research takes a thrust and endeavors towards collecting divergent perceptual views on the recruitment and selection process of the employees into organizations, and its effects on the performance of the very mentioned employees. The work is divided into sections with the foregoing introduction, followed by the theoretical and related literature review, methodology design, data analysis, interpretation and discussions, and the conclusion respectively. In general every organization either private or public needs to hire competent people to ensure that the organizational objectives are met. Therefore, attracting and retaining the right people for the organization is one of the key critical areas of concern with all human resource managers. It has been noted that the performance of the employees in some organizations, is not up to the required standard, this has been attributed to various reasons without proper evidence. The aim of this research is to assess the recruitment and selection process of the employees in the microfinance institutions in Kigali, Rwanda, and analyze if indeed the recruitment and selection process has a significant impact on the performance of the employees.

OBJECTIVES OF THE STUDY

The underpinning objectives for this research include:-

1. Identifying the perception of the respondents towards recruitment and selection and its effect on organizational performance.
2. Identifying whether there is an underlying relationship between recruitment, selection and organizational performance.

RESEARCH HYPOTHESES

The main hypothesis of this study was, recruitment and selection process is a significant determinant of employee job performance of the microfinance institutions in Kigali Rwanda.

THEORETICAL AND REVIEW OF LITERATURE

RECRUITMENT

Recruitment is the process of attracting individuals on a timely basis, in sufficient numbers, and with appropriate qualifications to apply for jobs with an organization. The firm may then select those applicants with qualifications most closely related to job descriptions. Finding the appropriate way of encouraging qualified candidates to apply for employment is extremely important when a firm needs to hire employees. Thus, a properly functioning recruiting program can have a major impact on the bottom line performance of a company. (Mondy, 2009)

RECRUITMENT PROCEDURES

The first step in recruitment process is to assess the need for additional human resources and decide whether or not you have a vacancy you wish to fill. The vacancy may be a new post that has been identified through the development of the corporate strategic plan, or it may have arisen because an employee has resigned, retired or been dismissed. The latter are sometimes referred to as replacement posts to distinguish them from new posts. You may also decide to recruit a job-share partner for an established employee who no longer wishes to work full time. Filling vacancies which arise because an employee has decided to leave or creating new posts should be part of a careful planning process, scrutinized in terms of how the action contributes to the organization's strategic goals. (Foot & Hook, 2008).

Job analysis is the process of gathering together all data about an existing job, which activities are performed and what skills are needed. Some decisions need to be made about who will carry out the job analysis most effectively. The collected data are then structured to create job descriptions and person specifications or a job profile related to a competency framework. A similar process may be carried out to create this documentation for new posts though this would inevitably rely more on managerial knowledge and judgment. (Foot & Hook, 2008). Job analysis is the procedure through which you determine the duties of these position and characteristics of the people who should be hired for them. The analysis produces information on requirements; this information is then used for developing job descriptions (a list of what the job entails) and job specifications (a list of the job's human requirements, or what kind of people to hire for the job) (Dessler, 2000).

RECRUITMENT POLICIES

A policy is simply a statement of intent on the part of an organization; it outlines the approach everyone is expected to adopt and the standards they should achieve in carrying out an organization's business. A recruitment policy enables all employees involved in the process to direct their efforts towards achieving the organization's goals and to know that they are acting in the spirit intended by the organization. A basic recruitment policy should at the very least include statements about the organization's stance on: the overall goal of recruitment and equality of opportunity. To show that they value their employees, wish to retain them and want to provide them with every opportunity to develop, organizations may also adopt a policy of giving preference to suitably qualified internal applicants over external applicants, and this too would need to be stated explicitly in the organization's recruitment policy. Such a policy would have implications for the way that recruitment procedures are developed. (Foot & Hook, 2008)

SOURCE OF RECRUITMENT

1. **Internal recruitment:** Internal recruiting is the process of looking inside the organization for existing qualified employees who might be promoted to higher-level position. Vacancies, of course are often filled internally. Sometimes organizations advertise all vacancies publically as a matter of course and consider internal candidates along with any one from outside the organization who applies. This approach is generally considered to constitute of good practice and is widely used in the United Kingdom's public sector. However many organizations prefer to invite applications from internal candidates before they look at their external labor markets for new staff (Denisi & Griffin, 2004). There are considerable advantages from the employer's perspective. First it is less expensive to recruit internally, there being no need to spend money on job advertisement or recruitment agencies. Instead a message can simply be placed in a company newsletter or posted on its intranet or staff notice board, (Torrington, Hall, & Taylor, 2008). The methods for internal recruitment include:
 - a. **Current employees:** many companies have a policy of informing current employees about job openings. Internal job postings give current employees the opportunity to move into the firm's more desirable jobs. However an internal promotion automatically creates another job opening that has to be filled. (Mejia, Balkin, & Cardy, 2001)
 - b. **Job postings:** job postings prominently display current job opening to all employees in an organization. They are usually found on bulletin boards (cork as well as electronic). Other than word-of-mouth, job postings are the most commonly used method for generating a pool of internal applicants. Job postings

can reduce turnover by communicating to employees that they do not have to go elsewhere in order to find opportunity for advancement and development. Posting jobs also create an open recruitment process, which helps to provide equal opportunity for advancement to all employees.

- c. **Talent inventories:** almost every organization has a pool of internal talent that it can tap when recruiting to fill open positions. Like savings accounts, internal talent pools contain easily accessed resources that can be "withdrawn" as needed. In addition, the future value of the organization's talent pool can be enhanced through investments in selection procedures, training programs, and retention efforts.
 - d. **Promotions:** regardless of how an employee becomes an applicant, recruitment activities can result in three types of career moves within the organization. A promotion generally involves moving into a position that's recognized as having higher status and often, higher pay. To plan for employee promotions, some organizations use replacement planning charts in addition to maintaining a talent inventory. Replacement planning charts list the current and potential occupants of positions in the firm. The charts also list each person's promotion potential and developmental needs, (Jackoson & Schuler, 1999).
- The job families take the new position within the company often involving lateral job transfer rather than a promotion. After several transfers, employees develop a broader perspective and can better understand how the entire organization functions as a system. (Jackoson & Schuler, 1999).
2. **External recruitment:** If internal candidates would require training in order to be qualified, it may be cheaper, easier, and quicker to hire people with the competencies needed. In addition, recruiting from the outside brings in people with new ideas, which is especially important for organizations that require innovation and creativity. External applicants come from many sources and are recruited through a variety of means. Under tight labor market conditions, employers generally must adopt a more proactive approach to external recruitment. The methods for external recruitment include:
 - a. **Walk-in applicants:** Some individuals become applicants by simply walking into an organization's employment office. Before the internet explosion, walk ins were especially prevalent for clerical and service jobs; managerial, professional, and sales applicants were seldom walk ins. New technology is quickly changing that. Now applicants for almost any type of job can "walk-in" to an organization through its electronic, cyberspace doors. Virtually all major employers now have electronic home pages that describe their operations and list available employment opportunities.
 - b. **Employee referrals:** Employee referral occurs when a current employee informs someone they know about an opening and encourages them to apply. Informal referral programs consist of informing current employees about job openings and encouraging them to have qualified friends and associates apply for positions. This is a very low - cost approach.
 - c. **Employment agencies:** Public and private employment agencies are good sources of temporary employees and permanent employees. Many organizations use external contractors to recruit and screen applicants for a position.
 - d. **College recruiting:** schools are important sources of recruits for most organizations, although their importance varies depending on the type of applicant sought. For some jobs, the recruitment process begins in the high schools even though the hiring process doesn't kick in until college graduation
 - e. **Media Advertising:** Advertising communicates the firm's employment needs to the public through media such as newspapers, trade journals, radio, television, and billboards. (Mondy, 2009)
 - f. **Internet recruiting:** Organizations first started using computers as a recruiting tool by advertising jobs on a bulletin board service from which prospective applicants would contact the company. Now some employers are not only posting jobs and accepting resumes and cover letters on-line but also are conducting employment interview on-line. Advantages for such internet recruiting by employers include reaching more applicants, having lower costs and faster response time frames. (Mathis & John, 2000)
 - g. **Foreign nationals:** In some professions such as chemical engineering, software engineering, and others that involve high-tech skills. Labor shortages cause employers to recruit foreign nationals. Recruiting for foreign nationals successfully requires making an extra effort to understand other cultures from which applicants are sought. (Jackoson & Schuler, 1999).

The aim of recruitment is to attract qualified job candidates. We stress the word qualified because attracting applicants who are unqualified for the job is a costly waste of time. To avoid these costs, the recruiting effort should be targeted solely at applicants who have the basic qualifications for the job (Gomez-Mejia, Balkin, & Cardy, 2003). It's hard to overemphasize the importance of effective recruiting. If only two candidates apply for two openings, you may have little choice but to hire them. But if 10 or 20 applicants appear, you can use techniques like interviews and tests to screen out all but the best (Jackoson & Schuler, 1999)

SELECTION

Selection involves choosing personnel to fill specific jobs in the organization on the basis of educational qualifications, trainings, skills, abilities and the personalities of the persons available for the jobs. Selection starts only after an adequate number of applications have been secured through different sources of recruitment. (Bown, Don, & Harvey, 2000). The ultimate goal of selection is to choose the best person for the job. Selectors attempt to match candidates to the job requirements, predicting how well they will perform if offered the position, but they also need to ensure that the candidates fully understand all major aspects of the job so that new recruits are not likely to become disillusioned and leave within a short period of time (Foot & Hook, 2008). The selection process involves screening and testing of candidates who applied for the jobs. Selection is necessary because some of applicants may not be suitable for the jobs in the organization, therefore the number of applicants who are suitable for the jobs may be more than the vacant jobs to be filled hence; the process of selection is a negative process as more candidates are rejected than hired in contrast with the positive program of recruitment which seeks to induce as many persons as possible to apply for a job in the enterprise. (Bown, Don, & Harvey, 2000).

BASIC SELECTION CRITERIA

- a. **Education and experience:** Education and experience are relatively straight forward to assess in a selection context. Education refers to the formal classroom, training an individual has received in public or private schools and technical schools. Although education is likely to continue to play an important role in the selection process, there is some concern that general education level, such as specifying that an individual needs a high school diploma or two years of college might be a bit too removed from what many employers today need from a person for example competences vary in meaning from organization to organization but basically refer to relatively broad capabilities that are necessary for effective job performance. Experience is the amount of time the individual may have spent working, either in a general capacity or in a particular field of study.
- b. **Skills and ability:** Another common set of selection criteria is skills and abilities. Skills and abilities relate more precisely than do experience or education to the specific qualifications and capabilities of an individual to perform a specific job.
- c. **Personal characteristics:** In some jobs it is also important to an organization to assess the personal characteristics of individual job applicants. These personal characteristics are usually thought to reflect the individual's personality and may be an important factor in certain kinds of jobs. (Denis, Griffin 2001)

POPULAR SELECTION TECHNIQUES

Organizations use a variety of techniques for gathering information about an individual's education and experience, skills, abilities and personal characteristics. Indeed, most organizations rely on a comprehensive system involving multiple selection techniques to ensure that they gather all the relevant data and that they assess this data rigorously, objectively, and in nondiscriminatory fashion.

- a. **Application and background checks:** One of the steps in most selection system is to ask applicants to complete an employment application. An employment application asks individuals for various bits of personal information, such as a candidate's name, educational background, career goals, and experience. Of course all information on employment application must bear on an individual's ability to perform the job.
- b. **Employment tests:** An employment test is a device for measuring the characteristics of an individual; such as personality, intelligence, or aptitude. Although we usually think of employment tests as being of a paper and pencil variety, the courts consider any device used to make an employment decision, including interviews, to be a test. In fact most employment tests are either administered on paper or are computer administered tests. Various types of employment tests are commonly used. Before identifying them, however we should make the distinction between aptitude and achievement tests. These terms often refer to how the test is used rather than the nature of the test, but aptitude tests focus on the mastery of some set of learned skills.

c. **Personal Interviews:** Although tests are popular, the most widely used selection technique in most organizations is employment interview. Interviews are face to face conversations between prospective job applicants and representatives of the organization. The purpose of interviewing candidates is to improve effectiveness at using what is perhaps the most important screening tool, the selection process. An interview is a procedure designed to obtain information from a person through oral responses to oral inquiries, a selection interview, which focus on the procedure designed to predict future job performance on the basis of applicant's oral responses to oral inquiries.

Interviews are often broadly classified as structured, unstructured, and behavioral.

1. Unstructured interview: is one in which the interviewer asks probing, open-ended questions. This type of interview is comprehensive, and the interviewer encourages the applicant to do much of the talking. The unstructured interview is often more time consuming than the structured interview and results in obtaining different information from different candidates.
2. Structured interview: In the structured interview, the interviewer asks each applicant for a particular job the same series of job-related questions. Although interviews have historically been very poor predictors of job success, use of structured interviews increases reliability and accuracy by reducing the subjectivity and inconsistency of unstructured interviews. A structured job interview typically contains four types of questions. (Mondey, 2009)

ORGANIZATIONAL PERFORMANCE

As an integral component of the success system model, the performance management system should provide benefits to both the employee and to the organization. Organizational Performance management is the process that enables employees to perform their roles to the best of their abilities with the aim of achieving or exceeding established targets and standards that are directly linked with the organization's objectives (Collings & Wood, 2009). Recruitment and selection process involves a measurement of its success both qualitatively and quantitatively. Any recruitment and selection system should be based on three fundamental principles:

- a. **EFFECTIVENESS:** Effectiveness can be measured for recruits, include retention rates, promotion rates, and percentage of recruits perceived as having high potential after three to five years. However, these factors can also be influenced by working conditions and emphasis on employee development within the organization (Ford, 2000).
- b. **EFFICIENCY:** Is mainly concerned more with the costs of the exercise, and it also measures the average cost per recruit, average time lapse between various stages, percentage of the offers made, and offer-acceptance rate (Hollman, 2000).
- c. **ORGANIZATIONAL IMAGE:** Is the perception that different people hold of an organization. Such perceptions can have different sources depending on how well people know the organization. Some perceptions derived from individual experiences and impressions of the organization, while others are influenced by the marketing and communication activities seeking to influence the image of the organization. Image is important for an organizations ability to attract and retain relationships with its different internal and external stakeholders. (Balmer & Greyser, 2003)

The basic assumption is that an image adds value to the organization by creating positive perceptions of how the organization is different from and better than others. Within organizational studies, organizational image has been subject to different conceptualizations and debates. Most importantly, many organizational scholars take organizational image to be organizational members' perceptions of how outsiders perceive the organization. Organizational image is a useful concept for understanding the impressions individuals have of organizations or that organizations want to convey to individuals. The term refers to an image that encapsulates the likeness of an organization. (Cheney & Christensen, 2001). Organizational images can have a strong influence on most aspects of members' organizational experiences. From an individual perspective, organizational image helps to explain how people: (1) seek membership in organizations, (2) identify with organizations, (3) make sense of and compare organizations, (4) align their decisions and behavior with others serving the same organizational cause, and (5) understand themselves and their roles in organizations. From an organizational perspective, organizational image helps the dominant coalition to establish or position the organization, its goals, and its views in the minds of its employees, customers, or other stakeholders. For employees, organizational image helps envision what types of activities are appropriate; for external constituencies, the image helps place the organization into a category of similar organizations while simultaneously differentiating the organization from the others organizational Communication. (Aluesson, 1990).

- d. **EMPLOYEE INNOVATIVENESS:** Employee innovativeness can be defined as engagement in innovative behaviors, which includes behaviors related to the innovation process, i.e. idea generation, idea promotion and idea realization, with the aim of producing innovations. Innovations connected to the implementation or adoption of novel ideas can in turn be categorized as either technological (changes in products, services, production processes) or administrative (changes in activities, social processes, structures), and as either radical or incremental, depending on the extent of their influence for existing products or processes. Employee innovativeness can thus be examined throughout the innovation process, from initial idea generation to product development, and eventually to product commercialization, or the adoption of new processes or structures in the organization. (Vincent, Decker 2002).

As it is individual employees, either alone or together in groups, who are the source of creative ideas and subsequent innovation, it is not surprising that large amounts of research have been devoted to the examination of personality or person-specific factors that contribute to innovativeness. (Anderson, 2004). Research has repeatedly highlighted the importance of intrinsic motivation in creative work. Innovativeness requires a certain level of internal force that pushes the individual to persevere in the face of challenges in creative work. Moreover, it is this internal force that keeps the person going even when the challenges are successfully overcome. (Jung, 2001)

- e. **EMPLOYEE TURNOVER:** Indicates the rotation of workers around the labor market; between firms, jobs and occupations; and between the states of employment and unemployment? As indicated by Hollman, (2000) organizations that have a high level of inefficiency translates to having a high level of staff turnover. Employees have a strong need to be informed. Organization with strong communication systems enjoyed lower turnover of staff. Employees feel comfortable to stay longer, in positions where they are involved in some level of the decision-making process. That is employees should fully understand about issues that affect their working atmosphere. But in the absence of openness' in sharing information, employee empowerment and the continuity of employees are minimal. Point out that a high labor turnover may mean poor personnel policies, poor recruitment policies, poor supervisory practices, poor grievance procedures, or lack of motivation. All these factors contribute to high employee turnover in the sense that there is no proper management practice and policies on personnel matters hence employees are not recruited scientifically (Johnson & Griffeth, 2000).

RESEARCH METHODOLOGY

The research employed and utilized the descriptive and co relational research design. The choice of these designs was informed by the ability of descriptive method to profile respondents categorically (Greener, 2008) and the correlation was to examine the relationship between variables (Wallace and Wray, 2006).

Primary data was used for the research. The research employed a self structured questionnaire that covered all the variables under study. The questionnaire was specifically designed to accomplish the objectives of the study. The questionnaire consisted of three sections, and employed the Likert scale of four points: Strongly Agree, Agree, Disagree, and Strongly Disagree. The first section collected information such as age, gender, level of education, experience, current position held by the respondent, and department the respondent works in. the second section inquired if the respondent was taken through the selection and the recruitment process, and if he thinks the process was transparent. The third section consisted of 39 questions that measured the analysis of the respondent's perception of the recruitment and selection process and its effect on the performance of employees in the micro- finance institutions in Rwanda. The questionnaire was administered using a convenience sample method to 5 microfinance institutions in Kigali city capital of Rwanda. Of the 290 questionnaires distributed for this study, 274 of them were useable giving a response rate of 94 per cent, which was considered satisfactory for subsequent analysis. The sample size decisions were primarily based on cost considerations.

DATA ANALYSIS, INTERPRETATIONS AND DISCUSSIONS

PROFILE OF THE RESPONDENTS

The profile of the respondents was analyzed through descriptive statistics as presented in Table 1.1 and it indicates that a total of 146 male group representing (52.5%) and 128 female, representing (46.0%) of the total 274 respondents used in the study. This proportional difference only reflects the number of respondents surveyed. Data presentation and analysis were done with the help of various statistical tools by using SPSS.

TABLE 1.1: DISTRIBUTION OF THE RESPONDENTS BY DEMOGRAPHIC FACTORS

Demographic Variables	Categories	Frequency	Percentage
Gender	Male	146	52.5%
	Female	128	46.0%
Educational Level	Diploma	32	11.5%
	Bachelors' degree	218	78.4%
	Masters	24	8.6%
	PhD	0	0%
Work Experience	Less than 1 Year	55	19.8%
	1 to 3 Years	67	24.1%
	4 to 5 Years	93	33.5%
	5 and above Years	59	21.2%

Table 1.1 further indicates that out of the 274 respondents, 32 respondents representing (11.5%) have a diploma, 218 respondents representing (78.4%), have a bachelor's degree, 24 respondents representing (8.6%), have a Masters, while there was no respondent with a PhD. On work experience, the highest number of respondents are those that have worked between 4 and 5 years

TABLE 1.2: SUMMARY OF THE RESPONDENT'S RESPONSE IF THEY WENT THROUGH THE PROCESS OF SELECTION AND RECRUITMENT

Response		Frequency	Percent
Process of selection and recruitment	yes	228	82.0
	no	46	16.5

From the foregoing statistical evidences, as indicated in table 1.2, it becomes explicit that the respondents' response indicates that a large number of them went through the process of selection and recruitment for the various positions that they hold in the institutions.

RESPONDENTS PERCEPTION ON SELECTION/RECRUITMENT AND EMPLOYEE PERFORMANCE

TABLE 1.3: MEAN AND STANDARD DEVIATION OF THE VARIABLES

Independent Variables	Mean	Std. Deviation
Recruitment Policies	2.4060	.37623
Recruitment Procedure	3.4355	.59514
Cost constraint	2.1305	.83183
Time constraint	1.3650	.57895
Selection/Recruitment Techniques	3.2600	.42327
Selection/Recruitment Criteria	3.4891	.66490
Dependent Variables	Mean	Std. Deviation
Effectiveness	3.5572	.52159
Organizational Image	2.9672	.57839
Efficiency	3.7600	.35631
Innovativeness	3.5119	.63807

From the statistical reports in table 1. time constraint, cost constraint, and recruitment policies had a mean less than 3.00 implying that these variables under the recruitment and selection process do not influence the performance of the employees. From the statistical result of recruitment procedure, selection/recruitment techniques and selection/ recruitment criteria had a clear indication that they influence the performance of the employees.

CORRELATION ANALYSIS OF VARIABLES

Pearson correlations were calculated to identify the correlations between the variables. Table 1.4 shows the correlations for all the variables.

TABLE 1.4: SUMMARY OF THE CORRELATION MATRIX BETWEEN SELECTION/RECRUITMENT AND EMPLOYEE PERFORMANCE

Variables		Selection /Recruitment	Employee Performance
Selection Recruitment	Pearson Correlation Coefficient	1	.956**
	Sig. (2-tailed)		.000
	N	274	274
Employee Performance	Pearson Correlation Coefficient	.956**	1
	Sig. (2-tailed)	.000	
	N	274	274
**Correlation is significant at the 0.01 level (2-tailed)			
* Correlation is significant at the 0.05 level (2-tailed)			

Based on the statistical relationship approach, this finding, thus, provides a robust and in-depth insight in indicating that there exists a significant relationship between selection/recruitment procedure and employee performance. The finding indicates that recruitment and selection is a significant determinant of the performance of the microfinance institutions in Kigali Rwanda. The findings fits well with the sentiments of Omolo, Oginda, & Oso, (2012) and the views of

Montana and Charnov (2000) that recruitment as the process of recruitment policy, recruitment procedures, cost constraints, selection techniques, and selection criteria of qualified people for a job, has a direct impact on performance.

CONCLUSIONS

The purpose of this study was to determine the effect of recruitment and selection on the employee performance in the microfinance institutions, through specifically investigating the effect of the recruitment policy, recruitment procedures, cost constraints, selection techniques, and selection criteria collectively, on the employee performance of the microfinance institutions in Kigali, Rwanda. The study found out that the recruitment policy, recruitment procedures, cost constraints, selection techniques, and selection criteria are significant determinants of the employee performance of the microfinance institutions in Kigali, Rwanda. Based on these findings, the study concludes that recruitment and selection have a significant effect on the employee performance of microfinance institutions in Kigali, Rwanda, and the better the recruitment and selection, the higher the performance of the microfinance institutions. This research contributes to the wealth of existing documentation through the identification of factors under the selection and recruitment that influence employee performance. The finding of the research cements the underlying policy that effective recruitment and selection are tools for better employees' performance. The suggested policy has implications for financial institutions and managers which can be used as a basis to plan efforts towards increasing workers' work performance and enhancement.

RECOMMENDATIONS

Based on the findings and conclusion drawn above, the study recommends that, the Ministry of Trade and Industry, in collaboration with the Local Government and the microfinance institutions to develop guidelines for recruitment and selection of new staff to be recruited by the SMEs. To provide a proof that such guidelines have been adopted and followed should be advanced during application for renewal of licenses. The application of new licenses and renewal of old licenses should be based on evidence of effective practices of the recruitment and selection process of the employees in an microfinance institutions.

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ORIGIN AND EVOLUTION OF CORPORATE OWNERSHIP IN JAPAN: A HISTORICAL REVIEW

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ABSTRACT

This paper is about the origin and evolution of the ownership structures of Japanese firms based on a thorough literature review. Despite several excellent studies, there are several conceptual confusions and debates engendered about why and how the corporate ownership in Japan was originated, shaped, and reshaped over time. Most importantly, there are very few theoretical studies which have addressed this issue comprehensively with chronological order. In this paper, we try to systematically explain the evolutionary stages of corporate ownership from Meiji period to current period. This paper explains the emergence and transformation of different ownership structures of Japanese firms as responses to changing economic, regulatory, and political factors over different eras.

KEYWORDS

Cross-shareholdings, Keiretsu, Ownership structure, Zaibatsu.

1. INTRODUCTION

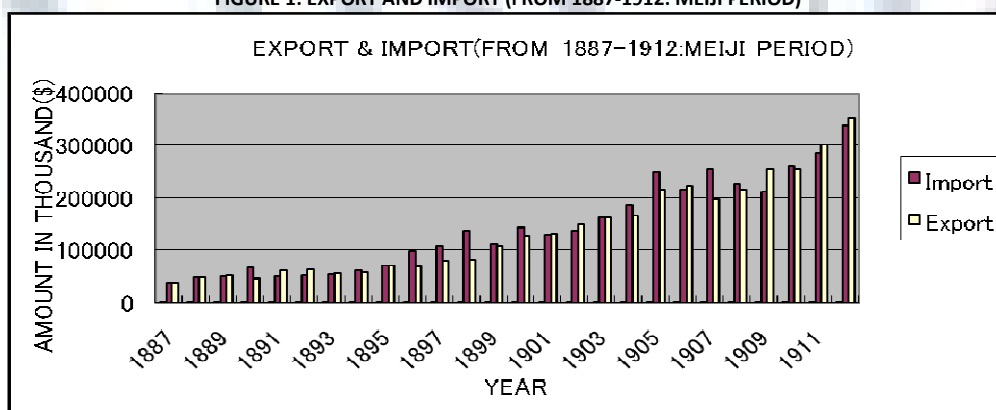
The world is changing faster than anyone could expect and people are struggling to keep up with the pace of this change. In this ever changing world, too often, we encounter with many conflicting issues that need to be addressed with proper care. Corporate ownership is one of those aspects where most of the researchers are divided in their opinions. One point of conflicts is whether ownership structure of business firm is exogenously determined or it is endogenously determined by other factors. Sometimes, rather than depending solely on empirical investigations, it is useful to look at the history of corporate ownership to address this dilemma. The history of Japanese corporate ownership is always attention-grabbing because Japan is such a unique country where business firms have successively gone through the experiences of concentrated family ownership, dispersed individual ownership, significant corporate ownership, and notable foreign ownership over different eras. In addition, ownership patterns have been changed here more radically and more often than in any other major industrial economy. Despite several excellent studies, there are several conceptual confusions & debates engendered about the issue including its background as well as chronological transformations. Most interestingly, there are very few studies that have addressed this aspect comprehensively with logical and chronological order.

This paper is about the origin and evolution of the ownership structures of Japanese firms based on a thorough literature review. In this part, we make an effort to briefly document the different patterns of corporate ownership being observed in Japan and how those patterns have been shaped and reshaped over time. The explanation also includes concise idea about the changed economic, regulatory, and political systems of Japan over different periods which could sensibly be linked to different ownership structures. We review the sizeable literature on the history of Japanese corporate ownership to attain our purpose. For describing the phenomenon, we try to provide as lucid an explanation as possible, without losing the theoretical rigor.

The paper is organised as follows: Section 2 describes the first phase of corporate ownership structure in Japan after the restoration of imperial rule in 1868(Meiji period). Section 3 describes the second phase of ownership structure after the World War I. Section 4 details the overall corporate ownership and its changes during the American Occupation period in Japan while Section 5 describes the subsequent changes during the post-Occupation period extending up to 1980s. Section 6 reflects the changes in ownership structure of Japanese firms due to financial crisis in 1990s and its current status. Section 7 contains some concluding remarks.

2. MEIJI PERIOD: 1868-1912

During the early part of 16th century, many people started to accept Christianity in Japan not necessarily for the Christian message of salvation by the European missionaries but also for the economic gains and political advantages. As a result, panic of colonization seized the Japanese rulers to such an extent that they subsequently become stringent to stop that phenomenon by issuing *Tokugawa Shogun Exclusion Act of 1639*. Under that exclusionary policy, more than two hundred years, Japan had no political and business connections with rest of the world in true sense. No foreigner was allowed to enter into Japan (except Dutch and Chinese with limited access) and Japanese people were also not allowed to visit outside. Although foreign trade had been prohibited, domestic trade flourished and many merchant families (for example, Mitsui and Sumitomo families) grew wealthy. However, businesses were small in scale and operation. Therefore, the foundation of modern Japanese businesses with large scale of operation, gigantic volume of international trade, and business incorporation were laid on the periods after the restoration of imperial rule in 1868(end of *feudalism*). The first period is called *Meiji Period* which literally means enlightenment period because the country had substantially moved away from closed door to open door policy for rest of the world after 1868. The Meiji government had immediately realised the importance of western ideas of doing business, western technology, and foreign trades. As a consequence, Japan endured significant changes during that period which unified and made Japan a stronger nation, just as powerful as the western countries. Japanese businesses and foreign trades (export and import) had continued to expand steadily (see Figure 1) during the same time.

FIGURE 1: EXPORT AND IMPORT (FROM 1887-1912: MEIJI PERIOD)

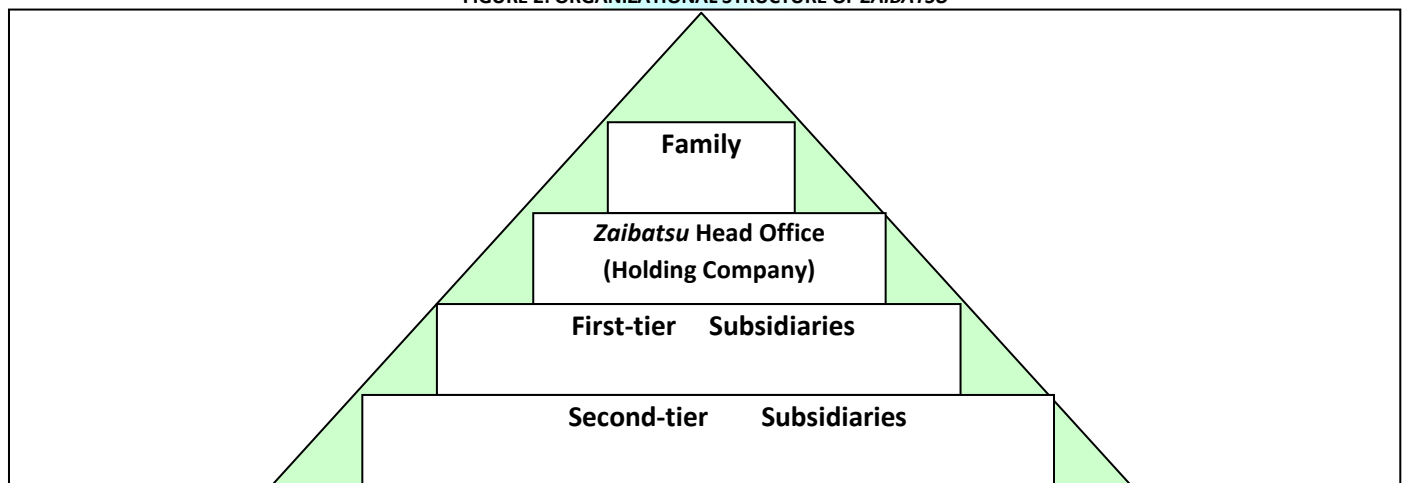
Source: Data compiled from the appendices of GHQ monograph, 1951.

Even though the speed of economic development was slow¹ at the initial stage but it was accelerated² at the later part of the 1890s. The notable expansion of Japan's industrial productive capacity after the *Sino-Japanese war (1894-1895)* favoured a rapid growth of businesses and foreign trades. As the economy was being shifted from agrarian economy into a developed industrial one, businesses were becoming bigger in size and incorporations were increasing sharply.³ Those businesses were, particularly owned by few wealthiest families⁴ in Japan, widely known as "*Zaibatsu*". Historically in Japan, the roles of few families were very dominating in various social, economic, and political aspects. Bisson (1954) summarized this point, "In Japan, under the old regime, privileged groups had exercised despotic power in every phase of economic life. Whether one looked at agriculture, labor, industry, banking, or trade, the picture was the same. A few great family combines dominated the business world was merely one aspect of a general situation" (p. 3).

The Meiji government also unswervingly supported the prospering of the businesses of those large and powerful families due to their significant contributions to the emerging economy of Japan. In a nutshell, family businesses were dominating and representing the industrial part of Japan. By utilizing their influences, they established banks (for example, Mitsui bank and Yasuda bank) at that period and thus, each *zaibatsu* substantially owned a bank. In pre-war Japan, as the business firms (mainly small and medium) could not raise enough capital through stock markets⁵, they had to borrow from those *zaibatsu's* banks. And for getting bank loan, they had the only option of making alliance to those wealthy families which helped those families to build massive industrial empire or combine individually.⁶ Existing literature substantiates these realities of large business families during Meiji era. For example, Miwa and Ramseyer (2006, p. 39) documented that the *zaibatsu* built themselves the powerful empires through their lock on finance that dominated pre-war Japan. In explaining the role of *zaibatsu* owned banks, Hadley(1970, p. 29) also contended that banks gave combine firms preferential interest terms and were slow to extend credits to outsiders who challenged or might challenge an important subsidiary of *zaibatsu* in a particular field(as cited in Miwa and Ramseyer 2006, p. 40).

In order to describe the structure of *zaibatsu*, Morck and Nakamura (2005, p. 376) and Yafeh (1995, p. 155) mentioned that each *zaibatsu* had pyramidal structure where a family owned holding or partnership controlled a set of directly owned subsidiaries by owning majority of their shares,⁷ which then controlled other firms, which then controlled yet other firms (if any), and so on (see Figure 2). Horizontal ownership and personal ties between group firms were also common.

FIGURE 2: ORGANIZATIONAL STRUCTURE OF ZAIBATSU



On the other hand, the expansion of ownership among the wider public was very limited and the role of newly established stock exchanges had remained relatively insignificant for the same (Francks, 1999, p.250).⁸ Industrial advancement was mainly based on textile businesses. The textile industries grew faster and remained the largest Japanese industries until the World War II in terms of production volume or sales revenue.⁹ However, Meiji era is always considered as the founding period for the establishment of modern institutional and legal frameworks for businesses.¹⁰ The period came to an end with the death of the emperor Meiji in 1912 and subsequently, the World War I began which continued from 1914 to 1918.

3. POST WORLD WAR I PERIOD: 1918-1939

World War I was a watershed for Japanese economy in general, and for the *zaibatsu* families in particular, which were provided by war conditions with remarkable opportunities to capture and develop huge new markets in trading, shipping, and manufacturing businesses (Morikawa, 1992, p. 21; Shimotani, 1991, p. 14).¹¹ The old *zaibatsu* were being able to reap the war boom opportunities by strengthening and expanding businesses in various sectors. Moreover, the situation also facilitated the emergence of new *zaibatsu*.¹² These new *zaibatsu* were different from those so called family centric or subspecies of old *zaibatsu* both in terms of the ownership structure and the range of their business bases. They were genuine holding companies with a relatively large number of stockholders. Franks, Mayer and Miyajima (2007) mentioned that those companies also marketed their shares to the outside shareholders. As a result, the tendency of old *zaibatsu* to control through total ownership did not sustain over these companies (Yamazaki, 1988, pp. 25-26). Whereas the old *zaibatsu* were mainly focused on mining, banking and foreign trade, these new *zaibatsu* were concentrated on heavy and chemical industries. Each of these businesses was led by a person of marked individuality having engineering or chemical expertise rather than so called family support. On the other hand, the distaste of the great business families(old *zaibatsu*) for pooling capital from the outsiders were no longer continued as the need for capital was ever-growing to take the advantage of the post war boom. Families that kept their firms closely-held found this growing need for capital a serious problem and started to issue the shares of their subsidiaries to the public, maintaining the top-tier holdings stable.

The second blow of substantial equity issuance occurred during the 1930s as Japan endured a great depression (*Showa Depression*) with the world economy. Several major *zaibatsu* such as Fujita, Kuhara, and Suzuki collapsed due to that economic crisis (Morikawa, 1992, p. 121). The surviving *zaibatsu* started to sale the shares of their subsidiaries to the public as a way of raising funds. Moreover, after 1937, when the second *Sino-Japanese War* broke-out, production in the munitions industries increased drastically and the *zaibatsu* aggressively sought to reap them. To raise the necessary funds, they had to offer the shares of their first ranked subsidiaries for public subscription (Yamazaki, 1988, p. 32). In addition, Yamazaki (1988) mentioned that the *zaibatsu* also had to raise funds for welfare work and cooperate with state policy in an attempt to appease the anti-*zaibatsu* feelings of the army prevailing at that time. As a consequence, the average number of stock holders increased and the average ratio of stock holdings by families decreased.¹³ However, during that time, minority investors' protection was very weak and *zaibatsu* firms were being alleged to involve with share price discrimination and fund mismanagement. Nevertheless, small investors were inclined to buy the shares of *zaibatsu* subsidiaries due to their reputation, stable performance during financial crisis, and good monitoring capacity. Franks et al. (2007, p. 37) confirmed that ownership concentration was decreased during that period and the trend was more or less continued until the period of World War II.

4. OCCUPATION PERIOD: 1945-1951

At the end of World War II, Japan was occupied by the Allied Powers, led by the United States with a contribution from the British Commonwealth Occupation Force. A sequence of far-reaching reforms was initiated by the General Headquarter (GHQ) office of the Allied Command following the end of World War II to change the Japanese regulatory and economic environments. Among the crucial reforms sought by the Allied Command, the measures directed toward the pre-

war *zaibatsu* took high priority (Bisson, 1954, p. 1; Yafeh, 1995, p. 155). In particular, the market power of the *zaibatsu* and the tremendous wealth of the founding families made the dissolution of those conglomerates one of the first and most important targets of the Occupation reforms. This attempt was initialized by "Initial Post-Surrender Policy for Japan" declared by the United States that it would liquidate Japan's large industrial and financial combines. The dissolution program had subsequently been accelerated by issuing several directives and Anti Monopoly Law 1947. For the same purpose, Holding Companies Liquidation Commission (HCLC) was formed which designated *zaibatsu* for dissolution (for example, see Table 1). The number of *zaibatsu* holding companies designated to dissolve was 83 (Yamazaki, 1988, p. 45).

TABLE 1: TEN MAJOR ZAIBATSU DESIGNATED FOR DISSOLUTION BY HCLC

Zaibatsu	Number of Subsidiaries in 1946
Mitsui	294
Mitsubishi	241
Sumitomo	166
Yasuda	60
Nissan	179
Asano	59
Furukawa	53
Okura	58
Nakajima	68
Nomura	19
Total	1200

Source: Morck and Nakamura, 2005, p.375

A few of restrictions on *zaibatsu* firms were as followings- (i) selling all holding shares of *zaibatsu* families and holding companies to public¹⁴ or state (HCLC) on a priority basis; (ii) *zaibatsu* were prohibited to buy-back the shares of their subsidiaries; (iii) pre-war *zaibatsu* family members and managers were purged and prohibited from taking office; and (iv) maximum share ownership ceilings of individual and financial institutions were 1 percent and 5 percent of total shares, respectively. Moreover, share-ownership by ordinary non-financial corporations was, in principle, forbidden and formation of holding companies were made illegal (Okumura, 2000, p. 39).¹⁵ The objective of such restrictions was to make the corporate ownership structure a democratic one and ensure equal opportunity for firms and individuals. In addition, the political cause behind *zaibatsu* dissolution was supposed to be the association of those firms with Japanese military expansion (Kearns, 1992, p. 4; Morikawa, 1992, p. 238; Yafeh, 1995, p. 155). Ozkan (2011) mentioned, "The Americans believed that the Japanese imperial army, rural landlords, and *zaibatsu* were the main actors in Japanese militarism, and therefore their role needed to be eliminated in the future" (p. 1). Due to all these efforts, greatest dispersion in Japanese stock markets was being occurred; the minority investor protection was significantly improved and greater managerial independence was ensured. Kearns (1992) noted "In 1949, when the Tokyo Stock Exchange reopened, individuals owned 69.1 percent of all listed shares, securities houses held 12.6 percent, other financial institutions 9.9 percent, non-financial companies 5.6 percent and the government 2.8 percent" (p. 16).

However, as the economy was totally collapsed¹⁶ due to war and the stock markets were not working, bank financing was the only source of additional funding.

5. POST OCCUPATION PERIOD: 1952-1980s

Once Japan regained the democratic power after the end of Occupation period, the scenario of corporate ownership proved unstable and gradually changed to a new trend. Individual ownership almost immediately began to decline and the institutional ownership (both financial institutions and corporations) increased. There were manifold reasons associated with this changing pattern. One of those was the poor operating performance of the listed companies, which discouraged the individual shareholders to continue their holdings. Yafeh (1995, p. 154) documented strong evidence regarding this phenomenon and showed that, other things equal, the greater the percentage of a firm's outstanding shares expropriated and resold by the Occupation, the worse was the firm's performance in the 1950s. That's why, once the stocks markets began to operate, individual shareholders disposed off most of their holdings. On the other hands, the financial institutions (mainly banks) became increasingly interested to buy those sold share as they wanted to take the control of those companies which were burdened with bank loans.¹⁷ Okumura (2000, p. 37) remarked that corporations did not acquire shares on the basis of a calculation of their yields rather as a means of control in their linkages with various other firms. Miyajima (1994, p. 293) argued that, in view of the diffuse post-reform ownership structure and the dissolution of the holding companies, close monitoring by banks as large shareholders became the only mechanism capable of controlling and aligning managerial behaviour with debt and share holders' interests.

At the same time, this changing pattern was also welcomed by the corporate managers due to remain insulated from the external threats of takeover prevailing at that time and keep nettlesome foreign influences out of Japan. Many authors asserted (for example, Miyajima, 1994; Scher, 2001) that low equity prices soon after the war were posited to have many Japanese firms easy target of takeover. Moreover, Scher (2001, p. 4) documented that, during this period, speculators purchased stocks, which management bought back at a higher price (commonly denoted as greenmail). For the same reason, managers discretionarily became involved with fixing the allocation pattern of shares. The common idea of that period was "Shareholders do not select the company for investment rather company (management) chose the shareholders to allocate the capital" or "Capital is allocated on the basis of who knows whom instead of economic effectiveness".

These triple urgencies from the three groups (individual investors, financial institutions and corporate management) had made a dramatic change in the pattern of corporate ownership. Okumura (2000, p. 36) denoted this phenomenon as "a reversal of dispersed share-ownership towards its concentration". Aoki (1998) added that the trend was further encouraged by the change in financial institutions' shareholding restriction from maximum 5 percent to 10 percent (as cited in Yafeh, 1995, p. 158). The second stage in the growth of institutional shareholding was precipitated in the wake of the stock markets decline between 1962 and 1965 (Goto, 1982, p. 56; Scher, 2001, p. 4). In 1964 and 1965, financial institutions set up two companies, namely, the Japan Cooperative Securities Company and the Japan Security Holding Union to stabilize shareholdings. Between 1964 and 1965, these two institutions purchased 5 percent of the equity of all listed companies (Miyajima et al., 2003, as cited in Franks et al., 2007, p. 20) which was subsequently sold to group interlinked companies. In addition, Section 280 of the Commercial Code was revised so that boards of companies would be able to allocate newly issued shares to specified companies and individuals (Scher, 2001, p. 5). Another factor was Japan's membership of Organization for Economic Cooperation and Development (OECD) in 1964 which required Japanese capital markets to be deregulated for the foreign investors. As Japanese companies were not ready to allow the invasion of foreign owners in the capital structure, they decided to lock their individual shares mutually among interrelated companies. All these above-mentioned facts made the emergence of another trend of ownership structure in the Japanese corporate history commonly called "Keiretsu" or corporate cross-shareholdings.

Simply speaking, when two or more than two companies hold each other shares, it is called *keiretsu*¹⁸ or cross shareholdings. The Japanese *keiretsu* are distinct in the way they are being formed and operated. They are mainly controlled by the main banks of the companies often called main bank system where the main banks play the dual role of equity holders and debt providers.¹⁹ Moreover, ownerships are also taken by some mutually unified and same minded companies. The objective of such holdings are less of individual financial benefit and more of group benefit, sustainability and security (from external takeover threats). During 1980s bubble period, more than 60 to 70 percent of total market capitalization was owned by these *keiretsu* firms having limited or no floatation (Scher, 2001, p. 1; Wood, 1992, p. 24). According to Kearns (1992), "By the end of 1980s, corporations owned 73 percent of all listed shares, individuals 22.4 percent, the government 0.7 percent and foreigners 4 percent" (p. 16), which completed the reversal of the occupation period's shareholder democracy. Okumura (2000, p. 38) ascribed this consequence by the phrase the "phenomenon of the corporatization of share-ownership". These interlinked firms not only exchanged

ownership stake but also corporate executives and directorates, strategic plans and policies to ensure the maximum control and performance. Moreover, if a *keiretsu* member got into financial trouble, the other companies would usually bail it out whatever might be the cost.²⁰

Keiretsu businesses are different from what we call business conglomerate and cartel, having giant size and structure, being particularly able at providing cheap capital for growth and spreading the economic risk over a broad base of companies working in many sectors of the Japanese economy. Although there is no hard and fast rule as to how they would be structured but two patterns are mainly observed in the Japanese context. One is the horizontal *keiretsu* (Mitsubishi, Fuyo, Sanwa, Industrial Bank of Japan etc.) which has been formed among companies in a wide range of industries but having parallel interest. In contrast, vertical *keiretsu* (Toyota, Matsushita, Hitachi etc.) has been formed by vertically integrated industries having supplier-customer relationship.

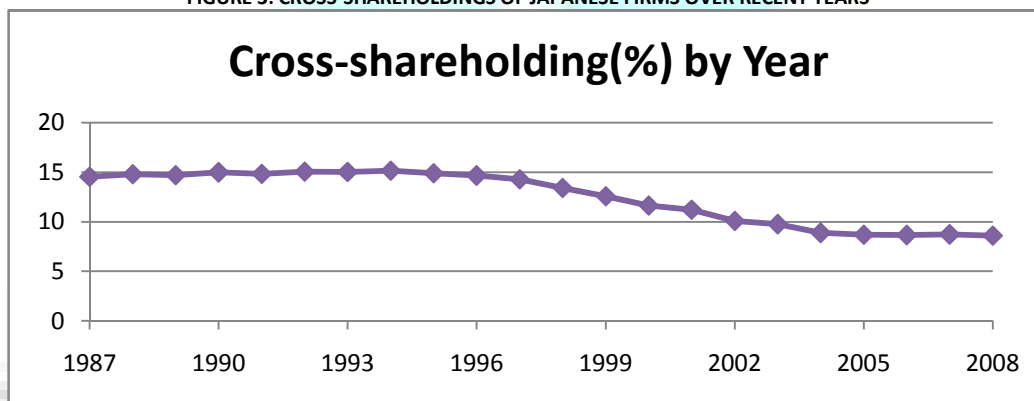
It would be noteworthy to mention here the fundamental differences between pre-war *zaibatsu* and post-war *keiretsu*. Kearns (1992, p. 4) described that the word "*zaibatsu*" as a financial clique evolved as a family dominated holding company and the word "*keiretsu*" as a lineage or a group arranged by interlocking shareholdings around bank and trading company. Shimotani (1991, p. 7) argued that corporate complexes (*keiretsu*) was completely different from the pre-war *zaibatsu*, both in ownership structure and in organizational structure. Ownership and control of the *zaibatsu* resided in the all-powerful family sitting at the top of the holding company pyramid, whereas in case of *keiretsu*, control was shared by member companies connected through interlocking shareholdings. Decisions made by the *zaibatsu* head offices, acting as control towers standing above the members' corporations, were executed by those affiliated member corporations whereas *keiretsu* member firms made their decisions jointly through informal gathering in the form of monthly luncheons. Goto (1982, p. 55) stated that the representatives (senior executives mainly presidents) from members firms of *keiretsu* used to gather once a month in clubs commonly known as "Presidents' Clubs" for exchanging information and coordination, fixing future policies for opening up business opportunities, new technologies, government regulations, foreign market situation, and the granting of permission to a firm to use the group name. Nakagawa (1988, p. 8) mentioned that control exercised by the *keiretsu* banks and trading companies was not as tight and exclusive as the control exercised by the pre-war *zaibatsu* organizations. Though in external form, *zaibatsu* and *keiretsu* do differ in some extent, the basic dynamic force underlying the economic structure of both is same—"the group having like-minded goal and preferential relationship". Many critics claimed that the dispersed corporations (*ex-zaibatsu*) were re-interlinked through share purchases to form horizontally-integrated alliances across many industries (*keiretsu*).²¹ In fact, *keiretsu* are the later day heirs of old *zaibatsu* during the pre-World War II (Kearns, 1992, ix). So, it is a debatable issue to justify whether the *keiretsu* formation would be regarded as an efficient market response to an externally imposed inefficient reform or was it nothing more than a resurrection of pre-war group ties in a new guise.

Whatever might be the ownership form either *zaibatsu* or *keiretsu*, historical and statistical evidences support the view that both of them offered Japanese corporations unique competitive advantages and tremendous economic blessings during the twentieth century.

6. CURRENT PERIOD: 1990s AND AFTERWARDS

The dominance of *keiretsu* was confronted to serious challenges due to the financial crisis swirling during the 1990s. When the Japanese economic bubble burst at the beginning of the 1990s, putting Japan into its "lost decade", regulators, investors, even the popular press began talking about the *keiretsu*, the power these groups wielded in Japan, and resulting inefficiency. It is argued that the true nature of crisis was not of the economic system as a whole rather one of the financial system oriented with main bank. Scher (2001, p. 19) claimed that banks had not been especially successful "monitors" of members of the corporate groups during that decade. Kikkawa (2006, p. 112) pointed out the following three factors that were responsible for the 1990s financial crisis: (a) a surplus of money based on trade surplus; (b) a lack of financial know-how among business companies; and (c) a lack of monitoring ability among banks. He added that the crisis triggered the accumulation of bad debts by businesses on the one hand, and bad loans by banks on the other. Even though the crisis affected all listed companies' stock prices irrespective of nature, but the position of banks deteriorated sharply. The price of banks' shares declined more than two-third of its pre-crisis level which forced the companies to sell off their banks' shares sacrificing their long-standing mutual and stable relationship. Wu and Yao (2012, p. 46) found that firms also with more bank borrowings in the late 1980s had more equity losses during the stock market slump in the early 1990s as bank borrowing indicated higher real risk. Banks also reacted in the same way and divested a significant portion of their corporate shareholdings to manage fund for tackling liquidity demand during the financial distress period. As a result, the once *keiretsu* chains, dominated by the major banks, gradually lost their significant influence and control on the Japanese corporate economy by the end the 1990s (see Figure 3).

FIGURE 3: CROSS-SHAREHOLDINGS OF JAPANESE FIRMS OVER RECENT YEARS



Source: Data compiled from survey of NLI Research Institute; Nitta, 2008, p. 4.

However, the speed and volume of off-loading crossily-held shares were not same between financial institutions and business corporations. Mainly, the companies' sold off banks' shares were relatively more pronounced than banks' sold off of companies' shares. Moreover, shareholdings between non-financial companies remained relatively unchanged (Okabe, 2002, p. 35). The process of unwinding of cross-shareholdings also accelerated due to some other reasons (some of them are considered as measures taken to cope up with the economic distress) which came into effect around the time of the financial crisis:

I. BANK SHAREHOLDINGS RESTRICTION ACTS 2001

Bank Shareholdings Restrictions Act 2001 (with a targeted implementation date of September, 2004) made the restrictions for banks to invest in shares. Banks' shareholdings were restricted up to 1.5 times of Tier-1 capital, in order to actively dissolve cross-shareholdings, requiring excess shares to be transferred to Banks' Shareholdings Purchase Corporation (BSPC) or to the market. As a result, all the banks had to sell their shares in excess of the limit. Moreover, financial institutional ownership ceiling was reduced from maximum 10 percent to 5 percent.²² Scher (2001, p. 17) mentions that this ceiling caused the banks to sell off excess shares to bank owned subsidiaries. In addition, revisions to the Commercial Code abolished restrictions on share buy-backs from March 1998, allowing firms to hold their own shares continuously after acquisition (lifting the ban on treasury stock).²³

II. BANK MERGERS

Bank mergers themselves caused the liquidation of crossily-held shares by the merged banks during the 1990s financial crisis. If each of two merging banks owned shares in a client firm, then the new merged bank should sell off enough of those shares to bring the new bank's total holding down to 5 percent of the firm's equity. Moreover, since the main bank was typically the greatest cross-shareholder among the banks that are part of the firm's stable shareholders, a merged bank that was not the main bank of the firm would have been compelled to reduce its holdings even further to make it less than main-bank holding (Scher, 2001, pp. 16-17).

III. BASEL ACCORD AND RISK SENSITIVITY

At the contemporary time of the financial crisis, the BASEL accord was changed by the Bank for International Settlements (BIS) which requires the banks to consider the investment in shares for calculating risk adjusted assets in determining the tier-2 minimum capital requirement. According to the BASEL accord, an international capital adequacy standard, equities held in a bank's portfolio at historic cost can be revalued to reflect their current value, and 45 percent of the resultant revaluation reserves (latent revaluation reserves)²⁴ should be included in the capital base (BASEL Committee on Banking Supervision 1988, as cited in Okabe, 2002, p. 36). As a consequence, counting unrealized gain or loss made Japanese banks vulnerable to the price fluctuations in the stock market. This means that when there is a valuation gain accruing to holding stocks, the size of a company's capital expands, thus lowering the return on equity (ROE), an index of great importance for investors. In contrast, fall of stock prices might lead to the erosion of capital base causing financial anxiety to maintain BIS standard of an 8 percent ratio of capital to assets as well as degradation of bank's rating in the market. The collapse of the stock markets during 1990s also collapsed the banks tier-2 capital and put them under the pressure to raise capital. But they no longer could find easy capital to borrow and forced into financially distress condition. Under such circumstance, banks came to realise the real burdens of holding stocks and went for the sale of stocks investment.

IV. DEREGULATION OF INTEREST RATES ON DEPOSITS

Before 1985, banks were not allowed to pay interest on deposits which induced them to extend credits or loans irrationally and immensely²⁵ as there were no costs of fund in true sense. This culture made the banks peculiarly ill suited to cope with the wrenching change posed by the deregulation of interest rates (Wood, 1992, p. 21). In 1985, the Japanese government (Ministry of Finance) began to deregulate the interest rates on deposits which prompted the banks into fierce competition for deposits as well as interest payments. Moreover, banks did not raise the interest rates of lending to offset the effect of increased costs of deposits. In order to manage the widening hole in their operating profits, they began to sell the shares they owned for a long time and counted the realized capital gains as profit.²⁶

V. EASY ACCESS TO FINANCIAL MARKET

Irrespective of the distress market condition during the 1990s, it was easier for the profitable and large companies to collect finance from the share markets rather than depending on bank finance only. So, the profitable firms became enthusiastic to reduce the discretion of main bank by raising funds from the share markets directly. Kikkawa (2006, p. 112) argued that many businesses has changed their financial policies from banks-financing to equity financing as soon as the capital markets became more effective (see Table 2). Thus, the debt for equity swap (the foundation principle of *keiretsu* system) was no longer remained a valid and strong argument to continue the *keiretsu* relationship.

TABLE 2: THE DECLINE OF BANK DEBT IN JAPANESE CORPORATE FINANCE: THE RATIO OF BANK DEBT TO ASSETS FOR LARGE LISTED JAPANESE MANUFACTURING FIRMS OVER SELECTED YEARS

Year	Bank debt to total assets ratio (approx.)
1972	0.39
1977	0.37
1982	0.30
1987	0.23
1992	0.14
1997	0.13

Source: Hoshi and Kashyap, 1999, p. 148

Note: The term 'large' refers to Japanese firms whose assets exceed 120 billion Yen

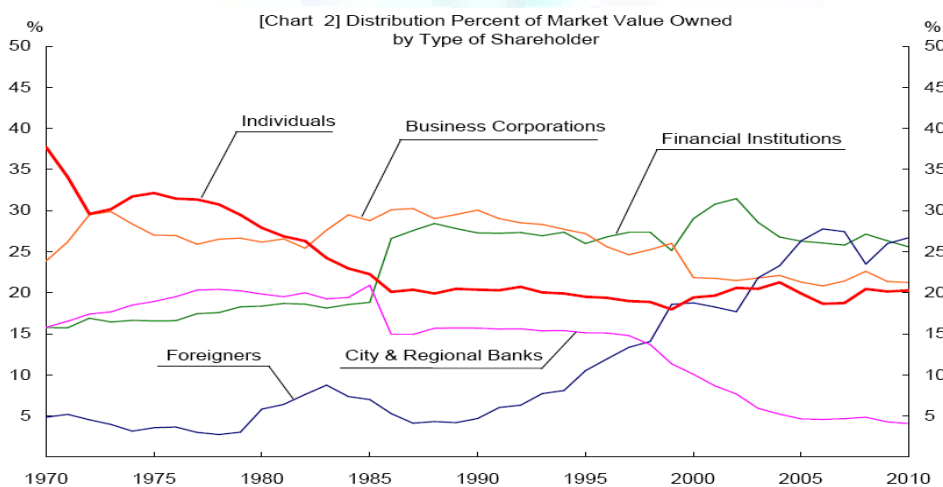
VI. INTRODUCTION OF NEW AND UPGRADED JAPANESE ACCOUNTING STANDARDS

During the period between 1999 and 2001, a radical reform was implemented in the financial reporting system of Japan which is very often referred as "Accounting Big Bang". The objective was to ensure more transparency and international acceptability of the financial disclosures of the Japanese firms. Shiba (2003, p. 7) stated, "Accounting after 1997 has produced a change in the conscious and behavior of the Japanese corporations ... the year 2000 points the real start of the new era".

Two major changes in the disclosure system are (1) preparing consolidated financial statements from the fiscal year 1999, and (2) the evaluation of financial assets by the market value replacing the old historical cost valuation.²⁷ Due to the latter one, it becomes necessary to recognize as well as disclose accrued gain or loss from stock investment as items under capital in the balance sheet, rather than being reported in the profit and loss statement. The complicity is that when there is a valuation gain, the amount of capital expanded; but when there is a valuation loss, the amount of capital is damaged. And thus, the new change has injected an uncertainty of holding shares and other financial securities. So the financial institutions and business firms have begun to sell off crossly-held shares and tried to relocate the proceeds for other purposes.

Now it is worth asking that if the corporate shareholdings in the form of cross-holdings were reduced during the 1990s and thereafter, then who has bought the shares came into the market. The recent trend of share-ownership answers this more clearly than anything else (see Figure 4).

FIGURE 4: LONG-TERM TREND IN OWNERSHIP STRUCTURE OF JAPANESE LISTED COMPANIES AT MARKET VALUE



Source: Share-ownership Survey-2010

From the above figure, it is evident that during the 1990s financial crisis and afterwards, all categories of shares have either reduced or remained stable but foreign shareholding has increased sharply.²⁸ According to the share ownership survey of the Japanese listed companies conducted in 2010, the present corporate ownership is dominantly represented by two categories of shareholders-financial institutions and business corporations. Each of these categories is occupying around one-fourth of total outstanding market shares (see Table 2). It is also evident that foreign owners have significant stake in the corporate

ownership of Japan in the twenty-first century.. Among institutional shareholders, since the mid-1990s, the ownership structure of Japanese companies is also featured by the presence of large funds, such as investment trusts and pension funds (Naoki, 2009, p. 2). However, *keiretsu* have not vanished completely, rather many members firm are still managed to maintain their *keiretsu* allegiance at lower scale. Recent surveys conducted by the NLI research institute, a very prominent research organisation in Japan, have confirmed that the level of such cross holdings among the firms is around 8 percent. In a nutshell, the current ownership structure seems to be balanced in compare to any prior periods. Now, it is just a matter of time to see how the Japanese companies perform with this changed control in coming future.

TABLE 3: PERCENTAGE OF UNIT SHARES HELD BY TYPES OF SHAREHOLDERS 2009-2010

Survey year	2009	2010
No. of Companies	3694	3616
Percentage of unit shares		
(1) Govt. & local govt.	0.2	0.2
(2) Financial Institutions	23.9	22.5
(a) City & Regional Banks	3.1	2.8
(b) Trust Banks	15.1	14.6
(c) Life Insurance Cos.	3.5	3.1
(d) Non-Life Insurance Cos.	1.4	1.3
(e) Others financial Inst.	0.8	0.7
(3) Securities companies	1.5	1.8
(4) Business Corporations	24.5	24.3
(5) Foreigners	22.5	22.2
(6) Individuals	27.3	29.1

Source: Share-ownership Survey-2010

7. CONCLUSION

Any form of ownership pattern is likely to be sustainable only if they are economically and politically viable. Any other forms, whatever is the nature, will not sustain a longer period and will be re-organized into its rational shape soon. Japanese ownership structures starting from Meiji period reflect the same conclusion and can be forwarded as an example to the rest of the world. The frequently changing ownership patterns of Japanese corporations have made us curious and entwined to do research in this field. It is evident that corporate groupings (*zaibatsu/keiretsu*) have dominated the corporate ownership structure of Japanese firms except the short Occupation period. The economic viability, political back-up and regulatory changes were more pronounced in explaining those trends than anything else. The recent statistics support that present-day Japan has reduced group bonding significantly. However, according to share-ownership survey-2010, financial institutions and business corporations control around 50 percent (on an average) of total market shares of Japanese listed companies. Moreover, it is also visible that foreign owners are now holding significant stake in the overall market. Simply putting, the control is now supposed to be much more balanced compare to the twentieth century.

This paper is worthy of attention, and is an important contribution to the continuing dialogue on the Japanese corporate ownership structures. Our attempts in this paper are not to justify which form of corporate ownership structure is better for Japan, rather narrating the facts and the factors that have driven the ownership structures of Japanese companies from Meiji period to present state. We hope this research will definitely benefit a wide range of people in the Japanese financial sectors to comprehend the situation and set the future of corporate control, taking lessons from the history. Finally, this study suggests that this is a fertile area for future study.

ENDNOTES

¹ Due to excessive circulation of inconvertible notes (clan notes), higher commodity price, and unfavourable trade conditions (General Head Quarter [GHQ] monograph, 1951, pp. 1-2).

² Due to (a) withdrawal of inconvertible notes by the establishment of "Yen", (b) introduction of silver standard & subsequently gold standard for international trade, and (c) revision of tariff policy & treaties etc.

³ Out of 4,596 companies during Meiji period, joint stock companies, limited partnership, unlimited partnership comprised 56.2 percent, 36.3 percent and 7.5 percent respectively (Miyamoto 1984, as cited in Yasuoka, 1986, p. 1).

⁴ Mainly four families (the Mitsui, the Iwasaki of the Mitsubishi Empire, the Sumitomo, and the Yasuda). Others were Furukawa, Asano and Okura.

⁵ Newly established stock markets (For example Tokyo, Osaka) were not so operational & active at that period.

⁶ In markets where the individual *Zaibatsu* tended to dominate, its share of the total sales ran as high as 50 or 60 per cent (RMJC, 1946, p. 55, as cited in Bisson, 1954, p.12). Moreover, *Zaibatsu* controlled over a quarter of all capital assets in the economy (Hadley 1970, as cited in Yafeh, 1995, p. 155).

⁷ The ratio of such holding was around 80 percent or more in case of Mitsui, Mitsubishi, Sumitomo, Furukawa and Okura in 1928 (Yamazaki, 1988, pp. 24-25).

⁸ The numbers of listed companies were between 40-50 in 1905, 108 in 1908, and 262 in 1918 (Franks et al. 2007, p.11).

⁹ See Yamazaki (1988, pp. 12-54) for details.

¹⁰ Establishment of banking system, commercial and tax laws, stock exchanges, stock market law, and a communications network.

¹¹ The war cut-off exports of the manufactured goods by the European nations, an interruption that not only secured the domestic market for Japanese manufacturers but also made an expansion of their share of the Asian market.

¹² For example, Nissan, Nitchitsu, Mori, Nihon Soda etc.

¹³ For example, average number of stockholders increased for: Mitsui, from 5,481 to 14,836; Mitsubishi, from 6,374 to 11,106; Sumitomo, from 3,128 to 5,862; Furukawa, from 323 to 19,821. Average ratio of stock holding in the same group decreased for: Mitsui, from 51 percent to 31.7 percent; Mitsubishi, from 52.5 percent to 35.2 percent; Sumitomo, from 52.9 percent to 32.8 percent; Furukawa, from 65.2 percent to 44.5 percent (Yamazaki 1988:33-35).

¹⁴ Giving priority to the officials and employees of those companies.

¹⁵ Holding companies, which were banned by the American occupation forces after the World War II, became legal again in Japan in 1998 (Yafeh, 2000, p. 81).

¹⁶ Massive destructions of war and subsequent poor relationship with neighbouring countries (China, Korea, Formosa-Taiwan) as well as sterling countries caused retarding effect on production, import and export; trade deficit and inflation in the economy (GHQ monograph, 1951, p. 222).

¹⁷ In early post-war period, the stock market initially played a relatively important role as a source of funds for corporate investment in Japan ... it soon came to be overwhelmed by bank loans. This was clearly reflected in the ever-declining equity-to-total-capital ratio throughout Japan's high-growth era (1950-1974); for all industries (Ozawa, 1999, p. 353).

¹⁸ Six dominating *Keiretsu* were Mitsui, Sumitomo, Mitsubishi, Fuyo, Sanwa, Dai-ichi Kangya Bank (DKB). Each of them had a bank and a trading company.

¹⁹ The main bank relationship between a bank and a business corporation is usually characterized by all or many of the following situations (1) the bank has the largest share of lending of all the banks for the firm; (2) the main bank is the top owner of the business corporation's equity; (3) the bank is the main performer of various financial services beside lending; (4) the bank dispatches its personnel as executives of the business corporation; and (5) when the business corporation faces financial distress, the bank extends various kinds of assistance, including the making of an emergency loan (Okabe, 1999, chapter 1; as cited in Okabe, 2002, p. 30).

²⁰ For example, Mazda in 1970s.

²¹ For example, Mitsui, Mitsubishi, Sumitomo and Fuji (Goto, 1982, p. 54).

²² In 1977, the upper permissible limit on bank holdings of a firm's shares had been reduced from ten to five percents by Anti-Monopoly Reform Bill, with the banks having ten years to comply (Sheard, 1989, p. 402).

²³ See Miyajima and Kuroki, 2005, p. 14.

²⁴ Hidden assets.

²⁵ Bank loans equalled 90 percent of nominal GNP at the end of September 1991 in Japan, compared with 37 percent in America (Wood, 1992, p. 25).

²⁶ For example, in the financial year ending on March 31, 1989 an average of 42 percent of the reported profits of Japan's city banks came from securities gains (Wood, 1992, p. 23).

²⁷ Securities held for trading purpose should be valued in the market price from the fiscal year 2000 (April 2000-March 2001) and the other securities (stably-held shares including the cross-held shares) should be valued in the same way (fair value) from the fiscal year 2001.

²⁸ A study by NLI Research Institute (1998) of 2426 firms reported that stable holdings of their shares fall from over 41 percent in 1992 to 36 percent in 1997. During the same period, foreign holdings of the shares in these firms become double from 6.3 percent to 13.4 percent (Scher, 2001, p. 6).

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INTERACTION OF STOCK MARKET WITH MACROECONOMIC VARIABLES: A STUDY OF KSE 100 INDEX PAKISTAN

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ABSTRACT

Karachi Stock exchange is the largest stock exchange of Pakistan. There are many factors which influence the Stock market and 100 Index. This research is focused on that how macro variables influence the Karachi stock Exchange 100 index. For the reason four macro independent variables i.e Interest Rate, Rates of inflation, GDP and Rates of Exchange were taken under consideration to measure influences of these factor on dependent variable KSE 100 index. For analysis part of the study, Secondary data was taken for 17 years from 1994 up to 2010 (Using SBP official site for Interest, Inflation, GDP and Exchange rates, whereas used "brecoder.com" website for KSE100 index data). Yearly data was used considering all of the variables. Excel sheet was used to arrange the Data and SPSS was used to regress the data.. Finding of the study shows that KSE 100 index has a significant relationship with GDP and exchange rate and has insignificant relationship with inflation and Interest rate.

KEYWORDS

KSE 100 Index, Interest Rate, Rates of inflation, GDP and Rates of Exchange.

INTRODUCTION

For the recent few decades, the relationships of stock returns and the macroeconomic factors have been the main focus of academia and investors. It is frequently quarreled that some fundamental macroeconomic variables such as inflation rates, GDP, interest rates and exchange rates play vital role in determining the stock prices. The evidences of Anecdotal from the financial press also shows that all the investors usually consider the monetary policies and macroeconomic variables and the influential elements of stock prices. This proves that a macroeconomic variable can influence the investment decisions of a rational investor and can also motivate a researcher to examine the relationship of stock return and a macroeconomic variable.

It is frequently stated that some fundamental macroeconomic variables such as inflation rates, GDP, interest rates and exchange rates play vital role in determining the stock prices. Many studies have tried to observe the variations in share prices due to the variations in macroeconomic variables. E.g. exercising the Arbitrage Pricing Theory which was derived by Ross 1976, Chen et al. (1986) used some macroeconomic factors to explicate stocks' returns in stock markets of United States. The results demonstrated variations in risk premium, variations in industrial productions, and variations in the terms' structure had positively relation with projected stock returns, whereas rates of inflation had negative relation with the anticipated stock returns.

The developing of co-integration technique helped in providing an additional approach to observe the relations in stocks returns and macro-economic variables. E.g., Mukerjee Naka and (1995) applied the co-integration technique of Johansen in the Vector's Error Correction Model (V.E.C.M) and came up with the results that the Stocks' market of Japan is cointegrated with 6 macroeconomic factors which are supply of money, inflation rates, exchange rates, industry productions, call money rates (short term) and government bonds (long term). The long term coefficients resulted in consistent expected equilibrium relationship. Koh and Mayasmai (2000) applied the co-integration technique (of Johansen in the Vector's Error Correction Model (V.E.C.M) and came up with the result that Singapore's Stock Exchange is also co-integrated with 5 macroeconomic factors.

Shin and Kwon (1999) used Egel Granger's co-integration test and Granger causality assessment from Vector's Error Correction Model (V.E.C.M) and came up with results that the Stock Markets of Korea is cointegrated with a bunch of macroeconomic variables. Still when Ganger casualty test on macroeconomic factors and the stock indices is used that author stated that stock indices of Korea cannot be mentioned as a leading indicator of economic factors.

Cheung and Nag (1998) used Johnson's co-integration procedures taking year's quarter data from US, Germany, Canada and Italy and came up with the results showing a long run cointegration between stock indices and some specific variables of those five countries. In addition the analyst detected an actual returns of indices are in general related to variation from long-run relation and to change in macroeconomic factors.

There are many articles written on the relationship b/w stock return and macro-economic factors in highly developed states like Europe, Japan and United States. However some markets like Australian Stock Market or New Zealand Stock Market has less exposure because of their diminutive sizes and geographic locations, the study will be examining the relation b/w the KSE 100 index and a set of some of the macroeconomic factors (like Interest rates, GDP, Inflation rates and Exchange rates) from 1994 to 2010 on yearly basis by applying simple regression model.

LITERATURE REVIEW

A lot of discussion and debates have been done over the affiliations between macroeconomic factors and stock return. Such workings were based on tests which stated that the stock prices can be used as anticipated discounted cash flows. That's why RRR (required rate of return) or expected cash flow can be expressed as the determinant of stock prices.(Elton & Gruber, 1991). Economic factors and variables which can influence the expected cash flows and RRR can therefore be anticipated to impact stock prices.

Fama & Gibon (1982) studied the relationships b/w inflation rates, share returns and share investments and came up with some results supporting Toben (1965) and Mundel (1963) findings, which say that real returns of bills and anticipated inflations have negative relationship. The authors are suggesting that some the relation arises with stock returns are due to positive relation b/w projected real returns on financial stocks and real activities. Fama (1991) did not agree the prior workings which were showing a negative relationship b/w inflation rates and stock returns. Gresk and Rol (1983) found a negative relation of stock prices of US and a positive one with real economic activities. The post relationship was in line with Fama (1981) and Lee (1991) researches.

Lee (1992) stated in that the stock returns gives signals about inflation rates because there is a linkage between the supply of money and anticipated real activities. Darat (1990) examined in Canadian stock markets that monetary and fiscal policy affect the stocks' returns. He also proved that stock returns are determined by industries' productions, interest rates' variations and long term bonds' rates. While testing the applicability of Arbitrage Pricing Theory, Ros, Chen and Rol (1986) concluded that macroeconomic factors usually affect stock returns. Rehman and Najand (1991) used Schwart (1989) volatility measures and came up with some results which were showing a casual relationship b/w inflation rates and stock returns.

A rise in interests will raise the RRR and the stock price will fall due to the rise in the interest rates. The rise in interest rates will increase the opportunity cost of holding money, so therefore a trades off to holding other interest bearing securities would cause a reduction in stock prices. French et al., (1987) proved theoretically that shares' returns respond negatively in both cases of long and short run interest rate. Alen & Jagtianti (1997) pointed out that interest rates sensitivity to stocks' return has declined severely since 80's and early 90's due to the development of interest rates derivative contracts that were mostly being used in hedging purpose. In addition, Bolmash and Trevoli (1991) found stated that the United States shares' prices are positively with prior months' share prices, supply of money, latest governmental debts, latest tax exempted governmental debts, long term un-employment and the extensive supply of money and government rates. Though a negative relation was found b/w the share price and treasury bills' rates.

When the currency of a country decreases against the currency of some other countries, the prices of the goods and services that are going to be export will decrease and as a result the quantity of export will rise, considering that the demand related to these product is elastic. Mukerji and Nakka (1995), Ahasani and Strohi (2002) also found this positive relation in two extensive exporting countries like Indonesia and Japan. Ajay and Mogoue (1996) confirmed the negative effect of rise in the share prices with domestic currency in short run but in long run the effect was found positive whereas a short run and long run negative relation was also reported b/w currency depreciation and stock's market.

Chin (1991) observed the relationship b/w the change in financial investment opportunities and changes in macro-economy in the United States and stated that the market surplus return can projected when macro-economic factors are used knowingly slow production growth rates, the default spreads, the terms' structure, the dividend's yield and T-bill rates. There was a negative relationship between market surplus on returns and economic growth factors (slow production growth rates, the default spreads, the terms' structure, the dividend's yield and T-bill rates) and a positive relation between market surplus on returns and anticipated future economic growth variables (like dividend's prices ratio and unanticipated GNP growth).

Chin, Rol and Ros (1986) pointed some macroeconomic factors has systematically affected assets returns. Those factors are the gap between long run and long run interest rate, anticipated and unanticipated inflations, the growth in industries' production and gap b/w high and low grade bonds. The growth of industry production is considered as to proxy for real cash flow, inflation rates influences returns as nominal cash flows growth rate are not equal to anticipated inflation, at the same time as the gap b/w short run and long run interest and higher and lower-grade bong gap influence the choices of discount rates.

Same as Chin, Rol and Ros (1986), Homoa (1988) finds out whether the relation b/w macroeconomic factors and stock returns are still appropriate for applying when the analysis is carry out on markets like Japan. The author also incorporated the variables which were related to international trading. Despite the industry production showing insignificant results in asset pricing, Humao's finding were in lined with Chin, Rol and Ros (1986) study.

