NSHM JOURNAL OF MANAGEMENT RESEARCH AND APPLICATIONS

JMRA: Volume 2, Number 1, June 2010 Bi-annual Peer Reviewed Journal

ed at: OFFSWING COMMUNICATIONS (offswingdesign@gmail.com)

Message from the Chief-Mentor

Dear Readers,

I am really glad to see the third issue of the NSHM Journal of Management Research and Applications coming out. It has grown in content and quality over the period of time.

At NSHM we have always focused on our 5 pillars called the 5 I's - Infrastructure, Intellectual Capital, Industry linkages, International Outlook and In-vironment. The Journal goes a long way in re-enforcing these pillars. With the efforts of the BRIC - NSHM Business School we are sure to attain our vision of being 'A Knowledge Hub of Global excellence'. In the years to come as NSHM becomes one of the premium educational brands in the country, it is the research and development at NSHM that will build it and take it to the next level of excellence.

I sincerely appreciate the efforts put in by the editorial board and especially every contributor who has ensured great quality of content.

Warm regards,

Cecil Antony
Chief Mentor
NSHM Knowledge Campus

Message from the Director

"Continuing its efforts to promote excellence in management teaching and experiential learning, the Business Research and Information Centre at NSHM Business School has taken the NSHM Journal of Management Research and Applications to its second year. I hope the Journal with its quality contributions in the diverse fields of management research and applications is a source of information for the students and trainers of management education about the frontiers of thought in the field."

Rajib Chanda
Founding Director
NSHM Knowledge Campus

From the Editor's Table

With the publication of this issue the NSHM Journal of Management Research and Application moves into its second year. The first year of its journey has indeed been an exciting experience due to the interest and enthusiasm of the contributors, the judicious support of our esteemed reviewers and our much valued readers. It has been a source of inspiration for the editorial team to move ahead and make each issue a special one.

In this volume we have an array of *Research Papers* addressing issues in finance, customer perception and behavior, marketing, productivity and efficiency. The first paper tries to identify the factors that influence stock split decisions as opposed to the numerous studies on the impact of stock splits on performance indicators. This is followed by a methodological study of the factors that influence the investor perception and choice of mutual funds. Small is beautiful. While the study provides valuable inputs for the mutual funds it is also significant because of the importance of the small investor and the mutual funds as the portal for the mobilization of this huge untapped resource. The third paper addresses another emerging issue in today's business environment - that of demerger as a strategy for achieving world class stature. Multilevel or network marketing is a new dynamic approach to marketing structure that is being adopted by some companies by creating a downline of distributors or consultants and a hierarchy of multiple level compensations. The paper on net work marketing studies the impact of age group and brand on sales along with the importance of attitude and relationship in network marketing. The last paper in this section is a comparative empirical study of the technical efficiency in Indian leather in the pre and post-reform era and throws light on questions regarding the efficiency implications of strategies adopted in the post reform era.

The *Practice* section addresses two very significant aspects of modern corporate life and culture - corporate governance and corporate social responsibility (CSR). With the growth of international business and increase in the complexity and size of business organizations corporate governance has become an issue of international concern and assumed a key role in maintaining a healthy corporate environment. Further the nature and number of governance problems faced by the business houses in India and other developing countries is very different from that of their developed counterparts. This is not only due to the differences in organizational structure, but also the corporate governance mechanisms both internal and external to the firms (such as government regulations) which have just crossed the stage of infancy in these countries. The paper in the practice section discusses the various aspects in the realm of corporate governance. The other paper in this section deals with CSR.

The business houses with their huge organizational skills and their physical, financial and intellectual capital are perhaps more suited than any individual or organization to work for the welfare of the underprivileged. This is what makes these organizations living organisms rather than just money minting machines. The paper on CSR provides an excellent illustration of what it could achieve.

The articles in Perspectives give us stimulating insights and sets us thinking about very diverse aspects of business in today's world - that of communication and green industry - the former in an international context and the latter with a regional focus. While the importance of communication in business was aptly outlined by Lee Iaccoca when he said - "You can have brilliant ideas, but if you can't get them across, your ideas won't get you anywhere" - but in today's globalised world business communication has added dimensions because of the cross-cultural implications of globalised business. This is more so because "We think according to nature. We speak according to rules. We act according to custom" (Francis Bacon). The first article in Perspectives provides a very informative and innovative discussion on this issue using the Japanese dual mode business communication example.

India with its rich and diverse heritage, culture and tremendous natural endowments has a huge potential for green development and in this context the tourism industry in the North East of India and the small - scale in West Bengal constitute important elements. The last two articles in this issue lead us through the various aspects of tourism in this context.

I hope the readers will find the articles interesting and useful.

Looking forward to your valuable feedback,

Rajlakshmi Mallik
Assistant Professor & Coordinator
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A Study on Factors Influencing Stock Split Decisions: Case Study of India

Mahadevan Sriram
Muthusami Senthil

Abstract

Stock split is a decade long concept in India. Since then, a plethora of studies relating to the effect of stock splits on return, trading volume and volatility have been done across the globe. This study examines the factors, which influence stock split decisions in Indian context. The study has taken a sample of 50 companies listed in BSE (Bombay Stock Exchange) during the period 2007. Paired sample 't' test was used to study the change in the profit-after-tax (PAT), volume of trade and Foreign Institutional Investors' (FII) holdings prior to and post stock split date. Results have shown that there is positively significant change in the profit after tax, volume of trade and FII holdings between pre and post split date. A multiple regression model was constructed and the results have shown that price of shares (5 days prior to stock split) and volume of trade are the factors influencing stock split decisions in Indian stock market, thereby indicating that companies with highly priced shares split stocks to increase volume of trade. Though, there is significant change in PAT between the pre and post stock split period, this factor has had a negative influence on the stock split decision, thereby rejecting the hypothesis that stock split signals improve future earnings of the companies. Liquidity hypothesis and trading range hypothesis hold good for the Indian stock market.

Key words

Profit after tax (PAT), Volume of trade, Foreign Institutional Investors, Price of shares, Liquidity hypothesis, Trading range hypothesis, Stock split

Introduction

In the last decade, the Corporate World has witnessed one of the tools, which are usually used by the managers to direct market prices, i.e. stock split. A stock split is the division of a share into two or more parts. Stock split adds no value but increases the number of shares in the ratio of the split. By splitting the share the value of the company will not increase, but the capital is only redistributed by the increased number of shares. According to (Lamoureux et al, 1987) "Splits are only cosmetic change, slicing the same pie into smaller pieces but not changing the fractional ownership of the equity interest and votes in the company". The earnings per share will be diluted and the market price per share will fall proportionately with the share split. The total value of the holdings of the shareholder remains unaffected with the stock split.

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There are various reasons for companies announce stock splits. Companies with stock price ranging higher in the market try to attract the investors by reducing the price of the stock and bring them to the popular trading range (McNichols et al, 1990). The common investors would not consider stocks with very high price, as they would get few numbers of shares for the given amount. New investors entering into the market always prefer those stocks, which are in the trading range or with lesser share price. This is referred as trading range hypothesis. The companies would always like to see their share prices soaring high and it is veridical that a stock split signals better prospects for the companies in future and can also be interpreted as a vote of confidence by the management (Grinblatt et al, 1984), referred to as signaling hypothesis. A stock split lowers the share price, which in turn makes stocks more attractive to retail investors and culminates in driving the share price higher and in turn improve the market capitalization of the companies. Most of the CFOs' have opined that an exercise of splitting stocks could remove the psychological problem or block of paying a higher price for stocks (Baker, 1994). This is termed as liquidity hypothesis. (Arbel et al, 1993), predominantly in the context of stock splits have proposed the Neglected Firm Hypothesis. According to them, if there is little information about a firm, its shares trade at a discount. Thus, a firm's manager use the split to draw attention of the investors to ensure that information about the company is recognized widely than before.

In India, SEBI (Securities Exchange Board of India) permitted stock splits in the year 1999 and this was followed by a majority of the companies splitting stock frequently in a short period of time. Companies that were already trading in a nominal price range were resorting to stock splits. This was evident during the period 2005-2007. Since companies announcing stock splits were on the rise, it has puzzled investors and academicians on what could be the probable factors which influence stock split decisions in India.

A lot of studies have been done on stock splits and the studies were centered around the effect of stock splits on the price, returns, volatility and trading volume. (Reboredo Juan ,2003), in the study has found that there is negative effect of stock splits on price and returns, positive effect on volatility and trading volume. (Mishra 2006) has found that the cumulative abnormal returns after the split are negative. (Desai et al, 1997) have shown that there exists a positive abnormal return around the announcement date of the split. There are very little studies which have explored the factors influencing to opt for a stock split. Hence the present study is about exploring factor(s), which influence companies to split stocks.

Review of Literature

The following are reviews of some of the earlier studies:

Jijo et al. (2002) investigated the effects of stock splits on market valuation and trading pattern around split announcement and ex - date of BSE30 (Bombay Stock Exchange) stocks of India. It is found that there is abnormal return of 7.14 per cent around the stock splits announcements. The study also finds that there is no liquidity after stock splits. The abnormal returns are statistically significant around the ex -split date.

Budhraja et al. (2003) undertook a study of BSE30 (Bombay Stock Exchange) stocks of India and argued that the announcement of a split sets off the following chain of events like increase in the daily number of transactions which in turn increases the noiseness of the security return process. The increase in noise raises the tax option value of the stock and it is this value that generates the announcement effect of stock splits.

The effect of stock splits on stock price, return, volatility and trading volume around the split ex-dates for a sample of stock splits was undertaken in the Spanish market during 1998-1999. The evidence suggests that there is negative effect on price and return of stock splits and the presence of a positive effect on volatility and trading volume. Finally, the paper concludes that signaling hypothesis and irrelevance hypothesis does not hold good during the period of study (Juan, 2003).

Ranjan et al. (2003) tried to study the reasons for firms offering equity subsequent to stock splits. They have found no difference in returns between firms issuing equity after stock splits and non stock split firms during the issue period. Since investors react positively to stock split announcements, firms issuing stocks will sell their new issue at a higher price and raise more funds. The authors have also found that firms split stocks to make their subsequent equity offerings more marketable to the investors who are attracted by the low priced shares.

Stock split ex-dates are associated with both an increased intensity of small investor buying and a positive abnormal return. The broker promotion hypothesis suggests that the increase in relative spread after a split induces brokers to promote splitting stocks to small investors. The trading inconvenience hypothesis ascribes the ex-split effects to inconveniences such as investors' aversion to dealing with due bills, which is unrelated to relative spreads. The reduction in the bid-ask spread due to decimalization disentangles these two hypotheses. During the 1/8 th pricing period, it is found that after the ex-date, the relative spread increases significantly. The average buys order size decreases and the frequency of small transactions increases after the split. After decimalization, these changes are smaller in magnitude. Finally significant positive abnormal returns are observed during the ex-date during the 1/8th pricing period, but not in the decimal pricing period. These results support the broker promotion hypothesis (Palani et al., 2005).

Savitri et al. (2005) examined the impact of stock split and reverse split on stock return and trading volume on Jakarta Stock Exchange between2001-2005. The study has analyzed abnormal returns and volume during the period around the split and has related stock returns to profitability, leverage and volume. It is concluded that there are significant abnormal returns on the date of split on the fifth day before split. Trading volume and return on asset have significant influence on market-adjusted returns.

Katerina et al. (2006) indicated that the market reaction to stock split announcements is positive, which implies the managers and investors perceive the stock split as a good news event regarding the company. The results are consistent with trading range and liquidity hypothesis.

Farinos et al. (2006) investigated the robustness of the results obtained for the possible motivation for listed firms in the Spanish Market to execute a stock split using different methodologies. Surveys from executives emphasize the use of stock splits as a way to increase liquidity of shares, the empirical evidence is not conclusive. The authors have used models such as logit regression, Cox regression which all have supported signaling and optimum range hypotheses.

Gupta (2007) provided evidence that there is no announcement effect associated with stock splits in India though there does exist a pronounced ex- day effect. Also found no evidence for the trading range hypothesis as a possible explanation for stock splits in India, as majority of shares that underwent split were trading at low market prices. It appears that reasons for a stock split by low priced companies could be the neglected firm hypothesis-, which appears to be valid for the Indian stock market.

Harish (2007), in his study the author has taken a close look at stock split as an event to study the efficiency of the Indian market. He has studied the cumulative abnormal returns of stocks, which have gone for stock splits for the period of study undertaken. The results have shown that the abnormal returns during pre and post stock splits are statistically not significant leading to the conclusion that semi strong form of efficiency do not exist in the Indian stock market.

Dhar et al., (2008) have examined the effects of stock splits and bonus issue on the Indian stock market. Also, the study has also studied the nature of efficiency of Indian stock market. The results have shown that both the events are associated with significantly positive announcement effect. For the stock splits, the abnormal returns are 0.8 per cent and the paper has found semi-strong form efficiency in the Indian stock market.

Joshipura Mayank (2008) has studied price and liquidity effect associated with stock split surrounding its announcement. The results have shown that there is significant positive abnormal return associated with stock split, but it reverses in just a few days after the event day and generates significant negative abnormal returns in a slightly longer post event days. In conclusion, a stock split does not have a positive impact on the wealth of the shareholders and only improves liquidity of the stocks.

Methodology

Research Design

Exploratory research explores the possibility of obtaining as many relationships as possible between different variables without knowing their end applications. The present study aims at exploring the factors affecting the stock split decision in India. The study has taken few independent variables such as 'Profit after tax', volume of trade and price of shares to study the impact on stock split decisions. For this purpose, a few listed companies from Bombay Stock Exchange, India are taken to explore the factors influencing the companies to split stocks. Hence, exploratory research is considered appropriate for the study.

Objectives

The following are the objectives of the study:

1. To study the changes if any, in the holdings of Foreign Institutional Investors due to stock split by companies
2. To analyse the changes in the net earnings due to stock split by companies.
3. To explore the factors which influences stock split decisions of the companies.

Population and Sample

The total number of listed companies (Population) in Bombay Stock Exchange (BSE) of India which have split shares are 84 and a sample of 50 companies listed in is considered for the analysis. The sample size is arrived based on the following criteria:

- The splitting companies should have the earnings details of at least 2 years (8 quarters) prior to and after the split.
- The splitting companies should have all the data relating to ownership details of Institutional investors for the purpose of the study.
- There are no announcements or ex date for any other type of dividend within five days of the stock split ex split dates.
- The dates in which the companies have announced their decision to split stocks should be available for the study.

Hence, Purposive sampling is adopted for the purpose of the study. The purposive sampling is about deliberate selection of sample units that conform to some pre determined criteria.

Hypotheses

The following are the hypotheses statements developed for the study,

H1) There is significant difference in Profit after Tax (PAT) before and after the split date. The companies split their shares after a significant increase in earnings prior to the split (Palepu, 1989). The study tests whether there is significant change in the average quarterly earnings of companies prior to and after the split date.

H2) There is significant change in the Institutional investors' holdings prior to and after the splits. The Institutional investors either encourage stock split behaviour or invest in companies that exhibit indications of stock splits (Mason Helen, 1998). The hypothesis tests whether there is significant change in the ownership pattern of institutional investors prior to and after the split date.

H3) There is significant change in the volume of trade between pre and post split date.

H4) Stock split is significantly associated with Mangers' signal of improved future earnings. If this hypothesis holds true, earnings will be the factor influencing stock split decisions. Mc Nichols and David (1990) have used independent variables such as price, market value of a company to construct a regression model and to study the factors influencing stock split decision. In the present study, additional variables such as volume of trade, PAT (Profit after Tax) are considered to regress a model and study the factors influencing stock split decision

Data Collection

The data for the study are collected from secondary sources. Secondary sources are from online database like Capital Market and Prowess of CMIE (Centre for Monitoring Indian Economy). CMIE is a leading private sector economic research institution, which monitors the Indian Economy.

Data Analysis

Statistical tools such as paired sample 't'test, regression analysis and ANOVA (Analysis of Variance) test was used to analyse the data used for the study.

Paired sample 't' test is used study dependent samples. For instance, the present study tries to study the change in the earnings, institutional ownership on an average of eight quarters prior to post stock splits. The average volume of trade(30days) prior to and post split is also considered for the stuy. Hence, paired sample t test is used for the purpose of study.

A multiple regression model is constructed for the purpose of study. The dependent variable is 'split ratio' and the independent variables are 'earnings' (Two years average quarterly earnings prior to split), 'prices of shares' (5 days prior to stock split) and 'volume of trade' (Thirty days average traded volume prior to split).

Split ratio is calculated in the following way:

$$\frac{\text{Pre split value - Post split value}}{\text{Pre split value}}$$

For instance, if the split ratio is 1:5 i.e., every rupee of a share before split(pre split) will be reduced to 1/5th of the pre split value and post stock split face value will be 0.2

$$(1-.2)/1=0.8$$

The following is the multiple regression model

$$y= a +\beta_1x_1+ \beta_2x_2 +\beta_3x_3 + e$$

y= Split ratio
x_1 = Price of shares
x_2 = Volume of trade
x_3 = Profits after tax

$\beta_1, \beta_2, \beta_3$ are the slopes of the regression coefficients x, x_2 and x_3. "a" is the intercept

P1: The total number of pre split mean of PAT, Volume of trade and FII holdings
P2 The total num ber of post split mean of PAT, Volume of trade and FII holdings.

$$\text{Price of shares}= \sum_{I=1}^{n} \text{price of shares 5 days prior to split} / n$$

n= num ber of companies under a split ratio

$$\text{Volume of trade}= \sum_{I=1}^{n} \text{Average volume of trade 30 days prior to split} / n$$

n= number of companies under a split ratio

$$\text{Profit after Tax}= \sum_{I=1}^{n} \text{Average Profit after Tax prior to split} / n$$

n= number of companies under a split ratio

Empirical Results

Table 1: Number of Companies by Split Ratio

Split ratio	No.of Companies
1:5 (0.8)*	31
1:2 (0.5)*	7
1:10 (0.9)*	7
2:10 (0.8)*	3
2:5 (0.6)*	1
5:10 (0.5)*	1
Total	50

*Figure in the parentheses indicates the split ratio according to the formula in the methodology

Table 2: Paired Samples Statistics

Variable Name	Pre-Split		Post-Split		t Value	P_r $(P_2>P_1)$*
	Mean	Std Deviation	Mean	Std Deviation		
Profit After Tax	48.4084	94.63533	101.8311	137.09948	3.709♣	0.80
Volume of Trade	3.7730	5.95356	7.6408	16.81737	2.267♦	0.88
Foreign Institutional Investors	4.0940	9.44521	66.0720	370.06614	1.184	0.86

♣ - Significant at 1%," ♦ - Significant at 5%. * Denotes the percentage of splits for which post split mean exceeds pre split mean

Table 3 : Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.986 [a]	.972	.931	.04522

Table 4: Regression Coefficients [a]

Independent Variables	Beta Coefficients	t value	Significance
Constant	.066	10.406	.009
Price of shares (5 days prior to split)	.666	5.125	.036*
Volume of trade (30 days average prior to split)	.416	3.141	.088**
Profit after tax	(.579)	(4.211)	.052**

a Dependent variable: split ratio *Significant @5%, ** Significant @ 10%

Table 5: ANOVA

Model	Sum of Squares	Degrees of Freedom	Means of Square	F	Significance
Regression	.144	3	.048	23.511	.041*
Residual	.004	2	.002		
Total	.148	5			

*Significant @ 5%

Results and Discussion

Table 1 shows the number of companies by split ratio which are selected for the study.

H1: There is significant difference in Profit after Tax (PAT) before and after the split date. Table 2 shows the results of change in the PAT before and after the stock split date. There is significant change (Positive) in the PAT between pre and post stock split date. The mean value post split date (101.811) is more than the mean value of PAT (48.4084) before the stock split date. Also the Pr value indicates that the post split mean (.80) of PAT has exceeded the pre split mean of PAT. The't' value is also significant @ 1%. There fore, the hypothesis holds true and there is significant change in the PAT before and after the stock split date.

H2: There is significant change in the Institutional Investors' holdings prior to and after the splits. Table 2 shows the results of change in the FII holdings before and after the stock split date. There is significant change (Positive) in the mean value of FII between pre and post stock split date. The mean value post split date (9.44521) is more than the mean value (4.0940) prior to the split date. Also, the Pr value indicates that the post split mean (0.86) has exceeded the pre split mean indicating that the FII holdings have gone up after the stock split date. Therefore, the hypothesis holds true.

H3: There is significant change in the volume of trade between pre and post split date. Table 2 shows the results of change in the volume of trade before and after the stock split date. There is significant change (Positive) in the mean value of volume of trade between pre and post stock split date. The mean value post split date (5.93356) is more than the mean value (3.7730) prior to the split date. Also, the Pr value indicates that split mean (0.86) has exceeded the pre split mean indicating that the FII holdings have gone up after the stock split date. Therefore, the hypothesis holds true.

H3: There is significant change in the volume of trade between pre and post split date. Table 2 shows the results of change in the volume of trade before and after the stock split date. There is significant change (Positive) in the mean value of volume of trade between pre and post stock split date. The mean value post split date (5.93356) is more than the mean value (3.7730) prior to the split date. Also, the Pr value indicates that the post split mean (0.88) has exceeded the pre split mean indicating that the volume of trade has gone up after the stock split date. Therefore, the hypothesis holds true

H4: Stock split is significantly associated with Managers' signal of improved future earnings.

Table 3 shows the results of multiple regression model. The R square value shows the degree of strength/association of the regression model. The R square value of 0.972 shows that 97.2% of variation in the dependent variable (stock split ratio) is jointly explained by all the independent variables (PAT, Volume of trade and Price of shares). Therefore, the strength of the regression model is very good. The adjusted R square value of 0.931, which is less than the R square value of 0.972 shows that on inclusion of an additional independent variable, the strength of the model is likely to be reduced. To sum up, all the three independent variables jointly influence the stock split decisions. The model is also statistically significant @ 5%, which can be seen from Table 5. The significance value of F value (0.041) is less than 0.05.

Table 4 shows the beta coefficients of all the independent variables. This table shows the individual influence of all the independent variables on the dependent variable. The ? values of 0.666 (66.6%) and 0.416 (41.6%) indicates , 66.6% variation of stock split ratio is explained by price of shares 5 days prior to split and 41.6% by volume of trade. The't' values are significant @ 5% and 10% respectively. The variable PAT has a negative influence on the stock split ratio. The ? value is negative (-0.579). Therefore, the hypothesis does not hold good and stock split is not a good signal of companies' improved future earnings and only the variables viz., price of shares and volume of trade are the factors influencing stock split decision.

Findings and Conclusion

The study has found that there is significant change in the PAT, volume of trade and FII holdings before and after the stock split date. The 'price of shares' and volume of trade are the variables influencing stock split decisions, thereby indicating that highly priced companies are likely to split their shares. The findings are consistent with (Huang 2006). Therefore, companies split shares in order to bring the share prices to a desired trading range and also to facilitate more volume of trade in the market. This study has identified another variable 'volume of trade' which influences stock split decision along with price of shares. Though, PAT has shown a significant change between pre and post stock split date, it could not influence stock split decision. Therefore, a stock split does not signal about companies' improved future earnings. The study concludes that liquidity hypothesis (a reduction in the share price proportionate to the split ratio, to increase the volume of trading) and trading range hypothesis holds well in Indian Stock Market.

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Customer Orientation Towards Mutual Funds: An Empirical Study

Neha Parashar

Abstract

The reforms in the financial sector and many developments in Indian money market and capital market made Mutual Funds an important portal for the small investors. This paper makes an attempt to identify variations in factors affecting perception of investors while investing in Mutual funds. It will help the MF companies to create new and innovative product according to the orientation of investors. The research generated few factors affecting perception of investors regarding mutual fund selection, which vary from one state to another. The findings of the study will help the mutual fund companies to improve upon their weak areas regarding the factors that influence investors decision making as regard to choice of a mutual fund, the facilities or options they expect from a mutual fund.

Keywords

Perception, Mutual Funds, Investors, Asset Management Company

Introduction

In financial markets, "expectations" of the investors play a vital role. They influence the price of the securities; the volume traded and determines quite a lot of things in actual practice. These 'expectations' of the investors are influenced by their "perception" and humans generally relate perception to action. One of the important cognitive factors of human behaviour is perception. The purchase decisions for financial assets should be made on the basis of investor beliefs regarding the future return and risk of those assets otherwise it leads to cognitive dissonance .We find ample proof for the wide prevalence of such a psychological state among Mutual Fund (MF) investors in India. There is a substantial growth in the mutual fund market due to a high level precision in the design and marketing of variety of mutual fund products by banks and other financial institution providing growth, liquidity and return. At the retail level investors are unique and are a highly heterogeneous group. Hence the mutual fund scheme selection also differs. This necessitates the AMC to understand selection behaviour of the investors to design suitable product to meet the changing needs of the investors. To understand investor's perception a survey has been conducted among 300 Mutual fund investors from three different cities. This paper will highlight certain factors which affect the perception of investors while investing in Mutual funds. It will also help the MF companies to create new and innovative product.

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It is essentially a psychological process. Perception is the process whereby people select, organize, and interpret sensory stimulation's into meaningful information about their environment. There can be no behaviour without perception and perception lies at the base of every individual behaviour. The beliefs and actions of many investors are influenced by the dissonance effect and endowment effect. The tendency to adjust beliefs to justify past actions is a psychological phenomenon termed by Festinger (1957) as Cognitive Dissonance.

Peles, Nadav (1997) in his research on "Cognitive dissonance and mutual fund investors", suggests that purchase decisions for financial assets should be made on the basis of investor beliefs regarding the future return and risk of those assets other wise it leads to cognitive dissonance .We find ample proof for the wide prevalence of such a psychological state among Mutual Fund (MF) investors in India. The growing middle class in many mature and emerging market economies is also expected to support the expansion of mutual fund sales in the future. From an institutional perspective, the privatization of pension systems and increasing market penetration of the insurance industry-especially in emerging markets-is also expected to increase the demand for mutual fund products.