Poun and Tailor (1991) same like Chin, Rol and Ros (1986) studied UK markets. Their results are showing that macro-economic factors are not affecting the stock returns in UK as they are doing in US. Poun and Tailor (1991) proposed that either other macro-economic variables are influencing the stock returns in UK market or the technique which was applied in Chin, Rol and Ros (1986) is not sufficient.

In theory the supply of money negatively affects the share prices because as the supply of money increases, the inflation rates will also increase, and the results are the share prices will fall. But the growth in supply of money up to some extent will also encourage the economies and business earnings will also be encouraged. This will increase the expected FCF (future cash flows) and share price. Mukerjee and Naaka (1995), Mysami and Kohh (2000) and Kwon & Shen (1999) also agreed to the results that the money supply has a positive relation with the share returns.

From the previous decade, studies are extending their scope of investigation b/w macroeconomic factors and stock returns to more countries and states other than just the United States e.g. Kwon& Shen (1999) studied the market of Korea and came up with the results that such markets have cointegration and have positive relationship with production-index, trade balances, rate of exchange and supply of money. The authors were not able to justify the share prices indices to be the leading indicator for macro-economic factors. Leigh (1997) examined the stock market of Singapore (SSE –Singapore Stock exchange) and came up with the results showing a positive relation with stock indices and money demands, but no relation b/w stock index and macro-economic fundamentals. Similarly in Taiwan Fung and Lie (1990) also agreed in results with Leigh (1997).

Gjirde & Saetem (1999), Achsane & Stcohi (2002) studied small local markets including Norway and Indonesia and stated that share return reacts negatively to changes in interest rates, whereas with real-economic activities and oil prices the reaction is positive. But the share prices' relation with inflation rates is vague. Achsaani & Strohi's (2002) investigation resulted in a negative relation b/w inflation rates and share prices. Though, it was found that the share prices are positively correlated with GDP, rates of exchange and with supply of money. Besides they were unable to notice any significant relation b/w interest rates and share prices.

RESEARCH OBJECTIVES

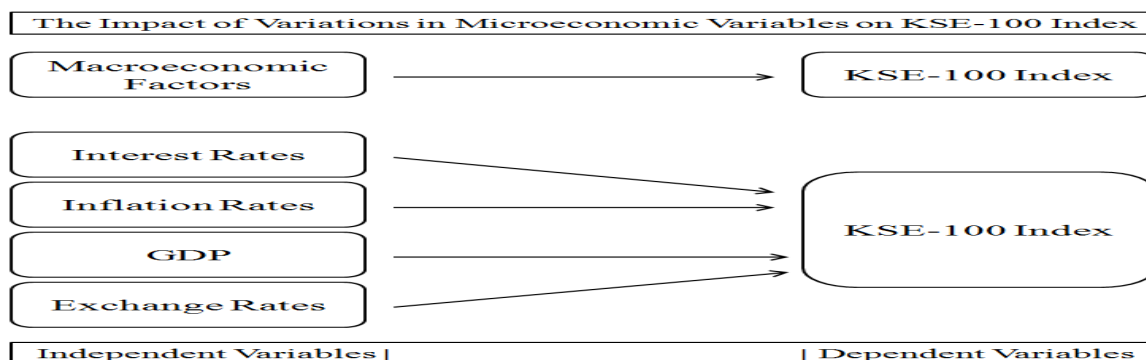
Research is focused to find the impact of macro indicators on KSE 100 Index. The research operationalise into the following hypothesis.

- To find does KSE 100 index is dependent upon macro economic factors.
- To fine and what is the impact of each macro economic factor in KSE 100 index.

The ultimate aim of this research is to identify and measure the impact of four major economic factors i.e Interest rate, Inflation rate, GDP and Exchange rate on KSE 100 index. The most important thing is to measure what is and how much is the impact of each variable on KSE 100 Index.

THEORETICAL FRAMEWORK

The following diagram shows that KSE 100 is dependent upon Rates of interest, Rates of inflation, Gross domestic product (GDP) and Rates of Exchange.



The model is consisted of four independent variables and one dependent variable as mentioned above in theoretical framework. There are also some other macroeconomic variables which can be included in independent variable but since it an academic thesis and time is short so that's why those are skipped for the

time being. But if they were considered, there would be no change with the methodology. The model can be explained as the variation and ups and down in dependent variable (KSE-100 index) is because of four mentioned independent variables.

HYPOTHESIS OF THE STUDY

An overview of the hypothesis related to the relationship of KSE 100 index and Rates of interest, Rates of inflation, Gross domestic product (GDP) and Rates of Exchange.

Objectives	Hypothesis
Relationship between KSE 100 and Macro Variables	H1.The interest rates and KSE 100 index has relationship with each other. H2. The inflation rates and KSE 100 index has relationship with each other. H3.The Exchange rates and KSE 100 index has relationship with each other. H4.The GDP and KSE 100 index has relationship with each other.

METHODOLOGY

The research paper demonstrates to discover the factors that influence KSE4 100 index. The research user following research methodology.

PROCEDURE OF DATA COLLECTION

Secondary data was taken for 17 years from 1994 up to 2010 (Using SBP official site for Interest, Inflation, GDP and Exchange rates, whereas used "brecoder.com" website for KSE100 index data). Yearly data was used considering all of the variables. Excel sheet was used to arrange the Data and SPSS was used to regress the data.

SIGNIFICANCE OF THE STUDY

Since the research is all about the relationship b/w KSE 100 index and macroeconomic variable and knowing that stock plays a vital role in strengthening a country's economy so recommendation section may help in taking some positive steps for the betterment of the economy. Result may also help an investor in taking some positive decisions.

RESULTS AND ANALYSIS

For the analysis part of this research SPSS 19 were used. The following results has attained after inserting the multiple linear regression.

TABLE 1

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.865 ^a	.748	.657	.273

a. Predictors: (Constant), Change-GDP, Change-ExchangeRate, Change-InterestRates, Change-Inflation

The adjusted R-square in the table highlights that the dependent variable KSE 100 Index is influenced by 65.7% by independent variable i.e. Rates of interest, Rates of inflation, Gross domestic product (GDP) and Rates of Exchange.

It explain that Rates of interest, Rates of inflation, Gross domestic product (GDP) and Rates of Exchange are liable for change in KSE 100 Index. The above mentioned model has also significant, examined with the aid of ANOVA. The results are shown in the following table.

TABLE 2

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.432	4	.608	8.177	.003 ^a
	Residual	.818	11	.074		
	Total	3.250	15			

a. Predictors: (Constant), Change-GDP, Change-ExchangeRate, Change-InterestRates, Change-Inflation

b. Dependent Variable: Change-KSE

TABLE III REGRESSION CO-EFFICIENT

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.504	.091		5.546	.000
	Change-InterestRates	-.443	.386	-.208	-1.149	.275
	Change-Inflation	.054	.202	.051	.270	.792
	Change-ExchangeRate	-3.562	.788	-.697	-4.520	.001
	Change-GDP	-.425	.170	-.405	-2.492	.030

a. Dependent Variable: Change-KSE

In this table, the standardized co-efficient explain that the factors are influencing the KSE 100 Index. Since the independent variables are of different nature and have different units of measure so Standardized Coefficients will be considered. The beta value (-0.208) with sig value =0.275 shows that there is insignificant relationship b/w interest rates and KSE because the P-value 0.275 > 0.05.

Achsaani & Strohi's (2002) investigation resulted in a negative relation b/w inflation rates and share prices. Though, it was found that the share prices are positively correlated with GDP, rates of exchange and with supply of money. Besides they were unable to notice any significant relation b/w interest rates and share prices. The beta value (0.051) with sig value =0.79 shows that there is insignificant relationship b/w inflation rates and KSE because the P-value 0.79 > 0.05. Achsane & Stochi (2002) studied small local markets including Norway and Indonesia and stated that share return reacts negatively to changes in interest rates, whereas with real-economic activities and oil prices the reaction is positive. But the share prices' relation with inflation rates is vague. The beta value (-0.69) with sig value =0.001 shows that there is a significant negative relationship b/w Exchange rates and KSE because the P-value 0.001 < 0.05. And a unit increase in the rate of exchange will bring about 0.69 units decrease in the KSE and vice versa.

The beta value (-0.40) with sig value =0.030 shows that there is a significant negative relationship b/w GDP and KSE because the P-value 0.030 < 0.05. And a unit increase in the GDP will bring about 0.40 units decrease in the KSE and vice versa.

CONCLUSION

Stock exchange is considered as the backbone of economy. Currently Pakistan has three active stock exchanges known as KSE, LSE and ISE (Karachi stock exchange, Lahore stock exchange and Islamabad stock exchange respectively). There are many factors which affect the function of Stock market within a country; due one reason or another, research could not cover all of them.

17 years' secondary data was taken into consideration (1994-2010) and on year basis. By looking at the Adjusted R2 value 65.7%, it was conclude that model is significant and the 65.7% variation in dependent variable is because of the independent variables.

Findings of the study shows that there is a significant relationship exist between Exchange rate and GDP. While there is a insignificant relationship exist between KSE100 index and inflation & Interest rate. Study suggest that inflation, interest rate and should be control as it has negative relationship with KSE 100 index so controlling interest rate, Exchange rate and GDP will lead positive change in KSE 100 index. So these three factors are important to be controlled, if their positive impact is needed in a economy. While inflation have already positive significant impact on KSE 100 index.

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TOWARDS AN INTEGRATED CONCEPTUAL MODEL ON TOURISM COMPETITIVENESS: DOES CLUSTERING WAY FORWARD?

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ABSTRACT

The challenge to become, maintain and strengthen the competitive positions in an increasingly competitive global market is vital for every tourism destination. The multiplicity of stakeholders in portfolio providing "tourism experience", makes management more complex, further compounded each tourist expectations are unique. Decade of 90's, Crouch and Ritchie developed a conceptual model to tailored distinctive characteristics of destination competitiveness, combining the attributes in Porter's Diamond model, recognizes destinations' resource endowments and capacity to deploy resources, acknowledge the impact of global macro-environmental forces and competitive micro-environmental circumstances. Inspired by the idea of making more competitive, Dwyer and Kim (2003) introduced an integrated model combining main elements in Diamond and Crouch and Ritchie models, hence is an integrated approach combining endowed, created and supporting resources, destination management, government and industry specific attributes. Present stage of competitiveness theory in a basis upon to identify relevant attributes of tourism destination/ cluster competitiveness, as particular value in turning the focus of research move towards assessing relative importance of attributes on competitiveness. This literature review will shed more light and a useful tool for further studies on conceptual models integrating comparative and competitive advantage by combining innovation focus within clusters in macro-economic perspective.

KEYWORDS

cluster, destination competitiveness, Diamond model, integrated model, tourism.

INTRODUCTION

Tourism is one of the fastest growing service industries for many economies, main source of foreign income, specially for appreciable number of developing countries. As further, by the vast human potential, national materials and through multiple effects on areas of references, tourism acts as a stimulating factor for economic development. It truly bonded people with leisure activities, that allows to inspire nature, destinations, experiences, dreams they had in past and simply to inspire their own lives with traveling and culture of other nations.

According to Cunha and Cunha (2005), since the 1980's the opening of national economies globally and the quick globalization and internationalization had boosted tourism sector, to become the second most important global sector, only second to financial services. Tourism is a wide-spread phenomenon in present context, and a vital economic development factor, that include competitiveness among regions or particular destinations to win tourists. More discretionary income levels among people and free or leisure time, created a foundation for a new life style affiliated with travel and tourism. Tourism is an activity that consumer have to seek for tourism service, or he should come to the destination. (Miller and Gibson, 2005), Kvist et al., 2006) In other economic activities, the product should reach customer to satisfy his needs and wants, as tourism customer should come to destination itself, resulting heavy impact on local and regional economic development. There can observe several reasons for the growing market share in tourism in global economy as; (a) ongoing internationalization that porous borders and create a transfers between destinations (b) demographic changes in market structure, as "greying" of large proportion from western country population and "experience hunting" on younger generation from tourism exposure (Kvist et al., 2006). Although, tourism is a sector that visible both positive as well as negative aspects in some economies as in one hand it pave way to millions of direct and indirect job openings, FDI, capital investments to a particular economies, but in other hand may lead to pollution, invasion of protected areas, violence, issues in cultural values, destroy cultural heritage in some scenarios. (Cunha and Cunha, 2005)

Bobirca (2007) explains tourism sector as the only industry in service sector that have potentiality to provide trading opportunities to nations regardless their level of development. Also as a sector that have uneven distribution of benefits depend on the ability of the country regarding performance, it way forward for competitiveness. Bobirca (2007) further explains that non-price factors also equally important as price related factors, as to gain competitiveness for a nation. Non-price factors are diverse, as it ranges in a wider area as on HR endowment, technical factors and innovativeness, managerial and organizational factors and other internal and external relationships with organizations, stakeholders and public sector. Global tourism arrivals grew by 6% in 2010, recovering from a 5% slump in 2009 as it shows a tremendous inspiration among travel and leisure activities of people around the world, as communication networks, transportation as well as Information technology plays a major role. Scholars have mentioned that tourism is in a situation as in "paradigm shift" (Iordache et al., 2010) as comparative advantages of tourism become less important than competitive advantage factors within destinations.

OBJECTIVES OF THE STUDY

The tourism cluster development have been focused as one of the main development goals to achieved economic prosperity, the exploring the possibilities for tourism cluster development through value driven innovative strategies is utmost important. Also it's vital to explore possibilities tapping in to high-value generating tourism markets and niche markets, as in return, added value component is huge to the national economies. This literature review is a comprehensive analysis on scholarly contributions towards clustering and destination competitiveness in tourism, as the main objective is to modeling competitiveness conceptually.

Hence objective is to identify the elements of a new paradigm, towards a conceptual model for tourism cluster competitiveness, by addressing both comparative and competitive advantages with innovation focus.

DISCUSSION

DESTINATION COMPETITIVENESS IN TOURISM

As the century we living in, the effects of globalization and making world a global village, has coincided with tourism industry boom, also with many challenges and obstacles. The success of tourism destinations influenced by relative competitiveness, as competitive advantage achieved being a superior destination to potential tourists. Following the publication of "The Competitive Advantage of Nations" (Porter, 1990), Porter suggested in the international markets the companies are competing, not the country itself, success of the companies visible and measure by economic environment, institutions and government policies. Further explained link between clusters, competition and company strategy by fulfill following three broad ways as (a) increasing the productivity of constituent firms, (b) increasing capacity for innovation and productivity growth and (c) stimulating new business formation that supports innovation and expands the cluster. Porter (1990) pointed out that huge variety of definitions and perspectives existed with the concept of competitiveness, as cannot term which one is best. The Diamond model, is supposed to represent how an economy, firm or cluster can create competitive advantage, through its four facets as; (a) Firm strategy, structure and rivalry: reflects attitudes toward competition, market institutions, degree of competition in domestic market and other cultural and historical factors (b) Factor conditions reflects: human resources, specialized infrastructure (physical and administrative) and natural resources, capital

resources, (c) Demand conditions reflects: sophisticated and demanding local customers that push firms on innovation, unusual local demand in specialized segments that can serve globally and customer need that anticipate those elsewhere and (d) Related and supporting industries: presence of capable local based suppliers and competitive related industries, stimulate cooperation and rivalry and ultimately lead for competitiveness. Other than four facets, two other factors, government and chance plays a vital role while shape up the competitiveness. Porter has examined the role of industry clusters in cities, regions and states and developed "Diamond model" that offer insights on clusters and ultimately competitiveness of cluster. Also expressed competitive advantage of a particular cluster depends on the ability of its firm's thorough innovative focus that eventually brings competitiveness in local industry, as lead for cluster growth.

Emerging in 1990's, as Porter's "Competitive Advantage of Nations" (1990) became popular as well as the "Diamond model" that reflect competitive advantage of a nation, firm or a cluster, way forward tourism researchers on "tourism destination and/or cluster competitiveness". Over the past two decades, body of research has grown which has sought to develop a theoretical and conceptual basis for approaching the competitiveness issue. The present stage in the developing destination competitiveness theory and knowledge having achieved a good basis upon which to identify relevant attributes of tourism destination or cluster competitiveness, as particular value in turning the focus of research move towards assessing relative importance of attributes on competitiveness.

As in the decade of 90's, Crouch and Ritchie developed a conceptual model that to tailored distinctive characteristics of destination competitiveness, by combining the attributes in Porter's Diamond model. Their model recognizes that destination competitiveness based upon destinations' resource endowments (comparative advantages) and capacity to deploy resources (competitive advantage) and acknowledge the impact of global macro-environmental forces and competitive micro-environmental circumstances (Crouch and Ritchie (1995, 1999), Ritchie and Crouch (2000)). Nation or a regional competitiveness is built upon the success of how companies behave on the global market scenario. Crouch and Ritchie (1995, 1999) stressed the importance of competitive advantage in supplying goods and services to visitors, as to take touristic potentiality. They have developed a model for competitiveness measure in a tourism destination, as by combining 4 factors as, core appeal group: factors act to attract tourists, supporting factors: necessary foundations for the sector, qualifying determinants: constraints and/or influences governing competitive potentiality of a destination and destination management group: ability to shape and influence destination's competitive strength. As to compete in tourism market, the destination must have comparative and mostly competitive advantages specially in efficient management. (see figure 1)

Inspired by the idea of making more competitive towards tourism sector, Dwyer and Kim introduced an integrated model combining main elements in Diamond model and Crouch and Ritchie model. Hence Dwyer and Kim (2003), Kim and Dwyer (2003, 2004) model is an integrated approach combining endowed resources both natural (mountains, sea, water) and heritage (handicrafts, cuisines, customs and created resources (infrastructure, events and adventure, shopping) and supporting resources (general infrastructure, service quality, destination management and government and industry specific attributes). Thus many scholars have setup their analysis based on these models. Dwyer and Kim (2003) further stating the competition in tourism sector is very complex by mixing with several elements, thus it's not easy to measure. (see figure 2). Many scholars have used Crouch and Ritchie (1999) model and Kim and Dwyer (2003) integrated model to measure tourism destination competitiveness, as it covered overall portfolio of tourism destination competitiveness.

Modern tourism is "experience" oriented, based on competitiveness rather than comparative scenic beauty in a destination. Different scholars view competitiveness in different ways (Bobirca et al., 2006). Omerzel (2006) explains, in the paradox of tourism, globalization cause to form dramatic numbers of destinations all over the globe. Economists have emphasized on price and country specific economic characteristics, while management focused in firm-specific characteristics, and the focus of sociologists and politicians has covered vast area such as social, political and cultural characteristics underlying the notion of competitiveness. This is the reason that competitiveness could be measured in different perspectives, no special way as a rule of thumb. Competitiveness and clusters are both interconnected terms, as competition is a broad concept that is widely used in economics and business. The topic of destination competitiveness has received increasing attention in economics literature, as because tourism is becoming one of the prominent sectors in world. There can see a transition from mass tourism to a "new age of tourism" that called as tailor-made approach to specific attitudes, needs and wants of tourists (Cracolici et al., 2006). In strategic management context, the competitiveness deriving from the external environment of a firm, as Lee et al., (2006) taken industrial organization theory to find out the 'fit' between strategy and the external environment on performance. In their study on competitiveness on hot springs tourism sector in Taiwan, considered resource based view (RBV) theory. Competitiveness is a new challenge for the tourism sector, as competition for larger share in tourism pie, in globally emerging. As Omerzel (2006), comparative advantage and competitive advantage of tourism seems to be much more important to an economy. Comparative advantages include climate, scenery, forests, waterways and wild life as related with primary tourism supply. But competitive advantage means, infrastructure, management quality, workforce skills and knowhow, policies of government etc. They pave way for the competitiveness of a given destination. There is a clearly seen gap between destination products and tourist's preferences, as the priority should be given in life style changes, attitudes, morality and values of tourists, by directing future tourism directions. Dugar (2007) mentioned, competitiveness is a complex concept to measure in tourism sector, as because various aspects and complex structure it inherited with numerous challenges and limits the strategy implementations within the industry pointing out some important factors in India's tourism cluster, as it's a highly infectious with macro economic factors, high social cost and intermediary conflicts and specially power of positive word of mouth. Wares et al., (2008) further explains competitiveness in different levels, as in firm level and national level. In firm level, the firm is competitive if it can compete successfully with rivals and in national level, competitiveness reflects the ability of a country to use its resources in a way that increase the socio economic development of people. According to Ferreira and Esteveo, (2009), the touristic competitiveness is achieved with the touristic set as it competes with other touristic sets in national or international level. This summarizes the Diamond model of Porter, as competition is occur between clusters and industries, not by countries.

TOURISM CLUSTERING AND INNOVATION FOCUS

Industrial clusters are vital for economic development as it has emphasized by many eminent scholars. Clusters in particular regions enhances regional distinctive advantages that lead competing with other regions to create inputs and differentiate them and over time, specialization, training, Research and Development, physical infrastructure and specially providers of tourism inputs seed the clusters to growth. Porter (1990) mentioned clusters as, geographic concentrations of interconnected companies, specialized suppliers and service providers, firms in related industries, and associated Institutions (eg: universities, standards agencies, and trade associations) in particular fields that compete but also cooperate. Hence, tourism cluster simply, is a set of attractions, less differentiated and concentrated in one geographical area. Thus it provides political and social harmony by collective value chains and management network of organizations within clusters, lead for comparative and competitive advantage in sector. Porter (1990) simplified the definition for a cluster as, a given geographically proximate group of interconnected companies and associated institutions in a particular field, linked by commonalities and complementarities. Martin and Porter (2000), emphasis a commercializing of an innovation is more rapidly and efficient within a cluster, as because it is a resource base. (See figure 3)

Cluster theory suggests that industries grow in certain regions as opposed to others for other reasons than pure economical factors and highlights the importance of research in innovations, skilled workforce, knowledge management as well as investments (Nordin, 2003). Hence in a cluster, the focus is on the linkages between firms, for instance taking the form of buyer-supplier relationships, training or research initiatives, joint marketing and lobbying. However it is usually not a group of firms that deliberately join to reach common objectives, but rather a non-planned phenomenon. Tourism involves thematic clusters, combined with strategic segments, as heritage, sun and beach, adventure, sports etc. and this kind of clustering based on "themes" and they generally cross geographical and political boundaries (Nordin, 2003). Thematic tourism clusters are more functional than spatial phenomenon, although they may be found in a rather limited geographic area. Destinations like clusters generally arise naturally, but may need to be developing to reach their fullest potential. Their course of development maybe influenced by a number of factors such as strategy, plans, support given by public sector, investment in infrastructure and joint marketing efforts (Nordin, 2003). Decelle (2003) pointed out that tourism cluster, as having distinction as geographical clusters and activity based clusters, is also play key point on innovative approach. Innovation is a factor that facilitated by a cluster, as cluster participants often are able to more clearly and rapidly perceive new market needs. Decelle (2003) propose the importance of innovation dynamics as applying push strategy for proactive towards innovation attitude, improve

training of operators, staff, developing role of public and private enterprises, Research and Development towards national innovation system and specially linkage building with macroeconomic environment in long run. The geographic scope of a cluster can range from a single city or state to a country or even a group of neighboring countries. In present context, cities are acting as major tourism destinations or at least as having the potentiality to be. That explains why cities compete with each other to gain competitive advantage (Anttonen et al., 2004). Weiermair (2004) stressed the future challenges of tourism industry is based on either (a) innovation-driven cost reducing changes in tourism production or marketing process or (b) product changes, more varied tourism experiences for quality-conscious and saturated multi-option customers. Clusters have many definitions from scholars, as it simply refers; geographical concentrations of interconnected companies, with linkages to related organizations as government agencies, trade associations and Research and Development. Wares et al., (2008) express the related economic activity tends to agglomerate naturally for variety of reasons as presence of a unique natural resource, proximity to markets and reduced transaction costs. The important aspects in tourism cluster are co-opetition (mixture of competition), social capital and externalities. Tourism industry is less innovative than other industries and also lack of motivation, knowledge and resources' lead for less innovativeness (Bodil, 2009). According to Lordache et al., (2010), tourism cluster is a geographic concentration of interconnected companies and institutes through tourism activities, as including suppliers, services, government and institutions, education centers and competitors. Further stated that premises in tourism cluster development involve with following basic aspects as; (a) existence of competitive enterprises (b) favorable geographical location, natural potential, culture traditions, gastronomy, sincere hospitality (c) key partners are concentrated in the vicinity (d) greater diversity of partners and (e) existence of formal and informal links between cluster partners. Plaza et al., (2011) mentioned because of the unique structure of tourism industry, innovation is still lag behind and many consists with small type business, therefore the need of collaboration and knowledge sharing and cooperation is effective for a destination. When governments prioritize the sector and making steps for a robust destination-marketing campaign as a whole in tourism, it leads for innovations. But practically destination marketing campaigns made by governments lead to strength the demand side, while supply side in tourism remained as it was. In this scenario, innovation prioritization transfer conventional tourism to a much more strategically sector.

PRESENT CONTEXT OF TOURISM CLUSTER COMPETITIVENESS

In present scenario, tourism is a major economic service among world; so on destinations no longer take passive approaches to underutilize the resources. Crouch and Ritchie (1995), explains tourism development policies and plans, organizational structures and the marketing strategies drive destinations more to competition, but it should focus more on what that makes a tourism destination competitive. As a result of that, the destinations welcome tourists around, but doing little to intervene in the visitation process, being content to rely on the travel trade to attract and serve the tourists. The hospitality factor or simply person to person encounters between front-line employees also with local people is neglected but a most vital factor in tourism destination competitiveness. Yuksel et al., (2000) simply explain as if there is a shortcoming at a most critical interface such as tourist contact front-line employee in a given destination resort, all other factors are insignificant. Even if destination has a best strategic focus, best scenery or adventure experiences in resort, those things diminish just one second of first impression on hospitality, that highlight the importance on destination management in tourism competitiveness. It's evident that only few attentions made in past to analyze and understand the "experience provided by tourism", because more concerned on to attract tourists to the destination in high volumes, simply neglecting the core tourism product.

Inman et al., (2002) argued the abundance of natural resources of many nations move for develop their competitive skills, as a nation's prosperity depends on the level of productivity and competitiveness of business and industries, They also stress a continuous innovations made on products and services, way forward competitive advantage. Tourism and travel, an important part of the service economy and according to World Tourism Organization, the world's largest industry and it is predicted to be one of the few industries that will continue to generate job opportunities in future. But tourism clustering particularly is one of the least researched in world economy (Nordin, 2003). The boundaries of tourism and travel industry are fairly difficult and therefore its extent is hard to measure: it diversify many sectors as restaurants, hotels, airlines, travel agents, shopping complexes etc. Loss of competitiveness is a significant challenge nowadays for all tourism stakeholder groups including academics, researchers, policy makers and so on. Issues as how a company's ability to compete is affected by the place where it is located, why similar and related activities from geographical concentrations and how different types of related economic activities develop in relation to each other are central issues in debating (Nordin, 2003). Kim and Dwyer, 2003, highlight the importance of relative importance of different dimensions of competitiveness. As "how important the natural resources compared with destination image? How important the price competitiveness with destination management?" and so on, that relative importance of the factors in competitiveness can be answered by making hypothesis. Although Walsh et al., (2003) mentioned the importance on firm-level innovativeness in achieving superior competitive advantage as well as performance in small scale tourism firms through two integrative relationships between resources based view and dynamic capability view.

Tourism as even a vital sector in service economy, that have received little attention on cluster theory for economic development, only briefly mentioned in Porter's cluster approach (Miller et al., 2005). There is a "universal view" among comparing destinations in competitiveness with each other also its vital to compare several types of tourist destinations, like cities, resorts as a case sample (Enright et al., 2005). Cunha and Cunha, 2005, explains, it have seen very few attention in past scholars towards a model for evaluate impacts in tourism for local development. According to Miller and Gibson (2005), cluster research basically popularized with "clustering" concept of Porter, as clustering is a continuously evolving and dynamic process. The area on cluster research moreover operationalizing Porter's general concepts on "Clustering" and "Cluster Diamond", but research on practical applications are limited. More quantitative researches done by scholars on potential industry clusters in regional wise and qualitative researches basically focused on cluster mapping or graphical presentations on economic linkage within a cluster. (Miller and Gibson 2005). According to Enright et al., (2005), a case study based on Cuba, a world class sun and sand destination, reflects competitiveness in tourism, but it doesn't guarantee the development successfulness of tourism because of other factor conditions such as HR, capital investments, infrastructure and other 3 facets of the Diamond, cause as a barrier to destination development. There is lack of empirical analysis on practical use of empirical base on cluster diamond. Miller et al., (2005) mentioned, research on tourism clustering must expand to encompass scenario outside the classic Porter's cluster. As it's much deeper sense as go beyond from Porter's framework, by adding more strategic points to a model. As when it concerns tourism in developing countries here are some strategically obstacles in practically and there has not been sufficient research conducted to make the impact to the economy in developing countries, as the clusters also at in a weaker starting point (Wares et al., 2008, Ferreira et al., 2009). According to Balan et al., (2009), in 1950, top fifteen destinations' attracted 98% or almost all of the tourists to them, but sixty years later that became 57%, signifying the competitiveness as a key factor that tourism destinations should keen on. The focus on tourism industry has shifted from simply attracting more tourists to increase the competitiveness of the destinations. Ferreira et al., (2009), expressed that as tourism is a powerful instrument in national and regional level, but discussions made on tourism clustering is still in an embryonic phase. It is evident that very few number of researches explaining the tourism cluster competitiveness and impacts to regional and national economy. As innovations has been long recognized as a key factor in competitive advantage, Walsh et al., (2010) explain this is a necessary condition but not sufficient and highlights the importance of other aspects as in line with gaining competitiveness for tourism industry.

CONCLUSION

It could be discern from the above literatures that most of the scholars, have revealed application on cluster theory on tourism sector as it leads for new thematic tourism clusters based on new approaches. Tourism destinations can be refereed as clusters, as if they fulfill cluster requirements mentioned, thus tourism cluster is an important focal point that can enhance competitiveness in tourism. Many researchers, tourism specialists, economists and policy makers have sought a strategic way to maximize the development of tourism sector, as it ultimately lead for raise the national economy. Competitiveness is characterized by dynamics involving a complex interactive process of social, political and institutional change, as Crouch and Ritchie (1995, 1999) build their model on four major components based on Porter's (1990) "Diamond of national competitiveness". Hence Kim and Dwyer (2003) further integrated that model that combine main elements of national and firm competitiveness of Porter's model with destination competitiveness with Crouch and Ritchie model. All these three models have used to assess tourism destination competitiveness by many scholars, and among them Kim and Dwyer (2003) model

is an integrated model that covers larger part of tourism portfolio. Many scholars given their contribution on tourism destination competitiveness as Crouch and Ritchie (1995, 1999), Alavi and Yasin (2000), Kim and Dwyer (2003), Omerzel (2004), Enright and Newton (2004), Crouch (2007), Omerzel and Mihalic (2008), Cracoloci and Nijkamp (2009), Poon (2010), Ritchie and Crouch (2010). As most comprehensive model developed by Crouch and Ritchie (1995, 1999) but integrated model developed by Dwyer and Km (2003) underlies the important of tourism demand factors that neglected, Armenski et al., (2011). The integrated model covers up the tourism portfolio as the model empirically tested by Korea and Australia in 2003, Slovenia in 2004 and 2008 and Serbia in 2009 and 2011.

Although competitiveness measured by taking tourist destination, not as a cluster or clusters in a particular destinations. Tourism consists of value driven clustering methods, such as “thematic clustering”, therefore the competitiveness measured in respective of clusters may lead for new innovative strategical knowhow. Innovation as a separate factor is also missing from previous models, such innovation focus way forward strategies based on tourist product and service innovations and specially experience innovations as a “package” driven for high margins of profits for an economy.

- A necessity of a conceptual model on cluster competitiveness in tourism that covers tourism thematic clusters, specially focus on developing country perspective is essential. The one of a significant but although neglected aspect as “innovation focus” should address as an attribute in accordance with comparative and competitive advantage in tourism clusters.
- Integrated conceptual model focused more on both comparative and competitive advantage as well as innovation focus as in driven by strategies is proposed for sustainable tourism development.

Hence a new conceptual model combining tourism clusters and innovation strategies that way forward competitiveness and national economic development is proposed, by combining main elements on macro-economic environment.

PRACTICAL IMPLICATIONS AND ORIGINALITY OF THE PAPER

This study is an attempt to build linkages between industrial clustering and innovativeness, by refereeing tourism destinations as clusters. Tourism clustering is a fairly new concept, thus focus for a conceptual model towards tourism clustering is most benefit for developing economies of world. The findings of this study broaden up the knowledge on tourism clustering, competitiveness and innovation focus as driving forces linking together to contribute to the economic growth of a nation in macro-economic perspectives by specially focusing on “cluster based competitiveness” than tourism destination as a one location for competitiveness.

FIGURES

FIGURE 1: THE DESTINATION COMPETITIVENESS MODEL OF CROUCH AND RITCHIE (1995, 1999)

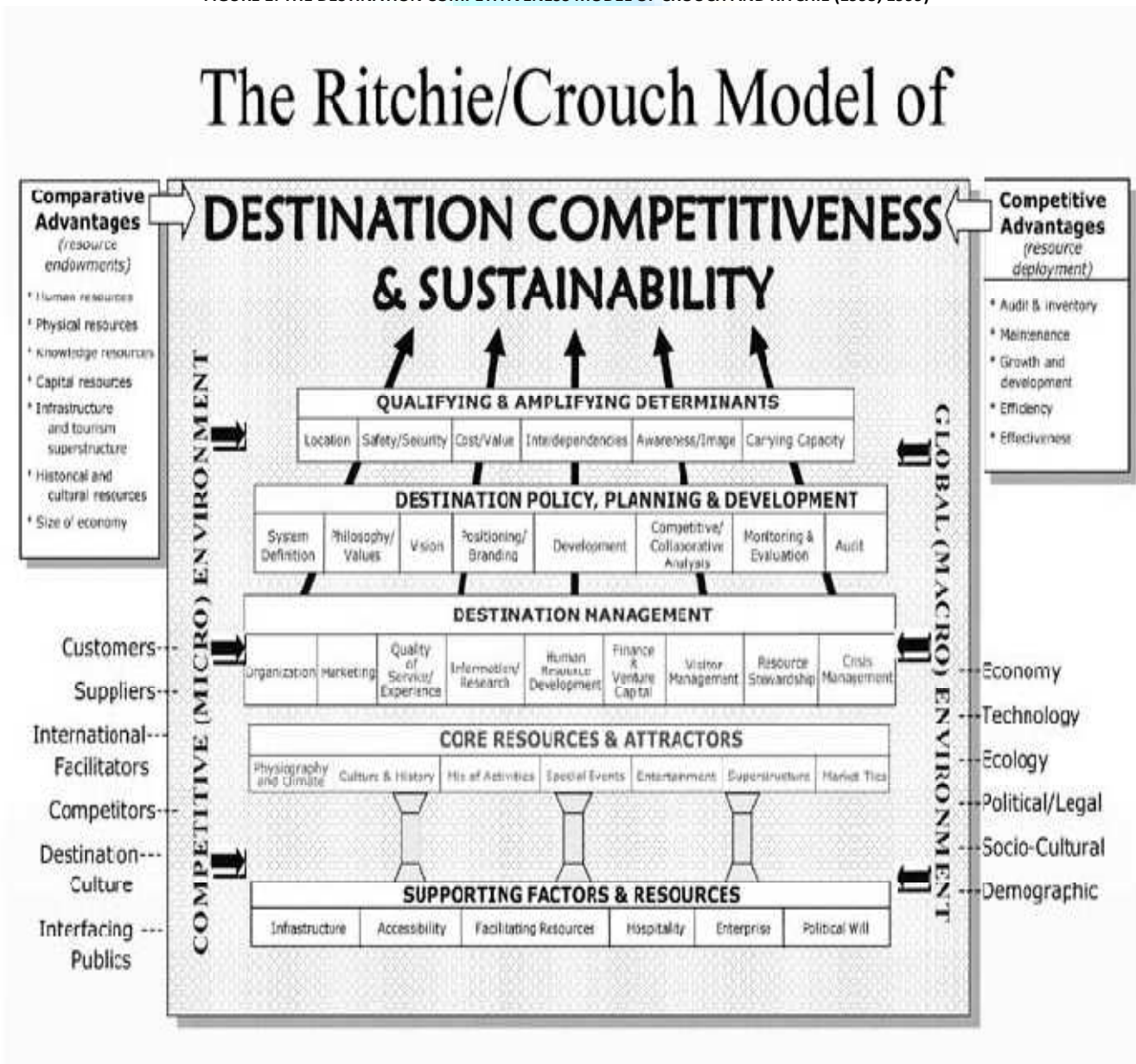


FIGURE 2: THE INTEGRATED MODEL OF DWYER AND KIM (2003)

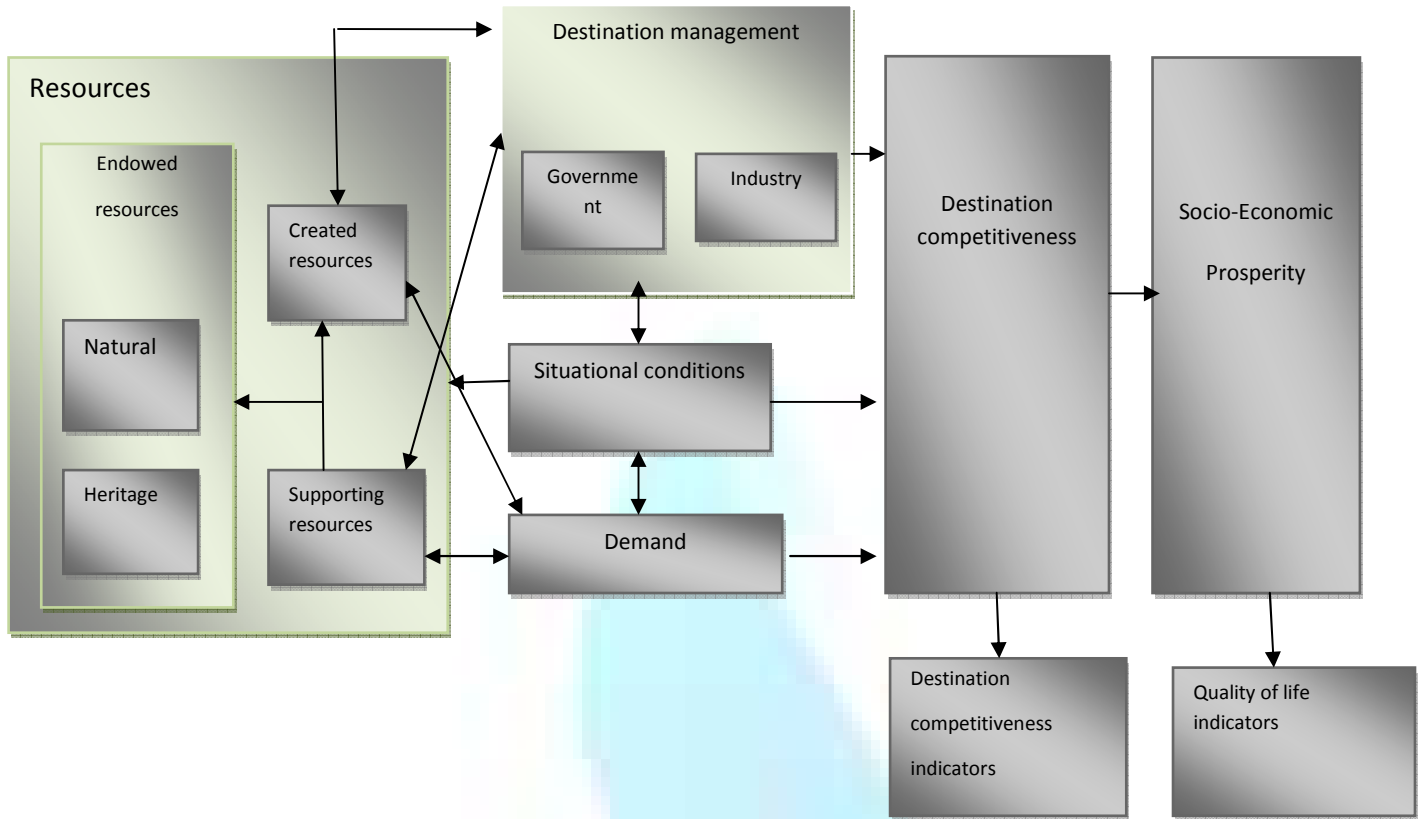
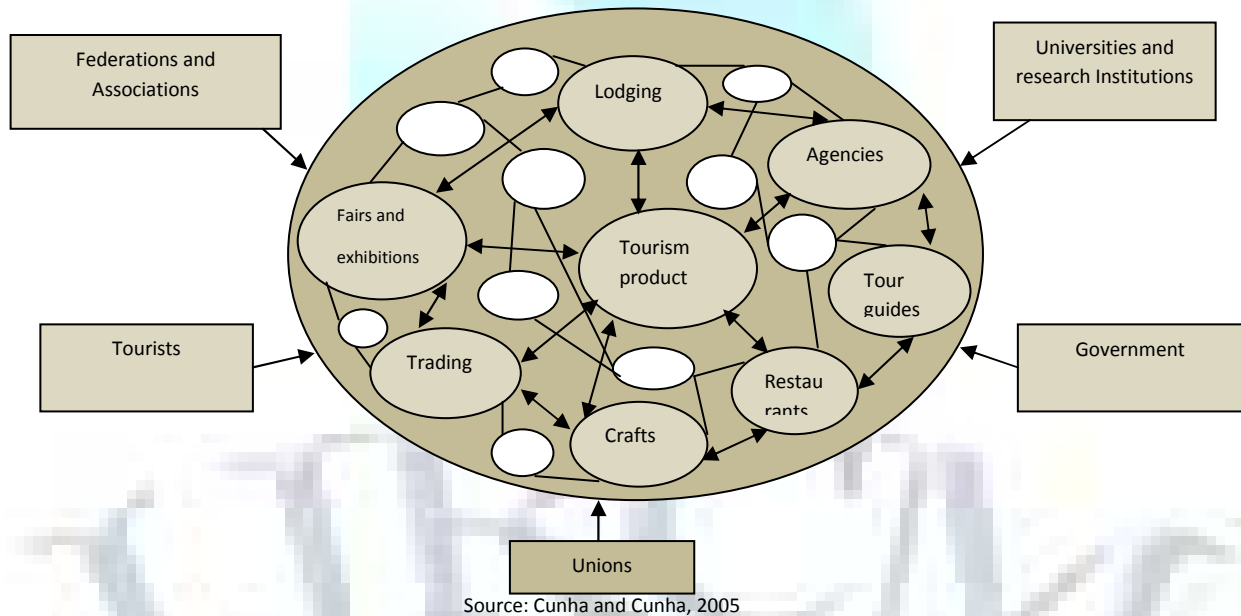


FIGURE 3: TOURISM CLUSTER REPRESENTATION



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EFFECTS OF INDIRECT SOURCES OF ENERGY ON AGRICULTURAL PRODUCTIVITY IN INDIA

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ABSTRACT

The study is an attempt to examine the causal relationship between select indirect sources of energy such as fertilizers, certified/qualified seeds and pesticides on agricultural productivity in India during the period of reference 1990-91 to 2006-07. For examination of this causal relationship Granger causality test has been used which attempt to address the question whether higher agricultural productivity in terms of yield per hectare causes more use of indirect sources of energy or more use of stated indirect sources of energy causes agricultural production to rise. Having analysed the empirical data in this regard it is found that in the case of seeds there is bidirectional causality between use of certified/qualified seeds and agricultural production in 3-lagged terms and in the case of fertilizer there exist unidirectional causality in 3-lagged terms. Whereas in the case of pesticides, it is found that it is independent of agricultural production in 3-lagged terms.

KEYWORDS

indirect energy sources, agriculture productivity.

1. INTRODUCTION

Agriculture is one of the most important sources of livelihood of the people in a country. Besides other determinants, standard of living of people depends on the volume of agricultural production and its productivity. The volume of agricultural production and higher agricultural productivity depends on several factors of which energy is most important one. *Ceteris paribus*, higher the use of energy in agriculture implies higher agricultural production and vice-versa. The production function using energy as a variable factor may be stated as; $Q = f(L, K, E)$. With usual notation Q: Output; L: Labour; K: Capital; E: Energy (Branson, Macroeconomics, 1979). Sources of energy used in agricultural sector are classified as direct and indirect. The direct sources of energy are those which release energy directly like human labour, animal power, machinery, etc. The direct sources of energy may be further classified as renewable and non-renewable depending upon their replenishment. Renewable direct source of energy are those energy source which are taken directly from nature but can be replenished. Example: human being, animal solar and wind energy, fuel wood and agricultural wastes, etc. Unlike renewable direct sources of energy, non-renewable direct sources of energy are those energy sources which are not renewable (at least in near future say, during next 100 years). Coal and fossil fuels are counted as non-renewable direct sources of energy.

The indirect sources of energy are those which do not release energy directly but release it by conversion process (Singh, Mittal., 1992). Seeds, manures (farmyard and poultry), chemicals, fertilizers, etc are classified under indirect sources of energy. Again, on the basis of their replenishment, these can be further classified into renewable and non-renewable indirect sources of energy. Seeds, manures, etc. can be termed as renewable indirect sources of energy as they can be replenished in due course of time, whereas chemicals, fertilizers, machinery, etc are counted as non-renewable sources of energy as they cannot be replenished. As stated, both direct and indirect sources energy are considered as vital for improvement in agricultural production and productivity. It is empirically tested world over that use of energy has impact on agricultural output. Implying, there exist a cause and effect relationship between the extent of different types of energy used in agriculture and volume of agriculture output and productivity of land.

On the above perspective, in this paper an attempt has been made to establish the degree and extent of causal relationship between use of indirect sources of energy such as fertilizer, certified/qualified seeds and pesticides and the volume of agricultural production in India during the period of reference 1990-91 to 2006-07.

2. RATIONALE AND DATA SOURCES

In the literature of Agriculture and Energy Economics, many studies have been undertaken by the social science researchers' world over on the broad issue of linking energy use/consumption with agricultural production and productivity and its consequent impact on economic growth for different geographical regions. In the available literature there are studies which focused on impact of indirect sources of energy on agriculture production. In the present study the focus is to examine the causal relationship between use of fertilizer, certified/qualified seeds and pesticides as indirect sources of energy and its impact on agricultural production in India during the reference period from 1990-91 to 2006-07. To test the causal relationship between the stated parameters such as fertilizers, seeds, pesticides and agricultural output, Granger causality test technique is adopted and data relating to these parameters for the reference period has been taken from Agricultural Statistics at a Glance, Ministry of Agriculture and Cooperation, government of India and Agricultural Data Book, ICAR, New Delhi. Besides, information relating to this research work as available on public domain and research work done by the other scholars in the field are also referred. However, due recognition has been given in end of the paper to those scholars whose work has been referred in this study.

3. LITERATURE REVIEW

The causality test as a tool to study the relationship between different variables has been very popular in 21st century particularly, after the seminal work of Kraft and Kraft (1978). Kraft and Kraft have examined the causal relationship between income and energy consumption in USA during 1947 – 1974 and found that there exist unidirectional relationship between incomes to energy consumption. The concept of causality test, in general, has been initiated by C.W.J. Granger (1969). In the literature on relationship between energy consumption and economic growth different views are emerged during different time periods. Some researchers argued that there exists 'unidirectional causality' between energy consumption and economic growth. Implying, the estimated coefficients on the lagged energy consumption are statistically significant while, in another way, estimated coefficient of economic growth is not statistically significant. There are many studies which justify the unidirectional causality from energy consumption to economic growth. Lee (2005) has examined the relationship between energy consumption and GDP in developing countries and found that energy consumption causes economic growth. Similarly, Narayan and Singh (2007) has investigated the nexus between electricity consumption and economic growth in Fiji, by using multivariate framework and found a unidirectional causality running from electricity consumption to economic growth. There are several researchers who justify this unidirectional relationship. Yu and Choi (1985) for the case of Philippines, Cheng (1997) for the case of Brazil, Shiu and Lam (2004) for the case of China, etc have supported this view.

The second view in the literature supported the 'unidirectional causality' between economic growth to energy consumption. That is, the estimated coefficients on the lagged economic growth are statistically significant, while in another way, estimated coefficient of lagged energy consumption is not statistically significant. The work of Ghosh (2002) has established unidirectional causality from economic growth to electricity consumption in India. Similarly, Wolde-Rufael (2006) has examined the causal relationship between electricity consumption and economic growth in 17 African countries and found a positive unidirectional relation running from real GDP/ GDP per capita to electricity consumption in 6 countries. Narayan and Smyth (2005) has examined the causality of electricity consumption, employment and real income in Australia and found that real income causes electricity consumption. There are number of studies, as such, justify the unidirectional causality between economic growth to energy consumption.

The third argument for causality test is 'bidirectional causality' from both sides. It is also known as 'feedback causality'. That is, estimated coefficients of lagged economic growth and estimated coefficient of lagged energy consumption are (both) statistically significant. Masih and Masih (1996) found the bidirectional relationship between energy consumption and economic growth in Korea and Taiwan. In the same fashion, Morimoto and Hope (2004) found a bidirectional relationship between electricity consumption and economic growth in Sri Lanka during the period 1960-1998. Likewise, Odhiambo (2009) has examined the causal relationship between economic growth and electricity consumption in South Africa in a simple trivariate framework using employment rate as an intermittent variable and found the bidirectional causality running from electricity consumption and economic growth during the period 1971-2006. In the same vein, others studies shows the bidirectional causality energy consumption and economic growth which includes the study of Jumbe (2004) for Malawi, Glosure and Lee (2006) for South Korea and Singapore.

The fourth and final argument is 'independence'. That is, there is no causality running in either way. In other words, there is no one statistical significant among lagged variables i.e. we can say that energy consumption and economic growth are neutral to each other. There are some previous studies have shown the empirical evidence of no causality between energy consumption and economic growth. Yu and Hwang (1984) for USA, Yu and Choi (1985) for USA, UK, Poland and others have found that there is no causal relationship between energy consumption and economic growth.

4. ESTIMATION TECHNIQUES

This study has the basic objective to trace the causality running between indirect sources of energy use/consumption and agricultural production. For the purpose, the indirect sources of energy that taken into consideration are fertilizers, certified/qualified seeds and pesticides. In order to study the causal relationship between stated indirect sources of energy and agricultural production the paper uses the Granger causality test. The Granger causality test based on the question whether higher agricultural production (yield per hectare) causes more use of indirect sources of energy or more use of stated indirect sources of energy causes agricultural production to rise.

The Granger causality test may be stated with the help of following regression equations:

$$Y_t = \alpha_{1t} + \sum_{i=1}^n \beta_1 X_{it-1} + \sum_{j=1}^n \beta_2 Y_{t-j} + u_{1t}$$

$$X_{it} = \theta_{1t} + \sum_{i=1}^n \delta_1 X_{it-1} + \sum_{j=1}^n \delta_2 Y_{t-j} + u_{2t}$$

Here,

Y_t : Agricultural production measured in terms of yield per hectare.

X_i : ($i = 1, 2, 3$): Energy applied in terms of HYV seeds, fertilizer and pesticides respectively.

Similar regression equations can be arranged in terms of Y_t on X_1 and Y_t on X_2 .

The steps involved for applying the Granger causality test are:

Step-1: Regress current Y_t on all lagged Y_t terms, exclude the lagged X_i ($i = 1, 2, 3$) variables and obtain the restricted residual sum of squares (RSS_R).

Step-2: Run the regression including lagged X_i ($i = 1, 2, 3$) variables, i.e. unrestricted residual sum of squares (RSS_{UR}).

Step-3: Take null hypothesis

$H_0: \sum \beta_i = 0$; i.e. lagged X_i ($i = 1, 2, 3$) do not belong in the regression.

Step-4: To test this hypothesis, apply F-test

$$F = \frac{[RSS(R) - RSS(UR)]/m}{\frac{RSS(UR)}{(n-k)}}$$

Here,

m = number of lagged term of X_i

k = number of parameters estimated in the unrestricted regression.

Step-5: If the calculated F-value exceeds the critical value at the chosen level of significance, then reject the null hypothesis. That is, lagged X_i terms belong in the regression. In other words, we can say that X_i (indirect sources of energy) causes Y_t (agricultural production). In another way, if calculated F-value does not exceed the critical value, then we accept the null hypothesis and conclude that X_i can't cause Y_t .

Step-6: Step 1 to 5 can be repeated to test the above model whether it is unidirectional causality or bidirectional causality and (or) independence.

Following precautions are necessary for Granger causality test:

- i. Variables used in the model are stationary.
- ii. Adding lagged variables must be checked by either AIC (Akaike Information Criterion) and SIC (Schwarz Information Criterion).
- iii. Errors terms in the causality test must be uncorrelated.

For the use of Granger Causality, this study starts with the stationary test of the variables. The stationary test, here, checked by Dickey Fuller test (DF test) which is shown in following table:

TABLE 1: STATIONARY TEST OF THE VARIABLES BY DF TEST

Variables	Y_t	X_1	X_2	X_3
No Trend	44.5	67.1	71.9	68.5
Trend	16.64	12.94	22.1	40.68

All variables in above table are stationary at any level of significance.

5. LINKING INDIRECT SOURCES OF ENERGY AND AGRICULTURAL PRODUCTION

Objective of this study is to find out any causality between indirect source of energy and agricultural production in India during the time period 1990-91 to 2005-06. To show that the Granger Causality test depends critically on the number of terms, such terms are introduced in the model. This lagged term is chosen by the AIC or SIC. In each case, the null hypothesis is that the indirect source of energy does not cause (Granger) agricultural production (yield per hectare) and vice versa. The following table shows the relation between indirect source of energy and agricultural production:

TABLE 2: CAUSALITY BETWEEN X_t AND Y_t

No. of Lags	F-Value	Direction of Causality	Decision
2	1.906	$Y_t \rightarrow X_1$	Accept H_0
2	0.066	$X_1 \rightarrow Y_t$	Accept H_0
3	3.307	$Y_t \rightarrow X_1$	Reject H_0
3	4.17	$X_1 \rightarrow Y_t$	Reject H_0

In the above table-2, it is shown that null hypothesis is rejected at the 10% level of significance using 3- lagged terms. That is, it is statistically significant. The direction of causality indicates the bidirectional causality. Implying, qualified/certified seeds as well as agricultural production (yield per hectare) causes to each

other. However, in the case of 2-lagged terms no one is statistically significant. Choosing 3-lagged terms are appropriate by AIC and SIC *i.e.* it has the minimum value (AIC = 4.623, SIC = 4.883 for 3-lagged and AIC = 4.927, SIC = 5.109 for 2-lagged terms).

TABLE 3: CAUSALITY BETWEEN X_2 AND Y_t

No. of Lags	F-value	Direction of Causality	Decision
2	1.609	$Y_t \rightarrow X_2$	Accept H_0
2	0.324	$X_2 \rightarrow Y_t$	Accept H_0
3	3.307	$Y_t \rightarrow X_2$	Reject H_0
3	0.462	$X_2 \rightarrow Y_t$	Accept H_0

In the above table-3, it is shown that null hypothesis is rejected at the 10% level of significance using 3-lagged terms in the direction of Y_t to X_2 . But it is not significant in the direction of X_2 to Y_t . However, in the case of 2-lagged terms no one is statistically significant. The direction of causality indicates the unidirectional causality from Y_t to X_2 . Implying, use of fertilizer causes for the agricultural production. Choosing the 3-lagged terms are appropriate by AIC and SIC *i.e.* it has the minimum value (AIC = 4.628, SIC = 4.986 for 3-lagged and AIC = 4.971, SIC = 5.153 for 2-lagged terms).

TABLE 4: CAUSALITY BETWEEN X_3 AND Y_t

No. of Lags	F-value	Direction of Causality	Decision
2	3.79	$Y_t \rightarrow X_3$	Reject H_0
2	0	$X_3 \rightarrow Y_t$	Accept H_0
3	2.4	$Y_t \rightarrow X_3$	Accept H_0
3	2.34	$X_3 \rightarrow Y_t$	Accept H_0

In the above table-4, it is shown that null hypothesis is rejected at the 10% level of significance using 2-lagged terms in the direction of Y_t to X_3 . But it is not significant in the direction of X_3 to Y_t . However in the case of 3-lagged terms, no one is statistically significant. The direction of causality indicates the unidirectional causality from Y_t to X_3 . Implying, use of consumption of pesticides of technical grade causes the agricultural production. Choosing the 3-lagged terms are appropriate by AIC and SIC *i.e.* it has the minimum value (AIC = 4.8775, SIC = 4.469 for 3-lagged and AIC = 5.036, SIC = 4.49 for 2-lagged terms). In the case of 3-lagged terms, these two variables are independence to each other.

6. CONCLUSION

This study shows the causal relationship between indirect source of energy consumption and agricultural production per hectare in India during the time period 1990-91 to 2005-06. The empirical study reveals the various results of this causation. In the case of seeds, it shows the bidirectional causality between use of certified/qualified seeds and agricultural production in 3-lagged terms. But in the case of fertilizer use, it shows the unidirectional causality from fertilizer use to agricultural production in 3-lagged terms. However, in the case of pesticides use, it is independence in 3-lagged terms but it is unidirectional causality from pesticides use to agricultural production.

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THE PROSPECTS AND CHALLENGES IN RURAL MARKETING WITH REFERENCES TO TWO WHEELERS - A STUDY OF KARAD TALUKA OF SATARA DISTRICT

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ABSTRACT

India's geo-demographic identity underscores as "India lives in her villages". Even the economy is progressing day by day very fast but the division between rural and urban has no signs of receding. As for the Indian context where more than three fourth of population lives in rural India & the national income generated in rural India is one third of its total. Now it becomes compulsory for researchers to study in-depth the needs and wants of rural population therefore most of the industries are investing their money for rural marketing. The researcher has taken two wheeler industries for studying the rural marketing. This research paper focuses the objectives, review of literature, scope, research methodology, hypothesis testing, and suggestions.

KEYWORDS

geo-demographic, identity, rural, urban, receding, rural marketing.

1. INTRODUCTION

Rural marketing have a broader sense it is not a compact form because when rural marketing comes to mind it attaches to only agricultural produce. From time immemorial there has been regular trade between urban & rural produce, as the lifestyle of rural people is changing with the change in disposable income to adopt consumables & durables & services. Now it is common to get well known brands by branded companies in rural areas.

Rural marketing is a marketing process which encompasses inflow of different products in rural areas for different purpose and outflow of products for urban areas. The two-wheeler industry consists of three segments viz., scooters, motorcycles, and mopeds. The two wheelers in India began operations within the framework of the national industrial policy as espoused by the Industrial Policy Resolution of 1956. Products in rural areas are for different purpose & outflow of products for urban areas. India is the second largest two wheelers market in the world in terms of sales volumes (after China), the two wheelers household penetration level in the country is much lower at around 36% than in some of the other emerging markets such as Brazil, Indonesia, Thailand and Taiwan.

2. REVIEW OF LITERATURE

- A] **Tej k. Bhatia and Mukesh Bhargava (Tej K Bhatia, 2008)** studied and concluded that due to globalization and the need to seek out new rural markets (sometimes labeled as business to 4-billion [B2-4B]), rural marketing is gaining new importance in India as well as across the globe. This article examines three facets: the marketing, linguistic and advertising of these markets.
- B] **Payal Arora (Arora, 2008)** in her article, story (re)productions by children in rural India are seen as a potential tool for addressing current 'participatory' issues facing development practitioners. A project was implemented to involve children from a rural village in South India in e-literary storybook productions.
- C] **Hajibah Osman (Osman, 2008)** studied and concluded that, in the end of the 1990s witnessed the corporatization of public universities in Malaysia resulting in the publication of corporate literature in these universities and the type of writing Fairclough (1993) refers to as the marketization of academic discourse.
- D] **Sujata Moorti (Moorti, 2007)** discussed in her article that, for an understanding of Indian television as a transnational mediated apparatus, rather than examining it as a national enterprise.
- E] **Jabir Ali (Ali, 2007)** has put forth that, Livestock is an important sub-sector of the Indian agricultural economy which plays a multi-faceted role in providing livelihood support and food security especially to the country's rural population.

3. STATEMENT OF THE PROBLEM

This research study is undertaken for the rural market of Karad Taluka aims at investing the market dynamics related to two wheeler marketing in Karad Taluka. Despite the improved socio-economic conditions of the rural people of this region the sales of two wheelers were not matching with improved conditions. Hence this research study titled "The prospects and challenges in rural marketing with references to two wheelers – A study of Karad Taluka Satara District" is undertaken.

4. SCOPE OF THE STUDY

The study is related to two wheelers rural market. It covers area of Karad Taluka in Satara district of Maharashtra state. The rural area market is having numerous products but this study is restricted to the two wheelers only. The research is carried out during year 2008 to 2011. The importance and significance of the rural market in India is taken into consideration for this study.

5. OBJECTIVES OF THE STUDY

- 1) To study the consumer behavior towards two wheelers in Karad Taluka.
- 2) To study the problems and challenges faced by dealers in marketing of two wheelers in rural areas with reference to Karad Taluka.

6. HYPOTHESIS OF THE STUDY

- A] Rural consumer perceives that two wheeler have impact on their development.

7. RESEARCH METHODOLOGY

7.1 RESEARCH DESIGN

This research is both exploratory and descriptive in nature and has utilized both quantitative and qualitative data collection tools. The exploration of books, journals, and various newspapers reflecting their views on rural two wheeler market constitutes the exploratory research design in this research and the useful information extracted from these books, journals and newspaper is utilized.

7.2 DATA COLLECTION METHOD

An instrument in the form of Structured and closed ended questionnaire using multiple choice and dichotomous questions is constructed based on the data required for objectives and hypothesis for the research. (Kothari, 2009) This questionnaire is printed on the plain paper and carried in copies to the target area by researcher. The researcher assisted the respondents in responding to the questions in the questionnaire. The researcher had to translate some questions to Marathi for the convenience of the respondents.

7.3 SAMPLING METHOD

The researcher had to select from Probability and non probability sampling methods to avoid the problem of biased outcomes. (Kothari, 2009) The researcher has selected non probability Area sampling method as the scope of this study is limited to rural Karad Taluka in Satara district of Maharashtra state in India.

7.4 DATA COLLECTION

Data collection consists of surveys, showroom observations and interviews with consumers, as well as journal logs from scholars. Initially, a survey instrument to locate the consumer behavior regarding two wheelers is administered to a broad spectrum of participants (ideally, n=500). Subsequently, a purposeful sample is identified of 400 participants to use the data for analysis. A structured observation protocol is developed to aid in field note collection and an interview protocol rooted in the literature is developed to act as a guide for the interviews.

A qualitative evaluation is utilized for this research project leveraging subjective methods such as interviews and observations to collect substantive and relevant data. These interviews are conducted with respondents from the selected area. Upon collecting the qualitative data derived from said interviews, careful analysis is done both manually and utilizing SPSS software. Recent research on Indian two wheeler markets and instructional design is consulted to validate collected data. A bibliography containing such research sources has been created to give due credit to the contributors. The research from this effort shall hopefully become an asset to the academics and market on consumer behavior.

8. ANALYSIS AND INTERPRETATION OF DATA

8.1 TESTING OF HYPOTHESIS

H1: Rural consumer perceives that two wheeler have impact on their development [Alternative Hypothesis]

H0: Rural consumer perceives that two wheeler do not have impact on their development [Null Hypothesis]

To test the hypothesis

Step 1: The null hypothesis and alternate hypothesis are formulated as follows.

H0:- $\mu = 3$ (3 is the acceptance rating obtained for the statement "Do you think that the two wheeler you use has impact on your development?")

H1 = $\mu \neq 3$

Step 2: A significance level $\alpha = 0.01$ is selected

Step 3: Mean, Range and Standard Deviation is calculated

Descriptive Statistics	N	Mean	Std. Deviation (σ)	Std. error
Do you think that the two wheeler you use has impact on your development?	400	3.72	1.311	0.066

Step 4: Calculate Z statistics being large sample size of 400

$$Z = \frac{X - \mu_0}{\sigma / \sqrt{n}}$$

$$Z = \frac{3.72 - 3}{1.311 / \sqrt{400}}$$

$$Z = \frac{0.72}{0.655}$$

$$Z = 10.98$$

From the Z table the critical Z value for 99% confidence is 3.0 which is less than the calculated value of 10.98. Hence the null hypothesis is rejected i.e. Rural consumer perceives that two wheeler do not have impact on their development.

9. SUGGESTIONS

The researcher has furnished the suggestions and recommendation to the manufacturers and dealers as regards various aspects of marketing.

1. Since, the rural two-wheeler market is price-conscious and also looks for economy-in-use. It is suggested that, the marketers of two-wheelers should adopt price and economy-in-use as their Unique Selling Proposition (USP). Even if a particular brand does not have the price edge, it can still compete by educating the rural customer the 'value-for-money' (Price) through its marketing communication.
2. The study reveals "Durability" as an important factor in the buying decision. Therefore durability has to be enhanced in terms of number of years of service to the owner. In this connection it is also suggested that the dealer may consider offering exchange schemes periodically.
3. The rural customer prefers 'high speed', which is revealed by the study. This does not mean that speed thrills the rural two-wheeler user. However the rural customers prefer a two-wheeler, which will attain a speed of over 60 kmph with a payload of over 100 kgs. Therefore it is suggested that, the manufacturers may incorporate technical improvements so as to offer a sturdy two-wheeler with speed and payload carrying capacity.
4. The study would like to suggest that, trendy design should be incorporated in the overall looks and style of a two-wheeler. Since trendy design is slowly catching the eye of a rural two-wheeler customer.
5. It is suggested that, two-wheeler dealerships should arrange for a tie-up with banks or non-banking finance corporations for financing or hire purchase of two-wheeler to the rural customer.

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A STUDY ON AWARENESS OF SOCIAL SECURITY FOR MIGRANT WORKERS IN INDIA**S PRAKASH RAO PONNAGANTI****RESEARCH SCHOLAR****DEPARTMENT OF MANAGEMENT STUDIES****SCSVMV UNIVERSITY****KANCHIPURAM****M. MURUGAN****ASST. PROFESSOR & CO-ORDINATOR (M. PHIL.)****DEPARTMENT OF MANAGEMENT STUDIES****SCSVMV UNIVERSITY****KANCHIPURAM****DR. K.P.V. RAMANA KUMAR****DEAN****DEPARTMENT OF MANAGEMENT STUDIES****SCSVMV UNIVERSITY****KANCHIPURAM****ABSTRACT**

This study deals with the socioeconomic conditions under which the around fifty crores of workers are migrant and seasonal farm workers in the India live. Labour welfare and security consequences resulting from occupational conditions like rest shelter, bathing and washing facilities, drinking water, etc. and also legal benefits like workman compensation, maternity benefits, Employees state insurance, employees provident fund, payment of gratuities, leave and holidays, mental health problems and also social security problems, like maternity problems, family benefits, unemployment benefits, compensation problems, etc. By increasing awareness among migrant workers and labors of the plight of mi grant and seasonal farm workers, the authors hope to encourage development of a stronger public social welfare infrastructure and to improve the welfare status of these individual migrant workers.

KEYWORDS

Migrant workers, social securities, working conditions, labour welfare benefits, migrant and seasonal farm workers (MSFWs).

1. INTRODUCTION

Migration in India is mostly influenced by Social Structures and pattern of development. The development policies by all the governments since Independence have accelerated the process of migration. Uneven development is the main cause of Migration. Added to it, are the disparities, Inter regional and amongst different socio-economic classes. The landless poor who mostly belong to lower castes, indigenous communities and economically backward regions constitute the major portion of Migrants. In the very large Tribal Regions of India intrusion of outsiders, settlements by the outsiders displacing the local tribal people and deforestation also played a major role in Migration.

The plight of migrant and seasonal farm workers (MSFWs) in the India was first brought to national attention on thanks giving Day in 1960 by famed journalist Edward R. Murrow's documentary, "Harvest of Shame." While families at homes across the country enjoyed their bountiful Thanksgiving dinners, the program depicted the miserable living conditions associated with migrant agricultural work as "sweatshops in the fields." Forty years later, MSFWs remain one of the most impoverished and underserved populations in the Indian States. MSFWs suffer morbidity and mortality rates greater than the vast majority of the Indian population, due in large part to occupational hazards, poverty, substandard living conditions, migrancy, and language and cultural barriers. Welfare includes anything that is done for the comfort and improvement of employees and is provided over and above the wages. Welfare helps in keeping the morale and motivation of the employees high so as to retain the employees for longer duration. The welfare measures need not be in monetary terms only but in any kind/forms. Employee welfare includes monitoring of working conditions, creation of industrial harmony through infrastructure for health, industrial relations and insurance against disease, accident and unemployment for the workers and their families. Labor welfare entails all those activities of employer which are directed towards providing the employees with certain facilities and services in addition to wages or salaries.

2. REVIEW OF LITERATURE

Madhu Nagla. G (2011) in his article Migrant labour and leisure: An Analysis investigated that the exploration of the people who work in the unorganized sector is very high. It is increasingly recognized that that with the explanation of transport and communication people have started migrating from villages to cities, from cities to cities and also one country to another. The migrant particularly who migrant from villages to cities by crossing one state to another state brings to change in their livelihood pattern, which also includes their leisure pattern also. However, little is know about leisure activates, which ultimately affect the overall life of people. Leisure is indispensable from the life of human being, therefore, it is necessary to the understand leisure activates of migrant construction labour group So that the some policies and programmers' can be made to the address leisure issues. The study seeks to understand the leisure activates among the young migrant construction labour groups in rohtak city of Haryana state.

Salve.W.N. (2008) in his study Labour Rights and Labour Standards for Migrant Labour in India point outs decent work is a broad concept which is related to social and economic goals of development. It brings together different types of freedoms. There are four types of dimensions of decent work, such as work and employment itself, rights at work, security, and representative at work dialogue. The International Labour Organization has played a significant role in promoting International Labour Standards. India has advocated the promotion of labour standards within the frame work of the ILO Constitution. More than 90 percent of the total workforce is engaged in the unorganized or informal sector, like migrant labour and other workforce. Migrant workers, those workers, who migrate from one area to another area within the state or country in order to get seasonal or temporary or part time work in different sectors. Migrant workers, who are not organized under any trade unions and their labour standards, are not protected by the government as well as trade unions, these migrant workers are illiterate, ignorant, and belong to backward community .They do not get minimum wages stipulated under the Minimum wages Act. Today, the real issue is how to extend human rights to all segments of the labour market. There are many groups of workers in the unorganized sector or informal economy, like migrant workers in agriculture, building and road construction, brick kilns, sugar factories and others, for whom decent work is a very distant goal. There are no strong trade unions of migrant workers in the unorganized sector. The bargaining power of these migrant workers is thus weaker than workers in the organized sector.

After independence, India has been adopted various labour policies in order to improve working conditions of workers in the unorganized sector. There are also various labour laws for these workers. Intact, its implementation is mostly ineffective. Therefore, migrant workers and workers in the unorganized sector are struggling for their labour rights and to implement the provisions of various labour laws as per International labour standards. Therefore, the government of India should ratify all the relevant international covenants that respect the dignity of labour, especially important ILO Conventions No.87.the freedom of association and protection of the right to organize convention, and the ILO convention 98, the right to organize and collective bargaining convention. Workers, whether industrial workers or employed with the government should have an inalienable right resort to strike. Uniform labour standards in the context of unorganized sector workers, like migrant workers, should be implemented in rural and urban areas of India. It is necessary to protect migrant and other workers in the unorganized sector by International labour standards.

3. STATEMENT OF THE PROBLEM

Due to unemployed persons in India, some middle men and contract people are cashing migrant worker's skills and didn't give any proper social security and welfare for workers. My study deals with the awareness of migrant worker's rest shelter, bathing and washing facilities, drinking water, etc. and also legal benefits like workman compensation, maternity benefits, Employees state insurance, employees provident fund, payment of gratuities, leave and holidays, mental health facilities. Therefore a study on the awareness of social security for migrant workers in India is needed to understand the reach of the welfare benefits of the migrant workers and the factors which discriminate the various aspects of the social security. These aspects have not been clearly explored so far in India. Hence the present study is making an attempt in this direction to solve the stated problem.

4. OBJECTIVES OF THE STUDY

- To study the awareness of social welfare for migrant workers in India.
- To discuss the social security for migrant workers in India.

5. RESEARCH METHODOLOGY

The study is based on secondary data. Secondary data was collected through Magazines, Government Journals, newspaper, internet and Government web sites etc.

6. LIMITATIONS OF THE STUDY

- This study restricted to migrant workers in India.
- The study is restricted to secondary data only.
- The study confined only awareness of the social security for migrant workers.

7. CONCEPTUAL AND DISCUSSIONS OF THE STUDY

People, generally are emotionally attached to their place of birth. But millions of people leave their places of birth and residence. There could be a variety of reasons. These reasons can be put into two broad categories: (i) push factors, these cause people to leave their place of residence or origin; and (ii) pull factors, which attract the people from different places. In India people migrate from rural to urban areas mainly due to poverty, high population pressure on the land, lack of basic infrastructural facilities like health care, education, etc. Apart from these factors, natural disasters such as, flood, drought, cyclonic storms, earthquake, tsunami, wars and local conflicts also give extra push to migrate. Migrant workers labor in all seasons and weather conditions, including extreme heat, cold, rain, and bright sun. Work often requires stop labor, working with soil and/or heavy machinery, climbing, and carrying burdensome loads, all of which lead to chronic musculoskeletal symptoms. Direct contact with plants can cause allergic rashes or, in the case of tobacco farmers, "green tobacco sickness". Agriculture is one of the most hazardous occupations in the India. In 2000, there were 780 deaths and 130,000 disabling injuries in agriculture. The only industry that had more deaths was construction, with 1,220. The actual rate of occupational injuries and illnesses in agriculture may, in fact, be much higher. Under reporting of medical conditions is significant due to limited access to health services, different cultural conceptions of health and disease, and fear of lost wages or jobs. Although Indian regulations require agricultural employers of 11 or more workers to provide drinking water and hand-washing and toilet facilities, compliance with these regulations is poor; sanitation violations have been noted in up to 69 percent of its field inspections. Moreover, farms with fewer than 11 employees, a category that includes 95 percent of farms, are exempt from many Indian regulations. As a result, some MSFWs resort to drinking or bathing in water contaminated with pesticides, chemical fertilizers, or organic waste.

8. FINDINGS AND SUGGESTIONS

- Most of the labours as migrated from states to states in India and most of the labours working in agriculture plantation, quarries, construction works and sugar industry.
- Government given so many labour welfare acts and provisions but some of the organisations didn't follow the labour acts for migrant workers. Today, many health problems facing the migrant workers, employer has to give proper health precautions first.
- Increased attention, resources, education, and preventive services should be directed toward these men, women, and children, and toward those who serve them.
- Implement more advanced information-tracking systems that can be networked among clinicians for migrant workers.
- Social security schemes provide good way for migrant workers why because workers came to other places and working other places the researcher think so that is economic growth so that we provide minimum requirements.
- There are so many child labours shifted to one state to other state in India. It should be controlled by the government and also to provide all welfare benefits for already migrated child labour.
- The labour migrants are mainly illiterate, or with very low educational levels. However, some of the migrants covered in this study have high educational qualifications but are nevertheless engaged in labour activities because of the lack of employment opportunities in their native, principally backward states.
- When migrant workers moving from state to state that is the process of migrant workers has to provide working state some identity of migrant workers that is useful for further reference and also Government will prepare district wise migrant workers associations like help centers.
- Government establishments such as banks, post offices, petty shops, hotels, theatres where the migrant workers frequently visit may be made use of to communicate with the migrant labourers about their rights, entitlements as also duties. The awareness about the importance of keeping their premises hygienic, precautions against communicable diseases, availability of public facilities etc., can also be increased by making use of this network of establishments.