Review of Literature

A large number of studies have been conducted in India and abroad covering different aspects of Mutual funds. Ippolito (1992) and Chander Subash and Mahajan, Mukesh (1992) says that investors basically invest in MFs for tax benefits, growth and for availing professional expertise. The research highlights that major portion of investment is from professional and salaried class. Madhusudhan V Jambodekar (1996) a study reveals that investors look for safety of Principal, Liquidity and Capital appreciation in the order of importance. Peles, Nadav (1997) in his research work on "Cognitive dissonance and mutual fund investors" provide evidence that investor psychology may affect the fund-switching decision.

According to SEBI - NCAER Survey (2000) , households preference for instruments match their risk perception; Bank Deposit has an appeal across all income class; 43% of the non-investor households equivalent to around 60 million households (estimated) apparently lack awareness about stock markets. Bard M.Barber and Jerrance Odean (2000) conducted a study on "Behaviour of MF Investors" in which thy analyzed the MF purchase and Sales decision of over 30000 households which reveals that investor buy funds with strong past performance, investors are sensitive to the form in which fund expenses are charged.

Vanniarajan T. and Gurunathan T.,(2007) analyzed some factors in their work on "Investment in Mutual funds: A Customer Centric Analysis". emphasized that MF companies are focusing on customized products due to hectic competition. The study focuses on important factors leading to investment in mutual funds which are monetary, core product, fund strength, promotional measures, customer expectations and service quality.

Research Objective

The objective of the research is to identify the age wise variations in the factors affecting perception of investors towards Mutual Funds. The area under study includes three States viz. Rajasthan, Gujarat and Madhya Pradesh. Stratified convenience sampling method was used for selecting investors from urban and semi urban parts of the selected cities.

Research Methodology

The study is based on a survey of 300 respondents with the help of pretested questionnaire covering investors from three States. The purpose of the survey was to understand the factors affecting perception and level of awareness of investors towards mutual funds. The data obtained from the study were analyzed by using Factor Analysis for identification of the key features preferred by the respondents in a mutual fund product. Principal component analysis is commonly used method for grouping the variables under few orthogonal factors. Varimax rotation was used for proper interpretation of factors. An investor considers various factors while selecting a mutual fund scheme. This range of factors includes monetary, risk and return, attractiveness of the offer etc. So from the informal discussion with few brokers and agents and referring to certain studies, all the relevant variables which investors consider important for selecting a fund are considered. Twenty Six statements were generated for measuring perception of investors towards mutual funds on a 5 point Likert scale.

Analysis and Interpretation

The first step towards identification of factors affecting perception of investors is Kaiser-Meyer-Olkin and Bartlett's Test for measuring sampling adequacy. The Kaiser-Meyer-Olkin Measure of Sampling Adequacy is a statistic which indicates the proportion of variance in your variables which is common variance, i.e. which might be caused by underlying factors. High values (close to 1.0) generally indicate that a factor analysis may be useful with your data. If the value is less than .50, the results of the factor analysis probably won't be very useful. When the test is applied on data following result is revealed:

Exhibit 1: KMO and Bartlett's test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.657
Bartlett's Test of Sphericity	Approx. Chi-Square	3051.454
	Df	325
	Sig.	.000

- Kaiser-Meyer-Olkin Measure of Sampling Adequacy is .657 >.50 which indicates that data is useful for factor analysis

Bartlett's test of sphericity indicates whether the correlation matrix is an identity matrix, which would indicate that the variables are unrelated. The significance level gives the result of the test. Very small values (less than .05) indicate that there are probably significant relationships among the variables. A value higher than about .10 or so may indicate that the data are not suitable for factor analysis.

- Bartlett's test of sphericity significance is .000 since it is less than 0.50, we can move ahead.

After testing the accuracy of the sample next step is to find out factors with the use of factor analysis.

It is evident from the analysis that the changing perception of the investors is forcing the Mutual fund companies and distributors to focus on below mentioned factors which an investor considers while selecting a fund. The exhibit below has generated five factors which affect the perception of investors while investing in funds. These factors have been generated from 26 statements.

Exhibit 2: Factors affecting perception of investors

Factor	Eigen Value	% of variation explained	Cumulative %
Monetary	3.124	12.017	12.017
Investors Expectation	2.855	10.980	22.997
Schemes NAV	2.488	9.570	32.567
Promotional Measures	2.356	9.063	41.630
Risk -Return	1.970	7.577	49.207

Exhibit 3: Detailed framework of factor

	Factor	Variables	Factor Loading
1.	Monetary	Burden of Exit/Entry charges	.775
		Liquidity	.767
		Brand name or schemes reputation	.671
		Listing of open ended MF facilitates better trading	.659
		Higher performance better fund	.615
2.	Investors expectations	Better customer care services	.803
		Capital appreciation	.638
		Image of AMC	.526
		Brokers/Agent advice	.486
		Normally prefers growth schemes	.407
		Tax Incentives	.373
3.	Scheme s NAV	Most important criteria	.715
		Disclosure of NAV on every day trading basis	.689
		Continuous increase in NAV signifies growth	.595
		Completely new and innovative schemes attract	.426
		Agency network/ Infrastructure	.414
4.	Promotional Measures	Advertisement by company	.676
		Image of fund manager	.603
		Regulation in MF	.540
		Close ended funds are less risky	.512
		Stable income	.504
		Fringe benefits like free insurance etc.	.468
5.	Risk/Return	Less risky then shares	.686
		Risk involved in different schemes are	.553

The rotated matrix has revealed Monetary Factor as most important factor with highest Eigen value 3.124. The table reveals that investors give greater importance to monetary factors like entry/exit charges and liquidity of fund. This factor shows that investors gave due importance to brand name and believe that the funds with higher performance in respect to return are better funds. The factor describes the various monetary considerations like Schemes Liquidity, Entry/ Exit charges, Brand name in the investor's mind while taking decision about MF scheme.

The second important factor representing investors perception has been 'Investor's Expectations' towards MF. This factor shows that investor expect better customer care services which includes regular fact sheets, updating the customer with latest NAV etc. from Mutual fund Company. Investors are more incline towards capital appreciation and growth schemes. Other variable like Brokers/Agent advice (0.486) are also considered valuable while selecting MF. The last variable in this factor is Tax Incentives with 0.373 loading which investors expect while selecting the Scheme. This factor consider all those variables which investor expects and perceive to be of at most importance while selecting the MF scheme.

Scheme's NAV and Agency Infrastructure is the third factor which highlight that NAV is the most important criteria before selecting MF scheme. Other variables which comprises this factor are Disclosure of NAV on everyday trading basis followed by another continuous increase in NAV signifies growth with loading of 0.595. Investors also perceive that completely new and innovative schemes attract more investors (0.426) and agency network/Infrastructure (0.414) should be given some weight age while purchasing MF. This factor basically emphasis that investor's also gave preference to value of the Scheme and agency network at the time of investing in Mutual funds.

The rotated matrix has revealed Promotional Measures as forth important factor with Eigen value 2.3456 and variance 9.063%. The most important variable in this factor with highest loading of 0.676 is advertisement by the MF companies which is followed by image of fund manger having loading of 0.603. Both these variables shows that now a days investors are also giving importance to promotional measures used by the MF companies before purchasing or investing in funds. Investors also perceive that there should be regulation in MF market (0.540) and close ended MF are less risky then open ended funds (0.512). The last two variables which are included in this factor are stable income with loading of (0.504) and fringe benefits like free insurance (0.468) offered by the MF company as a promotional tool.

The last important factor that has been assigned the Eigen value 1.970 and variance 7.577% is Risk/Return. Investor's basic motive behind investing in MF is getting higher returns. The first variable with highest loading of 0.686 is that MF are less risky then shares. Next variable with loading 0.553 says that risks involved in different schemes are directly related to return. Investors perceive that international funds provide greater return (0.488) and fluctuations in NAV does not encourage them to invest in MF(0.362). To sum up the above analysis, we can say that broadly there are 5 factors which are given due importance by the investors while purchasing MF. The most among them is the monetary factor followed by investors expectation from the company then thy consider Scheme's NAV as one of the most important criteria for MF. The last two factors ie Promotional Measures and Risk/Return are also given considerable importance while selecting the MF schemes.

Exhibit 4: State wise Factors Affecting Perception of investors towards Mutual Funds

	Madhya Pradesh	Gujarat	Rajasthan
1	Monetary	Monetary and Schemes NAV	Promotional tools and Benefits
2	Investors expectations	Return	NAV & Monetary
3	Benefits & Infrastructure	Risk	Risk and return
4	Schemes NAV & Promotional measures	Image and Benefits	Investors Preferences
5	Miscellaneous	Investors Preference & Advert.	Miscellaneous

While on comparing city wise factors individually, we analyzed that investors from Madhya Pradesh and Gujarat are more inclined towards monetary factor while on the same hand investors from Rajasthan gave more importance to promotional tools and benefits given by mutual fund companies. Investors from Gujarat gave due importance to risk and return and least importance to advertising on the other hand promotional tools and benefits are considered of at most importance by investors from Rajasthan.

Exhibit 5: Effect of variations within age on overall and state wise factors affecting perception of investors

S. No	Factors	Age (I)	20-35	35-50	Above 50
		Age (J)	35-50	Above 50	20-35
1	Monetary	Mean Difference (I-J)	2.8020(*)	-3.5464(*)	.7444
		Significance	.000	.000	.496
2	Investors Expectation	Mean Difference (I-J)	1.5648(*)	-1.4662(*)	-9.8585E-02
		Significance	.009	.036	1.000
3	Schemes NAV	Mean Difference (I-J)	1.6005(*)	-1.1107(*)	-.4898
		Significance	.000	.033	.566
4	Promotional Measures	Mean Difference (I-J)	.6634	.8650	-1.5284(*)
		Significance	.452	.273	.002
5.	Risk/Return	Mean Difference (I-J)	-1.0732(*)	.5528	.5204
		Significance	.015	.571	.450
6.	Total	Mean Difference (I-J)	5.5574(*)	-4.7055(*)	-.8519
		Significance	.000	.001	1.000

	Factors of Madhya Pradesh				
1	Monetary	Mean Difference (I-J) Significance	2.5682 .192	-5.8920(*) .000	3.3247(*) .000
2	Investors Expectation	Mean Difference (I-J) Significance	1.3182 .347	-.6429 1.000	-.6753 .985
3	Benefits & Agency network	Mean Difference (I-J) Significance	3.500(*) .028	-2.9286 .124	-.5714 1.000
4	NAV & Promotional measures	Mean Difference (I-J) Significance	-.3864 1.000	1.0357 .8831	-.6494 1.000
5.	Miscellaneous	Mean Difference (I-J) Significance	1.2955 .397	.6789 1.000	-1.9740(*) .019
6.	Total	Mean Difference (I-J) Significance	8.2955(*) .000	-7.750(*) .000	-.5455 1.000

Factors of Gujarat

1	Monetary & NAV	Mean Difference (I-J) Significance	2.9235 .069	1.2876 1.000	-4.2111(*) .036
2	Return	Mean Difference (I-J) Significance	.4578 1.000	-.9412 .713	.4833 1.000
3	Risk	Mean Difference (I-J) Significance	1.7284(*) .049	-.9673 1.000	-.76111 1.000
4	Image and Benefits	Mean Difference (I-J) Significance	2.6912 .080	-2.0523 .765	-.6389 1.000
5.	Investors Preferences & Advertisement	Mean Difference (I-J) Significance	1.9196(*) .033	-2.0196 .217	1.000E-01 1.000
6.	Total	Mean Difference (I-J) Significance	9.7206(*) .000	-4.6928 .097	-5.0278(*) .026
	Factors of Rajasthan				
1	Promotional tools & Benefits	Mean Difference (I-J) Significance	1.0153 1.000	1.5402 1.000	-2.5556 .987
2	NAV & Monetary	Mean Difference (I-J) Significance	-.4483 1.000	-1.7517 .113	2.200 .262
3	Risk & Return	Mean Difference (I-J) Significance	-1.6092 .145	1.4314(*) .016	.1778 1.000
4	Investors Preferences	Mean Difference (I-J) Significance	.3218 1.000	-.7885 .264	.4667 1.000

5.	Miscellaneous	Mean Difference (I-J)	.9195	.6360	-1.556(*)
		Significance	.213	.138	.005
6.	Total	Mean Difference (I-J)	.1992	1.0674	-1.2667
		Significance	1.000	1.000	1.000
Based on observed means.					
*** The mean difference is significant at the .05 level**					

The table reveals that there is significant variation between age and identified factors when we consider overall factors. This means that variation in age will have an effect on factors to be considered while selecting Mutual fund. But when we consider all the five factors individually it shows that only promotional measures are not considered significant by investors.

Further the table shows that when state wise factors are considered Madhya Pradesh and Gujarat show significant variation in factors with variation in age while investors of Rajasthan does not show a significant variation in factors. Only investors from age group 35 & 50 and above 50 show significant variation only for the third factor i.e. is risk and return.

Exhibit 6: Effect of interaction between age and other personal variables on factors

	Ratio	Monetary	Investors Expectation	Scheme NAV	Promotional Measures	Risk & Return	Total
Age*Qual	F Ratio	3.127(*)	3.223(*)	2.854(*)	1.930	7.733(*)	1.724
	Sig.	.016	.013	.024	.106	.000	.145
Age * Anl Inc	F Ratio	3.767(*)	1.462	.287	.293	.954	.334
	Sig.	.014	.231	.835	.830	.390	.800
Age * Occup.	F Ratio	.875	.878	.118	.979	1.526	.386
	Sig.	.479	.478	.976	.419	.195	.819

The above exhibit highlighted the variations in the factors when investors with different age group interact with investors having different qualification, occupation and Income. F-ratio is the statistical tool used to test this variation and the F value of all the factors after interaction says that no value is significant. So we can conclude that overall factors will not vary when investors with different age group interact with investors having different qualification, Income etc.

Findings

The major findings of the study are as follows:

- Research has generated overall five factors which reflect customers perception towards MF, among them the most important is monetary factor and Investors expectation and least is Risk and return. Better customer care service and capital appreciation are ranking high in second factors ie investors expectations. NAV is considered as the third important factor and bases of investment. The fourth is promotional factor which says that advertisement by Mutual Fund Company and image of fund manager influence the investor while investing. And the last factor emphasis that mutual funds are considered less risky.

- Investors consider Entry/ Exit fees charged by the Mutual Fund Companies as an important monetary factor while investing. Similarly investors expect better customer care service and Image of the Asset management company as second important factor.

- Scheme's Net Asset Value is considered as one of the important factor while investing but when all the 26 statements are considered individually completely new and innovative schemes launched by the Mutual fund companies are given priority.

- Advertisement to promote the scheme and Image of Fund manager are the two most prominent issues when it comes to promotional factors. Investors give due importance to advertisement displayed by the company before investing in the fund.

- Customer perception varies from one state to another. Madhya Pradesh investors give due importance to agency network and infrastructure, they have more inclination towards fringe benefits. Investors of Indore expect stable income. Scheme's NAV is considered as most important factor in Gujarat. They consider that international fund provide greater return. While promotional tools used by the company and benefits provided by the company are considered important by investors from Rajasthan. Broker's advice, advertisement by the company and continuous increase in NAV is considered as important factor.

- Companies should focus on schemes providing greater returns to attract investors from 20-35 because they believe that international fund provide better returns. Liquidity is the main objective for investing in mutual funds for investors in this age group so companies should launch schemes providing greater liquidity Companies should use image of Asset Management Company as a promotional tool to attract investors.

Suggestions

The findings of this study, as discussed above will help mutual fund companies to improve upon their weak areas regarding the factors that influence investors decision making as regard to choice of a mutual fund, the facilities or options they expect from a mutual fund. This part consists of overall suggestions to mutual fund companies. Mutual Fund Company should try to implement these few suggestions:

- Investors have more inclination towards completely new and innovative schemes so MF companies should try to launch innovative schemes for different class of investors.
- Investors gave more importance to agency network and infrastructure, so mutual fund companies should develop them to attract more customers
- MF company can use brand name and Image of fund manager as a important promotional tool for gaining market share.
- Tax incentive is the most important objective for investing in MFs, therefore MF companies should launch tax saving mutual funds for Gujarat.
- Asset Management Companies should try to build strong Image in public and should provide better services to investors as these are given due importance by the investors.

This part will dealt with the overall suggestions that mutual fund companies should take into consideration which are on the basis of 7 P's of Marketing:

- Product: Companies should focus on product up gradation and try to launch new and innovative schemes to attract all the category of investors especially investors from age group 35-50 from salaried class. On analysing all factors we can draw the conclusion that investors main objective of investing in mutual funds is liquidity and stable income. MF schemes should provide better liquidity and stable income to investors. Companies should launch close ended funds in as investors perceive them less risky.
- Price: The research find out that main factor that influence the investor's perception is Monetary factor which includes liquidity, higher return, burden of entry/exit charges etc. Therefore the mutual fund companies should focus on these parameters while launching a fund
- Place: Graduate investors between age group 35-50 either professional or business class having annual income between Rs 2-5 Lakhs especially from Madhya Pradesh and Rajasthan give maximum weightage to stable income therefore MF companies should bring schemes with stable return for these classes of investors.
- Promotion: Image of asset management company and fund manager can be used as major promotional tool especially for investors from 20-35 age groups. Investors with annual income between Rs 2-5 Lakhs have more inclination towards advertisements and brand name especially investors from Madhya Pradesh. So companies can use advertisement as a more effective promotional tool for investors of M.P. The research highlights that generally retired investors have more inclination towards agent /brokers advice while selecting the fund. Therefore mutual fund companies should give proper training to their agents.
- Physical Evidence: Investors earning above Rs 5 lakhs annually give more importance to infrastructure and agency network before investing in funds. So companies should try to build strong agency network and attractive infrastructure. Mutual fund companies in Rajasthan should give more importance to this factor as investors in this state have more inclination towards infrastructure and agency network
- People: As investors from different age group show variations when they interact therefore mutual fund companies should launch different schemes for individuals in different age group. It is revealed that the investors are influenced by infrastructural facilities and the reputation enjoyed by the sponsor, in their selection of fund. As there is a significant effect of interaction between scheme and qualification on factors,

individuals with different qualifications and having preference towards different schemes affect the factors so companies bring funds while keeping in mind qualificational background of the investors. Graduates and professional give more importance to monetary factors, while those investors who are below graduate give more importance to promotional factor.

• Process: In India brokers/agents advice before investing in mutual funds play an important role, especially for below graduate and graduate, salaried class investors. Mutual fund companies should keep an eye on these distributors to have effective process.

Conclusion

The emergence of an array of Savings and Investment options and the dramatic increase in the secondary market for financial assets in the recent years in India has opened up an entirely new area of value creation and management. An average Indian investor is like ignorant child when it comes to financial markets, the cause may be lack of knowledge and conceptual understanding or the influence of a fixed income orientation in the Indian culture. The market potential can be tapped by scrutinizing investor behaviour to identify their expectation and articulate investor's own situation and risk preference and then apply to an investment strategy.

Presently, more and more funds are entering the industry and their survival depends on strategic marketing choices of mutual fund companies, to survive and thrive in this highly promising industry, in the face of such cutthroat competition. Running a successful MF requires complete understanding of the peculiarities of the Indian Stock Market and also the psyche of the small investor. Under such a situation, the present exploratory study is an attempt to understand the financial behaviour of MF investors in connection with scheme preferences and selection.

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Demerger: Sailing with the Global Wind

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Abstract
While the waves of liberalization and deregulation have been shaking the corporate shore around the globe the domestic organizations are falling prey to the fierce competition and unprecedented challenges carried by this emerging business scenario. In this punishing business environment only those organizations rule which are able to visualize possibilities before they become obvious. The aspiration of all the business concerns now is "how to become world class". Their relentless effort pursuing new ideas master their performance to get cutting-edge solution and to keep ahead of competition. Demerger, as a strategic and practical approach towards attaining world-class stature helps the companies stay decisive, focused and competent improving financial performance. In the present paper a study is intended to investigate whether demerger as strategy, perfectly underpins this view.

Key Words
Demerger, Business Excellence, Shareholders' Value Added, Market Value Added.

Introduction

In this changed business paradigm only those organizations rule who visualize the possibilities before they appear as plausible. Present business environment, characterized by globalization and liberalization, accommodates organizations that are coming up with innovative strategies to survive and flourish. Companies, in this punishing global economic climate are thriving to reach the pinnacle of success seeking competitive edge over their rivals. While the waves of liberalization and deregulation have been shaking the corporate shore around the globe the domestic organizations are falling prey to the fierce competition and unprecedented challenges carried by this emerging business scenario. The recessionary trend consequent to the Wall Street tsunami has made for the organizations a maze with no exit. Drowning in the luxury of producing goods only to keep life simple is suicidal, rather an unquenched thirst must always prevail that makes the quest for value sustainable.

Falling Sensex, squeezed employment market and growing number of discerning consumer abash the managers to put a single step forward. An incessant quest with inventing intelligence only can unfold the way to deliver superior performance and value for all the stakeholders. Existence of keen competition with its number and volume also made the texture of the competitors stronger and shock absorber both financially and strategically

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creating a wide exposure for the business enterprises to build an armour for protecting themselves from the threats lying in and forthcoming from the environment. Thus, organizations are left with no choice except becoming excellent in all respects, be it product or process, staff or shareholders, customers or creditors. In this backdrop the present paper intends to show how demerger improves the performance of a business towards achieving the desired objective.

Searching Excellence

An incessant agility transforming the organizations to face the ever increasing pace of change becomes the basic premise on which today's organizations rest. The aspiration for all the business concerns now is "how to become world class". So, the strategy that brings excellence is inevitable to reestablish organization's competitive advantage and respond more quickly and effectively to new opportunities and challenges. Business excellence, as the terminal station of all strategies, holds great promise for organizations that desire to transform themselves proactively to shape their destiny and the future of their stakeholders. Corporations all over the world are striving hard to achieve excellence that helps them navigate from their present condition to world class and in turn to satisfy their stakeholders. The resonating phrase business excellence, in its true sense, is the systematic and continuous improvement of business performance to get enlightened customers, efficient process management and increased shareholders' value. By improving organization's culture, business excellence through strategic tools broadly channel and encourage the use of best practices into areas where its effect will be most beneficial to performance. Though, most of the business excellence models, developed by different bodies, aimed at awarding programme the core of this concept lies in improved economic performance of the organizations.

Apart from EFQM (European Foundation for Quality Management) and Malcom Baldrige Award Model, Tata Business Excellence Model is also a well-defined programme for achieving excellence and qualifying for world-class. In general, the models aim to promote an approach to organizational excellence in performance with a strong sense of result orientation. Myriad of aspects such as strategy formulation, visioning, customer focus, process management, stakeholder value etc., underpin organizations' survival through which they excel. But the invisible string that wreathes them to shape is the value generation excelling the performance. In this cutthroat competitive environment, both economic and financial, while the companies are surging for value creation demerger makes sense.

Demerger to Master Performance

Demerger, by whatever name it is called - Split up, split off or spin off, intends to trim size to sharpen its core competency for growth and efficiency. Since, quite a sizeable number of companies have been losing focus and were not commanding the kind of valuations their peers are accorded, demerger has been considered to be a better strategic tool in the corporate survival game.

The rationale behind the demerger is to unlock the potential of business organizations to create and preserve shareholder value. Enhancing the efficiency of an under-performing asset separation helps management concentrate with increasing focus on core competencies and business. The hope comes with its real blooming since demerger, as a strategy, works toward excelling the performance of corporate in their long run drive to enhance value at both ends of tunnel. The under current of globalization supplemented by liberalization and deregulation transformed the easygoing business climate into a tough and volatile one. Business houses, with rear vision now prefer shedding business units for achieving excellence. To become world class the organizations adopt separation strategy as a first choice rather than a last resort reaction to the consequences.

Companies' relentless effort pursuing new ideas master their performance to get cutting-edge solution and to keep ahead of competition. Demerger, as a strategic and practical approach towards attaining world-class stature helps the companies stay decisive, focused and complement their risk taking culture. Presently demerger is given a standing ovation by the companies since it comprises a set of reasons that serve as drivers to achieve organizational excellence.

- Improving the overall organizational effectiveness and capabilities.
- Exploring the possible opportunities more efficiently.
- Transforming operational environment by internal restructuring of the organization.
- Increasing operating efficiency resorting to strategic adjustment.
- Strengthening control on the corporate activities
- Enhancing value of the organization and in turn shareholders value.

Company Profile

The company selected for the purpose of our present analysis is J.K Industries (JKI), a leading automotive tyre manufacturer in India. The company having diversified presence with business interest in pharma, sugar, agriseeds and tyres decided to separate its non-tyre business on October 09, 2002 through demerger as a strategic step to achieve greater focus on the core competency to gain competitive edge and to pull out the company from an abysmally low valuation, probably the consequence of complexity in their product line that caused the market sentiment to turn negative.

Objective of the Study

Thus, a scanning finds its relevance in this context whether demerger, as a strategy, equips the organization to get sustained business results. Contracting size can be regarded as an important business strategy to excel if the financial performance of organization gives an overwhelming result along with considerable value creation after demerger. Does this business strategy snugly fit into the excelling strategy of the organization or it has ignorable impact, is too difficult to answer unless the performance of the two phases, pre and post demerger, is weighed and compared. It will, once again, give an opportunity to plug the loopholes as what is not measured is not improved. Hence, the present study intends to delve into the strength of demerger throwing light on the aspects specified as -

1. Comparing the financial performance of the demerged companies after the demerger takes place with that of their pre separation states.
2. Measuring the strength of demerger as a strategy to generate value for its shareholders with the help of Shareholders Value Added (SVA), the scale to gauge, keeping a comparable attachment with pre demerger period.

Literature Revisited

Demerger, being a newly emerged concept, attracted very few authors to probe its efficiency and effectiveness as a strategy adopted to master organizational performance. Umpteen number of studies wrapped mergers and acquisitions leaving demerger to the margins. Though lately, in contrast to merger, demerger as a corporate strategy to excel in performance is drawing glaring attention of the business literature. Kelly (2002) grouped the barriers to effective divestiture and identified six stages to make a divestiture decision effective. Weighing an array of factors related to risk, legal, accounting, tax and regulatory considerations the companies review before finalizing their decision to divest he suggested the goals at each stage must be measured and compared to ensure organization's value generating strength.

Different modes of disaggregation to create shareholders value have been evaluated by Muller (2003) along with its benefit as well as drawbacks and he identified five major determinants to choose the optimal divestiture methods. He appeared with an inference that, "...on an average, parent companies and subsidiaries outperform the market, particularly after spin-offs and equity carve outs. Tracking stocks perform along with the market."

Dittmar (2003) wanted to examine how firms choose their initial capital structure in a corporate spin-off. She put her effort to trace whether there remains an optimal or target capital structure for a firm and how it chooses its leverage to achieve that target. Though, the analysis made by her was left indecisive due to the difficulties caused by the deviations from the firms' target leverage ratio because of their operating and financial decisions.

Among the three major forms of equity restructuring, equity carve-outs, spin-offs and issuance of tracking stock to contract size Tuna (2003) analyzed the reasons for firms' performance towards tracking stocks. She established the tax benefit is higher for tracking stocks than other two forms of restructuring that gives organizations positive business results to get a competitive-edge.

Anslinger et. al (2003) probed the case of J. Sainsbury, one of the largest grocery retailers in UK to find the answer whether disassembling operations by setting a part off helps get rid of the crisis and make the firm competitive. They came out with the findings that increase in cost burden resulted in almost 40 percent reduction in profit that was reversed with an increase in 20 percent of profit after demerger got its place in their strategic decision making process.

A meaningful comparison resorting to traditional as well as modern method like EVA had been the study of Mallick and Rakshit (2006) where the financial performance of Dabur India Limited before demerger was weighed with that of their split off business. The study reveals the financial performance of Dabur India Limited, after demerger has considerably been improved compared to its earlier days while traditional methods of evaluation were adopted. The evaluation based on EVA method also accorded with the result found by traditional tools. They reached at the conclusion that demerger, letting the companies impose widened control, create value for the firm.

Most of the studies, excepting a few, concentrate on the effectiveness of methods chosen for demerger keeping its financial soundness as a strategy unexplored. As Olson and James (1997) rightly claimed that creating value for shareholders is consistent with creating value for the other constituents of the company, the strategy to demerge needs evaluation whether it creates value to achieve excellence. Thus an attempt is required to measure operating and financial performance of the demerged companies and to compare the same with that of pre demerger period to trace the value generating ability of demerger, being a strategy to excel.

Data Base and Methodology

JK Industries, being a leading company in producing sugar, agriseeds and tyres, has been chosen for the purpose of the study covering a period of eight years that has been halved taking demerger as a divider. The main source of the data required for the study had been the secondary one consisting of corporate financial reporting including published annual reports of the company, Bombay Stock Exchange Directory and other published information considered reliable and authentic. Apart from these, the Capitaline Data Base Package (2000) played an additional consultative role. Editing, classification and tabulation of the collected data have been made according to the need and just of the study.

Resorting to certain measuring tools such as Return on Capital Employed (ROCE), Return on Net Worth (RONW), Earning Per Share (EPS) and working capital position the financial performance of the company has been evaluated and compared. Assistance of certain financial and operating ratios like Long Term Debt Equity Ratio, Current Ratio, Interest Coverage Ratio, Fixed Asset Turn Over Ratio, Inventory Ratio and Debtors Turn Over Ratio has also been resorted to for strengthening the evaluation. Shareholders Value Added (SVA), being fed by Market Value Added (MVA) has been the basis to measure and evaluate the ability of demerger as a value generating strategy.

Evaluating Financial Performance of the Company

Aimed at creating separate business with greater focus on their core competencies J.K Industries embarked on a demerger drive. The tremendous possibilities anticipated in this strategic restructuring resulted in strengthening market leadership, one-step forward to achieve excellence. An idle look on certain key ratios, that indicate both operating and financial performance of the demerged company, will make the anticipation's realistic base more candid. Though the company's long term debt equity ratio remained higher than the industry average both during pre and post demerger period which has further increased after demerger, the tendency of company's increasing dependence on debt after hiving-off exposes its enhanced risk taking capability. As the industry average after demerger shows a decreasing trend the company referred to in the study needs a careful attention to pay towards leveraging its debt capital and managing financial risk. Though the risk taking ability of the company has been further fortified by the increased interest paying ability during post demerger period, but a close comparison with industry position as a whole urges improvement in interest coverage ratio of the company.

The other two ratios, Fixed Asset Turnover and Inventory Turnover, have also been improved after demerger showing a positive impact of the company's separation strategy on their operating performance. Regarding fixed asset turn over ratio one significant aspect demands company's more concentration as it remains considerably lower than industry position both during pre and post demerger period. However, in case of inventory turn over it reveals an improved operating efficiency compared to both itself during pre demerger and industry average. Dramatically company's current remains unaltered during both the pre and post demerger period. Interpretation of this ratio demands attention in the increased inventory and debt holding period that shows a deteriorating operating efficiency. The same is also visible in the debtors turn over ratio, which has been decreased after demerger leaving no opportunity to get itself compared with industry average. Thus, the different picture, visualized in case of Current ratio and Debtors Turnover ratio calls for a sound Receivables management of the company.

During comparison one should not lose sight of the fact that the company's position with respect to industry was not better during pre demerger period, which also remained lower than the industry benchmark during post demerger period. However, compared to its pre separation period it bettered afterward recognizing a hopeful impact of demerger.

Table 1: Financial Performance Indicators both during Pre and Post Demerger Period

Ratio	Long term Debt Equity		Current		Fixed asset Turn over		Inventory Turn Over		Debtors Turn over		Interest Coverage	
State	JKI	Industry	JKI	Industry	JKI	Industry	JKI	Industry	JKI	Industry	JKI	Industry
Pre Demerger	0.75	0.73	0.87	1.31	1.25	2.14	7.57	7.95	6.45	6.80	1.20	1.53
Post Dmerger	1.37	0.67	0.87	1.13	1.63	2.31	9.94	8.63	6.09	8.44	1.36	2.48

Depending on certain measuring tools the analysis can be carried further to scan the impact of demerger on the financial performance of the company. Apparently, the company's average Return on Capital Employed (ROCE) position, which shows the relationship between net profit after tax and total capital employed, looks worse in post demerger period than its pre demerger counter part but this is due to its earlier years' lower value. At the initial years of demerger the company could not get the pace as desired which came in the later years showing almost twice ROCE in the year 2006-07 than the average ROCE of initial years.

A similar trend is also observed in case of RONW, i.e. ratio between the profit available to shareholders and their equity, and EPS or profit available per equity share of the company during post demerger period implying the company's ability to utilize capital more efficiently towards increasing shareholders value. Though the average RONW of 6.38% during post demerger period is losing its comparability with the industry position but its remarkable improvement after hiving-off justifies separation a timely taken strategy towards achieving excellence. Thus, the financial performance of the company is witnessing an elevated result, which can be more explicit if EPS of the company during pre demerger period is weighed with that of its post separation counter part. And the excessive high EPS, coupled with high RONW and ROCE in the year 2006-07 propagates the company's capability to hold the pace of growth it desired. Hence, the company's aim to pave the way for unlocking shareholders' value to excel in performance gets day light through demerger by and large the indicators say so.

Table 2: Pre Demerger State

Year	ROCE	RONW	EPS
2001-02	7.69	1.76	3.51
2000-01	8.77	2.69	4.57
1999-00	10.40	5.20	9.12
1998-99	9.88	3.41	6.04
Total	36.74	13.06	23.24
Average	**9.19**	**3.27**	**5.81**

Table 3: Post Demerger State

Year	ROCE	RONW	EPS
2006-07	14.71	17.38	21.21
2005-06	7.54	3.10	5.19
2004-05	5.34	2.21	4.19
2003-04	8.42	2.83	2.99
Total	36.01	25.52	33.58
Average	**9.00**	**6.38**	**8.40**

Table 4: Average at a Glance

	Pre Demerger	Post Demerger
ROCE	9.19	9.00
RONW	3.27	6.38
EPS	5.81	8.40

Along with the tools considered earlier an effort is also put to measure company's working capital cycle both during pre and post demerger period with a view to assess the change in efficiency in managing its working capital. The careful look at the working capital cycle during post demerger period clearly translates into company's deteriorating efficiency in managing working capital as the excessive holding in inventory and their decreasing capability in collecting debt needs special attention of company's working capital management. Though the company remains at the similar position in cash holding and maintaining advances its liquidity may be threatened due to excessive dependence on liability and doubling its provision. The company in this respect may be suggested to resort to e-banking facility to generate value. Since a number of companies at present with negative working capital are also not facing any liquidity crisis due to their policy to invest in derivatives and stock, the increase in working capital cycle cannot be identified with the inefficiency of demerger, the strategy taken for bettering performance.

Table 5: Working Capital Cycle of the Company
Period in days

	Pre Demerger	Post Demerger
Current Assets, Loans and Advances :		
Inventories	23	42
Sundry Debtors	30	58
Cash and Bank	5	5
Loans and Advances	15	16
Total	**73**	**121**
Less: Current Liabilities and Provision		
Current Liabilities	53	94
Provision	2	4
Total	**55**	**98**
Net Working Capital Cycle	**18**	**23**

Evaluating Demerger as a Value Generating Strategy

Having gone through the analysis based on traditional measures the success of strategic decision taken to hive-off has been established. Now, the desired view that demerger drives business to achieve excellence can further be tested and proved if the value generating strength using shareholders value added (SVA), the measuring tool that considers both realized and unrealized value added is juxtaposed to its financial performance. SVA, i.e. Market Value Added (MVA) plus dividend paid by the company during the period has been attempted to measure whether demerger generates value, both realized and unrealized, with a view to trace the rationality of the management's decision to hive-off. MVA, the spread between company's market capitalization and book value of capital as recommended by Stern Stewart also forms the part of the present analysis to portray the company's value creating capacity in terms of unrealized gain. Due to more volatility present in Indian market the MVA, as recommended by Stern Stewart, has been altered as the excess of company's closing market capitalization over its opening counter part after adjusting issue of bonus share or right share or any conversion into equity of preference shares or debentures so that the number of outstanding equity shares of the company remains same between the two periods. MVA, that shows company's unrealized capital gain during post demerger period leaves its pre demerger counter part far away to compare. This was possible due to increase in share price after demerger takes place. Thus, market's responsiveness to demergr is remarkable that fortifies demerger's ability to create value towards achieving excellence. The indication given by SVA showed a landmark increase waving a hope to keep its steadiness in the forthcoming years. As the shareholders expect competitive return on their investment through dividend and value appreciation, increase in SVA assures them about the company's journey in a continuous growth path. One can easily find average SVA of Rs 73.34 crores during post demerger period compared to average SVA of Rs 4.23 crores during pre demerger period a justifiable evidence adopting demerger. Thus, focusing on their core business J.K Industries was able to create value for its shareholders that smoothens the path to excel.

Table 6: Value Creation during Pre and Post Demerger

Year	SVA	MVA
2001-02	-8.07	-15.85
2000-01	-41.49	-48.40
1999-00	60.71	52.07
1998-99	5.75	-2.89
Total	16.90	-15.07
Average	**4.23**	**-3.77**

Year	SVA	MVA
2006-07	20.97	12.65
2005-06	- 27.98	-35.68
2004-05	204.42	196.93
2003-04	95.93	88.44
Total	293.34	262.34
Average	**73.34**	**65.59**

Table 6: Average at a Glance

	Pre Demerger	**Post Demerger**
MVA	- 3.77	65.59
SVA	4.23	73.34

Recognizing the Frowning Look

The numbers, so far dealt with exhibit JK Industries a rear-visioned concern that could sway it sail in the direction the wind demands. The measuring stick we have resorted to in our every walk absolutely made of financial numbers where the digits are only weighted showing gross defiance to its subjective purity. The recent collapse of Satyam Computer, The follower of Enron, World Com, Tyco and many others, drew a question mark the financial numbers find difficult to erase. At times the global financial crisis is giving birth to frowning look at the financial statements prepared and disclosed by the companies the question must be answered whether these numbers do consider the ethical issues perfectly or there remains a peephole in their preparation and disclosure through which unethical practices ooze.

Do these statements raise any ethical concerns in their preparation and disclosure that do not reflect the real state of information and leaves the interpreter a scope of being erroneous to translate the data disclosed in the financial statement? Those who prepare and present these financial numbers have an obligation to the public, their profession, the organization they serve, and themselves, to maintain the highest standard of ethical conducts. Adherence to certain standards of ethical conduct by them is now integral to achieving the objectives of preparing financial statements. The spurt in technological development has brought about a revolution in the way we look at financial information as efficiency, competitiveness and quality are what the users of financial information demand today.

Thus, J.K Industries with some alluring financial numbers cannot remove the doubt whether their reporting is in response to informational needs, expectations and demands of financial information users. Change in the economic structure compels organizations in putting increased emphasis on short-term objective, outcomes and consequently exert significant pressure to meet unrealistic performance goals. The present study is based on the assumption that J.K industries did not evade the responsibility to communicate information fairly and objectively to create a win-win relationship between the organization and the society. And the findings we thrusted is solely guided by the belief that the organization's ethical behaviour creates endeavor to disclose fully all relevant information that could reasonably be expected to influence an intended user's understanding of the reports, comments and number presented.

Conclusion

Thus, to have focused business amplifying its core competency and improved shareholders wealth, J.K Industries Ltd separated its Sugar and Agri-Genetics business. The analysis justifies the company's strategy as the improved performance after demerger made a lot of sense. Due to grooming time it required after demerger the company was unable to hold the pace at the initial years of demerger but after shedding the primary shy it showed a landmark improvement in value creation as average SVA and MVA have been improved dramatically. They are equally complemented by the improved financial performance as shown by the indicators and consequently the increased value for the stakeholders. Barring a few things like ROCE and working capital cycle that demand management's sincere attention, the company was able to sharpen its competitive edge resorting to the strategy to demerge.

But the conclusion we have reached at does not evidently prove the numbers bear a perfect ethical concern. The result and interpretation of the study is limited to the belief that ethics is intertwined with accounting and the information disclosed by the financial statements expose the reality as their meaning does. Moreover, demerger, as every strategy holds, bears certain weaknesses to project itself befitting for every organizations, as it alone is not the panacea to all corporate ills. Inability of the company, to squeeze its best result does not certainly declare out-right rejection of demerger because a strategy, if not followed by an equally well planned structure, such as product innovation and development, marketing and distribution, customer service etc. will not bring any miracle to the company.

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Sustainability of Network Marketing: Brand to Brew

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Abstract
The four strategies the companies adopt to satisfy customers - product, price, promotion and place or distribution are embodied in marketing-mix where promotion and distribution demands an investment quite considerable in size and amount. Averting large investment, the promotion and distribution require in present day marketing, companies like Amway, Oriflame, Modicare etc. have carved a niche for themselves in Indian market depending on relationship referrals and direct selling. Not emphasizing more on mass media advertisement these companies resorted to the chain of network a new way of marketing known as network or multi-level marketing (MLM). The present paper is an endeavor to study the influence of age-group and brand name on the sale of products and also to examine the exploitation of relationship and attitude of channel members in network marketing. An attempt is also made to provide new insight into network marketing practice which is important to academia as well as to the management practice the companies follow for network marketing.

Key words
Network marketing, Promotion, Distribution, Attitude

Introduction

Companies' survival in the market by simply producing goods and services has taken an assured place in the history. Now the only alternative remains before business organizations to reach at pinnacle is the effective marketing as the companies are falling prey to fierce competition and changing technology both at home and abroad. Network marketing or multi-level marketing (MLM) is a business development opportunity for individuals to create a business of their own through network of associates where a company's product makes its way to reach the final customers making intermediaries absolutely unwanted in distribution channel. Amway, the first company to popularize the concept of network marketing in USA in 1950s, had established its Indian arm during mid 90s. Now a days many foreign companies like Avon, Tupperware and Oriflame, etc. and domestic companies like Modicare, Hindustan Lever Network etc. are applying this concept to promote the products they appear with.

Network marketing companies focus more on recruiting downlines than selling products to customers. Individuals, involved in distribution channels, represent the company as the employee of the company with no fixed salary and are awarded commission in return.

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They develop their organisation in two ways - (i) building an active customer base who purchase directly from the company, and (ii) recruiting a downline of independent distributors who also build a customer base. There is a scope of higher earning on the part of distributors as suggested mark-up usually ranges from 20% to 50%.

Network marketing is gaining momentum in India. And studies revealed the industry's impressive exponential growth in the past few years in terms of both revenue generation and the number of salespersons involved. The projection of Indian Direct Selling Association (IDSA) for 2010 for the network marketing industry is Rs.8,000 crores. The study of National Council of Applied Economic Research showed the Indian middle class is projected to grow from 1.1 crore households in 2001-02 to 2.8 crore by 2009-10. The above figures justify the special attention the prospect of network marketing in India demands presently.

Review of Literature

Last few years have been enriched with several studies on network marketing. Liu and Chen (1990) have emphasized that criteria such as usefulness of the application, price level, storage requirement, market potentials, and required service level should all be used in judging the suitability of a direct sales product. And by using these criteria, they further concluded products such as concentrated detergents, cosmetic products, health foods and jewelry are among the most suitable items. Moreover, they also pointed out the required after-sales-service of MLM products should be free from too much complexity.

Liu Bang-Dean (1992) has discovered two common traits in most MLM products. They are: (a) Nature of Re-purchasing: Repurchases made by customers are vital for a MLM company's long-term growth. Therefore efforts must be made by direct sales distributors to maintain constant contacts with their customers and thus a strong customer loyalty can be created. (b) Emphases on Differentiation Strategies: Emphasizing on the unique aspects of offerings, MLM companies can portray their identity separate from other competitors in the similar product category and hence obtain a differentiation advantage.

Chang (1993), Chang (1995), and Cheng (1996) appeared with the observation that developing a successful product strategy, the following considerations concerning product traits should be taken into account: (1) Easy to explain and demonstrate, (2) Nature of re-purchasing, (3) High market familiarity, (3) Distinguishable characteristics, (4) Unique qualities for creating customer loyalty, and (5) Sufficient profit margin.

Nichols (1995) and Marks (1996) found network marketing is the movement of products or services from the manufacturer to the consumer directly through distributors using word-of-mouth marketing.

Felps (1998) identified financial independence, personal power and a life of luxury are the dreams offered by most network marketing companies, yet MLM's critics find these nothing more than a myth the people burn their time to achieve.

According to Kiyosaki (2004) MLM is seen as the opportunity of earning high level of income. Network marketing is a business that comes with promises of financial independence and personal freedom with the power of leveraging, by focusing on the ability to earn residual income or passive income rather than a linear income.

Mathews, Manalel and Zacharis (2007) are of the opinion that there is exploitation of relationships in network marketing where people join mainly because of persuasion by friends and relatives. Network members, being in the business for two years or less persuade relatives more than friends and colleagues to join as channel members while the members with experience more than two years contact friends more than relatives and colleagues.

The study of Ong See Kiaw and Cyril de Run (2007) revealed financial rewards are the main reason the people join MLM for. The product-related reasons, as they identified, are - quality and credibility of an MLM company's products.

Subramanian (2007) observed India a safe abode promising tremendous opportunity in the network marketing business as only a few companies in the country do this business in a professional way. According to him money and business opportunity are the two main reasons the network marketing attracts people for joining.

Going through the existing literature trivial studies have been noticed that consider influence of brand name and age-group on the sale of product. Though a few studies concentrated on exploitation of relationship but influence of brand name and age-group on sale did receive no attention by the earlier researchers.

Research Objectives

In this backdrop we feel the need of understanding the influence of brand name and age groups on the sale of product and to know the extent the relationships are exploited to for developing distribution network. With a view to examine the issues taken under the study, the paper seeks:

i) To study the influence of factors like age group, brand name etc. on the sale of product of companies involved in network marketing.
ii) To study whether relationships get exploited in network marketing.
iii) To examine the attitude of channel members towards the profession.

Research Methodology

Research methodology is a crucial part of any research program. It is generally adopted by the researcher to explain the research problems, the logic behind the selection of methods and techniques for collection, analysis and interpretation of data so as to come up with a satisfactory solution to the problem envisaged. For this study three MLM Companies - Amway, Oriflame and Modicare have been selected. This study is basically empirical in nature. As the study is empirical in nature primary data have been mainly used. Secondary data have also been collected to know the network marketing practice in India. Survey was conducted not only on consumers but also on distributors. This study was carried out on 126 cosumers and 100 distrbutors of different areas of Kolkata. For consumer survey simple random sampling technique was used for selecting consumers of different areas and convenience sampling technique was used for distributor survey. A structured questionnaire was prepared for this study and requisite information was collected through personal interviews of customers as well as distributors. To get clarity of the problem statements, an exploratory study was carried out. Data collection period is limited to four months, March to June 2009. For testing hypotheses, ANOVA and Chi-square tests were administered. ANOVA were conducted using Excel.

Hypotheses for the Study

This study was conducted on the following lines of hypothesis:

H01: There is no significant influence of different brands of shampoo and age-group on the sale of products.
Ha1: There is significant influence of different brands of shampoo and age-group on the sale of products.
H02: There is no significant influence of different brands of conditioner and age-group on the sale of products.
Ha2: There is significant influence of different brands of conditioner and age-group on the sale of products.
H03: There is no relationship between experience of the distributors selling MLM brands and the person to whom they approach.
Ha3: There is relationship between experience of the distributors selling MLM brands and the person to whom they approach.
H04: There is no relationship between the motivation to work for MLM brands and the person who introduced the distributor to the network.
Ha4: There is relationship between the motivation to work for MLM brands and the person who introduced the distributor to the network.
H05: There is no relationship between profession of the distributors selling MLM brands and the attitude of distributors about the business.
Ha5: There is no relationship between profession of the distributors selling MLM brands and the attitude of distributors about the business.

What the Data Speak

Brand Name: The marketer can build up a bright image of his organization around the brand. Branded product can be easily recognized by customers in retail shop. If it attains goodwill, it will serve as a useful medium of advertisement. This study shows whether network marketing companies under study have occupied a distinct place in the mind of customers.

Age-group: Different age groups results in different initiations and actions. Marketer must constantly watch changes in taste and preference of the consumers for keeping track the competition and customer wants. This study also shows influence of age group on sale of products.

I. Influence of brand name and age group on sale of shampoo

Table1: Age-wise and Brand-wise distribution of consumers of shampoo

Brand Name / Age Group	Head & Shoulder	Sunsilk	Clinic All Clear	Pantene	MLM Brands	Others
11-25	14	11	12	8	2	1
26-40	13	10	10	8	4	2
41 and above	5	7	6	7	4	2

(Source: Primary data)

Null Hypothesis 1: There is no significant influence of different brands of shampoo on the sale of products.
Null Hypothesis 2: There is no significant influence of different age groups on the sale of products.

Table 2: ANOVA

Source of Variation	*SS*	*DF*	*MS*	*F*	*P-value*	*F crit*
Age-group	30.33333	2	15.16667	3.053691	0.092231	4.102816
Brand Name	200	5	40	8.053691	0.002786	3.325837
Error	49.66667	10	4.966667			

F crit* means critical value of F obtained from F table with ? = 0.05

As the critical value of F (10, 2) with ? = 0.05 is 4.1028 which is greater than the calculated value of F = 3.0536, we accept the null hypothesis that is there is no significant influence of different age groups of customer on the sale of shampoo. On the other hand, it is found from the above table (Table 2) that the critical value of F (10, 5) with ? = 0.05 is 3.3258 which is less than the calculated value of F= 8.0536. So we have to reject the null hypothesis that is there is significant influence of different brands for selling shampoo.

II. Influence of brand name and age group on sale of conditioner

Table3: Age-wise and Brand-wise distribution of consumers of conditioner

Brand Name / Age Group	Garnier	Ultra Doux	Dove	Naturoma	Himalaya	MLM Brands
11-25	21	10	12	3	6	3
26-40	14	6	9	4	3	3
41 and above	2	0	1	3	2	1

(Source: Primary data)

Null Hypothesis 1: There is no significant influence of different brands of conditioner on the sale of products.
Null Hypothesis 2: There is no significant influence of different age groups on the sale of products.

Table 4: ANOVA

Source of Variation	*SS*	*DF*	*MS*	*F*	*P-value*	*F crit*
Age - group	181.7778	2	90.88889	6.979522	0.012666	4.102816
Brand Name	203.6111	5	40.72222	3.127133	0.05889	3.325837
Error	130.22 22	10	13.02222			

From the above analysis it is clear that the calculated value of F= 6.9795 is greater than critical value of F (10, 2) with ? = 0.05 which is 4.1028. So we reject the null hypothesis that is there is significant difference between different age groups of customer on the sale of the product.

It is found, on the other hand, that the critical value of F (10, 5) with ? = 0.05 is 3.3258 which is greater than the calculated value of F= 3.1271. So we have to accept the null hypothesis that is there is no significant influence of brand name on the sale of conditioner.

III. Influence of Relationship in soliciting Network Business

Table 5: Observed Frequency (fo)

Experience	Whom contacted				Total
	Relatives	Friends	Colleagues	Others	
Below 2 years	21	16	4	1	42
2-4 years	11	12	7	4	34
Above 4 years	4	8	9	3	24
Total	36	36	20	8	100

(Source: Primary data)

It has been assumed that the null hypothesis is there is no relationship between experience of distributor and person to whom they approach. On the basis of this hypothesis, the expected frequency corresponding to the observed data has been calculated.

Table 6: Observed Frequency (fe)

Experience	Whom contacted				Total
	Relatives	Friends	Colleagues	Others	
Below 2 years	15.12	15.12	8.40	3.36	42
2-4 years	12.24	12.24	6.80	2.72	34
Above 4 years	8.64	8.64	4.80	1.92	24
Total	36	36	20	8	100

$$\chi^2 = \Sigma\ [\ (f_0 - f_e)^2 / f_e]$$

where f_o = observed frequency

and f_e = theoretical or expected frequency

Here $\chi^2 = 13.8607$

Degrees of freedom in this case = (r-1) (c-1) = (4-1) (3-1) = 6

The table value of X^2 for 6 degree of freedom at 5 percent level of significance is 12.592. The calculated value of X^2 is higher than the table value and hence the result of experiment does not support the hypothesis. So Chi-square test indicates that experience and person to whom they approach are related. Those who are having less than two years of experience approach mainly relatives, those who have 2-4 years experience approached friends, relatives and colleagues, and those who have more than 4 years of experience approached mainly friends and colleagues than relatives.