9. CONCLUSION

Labour migrants should be given assistance which would enable them to upgrade their skills and thus to escape a life mired at the lowest income levels and at the margin of society. Development of programmes to support such assistance aimed at integrating migrants into the local economies of their places of destination. Migrant workers, those workers, who migrate from one area to another area within the state or country in order to get seasonal or temporary or part time work in different sectors. Migrant workers, who are not organized under any trade unions and their labour standards, are not protected by the

government as well as trade unions, these migrant workers are illiterate, ignorant, and belong to backward community. They do not get minimum wages stipulated under the Minimum wages Act.

Today, the real issue is how to extend human rights to all segments of the labour market. There are many groups of workers in the organized sector or informal economy, like migrant workers in agriculture, building and road construction, brick kilns, sugar factories and others, for whom decent work is a very distant goal. There are no strong trade unions, minimum of wages, social security, insurance claims, labour welfare amenities, security of seasonal job of migrant workers in the organization. After independence, India has been adopted various labour policies in order to improve working conditions of workers in the organization sector. There are also various labour laws for these workers. Intact, its implementation is mostly ineffective. Therefore, migrant workers and workers in the Indian sector are struggling for their labour rights and to implement the provisions of various labour laws as per International labour standards. Workers, whether industrial workers or employed with the government should have an inalienable right resort to strike. Uniform labour standards in the context of unorganized sector workers, like migrant workers, should be implemented in rural and urban areas of India. It is necessary to protect migrant and other workers in the unorganized sector by International labour standards.

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CORPORATE ENTREPRENEURSHIP - A BUSINESS STRATEGY**C. S. RAMANIGOPAL****DEAN****DEPARTMENT OF MANAGEMENT STUDIES****VINAYAKA MISSIONS UNIVERSITY****SALEM****G. PALANIAPPAN****ASST. PROFESSOR****DEPARTMENT OF MANAGEMENT STUDIES****VINAYAKA MISSIONS UNIVERSITY****SALEM****N. HEMALATHA****ASST. PROFESSOR****PERIYAR UNIVERSITY****SALEM****G. MURUGESAN****ASSOCIATE PROFESSOR****DEPARTMENT OF MANAGEMENT STUDIES****V M K V ENGINEERING COLLEGE****SALEM****ABSTRACT**

Corporate entrepreneurship is generally believed to refer to the development of new ideas and opportunities within large or established businesses or the strategic renewal of an existing business. A successful corporate entrepreneur or Intrapreneur must first convince middle management to allow them to share with senior management their idea or concept. Corporate entrepreneur, who is really being an entrepreneur who has less risk in a new venture outside the corporation, on their own without a "safety net." The Intrapreneur also has much less control of when, or even whether, the product will be launched. This paper explores features of taking initiative, freedom, taking risks, innovate and also benefit to corporate entrepreneur towards country's economy. The paper concludes that in modern business, one of the primary tasks of the business leader is to foster an environment in which entrepreneurial thinking is encouraged and readily takes places. Promoting this culture by freely encouraging creativity and innovation, business leaders motivated toward corporate entrepreneurship must continuously strive to exude and build trust, embracing the risk to fail and inspiring those around them to take similar calculated risks. The management practices have reinforced their belief that this is an area that is ripe for important theory-driven research and for studies that connect Corporate Entrepreneurship to other strategic issues senior executives must address in today's dynamic and global economy.

KEYWORDS

Corporate Entrepreneurship, Intrapreneur, Strategy, Innovations, Risk, Empower.

INTRODUCTION

The concept of corporate entrepreneurship is generally believed to refer to the development of new ideas and opportunities within large or established businesses, directly leading to the improvement of organizational profitability and an enhancement of competitive position or the strategic renewal of an existing business. As we understand the driving force behind the business venture of our client we devise innovative solutions to their specific needs. Our firm offers the best practices for our clients around the world. Our role is that of entrepreneurial colleagues in that we apply our collective knowledge and capabilities in the fullest measure as to achieve profitable growth through new business opportunities. These examples render the meaning of entrepreneurship hard to grasp. The term "Best Practices," runs counter to entrepreneurship. Perhaps by best practice is meant that it has been tested and proven before. The term Entrepreneurship does not imply the acceptance of any new solution automatically but yet this might by chance, prove to be a big success. Within that system, the notion of innovation is at the very core of corporate entrepreneurship – the two inseparably bound together and responsible for driving calculated and beneficial risk-taking. Taking it one step further, corporate entrepreneurship may even significantly alter the balance of competition within an industry or create entirely new industries through this act of internal innovation.

MEANING AND DEFINITION

Corporate Entrepreneurship is a formal and informal process aimed at creating new businesses, products, services or processes inside of an existing organization to create value and generate new revenue growth.

Corporate Entrepreneurship (CE) is the process by which individuals inside organisations pursue opportunities without regard to the resources they currently control (Stevenson, Roberts, and Grousbeck, 1989). An entrepreneurial manager links up discrete pieces of new technical knowledge that would provide a solution to a customer problem and matches this technical capability with the satisfaction of a market and garners resources and skills needed to take the venture to the next stage. This process leads to the birth of new businesses and to the transformation of companies through a renewal of their key ideas (Guth and Ginsberg, 1990).

Corporate entrepreneurial efforts that lead to the creation of new business organisations within the corporate organisation are called corporate venturing. They may follow from or lead to innovations that exploit new markets, or new product offerings, or both. If corporate venturing activities result in the creation of semi-autonomous or autonomous organizational entities that reside outside the existing organizational domain, it is called External Corporate Venturing. If corporate venturing activities result in the creation of organizational entities that reside within an existing organizational domain it is called Internal Corporate Venturing.

Strategic Renewal refers to the corporate entrepreneurial efforts that result in significant changes in an organization's business or corporate level strategy or structure. These changes alter pre-existing relationships within the organisation or between the organisation and its external environment and in most cases will involve some sort of innovation. Renewal activities reside within an existing organisation and are not treated as new businesses by the organisation.

Within the realm of existing firms, CE encompasses three types of phenomena that may or may not be interrelated (Sharma and Chrisman, 1999). These are:

1. The birth of new businesses within an existing firm
2. The transformation of existing firms through the renewal or reshaping of the key ideas on which they are built, and
3. Innovation

VIEW ON CORPORATE ENTREPRENEURSHIP

It would appear that the term entrepreneurship is rather flexible as it admits of different expressions such as entrepreneurship, corporate entrepreneurship, and entrepreneurship posture and entrepreneurial orientation as affirmed by Zahra et al., (1999). But the variety of expressions notwithstanding there is consistency where the definition and measurement of entrepreneurship is concerned. Generally speaking, research based on entrepreneurship focuses on either trait or behaviour. Since the nineties 'behaviour' has been the basis for the vast bulk of research on entrepreneurship, the main reason being the limited success of the scholars in reinforcing the existence of common traits that characterize entrepreneurs (Smart and Conant, 1994).

Gartner (1989) argues that the focus should be on the activity of the entrepreneurs rather than on their identity. Behaviour based research focuses on the process of entrepreneurship through the activities of the entrepreneur rather than the specific personal traits. (Smart and Conant, 1994). Research based on entrepreneurship is usually carried out at entrepreneur level, nonetheless scholars claim that entrepreneurship is implemented at the firm level as well (Carland et al., 1984, Naman and Slevin, 1993, Lumpkin and Dess 1996, Workland, 1999).

Naman and Slevin (1993) state that based on the level of entrepreneurship demonstrated by the firm's management, organization can be characterized and measured. According to Covin and Slevin (1986), top managers of entrepreneurship firms possess an entrepreneurship style of management, affecting the firms strategic decisions and management philosophy.

NEED FOR CORPORATE ENTREPRENEURSHIP

Corporate entrepreneurship is especially crucial for large companies, enabling these organizations – that are traditionally averse to risk-taking – to innovate, driving leaders and teams toward an increased level of corporate enterprising. In addition to the obvious benefits obtained through innovation, this approach also provides the organizational benefit of setting the stage for leadership continuity.

In a simpler view, corporate entrepreneurship can also be considered a means of organizational renewal. For in addition to its focus on innovation, there also exists an equal drive toward venturing. These two work in unison as the company undertakes innovations across the entire organizational spectrum, from product and process to technology and administration. In addition, venturing is a primary component in the process, pushing larger companies to enhance their overall competitiveness in the marketplace by taking bigger risks. Examples of these risks, as seen in a large-scale organization, may include: redefinition of the business concept, reorganization, and the introduction of system-wide changes for innovation.

According to the Centre for Women's Business Research, nearly half (46%) of all business are at least 50 % owned by a woman or women. Women are taking risks and succeeding as entrepreneurs! Women entrepreneurs of today are innovators, problems solvers and have taken over the reigns of governing their own future. Almost 60 % of women who have transitioned from traditional jobs to the world of entrepreneurship declare that nothing would attract them back to the corporate world.

FEATURES

We believe in "Doing different things, and doing them differently". We realize and thrive on the need to carve out a niche for ourselves. An entrepreneurship oriented culture is much value to us and it is very important that we initiate an ongoing process of innovation in whatever we conceive, act upon and deliver to our customers. All employees are encouraged to keep a constructive and optimistic mindset to work towards solution. In this example the company stresses primarily on innovation which together with initiatives will foster and generate new niche solutions. Some examples of what entrepreneurship could mean, includes at least the following features:

1. Taking initiative: This is a common feature applicable to both the entrepreneur and the employees in organizations.
2. Freedom: The freedom to depart from existing plans and initiatives to act upon opportunities that appear best to you in given situations.
3. Taking risks: Act without being sure of the outcome.
4. Innovate
5. Achieve something
6. Envision future prospectus
7. Lead by example while motivating others to follow with optimism

INNOVATION AND THE CORPORATE ENTREPRENEUR

The general impression is that "Entrepreneurs" take the ultimate risk, that of ditching the security of the day -Job as it were, and of facing the personal, financial and psychological challenges of business ownership. That's one definition. Another would be "Corporate Entrepreneurship". This is inhabited by people who-through receiving a pay check signed by some one else-see the organization (on at least their small domain within it) as their home turf. This is the most valued of employees. Innovation and corporate entrepreneurship are in explicably intertwined and encourage taking calculated risk. Especially in large organization traditionally averse to risks, innovation provides the leaders and the team with the drive to become more corporate enterprising. This process encourages growth from within which helps set for the stage for continuity of leadership. As a business leader, you must create an atmosphere that is conducive to such entrepreneurial thinking. It's the leaders job to encourage such entrepreneurial thinking as to exude and build trust, to embrace the risk to fail, and to inspire people to take well thought out chances.

Robert Wolcott, co-author of the book, "Grow From Within; Mastering Corporate Entrepreneurship" discuss in his work how companies can enable and support 'internal entrepreneurs' to achieve innovation- oriented growth. Such entrepreneurial approach helped IBM to realize some \$ 15 billion in new annual revenues from 22 emerging business opportunities, and Whirlpool o realize \$ 4 billion in revenues from company- wise innovation efforts "despite global recession and the steep drop in housing markets" as noted by one review.

CHARACTERISTICS

The authors reveal four models of corporate entrepreneurship laid out on an axis of organizational ownership (on the horizontal) on the one hand and Resource Authority (on the vertical) or the other. Each has its own unique and specific characteristics. The opportunist (bottom left) avoids taking any deliberate approach to entrepreneurship; the Advocate (bottom right) evangelizes-The Enabler (upper left) provides funding and executive attention, and the producer (upper right) establishes full service groups with mandates for corporate entrepreneurship. By the application of Robert's rules of innovation, the Advocate the Enabler and the producer can thrive in this environment for each has corporate support. For innovation born of corporate entrepreneurship to thrive, executive support from Inspirations to Net Reward is needed which they have. Yet for corporate entrepreneurship to thrive it needs more. It requires the structure as well as culture. Assuming that the right people are in place leadership must provide divisional and business unit autonomy. How can you lead your organizations to a climate of corporate entrepreneurship?

1. **Incubate and nurture:** Corporate entrepreneurship requires guidance without which it cannot flourish. From a small beginning it grows through encouragement. Begin with small project supported unstintedly by leadership. Those success stories should be abundantly communicated as such.
2. **Create a reward system:** Risk and reward when aligned properly can result in accountability. Reward whether in the form of praise from immediate superiors, reckoning by leadership or the chance to lead future projects or task forces are powerful motivators. They can also help solidify the creation of stronger corporate entrepreneurs.
3. **Financial independence:** A major fact in individuals achieving financial freedom is proved to be entrepreneurship. One of the fastest ways to acquire wealth is starting a business, 74 % of wealthy people are business owners (not employees). From legends like Madam C. J Walker to our present day financial wizards like Bill Gates and Michael Bell is present the unshakable evidence that individuals have used their business to create millions if not billions of dollars in personal wealth. This doesn't mean that practically all companies are billion dollar enterprises. But the fact remains that individuals with a modest cash flows, have by their entrepreneurial endeavours have acquired financial resources that allow them to pay off debts, afford college education to their loved ones, provide for retired life and much more.
4. **Creations of multiple streams of income:** This is one is an all-time favourite! As a business owner, you have a world of operation at your fingertip. Several streams of income can spring from a single idea if your knowledge and expertise are leveraged. Let's take the example of a simple pie. Say your passion is making cheery pie. Every one loves and requests your cherry pies all the time. You decide to charge some money for your cherry pies and at \$10 a piece of your delicious cherry pie you find people paying for it gladly. Sales roars up and business are great! But don't stop there. Teach people how to make delicious cherry pies by sharing some of your secret formulae. You can conduct teaching classes, publish a recipe book on pies or pastries create sales outlets through local and or chain stores making these to display your pies on their shelves, offer catering service, offer consultancy on people starting their asin pie business, advertise for mail-order sales, make and sell pie making accessories, market specialized bakery products and the list goes on!
5. **Flexibility:** As a business owner you enjoy, for the most part, the flexibility to work when you want, how you want and in some cases where you want. The Centre for Women's Business Research informs that 51% of women said the primary reason for starting their own business was the desire for more flexibility. You can determine your work schedule, when family commitments have priority you can spare yourself for attending family functions and get-togethers without having to ask for time off from another person. You are the boss! An author can work on a manuscript while enjoying a soccer game with her daughter, on her laptop. A consultancy can schedule clients around activities she enjoys and doesn't want to miss. When you have your own business you stop being a mere existence but gaining control over your life and living abundantly with no regrets.
6. **Tax benefits:** There are numerous tax benefits available to entrepreneurs that are attractive enough for the would be entrepreneurs to start their own business. The government favors small business and actually wants to help you succeed! The greatest tax benefits are when you are incorporating. Before venturing you should discuss thoroughly the legal entity that suits your venture the best with your tax advisor. I strongly recommend incorporating for almost all businesses. Small businesses are eligible for deduction of car expenses including mileage and depreciation and home office, personal assets, entertainment, travel and retirement deductions. An expense is usually deductible if in IRS terms, it is "ordinary, necessary and reasonable" A critical difference between the taxation of an employee as opposed to a businesses owner is that employees are taxed before their expenses while business are taxed after their expenses. That makes all the difference! Again it is worth discussing specific tax issues with a qualified advisor as it is well worth the investment plus its deductible!
7. **Purpose:** Some of us are drawn to the market place in the same manner as others are called to medical, teaching or other profession. Your deep desire to start your own business may be for specific, God-inspired reasons. Your product or service could be just what exactly millions of people need! Where your passion lies there ties your purpose too. Don't let opportunity pass you by let not the lack of resources like time, money, man power, etc., deter you. The provision will be provided for your vision during the right season. Can we imagine living in a world without such incredible things as bridges, airplanes, and electricity and so on and so forth? It all started with a vision, some one's brain child with a passion and purpose to bring it forth. Your business could be the catalyst needed for a positive change in many, many lives. What is your grand idea? The world is waiting!
8. **Challenge and Reward:** There should be no illusion that entrepreneurship is easy, it is hard, very hard work. It is challenging but immensely rewarding. The initial stages of starting your own business could possibly be the hardest you will ever experience in your life and at the same time being a most rewarding experience as well. As an entrepreneur, you can see the direct results of your labour immediately and over time. Successful entrepreneurs see challenges as opportunities to succeed. For once you can move out from the perceived security of a steady job, count on your faith and step into the world of entrepreneurship. There are countless organizations out there with the prime objective of helping you along in your entrepreneurial journey. Of course there are challenges but you don't have to face them all by yourself. Ask any entrepreneur and they will assure you that the rewards by far outweigh the challenges any day. I sincerely hope that you are motivated to start your business whether as a part time vehicle to supplement your income or as a full time venture. There are countless resources available to help you in your endeavour. To the man in the arena having his face marred by dust, sweat and blood who strives valiantly, who errs and comes up short again and again like a phoenix, the hour and the credit belong. It is so because one learns by trial and error and one knows the great enthusiasm, the great devotions of one who spends oneself for a worthy cause. Such an entrepreneur in the end worthy of triumphant high achievement but should be, at the worst fail it still has its merits because he chose to dare rather than turn tail and step back. Such a person shall never find himself in the company of cold and timid souls who know neither victory nor defeat.

FACTORS THAT INFLUENCE TECHNICAL ENTREPRENEURSHIP

Many factors are said to influence technical entrepreneurship. This is the reason for the reluctance influencing of many who wish to go this direction. The truth is very few people succeed in these ventures and this factor has an adverse effect on this kind of business. It is vital to get a clear picture of what it is exactly and how people react to it. The venture into a market in which one can use their skills to influence society and provide products with expertise.

Technical entrepreneurship, however, can be best for people who establish a niche and master the top ways to water the niche. **Expertise per se**, is one among the factors that come into play. One has to have the technical knowledge that will give you the authority to offer products. Therefore, you need to spruce up and provide something that people can trust and use effectively. Environment also plays a big role in influencing it. Once the product is ready the environment of the market determines the sense that the product will make. The market might be saturated; this will definitely have an effect.

Another factor to reckon with is the **mode of delivery** of the product and services with technical entrepreneurship. This is because you must be well versed with all the latest technology which has its own appeal. You want your business to be relevant and the kind of technology you employ will definitely play a role in influencing the venture. A product manufactured with sound technical entrepreneurship will turn out to be a hard market to crack and once you decide on the product, it will be good sense to make sure that it actually lives up to its promise and serve the users accordingly. Other factors may center on the different groups targeted for the product.

According to some, **cultural** factors might have a bearing on this kind of venture. Where business is concerned all aspects must be considered. Technical entrepreneurship remains a hub for those who master it. That it can be difficult doesn't stop enterprising people from learning its intricacies and succeeding in a big way. Of course there is great need for you to know the right way of preparing for it and learn the most crucial factors. Online browsing and researching on different resources will be helpful.

However, the ultimately reality is the **first hand experience gained** from active participation in all the processes of technical entrepreneurship. Conflicting reports cause great confusion and to avoid this one can focus and learn from others. It then becomes obvious what factors are to be reckoned with after which it becomes easy to circumvent them and emerge a winner. One is sure to be informed if one know where to look for tips. Capital requirements do pose hurdles and it is better to be informed of the best sources.

INTEGRATE INNOVATION OF CORPORATE ENTREPRENEURSHIP

It is the ambition and aspiration of many people to use their creativity to launch innovative enterprise. Persistence, consistency, hard work and creativity are some of the essential qualities for successful entrepreneur. Innovation entrepreneurship requires creativity. It requires something unique and different in your field of expertise like. Introduction of new concepts and ideas into any aspect of your business including sales, marketing, organizational structure, products, services, employee training methods, or even your office decor and ambience. The idea is to make you stand up and be counted.

It is well established that creative thoughts and ideas will boost the sales of a product to net in good profits and also wide recognition. This applies equally to services also. It is important not to get carried away and entertain too many ideas resulting in confusion. Evasion a clear and crisp resulting objective for your enterprise. This will set the direction which you have to follow. Integrate innovation entrepreneurship in areas of your business with a deep passion, drive and a strong desire to excel. Devise methods and plans to impress your customers with your novel ideas. Implement your plan in the most effective manner with the help of a strong and dedicated team and latest advanced technology. For instance; you could have a strong and innovative plan to market your products in a different and unique manner. If you are creative and enterprising enough, you could market the most mundane, common products in such a manner that you make it look like one of the best things that could happen to your customers. This is possible only with the help of potent and powerful innovation entrepreneurship.

FUTURE

It is a good idea taking suggestions from experts in your field of business. Learn to listen keenly to people's comments, advice and reviews of your products to identify areas that could be improved. Welcome any input, whether negative or positive and use them as stepping stones to further your business. Successful entrepreneurship also involves taking calculated risks. Here it is important to discriminate between random and well planned risks. Independent thinking is another essential quality required for entrepreneurs. It is possible to develop the skill to see everything related to your business in a different perspective. Innovation entrepreneurship manifests in various aspects of your business, not only in the product or service you deal with. With renewed vigor, enthusiasm and creative vision develop fresh and new methods in order to take your business to great heights. Kellen Chase is the author and an entrepreneur himself.

EFFECTIVE STRATEGY EMPOWERS BUSINESS ENTREPRENEURSHIP

There are only two factors critical to the success of business entrepreneurship. These are: Identifying opportunities and minimizing the risks inherent to these opportunities. Both these factors are greatly influenced by effective strategy. Hence, effective strategy plays a very vital role in entrepreneurial ventures.

1. **Business Entrepreneurship:** Creating a Powerful Strategy structured approach to business entrepreneurship should involve these steps:
2. **Devising a business plan:** A business plan represents the concretized version of an entrepreneur's business idea. The plan formally sets out business goals and how to attain them. The plan covers products/services offered, client base, target audience, business processes and procedures in detail. It also describes the availability of finance and future engagements. A business plan that focuses on promotion and branding is called a marketing plan.
3. **Business structure:** It is essential to define the business structure during the initial stages. A business can be a sole proprietorship, partnership, corporation or limited liability company.
4. **Pitching:** Venture capitalist and financing companies endorse business ideas that have substantial profit generation capacity. Paul Graham said, "Distraction is fatal to start-ups" to highlight the difficulties an entrepreneur faces while arranging finances
5. **Spotting market opportunities:** To identify an opportunity and exploit it to the maximum is fundamental to business development. Often this opportunity presents itself as an inherent inefficiency in the market. Devising possible solutions for this inefficiency leads to profit potential.
6. **Internal operations:** Decisions need to be made on internal management, like hiring people, establishing processes, managing revenues and communication with clients.
7. **Marketing product/services:** This involves the understanding of consumer behavior and determining the USP (Unique Selling proposal). An efficient advertising and marketing plan works as the backbone of sales and subsequent revenue generation.

CONCLUSION

In modern business, one of the primary tasks of the business leader is to foster an environment in which entrepreneurial thinking is encouraged and readily takes places. Promoting this culture by freely encouraging creativity (and thereby innovation), business leaders motivated toward corporate entrepreneurship must continuously strive to exude and build trust, embracing the risk to fail and inspiring those around them to take similar calculated risks. Reinforce efforts across the entire organization that coincide with the current plan for achievement. The task of a leader or senior manager is often that of the analyst, continuously promoting strategy while making adjustments based on their beliefs related to organizational goals and the feedback they receive from business units. As these business units continue to experiment with existing products and services, as well as innovate and develop new ones, senior executives can magnify the stated goals to reinforce those business unit initiatives and thereby achieve the highest degree of success.

The management practices have reinforced their belief that this is an area that is ripe for important theory-driven research and for studies that connect CE to other strategic issues senior executives must address in today's dynamic and global economy.

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DETERMINANTS OF REPAYMENT IN AGRICULTURAL CREDIT IN COIMBATORE DISTRICT**DR. S. GANDHIMATHI****ASST. PROFESSOR OF ECONOMICS (SR. GRADE)****AVINASHILINGAM INSTITUTE FOR HOME SCIENCE & HIGHER EDUCATION FOR WOMEN
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COIMBATORE****ABSTRACT**

The study finds that there was a good recovery performance on the part of the medium farmers as compared to other categories of farmers. It was so because the medium farmers were not the wilful defaulters and they were prompt in their repayment to some extent. The size of land holdings, size of family, education, farm income and age of the farmer were independent from the repayment of loan. The discriminant analysis reveals that during the study period, the land size emerged as the dominating factor that influences the amount of recovery. In the regression analysis, the amount of credit and net farm income emerged as significant variables in explaining the variations in the amount of recovery. The net farm income and amount of credit had a positive impact on the amount of recovery. It implies that higher the amount of credit and farm income, higher will be the amount of recovery and vice versa.

KEYWORDS

Agriculture credit, Coimbatore.

INTRODUCTION

The rural credit market appears to be confronted with a paradox. The informal sources of finance, be they local money lenders, landlords, traders, etc., charge more than 20% rate of interest, often keep land as collateral against loan and have a very high recovery rate. On the other hand, rural financial institutions (RFIs) charge almost half of this interest rate, do not take land as collateral for most of the crop loans, and still face high defaults. Where and how rural financial institutions have gone wrong? From the reports of several committees and Task forces on rural credit, it appears that the RFIs, with the sole objective of eliminating informal finance through moneylenders, have always been allowing leniency in their financial policies. The result is that while informal finance still holds significance in the rural areas¹, the RFIs, especially cooperatives are heading towards a state of financial unsustainability. The main factors behind financial unsustainability of the RFIs are stated to be overwhelming overdues or non-performing assets, high transaction cost, low financial margins and regulated interest rates (Devaraja, 2011).

The average loan recovery of SCBs and DCCBs as on 30 June 2009 improved marginally to 92 and 72 per cent from 85 and 56 per cent, respectively, over the previous year. In absolute terms, loan recovery of SCBs improved from Rs.26,433.54 crore to Rs.33,893.73 crore. At the DCCB level, it increased from Rs.39,544.40 crore to Rs.57,326.77 crore. The average loan recovery of SCARDBs and PCARDBs, as on 30 June 2009, declined to 40 and 40.3 per cent from 50 and 42 per cent, respectively, over the previous year. In absolute terms, loan recovery of SCARDB and PCARDB declined to Rs.3,860.44 crore and Rs.2,842.47 crore, as on 30 June 2009, from Rs.5,367.81 crore and Rs.3,190.10 crore, respectively, over the previous year. (NABARD, 2010).

Bayesian analysis and Discriminant analysis were used for analyzing the Probability Contribution of the selected socio-economic variables to the amount of recovery and to discriminate the borrowers into defaulters and non-defaulters.

The findings of the study show that there was a good recovery performance on the part of the medium farmers as compared to other categories of farmers. The discriminant analysis reveals that during the study period, the land size emerged as the dominating factor that influences the amount of recovery. In the regression analysis, the amount of credit and net farm income emerged as significant variables in explaining the variations in the amount of recovery. The net farm income and amount of credit had a positive impact on the amount of recovery. It implies that higher the amount of credit and farm income, higher will be the amount of recovery and vice versa.

DETERMINANTS OF REPAYMENT IN AGRICULTURAL CREDIT IN COIMBATORE DISTRICT

Agriculture plays a crucial role in the development of the Indian economy. It accounts for about 19 per cent of GDP and about two thirds of the population is dependent on the sector. The importance of farm credit as a critical input to agriculture is reinforced by the unique role of Indian agriculture in the macroeconomic framework and its role in poverty alleviation. Recognising the importance of agriculture sector in India's development, the Government and the Reserve Bank of India (RBI) have played a vital role in creating a broad-based institutional framework for catering to the increasing credit requirements of the sector. Agricultural policies in India have been reviewed from time to time to maintain pace with the changing requirements of the agriculture sector, which forms an important segment of the priority sector lending of scheduled commercial banks (SCBs) and target of 18 per cent of net bank credit has been stipulated for the sector. The Approach Paper to the Eleventh Five Year Plan has set a target of 4 per cent for the agriculture sector within the overall GDP growth target of 9 per cent. In this context, the need for affordable, sufficient and timely supply of institutional credit to agriculture has assumed critical importance (Golait, 2007).

The rural credit market appears to be confronted with a paradox. The informal sources of finance, be they local money lenders, landlords, traders, etc., charge more than 20% rate of interest, often keep land as collateral against loan and have a very high recovery rate. On the other hand, rural financial institutions (RFIs) charge almost half of this interest rate, do not take land as collateral for most of the crop loans, and still face high defaults. Where and how rural financial institutions have gone wrong? From the reports of several committees and Task forces on rural credit, it appears that the RFIs, with the sole objective of eliminating informal finance through moneylenders, have always been allowing leniency in their financial policies. The result is that while informal finance still holds significance in the rural areas¹, the RFIs, especially cooperatives are heading towards a state of financial unsustainability. The main factors behind financial unsustainability of the RFIs are stated to be overwhelming overdues or non-performing assets, high transaction cost, low financial margins and regulated interest rates (Devaraja, 2011).

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It will be useful to examine the magnitude of overdues in the agricultural sector that are likely to be written off. The present study is a step in this direction.

OBJECTIVES

The following are the specific objectives of the study.

1. To assess the recovery performance of farm loan among farm households.
2. To identify the factors determining repayment

METHODOLOGY

The study was conducted in Coimbatore district. Data for the study were collected from primary source. Interview schedules were used to collect information on the socio-economic profile of the farmers, the amount borrowed, amount repaid, overdues, landholding size, farm and family expenses, farm income, non-farm income and total variable cost. A pilot study was conducted to identify the gaps in the interview schedule. On the basis of the observation during the pilot study, the schedule was modified and the final survey was conducted with the restructured schedule.

SELECTION OF SAMPLE

A two – stage random sampling procedure was followed in selecting the sample of borrowed farmers. Pannimadai village was selected as in this village agriculture is intensively financed both in terms of amount of agricultural advances and the number of farm families financed. The banks located near the village namely The Union Bank of India, Canara Bank, Indian Overseas Bank and Corporation Bank had been approached to collect information of the list borrowers / defaulters and their addresses. The co-operatives, the land development banks and the farmer's credit societies had been omitted, as they were not willing to provide the list of borrowers. Out of the 150 borrowers in the list provided by the four banks branches, 50 were selected randomly. It was found that, in the selected area, 9 were large farmers with more than five hectares, 8 were medium farmers with four to five hectares, 19 were semi-medium farmers with two to four hectares and 14 belonged to small and marginal farmer's category with less than two hectares of operational holdings.

ANALYTICAL TECHNIQUES

A critical analysis of the methodologies adopted in the studies on recovery and overdues in agricultural credit had revealed the extensive application of the regression analysis (multi variable) to estimate the relationship between socio-economic characteristics of the borrowed farmers and the amount of repayment. A very few analytical studies had used, Bayesian analysis and Discriminant analysis for analyzing the Probability Contribution of the selected socio-economic variables to the amount of recovery and to discriminate the borrowers into defaulters and non-defaulters. Hence the study is concentrated on the above analytical tools.

The specification of the econometric models is as under.

1. To analyse the impact of the selected socio-economic variables in the recovery performance, a regression of the form.

$$Y = a_1X_1 + a_2X_2 + a_3X_3 + a_4X_4 + a_5X_5 + a_6X_6 + a_7X_7 + U$$

Was used.

Where,

Y – Amount repayment (in Rs.)

X₁ – Amount of credit (in Rs.)

X₂ – Landholding size (in hectares.)

X₃ – Consumption expenditure (in Rs.)

X₄ – Capital expenditure (in Rs.)

X₅ – Farm income (in Rs.)

X₆ – Non-farm income (in Rs.)

X₇ – Total variable cost (in Rs.)

U – Random term

DISCRIMINANT ANALYSIS

To identify the factors discriminating the defaulters in to wilful and non-wilful, discriminant function was applied. A linear discriminant function of the form.

$$Z = L_1X_1 + L_2X_2 + L_3X_3 + L_4X_4 + L_5X_5 + L_6X_6 + L_7X_7 + U$$

was used.

Z = Total discriminant score for defaulter and non-defaulters.

X₁ – Amount borrowed (in Rs.)

X₂ – land holdings (in hectares)

X₃ – Consumption expenditure (in Rs.)

X₄ – Capital expenditure (in Rs.)

X₅ – Farm income (in Rs.)

X₆ – Non-farm income (in Rs.)

X₇ – Total variable cost (in Rs.)

CHI-SQUARE ANALYSIS

In order to examine the association between the repaying behavior (defaulter and non-defaulter) and the socio-economic characteristics of the defaulters, chi-square test was applied. The formula for chi-square test is:

$$\chi^2 = \frac{\sum (O-E)^2}{E}$$

'O' refers to observed frequencies

'E' refers to expected frequencies

The factors in association with repaying behavior include the following

- a) Size of landholding
- b) Size of family
- c) Education of the family head
- d) Farm income
- e) Age

BAYESIAN ANALYSIS

To analysis the socio-economic characteristics and their probable contribution to defaulters and non-defaulters, Bayes theorem was used as an analytical model. The basic idea of Bayesian argument is that given a priori distribution for the parameter, might be the probability, for example, the posterior probabilities for a given data can be calculated. Bayesian theorem is based on the formula for conditional probability.

Let w_1 and w_2 be a (defaulters and non-defaulters) mutually exclusive and exhaustive events if (c_j) is another set of evens such that $p(c_j)$ is not zero, then

$$P(w_1/c_j) = \frac{P(w_1) P(c_j) / w_1}{\sum_{i=1}^2 p(w_i) p(c_j) / w_i} \quad \text{for any } j$$

$$P(w_2/c_j) = \frac{P(w_2) P(c_j) / w_2}{\sum_{i=1}^2 p(w_i) p(c_j) / w_i} \quad \text{for any } j$$

The classification of the factors to find out the probable contribution to overdues.

RESULTS AND DISCUSSION

DEMAND, COLLECTION AND OVERDUES OF CROP LOAN – CROP WISE AND FARMER CATEGORY WISE

The demand for the crop loan was computed as the principal amount plus rate of interest. Collection is the actual amount repaid by the farmers in that period. Overdue is the difference between demand and collection. The demand, collection and overdues of crop loan are shown in Table -1.

TABLE -1: FARMER CATEGORY WISE DISTRIBUTION OF DEMAND, COLLECTION AND OVERDUES OF CROP LOAN

Farmer category	Demand	Collection	Overdues
Marginal	22,500	22,500	–
Small	2,61,000	86,600	1,74,400 (66.82)
Semi-Medium	3,47,625	2,25,545	1,22,080 (35.12)
Medium	4,44,375	3,56,375	88,000 (19.80)
Large	3,09,375	78,975	2,30,400 (74.47)

Note: Figures in parentheses indicate percentages.

It was observed that the amount demanded for various crops by the medium farmers was Rs.4,44,375, out of which the amount collected was found to be Rs.3,56,375 which accounted for 80.2 percent to the demand. It shows that there was a good recovery performance on the part of the medium farmers as compared to other categories of farmers. It was so because the medium farmers were not the wilful defaulters and they were prompt in their repayment to some extent.

DEMAND, COLLECTION AND OVERDUES OF INVESTMENT LOAN – PURPOSE WISE AND FARMER CATEGORY WISE

The demand for the year was computed as the sum of the loan amount and the interest (different rates for different purposes) calculated for the entire period of loan divided by the number of years to repay. Collection means the actual amount repaid by the farmers in that year. Overdue is the difference between demand and collection. The details regarding demand, collection overdues of investment loan are given in Table 11 and Table -2.

TABLE -2: FARMER CATEGORY WISE DISTRIBUTION OF DEMAND, COLLECTION AND OVERDUES OF INVESTMENT LOAN

Farmer category	Demand	Collection	Overdues
Dug well	1,21,875	74,875	47,000 (38.50)
Electric motor	3,20,000	3,06,500	13,500 (4.22)
Land development	4,25,000	3,22,900	1,02,100 (24.02)
Tractor	4,70,000	4,70,000	–
Purchase of livestock/ bullock cart	8,97,500	6,70,000	2,27,100 (25.30)
Drip irrigation	4,03,125	79,125	3,24,000 (80.37)
Fertilisers	56,250	28,250.00	28,000 (49.78)

Note: Figures in parentheses indicate percentages.

The table indicates that, the percentage of investment loan given for the purchase of livestock / bullock carts was higher and the recovery performance on the part of this purpose was 74.70 percent. The large farmers had higher magnitude for borrowings as well as higher amount of overdues for drip irrigation than other categories of farmers probably because of better social and political links.

DETERMINANTS OF OVERDUES

The determinants of repayment are discussed under the following heads.

1. Chi-square analysis
2. Discriminant function analysis
3. Bayesian analysis
4. Multiple-regression analysis

1. CHI-SQUARE ANALYSIS

In order to understand the association between the socio-economic factors across the various categories of farmers and the repayment performance stated in terms of fully repaid and not repaid, chi-square test was used. The variables namely size of land, size of family, education of the borrower, farm income and age of the farmer were selected and put into the analysis. The results of the analysis are presented in Table -3.

TABLE -3: RESULTS OF CHI-SQUARE TEST

S.No.	Variables	Calculated χ^2 value	Significance of the variable
1.	Size of land	0.195	In significant
2.	Size of family	0.090	In significant
3.	Education	0.927	In significant
4.	Farm income	0.340	In significant
5.	Age	0.045	In significant

It was found that, there was no association between the repayment performance and the selected socio-economic variables since, the calculated chi-square values of all the variables were less than the theoretical value. It implies that the size of land holdings, size of family, education, farm income and age of the farmer were independent from the repayment of loan.

2. DISCRIMINANT FUNCTION ANALYSIS

The identify the socio-economic factors, which discriminate the farmers into non-defaulters and defaulters, the discriminant analysis was carried out by taking into account seven socio-economic variables.

Out of the 50 farmer respondents, 29 were defaulters and 21 were non-defaulters. The farmers who repay the loan are the non defaulters. The farmers who did not repay the loan are defaulters. It was assumed that certain economic factors were associated with the incidence of defaulting and non-defaulting. Those factors were credit, land holding size, consumption expenditure, capital expenditure, farm income, non-farm income and total variable cost which were put in to the discriminant analysis. The estimated discriminant function was

$$Z = 0.9727110 + .00001680584 X_1 - 0.5256592 X_2 - 0.00003596539 X_3 + 0.0002672678 X_4 - 0.0000154913 X_5 + 0.0001818495 X_6 + 0.00001373916 X_7$$

The above equation reveals that higher the level of amount borrowed, capital expenditure, non-farm income and total variable cost, larger will be the output of defaulting.

To examine the relative importance of the characteristics based on the power to discriminate between the groups, the percentage contribution of each character to the total distance measured was calculated and are shown in Table-4.

TABLE -4: RELATIVE DISCRIMINATING POWER

S.No.	Variables	Group I Mean	Group II Mean	Unstandardised Discriminating Power	Relative Discriminating Power	Relative Discriminating Power
1.	Credit (X_1)	47496.19	61862.07	0.0000017	0.0242	3.33
2.	Land holdings (X_2)	2.97	3.91	-0.5256592	0.4939	68.08
3.	Consumption expenditure (X_3)	41761.90	42844.83	-0.0000036	0.0039	0.54
4.	Capital expenditure(X_4)	23428.57	24284.48	0.0000267	0.0229	3.15
5.	Farm income (X_5)	120238.10	154689.66	-0.0000015	0.0534	7.36
6.	Non-farm income (X_6)	26000.00	20034.48	0.0000182	0.1085	14.95
7.	Total variable cost (X_7)	65150.00	78782.76	0.0000014	0.0187	2.58

From the above table, it is evident that, land holding size (68.08 percent) and non farm income (14.95 percent) emerged to be the most dominating factors. It reveals that larger the land holding size, lower will be the amount of defaulting and higher the non-farm income, higher will be amount of defaulting inferred from the sign of discriminant coefficients. Thus the discriminant analysis reveals that during the study period, the land size emerged as the dominating factor that influences the amount of recovery.

3. BAYESIAN ANALYSIS

The analyse the probable contribution of the socio-economic characteristics to defaulting and non-defaulting, Bayes theorem was used as an analytical model. The basic idea of Bayesian argument is that given a priori distribution for the parameter, might be the probability, the posterior probabilities for a given data can be calculated (Naidu et al., 1986).

It is required to find the posterior possibilities for non-defaulters (n1) and defaulters (n2) for the given data, when a priori probabilities P(θ_2) of θ_1 and θ_2 are known. Each of the characteristics of the farmers were divided into two or more categories. The priori and posterior probabilities of various socio-economic characteristics were computed and is given in Table -5.

TABLE – 5: PRIOR AND POSTERIOR PROBABILITY FOR DEFAULTERS AND NON-DEFAULTERS

S.No.	Characteristics	Code No.	P(θ_1) P(c_j/θ_i)	Prior and conditional probabilities		Posterior probabilities	
				Non-defaulter	Defaulter	Non-defaulter	Defaulter
1.	Occupation	1	0.67	0.4128	0.2539	0.6191	0.3808
		2	0.33	0.2299	0.1034	0.6897	0.3103
2.	Education	1	0.18	0.04	0.14	0.24	0.76
		2	0.38	0.16	0.22	0.43	0.57
		3	0.24	0.03	0.21	0.14	0.86
		4	0.20	0.04	0.16	0.19	0.81
3.	Size of Holding	1	0.28	0.07	0.21	0.24	0.76
		2	0.38	0.20	0.18	0.52	0.48
		3	0.20	0.04	0.16	0.19	0.81
		4	0.14	0.01	0.13	0.05	0.95
4.	Amount Borrowed	1	0.80	0.65	0.15	0.81	0.19
		2	0.20	0.16	0.04	0.79	0.21
5.	Credit Gap	1	0.40	0.11	0.29	0.29	0.71
		2	0.60	0.29	0.31	0.48	0.52
6.	Farm Income	1	0.62	0.41	0.19	0.67	0.33
		2	0.38	0.26	0.12	0.69	0.31
7.	Non-farm Income	1	0.64	0.39	0.24	0.62	0.38
		2	0.36	0.24	0.12	0.66	0.34
8.	Proportion of family members towards farm labour	1	0.46	0.24	0.22	0.52	0.48
		2	0.42	0.14	0.28	0.33	0.67
		3	0.12	0.02	0.10	0.14	0.86
8.	Proportion of family members towards farm labour	1	0.46	0.24	0.22	0.52	0.48
		2	0.42	0.14	0.28	0.33	0.67
		3	0.12	0.02	0.10	0.14	0.86
9.	Consumption Expenditure	1	0.70	0.53	0.17	0.76	0.24
		2	0.30	0.20	0.10	0.66	0.34

The analysis revealed that the posterior probability to become non-defaulter was high with the borrowers who had the sub-occupation other than agriculture (68.97 percent). Where as it was less with borrowers who had occupation of exclusively agriculture (61.91 percent). This might be due to the reason that the non-farm income may make the borrowers to have capacity to repay. If the farmers completed their higher secondary and collegiate education, the probability of defaulting was higher. It was also observed that higher the size of land holding, higher will be the probability of defaulting. If the borrower borrows larger amount, the probability of non-defaulting was less. If the magnitude of credit gap widened, the chances to become defaulter had decreased. It shows that, if the bank is able to provide more amount of credit to the farmers, there is a possibility of defaulting. Finally, it was inferred that there was higher probability of defaulting with higher number of family labour and consumption expenditure. It was so because, when the borrowers had to spend more amount on consumption, the repaying capacity of them will be reduced.

REGRESSION ANALYSIS

Various factors that determine the recovery performance had been identified and seven socio-economic variables namely amount of credit, size of land holding, capital expenditure, consumption expenditure, farm income, non-farm income and total variable cost were selected to study the influence of them on amount of recovery. These factors were put in the regression analysis and the results of it are shown in table-6.

TABLE -6: ESTIMATED REGRESSION COEFFICIENTS OF REPAYMENT FUNCTION

S.No.	Variables	Co-efficients
1.	a. Amount of credit (X_1)	1.717 (3.956)*
	b. Land holding (X_2)	11972.386 (-1.094)
	c. Consumption expenditure (X_3)	-0.708 (-1.046)
	d. Capital expenditure (X_4)	-1.961 (-1.438)
	e. Farm income (X_5)	0.623 (2.502)*
	f. Non-farm income (X_6)	0.128 (0.390)
	g. Total variable cost (X_7)	-0.448 (-1.543)
2.	R^2	0.98
3.	F Ratio	24.35*

Note: Figures in parantheses indicate 't' values

* - Significant at 5 percent level.

It was observed from the table that, ninety eight percent of the variation in the amount of recovery was explained by the selected socio-economic variables namely amount of credit, size of land holdings, consumption expenditure, capital expenditure, farm income, non-farm income and total variable cost. Among these factors, only the amount of credit and net farm income emerged as significant variables in explaining the variations in the amount of recovery. The net farm income and amount of credit had a positive impact on the amount of recovery. It implies that higher the amount of credit and farm income, higher will be the amount of recovery and vice versa.

CONCLUSION

There was a good recovery performance on the part of the medium farmers as compared to other categories of farmers. It was so because the medium farmers were not the wilful defaulters and they were prompt in their repayment to some extent. The size of land holdings, size of family, education, farm income and age of the farmer were independent from the repayment of loan. The discriminant analysis reveals that during the study period, the land size emerged as the dominating factor that influences the amount of recovery. In the regression analysis, the amount of credit and net farm income emerged as significant variables in explaining the variations in the amount of recovery. The net farm income and amount of credit had a positive impact on the amount of recovery. It implies that higher the amount of credit and farm income, higher will be the amount of recovery and vice versa.

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FINANCES OF DECS OF CONVENTIONAL UNIVERSITIES IN ANDHRA PRADESH - AN EVALUATION

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ABSTRACT

Distance education like education is immensely important for every individual for his/her proper burgeoning. Words of Swami Vivekananda in this context are pertinent indeed. He said, "Education is the manifestation of knowledge already within". In analogy child like plant requires suitable atmosphere for its growth. But in our country most of the children are bereaved of the desired suitable environment as a result their growth hardly has reached the coveted level. This is the juncture where distance education contributes copiously, sensing the needs of those who could not achieve the educational goal during the specified period in their student lives for one reason or other. It helps largely the desirous candidates to recreate their academic excellence in a later stage. The present research paper aims at endeavoring the analysis of finances of DECs of select Universities in Andhra Pradesh. In other words, it focuses on the pattern of income and expenditure of select DECs. Eleven (11) DECs of conventional Universities in A.P were established in between 1972-73 and 2003-04. In order to carry out time series analysis, DECs started before 1-4-1999 are brought into the sample frame, thus, covering a period of not less than 10 years. Consequently, the universe for the study constitutes 8 DECs of conventional Universities in A.P. The DECs of three conventional Universities i.e., Andhra University, Sri Venkateswara University and Osmania University are purposely selected each one from Andhra, Rayalaseema and Telengana regions of the state. The study makes use of secondary data only. The information/data is collected from annual budgets, administrative and audit reports. The period of the present research study is confined to 10 years commencing from 1999-2000 to 2008-09. This period is relevant due to much significance accorded to distance mode of education in the state. As a prelude to the analysis of income and expenditure, enrollment of students is presented. Total income generated from different sources besides average income and total expenditure of individual DECs of select Universities along with category-wise average expenditure are focused. The mean enrolment of total students is highest at 75866 in SDE of AU, followed by 40773 in CDE of OU. The high enrolment in SDE of AU was due to reason that more job opportunities on the one hand and the Andhra is considered to be economically rich region on the other. The advantage of CDE of OU is location in the state capital and increased job potential due to number of industries, organizations, Universities, and institutions of state and national level. But owing to establishment of DECs of other Universities in Hyderabad, the enrolment has been gradually decreasing. The incomes generated through these sources are administered by the respective University. The expenditure is met from the generated income only after prior approval from the University administration. In other words, the Director obtains permission from the University to incur the expenditure out of income generated. The expenditure incurred towards above items is debited from block grant, capital section and development grant in all DECs. Open University accounts in the case of DDE of SVU are debited. If there is no sufficient money to meet any untoward expenditure, the expenditure can be met from development accounts. The reimbursement is made whenever grants are released under that particular account. Good governance is of paramount importance in the times of for reaching changes. In this context, the basic good governance models like good PCP, prompt and efficient administrative services, dedicated and knowledgeable faculty, effective feedback system and the like shall be given due weightage to promote the good governance for students in distance education system.

KEYWORDS

DEC, finance of conventional universities.

1. INTRODUCTION

Distance education like education is immensely important for every individual for his/her proper burgeoning. Words of Swami Vivekananda in this context are pertinent indeed. He said, "Education is the manifestation of knowledge already within". In analogy child like plant requires suitable atmosphere for its growth. But in our country most of the children are bereaved of the desired suitable environment as a result their growth hardly has reached the coveted level. This is the juncture where distance education contributes copiously, sensing the needs of those who could not achieve the educational goal during the specified period in their student lives for one reason or other. It helps largely the desirous candidates to recreate their academic excellence in a later stage¹. Truly, it is distance education which importantly eliminates the limit of distance from attending the institution/University. Correspondence Education was introduced at the tertiary level in India by Delhi University in 1962 and at the school level by the Madhya Pradesh Board of Education in 1965. During the opening decade, 1962-72, institutes of correspondence studies were attached to some conventional Universities offered only undergraduate courses. The second decade, 1972-82, was characterised by rapid expansion in courses at the under-graduate and post-graduate levels with relatively higher growth at the post-graduate level and the continued growth of traditional courses of B.A. / B.Com. / B.Sc. and M.A./M.Com. At present there are 41 Universities and 4 deemed Universities. The total enrolment in such institutes was 481,305 which is 84 per cent of the enrolment of 572,533 in distance education at the tertiary level in India. Ten correspondence institutes have an individual enrolment of more than 10,000 each, whereas 22 institutes have an enrolment of less than 5,000. The course-wise distribution of students in correspondence education reveals that 68 per cent are at undergraduate level, 24 per cent at post-graduate level and 8 per cent in Diploma/Certificate courses².

2. AIM OF THE PAPER

The present research paper aims at endeavoring the analysis of finances of DECs of select Universities in Andhra Pradesh. In other words, it focuses on the pattern of income and expenditure of select DECs.

3. METHODOLOGY

Eleven (11) DECs of conventional Universities in A.P were established in between 1972-73 and 2003-04. In order to carry out time series analysis, DECs started before 1-4-1999 are brought into the sample frame, thus, covering a period of not less than 10 years. Consequently, the universe for the study constitutes 8 DECs of conventional Universities in A.P.

The DECs of three conventional Universities i.e., Andhra University, Sri Venkateswara University and Osmania University are purposely selected each one from Andhra, Rayalaseema and Telengana regions of the state. The study makes use of secondary data only. The information/data is collected from annual budgets, administrative and audit reports. The period of the present research study is confined to 10 years commencing from 1999-2000 to 2008-09. This period is relevant due to much significance accorded to distance mode of education in the state.

4. ANALYSIS OF FINANCES OF DECS

As a prelude to the analysis of income and expenditure, enrollment of students is presented. Total income generated from different sources besides average income and total expenditure of individual DECs of select Universities along with category-wise average expenditure are focused.

4.1 ENROLLMENT

Enrollment boosts the financial performance of the distance education institutes and hence they could become fund raising centres of the Universities. The enrollment ratio of the three select distance education institutes of Andhra Pradesh is presented in the Table 1.

The Table expounds that the enrolment in AU is the highest at 82774 in 2002-03 and lowest at 55567 in 1999-2000 with an average of 75866. An increasing trend in enrolment is observed from 1999-2000 to 2000-03 and gradually decreased to 2004-05. Again the trend continued increasing from 2007-08 to 2008-09, showing fluctuations in the enrollment. The CGR is 0.0365, showing 3.65 per cent growth rate in enrolment. The 't' value of 31.712 is significant at 1 per cent level indicating significant enrollment in Andhra University. In SVU, the total number of students was highest at 26514 in 2008-09 and lowest at 5702 in 2003-04. The enrolment gradually increased from 6259 in 1999-2000 to 6693 in 2001-02 and gradually decreased to 4498 in 2004-05. Since then the enrolment steeply increased to 26514 in 2008-09 and has been continuously increasing due to awareness on education in recent past, competition in jobs and preference for higher qualification and promotions, salary hike and the like.

The CGR is 0.155 and thereby indicating very low growth. The 't' value is 4.371 and is significant at 1 per cent level, thereby denoting significant increase in the enrollment. In OU, the enrolment was highest at 45585 in 1999-2000 and lowest at 35799 in 2008-09 and gradually decreased from 1999 to 2009 except in 2002-03 and 2003-04 wherein a sharp increase was observed. The gradual decrease was due to competition from other university DECs which established study centres in Hyderabad.

TABLE 1: ENROLMENT OF STUDENTS IN DECS OF SELECT UNIVERSITIES

Year	AU	SVU	OU	Total
1999-2K	55567 (51.73)	6259 (5.83)	45585 (42.44)	107411 (100)
2000-01	73084 (59.26)	6468 (5.25)	43776 (35.49)	123328 (100)
2001-02	79103 (62.25)	6693 (5.27)	41289 (32.48)	127085 (100)
2002-03	82774 (63.20)	6150 (4.69)	42070 (32.11)	130999 (100)
2003-04	79561 (61.72)	5702 (4.41)	43686 (33.87)	128949 (100)
2004-05	76679 (62.65)	4498 (3.68)	41215 (33.67)	122392 (100)
2005-06	77974 (62.64)	7648 (6.14)	38847 (31.22)	124489 (100)
2006-07	76387 (60.03)	12380 (9.74)	38467 (30.23)	127234 (100)
2007-08	77974 (57.42)	20847 (15.34)	37004 (27.24)	135825 (100)
2008-09	79561 (56.08)	26514 (18.68)	35799 (25.24)	141874 (100)
Mean	75866	10317	40773	
CV	9.97	72.34	7.79	
CGR	0.0365	0.155	-0.024	
t-cal	31.712*	4.371*	40.599*	

Source: Records of DECs of select Universities.

Notes: (i) * Indicates significant at five per cent level

(ii) Figures in parentheses indicate the percentage to total

The average enrolment was 40773.80 and CV is 7.79. The CGR is -0.024 which shows negative compound growth. The 't' value is 40.599 and is significant at one per cent level due to advanced awareness, high culture, high economic conditions and higher job opportunities in the areas affected to it. By and large, mean enrolment was highest at 75866 in AU, followed by 40773 in OU the advantage of CDE of OU is location in the state capital and increased job potential due to number of industries, organizations, universities, and institutions of state and national level. But owing to establishment of DECs of other universities in Hyderabad, the enrollment has been gradually decreasing and mean is only 10317 in SVU. The enrolment in DDE of SVU has been gradually increasing due to establishment of its study centers all over AP and now over all awareness on the importance of education. There is rapid growth in the enrolment of students in DEC of SVU when compared to other DECs of AU and OU. But the variation in percentage is highest at 72.34 in SVU, 9.97 in AU and 7.79 in OU. The CGR is also highest at 0.155 in SVU indicating an abnormal increase in the enrolment of students. The total enrolment was lowest at 107411 in 1999-2000 and highest at 141874 in 2008-09 with an average of 127085. The enrolment gradually increased from 107411 in 1999-2000 to 130999 in 2002-03 and again decreased gradually to 122392 in 2004-05. Ever since, the enrolment steadily and steeply increased to 141874 in 2008-09. In the ending years of study the enrolment of students surged rapidly.

4.2 ADMINISTRATION OF INCOME

Sources of receipts are segregated into internal and external sources as well. In the case of SDE of AU, the internal sources of receipts consist of sale of applications, registration fee, admission fee, tuition fees and examination fees. The SDE gets revenue from the students through sale of applications. It is deposited in the University accounts. Tuition fee is collected from the students at the time of admission and deposited in the University accounts and separate books on accounts are maintained by the SDE. The accounts of SDE come under the AU annual accounts and separate books are maintained. In the case of DDE of SVU there are three internal sources viz., sale of applications, tuition fees and fees from personal contact programme (PCP) classes. DDE generates revenue from the students through sale of applications. It is deposited in the University accounts. Tuition fee is collected from the students at the time of admission and deposited in the University accounts where no separate account is maintained for the purpose by the DDE. In the case of CDE of OU the prime internal sources of receipts include sale of applications, registration fee, admission fee, tuition fees and examination fees. The CDE deposits these receipts in the University accounts. Separate books of accounts are maintained by the CDE. External sources constitute that the IGNOU releases funds for running the courses. No separate accounts are maintained for these funds. Moreover, these funds are not regular. These funds are deposited in the University account. These sources of funds are common for all the select DECs. The incomes generated through these sources are administered by the respective University. The expenditure is met

from the generated income only after prior approval from the University administration. In other words, the Director obtains permission from the University to incur the expenditure out of income generated.

4.2.1 INCOME

The details of consolidated income of SDEs of three distance education institutes of Andhra Pradesh are presented in Table 2.

It is evident that the income of AU varied from Rs.845.22 lakhs in 1999-2000 to Rs.2405.46 lakhs in 2005-06 with an average of Rs.1735.28 lakhs. It is obvious that in five out of 10 years yearly income was higher than the Mean income. The CV shows 26.95 per cent variation in the income from year to year. The CGR shows 8.33 per cent growth in income showing a medium level. The 't' value is 3.67 and significant at five per cent level. It indicates that the growth rate of income is significant at medium level. On the whole, the consolidated income depicts a rise and fall trend. The table expounds that the income of SVU at constant prices was lowest at Rs 33.15 lakhs in 1999-2000 and gradually increased to Rs 1083.30 lakhs in 2008-09 except in 2002-03 and 2003-04 wherein a decreasing income is observed. The mean income is Rs 308.46 lakhs. The income is very low in the beginning and gradually increased. The range is very high at Rs.1050.15. The co-efficient of variation shows rather very high level at 108.77 per cent in the income.

TABLE 2: INCOME OF DECS OF SELECT UNIVERSITIES (Rs. in lakhs)

Year	AU	SVU	OU	Total
1999-2k	845.22	33.15	114.85	993.22
2000-01	1485.08	114.06	154.35	1753.49
2001-02	1703.34	125.38	205.41	2034.13
2002-03	1358.85	120.22	215.41	1694.48
2003-04	1861.72	90.03	219.20	2170.95
2004-05	1454.89	187.72	260.20	1902.81
2005-06	2405.46	229.67	288.77	2923.90
2006-07	1863.13	401.45	390.34	2654.92
2007-08	2167.29	699.65	483.89	3350.83
2008-09	2208.00	1083.30	577.44	3868.74
Mean	1735.28	308.46	291.02	
CV	26.95	108.77	50.96	
CGR	8.33*	37.52*	17.63*	
t-cal	3.67	7.48	14.52	

Source: Budget Books of DECs of select Universities

Notes: (i) * Indicates significant at five per cent level

The CGR is 37.52 per cent indicating high magnitude. The 't' value of 7.48 is significant at five per cent level. It indicates that the growth rate of consolidated income of DDE of SVU is significant at five per cent level. It may be inferred that the average consolidated income neither high nor low, In other words, it reports at moderate level. The variations in consolidated income from year to year are more pronounced. Further, it may be observed that growth in consolidated income is at satisfactory level. The table explicitly expounds that the income continuously and steadily increased except in 2005-06 wherein a sharp decline is observed. The income of OU was lowest at Rs.114.85 lakhs in 1999-2K and highest at Rs.577.44 lakhs in 2008-09 with an average of Rs.291.02 lakhs. The CV shows 51 per cent variation in the income and thereby indicating higher variation in income over the years. The CGR shows 17.63 per cent growth in the income at appreciable level. The 't' value is 14.52 per cent and significant at five per cent level.

4.2.3 CATEGORY-WISE INCOME

Table 2.1 preside statistical information pertaining to Category-wise income. It is evident that, In SDE of AU, The CV shows 65.76 per cent variation in the income from year to year. The income from others gradually increased from 1999-2000 to 2001-02 and suddenly decreased and again continuously rose from 2002-03. The CGR shows 25.20 per cent growth. The 't' value is 1.84 and non-significant. The 't' indicates that growth rate in income from other sources is not significant.

TABLE 2.1: CATEGORY-WISE INCOME OF DECS OF SELECT UNIVERSITIES

Name of the Universities	Statistical tools	Receipts from university	Receipts from Various courses	Exams	Others
AU	Mean	201.15	1066.92	263.77	467.35
	CV (%)	37.52	40.84	71.69	65.76
	C.G.R (%)	-22.82 ^{NS}	13.33*	28.53*	25.20 ^{NS}
	t-cal	-1.52	4.97	7.26	1.84
OU	Mean	19.86	185.89	31.89	52.06
	C.V (%)	36.07	65.15	62.17	35.44
	CGR (%)	-2.35ns	20.80*	32.32*	12.56*
	t-cal	-0.52	9.17	6.32	6.84
Name of the Universality	Statistical tools	Graduation Courses	Post-graduation courses	Diploma courses	
SVU	Mean	78.25	224.87	5.34	
	C.V (%)	65.22	128.25	64.29	
	CGR (%)	24.01*	44.11*	24.40*	
	t-cal	4.20	7.60	6.06	

Source: Records of DECs of select Universities

Notes: (i) * Indicates significant at five per cent level

(ii) NS: Not significant

In CDE of OU, The average income from examination and 'others' is moderate. While average income from University is low, it reported high in the case of income from courses. The yearly variations in income are more pronounced in the case of courses and examinations while moderate trend is noticed in the case of income from University and 'others'. The growth rate in income is not even in all these categories.

In DDE of SVU, The CV is showing 65.22 per cent of variation. The CGR represents 24.01 per cent growth in income. The 't' value is 4.20 and significant at five per cent level. It confirms that the CGR of income is significant with high magnitude. The CV shows 128.25 per cent variation. The CGR is 44.11 per cent growth in income. The 't' value is 7.60 and significant at five per cent level. It confirms the CGR of income is significant at low magnitude. The CV shows 64.29 per cent variation. The CGR shows 24.40 per cent growth in income. The 't' value is 6.06 and significant at five per cent level indicating the compound growth rate in income is significant but at low magnitude.

4.2.4 ADMINISTRATION OF EXPENDITURE

The expenditure in the form of payments is incurred towards remuneration for both teaching and non-teaching staff, purchase of books, advertisement changes printing and paper, contingencies, office equipment, stationary for supervising teachers, TA/DA to observe, psychology lab multi-media lab, infrastructure for student support services, conduct of examinations. Moreover, expenditure is incurred on common services like service wages and general development for construction of buildings, printing study material and remuneration to course writers, workshops conferences conversion of study material into SIM. The expenditure incurred towards above items is debited from block grant, capital section and development grant in all DECs. Open University accounts in the case

of DDE of SVU are debited. If there is no sufficient money to meet any untoward expenditure, the expenditure can be met from development accounts. The reimbursement is made whenever grants are released under that particular account. The expenditure is made in case of printing applications, study material or books. Sealed quotations are called and permission is given to the lowest bidder and accordingly payment is made as per the rules and regulations prescribed the University. The expenditure up to Rs.5,000 can be made by the Director, up to Rs. 50,000 can be made by the Registrar, up to Rs.5,00,000 by the permission of Vice-Chancellor and Rs.5,00,000 beyond, the expenditure shall be approved by the Executive Council.

4.2.5 EXPENDITURE

The details of consolidated income of SDEs of three distance education institutes of Andhra Pradesh are presented in Table 3.

It may be observed that the average income from various courses differs with each other. The similar trend is also noticed in the case of variations in income and growth in incomes shows the aggregate expenditure of SDE of AU for 10- year period from 1999-2K to 2008-09. Column two and four exhibits aggregate annual expenditure at constant and current prices respectively. Attention to column to column three of the table, which indicates percentage annual changes in yearly aggregate expenditure it can be found that the percentage change was highest at 133.11 in 2000-01 and lowest at -36.21 per cent in 2006-07. Coming to aggregate expenditure at current prices, it can be seen that the percentage annual change was highest at 140.72 in 2000-01 and lowest at -30.38 in 2006-07.

TABLE 3: YEAR-WISE EXPENDITURE OF DECS OF SELECT UNIVERSITIES (Rs. in lakhs)

Year	AU	SVU	OU	Total
1999-2k	536.73	66.13	82.14	685.00
2000-01	1251.15	73.41	102.55	1427.11
2001-02	1500.35	83.16	122.51	1706.02
2002-03	1213.31	104.48	155.72	1473.51
2003-04	2016.09	96.67	172.55	2285.31
2004-05	1366.49	105.13	122.55	1594.17
2005-06	1950.67	116.52	134.07	2201.26
2006-07	1244.34	148.92	185.42	1578.68
2007-08	2492.23	341.60	161.35	2995.18
2008-09	2491.76	490.96	192.24	3174.96
Mean	1606.31	162.70	143.11	
CV	38.71	86.14	25.36	
CGR	12.03 ^{NS}	21.50*	7.61*	
t-cal	3.30	5.72	3.95	

Source: Budge books of DECs of select Universities

Notes: (i) * Indicates significant at five per cent level
(ii) NS: Not significant

Mean annual average aggregate expenditure is Rs.1606.31 lakhs at constant prices C.V. values for annual aggregate expenditure are 38.71 at constant prices. These high magnitudes of C.V. reveal that there are wide annual variations in the aggregate expenditure of SDE of AU. C.G.R of aggregate annual expenditure is 12.03 per cent at constant prices which is not significant. Data relating to aggregate expenditure of DDE of SVU is presented with constant prices for 10 year period. The constant price yearly change was highest at 129.38 per cent in 2007-08 and lowest at -7.48 in 2003-04 in respect of changes in aggregate expenditure. At current prices, the annual percentage change was 141.81 per cent in 2007-08 and lowest 4.81 per cent 2003-04. Yearly mean value of aggregate expenditure was Rs.162.70 lakhs. The annual Mean expenditure for the ten years reference period worked out to be 143.11 lakhs. The CV value of 25.36 per cent indicates that there is considerable variation in year to year aggregate expenditure. During this period, the aggregate expenditure's CGR registered at 7.61 per cent which is statistically significant at five per cent level.

4.2.6 CATEGORY-WISE EXPENDITURE

Table 3.1 preside statistical information pertaining to Category-wise Expenditure. It is evident that, In SDE of AU, mean annual expenditures are Rs.1177.45 lakhs, Rs.67.11 lakhs and Rs.361.73 lakhs under general charges, development fund and 'others' respectively. Annual mean general charges are Rs. 17.5 lakhs are higher than development fund and others respectively.C.V. value is highest at 91.80 for development fund followed by 46.28 per cent for general charges and 34.76 per cent for others. CGR. is highest at 12.62 per cent for general charges followed by 12.34 for 'others' and 5.80 per cent for development fund. CGRs is found significant for others, whereas C.G.R. is not significant for general charges and development fund at five per cent level.

TABLE 3.1: CATEGORY-WISE EXPENDITURE OF SELECT UNIVERSITIES

Name of the University	Statistical tools	General Charges	Development fund	Others
AU	Mean	1177.45	67.11	361.73
	CV (%)	46.28	91.80	34.76
	C.G.R (%)	12.62 ^{NS}	5.80 ^{NS}	12.34*
	t-cal	2.73	0.57	7.94
SVU	Mean	17.75	0.49	2.36
	C.V (%)	35.44	24.37	70.20
	CGR (%)	9.30*	0.16 ^{NS}	4.35 ^{NS}
	t-cal	4.56	0.04	0.41
OU	Mean	74.48	39.10	25.16
	C.V (%)	60.47	58.94	35.88
	CGR (%)	2.51 ^{NS}	16.84 ^{NS}	1.56 ^{NS}
	t-cal	0.40	3.15	0.28

Source: Records of DECs of select Universities.

Notes: (i) * Indicates significant at five per cent level
(ii) NS: Not significant

In DDE of SVU, annual mean expenditure registered at Rs.17.75 lakhs, Rs.0.49 lakhs and Rs.2.36 lakhs on remuneration staff, advertising and others respectively. Based on CV values, the variation in yearly expenditure is highest at 70.20 per cent in 'others' followed by 35.44 per cent on remuneration to staff, 24.37 per cent on advertising. Remuneration to staff registered CGR of 9.3 per cent which is statistically significant at five per cent level followed by CGR of 4.35 per cent with the regard to other expenditure, of 0.16 per cent with regard to advertising

In DDE of OU, annual mean expenditure is highest at Rs.74.48 lakhs, on general charges followed by Rs.39.10 lakhs on development fund, Rs.25.16 lakhs on other items. Year to year variations in items of expenditure are wide as CV values are 60.47, 58.94 and 35.88 per cent for general charges, development fund and other expenditure respectively. CGRs of general charges, development fund and other expenditure are 2.51, 6.84 and 1.56 per cent respectively. All of these are statistically non-significant at five per cent level.

5 CONCLUSIONS

- The mean enrolment of total students is highest at 75866 in SDE of AU, followed by 40773 in CDE of OU. The high enrolment in SDE of AU was due to reason that more job opportunities on the one hand and the Andhra is considered to be economically rich region on the other. The advantage of CDE of OU is location in the state capital and increased job potential due to number of industries, organizations, Universities, and institutions of state and national level. But owing to establishment of DECs of other Universities in Hyderabad, the enrolment has been gradually decreasing.
- The mean is only 10317 in DDE of SVU. The enrolment in DDE of SVU has been gradually increasing due to establishment of its study centers all over AP and now overall awareness on the importance of education. There is rapid growth in the enrolment of students in DDE of SVU when compared to other DECs of AU and OU. But the variation in percentage is highest at 72.34 in SVU, 9.97 in AU and 7.79 in OU. In other words, variations in enrolment are more pronounced in DDE of SVU. The fluctuations in SDE of AU and CDE of OU are more or less similar.
- The incomes generated through these sources are administered by the respective University. The expenditure is met from the generated income only after prior approval from the University administration. In other words, the Director obtains permission from the University to incur the expenditure out of income generated.
- In five out of 10 years, yearly income was higher than the Mean income in SDE of AU. The growth rate of income is significant at medium level. On the whole, the consolidated income depicts a rise and fall trend. The consolidated income did not report a gradual increase. The receipts from various courses contributed more relatively when compared to rest of the categories of income. It may be noted from the CV values yearly variations are moderate in receipts from University and various courses while wide and wild in examination fee and 'others'. The growth in incomes of different categories depict mixed trend.
- In DDE of SVU the average consolidated income neither high nor low. In other words, it reports at moderate level. The variations in consolidated income from year to year are more pronounced. Further, the growth in consolidated income is at satisfactory level.
- The average income from Open University mode is moderate while that of distance mode is high. Yearly variations in income from both the modes are greater. Growth in income is also considerable and significant in both the modes of income. The average income from P.G courses and diploma courses is high when compared to graduate courses wherein a moderate. The yearly variations in income are not too wild in graduate courses and diploma courses. Yearly variations in income are wild in the case of P.G courses.
- In CDE of OU, the mean value of consolidated income is registered at high magnitude. Yearly variations in consolidated income are wild and wide but the growth rate in income is moderate.
- The average income from examination and 'others' is moderate. While average income from University is low, it reported high in the case of income from courses. The yearly variations in income are more pronounced in the case of courses and examinations while moderate trend is noticed in the case of income from University and 'others'. The growth rate in income is not even in all these categories.
- The quality assurance mechanisms and procedures shall be designed by DECs so as to provide high graded distance education to the needy people as a paradigm shift in higher education has witnessed particularly 'teacher centre' to 'learner centre' education. To this end, the adequate infrastructure shall be provided in DECs and study centres to assure the quality distance education.
- The enrolment of students for all the courses shall be increased in DDE of SVU through offering special concessions to the students since the University is located in a backward region.
- The income from PCP classes shall be improved by increasing the frequency of conducting these classes with enhanced the fees structure.
- The income from diploma courses shall be improved by introducing job oriented and innovative programmes to suit to the present day requirement.
- Geography course through distance mode shall be introduced since no DEC is offering this course in Andhra Pradesh. Moreover, civil service aspirants choose geography as one of their optionals. The more revenue can be generated by introducing demand based courses.
- The variations in expenditure of various levels, courses and items shall be reduced by the sample DECs. Disorderly growth in various items of expenditures in select DECs shall be controlled through scientific methods.
- Expenditure on general charges shall be condensed in the case of SDE of AU and CDE of OU while remuneration to staff shall be reduced by downsizing the excess staff in DDE of SVU.
- Good governance is of paramount importance in the times of for reaching changes. In this context, the basic good governance models like good PCP, prompt and efficient administrative services, dedicated and knowledgeable faculty, effective feedback system and the like shall be given due weightage to promote the good governance for students in distance education system.

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A STUDY OF SOCIO - ECONOMIC VARIABLES FOR TOOTHPASTE BRANDS IN INDORE CITY

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ABSTRACT

India is still a nascent country in dental hygiene, with the majority of the population still not having access to modern dental care but relying on substances like coal ash and neem sticks. In India, per capita toothpaste consumption stood at 120g in 2011, which is amongst the lowest in the world, compared to 450g and 500g in Malaysia and Vietnam respectively. Toothpaste enjoys a country wide penetration level of 50%. The penetration levels of dentifrice in the country have been on an upward trend over the last few years driven by strong improvements in toothpaste penetration. Thus it becomes imperative to explore the socio-economic variables for different toothpaste brands, so as to decide on the STP decision.

KEYWORDS

Socio-economic Variables, Brand Loyalty, Buying Behavior.

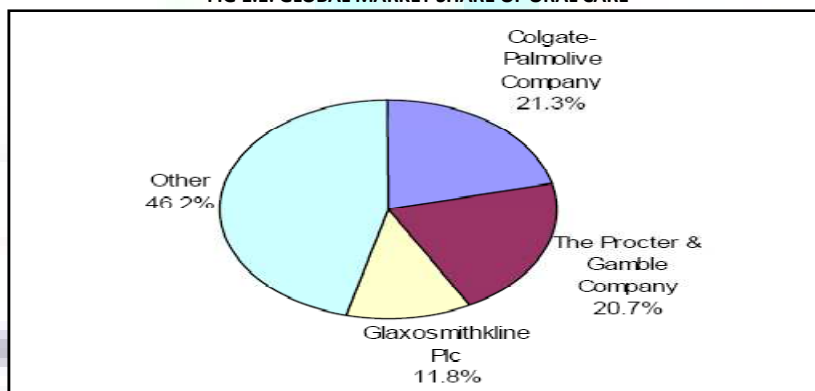
1. INTRODUCTION

Every company intends to develop and pursue loyal customers. Loyal customer tends to purchase consistently over a period of time, generally at regular prices and commonly ignoring the pleas and platitudes of competitors. For every company loyal customers are pathways to success in long run. Researches in past revealed that it's not easy to have loyal customer, as the customer's mind-set is dynamic and complex to analyze. It is mix of conscious and unconscious, rational and emotional perceptions, thus it becomes imperative to understand, how customer's mind set will perceive during purchase of any goods/services? A customer's mind may undergo following criteria: - Will the goods/services meet my desired expectation? How much does the product will cost? Will this brand offer value for money? What will be the advantages of purchasing goods/services from a particular company? How will this company serve me as customer? Such thought are present in the customer's mind-set which in turn makes the decision related to purchasing the goods/services more complex. Customer acts as their mind asks them to do. If company focuses on the customer mind-set then the brand can leverage the desired result. This is very true in various cases, whether it is small or big business, customers develops certain ideas about the company's product/service, this is called as perception, which is difficult to change in short-run. Successful goods/services wins the hearts and minds of customers, as loyalty towards a company is the sum total of customer's experiences, thus a strong presence in the minds of target customers is precious for companies.

As the battle for customer's mindset intensifying day by day in Fast Moving Consumer Goods (FMCG), it becomes important for companies to spend time in researching and finding newer ways to keep the customer loyal. Here in the present research, we will study the Socio Economic Variables in FMCG product category wherein, the selected product is toothpaste, which has low involvement level and is less price sensitive too.