IV. Motivation to work for MLM brands

Table 7: Observed Frequency (f_o)

Motivation	Introducer				Total
	Relatives	Friends	Colleagues	Others	
Persuasion	30	17	3	1	51
Financial benefit	11	10	7	2	30
Successful cases	8	6	4	1	19
Total	49	33	14	4	100

(Source: Primary data)

It has been assumed that the null hypothesis is there is no relationship between motivation to work for MLM brand and person who introduced the respondents. On the basis of this hypothesis, the expected frequency corresponding to the observed data has been calculated.

Table 8: Expected Frequency (f_e)

Motivation	Introducer				Total
	Relatives	Friends	Colleagues	Others	
Persuasion	24.99	16.83	7.14	2.04	51
Financial benefit	14.70	9.90	4.20	1.20	30
Successful cases	9.31	6.27	2.66	0.76	19
Total	49	33	14	3	100

$$\chi^2 = \Sigma\, [\,(f_0 - f_e)^2 / f_e]$$

where f_o = observed frequency

and f_e = theoretical or expected frequency

Here $\chi^2 = 8.2158$

Degrees of freedom in this case = (r-1) (c-1) = (4-1) (3-1) = 6

The table value of X^2 for 6 degree of freedom at 5 percent level of significance is 12.592. The calculated value of X^2 is less than the table value and hence the result of experiment supports the hypothesis. So Chi-square test shows that there is no relationship between motivation to work for MLM brand and person who introduced the respondents. But observed frequency table (Table 7) shows that majority of respondents were introduced by relatives and friends by persuasion.

V. Attitude of channel member towards the profession

Table 9: Observed Frequency (f_o)

Profession	Attitude of channel member				Total
	As a Career	Source of Additional Income	An attempt to earn	Utilizing idle time	
Govt. Employee	5	15	10	4	34
Professional	14	20	5	2	41
Self Employe d	18	3	3	1	25
Total	37	38	18	7	100

(Source: Primary data)

It has been assumed that the null hypothesis is there is no relationship between profession and attitude of distributors about the business. On the basis of this hypothesis, the expected frequency corresponding to the observed data has been calculated.

Table 10: Expected Frequency (f_e)

Profe ssion	Attitude of channel member				Total
	As a Career	Source of Additional Income	An attempt to earn	Utilizing idle time	
Govt. Employee	12.58	12.92	6.12	2.38	34
Professional	15.17	15.58	7.38	2.87	41
Self Employe d	9.25	9.50	4.50	1.75	25
Total	37	38	18	7	100

$$\chi^2 = \Sigma\, [\, (f_0 - f_e)^2 \,/\, f_e]$$

where f_o = observed frequency

and f_e = theoretical or expected frequency

Here $\chi 2$ = 24.3858

Degrees of freedom in this case = (r-1) (c-1) = (4-1) (3-1) = 6

The table value of X^2 for 6 degree of freedom at 5 percent level of significance is 12.592. The calculated value of X^2 is much higher than the table value and hence the result of experiment does not support the hypothesis. So Chi-square test shows that there is a relationship between profession and attitude of channel members. Govt. employees and professionals mainly consider this business as a source of additional income, whereas self-employed persons consider this business as a career.

Conclusion

The study found that there is significant difference between different brands of shampoo on the sale of the product. From table 1 it is evident that MLM brands of shampoo are not so acceptable as compared to other manufacturer brands. Here brand name has influenced customers for buying a product. So network marketing companies have to establish their brand name in the marketplace to occupy a place in the buyers' mind. This study also reveals that age-groups are not so important for marketing shampoo. But for marketing conditioner age groups are important than brand name. This study also found that relationships are getting exploited in network marketing. Persuasion by friends and relatives is the main motivation to work for network marketing companies. Financial benefit, another important motivator, has motivated channel members to join network business. Network members, who were in the business for last two years, contacted mainly relatives more than friends and colleagues to join as channel members, while those who had more than two years experience approached friends, relatives and colleagues and those who have more than four years experience approached friends and colleagues and others also than relatives.

The managerial implications of the study portray the results as indicative of the fact that consumers mostly prefer a brand that is well known to them and here manufacturers' brands get the preference. So, marketers of MLM brand should take proper care to develop the brand positioning of MLM brand so that it can be comparable with manufacturers' brand. The research also implies that relationship performs an important role in motivating people to join network marketing. Another implication comes sequentially in the next order reveals that experience as distributor in terms of the time period engaged in the business emphasizing nature of relationship exploitation and the more experience may increase the likelihood of approaching friends and colleagues than relatives.

Appendix I

QUESTIONNAIRE (Consumer Survey)

Name: ....

Address: ....

1. Age:	11 - 25
	26 - 40
	41 and above
2. Sex:	Male / Female
3. Present Status:	Student
	Government employee
	Private employee
	Housewife

Businessman
Professional
Others

4. Which brand comes to your mind first while choosing a brand of shampoo?
....

5. Can you name a brand of shampoo which is not available in general stores or retail shops?
....

6. Give your preference among the following brands of shampoo.
   (i) Head & Shoulder
   (ii) Sunsilk
   (iii) Clinic All Clear
   (iv) Pantene
   (v) MLM brand
   (vi) Others

7. Can you name a brand of conditioner which is not available in general stores or retail shops?
....

8. Give your preference among the following brands of conditioner.
   (i) Garnier
   (ii) Ultra Doux
   (iii) Dove
   (iv) Naturoma
   (v) Himalaya
   (vi) MLM brand

Appendix 2

QUESTIONNAIRE (Distributor Survey)

Name: ....

Address: ....

1. Age: Below 25
   26 to 35
   36 to 45
   46 to 55
   56 and above
2. Sex: Male / Female
3. Present Status: Government employee
   Self-employed
   Professional
4. Mention your experience in distribution network as distributor
   below 2 years
   2 - 4 years
   above 4 years

5. Who introduced you in the distribution network?
   - Relatives
   - Friends
   - Colleagues
   - Others

6. Indicate your motivation to work for MLM brands
   - Persuasion
   - Financial benefit
   - Successful cases

7. The person to whom you approach for distributing products and developing distribution network
   - Relatives
   - Friends
   - Colleagues
   - Others

8. What is your attitude about the business being a distributor of MLM brands?
   - As a career
   - As a source of additional income
   - As an attempt to earn
   - Utilizing idle time

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Production, Productivity and Technical Efficiency: The Story of Indian Leather Under WTO Regime

Saswati Sanyal

Abstract

On the basis of ASI data it has been shown in this paper that though the series of Gross Value Added in Leather and Leather Product is stationary only at first difference but the series is cointegrated with that of the total factor productivity growth and, hence the sector is showing definite signs of coping with the recent challenges extended by the TBT agreements of WTO in a globalized setting. The production function estimates show definite improvements in both capital and labour productivity along with the total factor productivity and especially in the post WTO regime the CRS specification is statistically rejected. There is strong evidence of increasing returns to scale. At the firm level analysis the output oriented technical efficiency is measured and a very important factor influencing efficiency is identified as the age of the firm. The already established firms are more efficient compared to the new entrants and there is definite sign of structural break in the production side confirmed by the Chow-test. Finally the pattern of inefficiency is also explored and it is concluded that over time the new entrants will also become more matured and experienced and the sector has the potential to pick up with the buoyant world trend.

Key Words

Leather and Leather Products, Total Factor Productivity, Returns to Scale, Data Envelopment Analysis, Output Oriented Technical Efficiency

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*The author gratefully acknowledges the intellectual debt to Sarmila Banerjee and Subrata Majumder of Calcutta University. The insightful comments of an anonymous referee also contributed significantly towards improvement of both the analysis and presentation. Of course, the usual disclaimer applies.

Context of the Study

Leather industry is one of the major established manufacturing industries in India. By nature and structure it is indigenous and regional. It has a dualistic character: rural-urban, small-large, old-modern, organized-unorganized sectors coexist here. The industry has great employment potential and provides a vast spectrum of employment from highly trained managers of a footwear factory to a handicrafts artisan or a mochi (cobbler). It provides full or part-time employment to a large number of people. The major portion of its working force belongs to the depressed class and backward castes. There is also a tremendous potential of self-employment in a variety of ancillary industries. The leather industry utilizes the by-products of slaughterhouses and transforms the raw material into various types of leather and manufactured end products. The leather production has three processing stages, each requiring different combinations of materials, inputs, labour and capital. The first stage is the recoveries of raw material from dairy, draught animals or animals from slaughter houses that has direct links with animal production activities and, hence, labour intensive in nature. The second stage is leather tanning and finishing, which involves capital intensive operations. The third stage is the production of leather products, which is again a labour intensive activity.

The Indian leather industry is spread over the formal as well as informal sectors and produces a wide range of products from raw hides to fashionable shoes. The industry comprises firms in all capacities starting from small artisans to prominent global players. The industry produces a host of finished goods such as industrial gloves, harness, saddlery, travel goods, bags, etc. It has wide national and international market. Specialized organizations like Central Leather Research Institute (CLRI), Council for Leather Export (CLE) etc., have been set up to promote the overall performance of the industry. The industry is largely export oriented and the post liberalization era has opened up a bunch of opportunities for it with global players looking for new sourcing options. India has a less than 3% share in the global trade in Leather compared to China's 20% (www.businessinsights.com). Realizing the growth potential of the leather industry, the Government of India has been making significant efforts to promote rapid advancement of the sector. In fact, the drive has started since the early seventies right after the great oil shock as the sector was recognized on a priority basis for its dual potential of foreign exchange earning and employment generation.

During the last fifty years, India has emerged as a reliable source of leather and leather products in global trade. In the seventies a large number of industrialized countries of the North discarded production and processing of leather to avoid high labour cost and stringent environmental regulations and started depending increasingly on the less developed South for the supply of finished and semi-finished leathers and component products. This created an opportunity for the countries like Taiwan, Korea, etc. to prosper in leather trade. Initially, India could not reap full advantage of this situation due to rigidity in prevailing policy framework and dearth of adequate infrastructure. Since then, planned efforts were made by the Government of India to promote and develop export trade by the adoption of export policy resolutions. Seetharamaiah Committee (1972), Kaul Committee (1974), Pande Committee (1985) and Murthy Committee (1992) were set up to recommend appropriate development strategies. These initiatives have culminated into drastic structural changes in this sector and the industry has undergone a transition from the source of raw hides and skins to a reliable source of value added products comprising footwear, leather goods and garments.

India is the largest livestock holding country (21% of large animals and 11% of small animals). The industry employs about 2.50 million workforces of which nearly 30% are women (www.leatherindia.org.in). Today the industry ranks 8th in terms of foreign exchange earnings of the country. Over the years the composition of exports of leather products has also undergone a structural change, from merely an exporter of raw material in the sixties to that of value added products in nineties. At present the value added products constitute about 80% of the total exports from the industry (www.leatherindis.org.in). In spite of all these positive signs the share of Indian export in the global leather trade is steadily declining over time and in 2006 it has become merely 2.5% (from more than 4.75% in late eighties). With the exclusion of non-leather footwear, this is slightly higher than 3.4%.

Since 1991 Indian economy has experienced some important changes at the structural level both from within and from outside. The structural adjustment programme has been initiated in July 1991 through the adoption of New Economic Policy, whereby market forces are allowed to play more pro-active role in carrying out economic transactions, local markets are getting more connected with the global markets through liberalization and emphasis has been placed increasingly on the enhancement of efficiency. At the international level a supra-national institution like the World Trade Organization (WTO) came into being in January 1995 to facilitate multi-lateral trading, negotiation and dispute settlement among its member countries. Though the tariff barriers are relaxed to a large extent, to protect the interest of human, animal and plant health more and more transparency are demanded on disclosure of the process and production method (PPM). Sanitary and Phyto-Sanitary (SPS) restrictions and Technical Barriers to Trade (TBT) Agreements are accepted in WTO where all trading partners are insisted on adopting uniform production standards: technically, environmentally and socially. How far this uniformity would protect human right and when would it serve as a hidden instrument of protectionism is a rather debatable issue. However, a developing country like India would have rather weak bargaining strength in this battle. Being a passive partner in this regulatory norm setting game India may adopt a number of coping strategies either in terms of diverting the direction of trade from high-standard nations to lax-standard ones and/or innovating suitable processes to comply with the standards so specified.

WTO Regime and Indian Leather Trade

India possesses comparative advantage in export of leather and leather products because of domestic raw material availability, long experience in leather making and cheap labour. However, the industry is viewed as a highly polluting industry and is classified under the 'red' category for the purpose of pollution control. As most of the units are in small scale sector they find it difficult to comply with the domestic and global environmental requirements. Thus trade liberalization and environmental regulations offer both challenges and opportunities to the industry (Sankar 2007).

Concerns about consumer safety, ecology, 'unfair trade' and ethical preferences have motivated the EU and the USA to prescribe regulations, standards, eco-labeling[1]

[1] Eco-labeling is a voluntary method of environmental performance certification based on life cycle consideration. The idea apparently is that an eco-label would be issued to those producers who follow environmentally acceptable production processes and waste management practices. There are international standards such as ISI 14020, ISO 14021, ISO 14024 and ISO 14025. Many countries develop their own eco-labels. Some eco-label schemes aim at leather properties while others also take account of the ecological consequences of leather production. Functional requirements are included in some schemes. Some schemes set concentration limits for restricted substances.

compliance with domestic waste discharge standards, packaging requirements, ethical treatment to animals and so on. Germany leads the EU in this regard. Consequent to this practice of standard setting, limits have been prescribed for various toxic-chemicals and metal in leather products. The restricted substances are pentachlorophenol (PCP), azo-dyes, formaldehyde, chrome VI, short chain chlorinated paraffin (SCCP), tetra-chloro-phenols (TCP), nickel phthalates, specific flame retardants, disperse dyes, extractable chromium, biocides, etc. Specific test protocols have been prescribed for testing consumer products for the presence of various restricted or banned items. In December 1989 the German government decided to ban the use of the toxic fungicide PCP. The German ban was quickly followed by restrictions in Denmark, Sweden and the United States, although each country required different tolerance limits. Unfortunately this chemical was being used extensively for tanning by the Indian leather industry, which came under severe pressure to change to other fungicides.

Indian exporters generally become aware of relevant environmental policies in OECD countries through information in media reports, from travelling in those countries and from participating in international trade fairs. The government agencies like the Indian Central Leather Research Institute (CLRI), the Council for Leather Export (CLE), etc., play important role in disseminating such information especially among smaller tanneries. PCP can be used in different stages of leather production like in the preservation of raw hides and skins, in dyes or in fat liquor during the finishing process, and so on. To comply with standard, the availability of adequate testing facilities is important. Here quick assistance was received from the Indo-German Export Promotion Project as well as the CLRI. Finally, local chemicals like TCMTB, PCMC and imported chemicals like Busan 30 were identified as effective substitutes for PCP. In the new millennium, India not only attained self-sufficiency in TCMTB and PCMC production but is exporting these chemicals in the World market (www.clri.res.in).

A key factor in the success of the leather industry is India's strong industrial infrastructure within which research on leather technology is relatively advanced (Muchie 2000). The Leather Technology Mission, established by the government has created an institutional arrangement that linked the efforts of government research institutions like the CLRI and the leather industry as a way to improve the quality of finished leather and enhance the uptake and effective use of cleaner technologies. The industry was systematically supported in the areas of environmental awareness, education, training, research and development. The leather industry learned about the workings of the international leather and leather products market, and the government continued to provide tax breaks and preferential duties on raw materials and technology even after it had liberalized. Das (2003) carried out a quantitative analysis of the extent of protection enjoyed by seventy two Indian industries over the period 1980 to 2000. In terms of effective rate of protection it is observed that for both leather and leather manufactures, the level of tariff protection (in terms of bound rates)[2] increased steadily from 0.36 per cent in 1980 to 123.15 per cent in 1990 and after that it declined gradually from this 123.15 per cent over the reform period and reached at 52.42 per cent in 2000. The extent of non-tariff barriers enjoyed by the leather sector measured in terms of import coverage ratio has gone up from 0.01 per cent to 100.00 per cent over the same period. So, liberal globalization compelled the government to change the form of domestic market protection from explicit tariff barrier to implicit environmental regulation.

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2 GATT Article II provides that signatories may 'bind' tariff duties by including them in their schedules of tariff concessions, annexed to the General Agreement on Tariffs and Trade. Once a duty is bound, it may not be raised above the bound level without compensating affected parties.

In this backdrop the present paper is trying to analyze the performance of leather manufacturing in the organized factory sector of India over these phases of policy changes. The relevant information is extracted from different rounds of the Annual Surveys of Industries (ASI) conducted by the Central Statistical Organization (CSO) and trends, growth rates, productivity and technical efficiencies are assessed to locate the untapped potential of the industry.

Leather Production: Trend and Productivity

Kumar (1997) presented an in-depth analysis of trend, growth rate, input-wise productivity as well as total factor productivity of both leather production as a whole and its components in India for pre-reform period. It has been observed that over the phase 1974-75 to 1989-90, the trend in leather production was rising with an annual average growth rate of 6.6%. Capital productivity revealed declining trend while labour productivity remained more or less stagnant; and finally, the total factor productivity showed a fluctuating though falling tendency throughout the reference period and the industry operated under constant returns to scale.

To compare the post-reform scenario with that of the pre-reform situation similar analyses have been carried out at the aggregate industry level, viz., leather and leather products, over the period 1973-74 and 2005-06. For the industry level study of specific factor productivity, total factor productivity and returns to scale information on the sector at the 2-digit level of aggregation is used. Later, to check the change in the firm-level output based efficiency in terms of an analysis of average productivity the ASI data are used at the 5-digit level of disaggregation[3].

The trend of leather production is estimated by running a regression of the annual gross value added (Y_t) figure against time: $Y_t = \alpha + \beta t$ and growth rate is obtained by regressing the natural logarithm of net value added against time: $\ln Y_t = \alpha + \beta t$. T he results are reported in Table 1.

Table 1: **Trend and Growth Rate of Leather Production: 1973-74 to 2005-06**

Equation	Coefficient	t-value	p-value	$\overline{R^2}$	df
$Y_t = \alpha + \beta t$	7627.96	9.74	0.00	0.85	15
$\ln Y_t = \alpha + \beta t$	0.085	8.40	0.00	0.81	15

Source: Calculated from ASI data

3 The ASI data are presented at different levels of disaggregation whereby the earlier stages help to identify the industries and the later stages provide data at the firm level.

Both trend and growth rate are significantly positive over our reference period and the annual growth rate has increased to 8.4% from a mere 6.6% in pre-reform period. It is apparent that the optimism of global connectivity in the post-reform period imparted a stronger influence on the performance of the sector compared to the special concerted effort undertaken at the domestic level[4] since the oil shock of the early seventies.

However, it is important to explore the presence of stochasticity in this apparent upward trend. To do that, we need to examine the stationarity properties of the concerned series.

Table 2: Trends and Random Walk: Leather and Leather Products
[H :p=1]: 1973-74 to 2005-06

Dependent Variable	Test-statistic	DF	ADF	Degree of freedom
Yt	1.339		-1.950	26 (lag-length=6)
d1_Yt	0.053		-1.950	25 (lag-length=6)
d2_Yt	-2.463**		-1.950	24 (lag-length=6)
lnYt	0.895		-1.950	26 (lag-length=6)
d1_lnYt	-0621		-1.950	25 (lag-length=6)
d2_lnYt	-2.273**		-1.950	24 (lag-length=6)
Yt_r	1.224	-1.950		33
d1_Yt_r	-6.870**	-1.950		32
lnYt_r	1.913	-1.950		33
d1_lnYt_r	-7.031**	-1.950		32

**significant at less than 5% level;

A longer time period is required for that purpose. So, we have considered the entire horizon starting from 1973-74 till 2005-06. Both the Yt and (lnYt) series turned out to be non-stationary at both the level and first-difference (confer Table-2). So, the series has been adjusted by GDP deflator to express it at constant price (with 1993-94 as base). The deflated series turned out to be stationary at first difference. When the deflated and differenced series of Yt_r and (lnYt_r) are regressed against time, the relationship turned out to be significantly positive for the former and insignificant for the latter indicating the absence of acceleration in the growth of the sector.

To examine the change in total factor productivity Solow Index has been calculated. Out of total change in productivity when the part explained by individual specific factors like capital, labour, etc. are taken away the residual portion is ascribed to general increase. This general increase is known as the total factor productivity and is claimed to be associated with business environment, technological optimism, and so on. If the neo-classical production function is represented by: where the symbols have their usual meaning then change in Y is due to change in K , change in L and change in A . The change due to K and L are ascribed to specific factor productivity whereas the change due to A is termed as total factor productivity. So,

[4] Following the recommendations of Seetharamaiah Committee (1972), Kaul Committee (1974), Pande Committee (1985) and Murthy Committee (1992).

$$\frac{\Delta Y_t}{Y_t} = \frac{\Delta A_t}{A_t} + w_t \frac{\Delta L_t}{L_t} + r_t \frac{\Delta K_t}{K_t}$$, where

$\frac{\Delta Y_t}{Y_t}$ = rate of change of gross value added;

$\frac{\Delta L_t}{L_t}$ = rate of change of labour force;

$\frac{\Delta K_t}{K_t}$ = rate of change of fixed capital;

w_t = total emoluments in gross value added;

r_t = share of capital (depreciation) in gross value added;

Therefore, by Solow Index $\frac{\Delta A_t}{A_t} = \frac{\Delta Y_t}{Y_t} - \left[w_t \frac{\Delta L_t}{L_t} + r_t \frac{\Delta K_t}{K_t} \right]$ and $A_{t+1} = A_t \left[1 + \frac{\Delta A_t}{A_t} \right]$. If A_t in t = 0 is taken as unity then the series of A_t can be generated.

The trend and growth pattern of At_r (i.e., At in real terms) series, thus generated, is stationary in first difference. We have incorporated two dummy variables, D1 and D2, with cut-off point at 1984-85 and 1995-96 respectively, to capture the effects of gradual liberalization since 1984-85 (Rajiv Gandhi era) and the initiation of WTO in 1995. The regression results, with variables defined in constant prices, are presented in Table- 3. Both trend and growth rate are positive at less than 5 percent level of statistical significance. Both the time-dummies D1 and D2 are insignificant indicating a stable performance of TFP in post-WTO regime. The time variables lnYt_r and lnAt_r are found to be co-integrated. These observations coupled with the finding of overall improvement in trend and growth leads us to explore the possibilities of improvements in specific factor productivities.

Table 3: Trend and Growth Rate of TFP: 1973-74 to 2005-06

Independent Variable	Dependent Variable: At_r		Dependent Variable: lnAt_r	
	(1)	(2)	(3)	(4)
t	0.022***	0.029**	0.016***	0.019**
D1		0.202		0.151
D2		-0.174		-0.070
$\bar{R}^2$	0.368	0.504	0.457	0.589
df	31	29	31	29

*** significant at 1% level; **significant at 5% level;
Source: Calculated from ASI data

To verify hypothesis related to specific factor productivities and the returns to scale a typical Cobb-Douglas type production function has been estimated with the additional constraint that the summation of exponents equals unity. To do that either we have to incorporate time (t) as a separate explanatory variable to capture the non-specific change due to total factor productivity or the series of At has to be generated and accommodated in the regression. Table 4 presents all these regression results for leather and leather products.

To verify hypothesis related to specific factor productivities and the returns to scale a typical Cobb-Douglas type production function has been estimated with the additional constraint that the summation of exponents equals unity. To do that either we have to incorporate time (t) as a separate explanatory variable to capture the non-specific change due to total factor productivity or the series of At has to be generated and accommodated in the regression. Table 4 presents all these regression results for leather and leather products. determinant of gross value added. Next, the dummy variables (D1 and D2) are incorporated to split the entire study period into pre liberal, liberal and post WTO regime. The structural changes turned out to be ineffective as is revealed by regression 2, though the second dummy had a negative sign. In equation 4 when dummy variables are accommodated together with time, all temporal factors turned out to be ineffective. So, the natural logarithm of the generated At-series is considered in regression 5. The results improved substantially: Labour, Capital and Total Factor Productivity turned out to highly statistically significant and the CRS hypothesis gets strongly rejected. To complete the exploration finally, in regression 6, along with Labour, Capital and TFP the effect of liberalization and WTO policy dummies (D1 & D2) on the TFP factor is studied by introducing slope dummies, viz., D1(lnAt) and D2(lnAt) . The consequent regression produces best possible result. All the factors are turned out to be effective , the effect of TFP is getting relatively depressed in the post-WTO regime as the coefficient of the slope dummy D2(lnAt) is falling by 0.08 points compared to that of D1(lnAt). Here, is 0.998 and the hypothesis of CRS is strongly rejected.

Table 4: Regression Results: Factor Productivities & Returns to Scale[6]

StudyVar $\ln Y_t$	Regressions					
	(1)	(2)	(3)	(4)	(5)	(6)
$\ln L_t$	0.74***	0.63**	0.90***	0.72**	0.58***	0.56***
$\ln K_t$	0.35**	0.42***	0.41**	0.46***	0.26***	0.23***
$\ln A_t$	--	--	--	--	0.93***	0.76***
time	--	--	-0.14	-0.01	--	--
D_1	--	0.13	--	0.16	--	--
D_2		-0.03		0.35		
$D_1(\ln A_t)$	--	--	--	--	--	0.19**
$D_2(\ln A_t)$						0.31***
R^2	0.95	0.96	1.60	0.96	0.99	0.998
df	30	28	29	27	29	27
Hg(CRS)	0.63	0.13	1.60	0.55	29.60***	56.26***

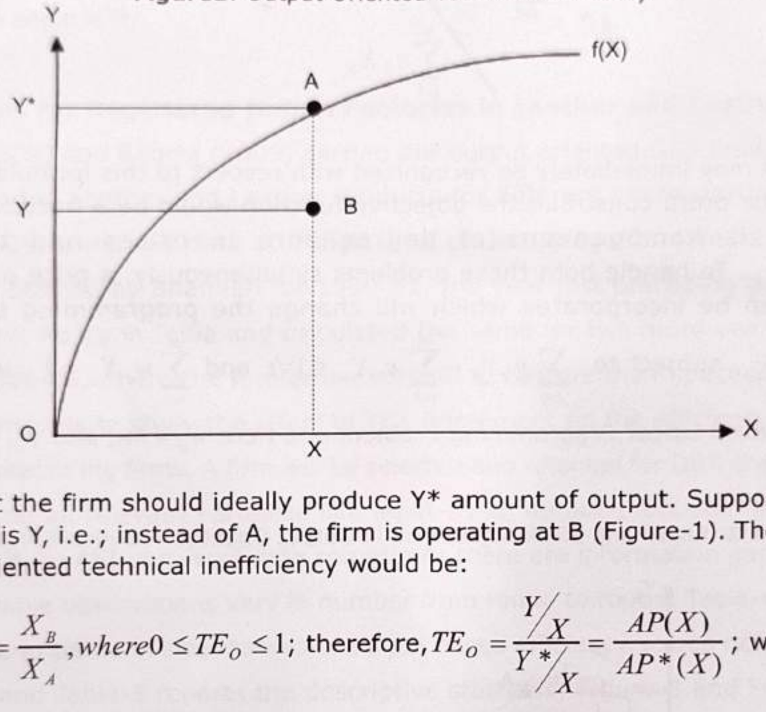
***statistically significant at less than 1% level;
** statistically significant at less than 5% level;
* statistically significant at less than 10% level;

One possible interpretation of this result may be the technological upgradation of the sector following the adoption of coping practices necessitated by the SPS and TBT Agreements signed under the aegis of WTO. In fact, the rejection of CRS specification is also consistent with this observation. If new technologies are adopted the system enjoys the benefit of falling average cost (and, therefore, IRS) so long the minimum efficient scale of operation is not reached. To examine this possibility now we will turn to more disaggregated analysis of information available at the firm level by conducting Data Envelopment Analysis (DEA)[7].

Output Oriented Technical Efficiency and DEA

DEA is a non-parametric method of measuring the efficiency of a decision making unit (DMU) like a firm. Though it is not possible to observe the entire production frontier by following this technique, the technical efficiency score of any individual DMU can be obtained by solving a simple mathematical programming problem. To illustrate the method consider a single input (X), single output (Y) firm using the technology Y* = f(X).

Figure1: Output Oriented Technical Efficiency



With X input the firm should ideally produce Y* amount of output. Suppose, the actual output level is Y, i.e.; instead of A, the firm is operating at B (Figure-1). Then the degree of output oriented technical inefficiency would be:

$$TE_O = \frac{Y}{Y^*} = \frac{X_B}{X_A}, where 0 \leq TE_O \leq 1; \text{ therefore, } TE_O = \frac{Y/X}{Y^*/X} = \frac{AP(X)}{AP^*(X)}$$; where AP*(X)

is the highest attainable average productivity corresponding to the input level X and AP(X)is the actually attained average productivity. So, the output oriented technical efficiency is assessed in terms of loss of average productivity, with reference to the technological potential .

Suppose there is k number of firms in the system. Then programming formulation of DEA is possible to arrange firms in terms of their technical (in)efficiencies. Let the firms be indexed by t, (t= 1,2,....,k); inputs by i, (i = 1,2,...,m) and outputs by j, (j = 1,2,....,n). To obtain the value of total input used and total output generated by a firm one needs appropriate virtual prices uit's and vjt's for inputs and outputs respectively. The total value of input used by the tth firm would be $\sum_{i=1}^{m} u_{it} X_{it}$ and the total value of output produced by t would be $\sum_{j=1}^{n} v_{jt} Y_{jt}$ The average productivity of the firm t would be

$$AP_t = \sum_{j=1}^{n} v_{jt} Y_{jt} \Big/ \sum_{i=1}^{m} u_{it} X_{it}$$

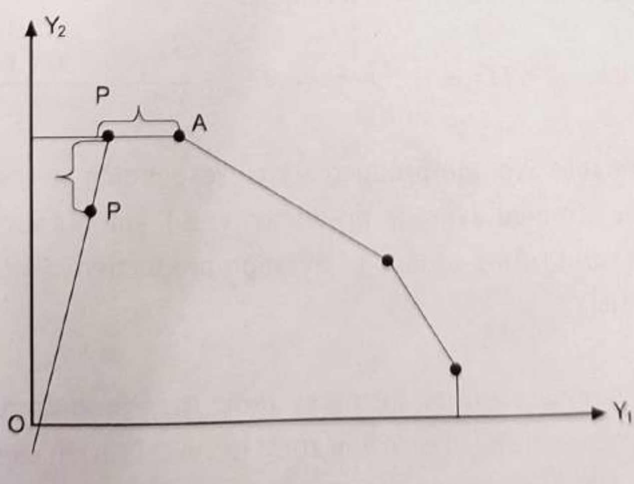
To give virtual prices the status of shadow prices one needs to assume implicitly a perfectly competitive market structure, leaving no scope for supernormal profit. Hence, the production relation has to satisfy the constraint stated as $\sum_{j=1}^{n} v_{jt} Y_{jt} \le \sum_{i=1}^{m} u_{it} X_{it} \forall t$ along with non-negativity restriction on shadow prices. So, the intended programming problem would be: max $AP_t = \sum_{j=1}^{n} v_{jt} Y_{jt} \Big/ \sum_{i=1}^{m} u_{it} X_{it}$ subject to $\sum_{j=1}^{n} v_{jt} Y_{jt} \le \sum_{i=1}^{m} u_{it} X_{it} \forall t$

and $u_{it}, v_{jt} \ge 0$

Two problems may immediately be recognized with respect to this formulation. Firstly, by virtue of the profit constraint the objective function would be a fraction. Moreover, the system is homogeneous of degree zero in prices and therefore, if λu_{it} and λv_{jt}. To handle both these problems simultaneously, a price normalization constraint can be incorporated which will change the programming problem as: Max $\sum_{j=1}^{n} p_{jt} Y_{jt}$, subject to $\sum_{j=1}^{n} p_{jt} Y_{jt} - \sum_{i=1}^{m} w_{it} X_{it} \le 1 \forall t$ and $\sum_{i=1}^{m} w_{it} X_{it} = 1$, $w_{it}, p_{jt} \ge 0$

This is a standard Linear Programming Problem and here $w_{it} = \lambda u_{it}$ and $p_{jt} = \lambda v_{jt}$

Figure 2: Radial and Slack Adjustment in Output Oriented Technical Efficiency



Again, the value of total input is set to unity for all firms; hence, it is possible to rank all the firms in terms of their normalized value of output. The actual score (solution) will reveal the extent of output oriented technical (in)efficiency. The inefficiency score, thus obtained, can further be decomposed into radial inefficiency and slack inefficiency. This decomposition can be depicted clearly in terms of Figure-2.

Suppose, the tth firm is operating at P, a point inside the production possibility frontier. The position is clearly inefficient as through a simple radial movement (i.e., in terms of adoption of a better technique of production), the firm may operate at P' and enjoy greater amount of both Y1 and Y2. This distance from P to P' is called the radial inefficiency. However, it is interesting to note that even at point P, the firm has scope to improve its output basket. A movement along the frontier from P' to A will help it to increase the amount of Y1 without sacrificing that of Y2, and, hence, the value of total output would certainly be higher at A compared to that at P'. This distance from P' to A is known as slack inefficiency. The DEA program helps one to carry out this analysis for all DMU's and for all inputs separately.

DEA Analysis for Registered Indian Factories in Leather and Leather Products

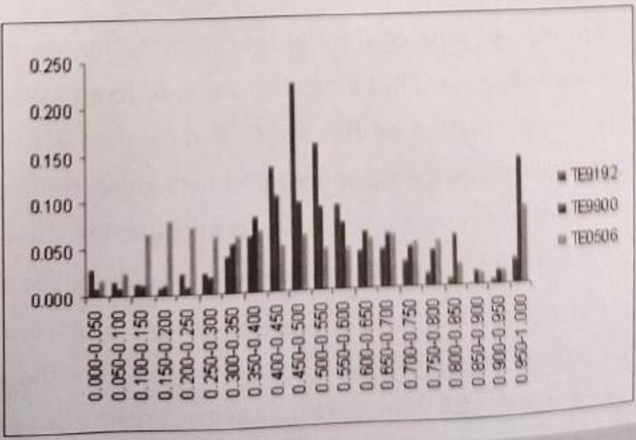
Bhandari (2009) and Bagchi (2009) carried out output oriented DEA analysis on Indian firms engaged in Leather and Leather Products for different years starting from 1984-85 till 2004-05, using ASI data at 5-digit level of disaggregation. We have considered the results obtained by Bhandari for 1990-91, the year just preceding the initiation of New Economic Policy in India and calculated the same for two more years, viz., 1999-2000 and 2005-06, where the former is expected to capture the impact of WTO and the later would help us to study the effect of TBT Agreement on the efficiency profile of the leather manufacturing firms. A firm will be selected and retained for DEA analysis provided information on all relevant variables like input-used, output-produced, and so on, are available on it. In ASI unit-level data sometimes there are information gaps. Hence, the finally retainable observations vary in number from round to round. Table-4 presents the grouped data in terms of size-classes of output based efficiency scores defined with 0.05 class-width and Table-5 reports the descriptive statistics; Figure-3 and Figure-4 depict bar-diagram of relative frequencies and cumulative frequency distributions, respectively.

To run the DEA program, as value of final output information on ex-factory value of output has been considered, for capital input the value of fixed assets has been taken. For labour input, ideally information on the wages and salaries is to be used. However, these figures are not reported at the disaggregated firm level. Hence, here the number of total mandays worked is taken as a proxy. To account for the material costs the purchased value of total inputs is considered. Here, information is reported on imported inputs as well. Since only a subset of firms make use of imported inputs in leather production, hence, for them the value of total input and otherwise, the value of indigenous inputs has been considered to retain larger number of observations.

Table 5: Distribution of Output-Oriented Technical Efficiency Scores for Selected Years: Leather and Leather Products

Class Boundaries of TE Score	Frequency			Cumulative Relative Frequency (%)		
	1990-91*	1999-00	2005-06	1990-91*	1999-00	2005-06
0.000-0.050	16	3	11	3.00	0.94	1.75
0.050-0.100	9	3	16	4.69	1.88	4.29
0.100-0.150	7	4	42	6.00	3.13	10.97
0.150-0.200	5	4	50	6.94	4.38	18.92
0.200-0.250	13	3	46	9.38	5.31	26.23
0.250-0.300	13	6	39	11.82	7.19	32.43
0.300-0.350	21	17	38	15.76	12.50	38.47
0.350-0.400	32	26	42	21.76	20.63	45.15
0.400-0.450	72	33	32	35.27	30.94	50.24
0.450-0.500	119	31	38	57.60	40.63	56.28
0.500-0.550	84	29	29	73.36	49.69	60.89
0.550-0.600	49	23	28	82.55	56.88	65.34
0.600-0.650	22	20	34	86.68	63.13	70.75
0.650-0.700	23	19	36	90.99	69.06	76.47
0.700-0.750	16	14	31	94.00	73.44	81.40
0.750-0.800	8	13	32	95.50	77.50	86.49
0.800-0.850	5	18	15	96.44	83.13	88.87
0.850-0.900	1	5	8	96.62	84.69	90.14
0.900-0.950	3	5	9	97.19	86.25	91.57
0.950-1.000	15	44	53	100.00	100.00	100.00
Total	533	320	629			

Figure 3: Bar Diagram of Relative Efficiency Score



Considering the situation prevailing in 1990-91, the pre-reform, pre-WTO year, an assessment of the impact of WTO on the leather manufacturing units may be carried out. From Table 4 a few interesting features of the sector is apparent:

(a) the total number of active firms reduced significantly, from 533 in 1990-91 to 320 in 1999-2000, after the initiation of WTO; however, distinct sign of coping is suggested by the figures of 2005-06, where the total number has gone up to 629. (b) Between 1990-91 and 1999-2000, both the mean and median scores have improved and the increase in median is higher than that of mean (see table-5), indicating an overall improvement in relative performance. Combining observations one and two it may be concluded that relatively more efficient firms stayed in the market and the others from the lower end stopped production. In the year 2000 the TBT agreement was accepted in WTO imposing further regulatory constraints on the production process of the sector. This policy initiative might have encouraged the sector to look for advanced methods and the total participation picked up by 2005-06, with more firms in the lower range of technical efficiency and an overall decline in both mean and median efficiency scores. It may be interesting to recall here that around this time the regression analysis presented at the industry level with interaction dummy between total factor productivity and post TBT regime of WTO, (D2[lnAt]), rejected the hypothesis of CRS and showed a negative impact of this phase on gross value added of the industry supporting the possibility of the entry of newer firms in the sector with low level of initial efficiency. Figures 3 and 4 lends more support to this claim showing that compared to 1999-00 the ogive plot of cumulative relative frequency for 2005-06 showed an overall dominance indicating more concentration of the firms at both the extremes.

Figure 4: Cumulative Relative Frequency of TE Score

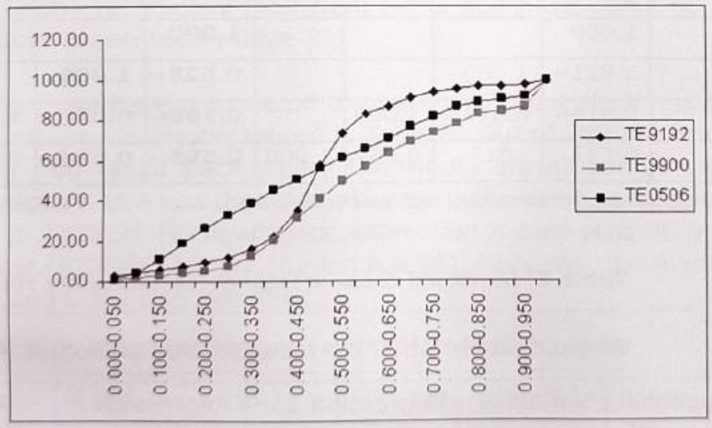


Table 6: Descriptive Statistics of Relative Frequency Distribution of TE

Descriptive Statistics	1990-91	1999-2000	2005-06
Mean	0.481	0.592	0.478
Median	0.478	0.553	0.442
Standard Deviation	0.182	0.239	0.273
Skewness	0.016	0.164	0.335
Range	0.999	0.999	1
Count	533	320	629

Source: Calculated from Table-5

The mean value of TE score has gone up to 0.592 in 1999-2000 from a lower average value of 0.481 in 1990-91. The median also increase over the same period but the median value fell short of the mean value indicating a presence of positive skewness. In 2005-06 information is available on a larger number of firms and there is a substantial decline in the average technical efficiency score. To shed more light into the real situation next we will concentrate on the high efficiency units (with TE score equals unity) and the rest (with TE score less than unity) where for the former group of firms we will check the age and size structure to explore whether they have any relation with the efficiency-status and for the latter the nature of slack inefficiency would be analyzed[9]. The change will help us to isolate the impact of WTO regime on the leather manufacturing firms of India.

To capture the influence of age and size on the technical efficiency we have taken two alternative representations of firm-size, viz., size of fixed asset and size of employment. In 1990-91 total number of efficient firms was only 13 out of 533 (i.e., 2.44%) and it went up to 38 out of 320 (i.e., 11.88%) by 1999-2000. After the introduction of SPS-TBT bans, out of 629 firms in 2005-06, only 44 were efficient (i.e., 7.0%). Since we have detailed firm-level ASI data available for the last two years, an attempt is made to study the influence of size vis-à-vis age on the ability to cope with the changing policy environment. To do that we have carried out some correlation and regression analyses. Pair-wise correlation between the value of output (Y), labour input (L), capital input (K) and age of the firm (A) for all technically efficient firms lying on the production frontier for both 1999-2000 and 2005-06 are reported in Table-7.

Table 7: Correlation Matrix for Technically Efficient Firms

Variable	1999-2000				**2005-06**			
	Y	K	L	A	**Y**	**K**	**L**	**A**
Y	1.000				**1.000**			
K	0.811**	1.000			**0.628****	**1.000**		
L	0.814**	0.613**	1.000		**0.768****	**0.876****	**1.000**	
A	0.137	-.011	0.057	1.000	**0.595****	**0.654****	**0.610****	**1.000**

Source: DEA results; **: statistically significant at 5% level;

Table 8: Structural Break in Leather Manufacturing Firms

Dependent Variable: Ex–factory Value of Output (Y)			
Independent Variables	Regression 1 1999-2000	Regression 2 2005-06	Regression 3 Pooled
Fixed Asset (K)	11.77***	1.34***	2.04***
Age (A)	5363538	1.01e+07**	5375351
Observations	38	44	82
R^2	0.661	0.428	0.326
RSS	2.3645e+18	4.3668e+18	1.1215e+19

**statistically significant at the 5% level

It is interesting to note that size had definite influence on the ex-factory value of output even in 1999-2000 but age of the firm has started playing significant role only in recent time. However, in the post-TBT period the older firms coped better with the new regulatory regime as age started showing high correlation with the output performance of the firms. In fact, immediately after globalization there was a tendency of the dirty production processes to shift to the less developed economies to avoid stringent regulatory controls of the North. So, a number of new firms made hit and run entry in the leather sector (a red category sector) to make quick profit. Here age did not come as a barrier to success. However, after the introduction of SPS-TBT agreement in 2000, strong controls are imposed by WTO on the techniques of productions to be adopted by the member countries. With this technological monitoring the more established and matured firms found themselves in better position to cope with the challenge. This indicates the possibility of a definite structural break for the industry and taking K as the representation of firm size we have carried out Chow-test. The results are reported in Table-8.

Both fixed asset and age contributed favourably towards the performance of the efficient firms in 2005-06. However, the influence of age was not statistically significant in 1999-2000. Combining these regressions the Chow-test for structural change has been carried out and the F-value turned out to be significant at 5% level confirming the surmise of structural break.

$$F_{k,(n_1+n_2-2k)} = \frac{(RSS_P - (RSS_1 + RSS_2))/3}{(RSS_1 + RSS_2)/76} \approx F_{3,76} = 11.98**$$

Finally, we turned to the technically inefficient firms and have come up with some interesting observations presented in Table-9.

For the inefficient firms we have considered the nature of input slack and radial slack and the decomposition results are presented in Table-9. Out of 282 inefficient firms in 1999-2000, 23.76% had redial slack where the inputs are all combined in correct proportion but the output is at a less than desirable level. The same percentage has gone down to 8.38% only in 2005-06. For input slack, estimation is done separately for Material input (M), capital input (K), Labour input (L) and Age (A). Moreover, the number of firms with slack in both K and L are also identified.

Table 9: Structural Break in Leather Manufacturing Firms

Input Slacks	Material (%)	K (%)	L (%)	Both K&L (%)	A (%)	Radial Slack	Total [1]
1999-00	12 (4.26)	143 (50.71)	65 (23.05)	21 (7.45)	70 (24.82)	67 (23.76)	282
2005-06	27 (4.62)	213 (36.41)	287 (49.06)	84 (14.36)	398 (68.03)	49 (8.38)	585

Since the procurement of material is generally done after obtaining the order and there is little scope for binding pre-commitment for this input, hence relatively lesser number of firms has shown slack in this count. In terms of relative position the share of material slack is more or less unchanged, slack in capital has gone down and slack in labour has gone up.

One reason may be the new investment with relatively modern technology calls for more skilled labour and adaptation in this count is relatively time consuming. The most interesting feature of the data is a tremendous increase in age slack indicating the pivotal role of experience and maturity in coping up with this changing scenario. In fact, in case of leather manufacturing, new firms, even when entering with modern technology, given the traditional nature of the production nexus it takes a reasonable gestation period for them to gain technical efficiency. Hence the age slack is the most compelling slack in most of the cases in 2005-06 whereas the radial slack (where the firms are using optimal input proportions but producing less than maximum level of output) is much more nominal, i.e., only 8.38% compared to 1999-2000 (i.e., 23.76%). Thus, firms are on the whole on right track and with maturity the efficiency profile of the industry is expected to improve further.

Concluding Observations

The sustained policy support at the domestic level as well as international pressure on the adoption of greener technology in the post-WTO regime has encouraged as well as compelled the leather industry to cope with the globally recommended standards. Consequently, the industry gained competitiveness in the international market and its commodity composition has changed from low value semi-finished leather to high value leather products (Sanyal, Banerjee & Majumder 2010). The major production of the sector concentrates around tanning and finishing of leather as well as manufacturing of leather products like garments, bags, wallets, belts, gloves, accessories, saddlery and harness and last but not the least leather footwear and components.

On the basis of ASI data it has been shown in this paper that though the series of Gross Value Added in Leather and Leather Product is stationary only at first difference but the series is co-integrated with that of the total factor productivity growth and, hence the sector is showing definite signs of coping with the recent challenges extended by the TBT agreements of WTO in a globalized setting. The production function estimates show definite improvements in both capital and labour productivity along with the total factor productivity and especially in the post WTO regime the CRS specification is statistically rejected. There is strong evidence of increasing returns to scale. At the firm level analysis the output oriented technical efficiency is measured and a very important factor influencing efficiency is identified as the age of the firm. The already established firms are more efficient compared to the new entrants and there is definite sign of structural break in the production side confirmed by the Chow-test. Finally the pattern of inefficiency is also explored and it is observed that the relative slack in capital has been lowered in recent time indicating the inflow of adequate investment in the sector. Over time the new entrants will also become more matured and experienced and the sector will pick up with the buoyant world trend.

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Corporate Governance: Models and Mechanisms

P. Paramashivaiah

Abstract

The Societies of developed countries of the 21st century live in unprecedented prosperity. These nations have produced the highest standard of living for the most people in the history of the world. The concept of efficacy of the invisible hand led logically to a second notion that individuals attempts to pursue their separate interests, their intersections of their interests and objectives result in a natural state of competition. Specifically in the realm of business, we mean by this competition of raw materials, labor, customers and investment capital. This competitive environment leads to a "survival of fittest". While some people may fear this relentless ferreting out of the less efficient, it is perhaps the most energizing aspect of our system of free enterprise and competition. With the development of the economic system, enterprises of size and complexity not previously thought possible flourished. Without an effective system of governance, there would be chaos in organizations. It is the governance that brings order out of chaos. The issue of corporate governance continues to attract considerable national and international attention. This paper presents the mechanism/models of Corporate Governance of Organizations in various countries related to the activities of organizations that are conducted through structures that may lack transparency, or in jurisdictions that pose impediments to information flows and various other aspects that impedes the normal functioning of the organizations.

Key words

Corporate governance, Stakeholders, OECD, Economic system, California Public Employees' Retirement System (CalPers), Financial crisis, etc.

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Introduction

Corporate governance is typically perceived by academic literature as dealing with "problems that result from the separation of ownership and control". From this perspective, corporate governance would focus on: the internal structure and rules of the board of directors; the creation of independent audit committees; rules for disclosure of information to shareholders and creditors; and, control of management. A recent academic survey began with the following quote:

"Corporate governance deals with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment. How do the suppliers of finance get managers to return some of the profits to them? How do they make sure that managers do not steal the capital they supply or invest it in bad projects? How do suppliers of finance control managers?"

- From this point of view, corporate governance tends to focus on a simple model:
- Shareholders elect directors who represent them.
- Directors vote on key matters and adopt the majority decision.
- Decisions are made in a transparent manner so that shareholders and others can hold directors accountable.
- The company adopts accounting standards to generate the information necessary for directors, investors and other stakeholders to make decisions.
- The company's policies and practices adhere to applicable national, state and local laws.

International Perspective on Corporate Governance

Over the last two decades a series of events have placed corporate governance issues as a top concern for both the international business community and the international financial institutions. Spectacular business failures such as the infamous BCCI scandal, the United States' savings and loan crisis, and the gap between executive compensation and corporate performance drove the demand for change in developed countries. More recently, several high profile scandals in Russia and the recent Asian crisis have brought corporate governance issues to the fore in the developing countries and transitional economies. Further, national business communities are learning and re-learning the lesson that there is no substitute for getting the basic business and management systems in place in order to be competitive internationally and to attract investment. As a result, the World Bank, the Organization of Economic Cooperation and Development, most of the regional development banks, and the various national development agencies have either launched or expanded programs in this area in the last several years. Similarly, business-related organizations like the Center for International Private Enterprise, an affiliate of the US Chamber of Commerce, have placed corporate governance at the top of their list of concerns. Think tanks and business associations throughout the developing world and in the transitional economies are also focusing resources on these issues. In developing countries, the roots of what is now recognized as corporate governance type issues can be found in the drive for privatization that grew in the late 1970s and throughout the 1980s. Clearly, creating a sound corporate structure should have been central to the success of privatization both from the point of view of the government seeking to sell the firm and from the point of view of the potential investors. In fact, some of the most telling failures in the early privatization experiences can be traced back to a lack of sound regulatory structures that allowed unwise business practices. Chile comes to mind in this respect. In the mid-1970s, Chilean business groups were able to purchase banks, often with only 20 percent initial payments. In 1982, Chile experienced an economic crisis generated by a combination of external shocks and an overvalued exchange rate. The business groups responded by using their banks to shore up the firms which led both into even more serious trouble. Finally, the government responded by re-nationalizing a host of firms and banks.

The fall of the Berlin wall and the drive to rapidly privatize the entire business structure of the post-communist economies began to increase interest in corporate governance as a development topic. As a start, state owned firms had to be corporative, i.e. converted from a governmental type structure to a corporate form. Second, the whole body of commercial law had to be put into place including bankruptcy, laws on property, accounting systems, and a host of other rules of the game. Most dauntingly, talent had to be nurtured. Few individuals had any experience as members of a board of directors. It is perhaps not surprising that the countries that rushed into large-scale privatization, especially the Czech Republic and Russia; have experience large scale corporate governance failures including asset stripping and fraud. Hungary, which chose to sell its firms to international strategic investors, and Poland, which chose to delay privatization of large companies, have had better results. Today, however, all of the post-communist countries have to come to grips with the need to substantially improve corporate governance standards and practices.