1.1 TOOTHPASTE MARKET SHARE

The toothpaste market share at the global level shows that Europe accounts for 37.5%, America accounts for a further 35.3% and Asia Pacific accounts for 27.20 % of the global market's value. Further there is stiff competition between the two global giants i.e. Colgate-Palmolive and Procter and Gamble, former accounts for 21.3% of global market share (Ref. fig 1.1).

FIG 1.1: GLOBAL MARKET SHARE OF ORAL CARE**1.2 THE FORECAST FOR INDIAN ORAL CARE**

As per the forecast, the toothpaste sales will account for Rs 44,874.1 million by 2013 in comparisons to sales of Rs 42,448.8 million in 2012. The oral hygiene market (Ref Table 1.1) exhibited that by the year 2013, sales will touch Rs 52,255.2 million. This will give birth to fierce competition among leading players. Companies now need to find ways, to keep their toothpaste market share intact. To succeed in effective branding, companies must understand the needs and wants of the customers and prospective customers.

TABLE 1.1: FORECASTED SALES OF ORAL HYGIENE FROM YEAR 20012-2013 IN INDIA

Oral Hygiene	Years	
	2012 (Rs Million)	2013 (Rs Million)
Toothpaste	42,448.8	44,874.1
Mouthwash	167.2	179.9
Toothbrush	6,823.7	7,201.3
Total	49,439.7	52,255.2

2. REVIEW OF LITERATURE

2.1 TECHNICAL DEVELOPMENT OF TOOTHPASTE

In the year 1947 Richard S. Manly a former student of Harold C. Hodge, University of Rochester and assignor to the Procter and Gamble Company filed patent "Improvements in and relating to preparations for use in contact with the teeth"; (Ref. British Patent GB 644,339) application in U.S.A. (March 12, 1947; filed March 11, 1948; pat. Oct. 11, 1950).

In the year 1950 Philip Zutavern and Kurt Kraft, both of Heidelberg, Germany, assignors to Knoll A. G., Ludwigshafen: "Verfahren zur Herstellung von organischen Salzen der Fluorwasserstoffsäure", German Patent DE 855,118; filed Dec. 5, 1950; pat. Nov. 10, 1952. Specified the preparation of mono-di-tri-ethanolamine hydrofluoride, the first amine fluorides to be used for toothpaste.

In the year 1951 Oskar Eichler and Kurt Kraft, both of Heidelberg, Germany assignors to Knoll A. G., Ludwigshafen filed patent "Verfahren zur Herstellung einer alkalischen, seifenfreien, reagibles Fluor neben Calciumcarbonat enthaltenden Zahnpasta", German Patent DE 971,375; filed August 26, stated that amount of an NSAID sufficient to inhibit the production of prostaglandins induced by the fluoride." NSAID (Non steroidal anti-inflammatory drug)

In the year 2006 In Europe first toothpaste containing biomimetic synthetic hydroxylapatite as an effective alternative to fluoride for the remineralization and reparation of tooth enamel was introduced. The function of the biomimetic hydroxylapatite was to protect teeth by creating a new layer of synthetic enamel around the tooth instead of hardening the existing layer with fluoride that chemically changed it into Fluorapatite.

In June, 2007, the US food drug administration authority and similar agencies in Panama, Puerto Rico and Australia advised customers to avoid certain brands of toothpaste manufactured in China, after some were found to contain the poisonous diethylene glycol, also called diglycol or labeled as "DEG" on the tube. The chemical was used in antifreeze as a solvent and was potentially fatal.

Toothpastes today typically contain fluoride, color, flavor, sweetener, as well as an ingredient that makes the toothpaste smooth, foamed and moist. Some toothpaste also contains special ingredients, such as triclosan as in Colgate Total. Toothpaste in tubes was used throughout the world and has been a very successful invention.

3.0 OBJECTIVES OF THE STUDY

- 3.1 To find the rank of toothpaste brand according to the customer in Indore city.
- 3.2 To study the socio economic variables for preferred toothpaste brands in Indore city

4.0 RESEARCH METHODOLOGY

4.1 PRIMARY DATA

In the Present study questionnaire was used to collect the data relating to age, gender, occupation, income from the customer of various toothpaste brands as respondents in Indore city. They were also asked to rank their most preferred brand of toothpaste.

4.2 SECONDARY DATA

The secondary data available from various website, datamonitor and other published sources, were also used in this study.

4.3 AREA OF STUDY

The area of study was confined to the city limits of Indore city, Situated in Madhya Pradesh India.

4.4 SAMPLE SIZE

The size of the sample considered for the study was 150 respondents from Indore city.

4.5 SAMPLING METHOD

Respondents were selected by using convenience sampling method under non probability method of sampling.

5.0 HYPOTHESIS FORMULATED

Four null hypotheses were formulated, which are as under:

- Ho1 There is no significant relationship between the age of respondent and the preferred brand of toothpaste.
- Ho2 There is no significant relationship between the gender of the respondent and the preferred brand of toothpaste.
- Ho3 There is no significant relationship between the occupation of the respondent and the preferred brand of toothpaste.
- Ho4 There is no significant relationship between the income of the respondent and preferred brand of toothpaste

6.0 ANALYSIS AND INTERPRETATION

The data collected was analyzed, percentage method is used to present the ranking of various toothpaste brands according to customers and further analysis of socio-economic variables for toothpaste brands viz Colgate, Pepsodent, Close-up, Meswak and others (Vicco, Amar, Babool, Dabur Red and Anchor were under other category) was done with the help of chi square test.

6.1 PERCENTAGE METHOD IS USED TO PRESENT THE RANKING OF VARIOUS TOOTHPASTE BRANDS GIVEN BY CUSTOMERS

TABLE 1.2: TOP RANK PERCENTAGES BY CUSTOMERS FOR PREFERRED TOOTHPASTE BRAND

Brands	Frequency	Percent	Valid Percent	Cumulative Percent
Closeup	40	26.7	26.7	26.7
Colgate	71	47.3	47.3	74.0
Meswak	13	8.7	8.7	82.7
Pepsodent	16	10.7	10.7	93.4
Other	10	6.7	6.7	100
Total	150	100.0	100.0	

Interpretation: The study shows that out of 150 respondent 47.3 percent rated Colgate as no. 1 preferred toothpaste brand, followed by Closeup at 26.7 percents Pepsodent at 10.7 percent, Meswak at 8.7 percent and others at 6.7 percent.

6.2 RELATIONSHIP BETWEEN AGE AND PREFERRED TOOTHPASTE BRAND.

TABLE - 1.3: BRAND * AGE CROSS TABULATION

Brands	Age			Total
	less then 20	21-30	above31	
Closeup	11	14	13	38
Colgate	12	33	21	66
Meswak	5	7	0	12
Pepsodent	8	6	9	23
Others	2	9	0	11
Total	38	69	43	150

TABLE - 1.4: CHI SQUARE TEST

Test	Value	Df
Pearson Chi-Square	18.302	8

Interpretation: The value of chi square is 18.302 which is greater then the table value of 15.51 at 95 % confidence level (5% significant level) hence we say that there is a significant relationship between age of the respondent and preferred brand of toothpaste. Hence the H01 hypothesis is rejected.

6.3 RELATIONSHIP BETWEEN GENDER AND PREFERRED TOOTHPASTE BRAND

TABLE 1.5 BRAND * GENDER CROSS TABULATION

Brand	Gender		Total
	Male	Female	
Closeup	14	24	38
Colgate	46	20	66
Meswak	8	4	12
Pepsodent	11	12	23
Others	6	5	11
Total	85	65	150

TABLE-1.6 CHI SQUARE TEST

Test	Value	df
Pearson Chi-Square	11.886	4

Interpretation: The value of chi Square test of 11.886 is greater the table value of 9.49 at 95 % confidence level (5 % significant level) thus there is significant relationship between the gender of the respondents and there preferred brand of toothpaste. Hence H02 Hypotheses is rejected.

6.4 RELATIONSHIP BETWEEN OCCUPATION AND PREFERRED TOOTHPASTE BRAND

TABLE – 1.7: BRAND * OCCUPATION CROSS TABULATION

Brands	Occupation				Total
	Student	Business Professional	Service	Others	
Closeup	10	4	20	4	38
Colgate	30	20	12	4	66
Meswak	7	2	2	1	12
Pepsodent	6	5	10	2	23
Others	2	2	3	4	11
Total	55	33	47	15	150

TABLE – 1.8: CHI-SQUARE TESTS

Test	Value	df
Pearson Chi-Square	30.196	12

Interpretation: Here the value of chi square is 30.196 which is greater then the table value of 21.06, thus there is significant relationship between the occupation of the respondents and preferred brand of toothpaste. Hence H03 Hypothesis is rejected.

6.4 RELATIONSHIP BETWEEN INCOME AND PREFERRED TOOTHPASTE BRAND.

TABLE – 1.9: BRAND * INCOME CROSS TABULATION

Brand	Income				Total
	Below Rs 5000	Rs 5000 - 15000	Rs 15000 - 25000	Above Rs 25000	
Closeup	20	14	3	1	38
Colgate	20	30	12	4	66
Meswak	1	9	2	0	12
Pepsodent	10	6	5	2	23
Others	7	2	2	0	11
Total	58	61	24	7	150

TABLE - 1.10: CHI-SQUARE TESTS

Test	Value	df
Pearson Chi-Square	19.186	12

Interpretation: Here, the value of chi square test is 19.186 which is less the table value of 21.03, thus there is no significant relationship between the income of the respondent and the preferred brand of toothpaste. Hence the H04 hypothesis is not rejected.

TABLE 1.11: RESULT OF CHI SQUARE TEST

Summary Result of Chi Square Test					
Sr. No	Hypothesis	Chi Square Value	DF	Chi Square Table Value at 5 % Significance	Result
1	H01: There is no significant relationship between the age of respondent and the preferred brand of toothpaste	18.302	8	15.51	Hypothesis Rejected
2	H02: There is no significant relationship between the gender of the respondent and the preferred brand of toothpaste	11.886	4	9.49	Hypothesis Rejected
3	H03: There is no significant relationship between the occupation of the respondent and the preferred brand of toothpaste.	30.196	12	21.03	Hypothesis Rejected
4	H04: There is no significant relationship between the income of the respondent and preferred brand of toothpaste	19.1858	12	21.03	Hypothesis Not Rejected

7.0 MARKETING IMPLICATIONS

7.1 PREFERRED TOOTHPASTE BRAND

The competition is fierce and the margin for error shrinks day by day with advance technology and innovation. When the goods/services offered are alike, with same benefits, this results into complex customer choices. Being merely reactive is not an option for the company. In order to maintain good market position, company's goods/services has to be preferred by the customer over other brands.

Brand preference is a measure of brand loyalty, in which a customer will choose a particular brand over other competing brands in the same product category. One challenge for the companies is to monitor changes in customer's brand preferences over a period of time. The issue is of great interest to managers, they need to find which is the most preferred brand in a product category by customers?

Here in the present study Colgate enjoys higher level of brand preference with 47.3 % followed by Closeup and Pepsodent with 26.7% and 10.7% respectively. This implies that **high brand preference** is distinctly related to the success of the leader. In the year 2010, Colgate reached out to almost 3.4 million consumers to be the most preferred toothpaste brand in India.

7.2 SOCIO ECONOMIC VARIABLES

The marketing implications of relationship between **preferred toothpaste brand** and **socio economic variable (Age, Gender, Occupation, and Income)** is presented below:

7.2.1 AGE

In the present study, age is studied with respect to preferred toothpaste brand. The study reveals significant relationship between the age of the respondent and **preferred toothpaste brand** (Ref. table 1.3 and Ref. table 1.4). Here in the present study this **implies** that the **"age below 20 years", "age between 21 to 30 years," and "age above 31 years"** is not **homogeneous**. The needs and wants differ according to age group for the preferred toothpaste brands.

7.2.2 GENDER

In the present study, gender is studied with respect to **preferred toothpaste brand**. The study reveals significant relationship between the gender of the respondent and **preferred toothpaste brand** (Ref. table 1.5) and (Ref. table 1.6). The present study **implies** that **"Male" and "Female"** is not **homogeneous**. The needs and wants are different for male and female for the preferred toothpaste brands.

7.2.3 OCCUPATION

In the present study, occupation is studied with respect to **preferred toothpaste brand**. The study reveals significant relationship between the occupation of the respondent and **preferred toothpaste brand** (Ref. Table 1.7) and (Ref. table 1.8). Here the study **implies** that **"Students", "Business persons", "Service" and "Others" is not homogeneous for preferred toothpaste brand** The needs and wants are different for the preferred toothpaste brands for different occupation levels.

7.2.4 INCOME

In the present study, income is studied with respect to **preferred toothpaste brand**. The study reveals no significant relationship between the income of the respondent and **preferred toothpaste brand** (Ref. table 1.9) and (Ref. table 1.10).

The present study **implies** that **income "upto Rs 5000 pm", "Rs 5001 to Rs 15000 pm," "Rs 15001 to Rs 25000 pm and "above Rs 25000" is insignificant in relation to preferred toothpaste brand**, as needs and wants are same at different income levels. The customers are less price sensitive towards toothpaste, as toothpaste being a low involvement product.

8.0 CONCLUSION

Researchers in the past have identified demographic variables such as age and education as key forces that affected brand loyalty; while others found no relationship between demographics variables and brand loyalty. Some studies suggested that demographic variables do explain behavioral loyalty (Homburg and Giering, 2001), although the relationship of demographic factors and brand loyalty is not so clear (Coner and Gungor, 2002; Enis and Paul, 1970). The present study reveled significant relationship between demographic variables (age, gender, and occupation) and no significant relationship with Income and the preferred toothpaste brand.

8.1 RANKS OF TOOTHPASTE BRAND ACCORDING TO THE CUSTOMER IN INDORE CITY

The study reveals that the market leader is Colgate, in comparison to others toothpaste brand in Indore city. Out of 150 respondent 47.3 percent rated Colgate as no. 1 preferred brand, followed by Close up at 26.7 percent Pepsodent at 10.7 percent, Meswak at 8.7 percent and others at 6.7 percent. Although Dabur India Limited has emerged as a potential competitor because of Meswak and Dabur Red brand.

8.2 THE RELATIONSHIP BETWEEN SOCIO ECONOMIC VARIABLE AND PREFERRED TOOTHPASTE BRANDS IN INDORE CITY

The study reveals that the is a significant association of Age, Gender and Occupation of the customer for preferred brand of toothpaste for Indore city, but there is no significant association of Income of the customer and the preferred brand of toothpaste for Indore city, Thus companies should focus on to **increase liking & preferences**. Companies should catch customer **early at early age** and focus on **habit formation**. Companies should target the age group below 20 years. This will give the company an opportunity to develop linking and retaining the customer across different age groups as he/she will remain homogeneous across different age groups for toothpaste. Companies may have the target audience as age below 20 years. They may have specifically children in the TV commercials of toothpaste, so as to get the advantage of catching them young. Toothpaste being a low involvement product, variation in price will not make significant impact on the consumption pattern of customer further the study reveled that is no significant association of Income of the customer and the preferred brand of toothpaste. Thus the company should focus on its pricing strategy, price should be competitive with respect to other companies and going concern pricing method may be a preferred method in deciding the pricing strategy for the company.

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A REVIEW OF ECONOMIC AND FINANCIAL INCLUSION IN NORTH EASTERN STATES OF INDIA**DR. SANJAY TUPE****HEAD****DEPARTMENT OF BANKING & FINANCE****B. Y. K. COLLEGE OF COMMERCE****NASHIK****ABSTRACT**

This paper begins with an introduction to inclusive development and financial inclusion. Further, it reviews the macro economic status of NES and compared it with all India macroeconomic parameters. To understand the economic position of these states, various broad macroeconomic parameters are used in this paper. To know the process of financial inclusion and its status; we focus on the flow of deposit and credit state wise and compared it with all India C-D ratio and takes stock of branch banking area and population wise. This paper tries to communicate to policy makers for devising suitable policy for increasing the depth of financial inclusion. To make dent over the backwardness of NES in all respect, an integrated policy of development should put in place for infrastructure development and to harness the local potential so that food processing, wood products and traditional textile industries can be developed on a large scale. To increase the access of NES to other parts of India there is need to build strong air and road network which can increase the potential for marketing locally manufactured product. At last, initiative needs to be taken for stepping up agricultural productivity along with diversification into horticulture, floriculture, and animal-husbandry. All these efforts may push further the inclusive growth and financial inclusion in NES.

KEYWORDS

Banking Network, Credit Deposit Ratio, Financial Inclusion, Inclusive Growth, Macroeconomic -Parameters, North Eastern States.

I. INTRODUCTION

 North Eastern States (NES) are neglected from the mainstream of planning despite these states being endowed with natural resources. The degree of backwardness is high in these states (Planning Commission, 1981). However, Government of India is helping them through sizeable resources transfer and giving boost to industrialization and tourism in NES. The performance of NES is poor in respect of inclusive growth and financial inclusion. The concept of Inclusive growth or inclusive development is used interchangeably. Inclusive development encompasses increase in personal living standard, reduction in poverty and economic inequality along with infrastructure development in the region or country. It gives strength to an individual for making him economically independent. A socio-economic speed of development of economy as a whole or a region in particular is depending on the availability of all kinds of infrastructure. Infrastructure reduces transaction cost and risk involved in business and facilitate toward achieving minimum standard of living to an individual. Infrastructure is a composite term which covers presence of physical assets and various kinds of services together. Among various kinds of infrastructure, active presence of financial infrastructure is necessary for rapid economic progression of a country or region.

Economic inclusion is a wider term which comprises of various aspects of enriching human well-being. Economic inclusion facilitates to human beings to live comfortably by various ways and it makes them economically and socially independent. Inclusive growth is an essential ingredient of planning in developing countries. However, in broad perspective of macro planning, needy section of the society is always neglected from the outcome of development planning. It is also observed that underprivileged section of the society do not get the benefits of planned schemes of welfare. Hence, a concept of inclusive growth comes into limelight, and it has been in the debate since introduction of new economic reforms in the many developing countries and in India too. The necessity of inclusive development is felt on urgent basis even though India implemented new economic policies for two decades.

Presently, three kinds of models of financial inclusion are being practiced in India: 1) People movement group based model: some NGO's fall in this category. They do not remain dependent on the government or banks for financial support. It is a community based movement, if there is need of intervention from the outside agency; people take such decision collectively and consciously. 2) Self Help Group Model: Initially, people's movement is already present and intervention from the government side is expected in this model. Later, it turns into the form of self help group. This kind of model is a supply driven which addresses the institutional and physical infrastructural needs of the members of self help group and offers them standard supply side solution. 3) Market based Model- In which business is seen as an opportunity. Accordingly, credit is delivered through an efficient delivery model. This approach is of more than a decade old. The institutions engaged in this mode are known as microfinance business institutions that often charges high interest rate.

Despite the comprehensive banking network and financial system in India, services and product delivered by banking institution are not yet reached to underprivileged sections of the society, marginalized groups, and slum dwellers in urban and rural masses. Regardless of all the efforts directed for banking spread in India, only 35.5% of the total households in the country were availing banking services, while this proportion can be further divided as 49.5% in urban areas and 30.1% in rural areas (RBI, 2010). It is imperative to tap saving of rural and urban households by banks and lend loans to needy people for augmenting their livelihood and make them better-off.

As a part of inclusive growth and development drive in India, opening of savings account in any bank has now been made free and even without cash and with minimum documents. To increase the reach of banking facility to people of all kinds, recently banks have been told to open no balance saving account or no frills account with no or minimum balance in the account. In August 2005, the RBI has announced more simplified KYC norms particularly for poorer section of the society in India to motivate them for opening savings accounts at least with one bank.

This paper begins with meaning of inclusive development and financial inclusion. Section II covers the objectives, data and methodology. Section III reviews the related literatures. Section IV analyses the relative strength of NES region. In the section V, banking network in India and NES region are compared. Section VI concludes the paper with suggestions.

II. OBJECTIVES, DATA AND METHODOLOGY

This paper reviews the macro economic status of the states fall in the group of NES and compares them with all India macroeconomic parameters. To understand the economic position of these states, various broad macroeconomic parameters are used in this paper. To know the process of financial inclusion and its status; we focus on the deposits collected and credit disbursed in the states area wise and it takes the stock of branch banking area-wise. This paper tries to communicate to the policy makers for devising a suitable policy for increasing the depth of financial inclusion in these states. We use data appeared in the various issues of RBI Monthly bulletin, Hand Book of Statistics on Indian Economy, March 2009-10 and Basic Statistical Returns of Scheduled Commercial Banks in India, Vol. 39, March 2010. This paper uses the review methodology however we have not used advanced statistical or econometric tools due to data constraints pertaining to the theme of this paper.

III. LITERATURE REVIEW

Survey on access of finance to rural poor people conducted by National Council of Applied Economic Research and World Bank in Uttar Pradesh revealed that bank takes 33 weeks on an average to process loan application and 1/3 rd applicants had paid 10% bribe of the sanction amount loans. Bribe paid to government officials for availing government schemes was observed as near about 40% of the sanction amount (Basu, 2006).

Recently published discussion paper entitled as "Entry of new banks in India", by T. T. Ram Mohan (2010) showed that the entry of industrial houses in banking business is being restricted by various ways. If banks have to focus on financial inclusion, capital requirement for new bank is made Rs. 500 crore and with a condition that sponsored group has to increase capital base to Rs. 1000 crore in next five years. However, the apprehension of this policy is that the task of financial inclusion may look after effectively by retail banks but not big banks whose capital base is over and above Rs. 1000 Crore. The indirect meaning is those new private sector banks will not work for unorganized and underprivileged class of the society in India.

Bhatia and Chatterjee (2010) concluded that 1/3 respondents residing in slums tried to open saving account with banks but failed to do so due to rigidities in banking system and paper work. 1/5 th people were saving their surplus money privately with money lenders. Despite Mumbai being financial capital of India, penetration of banking facilities is very poor in the slum areas of Mumbai.

Sriram (2010) concluded that MF's institutions have serious governance issues that are not being investigated. Many micro finance (MFS) institutions have entered into market in search of profit and now they are competing with their rivals for lending to the poor. However, in the process of lending, they have forgotten the needs of poor and their ability of repayment. Now, these institutions are chasing for targets and numbers. Rakshit (2010) observed that infrastructural bottlenecks and skill shortage in the rural and semi urban areas have limit down the optimal scale of credit disbursement in unorganized sector.

As (Chandrasekhar, 2011) observed that private sector banks' lending to villagers is relatively small, though they are covered under inclusive development scheme. This shows that private sector banks are reluctant to lend these people. Study made by (Subramanian, 2011) on the status of consumption expenditure and poverty in rural India pointed that per capita consumption expenditure of rural people in India was Rs. 68.69 in 1977-78, which rose to Rs.90.35 in 2004-05 by compounded growth rate 1.01%. However, the quintile consumption of the poorest 20% population was Rs.20.14 and Rs.44.90 during the same period. This shows that 20% rural population was living in extremely poor condition and neglected from the ambit of development.

IV. MACRO ECONOMIC STATUS OF NORTH EASTERN STATES OF INDIA

Macroeconomic indicators are generally used to reveal the economic strength and status of a state. Generally, it includes growth rate of state domestic product, per capita income, size of deficit in the state budget and also the burden of public debt on the state. NES have been understood as backward states in India since independence. Real per capita income is being used as the base of consumption expenditure which reveals the economic status of an individual in the each state.

TABLE 1: TRENDS IN REAL PER CAPITA INCOME AND NET STATE DOMESTIC PRODUCT (At 1999-2000 Prices)

States	Real PCI in 2007-08	Average growth rate NSDP
Assam	15,526	4.5
Arunachal Pradesh	21,582	7.3
Manipur	15,667	4.3
Meghalaya	21,597	5.6
Mizoram	20,688	6.8
Tripura	17,129*	7.2
Nagaland	22,493	8.2
NES	20,655	6.3
All India	22,581	7.1

Source: RBI Monthly bulletin April 2011. * Figure pertains to the year 2006-07.

It can be concluded from the Table 1 that among the all NES, real PCI of Assam, Manipur, and Tripura are found below the NES average real per capita income and lesser by Rs. 5000/- of the all India average real PCI in 2007-08. However, states such as Arunachal Pradesh, Meghalaya, Nagaland's real PCI remains above the NES average. Average growth rate of net state domestic product (NSDP) for the period 2000-01 to 2007-08 is recorded much below in the states of Assam; Manipur was at around 4.3%, which is even lower than NES and all India average growth rate of NSDP. It concludes that among all NES, Assam and Manipur remained on back foot due to the poor performance of agricultural and industrial sectors. In order to bring NES at equal level of all India growth rate plunk, special efforts through sectoral policy of development for these states should be implemented on urgent basis.

Table 2 reveals trends in fiscal indicators such as revenue deficit and outstanding debt. They are viewed as indicators of fiscal discipline. Gross fiscal deficit of NES reveals that in the year 2000-01, it was 6% of GSDP, which subsequently declined to 0.2% in the year 2008-09 and suddenly shot up to 10.5% due to increase in liability on account of implementation of Sixth pay commission and impact of slow down realized in India. The revenue deficit has been started declining from the year 2001-02 due to measures undertaken for fiscal consolidation that resulted into surplus in revenue from 2003-04 to 2008-09.

TABLE 2: TRENDS IN FISCAL INDICATORS OF NES (As per cent of GSDP)

Year	Gross fiscal deficit	Revenue deficit	Primary deficit	Outstanding debt
2001-02	6.0	2.0	2.5	37.3
2002-03	4.2	0.8	0.6	37.9
2003-04	3.6	-0.4	-0.1	42.2
2004-05	4.8	-0.5	1.4	43.1
2005-06	1.3	-3.4	-1.9	43.4
2006-07	-0.1	-5.2	-3.1	40.1
2007-08	0.1	-5.6	-2.6	38.8
2008-09	0.2	-6.5	-2.4	41.1
2009-10	10.5	0.7	7.5	40.3
2010-11	7.5	0.3	4.6	37.8

Source: Budget Documents of State Government and RBI Monthly Bulletin April 2011. Note: Minus (-) sign indicates surplus.

Although it is a good sign of fiscal discipline but other side of conclusion is that these states might not be spending more on social and economic schemes or may not be investing in capital assets. Surge in revenue account occurred mainly because of resources transfer from central government to NES and not because of state tax collection efforts. The portion of debt on NES is observed below the 43% of GSDP which is quite good but it also depicts that NESs are not taking risk in investing in infrastructural facilities and state enterprises.

V. BANKING NETWORK IN INDIA AND NORTH EASTERN STATES

Financial network is the main conduit of transferring resources from savers to users of the funds. It inculcates habit of thrift and act as source of income for depositors. Through this network Social safety payment and all other government payments can be given to beneficiaries. The active presence of financial network is necessary for promoting financial inclusion in underdeveloped countries (Ranjan and Zingales, 1999, Levine, 2005). According to (RBI, 2009) study, near about 49% of the total Indian population is unbanked or virtually has no access of banking facility. Insufficient institutional access to finance increases dependency on non-institutional sources of rural as well as urban population.

The Expert Group on Indebtedness (2007) have pointed that out of 90 million households in 2003, 43.4 million (48.6%) were indebted. In addition, the share of non-institutional sources rose from 32% to 39% during the period 1991-2002. This shows that despite implementing financial reforms since 1991 the dependency on money lenders and other sources have increased. The spread of banking facility is measured by looking at number of accounts of depositors and creditors.

It can be seen from the Table 3 that only 30.5% accounts of deposits were operated by rural population and remaining 70% accounts operated by urban based population. Major portion of total deposits i.e. 90.2% were coming from urban and semi-urban including metropolitan based banks. Thus, rural population does not have either access of bank or their personal income was insufficient to save. Hence, banking spread is remained confine to urban centers. Credit accounts statistics pertaining to different population groups are more or less same as the deposit account figures except the metropolitan centers which has 33.3 % credit account. To the maximum extent, credit disbursement activities were centralized at metropolitan based banks. However, rural population has an exposure of credit to the extent of only 7.5%. This shows that either banking institutions were reluctant to give credit to rural population (supply flow of credit) or there might be bottleneck in availing loans from banks in rural areas (demand flow for credit).

In the Table 4, network of bank offices in NES are shown. In the group of NES, out of total 2068 branches of different banks, 53% were located in rural areas and remaining 47% in the urban areas. However, in the states Manipur and Nagaland, number of rural braches was less than 37 in both the states but in Assam 791 were the rural branches.

TABLE 3: DEPOSITS AND CREDIT OF SCHEDULED COMMERCIAL BANKS POPULATION GROUP WISE IN INDIA UP TO MARCH 2010 (Amount in Rs. Lakh)

Population group	No. of Offices	Deposit		Credit	
		No. of Accounts	Amount	No. of Accounts	Amount Outstanding
	1	2	3	4	5
Rural	32,320 (37.2)	2241,54,850 (30.5)	420337,72 (9.2)	361,92,714 (30.5)	249276,96 (7.5)
Semi-Urban	20,601 (23.7)	1894,57,206 (25.8)	614047,18 (13.5)	268,75,601 (22.7)	319972,87 (9.6)
Urban	17,964 (20.7)	1523,22,831 (20.7)	944992,24 (20.7)	160,19,694 (13.5)	558531,01 (16.7)
Metropolitan	16,075 (18.5)	1689,34,254 (23.0)	2581651,91 (56.6)	395,59,873 (33.3)	2217388,48 (66.3)
All India	86,960 (100.0)	7348,69,141 (100.0)	4561029,05 (100.0)	1186,47,882 (100.0)	3345169,32 (100.0)

Source: 1) RBI Monthly bulletin, 2010 and Basic Statistical Returns of Scheduled Commercial Banks in India, Vol. 39, March 2010. Note: Figure in the parenthesis are percent of All India figures.

The distribution of banks in the various states of NES shows that each 19000 population has one bank against every 14000 people has one bank at all India level. This shows that strength of bank branches in NES region were insufficient to cater to the needs of local people. Among the group of NES states, Assam, Manipur and Nagaland have few bank branches per thousand populations of these states. Average number of banks according to area wise was found in the range of 3 to 4% in NES against the all India banks distribution strength. The inferences appeared from the distribution of banks area-wise can be concluded as NES region has few branches of banks that act as constraint in the process of inclusive development and financial inclusion in the region.

Indian financial system is a bank oriented and dominated by banking institutions. Therefore it is prime supplier of funds to industry, business and agricultural sectors in India. The spread of banking institutions in NES is relatively low compared to other regions of India.

TABLE 4: BANKING NETWORK IN NES

States	Banks				
	Rural	Urban	Semi-Urban	Population per bank	Total
Assam	791	364	322	21000	1477
Arunachal Pradesh	51	----	29	16000	80
Manipur	35	26	20	33000	81
Meghalaya	126	54	33	12000	213
Mizoram	54	30	14	10000	98
Tripura	114	56	59	16000	229
Nagaland	37	----	53	25000	90
NES*	1208(3.73%)	530(2.57%)	530(2.95%)	19000	2268(2.60%)
All India	32320	20601	17964	14000	86960

Source: Dept of statistics and information of Management, RBI (Latest version). 2) Basic Statistical Returns of Scheduled Commercial Banks in India, RBI, Vol. 39, March 2010..Note: * percent of All India bank offices.

We conclude from the Table 5 that banking penetration is measured by credit deposit ratio which is 27.8 % in NES when all India banking penetration ratio was 59.2% in 2001. After a span of further nine years, the C-D ratio in NES increased to 35.5% and all India C-D ratios reached to 73.3 %. No doubt, C-D ratios increased across the two periods by 7.3% in NES but all India C-D increased more rapidly than NES. Across the states of NES; Nagaland, Tripura have shown lowest C-D ratio and Mizoram has highest ratio 53.2%. Trends in C-D ratio show that the deposit and credit flows are weak in NES due to backwardness of the region caused by negligible industrialization and poor performance of agricultural sector.

TABLE 5: BANKING PENETRATION IN NES

State	C-D Ratio in per cent*	
	31 st March 2001	31 st March 2010
Arunachal Pradesh	12.7	27.5
Assam	32.8	37.8
Manipur	38.9	42.1
Meghalaya	23.5	25.6
Mizoram	16.5	53.2
Nagaland	13.8	30.3
Tripura	20.0	30.7
NES	27.8	35.5
All India	59.2	73.3

Source: Data is collected from Basic Statistical Returns of Scheduled Commercial Banks in India, RBI, Vol. 39, March 2010, However *C-D ratio is calculated by author.

VI. CONCLUSIONS AND POLICY SUGGESTIONS

The economic status of NES in context of all India financial and fiscal indicators was found extremely weak during the study period. However, it is not because of lack of natural resources and manpower but it seems to be the non-implementation of regional plan and special strategy for fostering industrial development in these states. There is ample scope for developing tourism sector in NES. The interplay between agricultural and industrial development can promote inclusive growth in these states. The spillover effect of industrialization and tourism development would act as catalyst for achieving the goal of economic inclusion in general and financial inclusion in particular in NES.

The credit deposit ratio in NES was 27.8 percent when all India penetration of banking was 59.2% in 2001. After a span of nine years, the C-D ratio in NES has improved marginally and reached to 35.5% when all India banking development denoted by C-D was 73.3 %. The rural and urban divide in respect of banking development is very extreme in NES. That has arrested the process of financial inclusion in these states. Taking into account the total branches of commercial banks in India, hardly 2.60% bank offices are located in NES to deliver services to people. This observation suggests for opening of more branches of banks along with use the network of the post offices as bank and setup more credit societies in NES for giving access of banking to people of these states. In the group of NES, number of branches of commercial banks should be increased in the states Meghalaya and Manipur since the density of bank per thousand people was found poor in these states.

To make dent over the backwardness of NES in all respect, an integrated policy of development should put in place for infrastructure development to harness the local potential so that food processing, wood products and traditional textile industries can be developed on large scale. To increase the access of NES to other parts of India, there is need to build strong air and road network which may increase the potential of marketing for locally manufactured product. At last, broad initiative is needed for stepping up agricultural productivity along with further development of horticulture, floriculture, animal husbandry is possible. All these efforts may push further the inclusive growth and financial inclusion in NES of India.

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THE EFFECTIVENESS OF MICRO FINANCE INSTITUTIONS ON SOCIO-ECONOMIC DEVELOPMENT OF WOMEN IN KARNATAKA

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ABSTRACT

Micro finance has proved its value, in many countries, as a weapon against poverty and hunger. It really can change peoples' lives for the better - especially the lives of those who need it most. In developing countries like India, access to financing and other banking services can be a major challenge for the country's poor, seeking to raise their standard of living. These people often have little, if at all, income or properties to use as collateral to secure loans from formal lending institutions like banks. For these people even small amounts of money – enough to purchase cattle or provisions for a store – can make a difference to their livelihood. Mainstream banks find it challenging to offer services to the poor because the income generated cannot cover the bank's cost of servicing the loans. Consequently, the poor are often forced to turn to informal and unregulated loan sources – moneylenders, who sometimes charge interest as high as 100% a month. The result is a cycle of endemic poverty that is almost impossible to break. The MFIs were born out of this need for timely and affordable credit to India's poor and low-income households. An attempt is made in this paper to analyze and interpret the efficiency and effectiveness of the Micro finance Institutions in terms of outreaching the poor and excluded, different types of products offered by them and socio-economic empowerment factor of women through MFIs.

KEYWORDS

Micro finance Institutions, socio-economic development, outreach, efficiency.

INTRODUCTION

A micro finance institution (MFI) is an organization that provides financial services to the poor. This very broad definition includes a wide range of providers that vary in their legal structure, mission, and methodology. However, all share the common characteristic of providing financial services to clients who are poorer and more vulnerable than traditional bank clients. During the 1970s and 1980s, the micro enterprise movement led to the emergence of nongovernmental organizations (NGOs) that provided small loans for the poor. In the 1990s, a number of these institutions transformed themselves into formal financial institutions in order to access and on-lend client savings, thus enhancing their outreach. Specialized micro finance institutions have proven that the poor are "bankable". Today, formal institutions are rapidly absorbing the lessons learned about how to do small-transaction banking. Many of the newer players in micro finance, such as commercial banks, have large existing branch networks, vast distribution outlets like automatic teller machines, and the ability to make significant investments in technology that could bring financial services closer to poor clients. Increasingly, links among different types of service providers are emerging to offer considerable scope for extending access.

REVIEW OF LITERATURE

Micro finance is a worldwide success story. Their worldwide growth in numbers has had a positive impact by providing the poor with loans, savings products, fund transfers and insurance facilities. This has helped create an encouraging socio-economic environment for many of these developing countries households. But the most challenging question here is to assess the extent of outreach to the marginalized & the poor towards alleviating poverty. The literature pertaining to the efficiency & effectiveness of Micro Finance Institutions is reviewed here.

Cheston & Kuhn (2004) in their study concluded that micro-finance programmes have been very successful in reaching women. This gives micro-finance institutions an extraordinary opportunity to act intentionally to empower poor women and to minimise the potentially negative impacts some women experiences. Tusiime Irene (2008) The major aim of the study was to examine the variables that enhance or negate the effectiveness of micro-finance institutions in improving the economic status of women in the case of Ntungamo district. The study focused on credit schemes under; services offered, loan administration, loan recovery, and interest rates by the institutions on the one hand. On the other hand, the study examined the benefits for women, their projects, challenges and their impressions on these institutions. During the research exercise, the study observed benefits, problems and other issues related to Micro finance Institutions and rural women clients. It was discovered that most of the problems that hinder service delivery are either administrative or as a result of the disadvantaged status that rural women suffer. All the repayments were to be done after one month, which makes long-term investment difficult as well as reducing the willingness to borrow sufficient funds. Others were poor information flow and concentration of branches in a few areas. On the part, the women found a problem in raising collateral as most property belongs to men. There was also the difficulty of finding enough members to qualify for a group loan. Adrian Gonzalez (2007) The main goal of the author is to explore potential drivers of costs including MFI characteristics, country infrastructure (both physical and institutional), prices and availability of inputs, doing business environment and macroeconomic variables. This research is based on a sample of 1,003 MFIs in 84 countries reporting data to the Micro finance Information Exchange, Inc. (MIX), mainly in the period 1999-2006. These MFIs represent 44 million borrowers with 21 billion USD in loan portfolio in 2006. Based on the analysis of MFIs characteristics, we found that the three main drivers of operating expense ratio (OER) are relative loan sizes, ages and scale. However, we are surprised by how quickly reductions in cost disappear after MFIs grow beyond 2,000 borrowers. For example, one of the conclusions of the paper is that in the predicted relationship between relative loan size and OER is statistically significant, strong, but decreasing for larger loan sizes as expected. In particular, an increase in the relative loan size from 10 to 20 percent of GNI per capita is expected to reduce OER over 7 percentage points, but a increase in relative loan size from 30 to 40 percent (just around the median) is expected to reduce OER just around 3 percentage points. Gutierrez, B; Serrano Cinca, C.; and Mar Molinero, C. (2007) "Micro finance Institutions (MFIs) are a special case in the financial world. They have a double financial and social role and need to be efficient at both. In this paper they tried to measure the efficiency of MFIs in relation to financial and social outputs using Data Envelopment Analysis. For the analysis of financial efficiency they relied on existing literature for traditional financial institutions. To these two indicators of social performance: impact on women, and a poverty reach index were added. They have studied the relationship between social and financial efficiency, and the relationship between efficiency and other indicators, such as profitability. Other aspects studied are the relation between social efficiency and type of institution –Non Governmental Organization (NGO), non-NGO, and the importance of geographical region of activity. The results reveal the importance of social efficiency assessment. Kartar Singh and Jain (1995) in their working paper 'Evolution and survival of SHGs: Some theoretical and empirical evidences' explained that there are four stages of group formation: forming, storming, norming, and performing. They identified the factors, which have an impact on group formation as full participation of all members, quality in leadership, some sort of homogeneity among the members, and transparency in operations and functioning of the groups

STATEMENT OF THE PROBLEM

Since women's empowerment is the key to socio economic development of the community; bringing women into the mainstream of national development has been a major concern. The concept of micro finance thus executed with the instrumentality of Self Help Groups provides a paradigm shift in the strategy for

resolving the socio-economic deprivations of the poor. It is an intermediate strategy that combines myriad issues of development experiences. It has been well recognized world over as an effective tool for poverty alleviation and improving socio-economic conditions of poor women. In India too, it is making a strong headway in its efforts to reduce poverty and empower the poor women. Against this backdrop, the present study has been carried out to assess the impact of Self Help Groups on socio-economic status of women in rural and urban areas. The study has covered the district of Bangalore, Karnataka state of India.

OBJECTIVE

To analyze and interpret the efficiency and effectiveness of the Micro finance Institutions in terms of outreaching the poor and excluded.

HYPOTHESES

H₀ = There is no effective significant impact between the effectiveness of Micro Finance Institutions and socio-economic development of women.

H₁ = There is an effective significant impact between the effectiveness of Micro Finance Institutions and socio-economic development of women

RESEARCH METHODOLOGY

To evaluate the effectiveness of MFIs in outreaching the marginalized, the researcher selected 30 Micro Financial Institutions in Bangalore District on random basis and secondary data with respect the number of women borrowers, age of MFI as On 2011, gross loan portfolio, average loan balance per borrower and total assets were collected from the published financial reports of the MFIs.

RESULTS & DISCUSSION

BRIEF PROFILE OF THE SAMPLE MFIS

SKS Microfinance Ltd (SKSMPL)	Grameen Financial Services Ltd (GFSPL)	Ujjivan Financial Services Ltd (UFSPL)
Janalakshmi Financial Services Pvt Ltd (JFSPL)	RORES Micro Entrepreneur Development Trust (RMEDT)	BSS Microfinance Bangalore Pvt Ltd (BMPL)
Sanghamithra Rural Financial Services (SRFS)	Chaitanya india financial services Ltd	Spandana Sphoorty Financial Ltd (SSFL)
Shri Kshetra Dharmasthala Rural Development Project	Bandhan Society	Bhartiya Samruddhi Finance Limited (BSFL)
Share Microfin Limited (SML)	SWAWS Credit Corporation India Pvt Ltd (SCCI)	Aadarsha Welfare Society (AWS)
Asmitha Microfin Ltd (AML)	Samasta microfinance limited	Adhikar
Cashpor Micro Credit (CMC)	Welfare services	Village Financial Services Pvt Ltd (VFSPL)
Grama Vidiyal Micro Finance Pvt Ltd (GVMFL)	Saadhana Micro finance	Rashtriya Seva Samithi (RASS)
Equitas Micro Finance India Ltd (Equitas)	Hand in Hand (HiH)	Sewa Mutually Aided Cooperative Thrift Societies Federation Ltd (Sewa)
Madura Micro Finance Ltd (MMFL)	Swayamshree Micro Credit Services (SMCS)	Centre for Rural Social Action (CRESA)

The above listed MFIs were established during the late 1990s. The legal status of the MFIs has been transformed from NGO to Non Banking Finance Corporation at present. Almost all the MFIs cater to the needs of customers ranging from ten lakh to eight million across the country. Each of these MFIs has an employee force ranging from 200 to more than thousand in numbers. The mission statement of these MFIs is to eradicate poverty by providing financial services and to transform and uplift the lives of the poor. The products and services offered by the MFIs consist of a basket of customized products to meet a wide range of customer needs. Products are continually designed and developed to enable families to build assets, generate income, protect themselves from various spikes in their cash flow and to help them become self reliant. Offering Insurance products has also become one of the recent developments.

TABLE 1: PRODUCT OFFERING

TYPE OF LOAN	RANGE (amount in INR)
Income Generating Loan	6000-25000
Family loan	1000-25000
Emergency Loans	1000-2500
Housing Loans	10000-50000
Life Insurance	Minimum 100 as Premium.

Income generating loans or Business loans in the range of 6000-25000 gives self-employed women access to financing to support their businesses (selling fruits/vegetables/ flowers, running petty shops, tailoring, etc.) Customers typically use this to finance diverse business needs such as working capital, capital equipment expenditure, vocational training, repayment of high-cost debt etc.

Family loan in the range of 1000-25000 allows low-income women to finance a range of family needs such as children's school expenses, medical care, house repairs, social and religious obligations, buying consumer durables, and the repayment of high-cost debt previously taken for family needs.

Emergency loan for about rupees 2000 is designed to meet the unforeseen emergency requirements of customers and is disbursed within 24 hours of request. Housing loans gives women financial access to pay for rental deposits, lease amounts, or for home improvements. MFIs insist on a mandatory life insurance cover for the women while spouse cover is optional.

Huge amounts of loans are disbursed from time to time to cater to the various needs of their customers and the MFIs claim that the success rate in terms of repayment varies from 95% to 99.5%, which substantiates to the fact that women are better borrowers in terms of repayment and utilization.

The interest rates for different types of loans vary for each institution. The interest rate ranges from 24% to 38%. The interest rates, fees and other charges of products and services are determined from time to time based on prevailing market rates, the organizational capacity, and government regulations. These are duly discussed and approved by the management team and the board, and subsequently communicated transparently to customers before implementation.

To examine the extent of outreach with respect to the respondents and also to measure the outreach, secondary data has been used. The number of women borrowers, age of MFI as On 2011, gross loan portfolio, average loan balance per borrower and total assets are considered as independent variables and are analyzed and the results are interpreted using the Discriminant Analysis technique.

Two groups have been formed based on the total number of women borrowers for carrying out the discriminant analysis. The following results are the consequences of Fisher's estimation for discriminating the major factors:

TABLE 2: TESTS OF EQUALITY OF GROUP MEANS

	Wilks' Lambda	F	df1	df2	Sig.
Borrowers	.908	2.837	1	28	.103
Gross Loan Portfolio (USD)	.977	.666	1	28	.421
Average Loan Balance	.978	.631	1	28	.434
Total Assets	.900	3.111	1	28	.089
Age	.714	11.199	1	28	.002

Source: Secondary Data

From The above table, the F values of women borrowers (F=2.837), gross portfolio (F=0.666), average loan balance per borrower (F=0.631), total assets (F=0.900), and age (F=11.199) are statistically significant. This implies that these five major factors are essential in determining the efficiency and effectiveness of outreach of Micro Finance Institutions to the poor.

The overall classification is also justified with the help of the following Box's M test.

TABLE 3: BOX'S M TEST FOR MFIs OUTREACH TO POOR

Box's M		128.629
F	Approximate	5.621
	Df1	15
	Df2	486.180
	Sig.	.000

Tests null hypothesis of equal population covariance matrices.

The Box's M value 128.629 and the approximate F value for the overall classification with equal population, co-variance matrixes are highly significant.

This implies that there is adequate distribution of women borrowers, Gross loan portfolio, and average loan balance per client among the MFIs.

The relationship between cluster classification and the five major factors of MFIs outreach of respondents are established in a compact domain comprising one linear discriminant function with Eigen value .591 and co-variance value 100 percent. The clusters and the factors are related through canonical correlation coefficient .610.

TABLE 4: EIGEN VALUES

Function	Eigen value	% of Variance	Cumulative %	Canonical Correlation
1	.591(a)	100.0	100.0	.610

a First 1 canonical discriminant functions were used in the analysis.

TABLE 5: WILKS' LAMBDA FOR MFIs OUTREACH

Test of Function(s)	Wilks' Lambda	Chi-square	df	Sig.
1	.628	11.845	5	.037

Source: secondary Data

The significance of the canonical coefficient is exhibited through the Wilk' Lambda value 0.628 for the function and its respective chi-square value 11.845 are statistically significant at 5 percent. This implies that there is a close relationship between different MFIs and perception about the outreach to the poor.

The contribution of different factors of the respondents and their significant role in discriminating the MFIs are identified by the following structure Matrix:

TABLE 6: STRUCTURE MATRIX OF THE MFIS OUTREACH TO THE POOR

Variables	Function
	1
Age	.822
Total Assets	.433
Borrowers	.414
Gross Loan Portfolio (USD)	.201
Average Loan Balance	-.195

Pooled within-groups correlations between discriminating variables and standardized canonical discriminant functions Variables ordered by absolute size of correlation within function.

The structure matrix table provides another way of indicating the relative importance of the variables. It shows the correlations of each variable with the discriminate function.

In determining the occurrence of the groups, the following prior probabilities are presented:

TABLE 7: PRIOR PROBABILITIES FOR GROUPS

GROUP	Prior
1	.233
2	.767
Total	1.000

Source: Secondary data

It is observed from the above table that the prior probabilities are shown at 0.233 and 0.767 respectively.

TABLE 8: CORRELATION BETWEEN MFIs AND SHG MEMBERS ON SOCIO-ECONOMIC EMPOWERMENT

		MFIs OPINION	SHG Members OPINION
MFIs OPINION	Pearson Correlation	1	.605(*)
	Sig. (2-tailed)		.037
SHG Members OPINION	Pearson Correlation	.605(*)	1
	Sig. (2-tailed)	.037	

* Correlation is significant at the 0.05 level (2-tailed).

It can be inferred from the above results that Pearson's correlation 0.605 is significant at 5 percent. Therefore the null hypothesis is rejected at 5 percent and it can be concluded that there is an effective significant impact between the effectiveness of Micro Finance Institutions and socio-economic development of women. There exists positive relationship between the MFIs and SHG members on socio-economic empowerment of women.

FINDINGS

1. Discriminant Analysis technique is used to examine the extent of outreach with respect to the respondents and also to measure the efficiency and effectiveness and the variables viz., number of women borrowers, gross loan portfolio, average loan balance per borrower, total assets and age are statistically significant.
2. The application of one sample "t" test on twelve statements of Micro Finance Institutions efficiency in outreaching the poor and empowering women is considered and the mean values are greater at 5 percent level and are significant.
3. The application of Karl Pearson's correlation reveals that there exists positive relationship between the MFIs and SHG members on socioeconomic empowerment of women.

RECOMMENDATIONS

1. There is considerable scope for development of micro finance in India since there is enormous unmet demand for financial services in this sector. Therefore, enacting fresh legislation or appropriate amendments in the existing legislation related to Micro-financial institutions is needed.
2. The micro-financing institutions need proper regulation and operation of business transactions. Therefore, RBI, SIDBI, NABARD and other organizations should evolve proper mechanism for monitoring, supervision, direction, appraisal and evaluation of micro-financial institutions as well as self help promotion institutions.

CONCLUSION

The effective organization and execution of MFIs policies is a significant instrument in the process of their outreach to the poor and influencing women empowerment. Running a successful MFI often means striking a healthy balance between outreaching the marginalized and sustaining the effectiveness of the programme. Restoring to better involvement and educating and creating a positive impact on the clients towards various aspects of their lives can solve this. The role of MFI is significant as it contributes immensely to the society especially women with respect to various factors like covering those individuals financially who are otherwise not covered by the formal banking system, creating a positive impact on the marginalized towards education, health, inculcating leadership qualities among them.

SCOPE FOR FURTHER RESEARCH

1. The role of commercial Banks in spreading the SHG and micro finance movement in different areas can be studied.
2. Comparison of performance and satisfaction of members of women SHGs with men SHGs can be undertaken.

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A STUDY OF RELATIONSHIP BETWEEN S&P CNX NIFTY AND EXCHANGE RATE

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ABSTRACT

The relationship between stock prices and exchange rates has preoccupied the minds of economists since both play important roles in influencing the development of a country's economy. Many factors, such as enterprise performance, dividends, stock prices of other countries, gross domestic product, exchange rates, interest rates, current account, money supply, employment, their information etc. have an impact on daily stock prices (Kurihara, 2006: p.376). This paper investigates the nature of relationship between stock prices and exchange rates in India. For the purpose of determining relationship between the S & P CNX Nifty and Exchange Rate (USD/INR) the techniques of correlation and regression analysis has been applied. For using the above techniques SPSS tool has been used. The results suggest that there is causal relationship between stock prices and the exchange rate and fluctuations in exchange rate affect the movement of S&P CNX Nifty.

KEYWORDS

Exchange Rate, Financial Market, Stock Exchange.

INTRODUCTION

Stock exchange and exchange rate fluctuations are the center of curiosity for researchers and businessman for a long time. Knowledge of exchange rate movement is of immense help for both exporter as well as importer, because it is directly related to company's transaction exposure. There are many concepts and theories regarding these two variables (stock exchange value and exchange rate value). This research is carried out by taking S&P CNX Nifty and exchange rate between USD and INR. The reason for selecting S&P CNX Nifty is that it tracks the behavior of a portfolio of blue chip companies, the largest and most liquid Indian securities. The reason for selecting USD and INR is that US dollar is the most readily available currency in the world and most of the trade settlement done in dollar. US dollar is called "vehicle currency" and its quote is easily available in foreign market.

LITERATURE REVIEW

Apte (2001) investigated the relationship between the volatility of the stock market and the nominal exchange rate of India by using the EGARCH specifications on the daily closing USD/INR exchange rate, BSE 30 (Sensex) and NIFTY-50 over the period 1991 to 2000. The study suggests that there appears to be a spillover from the foreign exchange market to the stock market but not the reverse.

Bhattacharya and Mukharjee (2002) studied the nature of causal relation between the stock market, exchange rate, foreign exchange reserves and value of trade balance in India from 1990 to 2001 by applying the co-integration and long-run Granger Non-causality tests. The study suggests that there is no causal linkage between stock prices and the three variables under consideration.

To examine the dynamic linkages between the foreign exchange and stock markets for India, Nath and Samanta (2003) employed the Granger causality test on daily data during the period March 1993 to December 2002. The empirical findings of the study suggest that these two markets did not have any causal relationship.

Yamini Karmarkar and G Kawadia tried to investigate the relationship between RS/\$ exchange rate and Indian stock markets. Five composite indices and five sectoral indices were studied over the period of one year: 2000. The results indicated that exchange rate has high correlation with the movement of stock markets.

STATEMENT OF PROBLEM

One question that always rotates in front of exporters and importers or an export or import dominated company is how exchange rate and stock prices of their company going to change incoming time. The various problems that they might have to face are as follows-

- How appreciation or depreciation of home currency will affect the share price of any particular company.
- How the inflow or outflow of money from home country affect exchange rate.
- Is there any relation between Indian market or stock market performance and exchange rate?
- Who will more affected because of currency fluctuations export oriented company or import oriented company
- How these two variables behaves in long run and short run.

OBJECTIVE OF THE STUDY

- To find out relationship between S&P CNX Nifty and exchange rate between US Dollar and Indian Rupee.
- To find out that how much S&P CNX Nifty is dependent on US Dollar.

HYPOTHESIS

Hypothesis means pre-thoughts .It means the particular thoughts of researcher on a topic before conducting research/study is hypothesis. The hypothesis of this study is as follows:-

- There is a casual relationship between S&P CNX Nifty and USD/INR.
- S&P CNX Nifty is dependent on USD/INR.

SCOPE OF THE STUDY

The various scope of the study is as follows-

- The finding and various concepts of this study are useful to the importer and exporter
- This study is helpful in currency trading
- Government and various financial institutes can use this concepts in making rules and regulations
- Helpful to RBI for setting monetary policies
- Helpful to figure out total demand and supply of money

SIGNIFICANCE OF THE STUDY

The various significance of the study is as follows-

- This study focuses on two very important variables of the financial market- stock index value and exchange rate.
- Knowledge of fluctuation pattern of stock index and exchange rate will be helpful for people or brokers involved in stock as well as currency trading.
- This study can be used for the forecasting of appreciation or depreciation degree of domestic currency.
- This study will be helpful in generating basics theoretical concepts about stock index movement and exchange rate.

RESEARCH METHODOLOGY

The basic objective of the research is to establish relationship between Indian Stock Market and USD/INR. The representative variables used for the study are closing values of S&P CNX Nifty and USD/INR between the periods of 1st October 2011 to 31st December 2011.

➤ The first step of the research is to find out relationship between CNX Nifty and USD/INR, for that purpose **correlation** has been used.

Formula

$$r = \frac{N\sum dxdy - \sum dx.\sum dy}{\sqrt{N\sum dx^2 - (\sum dx)^2} \cdot \sqrt{N\sum dy^2 - (\sum dy)^2}}$$

➤ After this **Linear Regression** analysis has been used. It includes any techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables. It helps one to understand how the typical value of the dependent variable changes when any one of the independent variables is varied, while the other independent variables are held fixed. In this case USD/INR has been kept constant as it depends on the Macro Economic factors and value of CNX Nifty has been kept dependent on USD/Rs.

Formula

Regression Equation $y = a + bx$

Slope (b) = $\frac{N\sum XY - (\sum X)(\sum Y)}{N\sum X^2 - (\sum X)^2}$

Intercept (a) = $\frac{\sum Y - b(\sum X)}{N}$

where,

- x and y are the variables.
- b = The slope of the regression line
- a = The intercept point of the regression line and the y axis.
- N = Number of values or elements
- X = First Score
- Y = Second Score
- ∑XY = Sum of the product of first and Second Scores
- ∑X = Sum of First Scores
- ∑Y = Sum of Second Scores
- ∑X² = Sum of square First Scores

RESULTS AND DISCUSSIONS

CORRELATIONS

		Exchange Rate	Nifty
Exchange Rate	Pearson Correlation	1	-.796**
	Sig. (2-tailed)		.000
	N	60	60
Nifty	Pearson Correlation	-.796**	1
	Sig. (2-tailed)	.000	
	N	60	60

** . Correlation is significant at the 0.01 level (2-tailed).

Interpretation: As it can be seen that the Correlation is – **0.796** which indicates that there is a negative high correlation between S&P Nifty and USD/INR and it indicates that there is an inverse relationship between S&P Nifty and USD/INR, but the value is between moderate and high therefore it can be concluded that there is a casual relationship between S&P Nifty and USD/INR.

REGRESSION

MODEL SUMMARY						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.796 ^a	.633	.627	130.4778045		
a. Predictors: (Constant), Exchange Rate						
ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1705993.333	1	1705993.333	100.208	.000 ^a
	Residual	987418.533	58	17024.457		
	Total	2693411.866	59			
a. Predictors: (Constant), Exchange Rate						
b. Dependent Variable: Nifty						

COEFFICIENTS ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	10268.277	532.115		19.297	.000
ExchangeRate	-104.486	10.438	-.796	-10.010	.000

a. Dependent Variable: Nifty

Interpretation: The above result indicates that on every single change in the value of Exchange Rate brings **0.633** changes in the value of S&P CNX Nifty, which shows that changes in the Exchange Rate affects the S&P CNX Nifty but not to a great deal, it is only about 63.3%.

FINDINGS

1. After performing the correlation between the one year values of S&P CNX Nifty and Exchange Rate (USD/INR), final correlation (r) comes out is – 0.796.
2. It shows an inverse relationship between S&P CNX Nifty and movement of Exchange Rate, but the relationship is not very significant. It is kind of moderate relationship, and on the basis of the result we can conclude that there is a casual relationship.
3. After performing the Linear Regression between the one year values of S&P CNX Nifty and Exchange Rate (USD/INR) while keeping the Exchange Rate constant, value of r^2 comes out is 0.633.
4. It shows that fluctuation in Exchange Rate does affect the movement of S&P CNX Nifty.
5. The relationship between S&P CNX Nifty and Exchange Rate (USD/INR) is only applicable in a considerable span of time.
6. It can also be explained by the demand and supply theory that as Nifty starts moving up there would be more demand of INR and consequently the value of INR will get appreciated.
7. In reverse case when Nifty drops down then demand of INR will get decreased and consequently INR got depreciated.

SUGGESTIONS

1. Exchange rate is complex variable that depends on a number of macroeconomic variables.
2. We should also consider the aggregate influence of Interest rate, inflation, money supply, central government policies etc. on exchange rate.
3. We can look at the exchange rate by dividing it in to two part- spot exchange rate and forward/future exchange rate.
4. We can also include BSE (Bombay Stock Exchange) with Nifty
5. Since exchange rate is very active variables, we should take the data for analysis of more than 1 year
6. We can also directly link the inflow or outflow of FII and DII on the stock exchange value and consequently to exchange rate
7. We can also analyze the effect of major foreign stock exchange performances i.e. Dow Jones industrial average etc. on Indian stock exchange
8. We can also analyze the effect of market sentiments on stock performances and finally on exchange rate.
9. We can also extend this study up to forecasting part of either stock index or exchange rate movement
10. Relationship is more visible or transparent only after analyzing one year data.

CONCLUSION

After conducting the research it can be concluded that, in the second last quarter of the financial year 2010-11 there is casual relationship between S&P Nifty and Exchange Rate and fluctuations in the Exchange Rate does affects the movements in S&P Nifty but not to a great deal. But it can be said that in a long run, there is a very significant relationship between stock index and exchange rate, and a bull market will attract more foreign investment and consequently there will more demand of domestic currency, more demand of local currency will cause it to appreciate and vice-versa.

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ANNEXURES**DATA OF EXCHANGE RATE AND S&P CNX NIFTY****TABLE-1**

S.No.	Date	INR/USD	Nifty Value
1	3 October 2011	49.2493	4849.5
2	4 October 2011	49.3464	4772.15
3	5 October 2011	49.2985	4751.3
4	7 October 2011	49.1782	4888.05
5	10 October 2011	48.9088	4979.6
6	11 October 2011	49.1794	4974.35
7	12 October 2011	49.0164	5099.4
8	13 October 2011	49.0932	5077.85
9	14 October 2011	49.0049	5132.3
10	17 October 2011	48.8606	5118.25
11	18 October 2011	49.1894	5037.5
12	19 October 2011	49.0984	5139.15
13	20 October 2011	50.0527	5091.9
14	21 October 2011	49.9819	5049.95
15	24 October 2011	49.842	5098.35
16	25 October 2011	49.6041	5191.6
17	26 October 2011	49.3106	5201.8
18	28 October 2011	48.7384	5360.7
19	31 October 2011	48.774	5326.6
20	1 November 2011	49.3921	5257.95
21	2 November 2011	49.3103	5258.45
22	3 November 2011	48.8946	5265.75
23	4 November 2011	49.009	5284.2
24	8 November 2011	49.5115	5289.35
25	9 November 2011	49.9315	5221.05
26	11 November 2011	49.8074	5168.85
27	14 November 2011	50.2907	5148.35
28	15 November 2011	50.6721	5068.5
29	16 November 2011	50.9784	5030.45
30	17 November 2011	50.8817	4934.75
31	18 November 2011	51.3474	4905.8
32	21 November 2011	52.2236	4778.35
33	22 November 2011	52.4709	4812.35
34	23 November 2011	52.4036	4706.45
35	24 November 2011	52.0968	4756.45
36	25 November 2011	52.1262	4710.05
37	28 November 2011	51.8121	4851.3
38	29 November 2011	52.1323	4805.1
39	30 November 2011	51.9923	4832.05
40	1 December 2011	51.6106	4936.85
41	2 December 2011	51.1679	5050.15
42	5 December 2011	51.1465	5039.15
43	7 December 2011	51.8046	5062.6
44	8 December 2011	51.6447	4943.65
45	9 December 2011	51.874	4866.7
46	12 December 2011	52.7297	4764.6
47	13 December 2011	53.297	4800.6
48	14 December 2011	54.2244	4763.25
49	15 December 2011	53.6853	4746.35
50	16 December 2011	52.5142	4651.6
51	19 December 2011	53.0316	4613.1
52	20 December 2011	52.7023	4544.2
53	21 December 2011	52.5273	4693.15
54	22 December 2011	52.8349	4733.85
55	23 December 2011	52.8601	4714
56	26 December 2011	52.7552	4779
57	27 December 2011	53.164	4750.5
58	28 December 2011	52.9791	4705.8
59	29 December 2011	52.8607	4646.25
60	30 December 2011	52.8392	4624.3

Source: www.nseindia.com & www.exchangerates.org.uk

SELF HELP GROUPS IN INDIA: AN ANALYSIS

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ABSTRACT

As per the latest survey 79 per cent of rural population does not have any access to credit. The exclusion of such vast segment of the population warranted a new form of intermediary and Self Help Groups (SHGs). SHGs are provided to be the most effective instruments for financial inclusion and also empower the poor. The Self Help Movement started more as 'social mobilization' of women for their better place in family and society rather than microfinance movement. It is observed that financial inclusion through SHG efforts has a tremendous potential. Financial inclusion is delivery of banking services at an affordable cost to the vast section of disadvantages and low income groups. It is the provision of affordable financial services, viz... access to payment and remittance facilities savings loans and insurance services by the formal financial system to those who tend to be excluded. Prof. Md. Yunus of Bangladesh first primal gated the concept of SHG in 1976 with the help of 42 poor. Later on in India some NGOs adapted in 1987 – 88, NABARD in 1991 – 92 and the leading public sector bank SBI in 1996 – 97 and so on. The study is based on secondary data to analyses the trend of growth of SHG in India. The secondary data is obtained from NABARD and various reports of other bank.

KEYWORDS

Self help groups, financial system of India.

INTRODUCTION

Credit is a basic instrument for economic development. Availability of timely adequate institutional credit with infrastructure support will improve the economic conditional of poor people. Besides participation or involvement of beneficiaries is also an important factor. A solution to these issues may be found in formation of Self help Groups (SHGs) of the needy poor people. Self-Help Groups (SHGs) from the best constituent unit of micro finance moment in India. A Self-Help Groups (SHGs) is a registered or unregistered group of micro entrepreneurs having homogenous social and economic background voluntarily, coming together to save small amounts regularly, to mutually agree to contribute to common fund and meet their emergency need on mutual help basis. SHGs play very important role in the rural economies specially the upliftment of the women because access to finance is a major problem for poor women. The SHGs generally have a minimum number of 15 members and the number not exceeding 20. The SHGs are thus able to provide banking services to their members which might not be sophisticated but are cost effective, simple, flexible accessible to their members and above all without any defaults in repayments loans. Linking SHGs to banks could help in overcoming the problem of high transaction cost, to banks providing credit to the poor, by transferring some banking responsibilities, such as loan appraisal follow-up recovery etc., to the poor themselves.

Micro finance has been hailed as a new age solution to alleviate poverty and bring economic prosperity the rural poor. In order to achieve its goal, it should be effectively able to reach the poor entrepreneurs and give them the required loans to start their own business and provide them with continuous flow of credit to sustain their business. Micro finance in order to achieve its goals should be effectively able to reach the poor entrepreneurs.

1 DIFFERENT MODELS OF MICROFINANCE

In this section, the data for the year 2009-10 along with a few preceding years have been presented and reviewed under two models of microfinance involving credit

Linkage with banks:

(i) SHG - Bank Linkage Model: This model involves the SHGs financed directly by the banks viz., CBs (Public-sector and Private Sector), RRBs and Cooperative Banks. (ii) MFI - Bank Linkage Model : This model covers financing of Microfinance Institutions (MFIs) by banking Agencies for on-lending to SHGs and other small borrowers.

MODEL-1: THE OVERALL PROGRESS UNDER SHG - BANK LINKAGE

Table : 1- Overall Progress under Micro-finance during the last three years

Particulars		2007-08		2008-09		% Growth (2008-09)		2009-10		% Growth (2009-10)	
		No. of SHGs	Amount	No. of SHGs	Amount	No. of SHGs	Amount	No. of SHGs	Amount	No. of SHGs	Amount
A. SHG-Bank Linkage Model											
Savings of SHGs with Bank as on 31 March	Total SHGs	5009794	3785.39	6121147	5545.62	22.2	46.5	6953250	6198.71	13.6	11.8
	Out of which SGSY	1203070	809.51	1505581	1563.38	25.1	93.1	1693910	1292.62	12.5	(17.3)
Bank Loans disbursed to SHGs during the year	Total SHGs	1227770	8849.26	1609586	12253.51	31.1	38.5	1586822	14453.30	(1.4)	17.9
	Out of which SGSY	246649	1857.74	264653	2015.22	7.3	8.5	267403	2198.00	1.0	9.1
Bank Loans outstanding with SHGs as on 31 March	Total SHGs	3625941	16999.91	4224338	22679.84	16.5	33.4	4851356	28038.28	14.8	23.6
	Out of which SGSY	916978	4816.87	976887	5861.72	6.5	21.7	1245394	6251.08	27.5	6.6

MODEL-2: THE OVERALL PROGRESS UNDER MFI - BANK LINKAGE

B.(1) MFI-Bank Linkage Model											(₹ in crore)	
Particulars	2007-08		2008-09		Growth during 2008-09 (%)		2009-10		Growth during 2009-10 (%)		No. of MFIs	Amount
	No. of MFIs	Amount	No. of MFIs	Amount	No. of MFIs	Amount	No. of MFIs	Amount	No. of MFIs	Amount		
Bank Loans disbursed to MFIs during the year	518	1970.15	581	3732.33	12.2%	89.4%	691	8062.74	18.9%	116.0%		
Bank Loans outstanding with MFIs as on 31 March	1109	2748.84	1915	5009.09	72.7%	82.2%	1513	10147.54	(21%)	102.6%		

Note : Actual number of MFIs provided with bank loans would be less as several MFIs could have availed loans from more than one bank.

In addition to the SHG-Bank linkage model and MFI-Bank linkage model, Small Industries Development Bank of India (SIDBI) has also supported MFIs. The details for the year 2009-10 are presented below:

B.(2) MFIs supported by SIDBI			(₹ in crore)	
	No. of MFIs	Amount		
Loans disbursed to MFIs during 2009-10	88	2665.75		
Loans outstanding against MFIs as on 31 March 2010	146	3808.20		

Source- NABARD Annual Report 2007-08, 2008-09 and 2009-2010

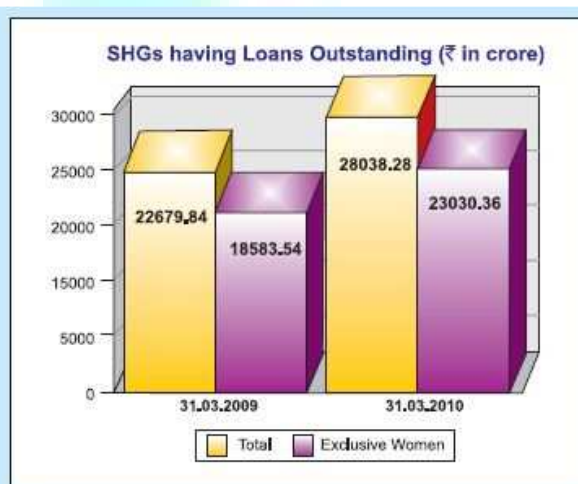
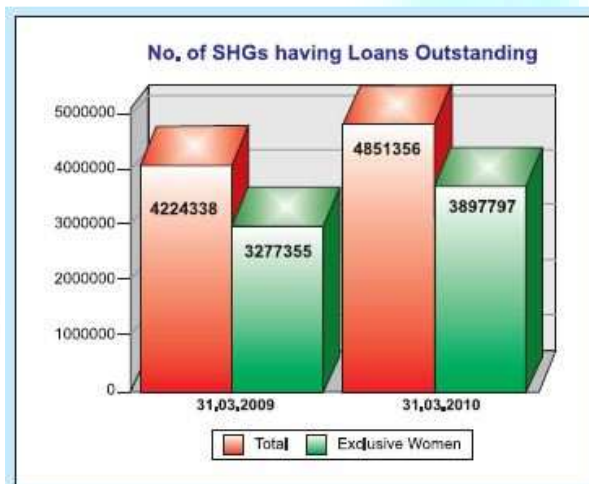
2. COVERAGE OF WOMEN SHGs

The details of total number of women SHGs saving linked, credit linked and loans outstanding for the last two years are given in table 2:

Table : 2 – Position of Women SHGs

Particulars	Year	Total SHGs		Exclusive Women SHGs		% age of women SHGs to total SHGs	
		No.	Amt	No.	Amt	No	Amt.
Saving linked SHGs	31.03.2009	6121147	5545.62	4863921	4434.03	79.5	80.0
	31.03.2010	6953250	6198.71	5310436	4498.66	76.4	72.6
Loans disbursed	2008-09	1609586	12253.51	1374579	10527.38	85.4	85.9
	2009-10	1586822	14453.30	1294476	12429.37	81.6	86.0
Loans Outstanding	31.03.2009	4224338	22679.84	3277355	18583.54	77.6	81.9
	31.03.2010	4851356	28038.28	3897797	23030.36	80.3	82.1

(Source: The status of microfinance in India 2009-10)



It may be seen that of the total number of savings linked and credit linked SHGs, exclusive women SHGs with banks were 76.4 per cent and 81.6 per cent, respectively. Further, the percentage of loans outstanding of exclusive women SHGs to loans outstanding of total SHGs which was 81.9 per cent as on 31 March 2009 has increased to 82.1 per cent a

3. SAVINGS OF SHGs WITH BANKS

This section provides disaggregated picture of the progress achieved under SHG Bank linkage programme. As on 31 March 2010, a total of 69.53 lakh SHGs were having saving bank accounts with the banking sector with outstanding savings of 6198.71 crore as against 61.21 lakhs SHGs with savings of 5545.62 crores as on 31 March 2009, thereby showing a growth rate of 13.6 per cent and 11.8 per cent, respectively. Thus, more than 97 million poor households were associated with banking agencies under SHG-Bank Linkage Programme. As on 31 March 2010, the CBs lead with savings accounts of 40.53 lakh SHGs (58.3%) with savings amount of 3673.89 crores (59.3 %) followed by RRBs having savings bank accounts of 18.21 lakh SHGs (26.2%) with savings amount of 1299.37 crores (21.0%) and Cooperative Banks having savings bank accounts of 10.79 lakh SHGs (15.5 %) with savings amount of 1225.44 crores (19.8%).

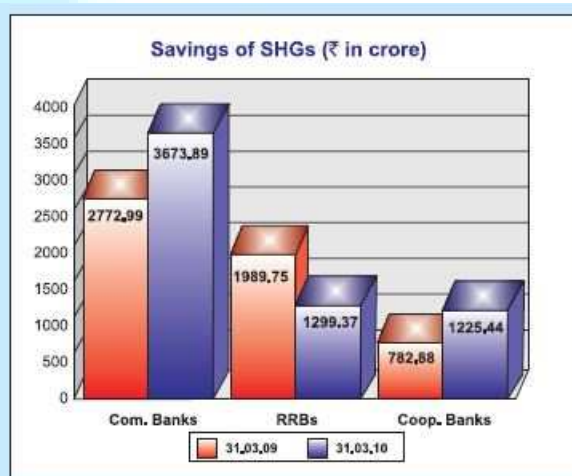
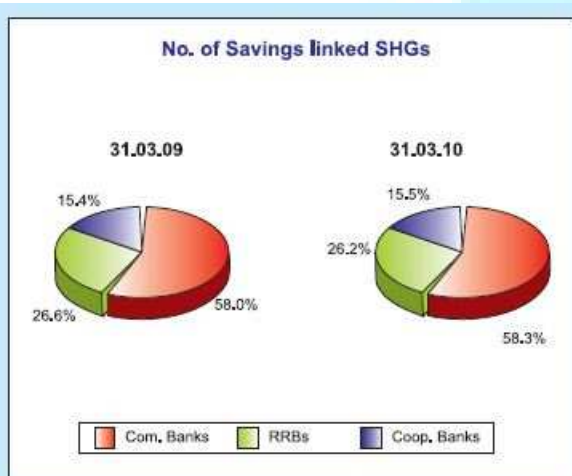
The share under SGSY was 16.94 lakh SHGs with savings of 1,292.62 crores forming 24.4 per cent of the total SHGs having savings accounts with the banks and 20.8 per cent of their total savings amount.