The Asian financial crisis has now driven the process worldwide much further. One of the lessons learned out of the crisis is that weak or ineffective corporate governance procedures can create huge potential liabilities for both individual firms and, collectively, for society. In this sense, corporate governance failures can potentially be as devastating as any other large economic shock. As Mr.Chatu Mongol Sonakul, the Governor of the Bank of Thailand has observed that the corporate governance is at the very heart of the development of both a market economy and a democratic society. That view may be a bit of a surprise to those who think mainly of corporate governance as the issues of shareholder protection, management control, and the famous principal-agent problems of such concern to management and economic theorists. The focus of the study is the concept of corporate governance as a key feature of the market system of competitive enterprise. In addition, the study shows why corporate governance should also be of direct concern to those focusing on democratic development especially rule of law issues. Corporate governance ultimately depends upon public-private sector cooperation to achieve both goals--the creation of a competitive market system and the development of law-based democratic society.

These concerns are not limited to developing countries, even in the advanced industrial societies, there is a global trend toward strengthening corporate governance. In the United States, there is mounting concern over the "independence" of independent audits as witnessed in the recent publicity surrounding violations of rules prohibiting auditors to invest in companies that they audit. In all of these cases, the underlying concerns center on ways to accomplish the core values of corporate governance including transparency, accountability, and building value.

Focusing on these types of internal control processes is quite natural when the subject is corporate governance within the advanced market economies. Although there are considerable differences between the Anglo-American, German, Japanese, and other systems, they all share the luxury of defining the subject of corporate governance within the context of functioning market systems and highly developed legal institutions.

When the subject of corporate governance arises in the context of transitional or developing countries, it involves a much wider range of issues. The recent Asian economic crisis, the continuing turmoil in Russia, and the recent experience of the Czech economy have combined to push the issue of corporate governance from the sidelines to center stage. In Asia, what began as a financial crisis is now viewed to be a crisis of corporate transparency involving relationships between government and business, between holders of debt and equity, and the legal remedies for bankruptcy and cronyism. Further the lack of adequate institutions in Russia have resulted in several highly publicized cases involving allegations of asset stripping, stock register manipulation, and fraud. The Czech Republic privatization program has demonstrated the weakness of the voucher method in the absence of sound corporate governance mechanisms since it resulted in a lack of corporate restructuring and a consequent decline in competitiveness.

Each of these issues poses grave challenges for both the functioning of a market economy and a democratic society. Solving corporate governance problems such as those listed above involves going beyond a narrow view of how owners and managers of capital interrelate. In developing or transitional economies, the standard definition should be supplemented by placing it in context as follows:

Corporate governance systems depend upon a set of institutions (laws, regulations, contracts, and norms) that create self-governing firms as the central element of a competitive market economy. These institutions ensure that the internal corporate government procedures adopted by the firms are enforced and that management is responsible to owners (shareholders) and other stakeholders.

The key point in this context is that the public and private sectors have to work together to develop a set of rules that are binding on all and which establish the ways in which companies have to govern themselves.

Creating New Norms

Transitional economies have to make fundamental changes in the relationship between citizens and the state in order to create market economies. The clear understanding in a market-oriented society (i.e. non-statistic) is that all actions not forbidden by law are allowed. That expectation is at the heart of private, individual initiative. The converse rule has been applied in command economies and in economies with a statistic tradition. That is, only those actions specifically authorized by law, regulation, or written permission are allowed.

Building a market economy requires a complete overhaul of legal norms to allow for innovation and initiative rather than predefining areas of allowable activity. That is why corporate governance should be thought of as a mechanism for creating self-governing organizations. However, it is equally important to emphasize that a market economy is not simply the absence of governmental intervention.

How often has it been said that, "the government should get out of the way and let the market function?" Of course, that idea is a myth. Government is absolutely essential in setting up the framework of a market economy. Without rules and structures of a binding nature, anarchy results. Under such conditions business becomes nothing but "casino capitalism" where investments are simply bets: bets that people will keep their word, bets that the firms are telling the truth, bets that employees will be paid, and bets that debts will be honored. What corporate governance is all about in larger terms is how a structure can be set up that allows for a considerable amount of freedom within the rule of law. Ultimately, these arrangements provide the basis for the establishment of trust, one of the most important ingredients in business.

Organization for Economic Co-operation and Development(OECD) Principles

A useful first step in creating or reforming the corporate governance system is to look at the principles laid out by the OECD and adopted by the governments which are members of the OCED itself. The OECD principles include the following elements. The Rights of Shareholders: These include a set of rights including secure ownership of their shares, the right to full disclosure of information, voting rights, participation in decisions on sale or modification of corporate assets including mergers and new share issues. The guidelines go on to specify a host of other issues connected to the basic concern of protecting the value of the corporation.

The Equitable Treatment of Shareholders: Here the OECD is concerned with protecting minority shareholders rights by setting up systems that keep insiders, including managers and directors, from taking advantage of their roles. Insider trading, for example, is explicitly prohibited and directors should disclose any material interests regarding transactions.

The Role of Stakeholders in Corporate Governance: The OECD recognizes that there are other stakeholders in companies in addition to shareholders. Banks, bond holders and workers for example are important stakeholders in the way in which companies perform and make decisions. The OECD guidelines lay out several general provisions for protecting stakeholder interests.

Disclosure and Transparency: The OECD also lays out a number of provisions for the disclosure and communication of key facts about the company ranging from financial details to governance structures including the board of directors and their remuneration. The guidelines also specify that annual audits should be performed by independent auditors in accordance with high quality standards.

The guidelines provide a great deal of detail about the functions of the board in protecting the company, its shareholders, and its stakeholders. These include concerns about corporate strategy, risk, executive compensation and performance, as well as accounting and reporting systems.

The OECD guidelines are somewhat general and both the Anglo-American system and the Continental European (or German) systems would be quite consistent with them. However, there is growing pressure to put more enforcement mechanisms into those guidelines. The challenge will be to do this in a way consistent with market-oriented procedures by creating self-enforcing procedures that do not impose large new costs on firms. The following are some ways to introduce more explicit standards:

• Countries should be required to establish independent share registries. All too often, newly privatized or partially privatized firms dilute stock or simply fail to register shares purchased through foreign direct investments.

• Standards for transparency and reporting of the sales of underlying assets need to be spelled out along with enforcement mechanisms and procedures by which investors can seek to recover damages.

• The discussion of stakeholder participation in the OECD guidelines needs to be balanced by discussion of conflict of interest and insider trading issues. Standards or guidelines are needed in both areas.

• Property rights.

• Internationally accepted accounting standards should be explicitly required and national standards should be brought into alignment with international standards.

Internal company audit functions and the inclusion of outside directors on audit committees' needs to be made explicit. The best practice would be to require that only outside, independent directors be allowed to serve on audit committees. A good example of model corporate governance procedures that builds on many of these points is the General Motors guidelines which are frequently used as a code of corporate governance by others. Interestingly, the pension funds have also become a major source of improved corporate governance along the same lines. Specifically, the California Public Employees' Retirement System (CalPers) has developed a very active program to promote good corporate governance and they, along with other pension funds, are using their investment clout to force change. CalPers' has taken this approach in order to increase the returns on their investments by ensuring that the firms are well run and that corporate strategies are well thought out. As more and more pension fund investments flow into developing countries, these funds can be expected to make similar demands in these countries. Some may think that these standards are too heavily influenced by the Anglo-American tradition and are not really necessary in most countries. A recent study by the Center for European Policy Studies noted that the wider the distribution of shareholding, the greater is the role of the market in the exercise of corporate control. Hence there is more need for corporate governance procedures in this type of economy than in one where shareholding is relatively concentrated. The report went on to note, however, that financial market liberalization, increased privatization, and the growing use of funded systems to support pensions is driving European countries toward more explicit and more comprehensive rules on corporate governance. In short, globalization is forcing convergence of different systems into a more open and internationally accepted set of standards. The reason why it is important to take note of the trends toward convergence is that many people have cited the European experience as proof that corporate governance issues only apply to countries that follow an Anglo-American tradition, such as India for instance. Recent history would seem to show that, without sound corporate governance procedures, including the larger institutional features mentioned earlier, economic crises in developing countries are likely to become more frequent. Many developing countries face rather stark choices: create the type of governance procedures needed to participate in and take advantage of globalization, run the risk of severe (and frequent) economic crises, or seek to build defensive walls around the economy. It should be noted that the last option usually entails the risk of keeping out investors, new technologies, and lowers growth rates dramatically.

Another consideration in the debate over corporate governance systems is the risk that individual firms face. Unless a company is able to build the kinds of governance mechanisms that attract capital and technology they run the risk of simply becoming suppliers and vendors to the global multinationals.

Benefits to Society

A strong system of corporate governance can be a major benefit to society. Even in countries where most firms are not actively traded on stock markets, adopting standards for transparency in dealing with investors and creditors is a major benefit to all in that it helps to prevent systemic banking crises. Taking the next step and adopting bankruptcy procedures also helps to ensure that there are methods for dealing with business failures that are fair to all stakeholders, including workers as well as owners and creditors. Without adequate bankruptcy procedures, especially enforcement systems, there is little to prevent insiders from stripping the remaining value out of an insolvent firm to their own benefit. Recent research has also shown that countries with stronger corporate governance protections for minority shareholders also have much larger and more liquid capital markets. Comparisons of countries that base their laws on different legal traditions show that those with weak systems tend to result in most companies being controlled by dominant investors rather than a widely dispersed ownership structure. Hence, for countries those are trying to attract small investors--whether domestic or foreign--corporate governance matters a great deal in getting the hard currency out of potential investors' mattresses and floorboards.

Many economists and management experts make the point that competition in product markets and competition for capital act as constraints on corporate behavior, in effect forcing good corporate governance. The fact that pension funds such as CalPers have had to take a very active role in improving corporate governance would seem to contradict this point. However, whether or not this is really the case in developed market economies, competition is surely a much smaller factor in transitional and developing countries. In many developing countries, competition in product or goods markets is quite limited, especially where significant regulatory barriers exist. These realities further underscore the importance of adopting the best possible corporate governance systems in countries where the market system is underdeveloped.

Corporate governance is also directly related to another topic that has emerged to a position of great prominence world wide - combating corruption. In many societies this is not a subject that is easy to deal with, both because of political sensitivities as well as potential legal action. Yet corruption has to be dealt with in order to secure a position in the global economy and to secure the benefits of economic growth. The recent signing of the OECD anti-bribery convention is the beginning, not the end, of a concerted global anti-corruption campaign. Efforts to improve corporate governance, especially in the provision of transparency in corporate transactions, in accounting and auditing procedures, in purchasing, and in all of the myriad individual business transactions is a large scale effort. Nevertheless, strengthening the corporate governance standards along lines suggested above would be one place to start.

Improving corporate governance procedures can also improve the management of the firm, especially in areas such as setting company strategy, ensuring that mergers and acquisitions are undertaken for sound business reasons, and that compensation systems reflect performance. It is also important to note that good corporate governance systems also have to include improvements in management systems. In many developing countries, there has been a tradition of very centralized management usually involving the owners of the firms directly. Throughout Latin America, for example, the family business groups have tended to dominate the business landscape. This is now changing rapidly as a result of financial globalization, adherence to the World Trade Organization's liberalization rules, and the increasing integration of Latin America's regional markets. As a result, Latin America's firms are increasingly adopting modern management techniques, financial accounting systems, and business strategies. All of this requires delegation of authority, paying increased attention to developing highly trained staff, and use of management information systems in lieu of the older centralized decision making structures. It is highly probable that these trends will force similar changes throughout the Middle East.

Conclusion

One way to sum up the concept of corporate governance is to look at it from the perspective of the corporate director. Increasingly directors are being held liable for their actions or inaction, at least in the developed countries. What then does a director need to be able to function and have a balanced view of the firm? According to one seasoned corporate director, the following is the minimum essential information:

- Operating systems, balance sheets, and cash flow statements that compare current period and year-to-date performance to target performance and previous year performance.
- Management comments about current performance that focuses on explaining the deviations from the target performance and revise performance targets for the remainder of the year.
- Information on the company's market share.
- Minutes of management committee meetings.
- Financial analysts' reports for the company and its major competitors.
- Employee attitude surveys.
- Customer preference surveys.
- Key media articles on the company, its major competitors, and industry trends.

The list not only sums up the key responsibilities of a board by showing the kinds of information that a board should review and disclose. These concerns reinforce the argument that corporate governance reflects the underlying systems of law and regulation. Most importantly, without sound and accurate accounting systems, how could the director function? The list also points up that good corporate governance will bring with it modern management systems. For example, reviewing the minutes of the management committee meetings implies that a functioning management committee system is in place with delegation of authority and accountability.

Investors, creditors, workers, and others also need such information. Unlike the corporate director, they do not have the time or resources to compile and analyze the information needed to make sound decisions. This is where the media, especially the financial media, comes into the picture. A vigorous and well informed journalist community is essential for the small investor and for the other stakeholders in society, including employees. Creating sound system of corporate governance is a high priority for both the public and the private sectors. However, there may be a temptation for the private sector to just say, "well, we'll let the government work this out and then we'll follow the results." In some cases, there may also be a temptation--especially for the countries with protected markets and a large state sector --to put off corporate governance reform until after the privatization process and other types of reforms are fully completed. Experience would indicate that this would be a very unfortunate decision. Both the private and public sectors have much to gain by setting up clear and simple rules for all to follow. A sound corporate governance structure will be a great inducement to international trade and investment.

In addition, sound corporate governance systems are a major advantage to those countries seeking to fight corruption. In this sense, good corporate governance is a way for the private sector to protect itself from outside demands and for the public sector to prevent undue influence in governmental decision making.

However, it is vital to avoid simply copying other countries systems or asking foreign experts to write model laws. Although the foreign donor community often pushes this type of approach, it should be resisted. Throughout Central and Eastern Europe a network of extremely capable policy research institutes, think thanks, has been formed and others will surely follow. Many of these centers have been formed with the backing of the business leadership and are in a position to devise, adapt, and advocate for systems that will be appropriate to the status of each country. In the process, not only will the resulting policy reforms advance better systems of corporate governance, they will point to the need for other reforms. The need for adoption of modern management systems including areas such as knowledge management and strategic planning will become more apparent in the process. As more and more countries in the region enter the WTO process and further their participation in the global market, the demand for corporate governance will surely grow. It's up to the policy research centers, the national business associations, and others in civil society to work with governments to craft the best national systems.

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CSR: An Overview of the Performance of IISCO Steel Plant (ISP)

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Abstract

Since the last quarter of the twentieth century, increasing concerns over the influence and impacts of the corporate bodies at the backdrop of globalization and market capitalism have led to new demands for corporations to play a central role in efforts to eliminate poverty. This would result in equitable and accountable systems of governance and ensure environmental security. The Corporate Social Responsibility (CSR) approach in business ethics views business as an integral part of the society and finds ways to maximize the positive payback that business endeavour can add to wealth and welfare of the society whilst minimizing the harmful impacts of irresponsible business. CSR is an expression used to describe what some see as a company's commitment to be sensitive to the needs of all legitimate stakeholders to take into account not only in respect of the economic dimension in decision making, but also the social and environmental security. CSR connects business with the society and Steel Authority of India (SAIL) has been practising CSR right from its inception. SAIL was founded with well-articulated socio-economic objectives towards the people of India, i.e., employees, customers, suppliers and community. The credo of SAIL successfully highlights the commitment towards society at large which states inter-alia "We value the opportunity and responsibility to make a meaningful difference in people's life". As a promising unit of SAIL, IISCO Steel Plant (ISP),Burnpur has established its CSR department in 2007 for successfully implementing various peripheral development activities which include education, medical and health care, roads, access to water facilities, cultural and recreational facilities etc. Against this background the present paper is an attempt to account for the performance of the CSR department of ISP, Burnpur in the sense of its activities along with a study of the reactions of the beneficiaries.

Key words

CSR, Business Ethics, Symbiosis, ISP, IISCO, NGO, Symbiosis, Stakeholders, Strategic, SAIL

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Introduction

CSR concerns with business ethics. Business ethics is a branch of functional ethics that examines the ethical principles in the context of moral conflicts in a business environment. In the words of Crane and Matten, "Business ethics is the study of business situations, activities and decisions where issues of right and wrong are addressed" (Crane and Matten, 2007). Business ethics provides us a frame of reference to assess the benefits and harms associated with alternative ways of managing business situations. Modern pluralistic societies demand for more ethical commitment on the part of the corporations because of their all-encompassing influence and impact upon the society both in terms of wealth and welfare. Sharing the fruits of development by each and every member of the society is a basic human right and hence, in the present world, corporations can not deny their role towards empowering the people to lead a kind of life they deserve. The business enterprise is an institution of the society, by the society and to serve the society because society provides it all the required input, grants the right to exist and to do business. To quote Ray Carroll, "Business relies on society's educational system to provide it with employees, on society's maintenance and transportation system, on a stable social and political setting in which to conduct business and a legal system to settle disputes. In return for special rights, privileges and protection, a duty is owed to all of society" (Carroll, 1998).

Emergence of CSR

The idea of Corporate Social Responsibility (CSR) is not a new one. The 'soul' of CSR is what Rousseau, the great political philosopher, understood to be "the social contract" between business and society. Rousseau conceptualized the attachment between business and society in the sense of "symbiosis". The Greek word 'symbiosis' refers to "co-living and co-existence of two parties in a mutually advantageous relationship".

A comparative concern for this 'symbiosis' can be traced back to 1930s with the famous Berle-Dodd debate (Friedman and Miles, 2006). The generally accepted notion of this debate identifies Adolf Berle as the original advocate of shareholder primacy while recognizing E. Merrick Dodd as the original ancestor of today's corporate social responsibility. However, later research work revealed that both of them acknowledged the co-existence of shareholder primacy and social responsibility of business.

Chester Barnard's 1938 publication, "The Functions of the Executives" after eight years of the "Berle-Dodd debate", J.M.Clark's "Social Control of Business" in 1939 and Theodore Krep's, "Measurement of the Social Performance of Business" published in 1940 were the three worth-noting early references to the CSR literature. Though scholarly literature dates back to 1930s and 1940s the 1950s saw the start of the modern era of CSR. In 1953, Howard Bowen's path-breaking book "Social Responsibilities of the Businessman" marks the beginning of the literature of what we call today as "Corporate Social Responsibility" and in this respect Caroll's argument of recognizing Bowen as the Father of CSR (Caroll, 2008) is defensible.

CSR approach views business as an integral part of the society and finds ways to maximize the positive benefits a responsible business can add to social welfare apart from its economic value maximization agenda. In the words of Eels and Walton, "In its broadest sense, corporate social responsibility represents a concern with the needs and goals of the society which goes beyond the merely economic. Insofar as the business system as it exists today can only survive in an effectively functioning free society, the corporate social responsibility movement represents a broad concern with business's role in supporting and improving that social order"(Eels and Walton,1974).

The agenda resulted from these concerns have variously been called as 'Business Social Responsibility' (BSR), 'Social Responsibility' (SR), Corporate Social Responsibility (CSR), Corporate Social Performance (CSP), 'Corporate Citizenship' (CC), 'Corporate Accountability' or simply 'Corporate Responsibility'. However, CSR is an expression used to describe what one can see as a company's commitment to the needs of all legitimate stakeholders to take into account not only the economic dimension in decision making, but also social and environmental security.

The practice of CSR is subject to much debate and criticism. Proponents argue that there is a strong business case for CSR, based on the idea that what is good for the workers, the environment and the community is also good for the financial performance of the business. In a recent global survey conducted by PricewaterhouseCoopers jointly with World Economic Forum, it is found that in an opinion poll of 1100 CEOs more than two-thirds believed that proper exercise of CSR is important to profitability and can prevent the loss of customers, shareholders, and even employees (TERI, 2004). Critics argue that CSR is contrary to the fundamental economic role of business and in the true sense any social responsibility expenditure was in fact a tax levied by managers on shareholders and that any manager who committed corporate resources to social responsibility was taking on a government function that he was neither elected nor competent to perform (Friedman, 1988). However, since the last quarter of the twentieth century, increasing concerns over the impacts of economic globalization have led to new demands for corporations to play a central role in efforts to eliminate poverty, to achieve equitable and accountable systems of governance and to ensure environmental security. CSR is moving towards full integration with strategic management and corporate governance (Caroll, 2008). The phenomenal rise of CSR to prominence in the 1990s and 2000s suggests that it is a relatively new area of academic research (Crane et al, 2008).

Objective and Methodology of the Study

Against the aforesaid backdrop the objective of the present study is to investigate the performance of the CSR activities of ISP, Burnpur since it has started practising CSR by establishing a separate department for this purpose in 2007. While conducting the study, both primary and secondary sources of data have been utilized. Primary data have been collected through interview of the respondents, reports of committees and commissions appointed by the Government, Government publications, and newsletters issued by the company. Secondary sources include newspapers, monographs, published books and scholarly articles published in journals and periodicals. The survey has been conducted among sixty beneficiaries of three work areas of the CSR department of ISP. These three work areas are Gutgutpara (Ward No-46 under Asansol Municipal Corporation, i.e., AMC), Haramdihi (Ward No-37 of AMC) and, Kakardanga (Ward No-47 of AMC). Data have also been collected through interviewing the school authority of two primary schools, namely, St John Missionary Primary School, New Town, Burnpur, and Swami Vivekananda Primary School, Chelidanga, Asansol and the concerned officials of the CSR department of ISP, Burnpur.

Profile of ISP

Asansol, in the industrial map of West Bengal, constitutes an important mark. It is the second largest city next to Kolkata in the state and ranks twenty-third in India, located on the western part of the district of Burdwan in the state of West Bengal. Primarily located in a coal field area Asansol is well-known as one of the steel producing zones of the state and the leading steel producing concern is IISCO Steel Plant (ISP).

ISP has a significant impact on the economy of this industrial city. Initially ISP was a private venture company named IISCO that started its hot metal production in the year 1922 and steel production in 1939. The plant was taken over by Government of India in July 1972 on account of its poor performance in terms of production and regular maintenance work. ISP became wholly owned subsidiary of Steel Authority of India Limited (SAIL) since 1979.

Various proposals for modernization of IISCO have been undertaken by various agencies over the last thirty years, the first being in 1977. However, none of the proposals for technological upgradation (popularly known as modernization) of IISCO was sanctioned for implementation. Joint venture participation for modernization of IISCO has also been tried over in the last few years. The company was declared as a sick industrial unit by the BIFR on 17th August 1994.

But since 2000 IISCO has revived its position. Presently it has two working units- one is in Burnpur and the other is in Kulti. The plant has been modernized thoroughly and the production capacity has been expanded to a large extent and the production capacity will be raised to 2.5 M.T. by 2011-2012. ISP, Burnpur has been accredited with ISO 9001: 2000 QMS for its heavy structural mill and merchant and rod mill. It had also been accredited with ISO 1401: 2004 EMS for its entire Rolling Mill complex.

SAIL & CSR

CSR connects business with the society and Steel Authority of India (SAIL) has been practicing CSR right from its inception. SAIL was founded with well-articulated socio-economic objectives towards the people of India i.e., employees, customers, suppliers and community. The credo of SAIL specifically highlights the commitment towards society at large which states inter-alia: "We value the opportunity and responsibility to make a meaningful difference in people's life".

A lot of work has been done to improve the quality of life in and around the plants/units and townships. SAIL has taken effective measures in the field of environment conservation, health and medical care, education, women upliftment, providing potable drinking water and ancillary development. By addressing systematically a gamut of issues such as health and medical welfare, education, access to water, sanitation, power and roads, women's empowerment, generation of employment, electricity, sports, culture etc., at each of its plants and units, SAIL has contributed immensely to the socio-economic development of its peripheral areas. By partnering creatively with small, local entrepreneurs, NGOs, State Government and the Centre, SAIL has ensured that the benefits arising out of its activities actually reach the grass root level and not merely remain in black and white.

SAIL is committed in its efforts to linking business opportunity and corporate responsibility in ways that fulfill one of SAIL's core purposes, that is, "to make a meaningful difference in people's lives". As one of the large steel producing concerns of the country the credo of the Steel Authority of India Limited (SAIL) are:

- Building lasting relationships with customers based on trust and mutual benefits.
- Upholding highest ethical standard in conduct of their business.
- Creating and nurturing a culture that supports flexibility, learning and is proactive to change.
- Charting a challenging career for employees with opportunities for advancement and rewards.
- Valuing opportunity and responsibility to make a meaningful difference in people's lives.

SAIL's social objective is synonymous with Corporate Social Responsibility (CSR). Apart from the business of manufacturing steel, the objective of the company is to conduct business in ways that produce social, environmental and economic benefits to the communities in which it operates. The credo of SAIL specifically highlights the commitments towards society at large which states the fact of "making a meaningful difference in people's life". To meet the above objective, a specific Corporate Social Responsibility Group has been formed at corporate level at all plants/units in SAIL.

Highlights of CSR projects of ISP, Burnpur since 2007-2008

A: Construction of Community Centre / Adult Education Centre / Multipurpose Hall

1. Gutgutpara
2. Haramdihi
3. Purosottampur
4. Nakrasata
5. Saldanga
6. Leprosy Colony
7. Keradih
8. Narsinghbandh
9. Nabaghanty
10. Nazim Zamia Islamia Arabia (Alamnagar)
11. Hussain nagar
12. Dhoirapara
13. Kankardanga Baradighari
14. Chesire home
15. Chelidanga

B: Road Work

1. Road from Damodar to Nakrasata (bitumen)
2. Dihika to Damodar Ghat (bitumin)
3. Gutgutpara Main Road (bitumen)
4. Hirapur to MCT Girls' High school (bitumen)
5. Gutgutpara Village Road (concrete)
6. Kankardanga (bitumen)
7. Kashinath Lahiri Public School Road (concrete)
8. Dhoirapara (concrete)
9. St. John's School Entrance Road (concrete)
10. Dhoirapara Entrance Road (concrete)

C: Renovation of School Buildings

1. One room in Haramdihi Primary School
2. Extension of room for Mid day meal Kitchen and renovation of existing building of Hirapur Free Primary School.

3. Construction of Multipurpose Hall at Hirapur Manik Chand Thakur Girls' High School.
4. Renovation of St. John's School, New Town.
5. Construction of Rahmatnagar High School.
6. Construction of Three Rooms, Staircase and Toilets in Kashinath Lahiri Public School.
7. Construction of Primary School Building, Hirapur Madan Gopal Jew's Trust.
8. Renovation of Bari Vidyalaya Primary Section/New Toilets.

D: Improvement of Road Lighting
1. Gutgutpara to Baradanga.
2. Nakrasata to Kuilapur
3. Hirapur to MCT Girls' High School.
4. Samdih.
5. Banagram.
6. Ambagan.
7. Purosttompur

E: Introduction of Solar Lights
1. Gutgutpara.
2. Dhoirapara.
3. New Town Park.
4. Leprosy colony
5. Haramdihi
6. Bhalukjore.
7. Ghuskapara
8. Punjabidanga

F: Low Cost Sanitation/Sanitation
1. Gutgutpara.
2. Dhoirapara.
3. Kankardanga.
4. Haramdihi.
5. Dharampur

G: Development of Ponds (numbers)
1. Nakrasata - 1
2. Gutgutpara - 3

H: Vocational Training for Women Upliftment
1. Gutgutpara,
2. Haramdihi,
3. Leprosy Colony (Kankardanga Village)
4. Dhoirapara.

I: Employment Generation Scheme:
1. 50 Van Rickshaws provided to the BPL Group of Model Steel Village.

Findings

1. Our study reveals that in order to address the poverty, illiteracy and environmental security IISCO Steel Plant (ISP) of Burnpur set up the Corporate Social Responsibility Department in 2007 in the month of June. According to the decision of the Steel Authority of India Limited, the CSR department of ISP, Burnpur will work for rural development within the eight-fifteen kilometers adjacent areas of Asansol Municipal Corporation. The objectives of the department of Corporate Social Responsibility (CSR) of ISP of Burnpur Unit are:

- Relationship with customers based on trust
- Opportunity and responsibility to make a meaningful difference in people's life.
- CSR Motto is to develop the peripheral area. The growth and upliftment of the poor and backward classes of people of the society comes under the purview of the social responsibility.

2. Peripheral Development Activities are taken up within 8-10 kms around the plant. Under Peripheral Development Activities, a lot of work is being done in the fields of education, medical and health care, access to water facilities, road and connectivity and cultural and recreational Activities, etc. In the front of family welfare activities it covers reproductive and child health care (RCH) services, immunizations, sterilization operations and organizing various health education programs.

3. Various initiatives have been undertaken at the corporate level for the betterment of society and for helping the poor and needy people. The objective of the company in this respect is to focus on the:

- Income Generating Schemes through Self Help Groups
- Education
- Health issues.

Along with these sport activities and sponsorships are being undertaken at the corporate level. They are used to promote promising sporting talents across the country by sponsoring various sporting events.

4. Our study reveals that one unique feature of the CSR department of the Burnpur unit is that they wanted to execute all the schemes related with rural development through the Non-Governmental Organizations (NGOs). The reason is that they wanted to involve more people and institutions with these rural development programmes and projects. The prime objective of this move is to ensure more and more community participation. They believe that through the NGOs they will be able to make full utilization of their fund within the stipulated time.

5. So far as the partnership with NGOs is concerned the CSR department of ISP is presently working with two NGOs, i.e., i) Vivekananda Bani Prochar Samiti and ii) Institute of Social Research and Applied Anthropology, i.e. 'Bidisa'. 'Bidisa' has already completed three projects on 'Steel Model Village'- one in New Town, one in Haramdihi and the third one in Upper Chelidanga. For the execution of the project 'Bidisa' has opened a branch in Asansol having one Project Secretary and two members. Secretary and Accountant of the 'Bidisa' are the ex-officio members of the Asansol branch.

For each project of the Asansol unit of 'Bidisha' one beneficiary committee has been constituted by involving people from among the concerned villagers. Project Secretary along with the six members of the beneficiary committee chalks out the project and submits the same to the CSR department of ISP. After receiving the project, CSR department arranges a meeting with the beneficiary committee in presence of the Project Secretary of 'Bidisa'. A detailed discussion about the viability of the project is discussed in this meeting and the cost of the project is estimated. In the preparation of the estimate an engineer from ISP helps the beneficiary committee and then it is sent to the Engineering Department of ISP. The Engineering department along with their recommendations sends it to the Managing Director (MD) for final approval. After getting the approval CSR department of ISP issues work order to the concerned NGO and then the NGO starts their work

The second NGO i.e., Vivekananda Bani Prochar Samiti has also completed three projects, that is, one in Gutgutpara, one in Nakrasoda, and the other one in Purusottampur. The process that has been adopted by the company authority shows clearly that it is pro-people and full of transparency.

6. Our study reveals that during the survey mixed reaction was found among the beneficiaries. Almost 77 per cent beneficiaries are happy with the work of the CSR department. It is due to the activity of the CSR department of ISP that they are now enjoying some basic civic facilities like water facilities, medical care, lighting arrangements through the installation of solar lights etc. which they were deprived of previously. They also believed that the activity of the CSR department has changed their lifestyle. But the remaining 23 per cent beneficiaries hold the view that the project(s) which are undertaken by the CSR department of ISP are defective and do not affect them positively in any way, i.e., the projects of the CSR do not produce any effective result for them. They have also raised some questions regarding the style of functioning of the NGOs and quality of the work. They expressed their doubt regarding the transparency of the work. Again, the school authorities of the two primary schools, mentioned earlier, were very happy with the CSR projects of the ISP. It is to be noted that these schools do not receive financial assistance in a regular manner from the Government and as a result it is very difficult for them to sustain their school. In this crucial juncture the project of the CSR department benefitted them immensely.

7. In the process of the execution of the projects the CSR department of ISP has faced many problems. First, the problem comes from the ISP itself. In each and every stage, the staff of the concerned department looks for bribe for releasing funds and takes too much time for the completion of their concerned job. Secondly, the projects which are now being undertaken by the CSR department were previously under the Town Department of ISP. As a result, the Town Department Authority is unhappy over this transfer of funds. They have expressed their discontent time and again. Thirdly, political problems are also there. Some politicians for their vested interest try to create problems during the time of the implementation of the project or projects. Finally, the CSR department does not receive the allotted funds regularly for executing their CSR projects and hence it becomes hard for them to maintain the continuity of their projects. But, in spite of all these problems the CSR department is functioning very successfully in association with the NGOs. They are doing a very commendable job in the field of community development in the adjacent areas of Asansol and Burnpur.

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Business Communication in Japan A Study in Perspectives

Satrajit Sanyal

Abstract
A cross-cultural communication process is a two-way street i which on-coming traffic often governed by different rules.Without knowing and understanding the cultural drivin code of the approaching traffic one might easily crash.This paper tries to present modular platform of the Japanese dual mode of busi ess communication and its implication for Non-Japanese business people.

Introduction

The importance of cultural sensitivity i cross-cultural business relations, especially relations between culturally distant countries like those of the E.U. and Japan, has recently received enormous attention. Many scholars and business professionals have addressed the issue of culture differences between Japanese business practices and the Western style of doing business.

There is no shortage of studies that deal with certain characteristics of the Japanese negotiating style like vagueness, ambiguity, collectivism and interdependent. Relatively few scholars however have discussed the duality of Japanese business communication. Here is presented a model that attempts to advance a step further from a description of the Japanese communication style by explaining the cause and effect relationship of the duality in a cross-cultural business setting. Understanding the implications of the Japanese duality should be of utmost importance to non-Japanese business people conducting business in Japan. Finally, the author suggests possible fluctuations from the model influenced by independent variables like place of interaction and cultural conservatism of the individuals involved.

Quality in Japanese Business Communication

The Japanese business people openly distinguish two different modes of communication: Formal mode, Façade and Informal mode, "True voice ",which are substantially different from the Western perception of public versus private communication. Kato (1992) summarize the different perception of public and private communications in Japan and the West. Non-Japanese values of openness and candor imply that people would promote the image that the content of the information delivered in public won't substantially differ from the information conveyed in a private setting. In Japan the content of the information presented in the two different modes of communication is drastically different, in most cases eve contradicting itself. The duality of the Japanese communication pattern lies on a foundation of a perception of the concept of sincerity that is completely

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A supplier and a customer meet to officially discuss the details of a deal. When the question of whether or not the product will be delivered by the promised deadline is raised,the supplier replies with "I certainly hope so", even though he knows with certainty that due to unexpected production difficulties his company won't be able to meet the deadline. At the end of the meeting the supplier invites the customer to dinner and business entertainment (settai).In the progress of the dinner, after a few drinks, the supplier explains to his customer that for unforeseen circumstances his company will delay the delivery of the product.

Formal Mode Tatemae (Façade)

The official meeting in the scenario above is conducted i the formal mode Façade .It is the mode of communication used in offices during business hours and in all other public occasions.

Purpose: The main concern of this type of communication is surface harmony, which expresses itself in saving the face of all the parties involved. Surface harmony is the glue of the group and the society as a whole in Japan. The Japanese strive to preserve it at any cost. Ambiguity, indirectness, and a roundabout manner are considered essential tactics for avoiding confrontations and disagreement.

Major characteristics

Proper Etiquette: Communication in Japan adheres strictly to a elaborate etiquette, to the extent that in some instances it might seem to non-Japanese as unnecessarily ceremonial. A almost one hundred percent racial and ethnic homogeneity is a fundamental building block of Japanese culture. So homogeneous, in fact, that meaning in communication is conveyed more through the context of situation and place than through the content of the message. Context is governed by a highly evolved and strict code of ethics. Many Westerners have rightfully observed that in Japan it seems that how you say something is more important than what you say. Proper etiquette and form dominate the code of behavior.

Ambiguity/Vagueness: The pursuit of harmony and the shunning of confrontation result in ambiguity and a very indirect approach in communications. Direct questions are considered rude because they might put the other party in a position of loosing face. Vagueness is the proper approach when dealing with points of disagreement. Meaning often depends on extremely subtle nonverbal cues. Non-Japanese business people have observed that it is quite difficult to understand what the Japanese really have in mind. The Japanese feel uncomfortable when pressured to express their preferences, they avoid strong words and they are very careful not to offend a gone.

The Indirect Communication: There are no less than a hundred ways of politely saying "no " which non-Japanese very often misinterpret as meaning "yes " or "maybe ".The phrase "we'll do our best ",which for a Japanese would unmistakably signal "no " is a eloquent example. Silence is another nonverbal cue that many foreigners misinterpret. Contrary to the non-Japanese/Western/prevalent culture where silence in a social or business discussion has a negative connotation, the Japanese perceive silence as basically neutral. For non-Japanese it is only a natural impulse to break the silence quickly, but in Japan it is a grave mistake that has many times been prove to be quite costly for Western negotiators.

Bypassing & avoiding criticism: Modesty and self-restraint are highly praised virtues i the Japanese culture. Japanese businessmen would humble themselves or any subordinate in their group to outsiders. At the same time they would lavishly complement their foreign counterparts. In a business setting extreme subtlety is used when talking about one's own accomplishments. The Japanese never criticize others in public. Direct and open criticism of the competition is considered very rude and arrogant. Criticism is not usually brought up during official negotiations, but rather in a more informal atmosphere, such as during after-hours social gatherings, and then, if any, it should be precise and extremely subtle.

Implication – Missing Pieces of the Puzzle: Even though there is no shortage of studies and information on the purpose and the culturally conditioned characteristics of this mode of communication, the analysis of the effects of this communication mode on cross-cultural business relations appear insufficiently addressed by scholars. The most important implication of the official mode of communication, Façade, is the withholding of information that is extremely crucial for making decisions and operating business smoothly (for example, the delay in the delivery time in the scenario above). In the name of surface harmony Japanese people consider withholding many essential "truths " a natural approach to doing business. One could easily imagine what the consequences could have bee if the customer in the above scenario had declined the dinner. It is well know that decision making with insufficient or incorrect information is a extremely difficult and risky process. Gulbro and Herbig present a statistic, which is quite impressive: "Over two-thirds of US-Japanese negotiation efforts fail, even though both sides want to reach a successful business agreement ". It might be a bold statement, but quite accurate, that most of those failures are perhaps due to misinterpreted or missing pieces of information because of the duality of the Japanese communications. The author regards a empirical study on this issue highly beneficial.

Informal Mode, *Honne*, ("True Voice"): The communication mode at the dinner in the scenario above is informal. It is called *Honne* in Japanese and it is used after business hours,while eating and drinking in restaurants and bars. *Honne* means "True voice","The language of the heart." It implies openly expressing one's views and opinions the unpolished truth without the concern of loosing face.

Purpose:The rationale of this mode of communication is to conduct business efficiently. Only in this mode can a person address difficult issues and points of disagreement directly with neither of the parties involved loosing face.

Major Characteristics

- Information shared in the informal mode is as important and reliable as the information conveyed in the formal mode (in the above scenario, the fact that the delivery will be delayed).
- In *honne*,the informal mode, one can openly and honestly express his/her opinions, feelings or concerns without worrying about hurting others or causing loss of face (the supplier in the example does not lose face by revealing the upcoming delay in delivery).
- The information delivered in the informal mode is never mentioned in formal mode, because it would cause loss of face.Yet it is well take into account and should defi itely be trusted (the customer in the example will never mention the conversation at the dinner but certainly will act upon it).

Implication -How to Look for the Missing Pieces of the Puzzle:
Prior development of a close relationship is a indispensable prerequisite for the informal mode, *Honne*. The observation that the non-Japanese negotiate a contract, the Japanese a relationship truthfully expresses the difference between the non-Japanese and the Japanese business philosophies. The Japanese strongly believe that in order to have productive business discussions, where conflict is minimal, they should first establish a close relationship. Business executives who do not like to waste time and are eager to get down to business are considered extremely rude in Japan. Sometimes it might take days of meticulously scheduled social gatherings, such as golf, sight-seeing, or eating and drinking during which the conversations might sound naive, childish and completely unrelated to business. Many non-Japanese /Westerners might feel hesitant and overly tired or bored to participate. This is the worst mistake one can make in Japan. Friendship is of utmost importance to conducting business effectively with the Japanese. Once a friendly and trusting atmosphere is created, the Japanese cautiously proceed to develop the business framework for the partnership. In the scenario above switching to the informal mode, *Honne*, would have been impossible had prior groundwork not been laid.

Even though the importance of developing a relationship prior to starting business is fairly well stressed in the literature, there is a lack of attention to the nurturing of the relationship after that, and beneath the surface purpose of this close relationship. Sometimes it might create a misleading impression for non-Japanese that spending the first meeting in social conversations about sports, weather, families, hobbies, etc., is a sufficient to prerequisite for conducting business. Developing a friendly relationship, starts in *Tatemae*, the formal mode, and is gradually carried into *Honne*, the informal mode. Thereafter, nurturing the relationship flipping from *Tatemae* to *Honne* and vice versa is imperative for conducting successful business with the Japanese. Even though to many non-Japanese/Westerners after-hours business socializing appears as mere entertainment, the actual purpose of the informal mode is to conduct business efficiently, meaning to address all the difficult issues of the business relationship. Only in *Honne*, the informal mode, can one find the omitted information during *Tatemae*, the formal mode. This is how one looks for the missing pieces of the puzzle. The dinner in the above scenario is a good example of nurturing the relationship and safely dealing with the issue of possible confrontation.

Conclusion /Scope & Suggestions for Further Research: In conclusion, the dual Japanese mode of communication, formal, *Tatemae* (Façade) and informal, *Honne* ("True voice") has only a superficial resemblance to the public/private communication in Western culture. The purpose of the formal Japanese communication is to save the face of everyone involved. In order to fulfill this requirement in a business setting the Japanese will withhold any information that might create a conflict situation, no matter how important this information might be. Westerners, on the contrary, expect to discuss all issues, including issues of disagreement, in a official meeting. The purpose of the informal mode of communication is to deal with the difficult points of the business relation. Eating and drinking after hours with business partners is not a mere entertainment and relationship development. It is a indispensable part of the business process in Japan. Many crucially important pieces of information will be addressed only in the informal mode of communication. The purpose of this mode is to conduct business efficiently. After the initial development of the relationship the two modes, formal and informal taking turns one after another, have parallel trajectories throughout the business relationship. It would be wise for Westerners to avoid addressing issues of disagreement or confrontation during a official meeting and to participate in all after-hours activities if they wish to find the answers to the difficult questions.

Having summarized the implications of the Japanese communication pattern one should also keep in mind that whe scholars study and describe the cultural practices of a particular country, they often simplify the reality and generalize the national characteristics in the name of better illustration and better comprehension of the phenomenon.This model of the duality of Japanese business communication is not a exception. In real life issues are far more complicated and complex.That is why the author would like to suggest for future research a few possible fluctuations from the presented model. The author 's observations suggest that the Japanese business people tend to behave quite differently depending on the place of interaction.When the Japanese are visitors to a foreign country they are usually very well prepared for the cultural differences that they must face and are willing to adjust to and respect the traditions of the host country. When they are back in Japan, one might be surprised to find out that they change and adhere strictly to the Japanese etiquette.

Another fluctuation might stem from the fact that the Japanese people,like those of any other nation, consist of individuals with different characteristics. Oversimplifying and over generalizing the traits, and attaching them to all Japanese equally would be a mere exercise of stereotyping. Some Japanese people have traveled to Western countries many times or have lived for years in the US or Europe. They are usually more open towards other cultures than the cultural conservatives, Japanese who might have never been abroad, or who are more nationalistic and are less willing to depart from the Japanese norms.

It would be beneficial to design and conduct a experimental study to test these propositions. In addition, future research should look into how some other factors like financial stability, eagerness to do business,or competitiveness might influence the communication pattern.This paper presents a model of the duality of Japanese business communication,which can serve as a theoretical foundation of such empirical studies.

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Tourism in the North East of India - A Perspective

Subhasish Chakraborty

Abstract

The North East of India is - "The Land of Dawn Lit Mountains". The area is one of the most pristine in India, with a dazzling array of flora and fauna, in a habitat that combines glacial terrain, alpine meadows and the sub tropical rainforests. This region is home to an extraordinary diversity of people and from an anthropological point of view is one of the richest in terms of tribal culture.

The North East of India is the most varied and at the same time the least visited part of India. It is the chief tribal belt of India and quite unlike the rest of India. In fact the state of Arunachal Pradesh alone has over 50 distinct tribal clans.

Tucked away in the foothills of the Eastern Himalayas, the North East of India with its mountain peaks, picturesque valleys, terraced hills, pine forests, fast flowing rivers, mountain lakes, mesmerizing forest trails, monasteries and unpolluted air makes it a virtual Shangrila.

But, in spite of possessing a great many tourism assets, the state has not been able to develop tourism as an industry. This Research Paper (Perspective) delves deep into the problems plaguing the tourism industry in North East India and tries to find out solutions.

Keywords

India, North East, Tourism, Eco Tourism, Tours, Tribal, Wildlife

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The North East - An Overview

From high mountain passes to the exotic tribal culture, the North East of India is truly stupendous in terms of grandeur and beauty. This region is quite unlike the rest of India. It is the chief tribal area of India with a great number of tribes who speak many different languages and dialects.

This region is one of the most beautiful parts of India. It has long remained in isolation but with the improved means of communications, the entire region is now well connected to the rest of India. However, in terms of tourism, the North East of India has a lot of catching up to do to be at par with mainland India.

Having been born and brought up in the gateway city of North East India - Guwahati still evokes images of the mighty Brahmaputra river meandering through much of the city and of those joyful days when as kids we would play beach cricket on the sandy stretches of the river bank every winter.

I am referring to the pre-terrorism days when there was rule of law and the average man on the street led a laidback lifestyle. The Oil industry was doing good business, the world famous Assam Tea was in a class of its own and the iconic Kaziranga National Park was the cynosure of all eyes, providing glimpses of the rare and endangered One-horned rhinoceros.

Other states like Meghalaya, Arunachal Pradesh, Mizoram, Nagaland, Manipur, Tripura and Sikkim played second fiddle to Assam - the gateway of North East India. Shillong - "Scotland of the East" and the capital of Meghalaya was the most visited hill station, surpassing even places like Guwahati and Kaziranga.

Thereafter, the equations began to change gradually. The dreaded ULFA appeared on the horizon in the early 90s. There was trouble brewing in Nagaland and the lethally armed NSCN militants were on the rampage. Mizoram too witnessed underground activities, albeit Laldenga's Mizo National Front. A mushrooming of militant groups made a mockery of the Manipur's stable political landscape and the tribal districts of Tripura were up in arms against the elected government.

The only solace was the rugged mountainous state of Arunachal Pradesh. Although, there hasn't been any planned militant activities so far in this breathtaking state, one learns from the mandarins of Arunachal Pradesh that increasingly the front ranking militant groups of the North East like the ULFA, the NSCN etc... have been using Arunachal's rugged mountainous terrain as a "safe heaven" and unless prompt military action is undertaken against the elusive militants, the state of Arunachal Pradesh too is destined for destruction.

The people of North East have for long suffered terribly at the hands of both the militant groups as well as the paramilitary forces. In certain pockets village after villages were torched and the local inhabitants were forced to flee into the jungle for safety. The element of safety offered by the densely forested tracts of the North East have even lured the militant groups into setting up camps and mention may be made of the Manas National Park in Assam, which of late has been conferred with the distinction of a World heritage Site by UNESCO. Even a few years back, Manas National Park was under the clutches of the dreaded Bodo tribal militants and it took a sustained military operation to drive off the militants from their jungle hideouts.

The situation is indeed alarming but it is not something that is beyond us to find a solution. Having spent more than 25 years of my life in the North East of India, I have witnessed the peace loving people taking to arms as a means to mitigate their anguish and their economic maladies. For much too long, the central government in Delhi offered a step-motherly treatment to this region. In terms of industrial development and wealth creation, the region has for a long time been in a splendid isolation. As a result of this neglect the pent up anger, frustration and aggravation of decade after decades of misgovernance has now spiraled into one of the biggest security concerns that the government of India is faced with.

However, all is not lost and after a thorough analysis of the North Eastern psyche, good sense has ultimately prevailed and today there is an exclusive Ministry for the Development of the North Eastern region that acts as a single window platform in terms of development and investment. The region's stunning array of tourism products ranging from Anthropology to high mountain passes and haunting wilderness to the very best of handicraft items has finally found favor with the mandarins at New Delhi.

There has been a growing awareness on the part of the government that one of the most effective ways to combat terrorism in the North East of India doesn't necessarily mean crushing rebellions with brutal paramilitary forces. The niche role that Tourism can play in eradicating terrorism has finally dawned upon the powers that be in Delhi and for the first time in many, many years, there is actually a proper Tourism Policy exclusively meant for the North East.

Apart from the up gradation of the existing tourist facilities namely Tourist Accommodation, Wayside Amenities, Budget Accommodation, Beautification and Refurbishment of Historical Monuments/Monasteries etc., promotion of Adventure Sports and providing Adventure Tourism equipments etc..., the Ministry of Tourism is going all out by way of promoting the North Eastern region in the competitive international travel market.

The fact that each of the North Eastern States are given a free booth in the world's largest Tourism Fair - International Tourism Mart, Berlin (ITB) is an indication of the governments efforts to promote tourism in this part of the world. A slew of measures like financial assistance for conducting fairs and festivals, priority publicity in the overseas offices of the Ministry of Tourism, planned development of Tourism circuits, interest subsidies on loans sanctioned by Tourism Finance Corporation of India and other financial institutions and waiving of expenditure tax etc... have been introduced which has already shown encouraging results.

On the positive role that Tourism or more appropriately - "Eco-Tourism" can play in combatting terrorism, I recently had a first hand experience of the extent to which this brand of Tourism can percolate in winning the hearts of the most hardened of militants.

I was on a visit to the world famous Manas National Park in Assam and on the advice of my Assamese friends I decided to check in at Manas Jungle Camp. The Camp, the first of its kind in Manas is run by a local NGO - "Manas Maozigendri Ecotourism Society". We found the Camp with its 4 eco-friendly cottages to be very comfortable. The food was hygenic and the staff were warm and friendly, ever ready to help. Apart from providing quality jungle accommodation, which is infinitely more superior than the state government run Tourist Lodge, the Manas Maozigendri Ecotourism Society has been at the forefront of the revival of the National Park and has also undertaken the initiative of patrolling inside the park premises, helping self-help groups, encouraging local handicrafts etc... all of which has impressed the UNESCO World Heritage Commission.

We were most impressed with the quality of work that the Manas Maozigendri Eco-tourism Society was undertaking. Every morning we could see local village people, mostly belonging to the Bodo tribal community come to the Camp and undergo training on conservation. Presently there are around 200 volunteers who have registered with the Manas Maozigendri Eco-tourism Society. That's not all. For an NGO, to build roads and bridges in one of the remotest corners of North East India is no mean feat. They also have an exclusive "Conservation Zone" wherein the volunteers play a crucial role in preserving the local flora and fauna.

The spirit of volunteerism shown by the members of the Manas Maozigendri Ecotourism Society was indeed praiseworthy. It is largely due to the pioneering role played by organizations like them and the cooperation of the Forest Department that revival of Manas National Park was possible. I was told by the Park Director that at one point of time, Manas National Park was under the clutches of terrorists and the manner in which Manas rose from the ashes of terrorism to the forefront of Eco-Tourism in the North East of India is truly commendable.

So there is always hope that with the aggressive development of Tourism in the North Eastern states and letting Tourism play the natural role of a catalyst, the disgruntled militants can be brought under the purview of development and offered a new lease of life.

Now that the Tourism ball in the North East has started rolling, a few points need to be considered. First is the integration of all the the State Tourism organizations under the ambit of one exclusive Tourism umbrella and the creation of a North East Tourism Board. Such a board with the full financial backing of the Central government would be a far better bet as far as promoting the entire region from a single platform rather than the dissipated efforts of each state.

Secondly, the geographic and ethnic landscape of the North East is unique in itself and instead of attracting mass tourism, the effort should be to promote niche tourism products like -

(1) Anthropological Tourism.
(2) Tribal Tourism.
(3) Folklore Tourism.
(4) Mountain Tourism.
(5) Handicrafts Tourism.
(6) Ethnic Tourism.
(7) Tea Tourism

Thirdly, it should be a priority with the government to revive the Raj-era Golf Courses that are ideally nestled in the midst of Tea Gardens. They were originally intended to serve the recreational needs of the British Tea planters. By integrating the Golf Courses with heritage Raj-era Tea Garden Bungalows will create a platform to lure high spending tourists from North America, Europe as well as the Asia Pacific.