The agency-wise savings of SHGs with banks as on 31 March 2009 and 31 March 2010 are given in Table - 3:

Table : 3 – Savings of SHGs with Banks – Agency-wise Position

(₹ in crore)

Agency	Position as on	Total SHGs' Savings with the banks as on 31 March 2009 / 2010				Per SHG Savings (Rupees)	Out of Total : SHGs' savings with banks under SGSY	
		No. of SHGs	% Share	Amount	% Share		No. of SHGs	Amount
Commercial Banks (Public & Private Sector)	31.03.09	3549509	58.0	2772.99	50.0	7812	931422	681.60
	31.03.10	4052915	58.3	3673.89	59.3	9065	1088160	831.48
	% growth	14.2		32.5		16.0	16.8	21.9
Regional Rural Banks	31.03.09	1628588	26.6	1989.75	35.9	12218	433912	774.55
	31.03.10	1820870	26.2	1299.37	21.0	7136	462370	268.50
	% growth	11.8		(34.7)		(41.6)	6.5	(65.3)
Cooperative Banks	31.03.09	943050	15.4	782.88	14.1	8302	140247	107.24
	31.03.10	1079465	15.5	1225.44	19.8	11352	143380	192.64
	% growth	14.5		56.5		36.7	2.2	79.6
TOTAL	31.03.09	6121147	100.0	5545.62	100.0	9060	1505581	1,563.39
	31.03.10	6953250	100.0	6198.71	100.0	8915	1693910	1292.62
	% growth	13.6		11.8		(1.6)	12.5	(17.3)



Source: The status of microfinance in India 2009-10

During the year under review, the average savings per SHG with all banks had marginally decreased from 9,060 as on 31 March 2009 to 8,915 as on 31 March 2010. The decrease may be due to proper utilization of saving amount by SHGs for internal lending. It varied from 11,352 per SHG with co-operative banks to 7,136 per SHG with RRBs. As on 31 March 2010, the share of women SHGs in the total SHGs with saving bank accounts was 53.10 lakh SHGs forming 76.4 per cent as compared to the previous year's share of 79.5 per cent. The actual share of women SHGs would be more as all RRBs from Uttar Pradesh, Gujarat and Jammu & Kashmir and all Co-operative Banks from Uttar Pradesh, Gujarat, Jammu & Kashmir, Goa, Assam, Nagaland, Tripura, Mizoram, and Manipur have not reported data for women SHGs. In addition, some of RRBs viz., Marathwada Gramin Bank from Maharashtra, Assam Gramin Vikas Bank, Bihar Kshetriya Gramin Bank, Madhya Bihar Gramin Bank, Nainital Almora Kshetriya Gramin Bank and some of the Central Cooperative Banks have also not reported women SHGs data.

4. BANK LOANS DISBURSED TO SHGs

During 2009-10, banks have financed 15.87 lakh SHGs, including repeat loan to the existing SHGs, with bank loan of ₹ 14,453.30 crore as against 16.10 lakh SHGs, with bank loans of ₹ 12,253.51 crore during the 2008-09, registering a decline of 1.4% of SHGs but a growth of 17.9% in bank loans disbursed. Out of the total loans disbursed during 2009-10, SHGs financed under SGSY accounted for 2.67 lakh (16.9%) with bank loan of ₹ 2198.00 crore (15.2%) as against 2.65 lakh SHGs (16.4%) with bank loan of ₹ 2015.22 crore (16.4%) during 2008-09.

The agency-wise details of loans disbursed by banks to SHGs during the years 2008-09 and 2009-10 are given in table 4.

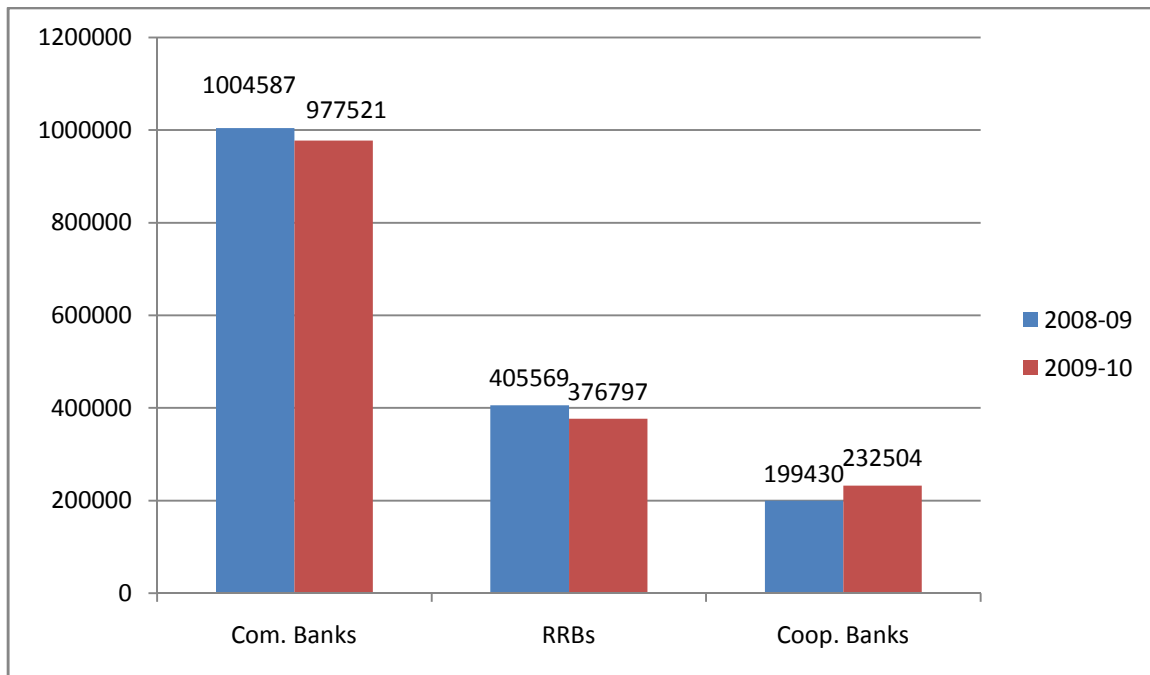
TABLE 4: BANK LOANS DISBURSED TO SHGs-AGENCY-WISE POSITION (₹ in crore)

Agency	During the year	Total loans disbursed by banks to SHGs during the year				Per SHG Loan disbursed (Rupees)	Out of total : Bank loan disbursed to SHGs under SGSY	
		No. of SHGs	% Share	Amount	% Share		No. of SHGs	Amount
Commercial Banks (Public & Private Sector)	2008-09	1004587	62.4	8060.53	65.8	80237	133117	1102.38
	2009-10 % growth	9775721 (2.7)	61.6	9780.18 21.3	67.7	100050 24.7	157560 18.4	125.50 10.3
Regional Rural Banks	2008-09	405569	25.2	3193.9	26.1	78741	81662	655.27
	2009-10 % growth	376797 (7.1)	23.7	3333.20 4.4	23.1	88461 12.3	67531 (17.3)	682.41 4.1
Cooperative Banks	2008-09	199430	12.4	999.49	8.2	50117	49874	257.57
	2009-10 % growth	232504 16.6	14.7	1339.92 34.1	9.3	57629 15.0	42312 (15.2)	300.09 16.5
TOTAL	2008-09	1609586	100.0	12253.51	100.0	76128	264653	2015.22
	2009-10 % growth	1586822 (1.4)	100.0	14453.30 17.9	100.0	91083 19.6	267403 1.0	2198.00 9.1

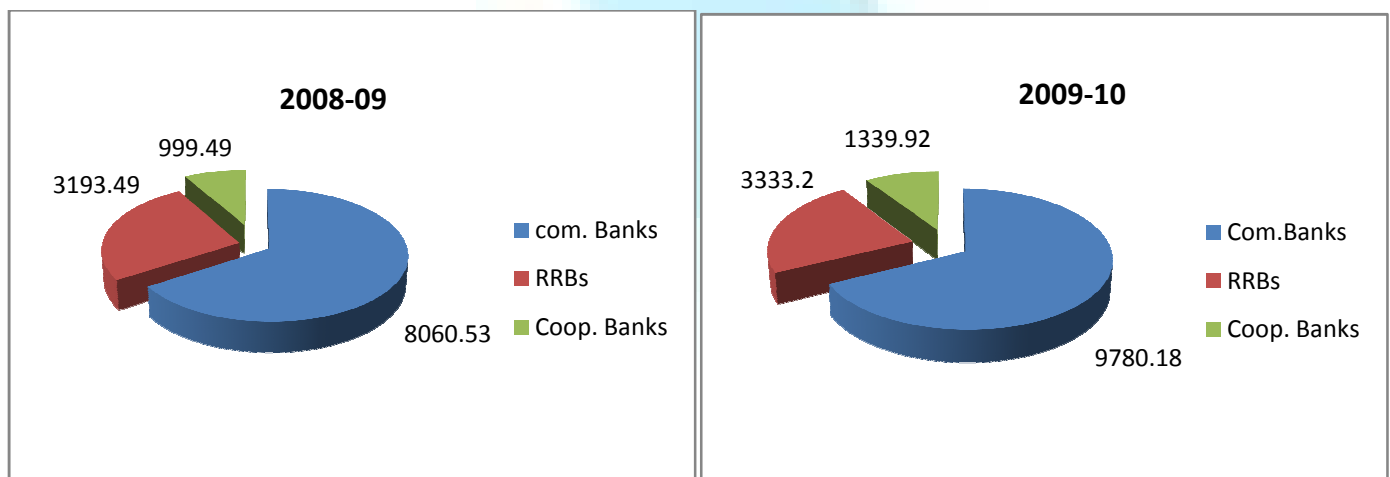
Source: Status of Micro Finance in India 2009-10

It may be observed from table-4 that always, CBs led in disbursement of loans to SHGs during 2009-10 with 61.6 percent followed by RRBs with a share of 23.7 percent and cooperative Banks with a share of 14.7 percent.

NO. OF SHGs CREDIT LINKED



LOANS DISBURSED TO SHGs (₹ IN CRORE)



During 2009-10, average bank loan disbursed per SHG was ₹ 91,083 as against ₹ 76,128 during 2008-09. The average loan per SHG ranged from of ₹ 1,00,050 per SHG by CBs to ₹ 57,629 per SHG by cooperative Banks. The state-wise and bank-wise position of disbursement of Bank loans to SHGs during the year 2009-10 is indicated at statement IV-A (i) (Public Sector CBs), IV-A (ii) (Private Sector), statement IV-C (Cooperative Banks).

5. BANK LOAN OUTSTANDING AGAINST SHGs

As on 31 March 2010, total number of 48.51 lakh SHGs were having outstanding bank loans of ₹ 28,038.28 crore as against 42.24 lakh SHGs with bank loan of ₹ 22,6798.85 crore as on 31 March 2009 representing a growth of 14.8% in number of SHGs and 23.6% in bank loans outstanding against SHGs. The share of SHGs under SGSY was 12.45 lakh SHGs (25.7%) with outstanding bank loans of ₹ 6,251.07 crore (22.3%) as against 9.77 lakh SHGs (23.1%) with outstanding bank loans of ₹ 5,861.72 crore (25.3%) as on 31 March 2009.

The agency-wise position of outstanding bank loans to SHGs for the years 2008-09 and 2009-10 are given in Table 5.

TABLE 5: BANK LOAN OUTSTANDING AGAINST SHGS-AGENCY-WISE POSITION (₹ in crore)

Agency	Position as on	Total bank loan outstanding against SHGs				Per SHG Loan O/S (Rupees)	Out of total : Bank loan outstanding against SHGs under SGSY	
		No. of SHGs	% Share	Amount	% Share		No. of SHGs	Amount
CBs(Public & Private Sector)	31.03.2009	2831374	67.1	16149.43	71.2	57037 62289 9.2	645145 798304 23.7	3961.53 4072.03 2.7
	31.03.2010 % growth	3237263 14.3	66.7	20164.71 24.9	71.9			
RRBs	31.03.2009	977834	23.1	5224.42 6144.58	23.0	53428 55658 4.2	258890 3687945 42.4	1508.10 1725.94 14.4
	31.03.2010 % growth	1103980 14.3	22.8	17.6	21.9			
Cooperative Banks	31.03.2009	415130	9.8	1306.00 1728.99	5.8 6.2	31460 33894 7.7	72852 78295 7.5	392.09 453.11 15.6
	31.03.2010 % growth	510113 22.9	10.5	32.4				
TOTAL	31.03.2009	4224338	100.0	22678.85	100.0	53689 57795 7.6	976887 1245394 27.5	5861.72 6251.07 6.6
	31.03.2010 % growth	4851356 14.8	100.0	28038.28 23.6	100.0			

Source: Status of Micro Finance in India 2009-10

It may be observed from Table 5, that following the highest disbursement, CBs also had the maximum share of 66.7 percent in outstanding bank loans to SHGs followed by RRBs with a share of 22.8 percent and cooperative Banks with a share of 10.5 percent.

The average bank loan outstanding per SHG had increased from ₹ 53,689 as on 31 March 2009 to ₹ 57,795 as on 31 March 2010. It varied between ₹ 62,289 per SHG in case of CBs and ₹ 33,894 per SHG in case of co-operative banks as on 31 March 2010.

CONCLUSION

The SHGs-Bank linkage programme has proved its efficiency as a main stream programme for banking and emerged as one of the need –based policies and programmes to cater the neglected groups of society such as women, poor and deprived section of rural areas. Micro credit based income generating activities is a good beginning opening door of credits to the marginalized poor person who were denied access to traditional channels of credit.

There were more than 69.53 lakh savings linked SHG and more than 48.51 lakh credit link SHG covering 9.7 crore poor households as on 31st March 2010, under the microfinance programme the share of outstanding bank loan to SHG as a percentage of bank loan to weaker section by scheduled commercial bank (31st March 2010) was 16.3 percentage compare to 15.8 in the previous year.

Microfinance is an intervention which tries to speed of this process in a pronged banner –improving household income by providing timely end adequate support for economic activities and sharing the responsibility of the government and of the Main stream financial section. In India micro finance is at a nascent stage with a vast potential for growth.

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8. Status of Microfinance in India 2009-10

ANALYSIS OF PRE & POST LIBERALISATION SCENARIO IN EDIBLE OILSEEDS SECTOR IN INDIA

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ABSTRACT

Edible oil is an item of mass consumption and an essential commodity; oilseeds are the basic raw material for manufacturing edible oils. Post Liberalisation there have been immense changes in the edible oil sector in India - from a country which was almost self-sufficient, it became one of the largest importer of edible oils. This paper focuses on Edible oilseeds sector and tries to find out reasons for this turnaround and tries to analyse as to what happened to our major oilseed crops like Groundnut, Soya, Sunflower, and Mustard after liberalization and whether there was any shift in cultivation, which might have impacted the Edible oil Industry. The study is based on secondary data collected from reports of Ministry of Agriculture, Government of India.

KEYWORDS

Liberalization, edible oilseeds.

INTRODUCTION

India is one of the largest producers of oilseeds in the world. India contributes about 9 per cent of the world oilseeds production, is the 4th largest edible oil economy in the world and this sector occupies an important position in the agricultural economy. Due to its vast diversity of climatic conditions, India produces various types of oilseeds. The oilseeds area and output is concentrated in Central and southern parts of India, mainly in Madhya Pradesh, Gujarat, Rajasthan, Andhra Pradesh and Karnataka. The nine major oilseeds cultivated in India are groundnut, mustard/rapeseed, sesame, safflower, linseed, niger seed, castorseed, soyabean and sunflower. Coconut is the most important source of edible oil amongst plantation crops, while in non-conventional oils, rice bran oil and cottonseed oil are the most important. Groundnut, soyabean and mustard together contribute about 85 percent of the country's oilseeds production.

REVIEW OF LITERATURE

Ndiame Diop, John Beghin and Mirvat Sewadeh¹ analyzed the Groundnut crop on a global scale in their study "Groundnut Policies, Global Trade Dynamics and the Impact of Trade Liberalization". Their study concentrated on the major Groundnut producing countries China, India, Senegal and Gambia, United States, Argentina. It analyzed the policies followed by these countries with regard to Groundnut crop and examined the effect of trade liberalization on Groundnut sector. Their study revealed that global export of edible groundnuts increased by 2.2 percent over the last 20 years, exports of groundnut oil and meal declined by 1 and 2.5 percent annually despite growing global consumption of these two products. The study found that since the mid 1990s, all major exporters had been liberalizing their groundnut sectors, to fulfill their commitments under WTO agreements.

J.W.Mattson, Changyou, Won W.Koo² examined the world markets of edible oil in their study 'Analysis of the World Oil Crops Market'. Their study revealed that, although there are many importing countries in international market, India and China are dominant countries. The demand in these countries has influenced the market dramatically. In contrast to countries like Japan, which has stable imports, imports by India and China are fluctuating in recent years. The reasons for this, were not analyzed. This research gap was taken up for the present study.

Ramesh Chand³ in his study "Impact of Trade Liberalization and Related Reforms on India's Agricultural Sector, Rural Food Security, Income and Poverty" revealed that there have been significant changes in agriculture sector with regard to imports and exports pre and post WTO. In the post WTO period, export of oil, groundnut, spices, tea, and coffee has been adversely affected.

Jayanti Kajale⁴ in her study "Magic Beans Turning into Tragic Beans: Impact of soyabean farmers in WTO regime" looked into various aspects of the edible oil sector in India and assessed the impact of international and national developments on the domestic soyabean sector. Her findings show that the crop is doing well and there has been new investment in the sector.

Devinder Sharma⁵ examined the edible oilseeds/oils sector in his article "India's Oilseed Revolution". He revealed that India achieved spectacular result from yellow revolution but after that, the initiative has been lost. He points that Government, ignoring the ground realities and following the World Bank's prescription due to its commitments under Structural Adjustment Programme, started the process of liberalization in the edible oil sector and after becoming a member of WTO it accelerated the liberalization process. He reveals that this liberalization allowed the flooding of Indian market with palm and soya oils by Malaysia, Indonesia and Brazil.

IMPORTANCE OF STUDY

Edible oil is an essential commodity and item of mass consumption. The basic raw materials for producing Edible Oils are Oilseeds. Edible oil Industry is dependent on Oilseeds sector and a vibrant Oilseeds sector goes a long way in strengthening the Edible Oil sector in leading the country towards self-reliance in Edible Oils.

OBJECTIVE OF THE STUDY

To analyze the performance of edible oilseeds sector in India in pre & post liberalization period

HYPOTHESIS

The following hypothesis is tested in this paper. 'There has been a shift in Cropping Pattern in oilseed crops Post-WTO in India'.

RESEARCH METHODOLOGY

Data: This study is based purely on secondary data which was collected from various reports of Ministry of Agriculture, Government of India.

Parameters: The parameters used for analysis are Area, Production and Yield of Oilseed crops. First, the cumulative analysis of all nine oilseeds is done, followed by in depth analysis of four major crops i.e., Groundnut, Soyabean, Rapeseed/Mustard and Sunflower.

Time Period: Area of Production, Production of Oilseeds and yield per acre in major oilseeds crops in India are analyzed for the period 1980-81 to 2004-05. The analysis is linked to the significant changes in the Indian economy. While the period of 1980-81 to 1990-91 was identified as yellow revolution period, the period 1991-1999 was recognized as Reforms and WTO transition period; similarly 2000-2005 is recognized as Post WTO period. The changes in each major oilseed crops are analysed in accordance with these periods.

Analysis Tools: The data was analyzed using simple percentages.

BACKGROUND OF OIL SEED CROPS IN INDIA**GROUNDNUT**

Groundnut botanically known as *Arachis hypogaea* belongs to leguminous family. Groundnut contains on an average 40.1 Per cent fat, 25.3 Per cent protein and is fairly a rich source of calcium, iron and vitamin B complex like thiamine, riboflavin, niacin and vitamin A.

It is believed by many historians that South America was the place, from where cultivation of Groundnut originated and spread in Brazil, Southern Bolivia and North-western Argentina. Groundnut was introduced by the Portuguese from Brazil to West Africa and then to South-western India in the 16th century. Groundnut is called as the 'king' of oilseeds. It is also called as wonder nut and poor men's cashew nut. Groundnut is the 13th most important food crop of the world. It is the world's 4th most important source of edible oil and 3rd most important source of vegetable protein. Groundnut is cultivated in more than 60 countries in the world. It is grown on 26.4 million ha worldwide with a total production of 36.1 million metric tons, and an average productivity of 1.4 metric tons ha⁻¹ (FAO, 2004).

Major groundnut producers in the world are: China, India, USA, Nigeria, Indonesia and Senegal. India is the 2nd largest producer of groundnuts after China. It is the largest oilseed in India in terms of production. The three southern states of Andhra Pradesh, Tamil Nadu, Karnataka and the western state of Gujarat together account for close to 80 per cent of the annual output in India. About 70-75 per cent of the crop is Kharif, grown during summer rainy season (planted during May-July and harvested in September-mid December). In the Rabi (winter) season planting is during mid September to November and harvesting during March and April.

SOYABEAN

Soybean is known as the "Golden Bean" of the 20th century. It is also popularly called as miracle bean. Nearly 310-320 million tons of oilseeds are produced annually, soybean production alone stands at 170-190 million tons, contributing to over 55 per cent of the global oilseeds production. During the last decade, the production of the commodity grew at the rate of 5.35 per cent at the global level. USA, followed by Brazil and Argentina are the major producing countries; India and China are among other producers.

About 82-85 per cent of the global soybean production is crushed for oil and meal, while the rest is consumed either in the form of 'bean' itself or for value-added soybean snack foods. USA, Brazil, Argentina, China and European Union countries constitute for the bulk of World's annual soybean consumption. Mexico, Japan, India and Taiwan are among the other major consumers. During the past five years', global consumption of soybean has grown at the rate of 5.25 per cent, higher than the production growth rate of 5.19 per cent. (FAO 2004)

India produces annually 5.0-5.4 million tons of soybean, it constitutes nearly 25 per cent of the country's total oilseed production. It is the second largest oilseed in India after groundnut. Commercial production of Soybean began in 1971-72 in India.

Of the total bean produced, 6-7 lakh tons goes for direct consumption in the form of 'bean' itself (sowing, human consumption as bean itself), leaving the rest of the quantity for crushing- for meal and oil. While the country imports soy oil, it is a leading exporter of meal in the Asian region.

Madhya Pradesh is the largest producer of soybean in India, contributing 65-70 per cent of the country's soybean production, followed by Maharashtra and Rajasthan. Karnataka, Uttar Pradesh, Andhra Pradesh and Gujarat also produce in small quantities.

RAPESEED/MUSTARD

Cultivation of mustard-rapeseed dates back to 2000 B.C. both in sub-tropical and tropical countries. Mustard- rapeseed plants grow all over the world but their cultivation is mainly confined to India, China, Canada, Germany, France, Australia, USA, etc. Rapeseed was cultivated in Europe since 13th century. Mustard-rapeseed is grown in more than 50 countries in Asia, Europe, America and Australia with a production at about 36778 thousands tones during 2003. (FAO)

In India, the mustard - rapeseed is the most important oil seed crop after groundnut accounting around 25 per cent of total oilseed production. It is one of the important oilseed crops of the Indo -gangetic plains. Among all types of mustard -rapeseed, Indian mustard is cultivated in Assam, Gujarat, Haryana, Himachal Pradesh, Madhya Pradesh, Orissa, Punjab, Rajasthan and West Bengal. The brown variety (Sarson) is grown in Kashmir and Himachal valley, whereas, the yellow sarson is grown in Eastern Uttar Pradesh, Assam, Bihar and West Bengal, Rajasthan, Uttar Pradesh, Haryana, West Bengal, Madhya Pradesh, Gujarat, Assam are major producers of Mustard.

SUNFLOWER

Sunflower is also another major oilseed crop in India. Sunflower or *Helianthus annuus* L. (Botanical Name) is native of southern United States, from where it was taken to Spain before the middle of the sixteenth century. Sunflower seed contains linoleic acid (an essential fatty acid); it is also an excellent source of dietary fiber, protein, Vitamin E, and minerals such as magnesium and selenium. It is high in cholesterol-lowering phytosterols, hence considered good for heart. Commercial cultivation of sunflower as an oilseed crop began in the former Soviet Union and the majority of the present day varieties grown all over the world trace back their origin to the USSR. According to FAO statistics, (2005), major sunflower seed producers in the World are Russia with 6.3 MMT, Ukraine 4.7 MMT, Argentina 3.7 MMT, followed by China and India with 1.9 MMT. Sunflower crop was one of the new oilseed crops that were introduced in the late 1960's in our country. Major Sunflower Producing States in the country are Karnataka, Andhra Pradesh, Maharashtra, and Uttar Pradesh. and Bihar.

ANALYSIS, RESULTS & DISCUSSION**AREA, PRODUCTION AND YIELD CHANGES IN MAJOR OILSEED CROPS IN INDIA DURING 1980- 81 TO 2004-05**

Area of Production, Production of Oilseeds and yield per acre in major oilseeds crops in India are analysed for the period 1980-81 to 2004-05. The analysis is linked to the significant changes in the Indian economy. While the period of 1980-81 to 1990-91 was identified as yellow revolution period, the period 1991-1999 was recognized as Reforms and WTO transition period; similarly 2000-2005 is recognized as Post WTO period. The changes in each major oilseed crops are analysed in accordance with these periods.

The parameters used for analysis are Area, Production and Yield of Oilseed crops. First, the cumulative analysis of all nine oilseeds is done, followed by indepth analysis of four major crops i.e., Groundnut, Soyabean, Rapeseed/Mustard and Sunflower.

Table 1 gives us the data relating to nine major oilseeds produced by India, it consists of data relating to Area, Production and Yield starting from 1980-81 and culminating in 2004-05.

TABLE 1: ALL INDIA AREA, PRODUCTION AND YIELD OF NINE OILSEEDS FROM 1980-81 TO 2004-05

Years	Area-Million Hectares		Production-Million Tonnes		% area under Irrigation
	Area	Production	Yield	Yield-Kg./Hectare	
1980-81	17.60	9.37	532	14.5	
1981-82	18.91	12.08	639	15.4	
1982-83	17.76	10.00	563	15.6	
1983-84	18.69	12.69	679	17.0	
1984-85	18.92	12.95	684	19.6	
1985-86	19.02	10.83	570	17.3	
1986-87	18.63	11.27	605	17.9	
1987-88	20.13	12.65	629	20.6	
1988-89	21.90	18.03	824	22.3	
1989-90	22.80	16.92	742	22.1	
1990-91	24.15	18.61	771	22.9	
1991-92	25.89	18.60	719	25.5	
1992-93	25.24	20.11	797	24.1	
1993-94	26.90	21.50	799	22.8	
1994-95	25.30	21.34	843	25.0	
1995-96	25.96	22.11	851	26.0	
1996-97	26.34	24.38	926	26.3	
1997-98	26.12	21.32	816	24.3	
1998-99	26.23	24.75	944	23.2	
1999-00	24.28	20.72	853	25.2	
2000-01	22.77	18.44	810	23.0	
2001-02	22.64	20.66	913	24.3	
2002-03	21.49	14.84	691	22.7	
2003-04	23.66	25.19	1064	24.5	
2004-05	27.52	24.35	885	NA	

Source: Various Issues of Statistics at Glance, Ministry of Agriculture, Government of India.

YELLOW REVOLUTION PERIOD AND CHANGES IN NINE OIL CROPS – AN ANALYSIS

From table 1, it can be observed that production of oilseeds in 1980-81 was 9.37 MT and it increased to 18.61 MT in 1990-91 i.e. the production doubled when compared to 1980-81.

Area of oilseeds in 1980-81 was 17.60 Mha and it increased to 24.15 Mha in 1990-91 i.e. the area increased by 40 per cent when compared to 1980-81.

Yield which was 532 kg/hectare in 1980-81, increased to 771 kg/hectare in 1990-91 i.e., yield increased by 45 per cent.

Various factors may be attributed to the performance of oilseeds in this decade; the Government took many initiatives like setting up of (1) Oilseeds Growers Co-operative Project 1979-80 on the same lines of white revolution, with NDDB being entrusted with the task of replicating white revolution in oilseeds sector. (2) Setting up of Technology Mission on Oilseeds in 1986, - it consisted of four mini missions. The first mini-mission focused on the coordination and acceleration of varietal and agronomic research on oilseed crops, with the Directorate of Oilseed Research, Hyderabad as the nodal agency. The second mini-mission centered on technological improvements in oilseed processing, with the Council for Scientific and Industrial Research as the nodal agency, and the promotion of both cooperative and private sector involvement in oilseed processing activities. The third mini-mission sought to improve the delivery of inputs and support services, particularly extension services for improved production technologies, to farmers. The fourth mini-mission focused on oilseed market development and price support operations.

*This period was also characterized by the introduction of new crops like soybean and sunflower, and improved technology was introduced in the traditional oilseeds --rapeseed-mustardseed and groundnut. New, improved seed varieties released during the 1970s and 1980s were adapted to a larger variety of agro-ecological conditions, with higher yields but also improved resistance to various diseases and moisture stress, shorter duration cycles (rapeseed: Bhavani, PT-303, TL15; and mustardseed: RH-819) which facilitated their inclusion into existing cropping systems, an additional crop. These included over 65 groundnut, rapeseed-mustard seed, 39 sesame, 23 linseed, 14 safflower, 11 sunflower, 10 castor and 10 nigerseed varieties.

Improved Irrigation was also one of the reasons. Significantly the edible oil imports were also lowered by the Government.

TABLE 2: COMPOUND GROWTH RATES IN PERCENT PER ANNUM OF NINE OILSEEDS AND TOTAL FOOD GRAINS

Years	Nine Oil Seeds			Total Food Grains		
	Area	Prdn	Yield	Area	Prdn	Yield
1981-90	2.47	5.36	2.49	-0.23	2.85	2.74

Source: Statistics at Glance-2004, DES, Min. of Agriculture, GOI

Table 2 reveals that during 1981-90, the increase in area in nine oilseeds together was more than the total food grains put together and the production of oilseeds was double than that of total food grains, however the yield per hectare of oilseeds was lower than that of all food grains put together.

Reforms and WTO transition period – analysis of changes in nine oilseed crops

The production of oilseeds in 1990-91 which was 18.61 MT decreased to 18.44 MT in 2000-01. Area of oilseeds in 1990-91 was 24.15 Mha and it decreased to 22.77 Mha in 2000-01 i.e. a decrease of 10 per cent when compared to 1990-91. Yield which was 771 kg/hectare in 1990-91, increased to 810 kg/hectare in 2000-01 i.e., yield increased by 5 per cent.

Various factors may be attributed to the fall in production, a shift in cultivation may be one of the reasons, (An observation from Table 2 and Table 3. shows that area of oilseeds has decreased) WTO oriented liberalization of edible oil sector, which led to flow of cheaper edible oils may also be a strong reason. Reduced efficacy of Government Programmes may also be another contributing factor. According to CACP Report (2006) "Post 1995-96, Technology Mission on Oilseeds & Pulses (TMOP) failed to make any meaningful impact on oilseeds production scenario, as evident from the depressed and inconsistent domestic supply, consequently the import dependence of Indian edible oil economy increased manifold during this period."

1. (M.V.R. Prasad, 1993, "Improved Agro-Economic and Management Practices for Annual Oilseed Crops in India," in R.S. Paroda and M. Rai (eds), *Oilseeds in the Asia-Pacific Region*, Bangkok, Thailand: Regional Office for Asia and the Pacific, FAO, pp. 44-58)

TABLE 3: COMPOUND GROWTH RATES IN PERCENT PER ANNUM OF NINE OILSEEDS AND TOTAL FOOD GRAINS

Years	Nine Oil Seeds			Total Food Grains		
	Area	Prdn	Yield	Area	Prdn	Yield
1991-00	0.17	1.42	1.42	-0.07	2.02	1.52

Source: Statistics at Glance-2004, DES, Min. of Agriculture, GOI

Table 3 reveals that the Area under cultivation of nine oilseeds registered a compound growth rate of 0.17 per cent in 1991-2000, which is 93 per cent less compared with 1981-90, which registered 2.46 per cent. Similarly the production of nine oilseeds registered a growth rate of 1.42 per cent per annum, which 73 per cent lower is compared with 1981-90 growth rate of 5.36 per cent.

The yield growth rate is 1.42 per cent, which is lower by 43 per cent compared to 1981-90 period.

POST-WTO AND CHANGES IN NINE OIL SEED CROPS – AN ANALYSIS

Production which was 18.44 MT in 2000-01 fell to 15.06 MT in 2002-03 and it rose to 25.19 MT in 2003-04, falling to 24.35 MT in 2004-05, it shows that oilseeds production is erratic and same trend is reflected with regard to area and yield, which are also fluctuating. However, the yield achieved in 2003-04, that is 1064 kg/hectare is the highest till date.

AREA PRODUCTION AND YIELD CHANGES IN GROUNDNUT CROP DURING 1980-81 TO 2004-05

Table 4, displays the data relating to Area, Production and Yield of Groundnut crop from 1980-81 to 2004-05.

TABLE 4.4: ALL INDIA AREA, PRODUCTION AND YIELD OF GROUNDNUT FROM 1980-81 TO 2004-05

Years	Area-Million Hectares			Production-Million Tonnes			Yield-Kg./Hectare		
	Area	Prdn.	Yield	Area	Prdn.	Yield	Area	Prdn.	Yield
1980-81	6.80	5.01	736						
1981-82	7.43	7.22	972						
1982-83	7.22	5.28	732						
1983-84	7.54	7.09	940						
1984-85	7.17	6.44	898						
1985-86	7.12	5.12	719						
1986-87	6.98	5.88	841						
1987-88	6.84	5.85	855						
1988-89	8.53	9.66	1132						
1989-90	8.71	8.10	930						
1990-91	8.31	7.51	904						
1991-92	8.67	7.09	818						
1992-93	8.17	8.56	1049						
1993-94	8.32	7.83	941						
1994-95	7.85	8.06	1027						
1995-96	7.52	7.58	1007						
1996-97	7.60	8.64	1138						
1997-98	7.09	7.37	1040						
1998-99	7.40	8.98	1214						
1999-00	6.87	5.26	766						
2000-01	6.56	6.41	977						
2001-02	6.24	7.03	1127						
2002-03	5.95	4.36	733						
2003-04	5.99	8.13	1357						
2004-05	6.64	6.77	1020						

Source: Various Issues of Statistics at Glance, Ministry of Agriculture, Government of India.

YELLOW REVOLUTION PERIOD AND CHANGES IN GROUNDNUT CROP – AN ANALYSIS

Table 4 reveals that production of groundnut in 1980-81 was 5.01 MT and it increased to 7.51 MT in 1990-91 i.e. the production increased by 50 per cent when compared to 1980-81. Area of groundnuts in 1980-81 was 6.80 Mha and it increased to 8.31 Mha in 1990-91 i.e. the area increased by 22 per cent when compared to 1980-81. Yield which was 736 kg/hectare in 1980-81, increased to 904 kg/hectare in 1990-91 i.e., yield increased by 45 per cent.

TABLE 5: COMPOUND GROWTH RATES OF GROUNDNUT IN PER CENT PER ANNUM

Years	Area	Prdn	Yield
1981-90	1.67	3.76	2.06

Source: Statistics at Glance-2004, DES, Min. of Agriculture

Table 5 shows the compound growth rates of groundnut and it reveals that area was growing at 1.67 per cent per annum, production at 3.76 per cent and yield at the rate of 2.06 per cent, this growth rate was more than that of total food grains.

This performance may be attributed to the various programmes launched by the Government like Technology Mission on Oilseeds, Oil Seed Growers Cooperative Project, and Higher Minimum Support Price for farmers, etc. added to it, the Government also kept a check on imports.

REFORMS AND WTO TRANSITION PERIOD – ANALYSIS OF CHANGES IN GROUNDNUT CROP

It can be observed from Table 4 that the production of groundnut in 1990-91 which was 7.51 MT decreased to 6.41 MT in 2000-01. Area of groundnut in 1990-91 was 8.31 Mha and it decreased to 6.56 Mha in 2000-01 i.e. a decrease of 21 per cent when compared to 1990-91. Yield which was 904 kg/hectare in 1990-91, increased to 977 kg/hectare in 2000-01 i.e., yield increased by 8 per cent.

TABLE 6: COMPOUND GROWTH RATES GROUNDNUT IN PER CENT PER ANNUM

Years	Area	Prdn	Yield
1991-00	-2.31	-1.25	1.08

Source: Statistics at Glance-2004, DES, Min. of Agriculture

Table 6 reveals the CAGR of groundnut for 1991-2000 and we can observe that the area was decreasing by -2.31 per cent every year, so also production was also decreasing at 1.25 per cent, there was also slow down in growth rate of yield.

It clearly shows that there was Shift in cultivation of crop, away from groundnut. Government of India's liberalization policy in line with WTO commitments which opened up the edible oil sector; leading to import of cheaper oils may also be one of the strongest causes for this shift. (ANNEXURES1,2)

POST-WTO AND CHANGES IN GROUNDNUT CROP – AN ANALYSIS

Production which was 6.41 MT in 2000-01 fell to 4.36 MT in 2002-03; it increased to 6.77 MT in 2004-05. This implies that production has been fluctuating. Area of groundnut which was 6.56 Million Hectares in 2000-01 fell to 5.95 Million Hectares in 2002-03; it increased to 6.77 Million Hectares in 2004-05. Yield which was 977 Kg./hectare in 2000-01 fell to 733 Kg./hectare in 2002-03, again it increased to 1020 Kg./hectare in 2004-05

AREA PRODUCTION AND YIELD CHANGES IN SOYA BEAN CROP DURING 1980-81 TO 2004-05

After groundnut, the next major oilseed crop that is analyzed is soyabean; it was one of the new crops introduced in the 1970's in India. Table 7 shows that data relating to area, production and yield of soyabean crop from 1980-81 to 2004-05.

TABLE 7: ALL INDIA AREA, PRODUCTION AND YIELD OF SOYABEAN FROM 1980-81 TO 2004-05

Years	Area	Prod.	Yield
1980-81	0.61	0.44	728
1981-82	0.48	0.35	741
1982-83	0.77	0.49	637
1983-84	0.84	0.61	735
1984-85	1.24	0.95	768
1985-86	1.34	1.02	764
1986-87	1.53	0.89	584
1987-88	1.54	0.90	582
1988-89	1.73	1.55	892
1989-90	2.25	1.81	801
1990-91	2.56	2.60	1015
1991-92	3.18	2.49	782
1992-93	3.79	3.39	894
1993-94	4.37	4.75	1086
1994-95	4.32	3.93	911
1995-96	5.04	5.10	1012
1996-97	5.45	5.38	987
1997-98	5.99	6.46	1079
1998-99	6.49	7.14	1100
1999-00	6.22	7.08	1138
2000-01	6.42	5.28	822
2001-02	6.34	5.96	940
2002-03	5.87	4.56	777
2003-04	6.50	7.85	1208
2004-05	7.57	6.87	908

Source: Various Issues of Statistics at Glance, Ministry of Agriculture, Government of India.

YELLOW REVOLUTION PERIOD AND CHANGES IN SOYABEAN CROP– AN ANALYSIS

From table 7 we can see that the area under soyabean cultivation which was just 0.61 Mha in 1980-81 is 2.56 Mha in 1990-91, this shows the phenomenal growth in area under cultivation. The growth rate is 420 per cent. Production which was 0.44 MT in 1980-81 is 2.60 MT in 1990-91. A growth of 600 per cent. Yield which was 728 kg/hectare in 1980-81 is 1015 kg/hectare an increase of 40 per cent.

TABLE 8: COMPOUND GROWTH RATES IN PERCENT PER ANNUM OF SOYABEAN

Years	Area	Prdn	Yield
1981-90	17.10	17.96	0.73

Source: Statistics at Glance-2004, DES, Min. of Agriculture

Table 8 reveals CAGR of soyabean, we can observe that it growing at 17.10 per cent per annum in terms of area, 17.96 per cent in production, however, the yield growth rate is lower at 0.73 per cent per annum, which reflects that the increase in production is due to increase in area.

REFORMS AND WTO TRANSITION PERIOD – ANALYSIS OF CHANGES IN SOYA BEAN CROP

Table 7 reveals that the area in 1990-91 is 2.56 Mha., which increased to 6.42 Mha in 2000-01, a increase of 250 per cent. Production doubled during this period. This is in sharp contrast to Groundnut, whose area has declined.

TABLE 9: COMPOUND GROWTH RATES IN PERCENT PER ANNUM OF SOYABEAN

Years	Area	Prdn	Yield
1991-00	10.23	13.06	2.56

Source: Statistics at Glance-2004, DES, Min. of Agriculture

Table 9 reveals that in the decade of 1991-2000, soyabean had CAGR of 10.23 per cent in area, 13.06 per cent in production in 2.56 per cent in yield terms. It is in sharp contrast to groundnut. Another interesting point is that the yield growth is high compared to 1981-90. Higher yield may be one of the reasons for farmers persisting with soyabean crop.

POST-WTO AND CHANGES IN SOYA BEAN CROP – AN ANALYSIS

It is observed from table 7 that area under soyabean cultivation which was 6.42 Mha in 2000-01 fell to 5.87 Mha in 2002-03, after that it shows an increasing trend, touching a figure of 7.57 Mha in 2004-05. Correspondingly, production also showed the same pattern with decrease in 2002-03 and increasing in 2004-05. However, soyabean achieved a high yield of 1208 kg/hectare in 2003-04.

AREA PRODUCTION AND YIELD CHANGES IN RAPESEED & MUSTARD CROP DURING 1980- 81 TO 2004-05

Table 10 depicts the data relating to area, production and yield for Rapeseed & Mustard crop for the period 1980-81 to 2004-05

TABLE 10: ALL INDIA AREA, PRODUCTION AND YIELD OF RAPESEED & MUSTARD FROM 1980-81 TO 2004-05

Area-Million Hectares
Production-Million Tonnes
Yield-Kg./Hectare

Years	Area	Prdn.	Yield
1980-81	4.11	2.30	560
1981-82	4.40	2.38	541
1982-83	3.83	2.21	577
1983-84	3.87	2.61	673
1984-85	3.99	3.07	771
1985-86	3.98	2.68	674
1986-87	3.72	2.60	700
1987-88	4.62	3.45	748
1988-89	4.83	4.38	906
1989-90	4.97	4.13	831
1990-91	5.78	5.23	904
1991-92	6.55	5.86	895
1992-93	6.19	4.80	776
1993-94	6.29	5.33	847
1994-95	6.01	5.76	958
1995-96	6.55	6.00	916
1996-97	6.55	6.66	1017
1997-98	7.04	4.70	668
1998-99	6.51	5.66	869
1999-00	6.03	5.79	960
2000-01	4.48	4.19	935
2001-02	5.07	5.08	1002
2002-03	4.52	3.92	866
2003-04	5.06	5.83	1152
2004-05	7.32	7.59	1038

Source: Statistics at Glance, Ministry of Agriculture, Government of India.

YELLOW REVOLUTION PERIOD AND CHANGES IN RAPESEED & MUSTARD CROP – AN ANALYSIS

Table 10 reveals that the area under Rapeseed & Mustard which was 4.11 Mha in 1980-81 is 5.78 Mha in 1990-91. This shows the growth in area under cultivation to an extent of 40 per cent. Production which was 2.30 MT in 1980-81 is 5.23 MT in 1990-91. A growth of 227 per cent, Yield which was 560 kg/hectare in 1980-81 is 904 kg/hectare an increase of 61 per cent.

TABLE 11: COMPOUND GROWTH RATES IN PERCENT PER ANNUM OF RAPESEED & MUSTARD

Years	Area	Prdn	Yield
1981-90	1.95	7.28	5.22

Source: Statistics at Glance, Ministry of Agriculture, Government of India.

Table 11 shows the CAGR of Rapeseed & Mustard during the decade of 1981-90. Area had 1.95 per cent growth per annum, while production was growing at 7.28 per cent and yield at 5.22 per cent per annum. The point of interest is the CAGR of Rapeseed & Mustard is more than that of Groundnut during the same period.

REFORMS AND WTO TRANSITION PERIOD – ANALYSIS OF CHANGES IN RAPESEED & MUSTARD CROP

It can be observed from table 10 that the area in 1990-91 is 5.78 Mha, which decreased to 4.48 Mha in 2000-01 a decrease of 22 per cent. Production also decreased by 20 per cent, from 5.23 MT to 4.19 MT. Table 12 below reflects the trends; it is observed that the CAGR of Area is 0.71 per cent, production was growing at 0.78 per cent and yield at a small .07 per cent. But the interesting fact is that there is no decline in area like the groundnut crop.

TABLE 12: COMPOUND GROWTH RATES IN PERCENT PER ANNUM OF RAPESEED & MUSTARD

Years	Area	Prdn	Yield
1991-00	0.71	0.78	0.07

Source: Statistics at Glance-2004, DES, Min. of Agriculture, GOI

POST-WTO AND CHANGES IN RAPESEED & MUSTARD CROP–AN ANALYSIS

Area, Production and Yield have shown an increasing trend in this period (except for year 2002-03, where there is decrease). Area has increased from 4.48Mha to 7.32 Mha, production has increased from 4.19 MT to 7.59 MT. Yield in 2003-04 was the highest in last two and half decades.

AREA PRODUCTION AND YIELD CHANGES IN SUNFLOWER CROP DURING 1980-81 TO 2004-05

Sunflower was one of the new oilseed crops introduced in India in late 1970's. Table 13 depicts the data relating to area, Production and yield of sunflower in India from 1990-91 to 2004-05.

TABLE 13: ALL INDIA AREA, PRODUCTION AND YIELD OF SUNFLOWER FROM 1990-91 TO 2004-05

Years	Area	Prdn.	Yield
1980-81	0.12	0.07	555
1981-82	0.28	0.16	564
1982-83	0.46	0.23	497
1983-84	0.70	0.30	431
1984-85	0.84	0.44	527
1985-86	0.75	0.28	374
1986-87	1.02	0.42	411
1987-88	1.65	0.64	385
1988-89	1.10	0.37	335
1989-90	1.19	0.63	529
1990-91	1.63	0.87	535
1991-92	2.11	1.19	565
1992-93	2.09	1.18	567
1993-94	2.67	1.35	505
1994-95	2.00	1.22	610
1995-96	2.12	1.26	593
1996-97	1.93	1.25	646
1997-98	1.74	0.89	548
1998-99	1.82	0.94	517
1999-00	1.29	0.69	538
2000-01	1.07	0.65	602
2001-02	1.18	0.68	577
2002-03	1.63	0.91	557
2003-04	2.01	1.09	539
2004-05	2.17	1.19	549

Source: Statistics at Glance, Ministry of Agriculture, Government of India.

YELLOW REVOLUTION PERIOD AND CHANGES IN SUNFLOWER CROP – AN ANALYSIS

Table 13 reveals that area under sunflower cultivation which was 0.12 Mha in 1980-81 is increased to 1.63 Mha in 1990-91. This shows a very significant growth in area under cultivation to an extent of 1350 per cent.

Production which was .07 MT in 1980-81 increased to .87 MT in 1990-91., a growth of 1250 per cent. Yield which was 555 kg/hectare in 1980-81 is reduced 535 kg/hectare an in 1990-91. The increase in production of sunflower may be attributed to area expansion.

TABLE 14: COMPOUND GROWTH RATES IN PERCENT PER ANNUM OF SUNFLOWER

Years	Area	Prdn	Yield
1981-90	25.69	21.32	-3.47

Source: Statistics at Glance-2004, DES, Min. of Agriculture, GOI.

REFORMS AND WTO TRANSITION PERIOD – ANALYSIS OF CHANGES IN SUNFLOWER CROP

Area under cultivation in 1990-91 was 1.63 Mha and it showed an increasing trend till 1995-96 and then it began to decline reaching a low of 1.07 Mha in 2000. Production also shows a similar trend of increase till 1995-96 and decline thereafter, touching 0.65 MT in 2000. The reason for decline may be attributed to liberal imports of refined edible oils after opening up of edible oil sector in 1995, in line with WTO commitments.

TABLE 15: COMPOUND GROWTH RATES IN PERCENT PER ANNUM OF SUNFLOWER

Years	Area	Prdn	Yield
1981-90	25.69	21.32	-3.47
1991-00	-2.97	-3.20	-0.24

Source: Statistics at Glance-2004, DES, Min. of Agriculture, GOI.

Table 15 reveals that there is a significant decline in Area of sunflower crop in the decade 1991-2000, just like groundnut crop. One of the reasons may be shift in cultivation from sunflower to some other crop.

POST-WTO AND CHANGES IN SUNFLOWER CROP – AN ANALYSIS

Table 13 reveals that area under sunflower cultivation is showing a growing trend, from 2001-02; it has increased from 1.18 Mha to 2.17 Mha in 2004-05. Production also is following the same trend and has increased from .68 MT to 1.19 MT in 2004-05.

CONCLUSIONS

- The decade of 1980-81 to 1990-91 was the best decade for oilseeds, which led the country towards self-reliance in Oils. This growth was achieved with the concerted effort of the Government, which started the Yellow Revolution with the help of Technology Mission on Oilseeds and Pulses (TMOP).
- During the decade of 1990-91 to 2000-01, there is significant decrease in performance of oilseeds, characterized by poor and fluctuating yields. The momentum of yellow revolution could not be sustained. This decade was characterized by liberalization of edible oil sector, which allowed cheaper imports of edible oils into the country.
- The fall of groundnut and Rise of soyabean i.e. a shift in cultivation has taken place, post-WTO.
- Only a marginal Improvement in production of Oilseeds post-WTO, compared to period of yellow revolution.
- In order to meet the demand for edible Oil for the future (2009-10) production of Oilseeds needs to be doubled.

SUM UP

This paper concentrated on the Edible Oilseeds sector and analyzed its performance spanning two and half decades beginning with 1980-81 and ending with 2004-05, it found that the decade of 1981-90 was the best for the oilseeds sector, which led the country to near self-sufficiency in edible oils; it was the period of yellow revolution. After liberalisation was initiated in the decade of 1991-2000, it was found that the momentum of yellow revolution could not be sustained and there is considerable decrease in production of oilseeds.

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ANNEXURES

ANNEXURE - 1

A chronology of measures taken by Government of India in IMPORT policy of Edible Oils is as follows:

- 1994-95: Quantitative Restrictions on import of Edible oil were removed by placing RBD Palm oil in Open General License with 65 per cent Import duty.
 1996-97: Import duty lowered to 22 per cent.
 1998-99: Further reduction in Import duty to 15 per cent.
 1999-00: Import duty raised to 16.5 per cent.
 2000:
 June: Import duty on Crude Oils raised to 25 per cent and on refined oils to 44 per Cent.
 November: Import duty on refined Palm oil raised to 71 per cent.
 2001:
 April: Import duty on crude oils raised to 75 per cent, for RBD Palm oil duty was 85 per cent, for Soyabean Oil the duty was raised to 45 per cent.
 November: Import duty on CPO reduced to 65 per cent, similarly for the refined oils like mustard, colza the duty was reduced to 50 per cent upto an aggregate of 1, 50,000 MT (TRQ)
 2003: Import duty on Refined Palm Oil and RBD Palm Oil reduced from 85 per cent to 70 per cent.
 2004: Import duty on Refined Palm Oil and RBD Palm Oil raised from 70 per cent to 75 per cent
 2005: Import duty on CPO raised from 65 to 80 per cent, and duty on RBD Palmole in raised to 90 per cent.

ANNEXURE-2: DEMAND, DOMESTIC PRODUCTION, IMPORTS OF EDIBLE OILS IN INDIA DURING 1990-91 TO 2004-05

Oil year Nov-Oct	Demand in lakh MT	Domestic Production in lakh MT	Import in lakh MT	Self-sufficiency Percentage
1990-91	60.26	54.00	6.26	90
1991-92	62.85	52.40	10.45	83
1992-93	65.59	58.10	7.49	89
1993-94	67.20	61.70	5.50	92
1994-95	69.80	62.54	7.26	89
1995-96	76.29	64.68	11.61	85
1996-97	85.06	70.90	14.16	83
1997-98	72.98	60.32	12.66	83
1998-99	95.83	69.61	26.22	73
1999-00	102.11	60.15	41.96	59
2000-01	96.76	54.99	41.77	57
2001-02	104.68	61.46	43.22	58
2002-03	90.93	47.28	43.65	52
2003-04	124.04	71.09	52.95	57
2004-05	117.10	73.10	44.00	63

Sources: Compiled from various Reports of Directorate of Vansapati, Vegetable oils and fats, Government of India.

RURAL TOURISM: A PREVENTIVE WEAPON OF SINKING URBANIZATION AND RURAL ECONOMIC DEVELOPMENT

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HOWLY

ABSTRACT

Urbanization is an index of transformation from traditional rural economies to modern industrial one. Rapid urbanization leads to massive growth of slum followed by misery, poverty, unemployment, exploitation, inequalities, degradation in the quality of urban life. This paper attempts to highlight the urbanization trends in India and also to make possible suggestion to redirect the people towards rural again. The data is collected from secondary as well as primary sources. The secondary source like census report used to know the trend of urbanization and a sample of 90 respondents selected from urban and rural area of Assam by stratified sampling method to know that what would be the suitable measure to reduce the rate of urbanization. In this respect, the scheme of Rural Tourism is tested as a preventive measure. The data have been analysed by using SPSS software and statistical tools like Tabulation, Factor Analysis and Logistic Regression technique as per requirement. It is observed from the study that Rural Tourism will play a significant role in reducing urbanization rate.

KEYWORDS

Urbanization, Migration, Rural Tourism.

1. INTRODUCTION

Urbanization is an index of transformation from traditional rural economies to modern industrial one. It is a long term process. Urbanization is a product of demographic explosion and poverty induced rural urban migration. Urbanization is occurring not due to urban pull but due to rural push. Number of urban agglomeration/ town has grown from 1827 in 1901 to 5161 in 2001. Number of population residing in urban areas has increased from 2.58 crores in 1901 to 28.53 crores in 2001.

1.1 FEATURES OF URBANISATION

- Urbanisation occurs without industrialisation and strong economic base
- Urbanisation is mainly a product of demographic explosion and poverty induced rural-urban migration
- Rapid urbanization leads to massive growth of slum followed by misery, poverty unemployment, exploitation, degradation in the quality of urban life
- Urbanisation occurs not due to urban pull but due to rural push
- Poor quality of rural-urban migration leads to poor quality of urbanization

Source (Datta Pranati: 2006)

1.2 PROBLEMS OF URBANISATION

India's urbanization is followed by some basic problems in the field of housing, slums, transport, water supply, sanitation, water pollution, air pollution, inadequate provision for social infrastructure. Class I cities such as Calcutta, Bombay, Delhi, Madras, etc. have reached saturation level of employment generating capacity, Since these cities are suffering from of urban poverty, unemployment, housing shortage, crisis in urban infra-structural services these large cities can not absorb these distressed rural migrants i.e poor landless illiterate and unskilled agriculture labourers. Hence these migrations to urban class I cities causes' urban crisis more acute. (Kundu: 1997)

2. STATEMENT OF PROBLEM

It has been observed from the different study that the trend of urbanization is increasing day by day and people from rural area to urban area moving due to lack of employment basically and it leads to increase the different problem like housing, slums, transport, water supply, sanitation, water pollution, air pollution, inadequate provision for social infrastructure. Very few studies conducted in India on the issue of how the redirection of people from urban to rural area is possible? In this treatise, this present paper is illuminate to see the recent trend of urbanization in India and also to investigate on the preventive measure by considering peoples view that result to migration of people towards rural area.

3. OBJECTIVES OF THE STUDY

The main objective of the study framed below

- To highlight the recent trend of urbanization
- To investigate on the preventive measure that results redirection of people towards urban to semi-urban area
- To examine that whether rural tourism is the significant determinant of migration

4. HYPOTHESIS OF THE STUDY

The main hypothesis of the study is outlined below

H₀: Rural tourism is not significant determinant of migration

H₁: Rural tourism is significant determinant of migration

5. RESEARCH METHODOLOGY

The present study is empirical in nature and based on primary as well as secondary data. The primary data collected through field survey and secondary data by using different census report. A detail questionnaire prepared to collect information from the respondents. In the context of present study, the universe or population comprises of all the stakeholders fall under the geographical boundary of Kamrup district of Assam. A stratified sampling technique followed while selecting the respondents. A total of 90 respondents selected randomly; thirty from Gauhati town and twenty each from three villages. The statistical software such as SPSS was used to classify the data for interpretation. The statistical techniques like Average, Trend Analysis, Factor Analysis, Correlation and Regression adopted to make interpretation.

6. ANALYSIS AND FINDINGS

I. WORLD URBANISATION

The urban population (UN, 1993) was estimated to be 2.96 billion (table 1) in 2000 and 3.77 in 2010. It was estimated that nearly 50 million people are added to the world's urban population and about 35 million to the rural population each year. The share of world's population living in urban centers has increased from

39% in 1980 to 53% in 2010. The developed countries have higher urbanization level (79% in 2010) compared with developing countries (47% in 2010). The urbanization level has almost stabilized in developed countries. Africa and Asian countries are in the process of urbanization.

TABLE 1: PERCENTAGE OF WORLD POPULATION RESIDING IN URBAN AREAS BY REGION

World/ Region	1980		1985		1990		2000		2010	
	%	In Billion	%	In Billion	%	In Billion	%	In Billion	%	In Billion
World	39.4	1.752	41.2	1.997	43.1	2.282	47.6	2.962	52.8	3.779
More Developed Region	70.2	.797	71.5	.838	72.7	.880	75.8	968	79.1	1.060
Less Developed Region	28.8	.954	31.5	1.159	34.3	1.401	40.3	1.993	46.8	2.717
Africa	27.3	.130	29.6	.164	32.0	.205	37.6	.322	44.2	.493
Asia	26.2	.678	28.6	.813	31.2	.974	37.1	1.369	43.8	1.845
Latin America	65.0	.233	68.4	.273	71.5	.315	76.6	.400	80.4	.482

Source: World Urbanisation Prospects- The 1992 Revision, United Nations, New York, 1993

II. VOLUME AND TREND OF URBANISATION IN INDIA

India shares most characteristic features of urbanisation in the developing countries. Number of urban agglomeration /town has grown from 1827 in 1901 to 5161 in 2001. Number of total population has increased from 23.84 crores in 1901 to 102.7 crores in 2001 whereas number. of population residing in urban areas has increased from 2.58 crores in 1901 to 28.53 crore in 2001. (Table 2) This process of urbanization in India is shown in Fig 1 . It reflects a gradual increasing trend of urbanization. India is at acceleration stage of the process of urbanization.

TABLE 2: POPULATION OF INDIA BY RESIDENCE

Census Years	Total Population	Number of Town	Urban Population	Urban Population
1901	238386327	1827	25851873	212544454
1911	252093390	1882	25941633	226151757
1931	278977238	2072	33455989	245521249
1951	361088090	2843	62443709	298644381
1971	598159652	2590	109113977	489045675
1981	683329097	3378	159462547	523866550
1991	844324222	3768	217177625	627146597
2001	1027015247	5161	285354954	741660293

Source: Various Census Report

III. RESPONDENT'S OPINION ON REDIRECTION OF URBANISATION

The Descriptive Statistics Table showed below exhibited that the mean score is high in case of those questions which are basically related to rural tourism and health care facility. In all those case, the score is more than 4 which express that the respondents agree with the statement. The standard deviation is also low as compared to other statement. The low value of standard deviation implies that almost all the respondent are agree with the statement and to some extent they are deviating with each other's opinion.

Table 3 Descriptive Statistics

	Mean	Std. Deviation	Analysis N
I think arrangement for rural tourism is necessary	4.12	.77	42
I will travel in rural area	3.98	.84	42
Employment can generate through rural tourism	4.12	.77	42
Government should take step for rural tourism	4.05	.79	42
I will stay in rural hotel at the time of holidays	4.05	.70	42
I will purchase local goods produced by farmers	4.17	.79	42
Poverty can be reduced through rural tourism	4.12	.74	42
I think small industry can attract people	3.76	1.05	42
More industry in rural area create more employment	3.76	.91	42
If I got job in industry in rural area i will stay there	3.69	1.24	42
If communication improved I will reside in rural area	2.90	1.05	42
Better communication will attract other people like me	2.90	1.05	42
I will take the services of rural hospital if proper facilities provide	4.12	.77	42
The environment of rural area is good for health	4.05	.79	42

In order to analyse the effect of these dimension on reduction of urbanization, the first step involved in reducing the number of statements to a smaller number of variables which could then be used for further analysis. Factor Analysis was used for this purpose.

The appropriateness of Factor Analysis for the set of statement is tested by Kaiser Meyer Olkin (KMO) and Bartlett's test. To test the reliability of scale, item-total correlation was calculated and reliability coefficient was found as 0.78. This rate shows that scale has a high reliability. For the content validity of scale expert opinion consulted. To measure sampling adequacy of research, sample adequacy was found as 0.816 as a result of KMO (Kaiser-Meyer-Olkin measuring of sampling adequacy) test, this shows that research sampling is a good criterion. In literature Kaiser value closer to the 1 is excellent, below 0.50 is not acceptable (0.90 excellent, 0.80 very good, 0.70 and 0.60 fair, 0.50 bad) (Tavsanci, 2005). In factor analysis, distribution of universe is expected to be normal. This is examined by Bartlett test. Bartlett test of significance value value was found as 0.00. All factor variance explanation rate must be over 75%.

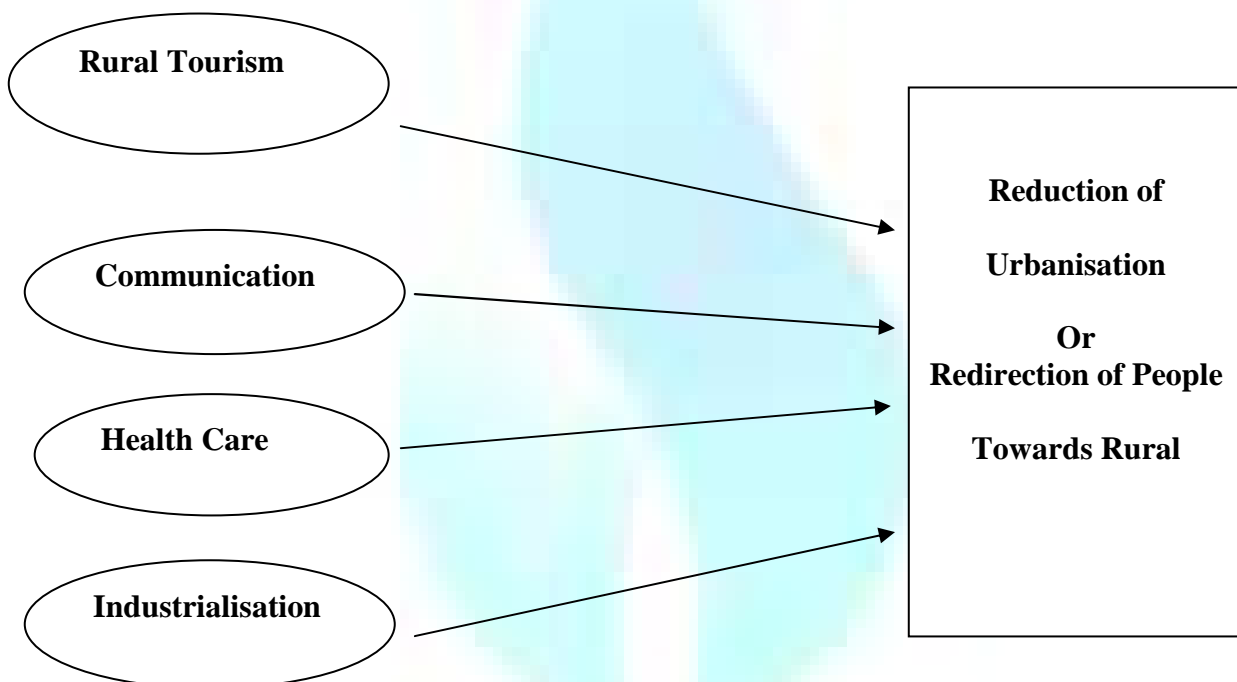
COMPONENT MATRIX

	Component			
	1	2	3	4
I think arrangement for rural tourism is necessary	.986	.534	.438	.521
I will travel in rural area	.826	.712	.174	.358
Employment can generate through rural tourism	.986	.342	.139	.390
Govt. should take step for rural tourism	.962	.416	.259	.495
I will stay in rural cottage during holidays	.918	.163	.258	.174
I will purchase local goods produced by farmers	.932	.319	.258	.163
Poverty can be reduced through rural tourism	.872	.184	.418	.495
I think small industry can attract people	.453	.922	.351	.417
More industry in rural area can create employment	.234	.882	.412	.381
If I got job in industry in rural area I will stay there	.178	.867	.145	.257
If communication improved I will reside in rural area	.423	.391	.919	.389
Better communication will attract other people like me	.318	.391	.919	.417
I will take the services of rural hospital if proper facilities provide	.321	.402	.236	.986
The environment of rural area is good for health	.162	.512	.347	.962

Extraction Method: Principal Component Analysis.

Components extracted.

The factor analysis reduced the number of independent variables in to important factors. The important factor of reduction of urbanization is shown below with the help of diagram. The variables in the factor have been selected on the basis of the highest loadings for the particular factor.



In order to find out the effect of the factors identified logistic regression analysis was done with the four important factors as the independent variables and opinion of respondents in form of yes or no taken by asking “urbanization can reduce if proper steps taken” as dependent variable.

RESULT OF LOGISTIC REGRESSION ANALYSIS

	Regression Coefficient (θ)	Sig. Std. Error
(Constant)	.503	.014
Factor-1	.923	.027
Factor-2	.574	.134
Factor-3	.229	.251
Factor-4	2.781	.189

R²= .478

The mechanism like improving communication linking to rural area, developing more small and medium industry and improving health care facility; by providing and constructing modern hospital with skilled doctor and fully modern equipped laboratory to some extent the rate of urbanization can be reduced. But these mechanisms become statistically insignificant at 5% level. The scheme of rural tourism becomes statistically significant at 5% level. The tourism industry is one of the important factors causing alleviation of poverty, job- creation and social interaction, and is included among low cost and pure activities in the countries. Rural tourism means the rural area arranged in such a way that peoples visit for taking entertainment and passing holidays and leisure. Rural tourism includes:

- **Agri-Tourism:** Tourism on the farms enables farmers to diversify their activities while enhancing the value of their products and property. Farm tourism also helps to reconcile farming interests and environmental protection through integrated land management in which farmers continue to play a key role. Tourists who choose farm accommodation rather than other kinds of accommodation facilities look for genuine rural atmosphere where they can share intimacy of the household they live in, learn traditional crafts and skills with their hosts, make friends which is a quality, modern times have almost forgotten and above all enjoy home made food and drinks. Some specific food labels can help consumers establish a local produce and can be used as a selling point to tourist who want to taste home grown quality food and drink.

• **Heritage and cultural Tourism:** Heritage and cultural Tourism in rural areas comes in a wide range of forms most of which are unique to an individual local and a valuable component of the rural tourism product. Heritage and cultural tourism includes temples, rural buildings but may be extended to local features of interest including war remnants, monuments to famous literary, artistic or scientific people, historic remains, archeological sites, traditional parkland etc.

• **Eco Tourism:** Many tourists visit rural areas for the purpose of bird and animal watching and learning about local flora and fauna. Rural tourist destination as a product is definitely very fragile in ecological, social and cultural sense. Its development requires very specific approach that could help it remain sustainable in the long term.

Rural tourism can become more popular if cottage, planned fishery, play ground and market are constructed. The pond with boating facility and garden will highly attract the visitors. Rural tourism is only system which can serve multi objective like creation of job for unemployed youth, demand for traditional or rural goods, and redirection of people towards urban resulting into low urbanization.

7. CONCLUSION

In this study, an attempt has been made on the recent mechanism of reduction of rate of urbanization with the help of survey considering respondents view. According to the respondent the scheme like improving communication, better health care facility, providing education and establishing more industry can reduce the rate of urbanization. But these schemes become statistically insignificant effect when analysed by statistical technique of logistic regression analysis. It may be because of lack of respondent faith on government work. But the scheme of rural tourism becomes significant effect on reduction of urbanization. Rural Tourism provides employment, market for local farmers, and redirection of people towards rural area.

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SMEs RISING IN INDIA: AN OVERVIEW

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ABSTRACT

SMEs occupy an important and strategic place in the economic growth and equitable development in all countries. They are viewed upon as a powerhouse of employment, innovation and entrepreneurial spirit. In both industry and service, almost 90% of enterprises are in the SME sector. SMEs are the driving force behind a large number of innovations and contribute to the growth of the national economy through employment creation, investments and exports. The future of SMEs seem to be the driving force to build the industrial sector in a totality with a bonus of the Indian Government help which it has got since independence. The post-liberalization era in the Indian economy has enhanced opportunities and challenges for the SMEs in India where opportunities are high in contribution to domestic production, heavy export earnings with minimum investments, operational flexibility, and location wise mobility. The darker side for SMEs is equally important to understand in this price competitive market. A classic way of dismantling the business of the SME's is the Predatory Pricing Policy. This is the easiest way of killing the profit earned by SMEs by other big established corporate and Brands. Other important factors affecting the growth of the SMEs is the Guerrilla marketing strategies now also being adopted by large corporate and brands. So although there's a lot to cheer for the SME's but it's not always been hanky dory for them. Target marketing of customers were also highlighted as a key issue. SMEs need to overcome their problems and enhance their access to new technologies for increasing their competitiveness in the international market. For this, the Government and Banking sector have an important part to play & take a proactive role of identifying and encouraging new entrepreneurs. They must come forward to remove the bottlenecks faced by the SMEs at National & International level.

KEYWORDS

Guerrilla marketing, Predatory Pricing Policy, Price competitive market, Target marketing, Technological innovation.

INTRODUCTION

It has always been a well-debated topic to define the small and medium enterprises as every country has their own definition for a SME, but in India, these issues have been recently ratified. According to the newly enacted Micro, Small and Medium Enterprises Development Act 2006, Small and Medium enterprises are classified according to the following criteria:

- Small enterprises are those undertakings where investment in manufacture or production of goods is within a range of Rs. 25 Lac to Rs. 5 Crore, whereas investment in rendering or providing of services is within Rs. 10 Lac to Rs. 2 Crore.
- Medium enterprises are those undertakings where investment in manufacture or production of goods is within a range of Rs. 5 Crore to Rs. 10 Crore, whereas investment in rendering or providing of services is within Rs. 2 Crore to Rs. 5 Crore.

Now, within the last few years many developed and developing countries have realized the importance of this sector. It has become the driving force behind a large number of innovations and contributes to the growth of the national economy through employment creation, investments and exports. SME plays a very important role in developing the economy of India, generating employment opportunities, raising exports, developing entrepreneurial skills and above all providing various items of daily use at an affordable cost. The future of SMEs seem to be the driving force to build the industrial sector in a totality with a bonus of the Indian Government help which it has been enjoying since independence.

The darker side for SMEs is equally important to understand in this price competitive market. A classic way of dismantling the business of the SME is Predatory Pricing Policy. This is the easiest way to kill the profit earned by SMEs by other big established corporate and Brands. Other important factors affecting the growth of the SMEs is the Guerrilla marketing strategies now being adapted by large corporate and brands. So although there's a lot to cheer for the SME's but it's not always hanky dory for them. Target marketing of customers was also highlighted as a key issue. Deciding who to target, how to attract them and how to deliver them are mentioned as important issues. Recruiting and developing talent and leaders is also seen as vital, followed by the need to become increasingly efficient and drive out costs. But clearly the issue of where to find the necessary talent to sustain and grow the business came out as the top issue. Besides these, SMEs has been facing problems in accessing technology and maintaining competitiveness due to poor adaptability to changing trends, poor financial situations, and non-availability of technically trained human resources.

This paper will discuss about all those opportunities and challenges for the SMEs in the development of Indian economy.

LITERATURE REVIEW

There is ample empirical evidence that SMEs are present in all countries across the globe. The contribution of SMEs to GDP in China is 60%, Germany 57%, Japan 55%, Korea 50% & Malaysia 47%². With the advent of planned economy from 1951 and the subsequent industrial policy followed by the Government of India, both planners and Government earmarked a special role for SMEs in the Indian economy. Due support and backup was given to the SMEs till the nation adopted a policy of globalization. Their role is to contribute to the growth of the national economy through employment creation, raising investment and exports, developing entrepreneurial skills and above all providing various items of daily use at an affordable cost. The main problems faced by the SMEs are low technology adoption due to lack of capital, low bargaining power, lack of collaterals, poor credit rating, poor business plan and lack of organizational structure. Despite of these limitations, the SMEs have made significant contributions towards technological development and exports like Food Processing, Agricultural Inputs, Chemicals & Pharmaceuticals, Engineering; Electricals; Electronics, Electro-medical equipment, Textiles and Garments, Plastics products etc. Apart from these, there are many opportunities and challenges lying in the pipeline for SMEs.

OBJECTIVE OF THE STUDY

1. To analyze the contribution of SMEs
2. To understand the present scenario of the SMEs
3. To identify the opportunities and challenges for the SMEs
4. To identify their weaknesses and problems & provide them with proper suggestions.

² SME World, SEMINARY - Special Supplement, Oct-Dec'2011: "Literature Review of "Innovative Financing for SMEs"

NEED FOR THE STUDY

Presently SMEs have undergone major changes but still they are facing lots of problems in operating their business. Their services and contribution towards the economic development and growth cannot be denied. Hence the study was undertaken to identify the weakness, opportunities and challenges for the SMEs & provide them with proper suggestions.

RESEARCH MEHODOLOGY

This study is based on secondary data. Data has been collected from books, websites, journals, newspaper and magazines. Data were collected to identify the opportunities and challenges and to give suggestions to the problems of SMEs.

MAJOR SMES IN INDIA³

The following are some of the major SMEs in India:

Sr. No	Name	City	Rating Assigned	Date Assigned	Constitution
1	G.Sankar Timber Depot	Rajapalayam	SME 4	9-Jan-12	Others
2	Glochem Industries Limited	Hyderabad	SME 4	9-Jan-12	Public Limited
3	Thermal Systems (Hyderabad) Private Limited	Hyderabad	SME 2	9-Jan-12	Private Limited
4	Zeon Lifesciences Limited	New Delhi	SME 4	9-Jan-12	Others
5	Electrical Lines	Secunderabad	SME 4	5-Jan-12	Proprietorship
6	Marketing Times Automobiles Private Limited	New Delhi	SME 3	5-Jan-12	Private Limited
7	Ragunath Exports Private Limited	Kolkata	SME 3	5-Jan-12	Private Limited
8	Rite Developers Private Limited	Mumbai	SME 3	5-Jan-12	Private Limited
9	Swam Pneumatics Private Limited	Noida	SME 1	5-Jan-12	Private Limited
10	Asian Fabricx Private Limited	Karur	SME 1	30-Dec-11	Others

Source: CRISIL SME Ratings - <http://www.crisil.com/ratings/sme-rating-list.html>

The above ratings are entity specific and indicate the SMEs overall performance, credit worthiness, business risk, management risk and financial strength in comparison with other SMEs. It is an Eight-point scale (SME 1 to SME 8) that indicates the credit worthiness of a particular SME in comparison with other SMEs which is valid for one year from the date of being assessed. It is subject to no significant changes/ events occurring during this period that could materially affect the business or financial parameters of the organization. SME 1 symbolizes highest, SME 2 high, SME 3 above average, SME 4 average, SME 5 below average, SME 6 inadequate, SME 7 poor, SME 8 default in terms of credit worthiness and sustainability.

OPPORTUNITIES & CHALLENGES FOR SMEs**FINANCING SMES IN INDIA**

SMEs are vital and key sources of economic growth for developing countries like India as it plays a key role in creating new jobs. Financing SMEs is critical to help them set up their business, smooth running of their operations, innovating new products & line of business, expansion and diversification, as they often face problems to obtain finance from banks, capital markets or other suppliers of credit.

SIDBI (Small Industries Development Bank of India) was set up to act as the principal financial institution for the promotion, financing, development of SMEs in India. It also co-ordinates with other financial institutions engaged in this type of activities. Over the years SIDBI has supported the SMEs immensely so as to enable them to adapt to the fast changing environment. Further it has also eradicated the problem of lack of financial assistance which had always been a major issue.

Some major initiatives of SIDBI include:

- Reducing the risk perception of banks in lending collateral free credit to SMEs
- Providing direct and indirect finance that comprises of direct credit scheme, technology up-gradation fund, etc
- Providing assistance in bill financing and refinancing which include Mahila Udyam Nidhi Scheme, National Equity Fund Scheme, technology up gradation fund, etc.
- Helping in microfinance and fixed deposits for setting up new projects, expansion, diversification, modernization, technology up gradation, quality improvement, strengthening marketing capabilities of SMEs.
- Other initiatives include- Equipment Finance Scheme, Venture Capital Scheme, Micro Credit Scheme, ISO 9000 Scheme etc.

The other financial institutions which assist's in the development of the SMEs are commercial banks, Regional Rural Banks, State Financial Corporation (SFC), Small industries and development Corporation (SIDC), National Small Industries Corporation (NSIC), National Bank for Agriculture & Rural Development (NABARD), Industrial Credit and Investment Corporation of India (ICICI), YES bank and Government & RBI. ICICI Bank also bagged the "Best Bank in SME financing (Private Sector)" at the Dun and Bradstreet Banking awards.

AVAILABILITY AND ACCESS TO FINANCE THE SMES

SME sector has emerged to be the nation's economic growth engine. To sustain the growth, expansion of delivery of credit is of vital importance. The government is taking various measures to improve the delivery of credit to SMEs. The government has also set up a Credit Guarantee Fund to provide relief to those small entrepreneurs who are unable to pledge collateral security. The various ways of financing the SMEs are Cash Credit, sub-ordinated loans, participation loans or similar, financing instruments, equity, grants or subsidized bank loan, bank loan, trade credit, leasing or hire purchase or factoring, bank overdraft, credit line or credit cards overdraft etc.

OTHER ASSISTANCE AND SUPPORT SERVICES

Apart from the above financial assistance for the Indian SMEs, some other support services are also provided to them for their development and expansion to compete with big corporate and brands in the global economy. To name few services like domestic and export business development; entrepreneurship development; promotion branding, design, development and launch of product and service; quality improvement to meet the global standards; assistance and support in revival of sick units; assistance to participate in the international exhibitions, trade fairs and conferences, were included.

According to the CEO of the first SME-focused exchange in the country, Lakshman Gugulothu, "Small and medium enterprises have huge listing potential once the BSE SME Exchange commences operations". He also added in a seminar that "so far, there have been only debt-financing options, without any access to alternate equity options and there is a general lack of awareness among SMEs about equity capital, stock market and funding options other than banks."⁴ So a lot of awareness is needed to be created about equity capital and stock market to resolve the serious start-up issue of a lack of initial liquidity which will encourage the innovative and entrepreneurial spirit.

³ SME Rating List on the basis of date assigned by CRISIL

⁴The Economic Times December 4, 2011 "Huge potential for listing on BSE SME Exchange: Lakshman Gugulothu"

QUALIFIED WORK FORCE

There has been a sudden transformation in the scale and scope of activities in the SMEs of India. This growth rate of business needs to be supported with a parallel growth of qualified, skilled and trained manpower. Attracting and retaining talent is a major problem faced by SMEs in all the sectors. There is a need to incorporate a high degree of professionalism in the functioning and approach of SMEs in this business.

In recent years, things have improved with SMEs in this front, as more qualified people are willing to work for them. This change is also noticeable especially in India with growing number of B-schools and more number of people opting for such courses. However, the major problem lies with their retention policy as most of the SMEs do not have any proper HR guidelines to take care of employee retention and welfare. This is one major factor leading to more attrition in SMEs.

A comparative study⁵ shows the distribution of workforce in SMEs in respect to their age where it can be safely concluded that most of the employees fall between the age group of 21-30 years. This means that the employees are lacking in motivation to work for these SMEs in turn increasing the overall attrition rate of this industry.

GROWTH OF SMEs OVER THE YEARS & ITS CONTRIBUTION TO THE INDIAN ECONOMY

SMEs sector has emerged as a dynamic and vibrant sector of the economy. Today, it accounts for nearly 35% of the gross value of output in the manufacturing sector and over 40% of the total exports from the country. In terms of value added, this sector accounts for about 40% of the value added in the manufacturing sector. The sector's contribution to employment is the second highest, next to agriculture.

The SMEs sector has grown rapidly over the years. The growth rates during the various plan periods have been impressive. The numbers of small-scale units have increased from an estimated 6.79 million units in the year 1990-91 to over 13 million in the year 2007-08. When the performance of this sector is viewed against the growth in the manufacturing and the industry sector as a whole, it instills confidence in the resilience of the SMEs sector.

Source: <http://www.smeworld.org/story/features/role-of-smes-sector-in-the-emerging-indian-economy.php>

AVERAGE TURNOVER OF SMEs

Over 55% of the companies have an annual turnover of less than Rs. 100 million, with investments of less than Rs 20 million. 35% are earning over Rs 100 million but less than Rs 500 million. Of the remaining 10% companies which have an annual turnover between Rs 500 million and Rs 1,000 million, the public limited and private limited companies dominate with a share of 52% and 26% respectively.

REGION WISE COMPANY LISTING - EAST REGION				
Sr no	Company Name	City/District	No of Employees	Turnover Range
1	Samarth Engineering Company Private Limited	Jamshedpur	76	Upto Rs 100 Mn
2	Arvind Engineering Industries Limited	Kolkata	200	Rs 100.1 to 250 Mn
3	Baldeo Das Gajanand Auto Spares Private Limited	Kolkata	12	Upto Rs 100 Mn
4	Coventry Spring & Engineering Company Limited	Kolkata	145	Rs 100.1 to 250 Mn
5	Dey's Engineering Works	Kolkata	NA	Upto Rs 100 Mn
6	Kejriwal Alloys & Metals Private Limited	Kolkata	NA	Rs 250.1 to 500 Mn
7	Marco Polo Products Private Limited	Kolkata	20	Upto Rs 100 Mn
8	Paracoat Products Limited	Kolkata	200	Upto Rs 100 Mn
9	Ramkrishna Forgings Limited	Kolkata	790	Rs 500.1 to 1000Mn
10	Vijayshree Industries Private Limited	Kolkata	200	Upto Rs 100 Mn
11	Vikrant Forge Limited	Kolkata	120	Rs 100.1 to 250 Mn
12	West Bengal Corporation	Kolkata	20	Upto Rs 100 Mn

Source: http://www.dnb.co.in/smes/company_listing.asp?q=region&rgname=East Region

REGION WISE REVENUE LISTING - WEST REGION				
Sr no	Company Name	City/District	No of Employees	Turnover Range
1	Bhagwati Autocast Limited	Ahmedabad	186	Rs 250.1 to 500 Mn
2	Precision Autowares Limited	Ahmedabad	115	Rs 100.1 to 250 Mn
3	Varun Radiators Private Limited	Ahmedabad	43	Upto Rs 100 Mn
4	Acey Engineering Private Limited	Bilimora	NA	Rs 100.1 to 250 Mn
5	C M Smith & Sons Limited	Nadiad	412	Rs 250.1 to 500 Mn
6	Amul Industries Private Limited	Rajkot	378	Rs 500.1 to 1000Mn
7	Bhavani Industries	Rajkot	180	Rs 500.1 to 1000Mn
8	Durga Forge Private Limited	Rajkot	34	Upto Rs 100 Mn
9	Fine Brakes	Rajkot	25	Upto Rs 100 Mn
10	Forge and Forge Private Limited	Rajkot	200	Rs 250.1 to 500 Mn
11	K S Diesels Limited	Rajkot	300	Upto Rs 100 Mn
12	Silver Forge Private Limited	Rajkot	45	Upto Rs 100 Mn
13	BIL Metal Industries Limited	Vadodara	300	Rs 250.1 to 500 Mn
14	Standard Radiators Private Limited	Vadodara	150	Rs 250.1 to 500 Mn
15	Vikrant Auto Suspensions	Vadodara	250	Rs 250.1 to 500 Mn
16	Klassic Wheels Private Limited	Ahmednagar	150	Rs 100.1 to 250 Mn

Source: http://www.dnb.co.in/smes/company_listing.asp?q=region&rgname=West Region

⁵ Source: www.zenithresearch.org.in International Journal of Multidisciplinary Research Vol. 2 Issue-1, Jan 2012

REGION WISE REVENUE LISTING - NORTH REGION				
Sr no	Company Name	City/District	No of Employees	Turnover Range
1	Beta Industrial Products	Delhi	NA	Upto Rs 100 Mn
2	Car International	Delhi	35	Upto Rs 100 Mn
3	Jagdish Sethi Welding & Engineering Works	Delhi	6	Upto Rs 100 Mn
4	Luman Auto Light Private Limited	Delhi	34	Rs 100.1 to 250 Mn
5	Luminous Auto Light Private Limited	Delhi	NA	Rs 500.1 to 1000Mn
6	Meko Auto Private Limited	Delhi	100	Upto Rs 100 Mn
7	Anubhav Auto Parts	New Delhi	70	Upto Rs 100 Mn
8	ARB Bearings Limited	New Delhi	60	Rs 250.1 to 500 Mn
9	Aspee Springs Limited	New Delhi	300	Rs 250.1 to 500 Mn
10	AVS Brake Linings Private Limited	New Delhi	85	Upto Rs 100 Mn
11	BIC Auto Private Limited	New Delhi	300	Rs 250.1 to 500 Mn
12	Bruk Electrical Products Private Limited	New Delhi	250	Rs 100.1 to 250 Mn
13	D D Industries Limited	New Delhi	800	Rs 100.1 to 250 Mn
14	Diamond Dynamics (India) Pvt. Limited	New Delhi	227	Rs 100.1 to 250 Mn
15	Dogma Auto Industries	New Delhi	60	Rs 100.1 to 250 Mn
16	DRDB Industries	New Delhi	120	Upto Rs 100 Mn

Source: http://www.dnb.co.in/smes/company_listing.asp?q=region&rgname=North Region

REGION WISE REVENUE LISTING - SOUTH REGION				
Sr no	Company Name	City/District	No of Employees	Turnover Range
1	General Auto Spares Company	Hyderabad	12	Upto Rs 100 Mn
2	Mikroflo Filters Limited	Hyderabad	225	Upto Rs 100 Mn
3	Sri Bhavani Castings Limited	Kakinada	250	Rs 100.1 to 250 Mn
4	Sri Ramadas Motor Transport Limited	Kakinada	1500	Rs 250.1 to 500 Mn
5	Fourh Gen Engineering Private Limited	Secunderabad	25	Upto Rs 100 Mn
6	Kusalava International Limited	Vijayawada	NA	Rs 500.1 to 1000Mn
7	Ace Tools & Components	Bangalore	10	Upto Rs 100 Mn
8	Aditya Auto Components	Bangalore	110	Rs 250.1 to 500 Mn
9	Aditya Auto Products & Engineering (India) Pvt. Limited	Bangalore	160	Rs 500.1 to 1000Mn
10	Ashwin Precision Products Pvt. Limited	Bangalore	22	Rs 100.1 to 250 Mn
11	Aspa Auto Lamps Private Limited	Bangalore	105	Upto Rs 100 Mn
12	Avanti Components	Bangalore	15	Upto Rs 100 Mn
13	Bill Forge Private Limited	Bangalore	310	Rs 250.1 to 500 Mn
14	Ceebros Automation Private Limited	Bangalore	26	Rs 100.1 to 250 Mn
15	Classic Engineering Industries	Bangalore	24	Upto Rs 100 Mn
16	Demantik Enterprises	Bangalore	40	Upto Rs 100 Mn

Source: http://www.dnb.co.in/smes/company_listing.asp?q=region&rgname=South Region

THE MAJOR CHALLENGES

RETENTION OF EMPLOYEES THROUGH MOTIVATION

The payment of regular salary and other scheme benefits are always important factors, which motivates an employee. Other monetary benefits also include that of sales incentive and commission over and above his/her base pay. These incentive schemes should be made in a realistic manner so that an employee actually strives to meet the target. Thus the increase in his/her performance will be noticeable.

But above all, non-monetary benefits also matter a lot. In many cases it has been noted that the quality of work culture and the work environment play a major role in motivating an employee. SMEs must note that the workforces they are having are its assets and for any successful companies it is true that the sales force act as the eyes and ears of the company. So in this scenario, it must be taken care that the employees must not be compared on the basis of monetary return he/she is bringing into the company. Other ways of motivating an employee can be, by giving additional responsibility to an employee, recognizing an employee's good work and acknowledging the same. Career progression/designation of an employee always plays an important role in motivating them. A proper HR policy must not only be set to, but also to be adhered.

SCOPE FOR CSR ACTIVITY

Corporate Social Responsibility is something which is best related to big corporate. Nevertheless SMEs are not in the back foot regarding CSR activities. It has been noticed that increasing CSR activities have led to enhanced branding and publicity for the company.

In some parts of India it has been noticed that, SMEs have come up with CSR activities related to air and water pollution, awareness of AIDS programme etc. Majorly CSR activity shouldn't turn out to be a source of a separate income but as a value addition to the society, thereby increasing its own public image.

THE OTHER CHALLENGING FACTORS ARE

1. Stiff competition from other developing economies like China poses a serious threat as they manufacture in bulk quantities and that also in cheap labour cost.
2. Price competition is one of the major problems faced by SMEs not only through other SMEs but also by other big corporate.
3. International labour laws and other environmental laws also pose as a challenge to them mainly in the recruiting process.
4. Merger and acquisition is now a growing trend of business. While it's true that entrepreneurship is on the high and there are many new promising entrepreneurs coming up with fresh ideas, but only very few in 100 new businesses succeed to make it in the next year. In this scenario, it seems that buying an old business is always more promising than to start a new business afresh.
5. The darker side for SMEs is equally important to understand in this price competitive market. A classic way of dismantling the business of the SME's is Predatory Pricing Policy. This is the easiest way to kill the profit earned by SMEs by other big established corporate and Brands.
6. Other important factors affecting the growth of the SMEs is the Guerrilla marketing strategies now being adapted by large corporate and brands. Advertising in multiple ways so as to reach to the masses is now the mantra for any advertising house. Although some SMEs have started to think in the same tune, but it will take time to make it a common practice for all.
7. E-commerce gives tremendous opportunities as well as challenges for both large and small sectors, but it has been widely noticed that the larger companies are generally better in terms of response to this challenge. They have greater expertise in comparison to smaller companies to gain significant benefits from ITCs; whereas SMEs are the slowest to embrace E-commerce.

SUGGESTIONS

1. They can form a strong accounting system by appointing an efficient accountant.
2. They can take assistance from the experts and experienced professionals in forming a good business plan.
3. There should be a strong organization structure comprising of efficient people and excluding the family members from the business.
4. Mandatory disclosure of the company information should be given.
5. Proper reserves and provisions should be kept for future contingencies.
6. There should be full utilization of Micro-credit.
7. Credit Rating agencies and banks' systems should be transparent. They should clearly state what they are looking for, how they will be convinced and what information SMEs can provide to ensure that the rating is favourable.
8. There should be customized lending mechanisms with or without collaterals which suits the need of the SMEs.

CONCLUSION

SMEs are ideally suited to build on the strengths of traditional skills/knowledge/fresh ideas/innovative market practices. The overall outlook is very positive. The sector having a share of 34%-40% market share in national exports is definitely one of the pillars contributing to the Indian economy. The protective and helping policies of the Government of India have ensured grooming of this sector in an astonishing range of products, mainly in consumer goods. The SMEs now just have to fight its bottlenecks like inadequacies of capital in some cases, technological innovations and dynamic marketing strategies to march its way to further success.

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EVOLUTION OF PUBLIC DISTRIBUTION SYSTEM IN INDIA

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ABSTRACT

In this paper evaluate the reducing poverty is one of the major development challenges facing India; the country has introduced a wide range of economic reforms, including a direct anti-poverty program, the Public Distribution System (PDS).

KEYWORDS

Evolution of Public Distribution System, Essential commodities, food grains at affordable prices, wide range of economic reforms, anti-poverty programme.

INTRODUCTION



*hare the food and serve all lives
 This is the cardinal principle of equity*

- *Thirukkural 322*

The Public Distribution System (PDS) evolved as a system of management of scarcity and for distribution of food grains at affordable prices. Over the years, PDS has become an important part of Government's policy for management of food economy in the country. PDS is supplemental in nature and is not intended to make available the entire requirement of any of the commodities distributed under it to a household or a section of the society.

PDS is operated under the joint responsibility of the Central and the State Governments. The Central government, through FCI, has assumed the responsibility for procurement, storage, transportation and bulk allocation of food grains to the State Governments. The operational responsibility including has allocation within State, identification of families below the poverty lines, issue of Ration Cards and supervision of the functioning of FPS, rest with the State Governments. Under this has PDS, presently the commodities namely wheat, rice, sugar and kerosene, are being allocated to the States/UTs for distribution. Some States/UTs also distribute additional items of mass consumption through the PDS outlets such as cloth, exercise books, pulses, salt and tea, etc. Though India's social sector spending is higher than many other developing countries, one of its flagship welfare programs — the public distribution system (PDS) — is fraught with leakages, a World Bank report said Wednesday.

The PDS scheme, which consumes around one percent of the country's gross domestic product (GDP) and covers upto 25 percent of the poor households, has had limited success, as only 41 percent of the food grain released by the government reach their target, the report said.

'Only 41 percent of the grains released by the government reach households, according to 2004-05 national sample survey (NSS), with some states doing much worse,' the World Bank study said.

According to the report, apart from leakages, the PDS also suffers from an ill-conceived procurement system. The government's policy of minimum support price for farmers too contributes to grain wastage every year. 'There will continue to be large grain stocks purchased each year, which need to be drawn down,' it said. The report recommended that in the medium to long term, the government should consider replacing the system with the option of cash transfer, while continuing food-based support for specific situations like natural disasters. Experiences in India and in many other countries have highlighted the benefits of target cash transfer. These diverse experience stress the need for further evaluations and the fact that immediate and medium term solution may vary in different states,' Roberto Zagha, the World Bank's country director for India, told reporters here. Zagha gave the examples of states like Bihar and Chattisgarh, which are testing alternate system of food allocation like food stamps and coupons coupled with community participation and robust monitoring of the system.

EVOLUTION OF PUBLIC DISTRIBUTION SYSTEM

Public Distribution of essential commodities had been in existence in India during the inter-war period. PDS, with its focus on distribution of food grains in urban scarcity areas, had emanated from the critical food shortages of 1960. PDS had substantially contributed to the containment of rise in food grains prices and ensured access of food to urban consumers. As the national agricultural production had grown in the aftermath of Green Revolution, the outreach of PDS was extended to tribal blocks and areas of high incidence of poverty in the 1970s and 1980s. PDS, till 1992, was a general entitlement scheme for all consumers without any specific target. Revamped Public Distribution System (RPDS) was launched in June 1997.

Evolution of public distribution of grains in India had its origin in the 'rationing' system introduced by the British during the World War II. In view of the fact that the rationing system and its successor, the public distribution system (PDS) has played an important role in attaining higher levels of the household food security and completely eliminating the threats of famines from the face of the country, it will be in the fitness of things that its evolution, working and efficacy are examined in some details.

It was really the generation of World War's own compulsions that forced the then British Government to introduce the first structured public distribution of cereals in India through the rationing system—sale of a fixed quantity of ration (rice or wheat) to entitled families (ration card holders) in specified cities/towns. The system was started in 1939 in Bombay and subsequently extended to other cities and towns. By the end of 1943, 13 cities had been brought under the coverage of rationing and by 1946; as many as 771 cities/towns were covered. Some rural areas, suffering from chronic shortage were also covered. The Department of Food under the Government of India was created in 1942, which helped in food matters getting the serious attention of the government. When the War ended, India, like many other countries, decided to abolish the rationing system. This was in 1943. However, on attaining Independence, India was forced to reintroduce it in 1950 in the face of renewed inflationary pressures in the economy immediately after independence "which were accentuated by the already prevailing high global prices of food grains at the end of the War, which was around four times higher than the prewar prices". (Bhatia, 1985)

Public distribution of food grains was retained as a deliberate social policy by India, when it embarked on the path of a planned economic development in 1951. It was, in fact, an important component of the policy of growth with justice. In the first five year plan, the system, which was essentially urban based till then was extended to all such rural areas which suffered from chronic food shortages. It was also decided to have two variations of the system, Statutory Rationing Areas, where food grains availability was. Supposed to be only through the Ration Shops and Non-Statutory Rationing Areas, where such shops would only supplement the open market availability. The system, however, continued to remain an essentially urban oriented activity. In fact, towards the end of the first five year plan (1956), the system was losing its relevance due to comfortable food grains availability. The net (gross minus 12.5 per cent for seed, feed and wastage) retail level availability of food grains had jumped from 54.0 million tonnes in 1953 to 63.3 million tonnes in 1954 and remained at 63 plus million tonnes up to end of the first five year plan. This situation even prompted the government to abandon procurement of foodgrains and remove all controls on the private trading in food grains. However, true to its cyclic nature, the production dropped to 58.3 million tonnes in 1958, when the second five year plan had just started and forced the government to not only restart the procurement of cereals and put control on trading of food grains but re-examine the need for public distribution system (PDS). It was decided to re-introduce PDS. Other essential commodities like sugar, cooking coal, kerosene oil were added to the commodity basket of PDS. There was also a rapid increase in the Ration Shops (now being increasingly called the fair price shops-FPSs) and their number went up from 18000 in 1957 to 51000 in 1961. Moreover, quantity of food grains distributed through PDS started getting increased with PL-480 availability. Thus, by the end of the Second Five Year Plan, PDS had changed from the typical rationing system to a social safety system, making available food grains at a 'fair price' so that access of households to food

grain could be improved and such distribution could keep a check on the speculative tendencies in the market. The concept of buffer stocks was also incorporated in the overall food policy, although no buffer worth the name was required to be created in view of easy and continuous availability of PL-480 grains.

Creation of Food Corporation of India and Agricultural Prices Commission in 1965 consolidated the position of PDS. Government was now committed to announce a minimum support price for wheat and paddy and procure of quantities that could not fetch even such minimum prices in the market. The resultant stocks were to be utilized for maintaining distribution through the PDS and a portion of these were used to create and maintain buffer stocks. In fact, if stocks happened to be inadequate for maintaining a certain level of distribution through PDS, government had to resort to imports to honour its charge to PDS consumers. All through the ups and downs of Indian agriculture, PDS was continued as a deliberate social policy of the government with the objectives of:

- i) Providing foodgrains and other essential items to vulnerable sections of the society at reasonable (subsidised) prices;
- ii) to have a moderating influence on the open market prices of cereals, the distribution of which constitutes a fairly big share of the total marketable surplus; and
- iii) to attempt socialisation in the matter of distribution of essential commodities.

The PDS seeks to provide to the beneficiaries two cereals, rice and wheat and four essential commodities viz. sugar, edible oil, soft coke and kerosene oil. However, state governments, which actually manage the system at the ground level, are exhorted to add other essential commodities like pulses, salt, candles, matchboxes, ordinary clothes, school text books/copies and the like. Supply of additional items through PDS is especially relevant in interior areas, which are away from markets and where one or two traditional shopkeepers, who also double up for money-lenders, have the market monopoly. A number of state governments have set up Civil Supplies or Essential Commodities Corporations to buy such additional items directly from the manufacturers and use the existing structure of PDS to arrange for the sale at lower than market rates.

METHODOLOGY

The study was based on secondary data. The secondary data were collected from different sources like journals, periodicals, government reports, and working papers, government statistical reports is the universe of the study. The bulk of secondary data constitute socio-economic data of selected Public distribution of food grains was retained as a deliberate social policy by India. Evolution of public distribution of grains in India had its origin in the 'rationing' system for the PDS - Procurement, Off-Take and Stocks period from 2005-06 to 2011-12.

REVIEW OF PDS IN INDIA

The PDS has been functioning for more than four decades now, if we leave aside its predecessor, the rationing system. Its greatest achievement lies in preventing any more famines in India. As recently as during the 1987 drought, considered worst in the century, the PDS helped the country overcome it with dignity and effectiveness. "The result of diet and nutrition survey during the 1987 drought showed that widespread hunger and its consequences experienced earlier in 1960, & 1970 were arrested in 1987". (Nutrition assessment & Analysis NIN, March 1992). Of course, build up of a buffer in preceding years provided the wherewithal's to PDS as well as food for work type of programmes. Its major drawback, however, has been its lack of effective contribution towards household food security. In fact, it remains one of the weaker components of the food policy trioka of procurement, distribution and stocking. The other two components have fully exhibited their worth. But for carefully worked out support prices with a structure to guarantee these, the farmer would not have been induced to produce more and more foodgrains. In fact, without FCI and other procuring agencies ready at thousands of purchase centres to step in and purchase grain if the producer was not getting higher price than the Government announced procurement price, the private trade could never have handled the huge quantities that come to market at harvest time and prices would have crashed, making all the efforts and investment of farmer go waste. As for the buffer stocks, it was the stock built in the preceding years (which had reached an all time high of 27 million tonnes on 1.7.1986), which came handy and enabled the country to meet the challenge thrown up by the great drought of 1986-87, a challenge which was met successfully without seeking any food aid from any quarter. No desperate purchases were required and import of some wheat and rice could be deferred to 1988-89 when the country could import on its own terms. The PDS also, no doubt, played a great role by making available rice and wheat at the fixed prices to consumers in all nooks and corners of the country, thereby preventing the spectre of famine in any part of the country. This distribution network also supplied grains for the "food for work" type programmes taken up on a large scale to fight the drought. The shortcomings noticed in the functioning of PDS as it is structured presently, range from it being urban biased and pro-rich to its ineffectiveness in reaching the poor. The system has, however, come to stay, notwithstanding its shortcomings, because millions of India's poor derive direct or indirect benefits from the very existence of this system. The World Bank in their report of 1991 has observed that "poverty consideration will compel India to sustain publicly sponsored foodgrain procurement, storage and distribution efforts. These programmes are even more important in a period of economic downturn and adjustment, to ensure an adequate safety net". As regards urban bias, a study has shown that "in case of all commodities except coal, more than 50 per cent of the total quantity purchased under PDS is in the rural areas... PDS is rural based at all-India level for rice, coarse cereals, sugar and cloth. These items constitute more than 60 per cent of the total PDS purchases. Hence, it appears that PDS is not urban biased but pro-rural" (Mahendra Dev & Suryanarayana, 1991). As regards its being pro-rich, the same study finds that "more or less all the population [income] groups depend uniformly to the same extent on the PDS with respect to all commodities in rural areas, even though there were slight variations", (Dev & Suryanarayana, 1991). Thus, even though PDS appears to be even-handed for all income groups, this very finding points to its failure in achieving its basic goal of helping the poor.

It is also said that PDS is not cost effective, its operations are too costly and the ratio between procurement and transportation is too high pointing to 'wasteful' movements. It is also mentioned that storage losses are very high. However, if one was to analyse the various costs of FCI, it will be seen that almost 80% of the costs of FCI are non-controllable and FCI just cannot do anything if these rise. Examples of such costs are minimum support price/ procurement price which have increased by almost 20% per annum in the past four years; interest rates for bank credit; rail and road transportation cost etc. Thus, hardly 20% of the costs are amenable to cost reduction by FCI and efforts need to be intensified in increasing labour productivity i.e., handling costs; rationalisation of movement plans to avoid criss-cross movement; reduction in transit and storage losses etc.

Another valid criticism of the PDS is its marginal impact, as far as income transfer to poor households is concerned, with too many or everyone being eligible to draw foodgrains from PDS, the per capita transfer of income is very small. In an study based on National Sample Survey's 42nd round (NSSO, 1990), it has been found that "the value of the subsidy is so little even for those households who make all their purchases of cereals from rationshops. For the bottom 20% of the rural population, the subsidy is no more than Rs. 2.08 per capita per 30 days. With the average family size of 6, the subsidy per family is almost Rs. 12.50 per month. In other words, it is useful to note here, one person day of additional employment per family per month would provide the same income support as provided by the cereals distributed under PDS" (Parikh, 1993).

Most of the above shortcomings flow from the universal nature of the present PDS, with benefit having been thinly spread over all the beneficiaries, be they rich or poor. "While a number of studies have suggested proper targeting of PDS, none of them have discussed the costs and political feasibility of targeting. The administrative costs of targeting have been reported to be high in some developing countries. Many studies have also reported a high percentage of leakages in the event of targeting". (Radhakrishnan & Rao, 1993). The main weakness in PDS i.e. not reaching poor effectively stems from the universality of the PDS coverage. Every household, irrespective of its income, can have an entitlement card and draw foodgrains against it. This in turn leads to low scales per household and first come first served system of delivery. These two combine to allow leakages and diversions on the one hand and "no commitment" syndrome on the part of the poor households on the other. If PDS could be targeted to the poor, a larger proportion of the household's requirement could be met by enhancing the scale and it would also be able to generate a commitment on the part of card holders on the system. Beneficiaries could then be organised and educated. They would then monitor the supplies and sales themselves to ensure that supplies reach the fair price shop in proper quantity and quality and are sold to genuine beneficiaries. The entitled households would also then demand their quota from the FPS owner and would not be turned away by the shopkeeper by saying that whatever quantity had come has been sold away or that the bad quality grains were supplied (in some cases replaced by

unscrupulous vested interest) and beneficiary would find such stocks not worth purchasing at that price. Targeting of PDS to the really needy is, therefore, immediately required and an effective PDS maintained till such time the country has poor, needy households.

POLICY REFORMS REQUIRED IN PDS

Almost all food-managers, experts and even members of the political executive feel that targeting PDS to poor is a fundamental reform that cannot be deferred for too long. In the study report submitted by the author to the Minister for Civil Supplies (Nawani, N.P., Sept. 1993) not only the targetisation of PDS has been strongly recommended but the way it can be implemented, keeping the twin objectives in mind, that of making PDS an effective safety net for poor and keeping distribution within limits set by domestic procurement and subsidy budget. As an effective PDS will greatly enhance food security for poor households, it is proposed to deal with it in somewhat greater detail. However, before we go on to that, a brief description of some measures already initiated by the Prime Minister (When he was also holding the portfolio of the Minister for Civil Supplies, Consumer Affairs and Public Distribution) in 1992 will be in order.

REVAMPING OF PDS

With the change of the political executive at the national level in 1991, the present Prime Minister accorded very high priority to the PDS and for quite some time himself looked after the Ministry. It was felt that the really vulnerable areas and people were not getting the desired benefits of PDS due to their disadvantageous geographic location, weak PDS infrastructure and low purchasing power. It was, therefore, decided that PDS should be reoriented for ensuring effective reach to the remotest and the most disadvantaged areas of the country which also had the concentration of poor. Accordingly, around 1750 blocks, composed of tribal, hilly, drought prone and 'decertified' areas, were identified and included in crash programme designated "Revamped PDS" or for short "RPDS". The plan of action included:

- i) A number of new FPS to be opened so that physical access of beneficiaries is improved;
- ii) Special campaign to be mounted by the state governments to cancel the bogus entitlement cards and to issue new cards to households found to be without them;
- iii) To progressively bring more and more FPS under the system of FPS doorstep delivery of PDS commodities;
- iv) Set up vigilance committees of local people with substantial representation of women for each FPS at the village level and also at higher levels;
- v) Improve the supply chain by constructing or hiring small intermediary godowns; and
- vi) Introduce additional commodities through FPS, in these areas.

"An analysis of the implementation of RPDS has shown that during 1992-93, per capita allocation in RPDS areas was higher than other areas and whereas offtake (actual distribution) against allocation was only 73 per cent in other areas it was 91% in RPDS areas. States were also moving towards the norm of 20 kg./family/month. The positive trend that emerges from the analysis is that the PDS, which was predominantly urban till the mid 1980s has now been effectively targeted for the traditionally deficit areas covered by RPDS." (Min. of Civil Supplies etc., 1993).

TARGETING PDS TO ONLY POOR HOUSEHOLDS

Poverty and associated hunger is a curse and every civilized society endeavours to alleviate extreme manifestations of poverty in their own way. Every country tries to do it-be it an economic giant and torch-bearer of the free markets like USA or a small happy go lucky Jamaica. The underlying policy approach is, however, more or less same and is basically built on 'providing direct assistance to poor households' so that their access to essentials of life like food is improved. The policy could be implemented through an income transfer mechanism like Food Stamps or cash doles (as in USA etc.) or a dual price system (e.g., through a PDS as in India etc.). These mechanisms or their variations, cost money and this has to come from the food subsidy budgets of the country. In India, a country of around 900 million people, of which around one third lived in poverty as per 1986-87 estimates, any programme seeking to achieve such a goal will require vast sums of subsidy and it, therefore, becomes imperative that it is utilised in the most cost effective manner so that it helps poor households to attain adequate levels of food security in the true sense. An important question that arises is whether, in the present scenario, when availability of subsidy is greatly constrained by overall fiscal deficit, can we continue to fritter away whatever amount of food subsidy we can mobilize? Since we simply cannot do this, we just cannot continue with a PDS which consumes none-too-small Rs 30000 million subsidies annually, but allows it to be available to anybody who wishes to draw on it, irrespective of whether he is poor or rich. Besides, the inherent weakness of a universal PDS, as organised now, allows quite a bit of diversion and leakage. Part of the subsidy is, therefore, going to the non-poor and even to the FPS dealers, handling contractors and some state functionaries involved in unscrupulous siphoning off and replacement of commodities. Such wastage of this precious and limited subsidy cannot be allowed any longer, and therefore, there is no alternative but to direct the subsidy to the poor and nobody else. Once this is accepted, the mechanism for achieving such focus can be chosen, depending on the situation prevailing in the country. We will also have to decide whether to create an altogether new mechanism or build upon the four decades old foundation provided by the PDS. It will also be necessary to ensure that the size of the population to be covered should be such that they all can be effectively accommodated under the newly created safety net, the largeness of the net being limited by the physical (government stocks of food grains) and financial (amount available for food subsidy) resources of the country. The present PDS can hardly be described as a safety net. Each and every Indian and also some ghost card holders, presently constitute the unorganized crowd that jostles under the ungainly net, nobody knowing who is able to receive the shelter under it or who, requiring such shelter badly, is being kept out or pushed out. As explained earlier, in this vast country, with millions of poor, we cannot dispense with the net altogether; there is therefore, no option but to mend the net, erect it afresh with only the needy households under it.

RISING HUNGER AND MALNUTRITION PROBLEM

In other words, a person would have to be earning less than half the minimum wage of Rs 88 (which itself is inadequate) to be considered poor. If universalisation of the PDS is not accepted, those earning less than the minimum wage need to be considered poor.

The concept note assumes without any justification that the nation may not be able to procure the required amount of food grain or bear the cost of a food subsidy. It is therefore proposing to reduce the scale of issue to 25 kg per BPL household, or 5 kg per person. This, despite the Supreme Court ruling that every BPL family shall be given 35 kg, and that no changes shall be effected in any food-related scheme without its permission. This will result in families having to buy 10 kg from the market, paying more for the same amount of food than earlier.

Taking all this into consideration, the Wadhwa Committee recommends that "the income criterion needs to be revisited" and that "estimation of poverty should not be made on a criteria (sic) which is less than the minimum wage fixed by the state for agricultural labourers". Also, that "the government may also consider using calorie intake per person per day as an indicator of poverty".

The People's Health Movement has demanded that every person be given enough food grain to ensure 2,400 calories per day. Moreover, the predominance of cereals and lack of adequate pulses, oil, fruit and vegetables in the diet of most Indians is what is causing high levels of malnutrition among them. We need to find ways to get these items to the populace through the PDS, if malnutrition is to be addressed.

The concept note does not mention the word 'malnutrition' at all; it completely ignores the contentious issue of defining who is poor and how much and what constitutes 'adequate and nutritious food'.

It does not recognize anywhere that entitlements should be linked to levels of malnutrition, if food security is to be achieved. It concentrates wholly on how to reduce the number of BPL families, reduce entitlements, and reduce subsidies. A great way indeed to ensure food security and raise India's position on the World Hunger index!

The survey confirms other recent evidence of substantial improvements in the PDS around the country. In most of the sample States, there have been major initiatives in the recent past to improve the PDS, and it seems these efforts are showing results.

Also of interest are provisional figures on PDS purchases for 2009-10 (the latest "thick round" of the NSS) computed by the National Sample Survey Organization. Starting with the good news, these figures suggest that on average PDS purchases of wheat and rice have more or less doubled between 2004-05 and 2009-10. This, again, is consistent with independent evidence of a revival of the PDS in recent years.

NSS-based estimates of diversion rates, however, remain high. Applying the method described earlier to these provisional figures, the diversion rate for 2009-10 seems to be around 41 per cent. This is 13 percentage points lower than in 2004-05, but still very high. The diversion rates improved (that is, declined) in almost every State, with big improvements in some States: down from 23 per cent to 8 per cent in Andhra Pradesh, from 85 to 47 per cent in Jharkhand, from 76 to 30 per cent in Orissa, and from 52 to 11 per cent in Chhattisgarh. Interestingly, these are four States where the PDS Survey also found evidence of major improvements. In 2009-10, none of India's major States had an estimated diversion rate higher than 75 per cent (the top rate, found in Bihar), in contrast with 2004-05 when as many as eight major States had that distinction. This broad-based improvement is good news, but needless to say diversion rates remain unacceptably high. The question remains how these high diversion rates (41 per cent at the national level) square with the fact that BPL households in the PDS Survey were able to secure 84 per cent of their PDS entitlements. Even if the comparison is restricted to the nine sample States, a similar contrast applies.

There are at least two possible explanations. First, the PDS Survey is more recent: it took place two years after the NSS survey. And as mentioned earlier, there is consistent evidence of steady improvement in the PDS in recent years in many States. However, it is difficult to believe that progress has been so rapid as to explain, on its own, the full contrast between the two surveys. Second, the PDS Survey is restricted to BPL households in rural areas.

PUBLIC DISTRIBUTION SYSTEM (PDS)

The Public Distribution System is a channel through which government supplies essential commodities at a subsidized price to the consumer so as to stabilize food grain prices and provide food security to the poor and vulnerable. The PDS is not targeted but universal. It is estimated that the cardholders are in a position to save about Rs.400/- a month by purchasing commodities in the Fair Price Shop. In the case of rice alone, Rs.300/- would be saved as the price of ordinary rice in the market varies between Rs.17/- and Rs.30/- per kg. In the State, 1.85 crore ration cardholders are entitled to 20 kgs of rice each month, in addition to one kg of thurdhal, urad dhal and fortified atta along with one litre of palm oil. Nowhere in the country, have the cardholders got rice at one rupee per kg. On an average the monthly off take of rice at the PDS is about 2.9 lakh tonnes. This scheme is popular among the lower and middle class and particularly the cardholders living below poverty line in the State.

TABLE-1: STATUS OF CARDS IN CIRCULATION IN THE STATE AS ON MARCH 2009

Sl.No	Total No. of family Cards in Circulation	200.55 lakhs
1	Rice Cards	84.7%
2	AAY Cards	9.2%
3	Sugar Cards	5.5%
4	No Commodity Cards	0.3%
5	Police Cards	0.3%

Source: PDS Data.

The number of cards in circulation in 2005 was 187.70 lakhs and in 2008 it has increased to 200.28 lakhs recording an average annual growth rate of issuing cards works out to 2.2 percent. The overall annual average addition in a year is 4.19 lakh cards of which rice cards were 3.86 lakhs.

FOOD SUBSIDY AND SUPPLY OF RICE

The scheme of supply of rice at Rs.2 per kg. has been under implementation in the state from 3.6.2006. There are 1.79 lakh family cardholders eligible to get rice at this subsidized rate. Supply of rice at such a low price in the state has gone a long way in eliminating hunger by enabling highest level of affordability and utilization by the poor. The price of rice supplied in the PDS in Tamil Nadu is much lower than the issue price of rice fixed by the GOI. Therefore, the state Government sanctions subsidy to the TNCSC under the Non-Plan budget. The details of expenditure made towards subsidy during the Tenth Plan are given below:

TABLE-2: FOOD SUBSIDY AND SUPPLY OF RICE

Sl.No	Year	Rice	Sugar	Kersone	Total Subsidy
1	2002-03	1188.38	8.50	43.12	1240.00
2	2003-04	758.39	-	41.61	800.00
3	2004-05	955.96	37.25	41.79	1035.00
4	2005-06	1044.42	109.21	41.37	1200.00
5	2006-07	1728.00	180.00	42.00	1450.00
6	Total	5480.15	334.96	209.89	6025.00

Source: Five year plan, Government of India, New Delhi.

FAIR PRICE SHOPS

There are at present 28,995 fair price shops serving 1.90 crore families. The problem of providing greater access of the public to the fair price shops has been solved to some extent by liberalizing the norms for opening the shops. 700 The details of fair price shops functioning in Tamil Nadu as on 31.3.2007 are as follows:

TABLE-3: FAIR PRICE SHOPS

Sl.No	Agency	Full Time	Part Time	Total
1	TN Civil Cooperation	1092	65	1157
2	Cooperatives (RCS)	21599	5418	23017
3	Mobile Fair Price Shop	36	0	36
4	Women Fair Price Shop	548	82	630
5	Others	141	14	155
6	Total	23416	5579	28995

Source: Five year plan, Government of India, New Delhi.

The overall average off take of rice for the four year period was 33.44 lakh tonnes. The annual average growth rate in the off take of rice is 4.3 percent which is higher than the growth rate of 2.2 percent in the issue of family cards. An addition of 1.40 lakh tonnes of rice is noticed in the overall off take every year. The fair price shop which is the outlets through which the PDS is carried out in the State has been steadily going up in its numbers. As on January 2009, the total number of fair price shops functioning in the State is 29961, of which 27939 (93.3%) come under the control of the Co-operative department followed by the Tamil Nadu Civil Supplies Corporation Ltd. 1183 shops (3.9%), Women fair price shops numbering 649 (2.2%) and others 177 (0.6%). Among the total, full time shops are 23545 (78.6%) and the remaining 6416 (21.4%) are part time shops.

FAMILY CARDS

The state has evolved a system of issuing family cards on an option basis whereby all the families, which prefer to draw rice under PDS, have been issued with green color cards and families which want only sugar or do not want any commodity, have been issued with white color cards. White color card holders with

sugar option are eligible for an additional quantity of three Kg of sugar per month. Issue of family cards to eligible families is a continuous Process. The family cards in circulation as on 31.3.2007 are given below:

TABLE-4: FAMILY CARDS

Sl.No	Family Cards	Total
1	Green cards(Rice)	17869509
2	White cards(Sugar)	1031523
3	Kakchi cards(Police Kerosene Only)	40246
4	Non cards(No Commodities)	51928

Source: Five year plan, Government of India, New Delhi.

Public Distribution System a large subsidy each year keeps the system going (see Table below). A close look at the Table would show that the level of food subsidies as a proportion of total Government expenditure has gone up from about 2.5 percent or below at the beginning of the 1990s to about 3 percent towards the end of the decade. One of the issues in the PDS operation has been how to contain the food subsidy within reasonable levels.

TABLE 5: PUBLIC DISTRIBUTION SYSTEM - PROCUREMENT, OFF-TAKE AND STOCKS (Million tones)

Year	Procurement			Off Take			Stocks		
	Rice	Wheat	Total	Rice	Wheat	Total	Rice	Wheat	Total
2005-06	26.69	14.79	41.48	25.08	17.17	42.25	13.68	2.01	16.62
2006-07	26.30	9.23	35.53	25.06	11.71	36.77	13.17	4.70	17.93
2007-08	26.29	11.13	37.42	25.22	12.20	37.43	13.84	5.80	19.75
2008-09	32.84	22.69	55.53	24.22	14.88	39.50	21.60	13.43	35.58
2009-10	32.59	25.38	57.98	26.89	21.97	48.86	26.71	16.13	43.36
2010-11	31.13	25.92	56.79	29.80	23.03	52.87	28.82	15.36	46.35
2011-12	7.79	27.88	35.67	2.28	1.68	3.96	25.27	35.88	61.30

Source: Ministry of Food, Consumer Affairs and Public Distribution, Government of India.

TABLE 6: MINIMUM SUPPORT PRICE FOR FOOD GRAINS ACCORDING TO CROP YEAR (FAIR AVERAGE QUALITY) PER QUINTAL

Year	Paddy	Coarse Cereals	Wheat	Gram	Arhar(tur.)	Moong	Urad
2004-05	560	515	640	1425	1390	1410	1410
2005-06	570	525	650	1435	1400	1520	1520
2006-07	580	540	750	1445	1410	1520	1520
2007-08	645	600	1000	1600	1550	1700	1700
2008-09	850	840	1080	1730	2000	2520	2520
2009-10	950	840	1100	1760	2300	2760	2520
2010-11	1000	880	1120	2100	3000	3170	2900
2011-12	1080	980	-	-	3200	3500	3300

Source: Ministry of Food, Consumer Affairs and Public Distribution, Government of India.

CONCLUSION

Public distribution of food grains was retained as a deliberate social policy by India, when it embarked on the path of a planned economic development. It was, in fact, an important component of the policy of growth with justice. In the first five year plan, the system, which was essentially urban based till then was extended to all such rural areas which suffered from chronic food shortages. It was also decided to have two variations of the system, Statutory Rationing Areas, where food grains availability was. Supposed to be only through the Ration Shops and Non-Statutory Rationing Areas, where such shops would only supplement the open market availability. The system, however, continued to remain an essentially urban oriented activity. The PDS seeks to provide to the beneficiaries two cereals, rice and wheat and four essential commodities viz. sugar, edible oil, soft coke and kerosene oil. However, state governments, which actually manage the system at the ground level, are exhorted to add other essential commodities like pulses, salt, candles, matchboxes, ordinary clothes, school text books/copies and the like. Supply of additional items through PDS is especially relevant in interior areas, which are away from markets and where one or two traditional shopkeepers, who also double up for money-lenders, have the market monopoly. A number of state governments have set up Civil Supplies or Essential Commodities Corporations to buy such additional items directly from the manufacturers and use the existing structure of PDS to arrange for the sale at lower than market rates.

This quantity-rationing food subsidy program has contributed to the upward pressures on food prices and ensured access of food to urban consumers. Yet, the findings of this report suggests that the welfare gains of PDS in terms of income transfer were very meager and the impact on poverty and nutritional status minimal. This paper estimates the gains and costs of PDS, assesses the Indian government's recent moves towards a better targeted PDS, and considers various options for reform.

STRATEGIC FACTORS FOR RURAL TOURISM SUSTAINABILITY

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ABSTRACT

Rural tourism has been identified as one of the most priority areas for development of global tourism. The advancement in rural tourism improves the quality of life of rural people and also provides better experience to tourists. Indian villages along with rest of the world have a great potential for tourism development with its attractive and unique traditional culture and values. Due to greater diversity of culture, Indian villages can maintain their tourism practices more efficiently and with differentiated offerings. Present study seeks to interpret various strategic factors which play an important role in the development and sustainability of rural tourism. The study further analyses the impact of various strategic factors which helps in sustaining rural tourism in J&K State. The study documents a survey of three hundred and six people who are linked with rural tourism as providers, intermediaries or end users.

KEYWORDS

Rural tourism, Tourism sustainability, Tourism development, Strategic factors, Differentiated offerings.

INTRODUCTION

Tourism industry is among the major segments of world economy and contributes to five percent of the total worldwide GDP. Tourism industry will expand greatly in future and will offer new and modified products with customized offerings. Among all the emerging dimensions of tourism, rural tourism is one which is expanding its scope and area of business with a great speed. India is the leading nation who is developing its rural tourism mechanism through modern practices in the areas of marketing, production and innovation. The basic purpose of rural tourism is to benefit the local community through entrepreneurial opportunities, income generation, employment opportunities, conservation and development of arts and crafts, investment for infrastructural development and preservation of environment and heritage (Mishra 2001).

The potential for rural tourism is a major force in rural economic development resulting in poverty alleviation. If more tourism can be developed in rural areas, particularly in ways that involve high level local participation in decision making then poverty can be easily eliminated up to a greater extent. However developing rural tourism is a big challenge (WTO 2001). Successful rural tourism development depends on commercial, economic and other issues such as quality of product, infrastructural availability at tourism destinations, availability of skilled manpower, interest of investors, variety of products etc. Along with all these primary challenges there could be other secondary challenges such as administrative complexities in dealing with low populated areas, lack of policy formulation and implementation, lack of coordination between rural development and tourism development and Low priority to rural areas by state as well as central governments.

Rural tourism could be developed for different reasons. These could be for improving livelihood of rural poor, providing basic facilities such as schools & health centers, empowering people specially women so that they can take active decisions, developing infrastructure etc. Rural tourism development is thus seen as one strategic means to assist and develop rural economies.

OBJECTIVES

- i. To identify various strategic factors that has an impact on rural tourism development and sustainability.
- ii. To highlight role of each individual factor in rural growth and development.
- iii. To examine comparative nature of each factor in promotion and advancement of rural tourism.
- iv. To recommend strategies for future feasible expansion of rural tourism in J&K state.

MATERIAL AND METHODS

Present study has been worked out with the help of primary data. The primary data has been collected by interviewing different people at different places who are linked with rural tourism in J&K state. These people were visited individually and with the help of a pretested questionnaire the information was collected from them both qualitatively and quantitatively. The data and information so collected has been analyzed statistically to identify the role played by each identified strategic factors in rural tourism promotion and development in J&K.

RESULT AND DISCUSSION

The various factors identified for rural tourism sustainability has been tabulated in table 1. The interpretation of each factor is discussed under the following headings:

1. IMPROVING WELL BEING OF RURAL POOR

Improving well being of rural poor has been identified as a primary factor which could help in supporting rural tourism sustainability to a greater extent. It has been found that majority of respondents i.e., 51 percent consider strong contribution of this factor in developing rural tourism while 20 percent respondents have no decided opinion. Moreover a total of 29 percent respondents believe that by improving well being of rural poor could not sustain and develop rural tourism in J&K state.

2. EMPOWER RURAL PEOPLE

People could be empowered in terms of decentralization, delegation of authority and self decision making. The analysis reveals that a total of 35 percent respondents consider greater applicability of this factor while 31 percent respondents have no opinion regarding this factor. However a considerable group of respondents i.e. 34 percent believe that by empowering rural people we cannot develop rural tourism as both have no direct relation.

3. RURAL INFRASTRUCTURE

Infrastructure is the backbone of every industry and tourism industry as a rapid growing industry also needs infrastructural support. A total of 54 percent respondents consider rural infrastructure as a primary tool for developing and sustaining tourism in rural areas whereas 26 percent respondents have no decided opinion. Moreover 20 percent respondents consider that infrastructure is a secondary requirement for tourism sustainability.

4. IMPLEMENTING NEW TOURISM POLICIES

For survival and efficient performance it is necessary to determine various courses of actions. The analysis of values reveals that a total of 38 percent respondents consider that it is mandatory to properly frame and implement rural tourism policies for its sustainability whereas 33 percent respondents have a neutral opinion for this factor. Moreover 29 percent respondents consider that already existing policies are enough and there is no need to develop new rural tourism policies.

5. OUTSIDE GLOBAL INTERACTION

The analysis of values reveals that a total of 27 percent respondents believe that outside global interaction for framing rural tourism policies is very necessary whereas 22 percent respondents have a neutral opinion for this factor. However 51 percent respondents suggest that J&K state is a mixture of multiple cultures and traditional values and totally different from rest of the world. So it is not possible that global interaction will be helpful in sustaining rural tourism in J&K.

6. PROTECTION OF CULTURE, NATURE, HERITAGE & SOCIAL CONDITIONS

The interpretation of values given for this factor reveals that 47 percent respondents consider that protection culture, heritage, nature and social conditions can be greatly helpful in reaching potential customers and generating new dimensions for rural tourism. However 18 percent respondents have a neutral opinion. Moreover 35 respondents believe that these elements can't be much helpful in developing rural tourism in J&K state.

7. EMPOWER RURAL WOMEN

Women have a great contribution in the development in all sectors. The analysis of values reveals that a total of 31 percent respondents consider that by empowering rural women we can enhance rural tourism to a great extent whereas 32 percent respondents has no decided opinion. A considerable group of respondents i.e. 37 percent says that women participation cannot be useful in developing rural tourism in J&K because women in J&K are not much dominant in work.

8. FUNDING AGENCIES

A feasible source of funds is the prime factor in the development of any sector. The analysis reveals that 58 percent respondents admit that recognition of suitable govt. as well as private funding agencies is a major tool in advancing rural tourism while 15 percent respondents have a neutral opinion regarding this factor. The analysis further reveals that 27 percent respondents believe that lack of funding is not a major hurdle in the development and sustainability of rural tourism in J&K state.

9. ANTICIPATING CHANGE

The analysis suggests that 33 percent respondents are of the believe that anticipating change in consumer satisfaction and buying pattern is a necessary requirement for rural tourism sustainability whereas 24 percent respondents have no decided opinion regarding this factor. Moreover 43 percent respondents consider that rural tourism is in beginning stage so there is no need for anticipating change at present in J&K state.

10. ETOURISM PRACTICES

Etourism is a modern innovation and application of ecommerce. The analysis reveals that 41 percent respondents consider that etourism procedure implementation will develop rural tourism at a large extent. However 34 percent respondents have a neutral opinion for this factor. Moreover 25 percent respondents don't consider the present time as right for implementing etourism tools and procedures.

TABLE: STRATEGIC FACTORS FOR RURAL TOURISM SUSTAINABILITY

Factors	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
Improving well being of rural poor	22	29	20	17	12
Empower rural people	19	16	31	14	20
Rural infrastructure	23	31	26	11	9
Implementing new tourism policies	18	20	33	22	7
Outside global interaction	13	14	22	27	24
Protection of culture, nature, heritage & Social conditions	22	25	18	23	12
Empower rural women	13	18	32	16	21
Funding agencies	26	32	15	16	11
Anticipating change	13	20	24	28	15
Etourism practices	19	22	34	15	10

Source: Field Survey

CONCLUSION

The present assessment of various strategic factors responsible for rural tourism development showed a dominant effect in J&K state. All the identified factors play a very critical role in developing and sustaining rural tourism as responded by respondents. The factors that have a primary role in developing rural tourism have been assessed as improving well being of rural poor, rural infrastructure development, Protection of culture, heritage, nature and social conditions, funding agencies and implementation of etourism practices and procedures. That other factors that have a supporting role in developing and sustaining rural tourism in J&K state has been identified as empowering rural people, empowering rural women, outside global interaction and anticipating change.

RECOMENDATIONS

- There is a need to develop a strategic mechanism so that regular employment could be provided to rural youth.
- The govt. and other developmental agencies must look after in providing fringe benefits such as schools, hospitals, old age education centers for rural people.
- Regular training programs must be organized at regular intervals which could help rural people in making self decisions, developing skills and enhancing abilities.
- There is also a need to develop new and also implement various schemes through which rural people could be given financial assistance for establishing business units that also help in sustaining tourism.
- Special schemes for women must be developed and implemented for women working for tourism advancement and promotion.
- There is a greater need to develop effective communication networks so that potential consumers could get regular and proper information regarding tourism products.
- A greater need has been identified for development of a common plate form so that tourism suppliers and consumers and interact with each other regularly.
- Lack of transportation has also been assessed as a major problem in extending rural tourism so there is a need to effectively work for improving rural roads and transport system by local administration.
- Financial problems in developing rural tourism could also be minimized if work will be done in bringing public private partnership in this sector.
- As the rural tourism products are in introduction stage so there is a need for development of an effective promotion strategy so that information could reach to maximum consumers.

- There is a need to assess and evaluate global strategies that has been implemented in other countries for increasing the status of rural tourism in J&K.
- Customization in offering products could also be done in developing rural tourism in J&K because of presence of multiple cultures and religions.
- It is necessary to go for special trade fairs and seminars which should hold the participation of people from global environment.

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A STUDY ON ENHANCING EFFICIENCY OF UNORGANIZED POWERLOOM SECTOR WITH SPECIAL REFERENCE TO POWERLOOM SECTOR IN INDIA

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ABSTRACT

The Indian Textiles Industry has a phenomenal presence in the economic life of the country. Apart from providing one of the basic necessities of life, the textiles industry also plays a pivotal role through its contribution to industrial output, employment generation, and the export earnings of the country. Currently, it contributes about 14% to industrial production, 4% to the GDP, and 17% to the country's export earnings. The Indian Textile Industry is basically depending on Agricultural sector for their major raw material of Cotton. Cotton plays a vital role in the survival of this Industry. So also the Indian Powerloom Industry contributes for the major role in the economy of the country. This industry is basically an unorganized sector, the Government is trying had to boost this industry, by announcing various Up gradation fund schemes, but this sector is taking the fullest benefit of the scheme due to major problem which exists in this industry from years together, being a family runnel business, up gradation of technology is not happening in this sector as expected. This industry contributes to the major exports in the country and for employment to more labours in the region. Depending upon the climatic situation and powerloom are divided in various clusters around the country manufacturing various products, but the problems faced by this industry are all common, due to lack of education, working capital and Marketing management. This industry has got lot of potentials and opportunities which this industry should grab.

KEYWORDS

Unorganized powerloom sector, Indian textile industry.

INTRODUCTION

Unorganized sector in India is broadly defined as units consisting in production of goods and services with the primary objectives of generating employment and income to the people concerned to the sector. These units typically operate at a Low level of organization with little or no division between Labour and Capital as factors of production and on a small scale, Labour relations where they exists are based mostly on casual employment.. Kinship or personal or social relations rather than contractual arrangements with formal guarantees. Thus units in un-organized sector are not constituted as separate legal entity, independently of house hold or house hold members than own them and for which no complete sets of accounts are available which could permit a clear distinction of the production activities of the enterprises from the other activities. Expenditure of production is often indistinguishable from house hold expenditure.

In India the term Unorganized sector has not been used in the official statistics or in the National Accounts Statistics (NAS). The term used in the Indian NAS are organized and unorganized sectors.

The organized sector comprises enterprises for which the statistics are available from the budget documents or reports. But on the other hand the Unorganized sector refers to those enterprises whose activities or collection of data is not regulated under any provisions or do not maintain any accounts.

THE STRENGTH OF UNORGANIZED SECTOR WORK FORCE ENGAGED

The National Sample Survey Organisation (NSSO) carried out a sample survey in 1999-2000 and its results showed that out of total workforce of 397 million, only 28 million workers are employed in the organised sector and remaining in the unorganised sector. It reveals that over a decade, the employment in the organised sector has been almost stagnant or slightly declined.

In the light of definition of informal sector encompassing private unincorporated enterprises as mentioned above, NSS 55th round, 1999-2000 also covered non-agricultural enterprises in the informal sector in India. As per survey, there were 44.35 million enterprises and 79.71 million workers employed thereof in the nonagricultural informal sector of the economy. Among these 25.01 million enterprises employing 39.74 million workers were in rural areas whereas 19.34 million enterprises with 39.97 million workers in the urban area. Among the workers engaged in the informal sector, 70.21 million are full time and 9.5 million part times. Percentage of female workers to the total workers is 20.2 percent.

RELEVANCY OF THE INFORMAL SECTOR IN INDIAN CONTEXT

Broadly, the informal sector provides income-earning opportunities for a larger number of workers. In India, there is large magnitude of workforce getting their livelihood from the informal sector. The enactment of legislations and other measures to bring them under the regulatory and social protection instruments will adversely affect the existing mechanism prevailing in the informal sector as it would lead to market imperfections creating hurdles in the smooth functioning of the market led economy. Besides, it requires huge infrastructural and institutional arrangements involving financial implications beyond the capacity of the Government in the changing scenario all over the world. The Government has to play a role of facilitator and promoter so that the workers employed in the informal sector are able to get requisite level of protection and security to have decent work environment enabling them to express their skills fully and according to their capabilities necessary for enhancing the competitiveness of their outputs and thereby raising their income and socio-economic status.

INDIAN TEXTILE INDUSTRY

The Indian textile industry is one of the major sectors of Indian economy largely contributing towards the growth of the country's industrial sector. Textiles sector contributes to 14 per cent of industrial production, 4 per cent of National GDP and 10.63 per cent of country's export earnings. The opening up of the sector through liberalisation policies set up by the Indian Government have given the much-needed thrust to the Indian textile industry, which has now successfully become one of the largest in the world. Textile sector in India provides direct employment to over 35 million people and holds the second position after the agriculture sector in providing employment to the masses.

Growing at a rapid pace, the Indian Market is being flocked by foreign investors exploring investment purposes and with an increasing trend in the demand for the textile products in the country, a number of new companies and joint ventures are being set up in the country to capture new opportunities in the market.

GROWTH TRENDS

The Indian textile industry can be divided into a number of segments such as cotton, silk, woolen, readymade, jute and handicraft. The total cloth production registered during September 2010 was 10.2 per cent higher than that registered for September 2009. The total production of cloth during April – September 2010 increased by 2.1 per cent as compared to the period April – September 2009. The highest growth was observed in the power loom sector (13.2 per cent), followed by hosiery sector (9.1 per cent).

The total textile exports during April-July 2010 (provisional) were valued at US\$ 7.58 billion as against US\$ 7.21 billion during the corresponding period of the previous year. The share of textile exports in total exports was 11.04 per cent during April-July 2010. Cotton textiles has registered a growth of 8.2 per cent during April-September 2010 -11, whilewool, silk and man-made fibre textiles have registered a growth of 2.2 per cent while textile products including apparel have registered a growth of 3 per cent. Textiles and apparel industry exports, valued at US\$ 20.02 billion, contributed about 11.5 per cent to the country's total exports in 2008–09. The total textiles imports into India in 2008–09 were valued at **US\$ 3.33 billion**.

The **total foreign exchange earnings** from the textile exports during the current financial year (April-July 2011) was registered at **US\$ 10.32 billion** against US\$ 7.75 billion during the corresponding period of financial year 2010-11.

India has the potential to increase its textile and apparel share in the world trade from the current level of 4.5 per cent to 8 per cent and reach US\$ 80 billion by the end of the year 2020.

The Textile sector grew at 3-4 per cent during the last 6 decades. As per the 11th Five Year Plan (FYP), it was projected to fast-track to a growth rate of 16 per cent in value and is further expected to reach US\$ 115 billion (exports US\$ 55 billion and domestic market US\$ 60 billion) by 2012. Exports are likely to reach US\$ 32 billion in 2011-12 and domestic market US\$ 55 billion.

The Indian Textile Industry can be divided into several segments, some of which are listed below :

- Cotton Textiles
- Silk Textiles
- Woolen Textiles
- Ready made Garments
- Hand crafted textiles
- Jute and Coir industry

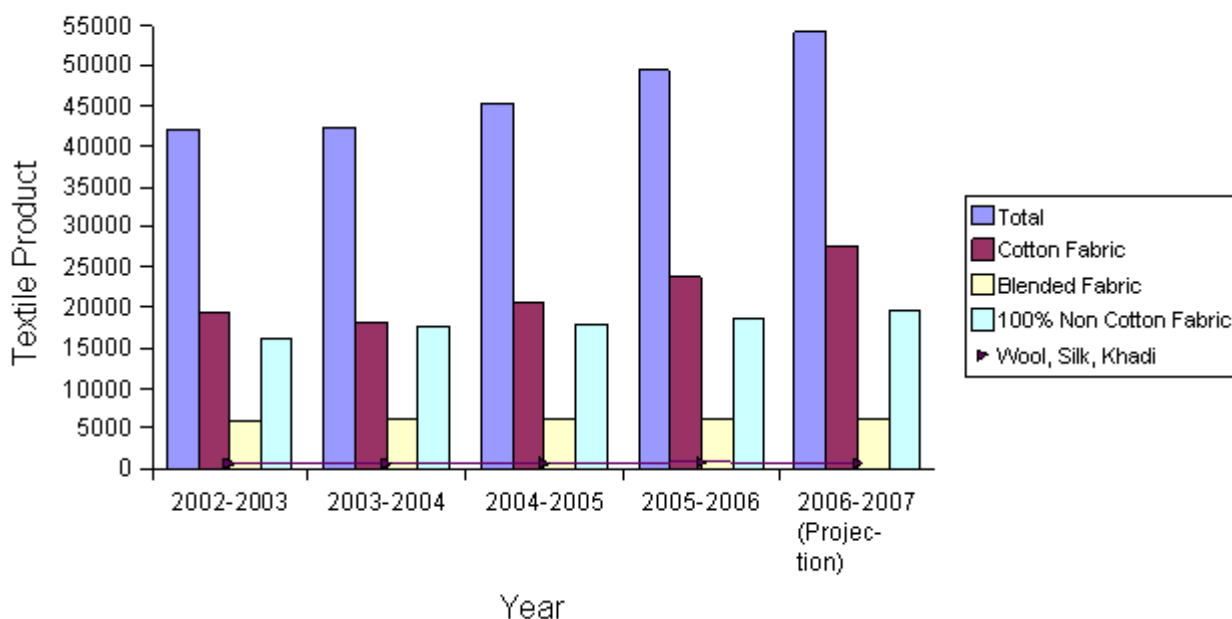
GROWTH IN INDIAN TEXTILE INDUSTRY

Indian Textile Industry is going through a major change in its outlook after the expiry of Multi-Fiber Agreement. Multi Fiber Agreement was introduced in the year 1974 as a short term measure directed towards providing a limited time period to the developed countries for adjusting their textile industries in accordance with that of the developing countries. The textile industries are characterized by their labor intensive nature of commodity production. Availability of surplus labor is abundant in the developing countries. These countries have comparative advantage in the production of textile related products and hence are able to supply goods at a very low price. The basic idea behind this policy was to eradicate all sorts of quota system from the apparel and textile industry all over the world so that a level playing field could be established. This whole process of dismantlement of quota system was completed on 01.01.2005.

Now, this era after MFA is being looked upon by the experts as a means through which the Indian textile and apparel industry is going to grow a much faster pace and would consequently be able to leave a mark on the whole world. Integration of this Indian industry with that of the whole world started from the last period of 1980s. It came up to the top ten league of countries involved in export of textile as well as apparel products after 1998. According to the statistics of United Nations Statistical Division, 2005 it was clear that during the entire 1990s, the average compounded growth rate of clothing item export was more or less 13%. This report has also highlighted the fact that the entire textile industry along with the apparel one has seen a jump in its export from US\$ 0.9 billion to US\$ 13.5 billion during the period 1985-2003 which accounts to 15 times increase from the base period.

- Now, let us see some of the figures in order to understand the absolute as well as relative change in the textile industry in terms of projections from the financial year 2002-2003 up to 2006-2007 where the final financial year represents the projected figure. The total produce of Indian Textile Industry in fabric sector.

Total Produce of Indian Textile Industry in Fabric Sector



POWERLOOM SECTOR IN INDIA**EVOLUTION OF WEAVING LOOMS**

History of weaving looms can be traced back to 17th century. The first power loom was invented by **Edmund Cartwright in 1785**. Originally Power looms were with shuttle, and they were very slow. But as the industrial demands for faster production accelerate, faster looms without shuttle came in use in early part of 20th century. As developments and innovations take place, various types of looms were developed for faster production. Today, Air-jet, Water-jet, Rapier and other computer operated looms are used to maximize production of special materials.

INDIAN SCENARIO OF WEAVING LOOMS

Though weaving is one of the important sector for Indian textile industry, it has not been given due attention like spinning sector. Moreover structure of the industry plays a major role in making it competitive. Nature of this sector is mainly unorganized. The sector consists of fragmented, small and often, un-registered units that invest low amount in technology and practices especially in the power loom, processing, handloom and knits.

India has world's largest installed base for looms. There are approximately 5mn looms in the country. India has 1.8mn Shuttle looms which is 45% of world capacity, and 3.90mn handlooms which is 85% of world capacity.

POWER LOOM

The power loom sector produces more than 60% of cloth in India and textile ministry's estimation says that more than 60% of the country's cloth exports originated from that sector. With its employment of 4.86mn workers, the power looms sector comprised approximately 60% of total textile industry employment.

As per textile ministry of India up till March 31, 2006, the power looms sector — which produces various cloth products, including greige and processed fabrics — consisted of 430,000 units with 1.94mn power looms. The ministry projected the number of power looms to rise to 1.95mn in 2006-07.

But modernization in looms is less and Indian industry still lags significantly behind US, China, Europe, Taiwan etc. (Texmin, 2005). Most of the looms we have currently in country are shuttle-less. There are less than 15,000 modern looms, whereas traditional looms are in large numbers. Value addition and the manufacturing of fabrics according to customer's compliances, is not possible due to obsolete technology of looms.

SHUTTLELESS LOOMS

Shuttleless weaving looms are up to three times more efficient than shuttle looms, but the penetration of modern shuttleless loom is very less. In 2001, there were some 27,000 shuttleless cotton looms in Indonesia, 21,000 in Thailand and 10,000 in India. In world share of shuttleless looms India ranked 9th. Following chart shows comparison of shuttleless loom proportion of India with other countries.

GROWTH IN THE POWERLOOM SECTOR

The estimated number of powerlooms in the decentralized sector in the country till 31st October 2010 were 22,69,469. The year-wise growth in the number of looms installed is given at table.

YEAR	NO OF Powerlooms	Growth Percentage
2002 – 2003	16,92,737 -	
2003 – 2004	18,36,856	8.5%
2004 - 2005	19,02,953	3.6%
2005 – 2006	19,43,892	2.2 %
2006 – 2007	19,90,308	2.4 %
2007 - 2008	21,06,370	5.8%
2008 – 2009	21,06,370	4.7 %
2009 - 2010	22,05,352	1.9 %
2010 - 2011 (Upto 31.10.2010)	22,46,474	1.02 %

Cloth production (Million SqMtrs)

The details of total cloth production and production by powerloom sector during the last six years is mentioned in below mentioned Table.

Year	Total Production	Production of Powerloom	% age of powerloom over total Production
2004 - 2005	45378	28325	62 %
2005 - 2006	49577	30626	62 %
2006 - 2007	53389	30626	62 %
2007 - 2008	56025	34725	62 %
2008 - 2009	54966	33648	61 %
2009 - 2010 (P)	59809	36644	61 %
2010 - 2011			
(April - Oct. 2010) (P)	35805	22067	62 %

REVIEW OF LITERATURE

Ministry of Textiles, Government of India, Annual Report 2010-11 (Page No127 to 132) which deals with the overall growth of the Unorganised Powerloom Sector.

Choryhads S. V has studied the growth and structure of powerloom industry, the olicity implication and remunerativeness of the powerloom industry, and also analyzed roblems involved in conversion of handloom in to power loom.*The Powerloom Development and Export Promotion Council (PDEXIL) 1997 in its report describe the growth of powerloom sector. It analysis the reason for the growth of powerloom which have the advance of producing and cost over handloom

In 1949 M.M. Mahta studied the trends in size of cotton spinning and weaving units at different clusters like Bombay (Mumbai), Ahmedabad, Madras (Chennai) and other important clusters of the country for the period of 1905 to 1944. He emphasised on the size of the industrial units in weaving industry.

S.V. Chorghade (1976) in his researchwork studied the "Powerloom Industry In Maharashtra" Maharashtra state has a lion's share in the growth and development of the Powerloom industry. He attempted to undertake a detailed study of structure and problems of Powerloom industry in Maharashtra.

P.R. Ojha (1978) studied the dividend distribution of 51 cotton textilescompanies. He analysed the dividend distribution of the companies on the basis of size, region, ownership group, management pattern and age of the companies.

R. R. Ansari (1984) in his research work explained the marketing problems of Powerloom industry in Malegaon City of Nashik District. He has very specifically indicated the marketing problems faced by the Powerloom industry.

OmkarGoswami (1985) has made an analysis of demand and supply in the cotton textile industry. According to him, only the Powerloom sector and the pure spinning units seem to be doing well. Sixty five to seventy percent of composite mills and the entire handloom sector are sick.

V. S. Mangnale (1987), in his research work about labour absenteeism in Textile Industry in Solapur, attempted to identify the causes of labour absenteeism in textile town of Solapur. He studied the nature of absenteeism and highlights the different dimensions of the problem.

B.M. Dolle (1992) in his research work revealed the socio-economic problems of powerloom industry in Malegaon. He studied the powerloom industry of Malegaon for the period of 1935 to 1985. The main conclusions of the study are; the powerloom industry in Malegaon has seen many ups and downs in its

development and it is one of the important industries of Maharashtra. The powerloom industry in Malegaon has glorious past and bright future. There are many socio economic problems in the powerloom industry of Malegaon like scarcity of the finance, marketing problems, labour problems etc.

D. C. Mathur in his book "Personnel Problems and Labour Welfare A study of cotton textile industry (1993)" had explained about personnel management in the cotton textile industry. He explained that for the economic results the management of personnel is very important.

B. Sabhoo (1993) in his research work he explained the problems and prospects of textile industry with special reference on the productivity of large and small scale textile industries. He attempted to throw light on the factor productivity of the textile industry.

NEED FOR THE STUDY

The Indian Textile Powerloom sector is structurally flawed and its efficiency and growth depends upon the corrective measures and their effectiveness. This process of improving the structural aspects of the industry was initiated in the year 1985 Textile Policy, which for the first time took a sectoral view of the industry. The Government is spelling out the need for an integrated approach whereby all sectors will be modernized synchronously. This integrated approach is felt to help the textile industry to achieve a reasonable level of upgraded production with new technology and make it strong enough to face the changed competitive global scenario from the year 2005.

In order to meet the changed competitive due to Liberalisation of economy, and globalization and privatization, hence it is felt that the unorganized powerloom sector should be modernized, especially in the present segment of weaving.

For all these to happen and to prepare a proper action plan in which all the stake holders i.e. the Government, Central and State, the weavers community and the interest groups get fully involved,

For preparation of an effective perspective plan which would spread over 5-10 years of modernization for this important sector. Hence this study of unorganized powerloom sector which focuses on Modernisation and other aspects to convert the unorganized sector to organized sector, as still lot of illiterate workers are still working in this industry, and a family runned business, and the business is not being uplifted as per the present generation to meet up the globalisation requirement.

SCOPE OF THE STUDY

The study has aimed at finding out the current status of the powerloom sector in India, in relation to the production, efficiency and capabilities with a view to speed up modernization of the powerloom sector.

In order to get primary information on the raw material supply as to its quality and availability, technology level as evidenced from the age / type of powerloom, their production capacity, technology category adaptability to the changing market requirements.

This study has covered full-fledged powerloom manufacturers as well as a Job Work units.

As the powerloom industry has got wider dispersal in India, such primary data collection has representation from most of the powerloom clusters in the country.

In addition to the data at the level of primary powerloom units, a sample of powerloom products manufactured with operational units in major clusters of Maharashtra, Tamilnadu and Gujrat has covered in order to get the required information on the Industry's perspective and problems inhibiting modernization. The cluster includes the following.

MAHARASHTRA

- a) Powerloom sector of Bhiwandi.
- b) Powerloom sector of Solapur.
- c) Powerloom sector of Ichalkaranji
- d) Powerloom sector of Malegaon.

TAMILNADU

- a) Powerloom sector of Erode.
- b) Powerloom sector of Salem and Madurai.

OBJECTIVE OF THE STUDY

This study has focused on the issues of modernization, quality, improvement and market adaptability of powerloom sector which would ensure for preparing short term and long term perspective plans.

The broader objectives of the study would be to :

- a) To identify factors effecting the overall efficiency of the Powerloom sector.
- b) To assess critically the problems faced by the unorganized powerloom sector as far as adequate and proper purchase of raw material is concerned.
- c) To find out the challenges of which have to be faced from the up-coming organized powerloom sector.