Fourthly, for Tourism to be successful in the North East, the need for a new age PR plan for the promotion of the North East region needs to be in place. It must be borne in mind that PR in Tourism is a specialized tool to create and maintain a positive image for a destination and is oriented towards creating and maintaining an atmosphere whereby the travelling public are convinced of the advantages of visiting the destination concerned.

Last but not the least, the proper identification of tribes for intensive exposure in terms of tourism wherein their unique festivals and fairs are highlighted needs to be chalked out.

What Ails North East Tourism

With a little bit of soul searching, the answer to what ails tourism in the North East will not be hard to find. Significant clues as to what makes tourism in the North East backward, apart from the infrastructure bottlenecks are incorporated below -

i. Lack of trained people in the tourism sector:
The lack of trained people in the tourism sector is one of the major cause of the pathetic state of affairs in North Eastern region's tourism scenario. In fact, the percentage of staff with a professional Tourism degree/Diploma is significantly low which has resulted in a rather amateurish ways of functioning. One significant side affect because of this paucity of trained tourism professionals at the helm of affairs is the utter confusion and lack of direction when it comes to managing the tourism industry.in this region.

ii. Advertising & PR activities neglected:
In the field of Tourism, the need for making complete information and facts available to both the potential and actual tourists assumes significance and advertising and PR are tools to that end. This vital aspect has not been given its due importance by the region's tourism industry. As a result tourist traffic to the North East has been miniscule when compared to the other states of India.

Familiarization Tours or FAM Tours whereby Travel Writers, Travel Agents, Photographers and Journalists are invited to visit a particular destination as guests to get first hand experience of the concerned destination has not figured prominently in the scheme of things as far as the manadarins of North East India's Tourism industry are concerned. Also, radio and television contests featuring the North East has not materialised commercially.

One has to bear in mind that favorable acceptance of any tourist destination by the travelling public is of utmost importance and it is solely Advertisement and PR that makes it possible.

iii. Lack of proper marketing strategy:
To be precise, the North Eastern states have never engaged themselves in big time marketing campaigns. Marketing being the arm of the tourism industry, helps to open up the frontiers. It is through a sustained marketing effort alone that the ultmate consumer gets to know about a destination.

iv. Substandard tourist literature:
Substandard tourist literature is yet another factor that afflicts the tourism industry in the North East. The literatures that come out in the form of brochures, pamphlets and folders are not quite up to the international standards. The quality of paper used is downright poor, although of late there seems to be a marked improvement. Also, quite often the printing has its share of errors.

These are the finer things that speak a lot about the destination itself and producing high quality tourist literature backed up by a planned marketing blitz can do what six decades of unplanned, misdirected and erratic literatures couldn't do.

v. Lack of professional travel agencies & tour operators:
What can be more unnerving then the fact that there are not more than five top-end travel agents in the region and most of them confined to the gateway city of Guwahati. Apart from Guwahati, a few reliable tour operators operate in the state of Sikkim, but they still have a long way to go to be on a level playing ground with their counterparts elsewhere in India.

What is alarming is the fact that each travel agent/tour operator has its own ways of projecting the region which amounts to bad publicity because the potential tourist becomes disillusioned as to the type of destination that the North East of India is. The need of the hour is a uniform projection of North East by forsaking petty one-upmanship as far as the travel agents / tour operators are concerned.

The Future Ahead

The future of North East's Tourism as I forsee it is nothing but success written all over. A region having a fabulous culture, heritage and tradition, great places of pilgrimages, rich flora and fauna, mesmerising wildlife, exotic hills and mountains, gorgeous rivers and above all, an extremely hospitable set of people cannot be kept in hibernation for too long.

There will definitely come a time when the whole of North East will reverberate with tourism activity. But how soon this turnaround is achieved will depend upon the pace at which the progressive reforms are practically applied in actual life and the sooner the mandarins of North East India's tourism industry declare it as a "Special Interest Tourist Zone" the better it is for tourism to flourish in this virgin and last remaining ecological hotspot of India.

One needs to bear in mind that in case of "Special Interest Tourism" what the tourists demand is not luxury or high quality products and services, but real experiences during his /her holidays. The demand is for pleasant surroundings, usually at reasonable rates which the region does have in abundance.

The essentail ingredient of this new kind of tourism package is the organization of recreation which alone can enrich the tourism experience by allowing greater integration with the place visited and fuller involvement in the social and cultural life of the holiday destination, much the same way as the Australian Tourism industry does in case of the Aborigines and the New Zealand Tourism vis-a-vis promoting Maori tribes. Even though the strife in the region continues unabated and visits to the North East are far from easy, it is hoped that Tourism will play the role of a harbinger of peace and stability in the region. After all, isn't Tourism too vast an industry to be swallowed by Terrorism? Time will tell.

Conclusion

All said and done, anyone, even a layman will tell you that the potential is very much there but needs to be properly harnessed. For a number of reasons India has always been touchy about the North East. In the days of yore and prior to India's independence the usual route to the North East would have been through Bangladesh. In the past, the government too was sensitive about visitors and only permitted them to go to Assam and Meghalaya; the other five states, all bordering China or Burma, were for all practicle purposes off-limits. Even a visit to Assam and Meghalaya required a special permit, although this was readily available.

However, with a government that is pro-active and with the setting up of an exclusive Ministry for the Development of North Eastern region, the old prejudices are being replaced with a slew of developmental initiatives that is ushering in a new wave of prosperity.

Performance of Small Scale in West Bengal: A Study

Sk Samim Ferdows

Abstract
Small Scale Industries (SSIs) are taking a vital role in the economy of West Bengal. The main objective of this paper is to study the performance of SSI in West Bengal. The paper outlines the trend of year wise growth in SSI in terms of units, growth in employment, production and export. The paper also shows the district wise growth of SSI in West Bengal and trend of new registered SSI Units. The paper also concludes that the position of SSI is satisfactory in our state though we have some sick industries in our state. Therefore the Govt. should take steps for the development of SSI in our state.

Key Words
Small Scale Industries (SSIs), trend, economy, sick industries, development.

Introduction

For any approach or development framework to be meaningful and effective in directing public policies and programmes it has to be anchored in a social context. More importantly, it should reflect the values and development priorities of the society where it is applied. It is therefore necessary for developing countries like India to develop a contextually relevant approach to development, identify and devise appropriate indicators to help, formulate and monitor public policies.

Since independence the small-scale sector has played and important role in the economic development of the country. After agriculture SSI is the largest employment generator in our country. Especially since the commencement of planning for economic growth, adequate emphasis has been given on the development of Small-Scale industries (SSIs) by policy makers, politicians and the intelligentsia alike. The multi pronged objectives of increased industrial output, generation of employment, dispersal of industrial activities across regions and development of entrepreneurship has been successfully met through the propagation of SSIs. The high employment generation capability along with low investment requirement makes SSIs the preferred vehicle for industrial development of the country. It has been estimated that 40% of the total industrial output and 35% of the total direct exp9orts originate in the small-scale sector. Small SSIs have been one of the fastest growing industrial sectors not only in India, but also across the World.

As a result of globalization of the country's economy, the vast magnitude of small industries are facing stiff challenges in terms of the quality of products and services and accordingly SIDO has appropriately focused on providing support in the areas of credit, finances/taxation marketing, technology and infrastructure to SSIs.

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The Small Scale Industrial (SSI) sector is one of the most vital sectors of the Indian Economy in terms of employment generation, the strong entrepreneurial base it helps to create and its share in production. Effective policy formulation and implementation pertaining to the promotion and development of this sector, requires a sound database. The Office of the Development Commissioner (Small Scale Industries) conducted two censuses of registered SSI units prior to the Third Census. The First Census was conducted in 1973-74 in respect of 2.58 lakh SSI units registered up to 30-11-1973. The reference year for this Census was calendar year 1972 in respect of units not maintaining accounts and the actual accounting year closing between 1-4-1972 and 31-3-1973 for those units maintaining accounts. Some information was also collected for 1970 and 1971. During this Census, only 1.4 lakh units were found working.

The Second Census was conducted during 1990-912 in respect of 9.87 lakh SSI units registered up to 31-3-1988. The reference year for this Census was financial year 1987-88 in respect of units not maintaining accounts and the actual accounting year closing between 1-4-1987 and 31-3-1988 for those units maintaining accounts. During this Census, only 5.82 lakh units were found working. The data generated by the Census with the passage of time had lost its relevance and required immediate updation to achieve its purpose. Accordingly, the Third all-India Census was conducted during 2002-03 for the possible proximate reference year, i.e., 2001-02.

During the 6th Plan period only 36,228 small-scale units were set up, in the 7th Plan there were 80,421. There are 422,401 small-scale units in the State today. For small scale and tiny scale units West Bengal Finance Corporation provides assistance for getting loan. Also the Nationalized banks provide Term loan assistance besides Working Capital loans.

West Bengal, which is a leading state in propagation of cottage and small scale industry, with around 350000 units providing employment to about 2.2 million people, has a well defined plan for advancement of this sector, through the active support of West Bengal Small Industries Development Corporation and other agencies under the Department of Cottage and Small Scale Industries, in the form of infrastructure development, creation of industrial estates and marketing and raw material support. Though the number of units in West Bengal is high, the incidence of sickness, poor management and the paucity of finances are causes for concern.

Review of Literature

Deliberation on West Bengal industrial scenario is not complete without the mention of the cottage and small-scale sector, which has been discussed by Rahul Gupta and Ishita Mukherjee (2006). West Bengal is a leading state in propagation of cottage and small-scale industries, with 350,000 small-scale units providing employment to about 2.2 million people, besides about 700,000 tiny units in the unorganized sector employing an equal number of people.

The small-scale industries (SSI) constitute an important segment of the Indian economy in terms of their contribution to the country's industrial production, exports, employment and creation of an entrepreneurial base. The Government established the Ministry of Small Scale Industries and Agro and Rural Industries (SSI & ARI) in October 1999 as the nodal Ministry for formulation of policies and Central sector programmes/schemes, their implementation and related co-ordination, to supplement the efforts of the States for promotion and development of these industries in India. The Ministry of SSI & ARI was bifurcated into two separate Ministries, namely, Ministry of Small Scale Industries and Ministry of Agro and Rural Industries in September 2001.

Trend of SSI in West Bengal

In the recent years we have seen that flow of investment into the industrial sector of West Bengal has been increased. In this context, we have considered the role of the state government in developing industries and development agencies in order to attract investment into the state. The main three development agencies are West Bengal Industrial Development Corporation, Silpa Bandhu and West Bengal Electronics Industry Development Corporation together with Information Technology. We have faced two problems associated with the industrialization, namely, the problem of sick industries and the problem of slow or no growth of employment opportunities.

West Bengal is poised for steady industrialization. 214 projects have been implemented in West Bengal during 2006 involving an investment of Rs. 3,410.7 crore where employment opportunities have been created for about 28,572. These figures exclude investment in Power, Housing, and SME sectors. If all these sectors are taken into consideration the total investment will exceed Rs. 10,000 crore. An analysis of the sector-wise investment shows that Iron & Steel Industries received maximum investment. The proposal of JSW Steel (Jindal Group) to set up a 10 million tonne Composite Steel Plant at Salboni at Paschim Medinipur with an investment of Rs 35,000 crore in the next 10/12 years, the proposal of Jai Balaji Group for setting up an integrated Steel Plant at Raghunathpur, Purulia district with an investment of Rs 18,000 crore and the proposal of Bhusan Steel for setting up a two-million tonne capacity steel plant are worthy of mention in this connection. There has been a significant growth of the automobile industry in India in the last decade. The industry is already contributing 4.8% of national GDP, and the percentage is expected to rise to 6.8% by 2010.

In view of this, the State Government has redoubled its efforts to attract investment in this sector. It is satisfying to note that the efforts of the State Government have yielded positive results when Tata Motors Ltd. (TML) came forward with a proposal to the State Government for setting up an automobile manufacturing Plant at Singur including their proposed new product the "Tata Small Car." The proposal of TML envisages manufacture of initially 2,50,000 cars per annum with a future plan of expansion of capacity. It also entails an investment of over Rs. 1,700 crore besides investment of over Rs. 500 crore more in order to extending financial support to the vendors. Mahabarat Motors Manufacturing Company Private limited, a joint venture of the Salim Universal Success has also been setting up their factory for two-wheelers in Uluberia. Howrah Global Automobiles Pvt. Ltd's (Xenitis Infotech) two-wheeler project at Kamdevpur, Hoogly with an annual production target of 3,07,000 motorbikes has already been commissioned. Similarly, Ural India Ltd. who have set up their factory at Bhabanipur, Haldia in Purba Medinipur district have started production of heavy motor vehicles with an annual production target of 5,000 vehicles.

In a bid to make the traditional industries more competitive and technologically upgraded sector-specific parks with the world-class infrastructure, common facilities, state of the art pollution control measures and modern amenities have been set up. The setting up of Leather Complex, Foundry, Rubber, Chemical, Plasto Steel Park, Light Engineering Park, Polymer, Garments and Jute Parks are some of the steps directed towards this end.

Moreover, setting up of Industrial Parks at Jalpaiguri, Malda, Kharagpur in the district of Paschim Medinipur, Barjora in the district of Bankura, Siliguri in the district of Darjeeling are the initiatives aimed at ensuring dispersal of industrial growth across the State and reduce regional imbalance.

Tea sector also occupies an important position in the industrial scenario of the State. Total tea production in West Bengal was 233.29 M.Kg. in 2006, which is 24.04% of all India production. 20.00 M. Kg. tea from West Bengal is being exported, out of which 8.00 M.Kg. is Darjeeling Tea. State Government has taken up with the Government of India the proposal to set up an Agri Export Zone (AEZ) for Darjeeling tea as a measure to give impetus to this sector as well as to popularise the brand image of Darjeeling tea in the global market in partnership with the Tea Board and other stakeholders. The production of coal has increased to 17.478 million tonnes during April to December 2006 as against 17.463 million tonnes during April to December 2005. During the same period West Bengal produced 6% of the total production in the country. It may be mentioned that Government of India has allocated to the State two underground coal blocks at Asansol-Ranigange belt under Burdwan district.

The State Government has also requested the Government of India to allocate two more Coal Blocks to the State to meet the growing demand of the sector. During April 2006 to February 2007 Kolkata Port handled 49.8 million tonnes of traffic against 37.8 million tonnes in April to December 2005, thus registering an absolute rise of 12 million tonnes. Kolkata Port ranked first in respect of absolute growth traffic among major Indian ports. The share of traffic of Kolkata Port among major Indian ports increased to 31.7% during April 2006 to February 2007 compared to 12.3% in April to December 2005. The State Government has been making sustained efforts to attract Foreign Direct Investment (FDI) in some areas where such investments are conducive to industrial growth. During the year 2006 Government of India accorded approval to 6 proposals with regard to setting up of projects in West Bengal involving investment of Rs. 78.4 crore. During the period from 2000 to 2006, projects involving investment of Rs.15321.7 crore have been implemented in West Bengal. During the year 2006 West Bengal received 1.13% of the total FDI received by India. The State Government is equally keen to take full advantage of the 'Look East Policy' of Government of India.

This state occupies a predominant position so far as the development of micro and small-scale enterprises is concerned. There are close to 9, 00,419 small-scale enterprises in West Bengal, which account for 7% of the total such units in the country. The state occupies the sixth position in the country in terms of the number of small-scale enterprises, after Uttar Pradesh, Andhra Pradesh, Maharastra, Tamil Nadu and Madhya Pradesh. In terms of employment generation in the sector, West Bengal ranks second after Uttar Pradesh. Nearly 25.22 lakh people are employed in West Bengal in small-scale enterprises, accounting for 9% of the total employment generation in this sector in the country. In West Bengal, the micro & small-scale enterprises account for nearly 90% of the industrial units and more than 50% of industrial production. The export from this sector is close to 40% of the total export from the state.

District-wise Comparison

The following table (Table 1) shows that Burdwan district produces highest number of unit in West Bengal and investment amount is also much higher than that of any other districts.

Table 1: District-wise status of investment from 1991-2006

District	No. of Units	Investment (Rs Crore)
Burdwan	246	8182.29
North 24 Parganas	165	2555.01
Hoogly	171	2402.9
West Midnapore	38	2362.97
South 24 Parganas	192	2117.3
East Midnapore	28	1484.03
Howrah	171	1446.7
Bankura	75	1079
Kolkata	71	486.91
Purulia	33	363.02
Jalpaiguri	73	299.01
Nadia	23	295.63
Darjeeling	48	222.37
Malda	8	138.39
Birbhum	17	64.92
Cooch Behar	9	59.79
North Dinajpur	13	43.71
Mursidabad	9	19.93
South Dinajpur	4	9.99
Total	**1394**	**23633.87**

Source: Statistical Abstract Government of West Bengal (Issues-2000, 2004, 2005)

Table 2 shows a comparison of number of units produced at 1975-97 and 2000-04. Majority of the districts shows a positive trend where as some districts like Murshidabad, Dinajpur (N&S), Malda etc. shows a negative trend.

Table 2: Numbers of units from 1975-97 to 2000-04 in different districts

District	No. of units 1975-97	No. of Units 2000-04
West Bengal	8.3	6.5
Burdwan	8.57	9.76
Birbhum	8.56	31.06
Bankura	7.04	13.45
Midnapore (E&W)	11.09	13.97
Howrah	7.56	22.87
Hooghly	8.42	0.63
24 Parganas (N&S)	4.49	15.5
Kolkata	5.49	0.23
Nadia	8.14	12.08
Murshidabad	6.55	-3.13
Dinajpur (N&S)	9.47	-6.04
Malda	11.87	-2.34
Jalpaiguri	12.57	12.88
Darjeeling	9.08	8.78
Coochbehar	8.6	18.92
Purulia	9.97	14.01

Source: Statistical Abstract Government of West Bengal (Issues-2000, 2004, 2005)

Table 3 shows a comparison of employment generation from 1975-97 and from 2000-04. Majority of the districts shows a positive trend where as some districts like kolkata, Dinajpur (N&S), hooghly etc. shows a negative trend.

Table 3: Employment status from 1975-97 to 2000-04

District	Emp loyment 1975-97	Employment 2000 -04
West Bengal	6.69	6.34
Burdwan	8.85	15.33
Birbhum	8.64	32.63
Bankura	7.04	13.83
Midnapore (E&W)	9.74	31.7
Howrah	4.1	13.4
Hooghly	8.31	-10.18
24 Parganas (N&S)	7.6	6.22
Kolkata	4.25	-3.11
Nadia	5.83	20.31
Murshi dabad	5.63	6.9
Dinajpur (N&S)	11.18	-0.94
Malda	12.85	16.7
Jalpaiguri	11.22	8.69
Darjeeling	9.91	12.93
Coochbehar	6.86	19.86
Purulia	8.52	29.01

Source: Statistical Abstract Government of West Bengal (Issues-2000, 2004, 2005)

Growth of SSI in West Bengal

Based on the data published in various issues of Economic Review, Government of West Bengal, between the period of late seventies (when the ruling Left Front government assumed power) till the immediate post reform initiation (West Bengal embraced liberalization in industries later than some of the industrially advanced states in India) and the new millennium, the growth rates (mean of year to year rates) for number of units registered during the year and employment generated during the year is given in Table.

Table 4: Distribution of Units in the total SSI sector, by year of initial production

Year of Initial Production	Estimated no. of units In the total SSI sector	Percentage to the total
Up to 1957	164631	1.56
1958	3577	0.03
1959	2435	0.02
1960 -65	59775	0.57
1966 -74	198767	1.89
1975 -76	111229	1.06
1977 -79	186806	1.78
1980 -84	530137	5.04
1985 -90	1350980	12.84
1991 -96	2925716	27.81
1997 -98	2217761	21.08
1999 -00	2062800	19.61
2001 -02	620352	5.9
Not Recorded	86224	0.82
Total	**10521190**	**100**

Table 5: Performance of Small Scale Industry

Year	No of units (lakh)			Production Rs. (crore)		Employment (in lakh)	Export Rs. (crore)
	Regd.	Unregd.	Total	(at current Prices)	(at constant Prices)		
2000-01	13.1 (4.1)	88	101.1	2,61,289 (11.5)	1,84,428 (8.0)	239.09 (4.4)	69797 (28.8)
2001-02	13.75 (4.1)	91.46	105.2	2,82,270 (8.0)	1,95,613 (6.1)	249.09 (4.2)	71244 (2.1)
2002-03	14.68 (4.1)	94.81	109.5	3,11,993 (10.5)	2,10,636 (7.7)	260.13 (4.9)	86013 (20.7)
2003-04	15.54 (4.1)	98.41	114	3,57,733 (11.6)	2,28,730 (8.6)	271.36 (4.3)	90184
2004-05	16.38 (4.0)	102.15	118.5	3,99,020 (11.5)	2,45,747 (7.4)	282.82 (4.2)	94,678

Source: Annual Report 2005-06, Ministry of SSI, Govt. of West Bengal.

The number of new small-scale limits set up has declined in recent years. The banks operating under commercial norms continue to be reluctant to finance new SSI as they attract low rates under priority sector lending. As against 5067 new SSI units that commenced production in 2003-04, the Directorate of Cottage and SSI had a target of 3605 units in 2004-05. In 2003-04, 10114 SSI units were registered (2002-03 figure was 10898) in West Bengal. The number of registrations was significant in Kolkata (1119) and surrounding districts of Howrah since the pre-liberalization era suggests that investment intentions are not being realized due to constraints like lack of credit availability.

The disbursement of credit for setting up SSI units is also and indication of growth of the sector. West Bengal Financial Corporation (WBFC) is the nodal agency for providing financial assistance to the small-scale sector. In 2003-04, WBFC disbursed a total amount of Rs. 1013.7 million to 513 SSI units (Rs. 321.5 million to 474 units in 2002-03), in the area of Food manufacturing (except rice mills), Rice Mill services, and Textile, Paper Rubber and Jute products. Basic Metal industries, Metal work, Chemical, Machinery and Electrical Machinery, Plastic Electricity/Gals and Steam and other industries (147 out of 513). However, cottage industries and handicrafts sector, engaging craftsman and artisans is grossly uncovered. To assist smaller SSI units, artisans and skilled persons, it disbursed a meager Rs. 0.09 million to 16 small-scale units, under its composite loan program. In loan recovery, an important ingredient for the credit machinery to function, WBFC with a recovery of Rs. 1441.6 million in 2003-04 registered a 15.20% growth in recovery over 2002-03.

Conclusion

The Small Scale Units have been playing a very important role in our economy in terms of employment generation; export promotion and balanced regional development. The polices of liberalization and de-reservation and have affected the growth pattern of this vital sector of our economy, particularly after 1993-94. All the key indicators of SSIs are showing sluggish growth pattern after 1993-94.

It is interesting to note that the policy of liberalization and de reservation in SSIs have not affected the growth pattern of production intensities like employment intensity, production scale and employment productivity. In other words, in spite of the change in the growth pattern improved after the government announcement of de-reservation and enhancement of capital limit in SSIs. These intensities are still growing at the constant rate in our economy. The analysis of employment productivity at current prices shows that scale of production of SSIs is the most significant factor in improving employment productivity.

The change in the base of National Income estimation and also de-reservation policies has positively affected the employment productivity, thus it can be concluded that though there is a decline in the growth pattern of SSIs, yet the production intensities are growing at a uniform rate. Improvement of marketing facilities and infrastructure development has definitely helped them in improving their performance in terms of productivities in our economy. This sector has a potential for the overall balance economic development of the country, even under the new policy regime of Globalization, Privatization and Liberalization.

There is a positive correlation between Production of Unit and Employment in the small-scale industries in West Bengal. In comparison to West Bengal scenario, Burdwan district is gradually developing. Production of unit has increased from 8.57% to 9.76% in the year 1975 to 2004 and employment has also increased from 8.85% to 15.33% in the year 1975 to 2004.

The measure from State Govt. for improvement of investment climate in the State has reflected in the growth of industrial output in the state. The share of West Bengal in all India output which declined to 3.8% in 1999-2000 has increased to 4.5% in 2001-02.The state Govt. is giving importance to improve the situation in the industries. The Export of West Bengal has increased from 6.5% to 9% during 2004-05.During post-liberalization period West Bengal is growing more rapidly, SDP growth rate has been 7.3% during 2004-05 and target growth is 8% for 2005-06.The weighted annual growth rate (1993-94 to 2003-04) is 7.5% which is higher than the national average.

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As part of its commitment to promote research and publication in all areas of management, the Business Research and Information Centre (BRIC) at NSHM Business School has introduced a bi-annual refereed journal, NSHM Journal of Management Research and Applications (NJMRA). The objective of NJMRA is to present current research and ideas in the field of management in a lucid format accessible to both the academia and industry. The journal is also expected to act as a platform for industry professionals to share their best practices.

NJMRA invites original research-based papers, articles, book reviews and management cases on topics of current concern in the areas of management, development economics and related social sciences. It looks for conceptually sound and methodologically robust articles that harness and extend knowledge on all domains of management through empirical work or by building on existing concepts, and draw out the implication of the research for practitioners. The section on practices on the other hand is expected to extend the knowledge of the academic researchers in this discipline. Consequently, we expect the articles to have the potential to advance both management theory and practice through this bilateral exchange and synthesis of ideas and information.

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✓ If the market exists it would help the victims to get assured good quality treatment at low cost through either risk-pooling (Arrow, 1963) or income-pooling (Nyman, 2003).

✓ One unique thing of private health insurance (PHI) in Canada is the coverage of prescription drugs outside of hospitals that is not provided by public coverage (Glied, 2001; Colombo and Tapay, 2004).

✓ This regulation needed well defined and informative materials regarding the future prospect of the insurance products at the time of sale, claims procedure, proper functioning of policyholders services and so on (USAID, 2008).

8. In case of *more than two authors* only the first author surname must appear followed by et al as shown below

✓ This indicates the presence of substitution relation in richer countries between private and public provisioning of healthcare related services; if quality of public service is not up to the mark relatively more affluent people may opt out (Sekhri et al, 2005).

9. If a contribution is accepted for the sections - Conceptual / Empirical Research Papers / Practice / Case Studies then the author will be paid an honorarium of Rs. 3,500. For accepted Book Reviews and articles appearing in "Perspectives" the honorarium will be Rs. 1000. Authors will also receive a complimentary copy of the issue of NJMRA in which the article is published.

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