To provide recommendations to enhance the overall efficiency of the Powerloom Industry.

RESEARCH METHODOLOGY

The study involves the data collected from the primary as well as secondary sources. The primary data was collected primarily from powerloom units and powerloom workers, constituting the major source of data for the study. For this purpose two separate comprehensive questionnaires, intended to be the principle instruments for obtaining necessary information, were prepared for (1) Powerloom Units and (2) Powerloom workers. The questionnaires were designed in such a way to meet the requirements for the study. The questionnaires were consisting of all aspects of the functions and problems of Powerloom industry in India at various powerloom clusters

Secondary data relating to powerloom industry was collected from Reports of Ministry of Textile, New Delhi, Office of the Textile Commissioner, Mumbai, PDEXIL (Powerloom Development Export Promotion Council) Mumbai, Powerloom Service Centre, Directorate of Textile and Co-operation, Govt. of Maharashtra, Govt of Tamil Nadu Besides them the secondary data about Powerloom industry has been taken from published and unpublished literature

TOOLS FOR COLLECTING PRIMARY DATA

The information will be collected from the powerloom units directly.

Questionnaire and Surveys: This will include range of response questions close ended questions, providing limited answers to specific response or on a numeric scale.

Interviews: This will include people to interview, Develop the Interview questions included open ended questions and close ended questions and carefully eliminating leading questions.

SAMPLE SIZE

The sample size of Powerlooms sector is 500 with all the areas taken into account.

1. Data of 250 from Solapur Cluster.
2. Data of 100 from Malegaon Cluster.
3. Data of 50 from Ichalkaranji Cluster
4. Data of 50 from Bhiwandi Cluster.
5. Data of 100 from Erode Cluster.

6. Data of 100 from Salem and Madurai Cluster.

7. Data of 50 from Andhra Pradesh Cluster – Warangal and Sirsella.

SAMPLING TECHNIQUES

The study will be using Simple Random sampling. All these data will help in formulating as very comprehensive case study. All samples will be units will be personally conducted and interviewed.

TOOLS OF COLLECTING SECONDARY DATA

Various statistical tools will also be used to analyse the secondary data.

- Document Review: - Obtaining the actual forms and operating documents currently being used. Reviews blank copies of forms and samples of actual completed forms.
- Observation: - analyzing annual reports and press releases, verifying the statements made during the interviews.
- Web Search: - The information related to out side region (other part of India and Globe) will be studied from internet to other published papers.
- Various policies from Ministry of Textiles will be dealt in details by referring various government publications and reference book, journals, published data from time to time.
- Research of journals, periodicals, technical materials,, electronics/internet search, professionals meetings, seminars and discussions, site visits etc.
- Sampling like records, reports, operational logs, data entry documents, complaints, and various types of forms.

HYPOTHESIS

The first hypothesis that “The Powerloom sector has tremendous potential and strength to meet the future challenges as it has proven its performance and emergence of Powerloom sector has transformed an art into a modern industry” has been proved true by the analytical study of the statistical data about powerloom industry.

The analytical study of the statistical data about decentralised powerloom sector shows that the industry’s growth is remarkable. The production trend of powerloom industry continues in the right direction. It produces around thirty thousand millions square meters annually and employing about 55 lakh workers. The Indian powerloom industry is not only self sufficient in the raw materials but also it is one of the suppliers of the raw material in the global textile market. More than 40% of the cloth that goes into exports originates from this sector. The modernisation process by the government has widened the scope of the powerloom industry to further their activity and profitability.

Since 2002-03, 30657 Semi Automatic, 10303 Automatic and 26972 Shuttleless looms were installed under modernisation scheme. The sector today not only fulfils the need of the domestic market but it exports to major countries across the world.

The study of the powerloom industry proved that the powerloom industry has tremendous potential and strength to meet the future challenges and the emergence of powerloom sector has transformed an art into a modern industry.

The above said hypothesis was tested with the help of Chi –Square Test. The relevant variables were selected and three formulated sub-hypotheses were tested. The first formulated hypothesis “Workers’ job security is dependent on working conditions of the factory” has been found valid. The critical value of the Chi Square at 0.05 level of confidence for 9 degree of freedom was 16.919 which is less than calculated value of Chi Square i.e. 96.471 hence the null hypothesis was rejected.

The second formulated hypothesis “Workers’ Satisfaction with wages is dependent on satisfaction of job” has also been found valid. The critical value of the Chi Square at 0.05 level of confidence for 9 degree of freedom was 16.919 which is less than calculated value of Chi Square i.e. 109.083 hence the null hypothesis was rejected.

The third formulated hypothesis “Workers’ satisfaction with wages is dependent on Welfare Facilities” has been found valid. The critical value of the Chi Square at 0.05 level of confidence for 9 degree of freedom was 16.919 which is less than calculated value of Chi Square i.e. 116.685 hence the null hypothesis was rejected.

OBSERVATIONS

Powerloom industry has a pre-eminent position in the Indian economy. The sector contributes significant share in the production of cloth and generation of employment. There are about 22.05 lakh powerlooms distributed over about 05 lakh units, till 2008-2009. The Indian Powerloom Industry contributes 60.39% of the total powerlooms in the world. It also contributes 62% of the total cloth production & provides employment to 52.65 lakh persons.

The powerloom industry is spread all over India. The major states are Maharashtra, Tamil Nadir, Gujarat, Andhra Pradesh, Uttar Pradesh, Madhya Pradesh, Punjab, Rajasthan, Karnataka, and Hiragana. The Maharashtra state is the pioneering in the powerloom industry in India. The Maharashtra state has about 11.06 laky powerlooms out of 22.05 laky powerlooms in the country. The major clusters in Maharashtra are Bhiwandi, Malegaon, Ichalkaranji, Solapur and Nagpur.

There is no proper marketing mechanism in the Powerloom Sector. It was observed that, the price of the yarn and fabric always fluctuates. Sometimes it goes inverse direction, means the prices of the yarn increases while the prices of the fabrics goes down direction. As the majority of the weavers are job work weavers so they cannot afford buying yarn and marketing of the cloth. Middlemen enjoy the main profit & they also exploit the weavers who are unorganised

SUGGESTIONS & RECOMMENDATIONS

- Upgradation & Modernisation: Since all the powerloom are conversion of Plain Room to auto and Dobby and jacquard, they should go in for modernization of machinery to get better production.
- Upgradation of Plain powerlooms to Semi-Automatic level: All plain Looms should be scrapped and the powerloom owners should shift to next generation machinery.
- Marketing Strategies: As in the organized sector there is a separte marketing team to look into the marketing of the companies product same way even in the unorganized sector more marketing strategies have to be adopted rather than depending on Commission agents and Brokers and the same suppliers for years to gether.
- Awareness about Government Schemes: In lot of Powerloom clusters they are not even aware that Government of India is pusing hard for the survival of this Unorganised sector, there are lots of schemes introduced for upgradation and for the labours working in this particular industry which should be known to this sector.
- Awareness about Powerloom Service Centre: In the various clusters the Government has opened various Powerloom Service Centre for training and development of powerloom owners and workers.
- Role of State Government: The state government also plays a major role for the development of the unorganized sector by reducing the Sales Tax and octroi and for the survival of the industry..
- Census of Powerloom Industry: When the national Sample Survey is conduct it is very difficult to know the exact statistics of this particular industries, all the local federation or association should adhere for census of this sector.

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THE ROLE OF MAHATMA GANDHI NATIONAL RURAL EMPLOYMENT GUARANTEE SCHEME IN POVERTY ALLEVIATION IN INDIA

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ABSTRACT

The Rural Development in India is one of the most important factors for the growth of the Indian economy. India is primarily an agriculture-based country. Agriculture contributes nearly one-fifth of the gross domestic product in India. In order to increase the growth of agriculture, the Government has planned several programs pertaining to Rural Development in India. The National Rural Employment Guarantee Act 2005 was introduced by the Ministry of Rural Development, for improving the living conditions and its sustenance in the rural sector of India. National Rural Employment Guarantee Act (NREGA) is a landmark legislation that has been made as it is a step towards the realization of wage employment as a right, providing a right to work and thus a right to life with dignity. It is also expected to enhance people's livelihood on a sustained basis, by developing the economic and social infrastructure in rural areas. The enactment of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) best reflects the Government of India's new resolve to strengthen the rural economy and livelihoods of the poor. MGNREGA aims to enhance livelihood security by providing at least 100 days of guaranteed wage employment annually to every household whose adult members volunteer to do unskilled manual work. The Mahatma Gandhi National Rural Employment Guarantee Act aims at enhancing the livelihood security of people in rural areas by guaranteeing hundred days of wage-employment in a financial year to a rural household whose adult members volunteer to do unskilled manual work.

In this study we examined the implementation of Mahatma Gandhi National Rural Employment Guarantee scheme, Rural Development Schemes in India, Main features of Rural Employment Guarantee Scheme, details of the job cards issued to households in India, details of the house hold demanded employment and employment provided in India, details of the person days working in India, details of the funds position in India, new initiatives, Conclusion and Reference.

KEYWORDS

MGNREGS, poverty alleviation.

INTRODUCTION

The Rural Development in India is one of the most important factors for the growth of the Indian economy. India is primarily an agriculture-based country. Agriculture contributes nearly one-fifth of the gross domestic product in India. In order to increase the growth of agriculture, the Government has planned several programs pertaining to Rural Development in India. The Ministry of Rural Development in India is the apex body for formulating policies, regulations and acts pertaining to the development of the rural sector. Agriculture, handicrafts, fisheries, poultry, and dairy are the primary contributors to the rural business and economy.

The introduction of Bharat Nirman, a project set about by the Government of India in collaboration with the State Governments and the Panchayat Raj Institutions is a major step towards the improvement of the rural sector. The National Rural Employment Guarantee Act 2005 was introduced by the Ministry of Rural Development, for improving the living conditions and its sustenance in the rural sector of India.

The 2011 Census estimates that 83.3 crore people, about 69 percent of the country's total population of 121 crore, continue to live in rural India. A major challenge thus arises is, how to feed India's growing population with rising incomes with the given land and water resources. The expansion of income opportunities in the farm sector and progressive absorption of people into nonagricultural activity have been identified as the most appropriate solutions to this challenge. For achieving rural development, the present government has been injecting resources at a massive scale to the rural and farm sector. Presently, seven major flagship programmes are being implemented to develop rural areas. They are: Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), National Rural Livelihood Mission (NRLM), Indira Awas Yojana (IAY), National Rural Drinking Water Programme (NRDWP) and Total Sanitation Campaign (TSP), Integrated Watershed Development Programme (IWDP), Pradhan Mantri Grameen Sadak Yojana (PMGSY) and rural electrification, including separation of agricultural feeders and Rajiv Gandhi Grameen Viduyutikaran Yojana (RGVY). All these programmes are essentially meant for creating gainful employment opportunities and to improve the quality of lives of rural masses. The present report attempts to study the developmental impacts of government policies on rural economy. The economic development reflects in the improvements in the economic well being of people at large. It indicates the increase in the purchasing power of the members of the society and the overall economic well-being of its people. The popular way of studying economic development is analysing the change and pace of change in real income/expenditure of people at large.

SOME OF THE RURAL DEVELOPMENT SCHEMES IN INDIA

- **Pradhan Mantri Gram Sadak Yojana (PMGSY):** This is a scheme launched and fully sponsored by the Central Government of India. The main objective of the scheme is to connect all the habitations with more than 500 individuals residing there, in the rural areas by the means of weatherproof paved roads.
- **Swarnjayanti Gram Swarozgar Yojana (SGSY):** This was implemented as a total package with all the characteristics of self employment such as proper training, development of infrastructure, planning of activities, financial aid, credit from banks, organizing self help groups, and subsidies.
- **Sampoorna Gramin Rozgar Yojana (SGRY):** This scheme aims at increasing the food protection by the means of wage employment in the rural areas which are affected by the calamities after the appraisal of the state government and the appraisal is accepted by the Ministry of Agriculture.
- **Indira Awaas Yojana (Rural Housing):** This scheme puts emphasis on providing housing benefits all over the rural areas in the country.
- **Pradhan Mantri Gram Sadak Yojana (PMGSY)** was launched on 25th December 2000 as a fully funded Centrally Sponsored Scheme to provide all weather road connectivity in rural areas of the country. The programme envisages connecting all habitations with a population of 500 persons and above in the plain areas and 250 persons and above in hill States, the tribal and the desert areas.
- **The National Social Assistance Programme (NSAP)** is a welfare programme being administered by the Ministry of Rural Development. This programme is being implemented in rural areas as well as urban areas. NSAP represents a significant step towards the fulfillment of the Directive Principles of State Policy enshrined in the Constitution of India which enjoin upon the State to undertake within its means a number of welfare measures. These are intended to secure for the citizens adequate means of livelihood, raise the standard of living, improve public health, provide free and compulsory education for children etc. the Govt. of India launched NSAP as a Centrally Sponsored Scheme w.e.f 15th August 1995 towards fulfillment of these principles.

- **Council for Advancement of People's Action & Rural Technology (CAPART):** Recognising the need for an organisation that would coordinate and catalyse the development work of voluntary agencies in the country, particularly to ensure smooth flow of benefits to the underprivileged and socio-economically weaker sections of society, Government of India, in September, 1986 set up the Council for Advancement of People's Action and Rural Technology (CAPART), a registered society under the aegis of the Department of Rural Development, by merging two autonomous bodies, namely, People's Action for Development of India (PADI) and Council for Advancement of Rural Technology (CAPART).

MAHATMA GANDHI NATIONAL RURAL EMPLOYMENT GUARANTEE SCHEME (MNREGA)

National Rural Employment Guarantee Act (NREGA) is a landmark legislation that has been made as; it is a step towards the realization of wage employment as a right, providing a right to work and thus a right to life with dignity. It is also expected to enhance people's livelihood on a sustained basis, by developing the economic and social infrastructure in rural areas. Several studies have proved that this act has not only enabled generation of productive assets but has also led to higher food and income security for landless workers and other vulnerable sections of the rural poor, protecting environment, empowering rural women, reducing rural-urban migration and fostering social equity etc. The Mahatma Gandhi National Rural Employment Guarantee Act aims at enhancing the livelihood security of people in rural areas by guaranteeing hundred days of wage-employment in a financial year to a rural household whose adult members volunteer to do unskilled manual work.

The enactment of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) best reflects the Government of India's new resolve to strengthen the rural economy and livelihoods of the poor. Implemented by the Ministry of Rural Development MGNREGA aims to enhance livelihood security by providing at least 100 days of guaranteed wage employment annually to every household whose adult members volunteer to do unskilled manual work. The most significant feature of MGNREGA lies in making the Government legally accountable for providing employment to those who ask. The act has the potential to go beyond just providing employment. By converging with related programs, the act can create durable assets and strengthen the livelihoods resource base of the poor.

MGNREGA has moved on to innovative initiatives like financial inclusion, social security provisioning for unorganized workers and identification of the poor. Given the unprecedented scale of the MGNREGA activities and vast potential for convergence, the program offers a big platform for multiplier effects beyond wage employment. However, scaling up of convergent action will largely depend on how the action points graduate from the pilot phase to mega efforts across states.

- The National Rural Employment Guarantee Act (NREGA, also known as National Rural Employment Guarantee Scheme, NREGS) is Indian legislation enacted on August 25, 2005. The NREGA provides a legal guarantee for one hundred days of employment in every financial year to adult members of any rural household willing to do public work-related unskilled manual work at the statutory minimum wage. The Ministry of Rural Development (MRD), Govt of India is monitoring the entire implementation of this scheme in association with state governments.
- This act was introduced with an aim of improving the purchasing power of the rural people, primarily semi or un-skilled work to people living below poverty line in rural India. It attempts to bridge the gap between the rich and poor in the country. Roughly one-third of the stipulated work force must be women.
- Adult members of rural households submit their name, age and address with photo to the Gram Panchayat. The Gram panchayat registers households after making enquiry and issues a job card. The job card contains the details of adult member enrolled and his /her photo. Registered person can submit an application for work in writing (for at least fourteen days of continuous work) either to panchayat or to Programme Officer.
- The panchayat/programme officer will accept the valid application and issue dated receipt of application, letter providing work will be sent to the applicant and also displayed at panchayat office. The employment will be provided within a radius of 5 km: if it is above 5 km extra wage will be paid.

MAIN FEATURES OF RURAL EMPLOYMENT GUARANTEE SCHEME

THE FOCUS OF THE SCHEME SHALL BE ON THE FOLLOWING WORKS IN THEIR ORDER OF PRIORITY

- Water conservation and water harvesting.
- Drought proofing (including afforestation and tree plantation).
- Irrigation canals including micro and minor irrigation works.
- Provision of irrigation facility to land owned by households belonging to the scheduled Castes/Schedule Tribes or to land of beneficiaries of land reforms or that of the beneficiaries under the IAH of Govt. of India.
- Renovation of traditional water bodies including desilting of tanks.
- Land Development.
- Flood control and protection works including drainage in water logged areas.
- Rural connectivity to provide all weather access and
- Any other work which may be notified by the Central Government in consultation with the State government.

JOB CARD ISSUED IN MGNREGA

The Job Card is the key document recording workers' entitlements under Mahatma Gandhi NREGA. The implementing agency is issued the Job Card to the registered household's as legal instrument for applying for work, which also ensures transparency and protects workers against fraud.

DETAILS OF THE JOB CARDS ISSUED TO HOUSE HOLDS IN INDIA

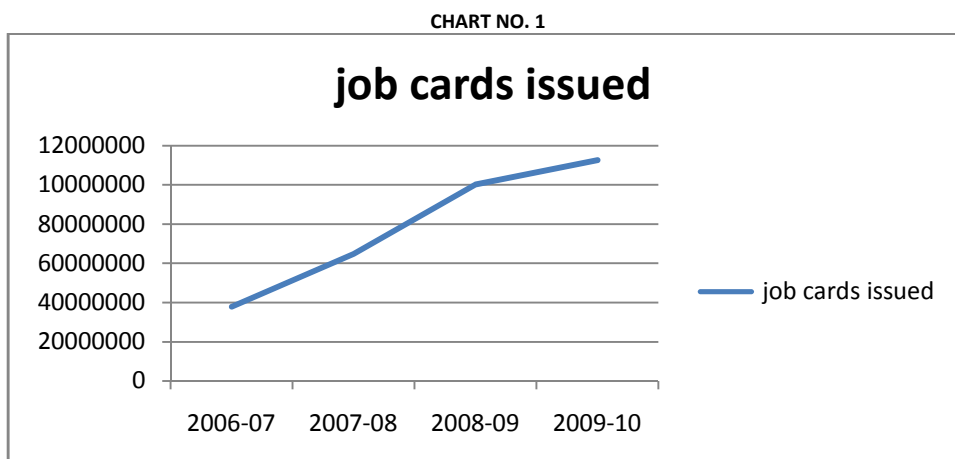
TABLE NO. 1

years	Cumulative No. of HH issued job cards	% age
2006-07	37850390	-
2007-08	64740595	71%
2008-09	100145950	54.6%
2009-10	112550610	12.3%
2010-11	119824438	6.4%
TOTAL	435111983	

Source: MGNREGA website

It is observed from the above table that the job cards was issued to the house hold members during the study period 43.5 crore. Out of which more than 71% of the job cards were issued in the year 2007-08 compare to the previous year. At the same time it was only 6.4% increased in the year 2010-11 while compare to 2009-10. However, the trend of the issuance of job cards to the house hold members has been increased every year.

DETAILS OF THE JOB CARDS ISSUED TO HOUSEHOLDS IN INDIA



HOUSE HOLD DEMANDED EMPLOYMENT AND EMPLOYMENT PROVIDED IN MGNREGA

As per the demand for employment by the people of rural areas to carry out the developmental works of the rural areas the authorities concerned has provided the employment people in the Mahatma Gandhi National Rural Employment Guarantee scheme. The details of the household demand and employment provided to the workers are given below.

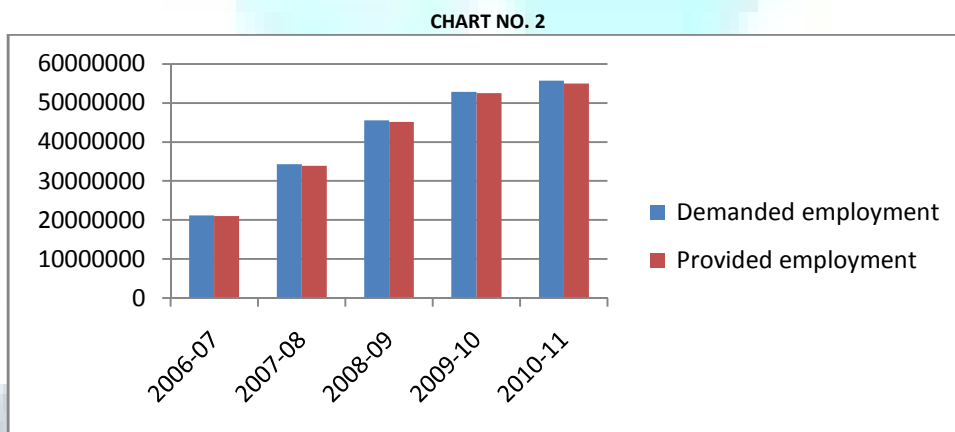
TABLE NO. 2

years	No. of households who have demanded employment	% age	No. of households provided employment	% age
2006-07	21188894		21016099	-
2007-08	34326563	62%	33909132	61.3%
2008-09	45518907	32%	45115358	33%
2009-10	52864608	16%	52530453	26.4%
2010-11	55763244	5%	54954225	4.6%
TOTAL	209662216		207525267	

Source: MGNREGA website

It is understood from the table that the total number of house hold demanded the employment were 20.96 crore from 2006-07 to 2010-11 and employment provided to the workers were 20.75 crore during the study period. It is observed that the government has not provided employment corresponding to the demand employment.

DETAILS OF THE HOUSE HOLD DEMANDED EMPLOYMENT AND EMPLOYMENT PROVIDED IN INDIA



PERSON DAYS WORKING UNDER MGNREGA IN INDIA

Under the Mahatma Gandhi National Rural Employment Guarantee scheme, the govt. of India has provided the 100 days work to the demanded people in various works such as water conservation and water harvesting, drought proofing (including afforestation and tree plantation, irrigation canals including micro and minor irrigation works etc. The details of the person days working is given below.

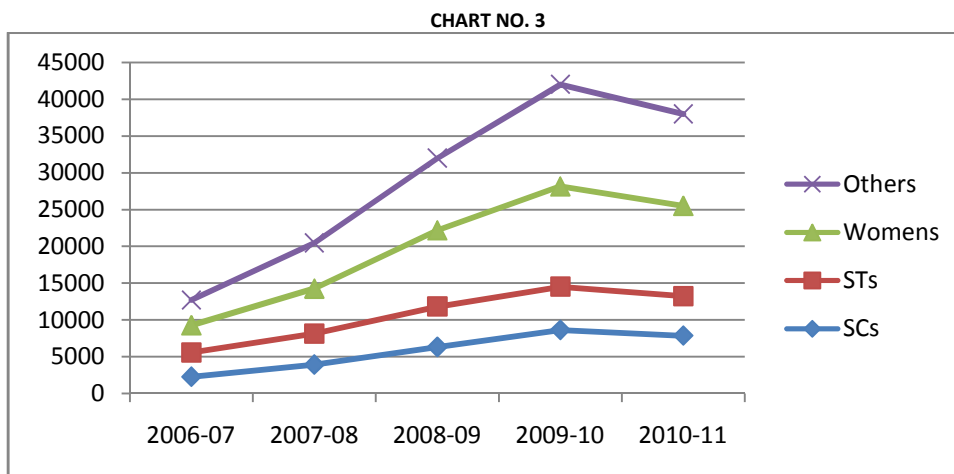
TABLE NO. 3

YEAR	Person days in Lakhs					% age
	SCs	STs	Women	Others	Total	
2006-07	2295.23	3298.73	3679.01	3456.59	9050.54	
2007-08	3942.34	4205.6	6109.1	6219.98	14367.95	58.7
2008-09	6336.18	5501.64	10357.32	9795.06	21632.86	50.6
2009-10	8644.83	5874.39	13640.51	13840.35	28359.57	31
2010-11	7875.65	5361.8	12274.23	12477.81	25715.25	-9.1
TOTAL	29094.23	24242.16	46060.17	45789.79	99126.17	

Source: MGNREGA website

The table No. 3 shows that the total number of Scheduled Caste members working in days 29 lakhs followed by Scheduled Tribe were 24.24 lakhs. The Women workers were 46 lakhs and other workers were 45.78 Lakhs among all categories during the study period under this scheme. The total person working days were 99.12 lakhs during the period from 2006-07 to 2010-11. It is observed that from 2006-07 to 2009-10 the working days were gradually increased but during the year 2010-11 it was declined.

PERSON DAYS WORKING UNDER MGNREGA IN INDIA



FUNDS POSITION OF MGNREGA IN INDIA

The Govt. of India has sanctioned required funds for implementing the Mahatma Gandhi National Rural Employment Guarantee scheme to carry out work of water conservation and water harvesting, drought proofing (including afforestation and tree plantation, irrigation canals including micro and minor irrigation works etc. by the authorities concerned through workers. The funds position available and funds released by the Govt. of India and expenditure incurred for the works carried out by the workers is given below.

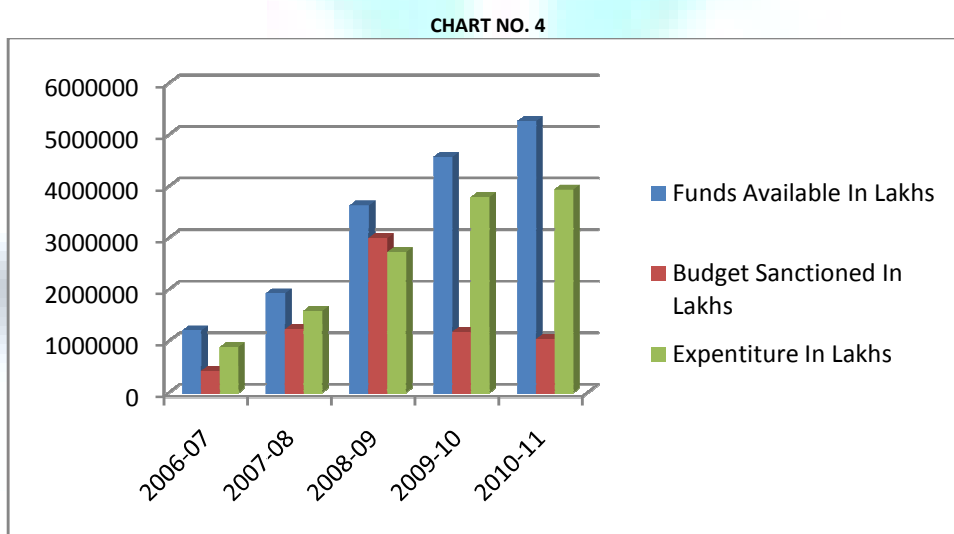
TABLE NO. 4

YEAR	Funds Position					
	Funds Available In Lakhs	% age	Central Release (Sanctioned) In Lakhs	% age	Expenditure In Lakhs	% age
2006-07	1207362.72		418432.42		882335.55	
2007-08	1927877.71	59.6	1229592.4	193.8	1585844.15	79.7
2008-09	3630045.57	88.3	2994544.33	143.5	2725068.7	71.8
2009-10	4568246.91	25.8	1178076.46	-3.9	3790977.95	39.1
2010-11	5264889.48	15.2	1038287.82	-8.8	3937727.03	3.8
TOTAL	16598422.39		6858933.43		12921953	

Source: MGNREGA website

It is analysed from the above table that the available funds in this scheme was of Rs. 1.66 crore out of which the government has sanctioned only Rs. 68.58 lakhs where as the expenditure has showed of Rs. 1.29 crore. The expenditure also tremendously increased every year from 2006-07 to 2010-11. As such the government should sanction more funds at par with expenditure incurred in order avoid pending amount to be released to the workers.

DETAILS OF THE FUNDS POSITION OF MGNREGA IN INDIA



WORK POSITION OF MGNREGA IN INDIA

The Govt. of India has engaged worker under Mahatma Gandhi National Rural Employment Guarantee scheme in various works such as Water conservation and water harvesting, Drought proofing (including afforestation and tree plantation, Irrigation canals including micro and minor irrigation works etc. The details of the various works ongoing and works completed under this scheme are given below.

TABLE NO. 5

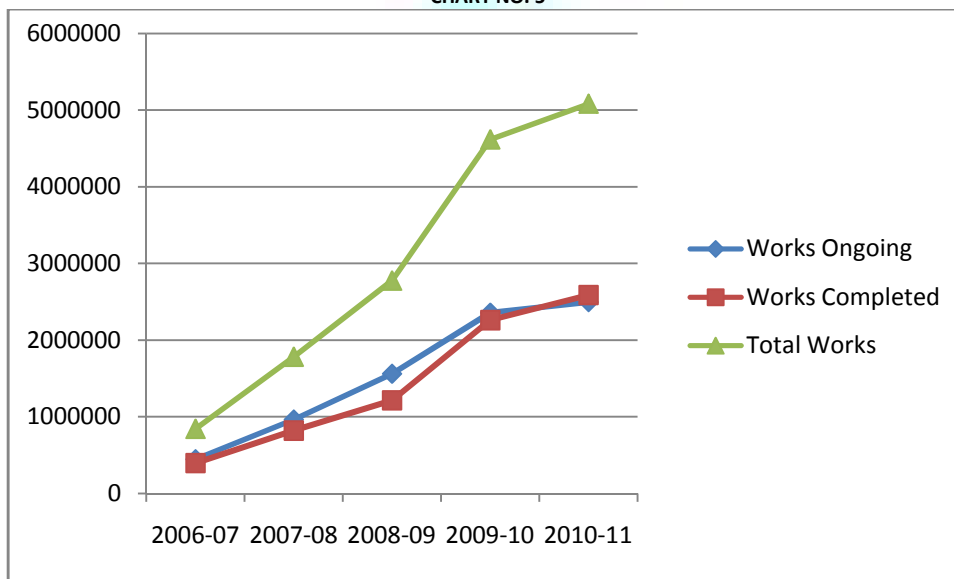
YEAR	Work Position			
	Works Ongoing	Works Completed	Total Works	% age
2006-07	444806	396782	841588	
2007-08	961280	820168	1781448	111.6
2008-09	1560485	1214139	2774624	55.7
2009-10	2357480	2259343	4616823	66.4
2010-11	2496763	2585824	5082587	10
TOTAL	7820814	7276256	15097070	

Source: MGNREGA website

The above said table shows the details of the work position of this scheme. The total ongoing works under this scheme was 78.2 Lakhs while work completed was 72.76 lakhs during the year 2006-07 to 2010-11. The total works were undertaken from ongoing work and works completed was 1.50 crore under the various works during the study periods.

WORK POSITION OF MGNREGA IN INDIA

CHART NO. 5



NEW INITIATIVE OF THE GOVERNMENT OF INDIA

USE OF ICT AND BIOMETRIC PROJECT

MGNREGA workers are largely illiterate, poor and at the bottom of the social hierarchy. They cannot articulate their demands 'formally' in writing. The absence of written application for employment, non-issuance of dated receipts, non-payment of unemployment allowances or compensation for delay in wages are not only on account of administrative lapses in record keeping, but reflect the social undercurrents and dynamics that prevent workers from exercising their rights in demanding work from the Gram Panchayat in an equitable manner.

The large scale of operations, the limitations of outreach of various services and the need to handle large volumes of information in a transparent manner necessitates the use of ICT in program delivery.

The use of ICT devices and biometrics for authentication will bring in transparency and efficiency. Geared towards real time capture of the processes involved in MGNREGS such as registration, demand of work, issue of dated receipt, allocation of work, attendance at worksite with GPS coordinates, measurement of work, wage payments, etc. it would be instrumental in ensuring transparency and accountability, strengthening MIS reporting and tracking and reducing delays in measurement and payments.

CONCLUSION

The Mahatma Gandhi National Rural Employment Guarantee scheme is playing vital role in alleviation of Poverty in India by providing employment in rural people and best reflects the Government of India's new resolve to strengthen the rural economy and livelihoods of the poor. Implemented by the Ministry of Rural Development MGNREGA aims to enhance livelihood security by providing at least 100 days of guaranteed wage employment annually to every household whose adult members volunteer to do unskilled manual work. The most significant feature of MGNREGA lies in making the Government legally accountable for providing employment to those who ask for work.

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CHANGING PARADIGM AND HUMAN RESOURCE DEVELOPMENT: A CASE STUDY OF TATA MOTORS**RICHA NANGIA****LECTURER****DEPARTMENT OF MANAGEMENT STUDIES
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JAIPUR****ABSTRACT**

The purpose of this study is to explore the impact of Human Resource Development (HRD) in the field of Automobile Industry. The process of Liberalization-Privatization-Globalization that began in 1991 has drastically changed the business scenario of India Automobile Industry, and consequently the HR Management of Indian automobiles companies, specifically, Tata Motors. The objective of HRD is to improve the performance of the organization by maximizing the efficiency and performance of the human resource. The focus of all aspects of Human Resource Development is, on developing the workforce so that the organization as well as an individual can accomplish their goals. In this study we will focus that how HRD is important to enhance the performance of employee and to improve the organizational effectiveness. This research aims to identify- up to what extent Tata Motors is implementing HRD sub-systems and what is the employees' perception regarding the implementation of HRD sub-systems in their working place. This research discusses how HRD functions are successfully carried out through its sub-systems in the Indian Automobile Industry particularly in Tata motors and how important these sub-systems are for a proper functioning of the company. This research paper will be valuable for practicing HR professional of every organization and also for those who have a significant interest in the area of Human Resource Management, to realize the importance of HRD needs and understand the need to build up effective HRD strategies to combat HRD issues arising in the 21st century. So, to manage HRD activities and sub-systems competently, the HRD Department should be aware of the need of HRD in their organization and a proper system should be put into practice.

KEYWORDS

Human Resource Development, Indian Automobile Industry, Organizational effectiveness, Liberalization-Privatization-Globalization, HR professional.

INTRODUCTION

Today, the automotive vehicle has become a basic necessity. Furthermore, the business of marketing and servicing automobiles has become one of the biggest businesses in the world as well as in India. Automobile industry is one of the fastest growing industries in India. It is one of the key sectors of the growth of economy. Human Resource is the most essential part of Economic Development or it can be said that they are the representative of development. Human resource development (HRD) is an important constituent for growth and economic development. It is concerned with both the nationwide level and the organization wide level. The development of HRD of a nation is dependent on the government and national policies of the nation, even as at the organizational level HRD is concerned on training, career planning etc. and maximum utilization of human resources. Human resource development is a process of organized learning activities which are arranged by the organization to improve the performance and for personal growth of employees with the intention of improving the job, the individual, and the organization. Fundamentally it is a strategic process, which is concerned with convention of organizational as well as individual needs.

The Automobile Industry is very beneficial to the nation as well as its citizens. The advantages of automobile industry are as following: It generates employment and through this, keeping in mind the thought of nation's population growth, many people are employed. It increases the economic growth rate of India and due to its exports of products at international level; India can represent its nation globally. The living standard of people increases with new Launches and new technologies. This industry has many benefits which are uncountable and cannot be described in words. So, to manage its human capital all the companies should encourage HRD activities in their organizations. The objective of HRD is to prepare individual in response to a changing and complex environment and to get better performance of the organization by make best use of the competencies of their human capital. Every organization wants to develop the performance, knowledge, skills, values, enthusiasm, incentive, attitude and working environment of their employees by introducing HRD.

OBJECTIVE OF THE STUDY

- To study the HRD sub systems and its impact in Tata Motors.

RESEARCH METHODOLOGY

The present study uses descriptive-cum-exploratory research design.

Both primary and secondary data has been collected to present a comprehensive analysis of Indian Automobile Industry especially Tata Motors.

- ❖ Primary Data: The study is mostly founded upon gathering of comprehensive data from primary sources like - in-person surveys, interviews, questionnaire etc
- ❖ Secondary Data: The research was also carried out depending on secondary sources which require no direct contact to gather information and is effectively based upon postal mail, electronic mail, telephone, web-based surveys, newspapers, business journals and periodicals, etc of the Indian Automobile industry.

HRD IMPLEMENTATION AT TATA MOTORS

At Tata Motors, Human Resources Management is actively linked to the Corporate Vision and goals. The HR approach of Tata Motors is through Total Employee Development Focus. In Tata Motors, HRD includes a large area of the personnel function. It starts from the very process of human resources planning and ends with detailed drawing up of individual development plans and their follow-up. The management of Tata Motors believes that HRD is one of the most important functions for organizational as well as individual growth and development. It includes long-term, broad-based activities which would also ensure organizational Effectiveness. In short, HRD aims at helping employees to acquire competencies required to perform all their functions effectively and make their organization to do well.

In Tata Motors, the goal of HRD Department is to develop:

- The hidden potential of each employee
- The capabilities of each employee in relation his present role and expected future role
- The healthy relationship between every employee and his superior
- The team spirit and functioning in every department of company
- Collaboration among different units or departments of the company

HRD SUB-SYSTEM IN TATA MOTORS

HRD functions are carried out through its good quality of systems and sub systems. The following HRD sub systems are currently in use in Tata Motors in order to develop competencies of their workforce and improve the overall organizational climate of HRD sub-systems. HRD has ten major sub systems in the Tata Motors which are elaborated below:

A. PERFORMANCE APPRAISAL

In Tata Motors, All employees are evaluated based on performance and merit. The company has customized Performance Management System (PMS) for the requirements of different categories of employees-managerial, supervisors and bargain able employees. In the PMS system, Individual performance plans are cascaded from the Balance Score Card down to the smallest work unit, bringing business and customer focus to all levels and teams. Monthly and mid-course half yearly reviews are held to ensure resources; targets and training are in alignment with business needs. Employees have an opportunity to develop their own view of their performance and discuss it with their supervisor. Formal evaluation ratings are assigned at the end of the year. PMS instills a high performance culture in the organization.

B. POTENTIAL APPRAISAL

Potential appraisal is being carried out at regular intervals at the middle and higher level in Tata Motors. The objective of potential appraisal in the company is to identify the potential of a given employee to occupy higher positions and undertake higher technologies. Potential appraisal in this company is carried out on three basis (i) supervisor's observations (ii) various performance data related to previous roles played by an employee; (iii) past performance of employee which simulate to a new position. Potential appraisal system of the company helps management to pick up a suitable candidate for a given future job and offer additional training, if necessary. Potential Appraisal is approached very cautiously and the number of People identified for this appraisal is on a highly selective basis to start with the given opportunities to grow in various functional areas, under the watchful eye of the HRD department.

C. FEEDBACK AND PERFORMANCE COACHING

The feedback mechanism in Tata motors is a continuous exercise. It helps employees to learn from their own performance. Such kind of phenomenon helps cultivate a good environment within the organization and also nurture superior subordinate relationship. On regular intervals this approach is practiced where a Performa is created consisting of feedback report.

The first step in any effort to improve employee performance is coaching. In Tata Motors, coaching is part of the day-to-day interaction between a supervisor and employee, an HR professional and the line managers. Coaching often gives positive feedback about employee contributions towards work. At the same time, regular coaching is also given which brings performance issues to an employee's attention and assists the employee to correct them. The goal of performance coaching in Tata Motors is not to make the employee feel bad, or to show how much the HR professional or supervisor knows about his deals. The goal of coaching is to work with the employee to solve performance problems and improve the work of the employee, the team, and the department.

D. CAREER PLANNING

All the employees of Tata Motors have the opportunity to advance their careers. The Company administers career progression through the PMS system for managerial employees. All employees have the opportunity of moving to higher levels. This is based on their personal preparation and desire to move, windows of opportunity and a fair selection process. Apart from regular progression, other methods are also used for Fast track career progression. This helps the Company in building a resource for key areas and challenging assignments.

E. TRAINING

At Tata Motors, employees are invaluable assets and their career and personal growth are of prime concern to the Company. The company provides a congenial atmosphere to work, learn and grow. The Company conducts various programmes to train their staff in the latest and the best technology and management practices. The Company through its in-house vocational training and apprenticeship programmes trains the technicians at Tata Motors. Numerous talented youngsters, honed by such rigorous programmes, have received numerous National Best Apprentice Awards - the highest accolade for excellence in skills, in India.

Tata Motors expansion projects offer numerous growth opportunities. Structured training programmes, rotational assignments and cross-functional mobility allow employees to grow. Movement across functions is encouraged to help employees develop a wider perspective and gain expertise in manifold functions.

F. ORGANIZATIONAL DEVELOPMENT

Development of an organization is a responsibility which includes organizational culture, making the team more effective by introducing various approaches superseding employees in a formal and informal way; thus impacting the business. The experts of Tata motors work for systems thinking, leadership studies, organizational leadership, cross functional work group and organizational learning whose perspective is not limited in just the behavioral sciences, but a much more multi-disciplinary and inter-disciplinary approach have emerged as OD approaches. The various approaches of OD improves company's problem-solving ability, increase its ability to adapt to rapid societal change, and provide managers an updated set of concepts and methods for managing the company.

G. EMPLOYEE WELFARE AND QUALITY OF WORK LIFE

Tata Motors provide numerous welfare facilities to their permanent employees to keep their motivation levels high. The employee welfare schemes in the above mentioned company can be classified into two categories viz. statutory and non-statutory welfare schemes. The statutory schemes are those schemes that are compulsory to provide by an organization as compliance to the laws governing employee health and safety. These include provisions provided in industrial acts like Factories Act 1948, Dock Workers Act (safety, health and welfare) 1986, Mines Act 1962 etc. The non statutory schemes differ from organization to organization and from industry to industry.

Quality of Working Life is a term which is used to describe the job-related experience an individual has. The Quality of Work life depends on the programs and practices of welfare activities that encourage a positive and productive work experience. Human resource department of Tata Motors is involved with efforts to improve the quality of work life of their employees through good supervision, good working conditions, reorganization, good pay and benefits and challenging and rewarding job. High Quality of Work Life is required through an employee relations philosophy that encourages the use of this approach's efforts, which are systematic attempts by company to give workers greater opportunities to affect their jobs and their contributions to the company's overall effectiveness.

H. HUMAN RESOURCES INFORMATION SYSTEMS

An effective HRIS provides information on just about anything the company needs to track and analyze about employees, former employees, and applicants. Tata Motors has replaced several related systems, such as a personnel database, payroll system and benefits system, with one HRIS that does it all. The Human Resource Information Systems (HRIS) of the Tata Motors provide overall Information about all the employees like their history, attendance, pay raises and positions held, performance development plans, training received, disciplinary action received, key employee succession plans, high potential employee identification, and applicant tracking, interviewing, and selection. Besides this other information has been stored in this system and also information can be updated according to the need and preference of HR department. With this appropriate HRIS, the HR department enables employees to do their own benefits updates and address changes. Additionally, data necessary for employee management, knowledge development, career growth and development, and equal treatment is facilitated. With the help of this system every managers can access the information they need to legally, ethically, and effectively support the success of their reporting employees.

I. REWARDS AND HONORS

In Tata Motors strategic reward system for employees addresses these four areas: compensation, benefits, recognition and appreciation. Tata Motors employs an effective reward and honor system which represents its operations and organizational chain of command. For instance, instead of simply following the instruction of manager, workers can directly contact the supplier to talk about the quality of equipment and to take autonomous action to eliminate the product flaws. This is obviously one form of incentive for employees. The purpose of Tata Motors in creating an employee rewards and honor program is to create some acknowledgment and motivate their employees and ultimately achieve business goals.

J. MANAGING ORGANIZATIONAL CHANGE

Change management is a planned and systematic approach for ensuring that changes are thoroughly and fluently implemented, and that the lasting benefits of change are achieved within the organization. According to the management professionals of Tata Motors, "That sometimes initiative failed because we didn't focus enough on change management." And it's often used as a catch-all for project activities that might otherwise get overlooked: "When we implement new process, we should not forget about the change management."

The Practices of Tata Motors focuses on the wider impacts of change, particularly on human resource and, as individuals and teams, move from the existing situation to the new one. The change varies from a simple process change, to major changes in policy and strategy needed if the organization is to survive and compete in global era.

TABLE NO. 1: AWARENESS OF THE PRESENCE OF VARIOUS HRD SUB SYSTEMS AMONGST THE EMPLOYEES OF TATA MOTORS IN PERCENTAGE

HRD Sub-systems	Awareness of HRD Sub-systems by employees of Tata Motors in %
Performance Appraisal	89%
Potential Appraisal	72%
Feedback and Performance Coaching	78%
Career Planning	80%
Training	95%
Organization Development (OD)	66%
Rewards and honors	75%
Employee Welfare and Quality of Work Life	92%
Human Resources Information System	69%
Managing organizational change	70%

FIGURE NO. 1: AWARENESS OF THE PRESENCE OF VARIOUS HRD SUB SYSTEMS AMONGST THE EMPLOYEES OF TATA MOTORS IN PERCENTAGE

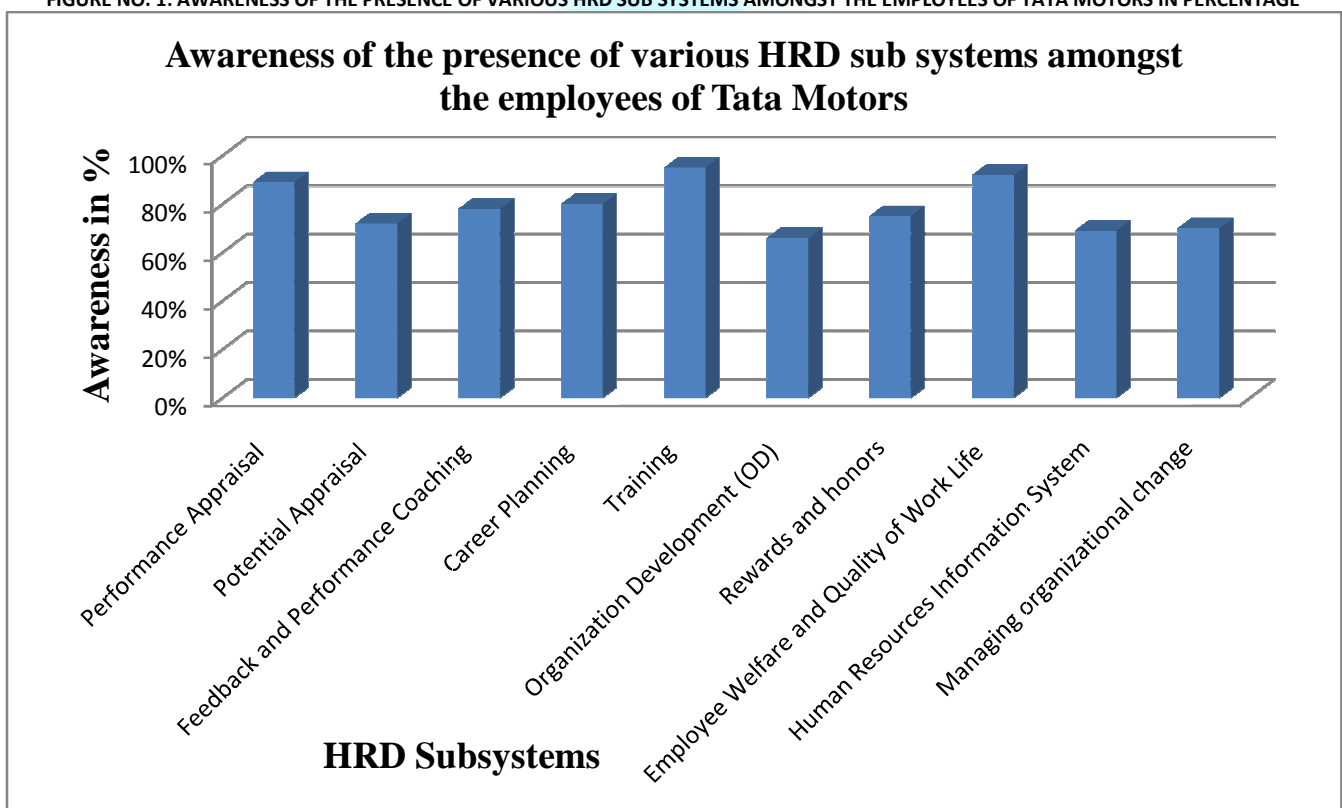


Table & Figure No. 1 shows that all most every employee is aware about the presence of various HRD sub systems in Tata Motors. Training and employee welfare & quality of work life are the most aspect according the employees about which they are most aware. Organizational development is the aspect according the employees about which they are least aware.

FIGURE NO. 2: CURRENT HRD POLICIES ARE RELEVANT TO THE WORK OF EMPLOYEES

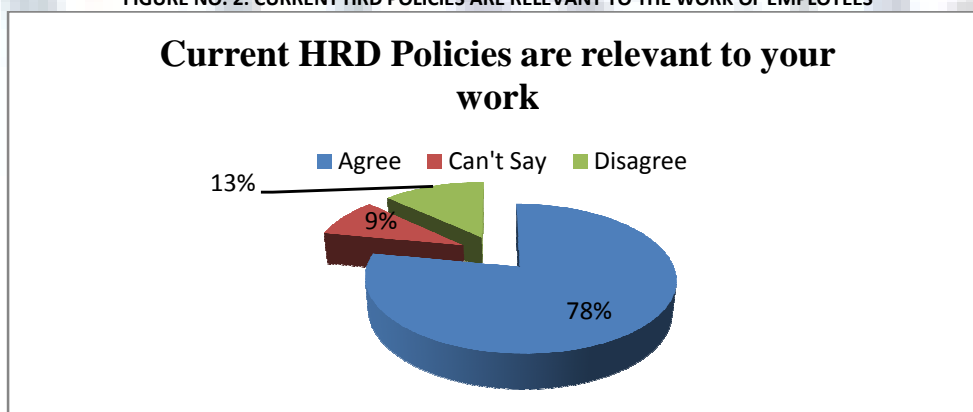


Figure No.2 shows that the employees of the Tata Motors are satisfied with the current HRD policies and find them relevant to their work. 78% of them agree to the statement that current HRD policies are relevant to their work, while 13% are confused and 09% disagree.

CONCLUSION

Human resource development is a planned process of learning activities which are arranged by the organization to improve the performance and for personal growth of employees with the intention of improving the job, the individual, and the organization. Fundamentally it is a strategic process, which is concerned with convention of organizational as well as individual needs.

HRD incorporate a large area of the personnel function in Tata motors. It starts from the human resources planning and ends with comprehensive drawing up of individual development plans and their follow-ups. The management of Tata Motors believes that HRD is one of the most important functions for individual, organizational as well as nation's growth and development. HRD includes long-term, broad-based activities which would also ensure organizational effectiveness. In the company, HRD aims at helping employees to acquire competencies required to perform all their functions effectively and make their organization to do well.

So, to summing up, in the present set up of the automobile industry of India, the HRD has become one of the important function which desires immediate attention. Although it is a difficult approach to look after the development of the human capital but every organization has to create boundaries for its successful implementation. Every employee has varied expectations from this approach. So, to manage its activities expertly, the management should be aware of the need of HRD in their organization and a proper system should be inculcated throughout the organization.

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TRADE INDUCED EMPLOYMENT FUNCTION AND EMPLOYMENT MULTIPLIER: A CASE STUDY IN INDO-MYANMAR BORDER TRADE

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ABSTRACT

The wave of globalization had started winding since the late 1980's in many countries of the world. This led to a structural change in different sectors of economy in different parts of the world. One of such sectors is external sector which remained closed in many countries specially socialist countries for many decades. Many countries have started adopting export as engine of economic growth, and, import as means to acquire technological know-how and capital goods for promoting export sector. India's economy which had been under the License Raj for almost four decades, however, by the turn of 1990s, India had been in the new wave of globalization. As a part of project globalization, India adopted "Look East Policy" for opening up its economy to those neighbouring South East Asian countries. Under this policy, India signed the Indo-Myanmar Border Trade agreement on 21st January, 1994 with Myanmar in view of the needs and demand of the people of the North East India. However, border trade along the Indo-Myanmar border has been being witnessed trading of both formal and informal goods simultaneously. Therefore, this paper examines exclusively the items under informal trade; the institutional factors behind this informal trade; methodologies; employment function and employment multiplier.

KEYWORDS

Globalisation, License Raj and Look East Policy.

INTRODUCTION

Indo-Myanmar Border Trade was signed on 21st January 1994. Thereafter, on 10th June 1994 certain decisions were arrived at the delegation level talks co-chaired by the Commerce Secretary of India and Director General, Directorate of Trade, Ministry of Trade, Myanmar. The great inspiration behind this agreement was that trade across the Indo-Myanmar border is not only significant to accelerate trade relations between India and Myanmar but also to help in creating closer ties with countries lying to the east and south east of Myanmar (Sarma, 2005). Analyzing demand structures of Myanmar, we can visualise the demand structures of less developed ASEAN member countries having similar economic conditions and neighbouring with Myanmar. In regard to demand from these countries, some of the Indian manufactured goods manufactured by and procured from other regions of India to North East Region (NER) are informally exported to these countries through Indo-Myanmar border. Similarly, some of the importing goods to India from rest of the world have better cost-effective advantages when those are imported from these countries (Rao, et al., 2004). If India wants to avoid excessive Chinese influences on these countries, the only way she can do is to keep close economic relations with these countries. Hence, keeping close economic relation with Myanmar is the first step and can be extended to these countries (Yumnam, 2005). But, the actual bilateral border trade was opened on 12th April, 1995. This border trade mentions only exchange of commodities produced domestically and mainly agro commodities. Permissible export-import commodities are so less in the signed list. In the border trade points along Indo-Myanmar international border, many commodities which were not permitted under the signed agreement are seen. These commodities vary their ranges from luxurious goods to highly manufactured goods. There are the reports of such goods to be imported informally through legalized check points. The prices of these informal goods are reported impressively low as compared to the prices of similar goods manufactured in India and their volume is suspected to be more than the volume of the commodities under legalized trade. Hence, the present paper deals with many issues which are classified into following six sections. The Data on the price change, transportation charge, and illegal collection of duties by underground groups are collected from traders and transporters. All these data are collected randomly. The section I itself is introduction and objectives; section II gives the signed agreements between India Myanmar on this border trade; section III gives the reasons why informal trade arises due to faults in the policies adopted by both governments; section IV gives procedure of the border trade; section V deals with possible methodologies; section VI shows calculation of employment function and multiplier.

THE SIGNED AGREEMENTS

This trade includes 22 items agreed upon exchangeable items from \$ 1000 up to \$ 20,000 with Guaranteed Receipt (GR) formalities as per DGFT PN No.289 (PN)/92-97. Under this system, traders should possess Import Export Code (IEC) allotted by DGFT. The items under this system are locally produced commodities, mainly agricultural produce and minor forest products as in traditional exchange as mentioned in the above. The RBI also formulated their policy in line with Indo-Myanmar trade agreement. It is mentioned in RBI Notification ie. RBI Circular (DIR Series) No. 17 dated on 16th October, 2000. Some of the main guidelines are given below:

Import from Myanmar to India shall precede export from India to Myanmar.

- There will be no monetary transaction under the barter trade arrangement.
- The export of goods from Myanmar to India should be completed within a period of six months from the date of import.
- Barter in terms other than the agreed 22 items will be liable to seizure/confiscation under the Customs Act 1962.
- Customs duties and cess will be chargeable as per the Customs Tariff Act 1975. Currently, for imports a rate of duty of 5 percent ad valorem is applicable on all items (for officially agreed goods).
- Only cess (an assessed tax is currently chargeable on exports from India to Myanmar on the officially agreed items).

REASONS FOR INFORMAL TRADE

The agreement signed allows only 22 exchangeable items which are mainly agro-product only. Items out of this agro product also, are not permitted to trade. But people living in both sides have diverse choices which were not collected and included among the permitted list. However, people living in both sides along the international border have similar culture, tradition and food items. They are found to be interdependent on the various items available on both sides. Only

political boundary makes it difficult to their movement and commodities legally. In order to acquire their needs, they will import the out listed items informally. This is the main drawback of those government agencies to decide on list without proper understanding and consultancy with the local people. One of the most interesting points in that agreement is that both sides should not export and import those commodities originated from a third country apart from India and Myanmar. For India, those commodities are very sensitive to production in Indian side. Myanmar, according to India's policy makers is seen a country through where commodities from industrialized east Asian countries like south Korea, Japan, China and Thailand had been found to transit. These goods are mostly cloths and textile, electronic goods, commonly used day to day goods, etc. Such goods are produced in Indian side also and Indian policy makers keep them under sensitive list which are restricted heavily on their import. Such goods are made in those countries after analyzing the per capita income and demand structures of a developing country like India. These goods are dumping goods in their nature of prices and hence, India needs to check the import of such goods. However, people in NER whose Per Capita GDP is low, have strong desire to acquire them because they could not buy relatively costlier Indian made goods. Now they have two options ahead of them – either they should not consume the country made goods due to lack of income or they consume the foreign goods by importing them informally. At last they are succumbed to import informally as consumers can't be avoided from their choices by nature. India has produced commodities which ranges from agro based to highly sophisticate engineering goods and capital goods. However, the government policies permit to export those goods only through major ports. Exports of those goods are strictly restricted in such border trade. Some of such goods are highly demanded in Myanmar also. In real those goods should be allowed to their export to Myanmar. But these goods are available in Manipur which is the main gate of Indo- Myanmar Border Trade. Owing to heavy demand from the Burmese people, traders in Manipur feel to export it by hook or crook. Hence, traders from Manipur get them legally in the name of their use and export it informally out of legal rules.

"Import from Myanmar to India shall precede export from India to Myanmar" simply means the ambiguous unwillingness to this border trade. In the present world, such type of policy does not favour the genuine trade that people expect. The above mentioned policy clearly mentions that Myanmar should initiate its import at first then will be followed by our import from them. One critical point is that even though we have enough capacity to export to them, we cannot export. In the modern world, the new trade theory "oligopolistic" mentions the inevitable availability of many choices of consumers. Until we expose our export items to the consumers who reside other country, there is no means of advertising our export items. From this argument it can clearly be deducted that this trade policy doesn't favour much for the people. Moreover, North Eastern Region of India (NER) and Myanmar have similar topography and weather which make these people to produce the same commodity bundles on both sides. Whatever export or import from each other should be decided by the many factors which ranges from political ideology to the degree of integration of its economy with world economy. Let's suppose that owing to some natural calamities or political unrest, certain needy commodities (these are also produced in NER) are much demanded in Myanmar. In such situation, if governments of both countries apply such policy as mentioned above, trade will not bring any developmental programmes for people. Such ambiguous policies of governments will surely lead to informal trade.

"Export from India and Import from Myanmar should be completed within a period of six months from the date of export and import" which simply indicates that the border trade between these two countries is barter by nature. The agreement means that the value of export and import should be neutralized within six months. An interesting argument one can put forward is that if export from India can't be neutralized within the given period with the import from Myanmar, export should be banned until it is neutralized. Such type of lobby is not totally unacceptable and cross country international trade witness that some country have surplus and some with deficit. However, consumers' demand can't be restricted with such lobby. If export and import are not permitted by applying these conditions, traders on both countries will do trade informally. Therefore, such types of unacceptable lobbies are unfavourable.

As mentioned above, Moreh (Manipur) and Namphalong (Myanmar) are the adjacent trade points lying on both sides of international border between India and Myanmar. Similar types of border trades are also there between India and Pakistan; and India and Nepal. In these border trades, both formal and informal parts of such border trade could be found. The respective governments in their bi party agreements had agreed only limited range of the items to be traded mutually. That is the case of trade under formal category. If the consumers on both sides have the demand for that item out of the commonly agreed range, those items are found to be traded informally. However, the procedures of informal trade are found in different ways based on the agreements signed. In the case of trade between India and Pakistan, both governments agreed only limited the commodity basket. Traders can do business on these limited items. Those commodity out of this range, are imported to Pakistan from India through another route ie. India-UAE-Pakistan. India's trade with UAE covers more commodities than its trade with Pakistan. On the other hand, both Pakistan and UAE have freer trade compared to Pakistan's trade with India. Those commodities which are excluded in India's trade agreement with Pakistan are exported to UAE and then imported to Pakistan. This creates informal trade of India and Pakistan via UAE. In the case of India-Nepal trade, the form of informal trade is peculiar to that informal trade between India and Pakistan. India has free trade agreement with Nepal. Some of the Indian companies had opened its branches in this country also. Hence, Indian Government has to offer its import to our market with lesser duty barriers. On another side Nepal has also trade with many countries in the world through its route in Indian Territory. Taking the advantage of lesser duties, Nepal imports commodities from other countries through Indian ports and those commodities with are found to be deflected to Indian markets again. In such trade process, business firms having branches in both sides are keen to get opportunities on both countries (Taneja). The procedure of informal trade in Indo-Myanmar border trade is found again different from the procedures mentioned in the above two.

PROCEDURE OF INFORMAL BORDER TRADE

Indo-Myanmar Border Trade only confine to the notified trade points- Moreh in Indian side and Namphalong in Myanmar side which are adjacent places along the international border. However, Tamu which is mentioned as notified trade point in the agreement between India and Myanmar, Myanmar authorities had built up well structured market ie Namphalong very close to Moreh. According to customs office, the strategy behind the main construction of market close is that it reduces transport cost; increase the number of visitors from both countries easier and hence the quantum of trade also. It is also accepted that opening of market close to international border increases informal trade. The two trades are connected through a narrow strip road with two gates where the movement of people is checked by customs officials of both countries on their respective gates. People and traders can visit both trade points without pass. However, visitors in case to visit places other than these two trade points need pass. Customs offices open the gates at 8 am and allowed visitors to go back from there 4 pm. Most of the business shops at Namphalong are flooded with commodity items from other Asian countries. Those items are basically electronic goods, garments, textile products, soaps, detergents, etc. The numbers of shops which deal in the commodity items under legalized trade are small in number. Currency in transaction according to the signed agreement should be US\$. However, presently Indian Rupee has been using as medium of transaction. According to customs officials, why traders are not using either US\$ or Burmese currency in transaction is due to huge number of Indian buyers. Using of Indian Rupee in transaction reduces the burden of currency conversion on Indian buyers. Hence, all the commodity items outside the agreement have to be imported inside India. The procedure of the informal trade is interesting to comment. When a business man/visitor from India buys that informal commodity items and he about to cross the gates, needs to hire persons (intermediate, here manual transporters) who can consult to customs officials giving some hush money. Giving such hush money to the officials will allow that commodity to slip into our (Indian) territory. The amount of such money will be determined by the value of those goods that is the more value, the more we need to pay. The role of the intermediate persons in this trade movement is that they can bargain the amount of the hush money at minimal level. However, hush money they charged on intermediate persons are reported same. These persons could get their hiring charge as the cost for transporting those goods from the gate in Myanmar to reach the gate in Indian side which is transportation cost for a short distance. The customs officials at the gate have never invoiced the receipts from the import of these goods which openly mean informal trade. However, this informal trade through these gates is not allowed when higher customs officials from Shillong and Kolkata visit sometimes. Custom's burden at the gates is not the last. There are four or three more check-points at Moreh itself where these goods need to pass through. Traders to avoid further burden from state customs and excise officials, they need to consult the transporters (vehicles-bus, public carriers, etc) to hide the items by giving some hush money to them. Transporters also would keep these informal goods in hiding places or lowest rack of their vehicles and would cover it with the items of goods which are allowed by the signed agreement. At every check point, drivers negotiate the officials giving some lump sum amount of money for its transit. They would not show the exact number of the informal goods they are carrying. Sometimes these officials do check and if they find huge quantum of such informal goods, it is burden on the traders. However, these

check posts are not the last barriers for traders. On their way to local market, they have to cross so many barriers. One of the most difficult barriers is the lump sum taxes levied by underground groups that are functioning parallel to existing state government. Even though traders can avoid of heavy taxes levied by state and central government informally, they can't avoid the negotiable taxes levied by such groups. Why their taxes are termed as negotiable is that the strategy of levying lies on the personal income quartiles and assets of the traders. Informal tax on traders of higher income groups are reported hardly negotiable. However, for those traders in lower quartile groups, it is negotiable and tax rates are much influenced by the fabricated grievance stories. It is also found that their taxes rates are also influenced by the closeness of connections with these groups which means the closer connection, the minimum tax rates; and the less degree of connection, the higher tax rates. Some of traders may have their owned shops and some of them may be intermediate between businessmen at border trade point and local businessmen. Traders who are having their own shops are reportedly those lying on the higher income quartile groups.

METHODOLOGIES

(a) TRADE FREEDOM (IN PERCENT)

The methodology used in finding out trade freedom score is derived from the methodology in Index of Economic Freedom, Heritage Foundation which is given below

$$\text{Trade Freedom} = \left[\frac{\text{Tariff}(\text{max}) - \text{Tariff}(\text{paid})}{\text{Tariff}(\text{max}) - \text{Tariff}(\text{min})} \right] * 100 - \text{NTB (20 or 15 or 10 or 5)}$$

Where, Trade Freedom represents the trade freedom in country *i*; Tariff(max) and Tariff(min) represent the upper and lower bounds for tariff rates (percent); and Tariff(paid) represents the ad valorem tariff rate (percent) in country *i*. The minimum tariff is naturally 0 percent, and the upper bound was set as 50 percent. An NTB (Non Tariff Barrier) penalty is then subtracted from the base score. The penalty of 5, 10, 15, or 20 points is assigned according to the following scale:

- 20—NTBs are used extensively across many goods and services and/or act to effectively impede a significant amount of international trade.
- 15—NTBs are widespread across many goods and services and/or act to impede a majority of potential international trade.
- 10—NTBs are used to protect certain goods and services and impede some international trade.
- 5—NTBs are uncommon, protecting few goods and services, and/or have very limited impact on international trade.
- 0—NTBs are not used to limit international trade.

In this present study, Tariff (max) levied on these unofficial imported goods (specially on electronic goods and highly luxurious cloths) according to manual transporters (who are responsible in the movement of such goods from one border check point (say in Myanmar) to another (say in India) are recorded 50 percent (ad valorem) which is consistent with the rate given in index of economic freedom, Heritage Foundation. These transporters sometimes hide few of such items if it is comfortable to hide among many goods which enable them to evade tariff. Hence, the minimum tariff rate "Tariff (min)" on such hidden imported goods in such peculiar situation is assumed to be 0 percent. As far the agreement is concerned, these goods are totally banned in their import, so these manual transporters tell fabricated characters (regarding size, value and quantity) of imported goods. They bribe and at last tariff rate was fixed at around 8 percent ad valorem on most of the goods. Hence, Tariff (paid) is assumed 8 percent for this study. If customs official feel suspect, they do checking and if they find fabricated characters of the imported goods, either 50 percent rate is levied on those goods or not permitted for import. Hence, NTBs is assumed to bear 20 score since it is not permitted for its import. According to respondents which comprise of twenty manual transporters, fifteen vehicle transporters (from these border check points to the retailers) and thirty retailers, the following trade freedom score is constructed

$$\text{Trade Freedom} = \left\{ \left(\frac{50 - 8}{50 - 0} \right) * 100 - 20 \right\} = 64$$

This score simply gives the rough quantitative score which reveals that how far trade on such informal goods are restricted. However, trade freedom score of officially agreed goods as permitted in the signed agreement is assumed to gain higher score than these informal goods since they bear tax rate lower than the rate levied on informal goods. According to the signed agreement the maximum tax rate on formal goods is 5 percent and applied tax (actually paid) is reported to be around 1 or 2 percent ad valorem and 0 score of NTB should be subtracted.

(b) FREEDOM FROM BANDH AND BLOCKADE (IN PERCENT): It is derived as follows

$$\left[1 - \left(\frac{\text{Average number of days of bandh faced by traders}}{365} \right) \right] * 100$$

However, data related to number of days of bandh and blockade is difficult in collection. Traders could not remind how many days they had faced. In this present paper it can't be calculated.

(c) FREEDOM FROM UNDERGROUND GROUPS: $\left[\frac{\text{Maximum illegal tax levied by them} - \text{Actual amount of tax paid to them by a trader}}{\text{Maximum illegal tax levied by them} - \text{Minimum amount of tax claimed by a trader}} \right] * 100$

It is very difficult to get data on tax levied on traders by underground groups. According to some traders, amount of tax depends on the degree of connection with them and traders do not want to reveal the proper information on this. Hence, it is unable to calculate freedom from underground groups.

CALCULATION OF EMPLOYMENT FUNCTION AND MULTIPLIER

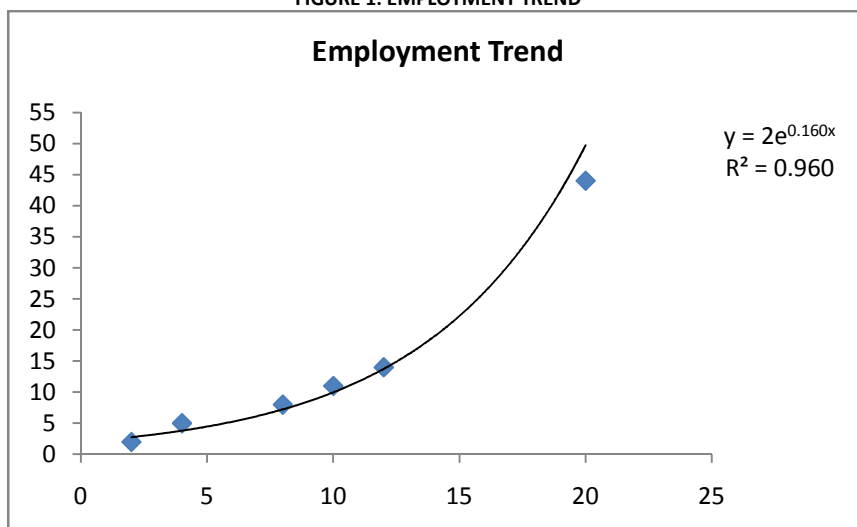
(a) EMPLOYMENT FUNCTION: It is important to find out employment function and multiplier to understand how much employment creation is made owing to this border trade. The procedures of this trade had already been mentioned in the above section. The distinguishing feature in this trade is that whenever goods cross subsequent stages of trade procedures, price is also increased in the form of transaction costs. This section shows percentage increase in price due to transaction cost (along with cumulative price change) and numbers of employment (as well as cumulative employment) are given in the following table. In this table number persons (state and central authorities, and underground groups) involved are those who are in touch directly in order to clear trade procedures. However, both central and state governments collect revenue in the form of tax (tariff) and hence the revenue might be spent in many developmental programmes which create employment for many people. These indirect employment procedures are not covered in this paper. In similar fashion, tax collected by underground groups may provide support for many people involved. The relevant figure shows employment trend (which shows function) depicted based on the data in last two columns of table.

TABLE 1.1: PARTICULARS OF FORMALITIES, PRICE INCREASE AND EMPLOYMENT

Particulars of activities and formalities	Percentage increase in price	Number of persons employed	Percentage increase in price (cumulative)	Number of persons employed (cumulative)
Manual transportation through border points	2	2	2	2
Transportation in vehicles	2	3	4	5
Final sellers activities	4	3	8	8
Clearance for underground groups	2	3	10	11
Clearance for State Customs and Police formalities	2	3	12	14
Clearance for Central Customs formalities	8	30	20	44

Source: Indo-Myanmar traders and transport drivers

FIGURE 1: EMPLOYMENT TREND



Source: Author's own calculation

In the figure, X-axis shows percentage increase in price level and Y-axis shows number of employment created. The trend line is in the form of exponential trend which shows number of employment whenever there is percentage change in price due to clearance of formalities. From the trend line, employment function is derived as hereunder:

$$Y = 2e^{0.16x}$$

Where, Y = Number of persons employed

X = Percentage increase in price

In this employment function, 2 is intercept and 0.16 is the employment growth rate and compositely it means that at a particular price increase, the number of persons employed can be calculated by using the above given exponential function. The limiting case of this exponential function is when price increase is zero (x=0) ie when there is no increase in price and even in this case also the least number of persons employed is 2. Hence, number of employment created due to trade is an exponential function of percentage increase in price. As the price increases subsequently due changes in hand, employment also increases exponentially. In general, employment creation can formulated as hereunder

$$Y = ce^{ax}$$

Where, Y = Number of persons employed due to trade

C = Intercept (minimum number of employment)

a = Coefficient (which to be regressed)

X = Percentage increase in price

(b) EMPLOYMENT MULTIPLIER

According to economic literature, employment multiplier means ratio of change (increase) in employment to change (increase) in price level which is given by the slope of tangent line to employment function as given above:

$$\text{Employment Multiplier} = \frac{dy}{dx} = \text{Slope of the tangent to employment function} = e^{ax} \cdot a$$

In this present study employment function, $Y = 2e^{0.16x}$ the multiplier (slope of the tangent to function) is $2 \cdot 0.16 \cdot e^{0.16x} = 0.32 e^{0.16x}$. Therefore, in general the followings can be derived

- Employment Function, $Y = ce^{ax}$
- Employment Multiplier = $e^{ax} \cdot a$
- Total number of persons employed for "n" units of commodities = $\int_1^n y dx$

CONCLUSION

This paper shows exclusion of wide range of tradable commodities in the signed bilateral trade agreement which results in informal trade. Procedure in informal trade especially in its fright is peculiar one as compared to trade in formal trade. There is possibility of applying methodologies given by Economic Freedom Index, Heritage Foundation in this border trade. The calculated employment function shows that employment grows exponentially as price increases and derivative of employment function gives the trade induced employment multiplier.

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FDI POLICIES OF INDIAN GOVERNMENT SINCE ECONOMIC REFORMS – AN ANALYSIS

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ABSTRACT

FDI inflows into India have grown rapidly since the liberalization of the policy regime in the early nineties. This has been accompanied by an increase in competition amongst the developing countries to attract FDI, resulting in higher investment incentives offered by the host governments and removal of restrictions on operations of foreign firms in their countries. This paper examines the impact of fiscal incentives offered, removal of restrictions and signing of bilateral and regional investment agreements and lower tariffs attract FDI from developing countries.

KEYWORDS

Foreign Direct Investment, government policies, Bilateral Investment Treaties, Economic Reforms.FERA, FEMA.

INTRODUCTION

India was a latecomer to economic reforms, in the wake of an exceptionally severe balance of payments crisis. The need for a policy shift had become evident much earlier, as many countries in East Asia achieved high growth and poverty reduction through policies which emphasized greater export orientation and encouragement of the private sector. India took some steps in this direction in the 1980s, but it was not until 1991 that the government signalled a systemic shift to a more open economy with greater reliance upon market forces, a larger role for the private sector including foreign investment, and a restructuring of the role of government.

India's economic performance in the post-reforms period has many positive features. The average growth from 1992-93 to 2008-09 was around 8.0 percent, which puts India among the fastest growing developing countries in the 1990s. This growth record is only slightly better than the annual average of 5.7 percent in the 1980s, but it can be argued that the 1980s growth was unsustainable, fuelled by a build up of external debt which culminated in the crisis of 1991. In sharp contrast, growth in the 1990s was accompanied by remarkable external stability despite the East Asian crisis. Poverty also declined significantly in the post-reform period, and at a faster rate than in the 1980s. However, average growth performance hides the fact that while the economy grew at an impressive 8.0 percent in the first five years after the reforms, it slowed down to 5.4 percent in the next five years. India remained among the fastest growing developing countries in the second sub-period because other developing countries also slowed down after the East Asian crisis, but the annual growth of 5.4 percent was much below the target of 7.5 percent which the government had set for the period. Inevitably, this has led to some questioning about the effectiveness of the reforms.

Opinions on the causes of the growth deceleration vary. World economic growth was slower in the second half of the 1990s and that would have had some dampening effect, but India's dependence on the world economy is not large enough for this to account for the slowdown. Critics of liberalization have blamed the slowdown on the effect of trade policy reforms on domestic industry. However, the opposite view is that the slowdown is due not to the effects of reforms, but rather to the failure to implement the reforms effectively. This in turn is often attributed to India's gradualist approach to reform, which has meant a frustratingly slow pace of implementation. However, even a gradualist pace should be able to achieve significant policy changes over last years.

We review policy changes in five major areas covered by the reform program: fiscal deficit reduction, industrial and trade policy, agricultural policy, infrastructure development and social sector development. Based on this review, we consider only FDI to assess whether the reforms have created an environment which can support 8 percent GDP growth.

REVIEW OF LITERATURE

Bajpai and Sachs. (1997) in their article "India's economic reforms: some lessons from East Asia", concluded that in the current global scenario. it is possible for India to achieve very dynamic growth based up on labour intensive manufacturing that combine the vast supply of Indian labour including skilled managerial and engineering labour ,with foreign capital technology and markets. However from the long term development point of view, we are of view, that India has tremendous growth prospectus through export lead growth involves a broad range of sector, both traditional and new. The most interesting and new sector is software and information technology.

Asiedu Elizabeth. (2001) in his article "On the Determinants of Foreign Direct Investment to Developing Countries: Is Africa Different?", He analyzes the determinants of Foreign Direct Investment (FDI) to developing countries and examines why Sub-Saharan Africa (SSA) has been relatively unsuccessful in attracting FDI despite policy reform. The results indicate that the factors that drive FDI have a differential impact on FDI flows to SSA. Specifically, infrastructure development and a higher return on capital promote FDI to non-SSA countries. In contrast these factors have no effect on FDI to SSA. Openness to trade promotes FDI to both SSA and non-SSA countries, however, the marginal benefit from increased openness is less for SSA suggesting that trade liberalization will generate more FDI to non-SSA countries than SSA countries. Another important finding is that there is an "adverse regional effect" for SSA: a country in SSA will receive less FDI by virtue of its geographical location. These results suggest that Africa is different.

Campus and Kinoshita. (2003) in his article " Why does foreign direct investment go where it goes ,new evidence from the transition economics", reached the conclusion that for said set of countries FDI is influenced by economy clusters, market size, the low cost of labour and abundant natural resources. Besides all these factors, the following variables presented significant results: second institutions, trade openness and lower restrictions to FDI inflows.

Dutta M.K. & Sarma G.K. (2005) in his article "Foreign Direct Investment in India since 1991: Trends, Challenges and Prospects", says that with the initiation of new economic policy in 1991 and subsequent reforms process, India has witnessed a change in the flow and direction of foreign direct investment (FDI) into the country. This is mainly due to the removal of restrictive and regulated practices. However, the country is far behind in comparison to some of the developing countries like China. However, negative growth rate is noticed during the period 1998-2000 primarily due to falling share of major investor countries, steep fall of approval by 55.7% in 1998 compared to 1997 and slackening of fresh equity. However, traditional industrial sectors like food processing industries, textiles, etc. which were once important sectors attracting larger FDI, have given way to modern industrial sectors like electronics and electrical equipments, etc. In this paper analysis on the factors affecting potentiality and challenges of FDI in the country is discussed and open a room for future discussion. .

Firoz Alam. (2005) in his article "Impact of foreign direct investment on Indian Economy since economic liberalisation", reveals that FDI is an important avenue through which investment takes place in the country .The importance of FDI extends beyond the financial capital that flows in to the country. It is clear from the above discuss that FDI flows can induce economic activity and growth in various ways.

Dr. S. Sinha Swapna, Dr.H Kent David and Dr.Shomali Hamid. (2007) in his article " Comparative analysis of FDI in China and India", Expressed that what lessons emerging markets that are laggards in attracting FDI, such as India, can learn from leader countries in attracting FDI, such as China in the global economy. This study fills the gap in the literature by analyzing the Indian data at the relevant micro state level for the period 1992-2005 and comparing it with the Chinese data for period of 1978-2005 at the relevant economic zone level. Indian FDI attraction model was tested using OLS and autoregressive models and it was found that India has grown due to its human capital, size of the market, rate of growth of the market, and political stability. For China, congenial business climate factors comprising of making structural changes, creating strategic infrastructure at SEZs, and taking strategic policy initiatives of providing economic freedom, opening

up its economy, attracting Diaspora, and creating flexible labour laws were identified as drivers for attracting FDI. The model using these variables was tested with OLS regression and autoregressive regression analysis and was found significant. There are lessons that India can learn from China Privatizing oil sector and banks to reduce government intervention and provide economic freedom, opening economy to level playing field to TNCs by reduced tariff and taxes, proactively engaging Diaspora, and flexible labour laws to permit free entry and exit to TNCs will help India attract higher FDI.

Gustavsson Thomas Cociu Sergiu. (2007) in his thesis "Determinants of Swedish and German FDI— The case of Baltic and CEE Countries", tries to determine some of the driving force behind Swedish foreign direct investments into the Baltic countries. The analysis is performed in three steps, first we analyze global FDI into transitional economies, and afterwards we look at Swedish FDI and compare it with German FDI. The determinants examined are index of economic freedom, R&D intensity, trade balance, wage level and proximity. The analyzed period is from 1995 to 2005. The analysis uses data on the following transition countries Latvia, Lithuania, Estonia, Poland, Hungary, Czech Republic, Slovak Republic, Slovenia, Croatia, Romania and Bulgaria. The results show that the determinants vary across the countries. The motives of Swedish and German investors differ. Thus, for Swedish investors R&D, economic freedom and trade balance are the influencing factors, but for Germany only trade balance and wage level are important. The conclusion is that different determinants trigger foreign direct investment in transitional economies in different ways.

Suri Nitti. (2008) in his article "Determinants of foreign direct investment in India", He examines the impact of GDP, taxes, trade openness, labour cost and political stability on FDI inflows. Using alternative specifications (based on differences in dependent and independent variables used), FDI inflows into India are found to be significantly determined by expected national income, tax rate, and trade openness and labour cost for the period under study.

OBJECTIVES

To analyze the various FDI policies of Indian govt. since 1991.

RESEARCH METHODOLOGY

HYPOTHESIS

That the FDI policy of China and Malaysia are much better than the India.

SOURCES OF DATA

The present study relates to period 1991 to 92 to 2008 to 09. Secondary sources of data have been adopted for the study. The required figures will be collected from Economy Surveys of the different years, RBI Bulletin, Direction of trade statistics year book, IMF, Economic survey of India, Annual report of ministry of commerce, different websites, Journal and News papers. The necessary data have been collected and compiled from both national and international sources i.e. world investment report (WIR), World investment directory (WID), economic survey, reports of department of industrial policy promotion (DIPP) and reports of committee on compilation of FDI in India.

POLICY OF GOVERNMENT OF INDIA WITH REGARD TO FOREIGN DIRECT INVESTMENT

Prior to independence, British Government in India had no definite policy regarding foreign direct investment. Capital invested by the Britishers was given preference over the capital invested by other countries. However, during that period foreign capital made a significant contribution to the development of railway, electricity, jute industry, tea and coffee plantation and coal and other mines in India. A.K Bagchi while writing about British capital in India's wrote, "The British capital invested in India was in reality minuscule. The new mercantile banking and plantation enterprise which arose in the first half of the nineteenth century were mostly financed by British officials in India out of their savings".

After independence, the role of foreign capital in the economic development of the country was duly recognised in the first industrial policy of 1948. On 6th April 1949, Late Prime Minister Jawaharlal Nehru, clarifying policy regarding foreign capital declared that India welcome heartily economic assistance and technical cooperation from any corner of the world. It was also clarified that no discrimination policy will be exercised against foreign capital.

After independence India's foreign capital policy can be divided into following phases:

- (A) Precautionary incentive policy (1948-67)
- (B) Rigid selective policy (1968 to middle of 1991)
- (C) Open incentive and liberalized policy (since 1991)

OPEN INCENTIVE AND LIBERALIZED POLICY SINCE 1991

Economic liberalization process, which was introduced under structural adjustment programme (SAP) with support of IMF and World Bank culminated into a series of economic reforms in July 1991. Along with a host of industrial policy reforms that came with the announcement of NIP 1991, policies concerning FDI marked a new dawn that significantly divide the FDI policies evolved during the entire period from post independence era till 1990 and the period beginning 1991 and thereafter, NIP 1991 recognised the role of FDI in the process of industrial development in India in terms of bringing greater competitiveness, efficiency and also modernisation, technological up gradation, creation of sound base for exports promotion and above all integrating India with rest of the world.

Liberalizing foreign direct investment was important part of India's reforms, driven by the belief that this would increase the total volume of investment in the economy, improve production technology, and increase access to world markets. The policy now allows 100 percent foreign ownership in a large number of industries and majority ownership in all except banks, insurance companies, telecommunications and airlines. Procedures for obtaining permission were greatly simplified by listing industries that are eligible for automatic approval up to specified levels of foreign equity (100 percent, 74 percent and 51 percent). Potential foreign investors investing within these limits only need to register with the Reserve Bank of India. For investments in other industries, or for a higher share of equity than is automatically permitted in listed industries, applications are considered by a Foreign Investment Promotion Board that has established a track record of speedy decisions. In 1993, foreign institutional investors were allowed to purchase shares of listed Indian companies in the stock market, opening a window for portfolio investment in existing companies.

The major highlights of policy changes of 1991 are as under:-

- (1) Abolition of industrial licensing system except for 18 industries under strategic and environmental concerns.
- (2) Ceiling of 40 % foreign equity under FERA.
- (3) Removal of registration under MRTP act.
- (4) Introduction of dual approval system for FDI proposals viz, (i) Through an automatic approval channel for FDI in 35 priority sectors by Reserve Bank of India (RBI) up to an equity participation of 51%. (ii) Through formal government of India channel via foreign investment promotion Board (FIPB/secretariat for Industrial Assistance (SIA). (iii) Existing companies were allowed to hike their foreign equity up to 51% in priority sector. (iv) Liberalization of the use of brands name. (v) Abolition of phased manufacturing programme (PMP) for high local content. (vi) Dilution of dividend balancing conditions and its related exports obligations except in case of 22 consumer goods industries. (vii) Removal of restrictions of FDI in low technology sectors. (viii) Liberalization of technology imports. (ix) Permission for non-resident Indians (NRIs) and overseas corporate Bodies (OCBs) under automatic role with repatriation of capital income to invest up to 100 percent equity in high priority industries. (x) India became a signatory to the convention of the multilateral investment Guarantee Agency (MIGA) for protection of foreign investments.

All these measures adopted during 1991 marked a major departure of FDI policies adopted before 1991 and ushered a new era for FDI in India. These initial measures underwent revision and further liberalization in the contents of the above measures was introduced subsequently under after 1991 to project India as one of the top hosts for FDI. Following are the subsequent reform measures that came into being specifically in 1997, 2000 and post- 2000. The major policy changes of 1997 are as:

(i) Industrial licensing requirement in industries of strategic and environmental concerns pruned further. (ii) In January 1997, another 13 industries were brought under 51% foreign equity participation and 9 other high priority industries were earmarked in metallurgical and infrastructure sectors where equity participation has been raised up to 74% and 100% for NRIs in select industries. A total 111 sectors were put under automatic approval with equity cap of up to 100/74/51/50 percent. (iii) Further, procedural simplification was brought in the automatic FDI approval channel. Earlier practice of obtaining prior approval was excluded. Companies were allowed to inform RBI after shares were issued to non-resident companies (iv) Relocation of FIPB from prime Minister's office to secretariat for industrial approval, Ministry of commerce and industry, Government of India.

FOREIGN DIRECT INVESTMENT POLICIES OF 2000 AND AFTER

The Government of India has introduced a number of policy measures to attract highest inflows of foreign direct investment, these policy changes are as: (i) A list of industrial licensing in industries of strategic, environmental and locational factors further curtailed to a minimum number. (ii) Opening up new sectors, such as mining, banking, insurance, telecommunication, constructions and management of parts, harbours, roads and highways and defence equipment subject to equity caps. (iii) Sectors earmarked for automatic approval of FDI expanded to include almost all sectors and equity capital raised to 100 %, barring a few negative list, such as, industries requiring industrial licensing in strategic, environmental and locational grounds. (iv) 100% FDI is permitted in most manufacturing sectors with automatic approval, such as, Textiles, paper, basic chemicals, drugs and pharmaceuticals, rubber, Plastic, non-metallic mineral products, metal products, ship/ boat building, machinery and equipment and automobiles. FDI limit of 24 % continues for small scale industries (SSIs) and 26 % for defence equipment. (v) Dividend balancing conditions and its related exports obligation on foreign investors were completely withdrawn in case of 22 consumer goods industries.

Recently in the beginning of 2009, the government of India further relaxed the norms for foreign direct investment (FDI) in various sectors. As per new norms, various sectors such as commodity exchanges, credit information and aircraft maintenance are opened for overseas investors while hiking the ceiling for investment in public sector oil refineries. Revised FDI policy would now permit 100 per cent foreign investment in maintenance, repair and overhauling (MRO) facilities for aircraft as also aviation training units. 100% foreign investment will henceforth be permitted in mining of titanium bearing minerals and up to 49 per cent in credit information companies. However, for investment in credit information companies, the permission of the Reserve Bank of India (RBI) will be necessary. The new FDI policy has also done away with the norms of 26 percent compulsory equity divestment in fuel and gas trading ventures. Hitherto, 100 per cent FDI was allowed on the automatic approval route, subject to the condition that 26 per cent equity in such ventures is disinvested within five years in favour of an Indian partner. FDI in public sector refineries has also been raised to 49 per cent from its existing cap of 26 per cent. In order to strengthen the industrial sector, the Cabinet also decided to exempt foreign investors from certain regulatory norms such as minimum capitalization and the three-year lock-in period. Alongside, for construction development projects, investments by registered foreign institutional investors (FIIs) under the portfolio investment scheme are also to be treated as distinct from FDI. In effect, the investments by FIIs would now be outside the purview of certain restrictive norms applicable to FDI. However, the Government is to provide a detailed clarification in this regard.

MAJOR RECOMMENDATIONS OF THE STEERING COMMITTEE ON FOREIGN DIRECT INVESTMENT SET UP BY THE PLANNING COMMISSION

The steering committee on FDI set up by the planning commission in August 2001 has submitted its report which is currently being considered by the Government. The main recommendation of the committee are : (i) Enactment of a foreign Investment promotion law incorporating and integrating relevant aspects for promoting FDI. (ii) Urge states to enact a special investment law relating to infrastructure for expediting investment in infrastructure and removing hurdles to production in infrastructure. (iii) Empower the foreign investment promotion board (FIPB) for granting initial central-level registrations and approvals wherever possible, for speeding up the implementation process. (iv) Empower foreign investment implementation authority for expediting administrative and policy approvals. (v) Disaggregating FDI targets for the tenth plan in terms of sectors, and relevant administrative ministers/ departments, for increasing accountability. (vi) Reduction of sectoral FDI caps to the minimum and elimination of entry barriers. Caps can be taken-off for all manufacturing and mining activities (except defence), eliminated in advertising, private banks, and real estate, and hiked in telecom, civil aviation, broadcasting, insurance and plantations (other than tea). (vii) overhauling the existing FDI strategy by shifting from a broader macro- emphasis to a targeted sector specific approach. (viii) informational aspects of the FDI strategy require refinement in the light of India's strengths and weaknesses as an investment destination and should use information technology and modern marketing techniques. (ix) The special economic Zones (SEZs) should be developed as internationally competitive destinations for export-oriented FDI, by simplifying laws, rules, and procedures, and reducing bureaucratic rigmarole on the lines of China. (x) domestic policy reforms in power, Urban infrastructure, and real estate, and decontrol/ de-licensing should be expedited for attracting more FDI.

REPLACEMENT OF FOREIGN EXCHANGE REGULATION ACT (FERA) WITH FOREIGN EXCHANGE MANAGEMENT ACT (FEMA)

The foreign exchange management act, 1999 (FEMA) has been enforced w.e.f 01-06-2000, thus replacing the FERA, 1973. This is widespread belief that with the enforcement of FEMA, all restrictions and controls relating to foreign exchange transactions shall be abolished and foreign exchange dealings shall be allowed to be freely made. This is rather a miss-belief. While switching over from FERA to FEMA, what exactly has changed is the outlook with which the law of FEMA has been made. Following are the highlights of FEMA and FERA:

Highlights of FEMA, 1999: With the enactment of foreign exchange management act, 1999 (FEMA) and its enforcement w.e.f 01-06-2000, we have ushered into a less fearsome and more liberalized era compatible to the ongoing process of economic liberalization relating to foreign investment and foreign trade for closer interaction with the world economy.

ADVENT OF FEMA: The enactment of FERA was done when there was scarcity of 'foreign exchange' and to conserve such a 'scarce and precious' commodity, a strict control was needed. The changed scenario, however, has outlived the utility of strict restrictions. The FERA, thus became in its existing form increasingly incompatible with the changes in the economic policies, announced from time to time. In August 1994, a notice was given to IMF that the country had attained article viii states which meant that no restrictions will be imposed on remittances of foreign exchange in so far as the current account transactions were concerned. These developments, paved the way for promulgation of foreign exchange management act, 1999 (FEMA) and its enforcement w.e.f 01-06-2000. The main provisions of FEMA are following:

(A) Application of the act on the basis of residential status: FERA applied to a person who was a citizen of India, making it a beautiful as to how the provisions of an Indian law could be applicable and effectively enforceable against the act of a person permanently outside India, though retaining citizenship of India. FEMA brings about a change in the approach to let the provisions apply to a person resident in India and also to all branches, offices and agencies outside India owned or controlled by such a person.

(B) Current and capital account transactions: section 5 and 6 of the act, regulate "current account transaction" and "capital account transaction" loans, investments and all such transactions which alter or create new liabilities, including contingent liabilities, outside India of a person 'resident in India' are capital account transactions. Acquisitions of assets in India will also be treated in the same manner.

As per sub sections (2) and (3) of section 6, Reserve Bank is authorised to specify the permissible classes of capital account transactions and also limit up to which foreign exchange is admissible for such transactions. Specific regulations have been made in respect of certain transaction by the RBI. Further, it has been provided that the interests of a resident holding foreign currency, foreign security or immovable property abroad which he acquired while he was non-resident or inherited from a non-resident person and a non-resident holding Indian currency, security or any immovable property in India which he acquired while being resident in India or inherited from a resident person, shall not be jeopardized. Regulations have been made for establishment of a branch office or place of a business in India by a non-resident. It is worth mentioning that the Reserve Bank shall not impose any restriction on the drawl of foreign exchange for payments due on account of amortisation of loans or for depreciation of direct investments. Transactions other than capital account transactions or current account

transactions' and include specifically payments due in connection with in foreign trade, short term banking and credit facilities, interest on loans, net income from investment, remittances for living expenses of parents, spouse, and children residing abroad and expenses in connection with foreign travel, education and medical care of parents, spouse and children, as set out in section 2(j).

According to section 5, a resident Indian may sell or draw foreign exchange to or from an authorised person if such sale or draw is a 'current account transaction' subject to any reasonable restrictions prescribed for such transactions by the central Government in consultation with the Reserve bank. The central Government has accordingly framed rules for current account transactions. (C) Exports of Goods and services: Section 7 of the act includes 'services' also as an exportable item besides usual goods- a feature which was not covered under section 18 of FERA. Exporters of goods and services are required to furnish detailed information of the exports, include full export value. If the value is not ascertainable at the time of export of goods the value which the exporter expects to receive, keeping in view the prevailing market conditions concerning such goods, outside India, so that monitoring as to the realization of export proceeds by such exporter can be ensured and the Reserve Bank may, satisfy itself broadly, that the export value of the goods and services has not been understated so as to obviate the possibility of resorting to the malpractices like 'compensatory payments' Regulations have been framed by the RBI in relation to 'export of goods and services'.

(D) Compounding of penalty: Section 15 provides for compounding of penalty whereby the accused person is relieved from further proceedings for that contravention. Section 15 entrusts the work of compounding to the officers of the Reserve Bank also, besides, the officers of Enforcement Directorate. A reference may be made to the Foreign Exchange Management (compounding Proceedings) Rules, 2000 framed by the central Government.

(E) Exemption from realisation and Repatriation: By virtue of section 9, Reserve Bank is authorised to specify regulations prescribing that a person may hold or deal in foreign currency, foreign exchange, etc up to the specified limits and subject to the compliance of certain conditions. Basically, the provisions of section 4 providing that 'save as provided under the act, no resident shall acquire, hold, own, possess, transfer, any foreign exchange, any foreign security or immovable property situated outside India' and that of section 8 which covey that all reasonable steps shall be taken to realise and repatriate to India, any foreign exchange that is due or has acquired to any person resident in India within such period and in such manner as may be specified, shall not be applicable to the transactions enshrined in section 9.

(F) Transnational provisions: FEMA provides for a two year sunset clause for offences committed under FERA which may be taken as the transition period granted for moving from one 'harsh' law to the other 'industry friendly' legislation.

(G) Major provisions of FERA Dropped: The provisions of FERA dropped in the present FEMA basically relate to power to arrest, power to stop and search conveyances, power to search premises, power to seize documents, power to examine persons, power to police officers and other officers to enter, search, etc. Section 30 of FERA which provided for obtaining prior permission of Reserve Bank if foreign nationals wanted to practice any profession in India has also been dropped. The concept of 'blocked accounts' has gone. The presumption regarding mental culpable state, enshrined in FERA which meant that the court had to presume the existence of guilty mind unless the accused proved otherwise, has also been dropped in the new enactment. Section 62 providing for certain offences to be non-cognisable has also been done away with.

(H) FEMA and prevention of money Laundering law (PML): There is a widespread apprehension that FEMA and PML Bill are two inter-connected legislations. PML Bill proposes to prevent entry of 'proceeds of crime', i.e. proceeds obtained out of a crime specified in the proposed law, into the economy. The offences committed under FEMA are not listed in the PML Bill and as such, gains of such an offence are not 'Proceeds of crime'. It can, therefore, be maintained that FEMA is in no way connected with the PML Bill.

FEMA: A MAJOR DEPARTURE FROM FERA: As it is clear from the name of the act itself, the emphasis under FEMA is on 'exchange management' whereas under FERA the emphasis was on 'exchange regulation' or exchange control. Under FERA it was necessary to obtain Reserve Bank's permission, either special or general, in respect of most of the regulations there under. FEMA has brought about a sea change in this regard and except for section 3 which relates to dealing in foreign exchange, etc., no other provisions of FEMA stipulate obtaining Reserve Bank's permission. The demand for new legislation was basically on the following counts:

(A) FERA was introduced in 1974 when India's foreign exchange reserve position was not satisfactory. Accordingly, stringent controls were required on the use of foreign exchange. With improvement in foreign exchange position, it is argued that such stringent controls are not now required.

(B) India had given notice to the IMF in August 1994 that it had attained Article VIII status. This notice meant that no restrictions will be imposed on remittances of foreign exchange on account of current account transactions.

(C) The private corporate sector had been complaining for long against, what is termed, the 'draconian provisions' of FERA which gave unbridled powers to the Enforcement Directorate to arrest any person, search any premises, seize documents and start proceedings against any person for contravention of FERA. The contravention under FERA was treated as a criminal offence and the burden of proof was on the guilty.

FEMA has changed all this the purpose of FEMA is to 'facilitate external trade and payments' and 'promote the orderly development and maintenance of foreign exchange market in India.' As for as the promotion of orderly concerned, FEMA is silent. However, as for as facilitating external trade is concerned, section 5 removes the restrictions on draws of foreign exchange for the purpose of current account transactions. As external trade, i.e. imports and exports of goods and services, involves transactions on current account. There will be no for seeking the permissions of Reserve Bank of India in connection with remittances involving external trade. However, section 5 confers powers on the central Government to impose reasonable restriction on current account transactions, in consultation with the Reserve Bank. But this seems to be just an 'enabling provision' added keeping in view the experiences of some East Asian countries during the 1997-98 crises which required stricter exchange controls. As for as the 'draconian provisions' are concerned, FEMA has reduced their rigour significantly. According to Biswajit Dhar and Mritunjay Mohanty, FEMA represents major departures from the past policies in two other important respects: "First, it can be seen as an initial step towards capital account convertibility. Secondly, by removing the FERA from the statute book and replacing it with the FEMA, the Government seems to have finally decided to give up even the bare intention of regulating foreign capital in the country.

RECENT CHANGES IN FDI POLICY

FDI up to 100 % is allowed under the automatic route from foreign/NRI investor without prior approval in most of the sectors including the services sector. FDI in sectors/activities under automatic route does not require any prior approval either by the Government or RBI. The investors are required to notify the Regional office concerned of RBI within 30 days of receipt of inward remittances and file the required documents with that office within 30 days of issue of shares to foreign investors. All activities which are not covered under the automatic route require prior Government approval. Areas/sectors/activities hitherto not open to FDI/NRI investment shall continue to be so unless otherwise notified by Government.

All proposals for foreign investment requiring Government approval are considered by the Foreign Investment Promotion Board (FIPB). The FIPB also grants composite approvals involving foreign investment/foreign technical collaboration. For seeking the approval for FDI other than NRI Investments and 100% Export Oriented Units (EOUs), applications in form FC-IL should be submitted to the Department of Economic Affairs (DEA), Ministry of Finance. Plain paper applications carrying all relevant details are also accepted. No fee is payable. The following information should form part of the proposals submitted to FIPB: -

- Whether the applicant has any existing financial/technical collaboration or trade mark agreement in India in the same field for which approval has been sought; and
- If so, details thereof and the justification for proposing the new venture/technical collaboration (including trade marks).
- Applications can also be submitted with Indian Missions abroad who will forward them to the Department of Economic Affairs for further processing.
- Foreign investment proposals received in the DEA are generally placed before the Foreign Investment Promotion Board (FIPB) within 15 days of receipt. The Decision of the Government in all cases is usually conveyed within 30 days.

PROCEDURE FOR OBTAINING GOVERNMENT APPROVAL-FIPB

Procedure for FDI under automatic route government approval route:

FDI applications with NRI Investments and 100% EOU should be submitted to the Public Relation & Complaint Section (PR&C) of Secretariat of Industrial Assistance (SIA), Department of Industrial Policy & Promotion.

The extant policy does not permit FDI in the following cases:

1. Gambling and Betting, or
2. Lottery Business, or
3. Business of chit fund
4. Nidhi Company
5. Housing and Real Estate business except for the development of townships, housing, built-up infrastructure and construction development project.
6. Trading in Transferable Development Rights (TDRs)
7. Retail Trading
8. Atomic Energy
9. Agricultural or plantation activities or Agriculture (excluding Floriculture, Horticulture, Development of Seeds, Animal Husbandry, Pisciculture and Cultivation of Vegetables, Mushrooms etc. under controlled conditions and services related to agro and allied sectors) and Plantations (other than Tea plantations)

GENERAL PERMISSION OF RBI UNDER FEMA

RBI has granted general permission under FEMA in respect of proposals approved by the Government. Indian companies getting foreign investment approval through FIPB route do not require any further clearance from RBI for the purpose of receiving inward remittance and issue of shares to the foreign investors. The companies are, however, required to notify the concerned Regional office of the RBI of receipt of inward remittances within 30 days of such receipt and to file the required documents with the concerned Regional offices of the RBI within 30 days of issue of shares to the foreign investors or NRIs. Besides new companies, automatic route for FDI/NRI investment is also available to the existing companies proposing to induct foreign equity. For existing companies with an expansion programme, the additional requirements include

- (i) The increase in equity level resulting from the expansion of the equity base of the existing company without the acquisition of existing shares by NRI/foreign investors,
- (ii) The money to be remitted should be in foreign currency.
- (iii) Proposed expansion programme should be in the sector(s) under automatic route.

FDI PROHIBITED GENERAL PERMISSION OF RBI UNDER FEMA INVESTMENT BY EXISTING COMPANIES FDI FROM NRI & FOR 100% EOU

Government approval through the FIPB. For this the proposal must be supported by a Board Resolution of the existing Indian company. For existing companies without an expansion programme, the additional requirements for eligibility for automatic approval are

- (i) That they are engaged in the industries under automatic route,
- (ii) The increase in equity level must be from expansion of the equity base and
- (iii) The foreign equity must be in foreign currency.

The earlier SEBI requirement, applicable to public limited companies, that shares allotted on preferential basis shall not be transferable in any manner for a period of 5 years from the date of their allotment has now been modified to the extent that not more than 20 per cent of the entire contribution brought in by promoter cumulatively in public or preferential issue shall be locked-in. Equity participation by international financial institutions such as ADB, IFC, CDC, DEG, etc. in domestic companies is permitted through automatic route subject to SEBI/RBI regulations and sector specific cap on FDI. In case of listed companies, according to RBI/SEBI guidelines, the issue price shall be either at:

- (a) The average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the six months preceding the relevant date.
- (b) The average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the two weeks preceding the relevant date. The stock exchange referred to is the one at which the highest trading volume in respect of the share of the company has been recorded during the preceding six months prior to the relevant date. The relevant date is the date thirty days prior to the date on which the meeting of the General Body of the shareholder is convened. In all other cases a company may issue shares as per the RBI regulation in accordance with the guidelines issued by the erstwhile Controller of Capital Issues. Other relevant guidelines of Securities and Exchange Board of India (SEBI)/ and RBI including the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997,

PARTICIPATION BY INTERNATIONAL FINANCIAL INSTITUTIONS ISSUE AND VALUATION OF SHARES IN CASE OF EXISTING COMPANIES

An Indian corporate can raise foreign currency resources abroad through the issue of American Depository Receipts (ADRs) or Global Depository Receipts (GDRs). Regulation 4 of Schedule I of FEMA Notification no. 20 allow an Indian company to issue its Rupee denominated shares to a person resident outside India being a depository for the purpose of issuing Global Depository Receipts (GDRs) and/ or American Depository Receipts (ADRs), subject to the conditions that:

- (i) The ADRs/GDRs are issued in accordance with the Scheme for issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 and guidelines issued by the Central Government there under from time to time.
- (ii) The Indian company issuing such shares has an approval from the Ministry of Finance, Government of India to issue such ADRs and/or GDRs or is eligible to issue ADRs/ GDRs in terms of the relevant scheme in force or notification issued by the Ministry of Finance, and there are no end-use restrictions on GDR/ADR issue proceeds, except for an express ban on investment in real estate and stock markets.
- (iii) The FCCB issue proceeds need to conform to external commercial borrowing end use requirements; in addition, 25 per cent of the FCCB proceeds can be used for general corporate restructuring, is not otherwise ineligible to issue shares to persons resident outside India in terms of these Regulations.
- (iv) There is no limit up to which an Indian company can raise ADRs/GDRs. However, the Indian company has to be otherwise eligible to raise foreign equity under the extant FDI policy.
- (v) A company engaged in the manufacture of items covered under Automatic route, whose direct foreign investment after a proposed GDRs/ADRs/FCCBs issue is likely to exceed the percentage limits under the automatic route, or which is implementing a project falling under Government approval route, would need to obtain prior Government clearance through FIPB before seeking final approval from the Ministry of Finance.

FDI IN EOUs/SEZs/INDUSTRIAL PARK/EHTP/STP

100% FDI is permitted under automatic route for settings up of Special Economic Zone (SEZ) Units in SEZ qualify for approval through automatic route subject to sectoral norms. Details about the type of activities permitted are available in the Foreign Trade Policy issued by Department of Commerce. Proposals not covered under the automatic route require approval by FIPB. 100% FDI is permitted under automatic route for setting up 100% EOU, (export oriented units) subject to sectoral norms. Proposals not covered under the automatic route would be considered and approved by FIPB. 100% FDI is permitted under automatic route for setting up of Industrial Park. All proposals for FDI/NRI investment in EHTP Units (Electronic hardware technology parks) are eligible for approval under automatic

route subject to some parameters. For proposals not covered under automatic route, the applicant should seek separate approval of the FIPB. All proposals for FDI/NRI investment in STP Units are eligible for approval under automatic route subject to parameters. FDI inflows are required to be under the following mode: I. By inward remittances through normal banking channels or (ii). By debit to the specific account of person concerned maintained in an authorized dealer/authorized bank. Issue of equity to non-residents against other modes of FDI inflows or in kind is not permissible. However, Issue of equity shares against lump sum fee, royalty and External Commercial Borrowings (ECBs) in convertible foreign currency are permitted under the automatic route subject to meeting all applicable tax liabilities and sector specific guidelines. A foreign company planning to set up business operations in India has the following options:

ii) By incorporating a company under the Companies Act, 1956 through, Joint Ventures; or Wholly Owned Subsidiaries Foreign equity in such Indian companies can be up to 100% depending on the requirements of the investor, subject to equity caps in respect of the area of activities under the Foreign Direct Investment (FDI) policy.

ii) As a foreign Company through, Liaison Office/Representative Office, Project Office Branch Office Such offices can undertake activities permitted under the Foreign Exchange Management (Establishment in India of branch or office of other place of business) Regulations, 2000. For registration and incorporation, an application has to be filed with Registrar of Companies (ROC). Once a company has been duly registered and incorporated as an Indian company, it is subject to Indian laws and regulations as applicable to other domestic Indian companies. The role of the liaison office is limited to collecting information about possible market opportunities and providing information about the company and its products to prospective Indian customers. It can promote export/import from/to India and also facilitate technical/financial collaboration between parent company and companies in India. Liaison office can not undertake any commercial activity directly or indirectly and cannot, therefore, earn any income in India. Approval for establishing a liaison office in India is granted by Reserve Bank of India (RBI).

ENTRY OPTIONS FOR FOREIGN INVESTOR

Foreign Companies planning to execute specific projects in India can set up temporary project/site offices in India. RBI has now granted general permission to foreign entities to establish Project Offices subject to specified conditions. Such offices can not undertake or carry on any activity other than the activity relating and incidental to execution of the project. Project Offices may remit outside India the surplus of the project on its completion, general permission for which has been granted by the RBI. Foreign companies engaged in manufacturing and trading activities abroad are allowed to set up Branch Offices in India for the following purposes:

(i) Export/Import of goods

(ii) Rendering professional or consultancy services

(iii) Carrying out research work, in which the parent company is engaged.

(iv) Promoting technical or financial collaborations between Indian companies and parent or overseas group company.

(v) Representing the parent company in India and acting as buying/selling agents in India.

(vi) Rendering services in Information Technology and development of software in India.

(vii) Rendering technical support to the products supplied by the parent/ group companies.

(viii) Foreign airline/shipping company. Branch Offices established with the approval of RBI may remit outside India profit of the branch, net of applicable Indian taxes and subject to RBI guidelines Permission for setting up branch offices is granted by the Reserve Bank of India (RBI). Such Branch Offices would be isolated and restricted to the Special Economic Zone (SEZ) alone and no business activity/ transaction will be allowed outside the SEZs in India, which include branches/subsidiaries of its parent office in India. No approval shall be necessary from RBI for a company to establish a branch/unit in SEZs to undertake manufacturing and service activities subject to specified conditions.

NON- RESIDENT INDIAN INVESTMENT

Coupled with liberalization of the foreign direct investment policy, attractive investment packages have been put in place for Non-Resident Indian (NRIs)/person of Indian origin (PIOs)/overseas corporate bodies (OCBs). NRIs include: (i) Indian citizen who stay abroad for employment, carrying any other business indicating an indefinite period of stay outside India. (ii) Indian citizens working abroad on assignment with foreign Governments, Government agencies like United Nations, IMF and World Bank. (iii) officials of central/ state Government/ public sector undertakings deputed abroad on temporary arrangements with foreign Government agencies ,organisations.etc. OCBs include: overseas companies, firms, societies and other corporate bodies which are predominantly owned directly or indirectly to the extent of at least 60 percent by the NRIs. IPOs include: (i) Foreign citizens who at any time held Indian passport. (ii) A spouse (not being the citizen of Pakistan and Bangladesh) of an Indian citizen or of a person of Indian origin. (iii) Any person whose parents/ grandparents were an Indian citizen.

The main incentives for NRIs/OCBs/PIOs are as follows:

The RBI permits the sale/transfer of shares/bonds /debentures by NRIs/OCBs/PIOs with repatriation rights through stock exchanges to an Indian citizen/PIOs resident in India/company subject to these conditions that are, the transferor had purchased or acquired such share, bonds, debentures in accordance with the terms, conditions of permission granted by the RBI. Second the shares, bonds, debentures, are sold in a recognised stock market through a member and the sale transaction is affected at the ruling market price determined on the floor of the exchange by normal bid/offer method. The non- resident persons of Indian origin can transfer by way of gift shares, bonds, debentures of a company registered in India to PIO and resident in India or to a charitable trust if they were held with RBIs permission, transfer is between relatives and provision of any applicable law duly complied with in case of transfer to a charitable trust. Similarly immovable property can be gifted to relatives' charitable trusts on the conditions that provisions of any other applicable law including foreign contribution (regulation) act are duly complied with and gift tax liability, if any is discharged.

There is general permission to NRIs/PIOs to invest in public deposits in rupees of proprietorship concerns and partnership firms on non- repatriation basis. A company (including NBFCs) can accept rupee deposits from NRIs, OCBs, and PIOs on non repatriation basis. NRIs and overseas corporate bodies (OCBs) predominantly owned by them, have been allowed to invest up to 100 percent equity in high priority industries. These investments through the automatic approval route of RBIs have full benefits of capital repatriation. NRI investment up to 100 percent of equity is also allowed in export houses, trading houses, star trading houses, hospitals, EOUs, sick industries, hotels, etc foreign citizens of Indian origin are now permitted to acquire house property without the permission of the Reserve Bank of India. The RBI has granted general permission to NRIs to invest by way of capital contribution, up to 100 percent, in any partnership concern in India engaged in any industrial, commercial or trading activity, or non repatriation basis, subject to the conditions that the amount invested should be received either by a remittance from abroad through normal banking channels or by transfer of funds held in the investors bank account in India. The concerns or the NRI does not engage in any agriculture/ plantation activity or real estate business that is, dealing in land and immovable property with a view to earning profit or income there. Neither the amount invested nor the income accruing there on is eligible for repatriation to any place outside India and is payable only in non- convertible Indian rupee.

INDIA- AN IDEAL DESTINATION FOR FOREIGN DIRECT INVESTMENT

P.Chidambaram Ex- Finance and commerce Minister presented following four reasons which makes India an ideal destination for foreign direct investment.

First, India remains perhaps the world's pre-eminent development frontier. India is among the handful of countries which simply have to expand at a furious pace. India is not just an expanding consumer market. It is a place where infrastructure has to be built to meet the needs and aspirations of over a billion people, and that is where there is an unprecedented opportunity for American Business and Industry.

Second, India is not just a low- wage country. It is a country that produces technicians, scientists, engineers, and technical persons of world-class. A survey of expatriate managers reported in the London Economist had placed India at the very top on the availability of skilled manpower at competitive rates. Jack Welch of G.E has described India as a developing country with the intellectual infrastructure of a developed country.

Third, India has a preponderance of entrepreneurial skills and entrepreneurs who are taking on multinationals and global brands and are competing effectively with the increasing availability of venture capital and the freeing of licensing restrictions, there has been a mushrooming of new small and medium-sized companies, started and managed by professionals. American companies will find them enthusiastic partners.

Fourth, a market economy is founded on a system of honouring contracts, enforcing property rights and respecting legal obligations. India has a well developed judicial infrastructure that has time and again demonstrated its independence, as in the Enron case. A number of independent regulatory authorities are also being set-up in sectors that are being restructured.

The advantages of India as an investment destination rest on strong fundamentals which include a large and growing market, world-class scientific, technical and managerial manpower, abundance labour and natural resources, independent judiciary, etc. This is now recognised by a number of global investors who either has already established a base in India or in the process of doing so. Ongoing initiatives such as further simplification of legislation, de-licensing, setting up regulatory authorities such as central/state Electricity Regulatory Commission, etc is expected to provide necessary impetus to accommodate enlarged FDI inflows in future. In the final analysis, large volume inflows of FDI would depend on domestic economic conditions and the FDI policy, World economic trends, and strategies of global investors. Government, on its part is fully committed to create strong economic fundamentals and an increasingly, proactive FDI policy regime.

FINDINGS

It has been found that Liberal investment climate has been created only since 1991, which paved the easy way to foreign investors to invest in India. In addition, various types of incentives are being offered to attract FDI. Greater attention is also being paid to making the macroeconomic environment more conducive to foreign investors. Provision of infrastructure and other support services is being targeted, financial sector reforms are being undertaken to facilitate financial flows in various forms.

CONCLUSION

In the present chapter, it is seen that the policy frame work in India dealing with foreign private investment has changed from cautious welcome policy during 1948-66 to selective and restrictive policy during 1967 to 1979. In the decade of eighties, it was the policy having partial liberalisation with many regulations. Liberal investment climate has been created only since 1991. The period from 1991 till date characterised by transparency and openness and is intended to seek more foreign investment inflows. However, there are some specific aspects, (e.g. Lack of transparency in the approval of FIPB/SIA cases, regulations at the levels of state Governments for accessing operating facilities and rates of taxes and tariffs especially with regard to corporate taxation, capital gains tax and custom duty) which need detailed review and revisions for rendering the Indian environment relatively more competitive for FDI Inflows than before. A cross-sectional comparison of the various aspects of the current Indian policy regime on foreign capital indicates that in terms of the openness of the policy environment, India does not rank much below the other foreign capital seeking countries in Asia.

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ICT AND ECONOMIC GROWTH: THE VARIETY OF DIGITAL DIVIDES LESSONS FROM SOUTHERN AND EASTERN MEDITERRANEAN

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ABSTRACT

Dissemination of Information and Communication Technology (ICT) is the subject of attention economists, managers as decision makers. It is both high tech (evolving as constant as fast) and 'generic technologies' whose use is spreading throughout the economy and leads to waves of innovation along the strong productivity gains. The question of the shape of the rate of diffusion of these technologies is essential. As within the same population, the delay spread of ICT can lead to a marginalisation of the area's most poorly equipped. I am then in front of creating a digital dividing. In contrast a proportionally faster diffusion in these areas is likely to induce real dynamic upgrading. I would then face to create a digital dividend. Today it is the wish, as little qualified voluntary, international organisations, UNDP, OECD, World Bank and IMF. This paper addresses the issue from a global perspective. It offers an economic analysis of the concept of digital divide based on differences in macroeconomic performance of countries for the same level of equipment. Two objectives will be pursued, which are to understand and characterise dynamically the transmission channels of ICT in macroeconomic performance (productivity, economic growth, employment) and to Define, in relative terms, the digital divide from the analysis of differential effects of ICTs on the macroeconomic performance of nations.

KEYWORDS

Information and communication technology (ICT), Economic growth, Digital divides, Southern and eastern Mediterranean.

INTRODUCTION

The purpose of this paper is to examine the foundations of the theory of the 'digital divide' and to provide consistency from the review of macro-economic impacts of the latter. My approach will be illustrated by examining the state of ICT diffusion in the SEMC (Southern and Eastern Mediterranean Countries) and assess their potential for economic development. The hypothesis of the emergence of a new industrial revolution 'digital' has been seriously advocated in the literature (David, 2001, Von Tunzelman, 2003, Boyer, 2002). ICTs are responsible for a transformation of modes of production, consumption patterns and modalities of transactions. Many economists have questioned the impact of these technologies on the performance of companies (Bellon, 2002 and 2003), the performance of workers (Bresnahan et al., (2002), Greenan et al., (2002), and more generally on those markets (Shapiro and Varian, 1999, and Bellon, Ben Youssef, 2003). Others were more interested in macroeconomic performance such as economic growth and productivity (OCDE 1999, Gordon 2000, Boyer, 2002, Mairesse et al., 2003, Gilles and L'Horty, 2003).

The hypothesis of a new regime of growth driven by ICT has become credible in particular following the acceleration of macro-economic performance in terms of growth and productivity in the United States (Gordon, 2002 and 2003) and more generally in the OECD countries (Jorgenson, Ho and Stiroh, 2003). The phenomenon of 'New Economy' is a premise harbinger of radical changes to come (Bellon, Ben Youssef and Rallet, 2003). If at first, most studies have focused on analysing the ICT-related productivity growth, a macroeconomic point of view only for specific countries, a new literature is now trying to generalise this type of work for developing countries to assess the potential effects of ICT on their specific form growth. All of these contributions on the observation that there is a difference in equipment and in the predisposition of the industrial fabric of developing countries compared to their counterparts in industrialised countries to use ICT. They seek to understand whether ICTs can be the cause of a catch-up between the North and South or the cause of an effect of setting aside the developing countries in economic growth.

The thesis of the emergence of a digital divide has been raised (UNDP (1999), Boyer (2002), Petit (2002), OECD, 2001, Antonelli, 2003). Among the structural elements of discrimination between industrialised and developing countries, it was noted the difference in productivity. Under the impact of ICTs increase this gap. It would follow a marginalisation of the countries concerned. The threat of a digital divide is accompanied by many hopes. Once ICTs are able to increase productivity and growth potential, they could lead developing countries to accelerate their catch-up. This is called digital dividend. Taking care of generalisations, I must recognise that for a variety of reasons that add up, the opportunity opened by ICT, is not comparable with other revenues put into practice by international institutions (WTO, Bank World Fund) to accelerate the growth of developing countries (liberalisation, deregulation, exchange rates). I am facing a global approach that goes beyond the features for both macroeconomic and associates of the dynamics based on the institutions and organisations micro-economic knowledge, innovation and accelerating productivity. ICT is an instrument of rationalisation and renewal of the production, distribution channels and all channels to create value. While much of the literature on the digital divide addresses the issue of macro-economic impacts in terms of homogeneity of technological trajectories of countries to ICT, I propose a grid reading based on the notion of trajectory differentiated. The conditions for the emergence of a growth regime driven by ICT in the SEMC will be taken to field analysis. To do this, I propose to discuss the concept of digital divide in the first section and understand the various facets. The second section will highlight the main transmission channels of ICT on economic growth. This will allow me to propose, in a third section, a definition of 'digital divides on', reflecting the levels of disability in some countries to benefit fully from all the effects of ICT. The fourth section will present the state of ICT diffusion in the Euro-Mediterranean and discuss all the effects outlined in the SEMC.

SECTION 1: DEFINITIONS OF THE DIGITAL DIVIDE

The concept of 'digital divide' does not refer to a precise and stabilised. Like the 'new economy', the term was popularised by the media and policy makers respond to differences in reactions to the issues of Internet, mobile telephony, broadband or territorial coverage. It refers to the broader economic and social inequalities generated by information and communication technology. This notion is available depending on the issues addressed and the context. Sometimes it means non-attainment of certain social groups to ICT and the United States, the debate is about the non-attainment of certain categories of the population to basic services (telephone) or the Internet. In Europe, the debate is about the geographical coverage of some areas by the private telephone in relation to the effects of waves of deregulation. Thus, a fracture 'geographical' marginalises certain territories and populations. Everyone is concerned about the risks of 'internal fracture'. For their part, international institutions are put in front of the inequalities of equipment and practices between countries with unequal levels of development. They stress the risk of marginalisation of developing countries from their delay in 'technological equipment'. There exists a digital divide between countries 'connected' and those who have not yet widespread use of telephone or electricity. The institutional dimension (the legal support of freedom of information dissemination for example) is ignored, or treated with a great level of generality. The definitions in the literature refer to economic different conceptions of digital divides. However, I can distinguish four types of definitions. The first defines the digital divide as the widening gaps connection to the Internet and more generally of ICT diffusion. This definition is a purely technological infrastructure. Strictly speaking, the digital divide refers to the absolute differences in equipment and differences in their growth rates. In a broad sense, it is to interpret the digital divide as a gap the stock of ICT in an economy (Internet connections, computer equipment, mobile, phones). The digital divide concerns the widening gap of ICT equipment between two geographical areas. It means a kind of dividing line between the territories that use ICTs and those who use it only marginally. In order to measure the digital divide is added to the

indicators mentioned above those related to the rate of PC penetration, the number of phones per thousand, the number of phones per thousand people, etc. The second definition focuses on the increasing inequality related to the impacts of the ICT sector on the rest of the economy. It is therefore to measure the ICT contribution to growth, exports, productivity and employment. The idea behind this approach relates to the possible multiplier effects. These can be summarised as follows: on the basis of 1997, ICT industries accounted for 3-4 per cent of employment, 6-9 per cent of the value added, 10-25 per cent of exports and 25-40 per cent of R&D in the U.S., Japan and Europe (Koski, Rouvinen and Ylä-Anttila, 2002). Assuming a relationship of cause and effect, similar effects are expected in all countries of the countries that use it. Here, the digital divide refers to the divergence of the trajectories of growth paths caused by the economic impacts of ICT. The third possible definition of the digital divide is more about the use of ICT than their stock. This is to assess how ICT is used by economic agents and how they can make under the triptych *'better, faster, cheaper'* in favour of the creation of the value. In other words, how ICT enables agents to lower production costs, increase transaction volume and improve the quality of their services. The digital divide is not limited to inter-country comparisons, but would also cover countries with similar levels of equipment but that would use ICT in different ways. I am interested here in the volumes of business transactions over the Internet, direct sales, the number of e-business, lower prices recorded (the effect deflator). This definition allows me to account it is not enough to invest heavily in ICT, much less to produce. The element is nullifying the ability of rational economic agents. Cultural and societal dimensions are present here. The final definition of the digital divide is related to how learning and the nature of the acquisition of information and knowledge generated by ICT. In other words, it assumes that ICT equipment is a precondition sine infrastructure and the uses result in increased performance. The crucial question is postponed to the capabilities of agents to learn to use ICT. ICT-related inequalities are linked to inequalities of the forms of learning (Hargittai, 2002). These definitions have a common appreciation for the diversity of ingredients digital divide. My hypothesis is that the recognition of all these causes should lead to an accepted set of effects, i.e. a variety of related fractures. It is of course premature to claim to reflect the diversity of causes and effects. Empirical work to quantify the digital divide is mainly dwelt on the first definition. Attention was paid to *'network structures'* and for the dissemination of the equipment. Few studies have attempted to understand the origin of differences in macroeconomic performance for the same scattering state. I propose to discuss and deepen this second type of definition of the digital divide by establishing a correspondence between the results obtained in the literature on macroeconomic performance and the ICT dedicated to the digital divide. I need to examine the cognitive and organisational aspects of the digital divide.

SECTION 2: THE TRANSMISSION CHANNELS OF THE NEW GROWTH REGIME

Most of the literature on the contribution of ICT to growth concerns the United States and, more broadly, the OECD countries (Boudchon, (2002) Jorgensen and Stiroh (2001), Jorgensen (2001), Colecchia and Schreyer (2001), Mairesse et al., (2003), Oliner and Sichel (2000), Gilles and L'Horty 2003, Brynjolfsson and Hitt, (2000), Bellon, Ben Youssef and Rallet (2003), Feldstein (2003). A careful reading of the latter identifies six transmission channels complementary and interrelated: the multiplier effect of investment in ICT effect *'deflator'* of inflation due to lower prices in this sector and is reflected in other sectors, the effect of capital/labour substitution resulting in improved performance of the work, the effect *'quality'* reflecting the impact of improving the characteristics of ICT production goods and services, the effect of *'total factor productivity'* reflecting the acceleration in productivity due to ICT investment, and finally the effect of *'spill overs'* which refers to technological externalities in the economy and increasing the level of innovation in other sectors.

THE MULTIPLIER EFFECTS

The outputs of the ICT sector are acquired by companies such as real investment and/or as intermediate goods, but also as final consumption goods by households. The strong growth in business equipment and consumer goods derived from ICT has resulted in an increase in overall economic growth. The main mechanism assumed here is the existence of a Keynesian investment multiplier with respect to ICT more important than the investment multiplier in non-ICT equipment. Given their wildcard (Helpman, 1998), ICTs are diffused throughout the rest of the economy affects each with their own dynamics. The multiplier effects are even more important that the sector is facing strong growth in demand of around 15 per cent per year. The first direct beneficiaries are the ICT-producing countries. These countries are also the first to benefit from spill over effects on the rest of their economy. Pohjola (2002) defines a critical threshold (relatively arbitrary of 5 per cent) of the ICT sector from which I see the emergence of significant dynamic effects and the rest of the economy. Although this threshold is arbitrary, I can perform a *'benchmarking'* at the international level to locate the level of importance of the sector and dynamic effects. For example, the United States this sector is around 8 per cent of GDP. The question of the distinction between countries' producer-user countries and user is entirely at the incremental multiplier effects.

THE EFFECT DEFLATOR

The second effect concerns the impact of falling prices of ICT, including computers, the rest of the economy. The largest drop in prices for microprocessors components, it affects only slightly on final prices, given the evolution of technological capabilities and the corresponding incorporation. For three quarters, these declines in component prices are reflected in the increased capacity of finished products. Reasoning in terms of equipment prices will therefore reflect only part of the phenomenon. Nevertheless, the continued decline in prices in the ICT sector has been accompanied by the significant increase in business investment in ICT. Behind the acceleration of productivity and growth in the U.S. there is an acceleration of falling prices of computers and peripheral equipment during the period from 1996 to 1998. Indeed, while lower prices were on a pace -12 per cent per year between 1987 and 1995 it reached -29 per cent per year over the period 1996 to 1998. This substantial decline in prices of information technology has led U.S. firms to over-invest in ICT (Gordon, 2002: p. 22). The productivity gains in the ICT sector can act on the rest of the economy as a deflator technology, and they can thereby control inflation or increasing growth. For example, since the computer industry accounts for 1.4 per cent of U.S. GDP and prices fell 29 per cent over the period (96-98) a simple calculation rule of three can approach an effect deflator of 0.37 per cent. Gordon (2002) estimated that the contribution of computers to growth is mainly a factor of inflation and that it would be about 0.5 per cent per year for the U.S. economy. In their recent study Collecchia and Schreyer (2002) have generalised the approach to calculate the deflator for ICT technology associated with the nine OECD countries. Moreover, one can record a decline in transaction costs. The effects are not limited to production costs, they also affect transaction costs, since the method of inventory management to the quality of after sales services (Garicano and Kaplan, 2000; Borenstein and Saloner, 2001; Brookings Task Force on the Litan and Rivlin, 2001). ICTs and their application (e-commerce, Internet) thus reduce costs, before, during and after transactions.

DOUBLE SUBSTITUTION EFFECT

This effect refers to the relative increase in the share of capital compared work in the use of inputs. Here, ICTs appear as dual-purpose. They lead to promote the capital relative to labour and skilled labour relative to unskilled labour (David, 2001, Jorgenson and Stiroh, 2001, Quah, 2001). In other words, on the one hand, promotes the growth process of capital accumulation which results in a decrease in the relative rate of employment of labour and an increase in the relative share of capital input. The share paid by units of capital increases, so employees can see their productivity increase. Gordon (2002) estimated that two thirds of the acceleration in U.S. productivity during the period 1996-2001 is due to this substitution effect. On the other hand, there are alternatives to domestic labour. There is a re-qualification, i.e. a change in the categories of workers so radical that leads to foreclosure effects or fracture. Finally, it should be noted that the ICT capital is capital obsolescence particularly fast, unlike other forms of capital. This property therefore requires a rapid amortisation and requires companies increased profitability and greater risk taking.

THE EFFECT QUALITY

The information technology can be associated with changes related to the components of intangible outputs, including the variety of goods and services, related services and more generally the specific adaptation of the product to consumers. The most immediate effect of ICT is enriching the information content of goods and services. The result is a double mutation at the level of quality and product differentiation. These benefits would improve the utility function of consumers, without change neither the price nor the nominal quantity of products incorporating ICT. The effect is useful to consider difficult conditions but the results of work on the issue. Recent efforts by the OECD have undertaken, in terms of methodology, to improve the consideration of the effect described above. Different sources are responsible for improving quality.

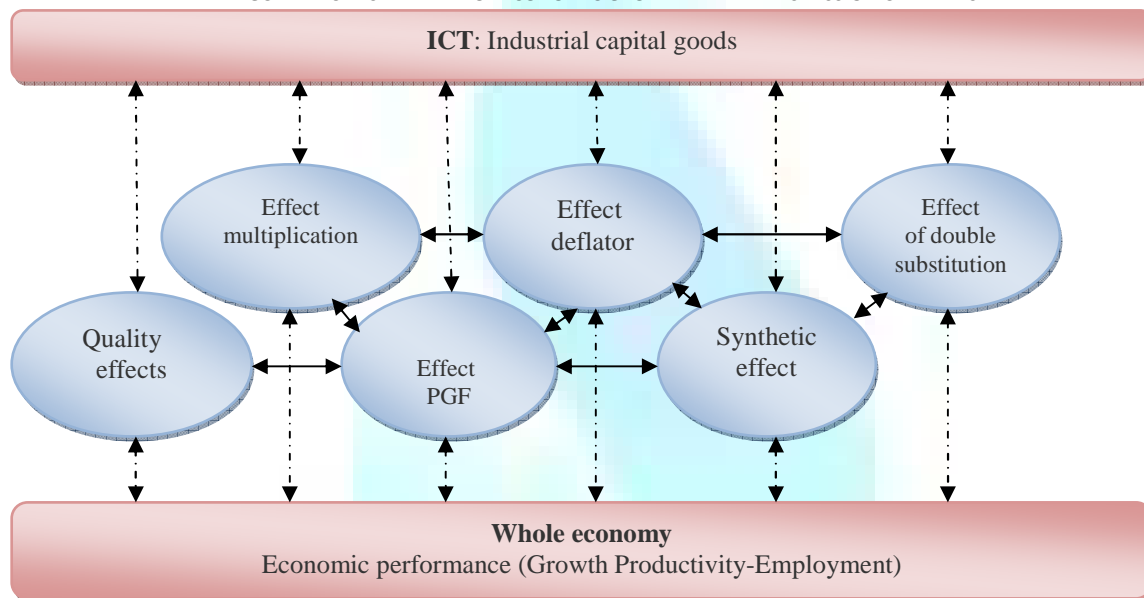
THE EFFECT OF TOTAL FACTOR PRODUCTIVITY

The previous effect participates in the role of ICT in a substantial change technical progress and the dynamics of innovation in all sectors. Generic in nature, the externalities associated with ICT are widely disseminated to the rest of the economy. This diffusion would thus increase the productive efficiency along with the pace of technological progress. The acceleration in TFP in the United States since 1996 and is attributed to ICT. This is reflected in the current state of knowledge, an increase in the Solow residual (the part of growth not explained by the factors of production separately). Indeed, this finding reflects the improvement in the complementarity between labour and capital. This complementarity is through the use of organisational innovations (Askenazy and Gianella (2000), Greenan et al (2002)). ICT would increase and diffuse technical progress. Moreover, developing countries, unlike developed countries benefit from positive structural effect. Indeed, the adoption of ICT in developing countries coincides with the transformation of their economies from an economy based on natural resources and agriculture to an economy based on production value. This could enhance the productivity gains.

THE SYNTHETIC EFFECT OF TECHNOLOGY SPILL OVERS

The effects of spill overs denote the entire spill over effects induced ICT innovations by the rest of the economy. Silicon Valley has benefited from the emergence of new ICTs by enabling cross-fertilisation of ideas and 'Complementary innovations'. More generally, the multiplicity of interactions is between the ICT sector and other economic sectors (health, aerospace, automotive, banking, housing, environment). The improved performance related to computers and ICT more generally has, among others, genome sequencing and the biotechnology revolution, but also the coupling between accounting and cost accounting, the real-time processing and order books changes in general information systems. The overall pace of innovation processes has been radically altered. The effects of diffusion 'spill overs' depend primarily on complementarities between the industrial sectors (Lipsey et al., 2005). In the case of ICT, I find less complementarity between sectors (as would be the case between the coal, iron and steel) between these technologies and the needs of everyday life in any productive activity. So far beyond the spill over effects resulting from the domestic production of some ICT in the country and agglomeration effects (which are full), the diffusion effects are resulting from the use of ICT as a factor production and innovation.

FIGURE 1: ICT AS A DRIVER OF ECONOMIC GROWTH: THE TRANSMISSION CHANNELS



SECTION 3: SOME CAUSES OF THE STANDARD DIGITAL DIVIDE

The nature of the ICT factor of production and its transmission channels, make it a very special tool for development. However, it also reveals first the classical criteria of growth. The manifestation of these effects 'standard' depends, at a time, the status of the country (producer vs. importing ICT) (Dirk and Lee, 2001), size (large vs. country). Small country are its international specialisation, its factor endowments (Antonelli, 2003), the presence or absence of complementary assets (organisational innovations, institutions, education, human capital, incentives). If I reduce the definition of digital divide 'away from macroeconomic performance to rate various ICT equipment', its origin would then be in the non-occurrence of specific macroeconomic effects. The wildcard character (locally neutral) does not occur everywhere in the same way and are largely biased internationally and do not benefit the same way countries (David, 2001, Quah, 2001, Pohjola, 2002). Some countries have a sufficient level of adoption of ICT, but with no of macro-economic effects. Here, some macroeconomic channels of transmission are defective and limit or eliminate the impact. The digital divide concerns while some countries unable to benefit fully from the effects of ICT. I provide illustrative cases to examine some 'obvious' that underlie a large number of fractures is the lack of production of capital goods ICT.

THE LACK OF ICT PRODUCTION

The question of whether the importing countries enjoy the same manner as countries 'producers' of ICT was often asked (Cohen and Debonneuil, 2000). Indeed, ICT production is geographically concentrated in North America, Japan and Northern Europe and some countries highly specialised (Taiwan). Theoretically, this is not problematic, but it does not facilitate the operation of certain channels. Essentially, it is recognised four advantages for the benefit of ICT-producing countries: the advantage in terms of technological trajectory, the advantage of the effect deflator, the advantage in terms of technological externalities, and the advantage of standardisation. Indeed, many studies show that falling prices for ICT was higher in the U.S. than in the other country. This asymmetry can be explained both by the producer status of the United States but also a network effect more pronounced than in other countries of smaller size.

THE SIZE OF THE COUNTRY

ICTs are inherently network technologies and their impact increases with the extent of it. Prices, the utility associated with the quality of the network infrastructure, improve with the number of individuals forming the network of users. Therefore, the size of the network is a key variable. If for some technologies, such as the Internet, this limitation is exceeded by the global aspect of the network, in telephony, the country's size is a key variable. The phenomenon is accentuated with the liberalisation of such markets. Thus, some macro-economic effects are more pronounced in large countries than in smaller ones.

FACTOR ENDOWMENTS (INCLUDING HUMAN CAPITAL) CAN FINALLY BE THE ORIGIN OF DIGITAL DIVIDES

Among the endowments, the last factor is the general training and skills. ICT has a wildcard because they receive some immediate ease of use. By cons, they require skilled labour for their production and they also require very specific conditions of learning for use in specialised production processes. Thus, a divide between countries can emerge as a consequence of the general level of qualifications and more generally because of the absence of specific learning modalities. The macroeconomic performance remains divided according to differences in factor endowments. The accumulation of knowledge and human capital is a necessary first step in the growth performance of countries. In order to optimise their use of ICT levels require the acquisition of specific skills. For Petit (2002), the knowledge-based society has emerged in Europe and from the time the enrolment and education took off substantially. Existing gaps in investment in

human capital (training) suggests that the digital divide is primarily a consequence of this element (no pre-practice skills: mastery of technology, language proficiency). The initial and continuing education are prerequisites. If the majority of ICT does not require specific knowledge immediately, the convergence of technologies, enhancement products new features, which require learning opposite part of the population, are poor. This poses a new public responsibility for learning of ICT and the Internet. More generally I identify a variety of situations where only some channels of diffusion of ICT are working effectively. Channels transmission differs from one country to another. It would be unrealistic to make macroeconomic policy recommendations for developing countries trying to generalise income therefrom paid off elsewhere. Economy advantage fully and simultaneously for all effects is a rather rare. Only the United States seem to have enjoyed during the late 1990s ICT across all channels. Reflecting on the digital divide, largely initiated by international institutions, should take into account the one hand, the relationship between diffusion and 'absorption capacity' of generic technologies and, secondly, that between technology adoption and macroeconomic performance. This second dimension has not been the focus of discussions to date. I propose to illustrate this by examining the case of Middle East and North Africa (MENA) countries. The approach taken here is still quite descriptive but should be supported by the results of an on-going study.

SECTION 4. THE OPERATION OF THE TRANSMISSION CHANNELS IN THE SEMC: DIGITAL DIVIDES VS. DIGITAL DIVIDENDS

The findings on the relationship between economic growth, use and adoption of ICT have been quite widely discussed in the context of industrialised countries. Their impact on development processes of developing countries is much less advanced. I now propose to examine the manifestation of these effects in the case of economies of southern and eastern Mediterranean. The first part will focus on the state of dissemination of key technologies 'generic' ICT and the second will introduce a discussion of its effects.

4.1. INSTEAD OF A STATEMENT OF THE MAIN ICT DIFFUSION IN THE SEMC

It focuses on three technologies: telephony (in its fixed or mobile, terrestrial, satellite or fibre optic), computer (laptop, desktop computer, mainframe or personal computer, compact or centralised) and Internet (browsing, mail, EDI, e-commerce). Five indicators are used to address their distribution: the number of fixed telephones per thousand inhabitants, the number of phones per thousand inhabitants, the number of PCs per thousand inhabitants, the number of Internet-connected computers per thousand inhabitants and the number of Internet users per thousand capita. I review these indicators for 37 countries forming the Euro-Mediterranean Area Expanded.

THE ADOPTION OF THE PHONE CAPS

Indeed, I find that within the European Union (EU 15), the phone fixed caps around 600 lines per thousand inhabitants, while a plateau at 300 lines per thousand inhabitants is observed in the countries of the AC 12 and this level is only 150 lines per thousand inhabitants in the SEMC. Diffusion is twice as large an economic zone to another. Worse, for fixed telephony subscriber growth is negative.

A STRONG ADOPTION OF MOBILE PHONES

The mobile phone, however, was quickly adopted in the three regions. It exceeded the rate of fixed telephone equipment maintaining the same differences between the three groups of countries. The equipment rate is 800 lines per thousand inhabitants in the EU 15, 400 lines in the AC 12 and only 200 lines in the SEM. In addition, there is a clear substitution between the two forms of telephony in the three zones.

A SMALL INCREASE IN COMPUTER EQUIPMENT

The computer equipment is still quite low in the broader Euro-Mediterranean area. This sharp divergence in terms of computer equipment could be put into perspective by considering the computer more as a private good in the European Union and a public good in the AC 10 and in the SEMC. Moreover, this could come from the inability to accurately identify the number of PCs in the SEMC. Indeed, besides the legal importation, other forms of imports can grow without the statistical system to take them into account (contraband imports by immigrant populations). Unlike telephony, where the subscriber can identify the exact terms of adoption, there is no official timetable for computers.

A TOTAL LACK OF DYNAMICS IN THE INTERNET IN THE MENA

Indicators on the Internet show the total absence of dynamic within the SEMC even though I observed a strong increase in the adoption of this technology in the AC 12 or EU-15. The weakness in the Internet can be attributed to the newness of the technology, but also the weakness of the technologies required for its use. These initial findings must be put into perspective and compared with the general criteria in the previous section. Indeed, the existence of initial differences in economic development and income is critical to the adoption of these technologies. I have considered this issue in perspective and dissemination by GDP to examine the relative effort of various countries for the equipment in these key technologies. The results deserve some attention. Indeed, the relative effort of ICT equipment is the largest made by the AC 12. Whatever the technology in question, the AC 12 seem determined to catch up or the technological gap. MENA countries also agree a major effort in view of their GDP, but this effort is not sufficient to induce catch-up even though the EU is growing in the field (including computer and Internet).

4.2. ELEMENTS OF DISCUSSION OF THE MANIFESTATION OF MACRO-ECONOMIC EFFECTS OF ICT IN THE SEMC.

This section introduces elements of discussion on the effects macroeconomic ICT in the southern Mediterranean. I give here the results obtained for the five bills presented in Section 2.

THE MULTIPLIER EFFECTS ARE WEAK

Most of the SEM does not produce the goods and services in ICT (outside of emerging production of components and without being almost total services). Thus, the ICT sector is often confused with the communications sector. However, strategies can be easily developed to produce goods and services in ICT. Indeed, the ICT sector does not admit a critical mass that involves a particular global dynamics. MENA countries could benefit from a reallocation of location strategies of firms and benefit from the overflow of spatial constraints. Indeed, if one solves the technical and regulatory constraints and that it highlights the human skills, multinational companies producing ICT may find interest in settling in the SEMC, close to the European market. The example of the relocation of call centres is quite illustrative of this dynamic. However it is still in its infancy and did not result in cascading effects to increase the overall macroeconomic performance. Moreover, investment in other industrial sectors in ICT seems off. The share of investment in communication compared to the total investment as a share of GDP devoted to investment in the ICT are changing significantly over the last years of the 1990s in the SEMC. For example, in absolute terms, the volume of investment has quadrupled, while in relative terms it increased by 61.1 per cent compared to total investments in Tunisia (Ben Youssef and M'henni, 2004). The increase in ICT investment in the Tunisian economy should, over time accompanied by the multiplier effects of investment and strengthen the growth.

A MORE PRONOUNCED EFFECT DEFLATOR BUT NOT YET FULLY UTILISED

Price differences in ICT goods between countries (mainly OECD) and the SEMC are important. Two factors may explain these differences. On the one hand, the majority of SEMC import ICT goods that are subject to high trade protection. Second, the lack of reforms in the telecommunications sector led to note the presence of monopolies, often inefficient and with patterns of excessive pricing. The combination of lower trade protection on ICT goods and greater deregulation of the communications sector could lead a significant effect deflator.

Lower prices in the area of mobile telephony, often following the introduction of a second private operator has led to observe a strong dynamic of adoption. The signing of free trade between most of the SEMC and the European Union and the possible signing of agreements in the WTO trade protection will limit imports and should lead to lower prices for IT goods accelerate the enterprises and individuals. On a macro-economic aggregate, I remain far from an overall effect of 0.37 to 0.5 per cent growth points as the United States (Gordon, 2000).

A SUBSTITUTION EFFECT LIMITED

The third effect is the effect of capital-labour substitution following an investment in ICT. In theory, this effect is the same in the MENA and developed countries. But the low level of ICT investment does not here the manifestation of such effects, especially in the presence of high unemployment and cost of labour low. ICT penetration still seems too early to generate substitution effects. However, as evidenced by the acceleration of ICT investment in Tunisia, the ratio of workers per unit of capital increases as a whole. This could lead to an improvement in apparent labour productivity. In addition to investment in physical capital, increased worker efficiency is dependent on the adoption of organisational innovations by companies (upgrade) and the level of training (Bellon, Ben Youssef and Plunket, 2002; Bellon and Ben Youssef, 2003).

A QUALITY EFFECT RESTRICTED

MENA countries are engaged in a vast movement quality in conjunction with the Euro-Mediterranean agreements embodied in the policies of upgrading and qualification ISO 9000. There is in this context a continuous quality improvement and increased convergence towards a single standard. ICTs are not foreign to this development and continuous technological improvements as well. But it is difficult to separate the two effects (organisational and technological). This dynamic certainly benefits to countries that have adopted the latest technologies. However, the quality effect is strictly dependent on the state of the national distribution and equipment. Simultaneously, I find that ICT creates new needs and thus new opportunities. This effect was not considered in my work and also deserves to be considered in the extensions of my study.

PGF POTENTIALLY POSITIVE EFFECTS

Consider the potential impact of ICT on total factor productivity. The recent studies in Tunisia and Morocco (Morrisson and Talbi, 1999; Ghali and Mohnen, 2003) suggest that the latter has no known specific acceleration. It therefore finds no immediate effect of the adoption of ICT on the combination work/capital. This may reflect a part of the need to reach critical thresholds and also the lack of sufficient organisational changes to improve the efficiency of production processes. The debate on the productivity paradox has shown that the performance in terms of productivity has been achieved after a long period of accumulation of ICT capital to both U.S. and Europe, and that this accumulation remains still low in the SEMC. However, given the inefficiencies initial field surveys in during show productivity gains due in particular to the use of ICT is very important to the micro level. The evolution of businesses upgrades' is very much greater than that of their counterparts (immediate comparison between contractors and subcontractors) in the North. ICT enables to operate such sources of productivity in some traditional industries and allow the acquisition of new knowledge. Indeed, the adoption of ICT in the SEMC coincides with a change in their economies to industrial economies. The effect of structure (transition from a resource-based to an industrial economy) is positive on the TFP gains. However, keep in mind that the effects are totally dependent on ICT adoption by agents, modalities of learning, the internal organisation of firms and more generally, organisational capacity and skills of human capital. ICTs can enable a thorough review of working conditions and industrial organisation at the same time that the effects of capital/labour substitution that affect overall productivity.

EFFECTS 'SPILL OVERS' LOW DIRECT AND INDIRECT.

As I pointed out in the third section, the effects of 'spill overs' depend generally quite productive structures of the country and the technological complementarity between sectors. ICT is mainly acquired externally via imports. Here, dividends depend on the technological ability to attract multinational firms operating in the field of ICT. Creation strategies Ex-Nihilo technology parks and 'techno', although they seem to fashion, showed a relative inefficiency. However, the SEM seem to enjoy indirect benefits of ICT without bear the costs of development and especially those relating to the process of trial and error leading to the final solution. In other words, the SEMC adopt the technologies mature and stabilised once the international standardisation has taken place. Moreover, the rate of equipment in some MENA ICT, such as mobile phone, shows a strong adoption once the technology is stable. Certainly, one can argue that for older ICT (mobile phone and personal computer) the equipment rate remains relatively low, but experience shows that the mobile phone technological developments provide products and services and multiple decentralised, highly adapted the context of such countries. Some technological developments seem to benefit the country more followers. Part of the ICT has fallen into the public domain. MENA countries can benefit and the potential of these technologies and optimise their distribution at the lowest cost. For example include the versatility of uses of ICT and their software, the proliferation of free software, and lower costs of duplication of software. This will undoubtedly benefit the users of SEM and could accelerate growth without cost. Another example of the generic nature of new technologies is the use of the power system as a means of equipment for the Internet. Of course, all these developments leave the issue of intellectual property rights intact. The following table summarise the expected effects of ICT and the main channels that can cause an acceleration of macroeconomic performance in the SEMC. Essentially, two important channels appear to play a full - as long as the equipment rate becomes significant - is the effect 'deflator' and effect 'PGF'. If the fracture in the short term is the lack of macroeconomic effects apart from a limited effect deflator in the medium term, the adoption of appropriate economic policies on deregulation and diffusion of ICT could lead to benefit effects macroeconomic significance.

TABLE 1: THE MACROECONOMIC EFFECTS OF ICT IN MENA

Macroeconomic effects	currently	potentially
Effect deflator	+	++
Multiplier effects	--	+
Quality effect	--	+
Effect PGF	--	++
Effect spill overs	limited	limited
Effect capital deepening	--	+

CONCLUSIONS

The purpose of this paper was to discuss the relevance of the theory of digital divide with respect to developing countries, focusing on macro-economic effects of ICT on economic growth (growth potential) rather than considering the differences in infrastructure and microeconomic effects on business management (which is the subject of several on-going research). Goes beyond the statistical findings with global and too little adapted, my approach has identified six transmission channels of ICT on overall macroeconomic performance. The digital divide is then to consider that for some countries at the same level of equipment, some channels may be faulty. The differences are in country size, factor endowments, and international specialisation of countries.

I have implemented my interpretative framework to the case of MENA countries. These are currently characterised by an optimal distribution in key technologies (Internet, telephony and computers), but demonstrated a catch-up in mobile telephony. Careful examinations of the transmission channels of ICT to growth clearly show that in the case of SEMC two of them seem to be able to play full namely are the effect of PGF and effect 'deflator'.

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