

# THE INDIAN JOURNAL OF COMMERCE

Quarterly Publication of the Indian Commerce Association

Vol. 62

No. 2

April-June 2009

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Papers based on application oriented research or field studies in the areas of industry, commerce, business studies and management are invited. The length of a paper including tables, diagrams, illustrations, etc., should not exceed 20 double space pages. Short communications (not more than 5 double spaced pages) relating to review articles, report of conferences, summary/views on various governments reports, debatable issues, etc., are also published. Book reviews and summary of Ph.D. dissertations not exceeding two double spaced pages, are welcome. Manuscripts sent for publication in this journal should not have been published or sent for publications elsewhere. All correspondence will be held with the senior (first) author only.

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**Lasertypeset by:** Nath Graphics, 1/21, Sarvapriya Vihar, New Delhi 110 016.

**Printed by:** Prabhat Offset, 2622, Kucha Challan, Daryaganj, New Delhi 110 002.

**Published by Prof. Nawal Kishor on behalf of the Indian Commerce Association.**

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**Aims and Objectives :** The Indian Journal of Commerce, started in 1947, is the quarterly publication of the All India Commerce Association to disseminate knowledge and information in the area of trade, commerce, business and management practices. The Journal focusses on theoretical, applied and interdisciplinary research in commerce, business studies and management. It provides a forum for debate and deliberations of academics, industrialists and practitioners.

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The Indian Journal of Commerce is published four times in a year i.e., March, June, September and December. The Indian Journal of Commerce is freely distributed to all members.

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# THE INDIAN JOURNAL OF COMMERCE

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## **61st ANNUAL CONFERENCE ISSUE**

Corporate Reporting Practices in Globalised Scenario

CRM and Value Chain Management

Intellectual Property Rights : Boon or Bane

Management of Rural Institutions

SEZs : Politics vis-a-vis Economics

**Prof. Nawal Kishor – *Managing Editor***



With Secretariat at : School of Management Studies  
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Maidan Garhi, New Delhi 110 068

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THE INDIAN JOURNAL OF COMMERCE**

Form – 5  
(Rule 8)

1. *Printer's Name* : The Indian Commerce Association  
*Nationality* : Indian  
*Address* : SOMS, IGNOU, Maidan Garhi  
New Delhi-110 068
2. *Place of Publication* : New Delhi
3. *Periodicity of Publication* : Quarterly
4. *Publisher's Name* : The Indian Commerce Association  
*Nationality* : Indian  
*Address* : SOMS, IGNOU, Maidan Garhi  
New Delhi-110 068
5. *Chief Editor's Name* : Prof. Nawal Kishor  
*Nationality* : Indian  
*Address* : SOMS, IGNOU, Maidan Garhi  
New Delhi-110 068
6. *Name and address of the individuals who own the newspaper and Partners or share-holders holding more than one percent of the total capital* : The Indian Commerce Association
7. *Printed at* : Prabhat Offset Press  
2622, Kucha Chellan, Daryaganj  
New Delhi-110 002

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**Inaugural Address by**  
**Her Excellency Shrimati Pratibha Devi Singh Patil**  
**The President of India**

at the 61st Annual Conference of  
The Indian Commerce Association  
held on 27th December 2008  
at Dhanwate National College, Nagpur

Ladies and Gentlemen,

I am happy to be in Nagpur, which is an important commercial and trading centre of the region. It is attracting investment from a number of companies on account of the talented human resources and other facilities available here. The launching of the Multi-modal International Cargo Hub and Airport has provided further impetus to the growth of commercial activities. It is, therefore, appropriate that a Conference that seeks to address issues relating to business, trade, commerce and management is being held in Nagpur.

I am told that the Indian Commerce Association, a professional body dedicated to bringing about coordination in the commerce and management curriculum and to promote research has organized this Conference - its 61st annual session in Maharashtra. It has partnered with the Shivaji Education Society, which is celebrating its Platinum Jubilee this year. This society was established by Shri Panjabrao Deshmukh, the first Agriculture Minister of India, who was also a lawyer and deeply committed to the cause of education. Today, the Shivaji Education Society whose foundation he had laid in 1932 has grown into one of the biggest educational organizations in the region running over 260 institutions from the pre-primary to the post-graduate level. I have witnessed the problems Bhausaheb, as he was popularly known, faced to spread education amongst different sections of society. I am also aware of the fervour and commitment with which he worked to achieve his mission. His life is an example of dedicated and selfless work and it was an honour for me to have had the opportunity to know him. Today is his birthday also. I pay my respects to his memories.

Bhausaheb believed that prosperity can only come when education is made available to all. I too am of the firm view that education is a very powerful tool to bring about change and to provide opportunities to an individual not only for earning livelihood but also for contributing to society and the nation. Education increases awareness levels. It shapes the character of individuals and can open the doors to knowledge and a philosophy of tolerance, so necessary for creating harmonious societies. There is an old Sanskrit Shloka:

विद्या ददाति विनयं विनयाद् याति पात्रताम्।  
पात्रत्वात् धनमाप्नोति धनाद्धर्मं ततः सुखम्॥

Which means:

Knowledge gives humility; from humility, one attains character; from character, one acquires wealth; from wealth righteousness follows and then happiness prevails.

I have quoted this because commerce is related to wealth but wealth these days does not necessarily produce righteousness. It is important to keep this in mind so that wealth should result in this also. We should impart this message to children and the youth.

As we speak about the need for value-based education and quality education that is relevant to our times, the focus immediately shifts to teachers. They have a critical role to play in imparting knowledge and teaching with a sense of responsibility, as well as building educational institutions. Gandhiji used to say, "What we need are educationists with originality, fired with true zeal, who will think from day to day what they are going to teach their pupils." Such are the professors and lecturers required in commerce and management schools, faculties and institutions.

Globalization has linked the world in many ways. Business and commerce now operate in an international environment, where there is intense competition. It is important for Indian business to be prepared for working in a demanding environment and to adapt to challenges.

I am glad that today I have the opportunity to speak to a conference in which academicians as well as commerce, management faculty members from different parts of the country are participating. I am also encouraged to note that one of the initiatives being undertaken is a National Commerce Talent Research Examination that will grade students according to industrial needs. In a globalized and a fast changing world, it is necessary to understand the skill requirement of the economy and to impart those to students. Teamwork, client relationship management, customer services and various problem solving skills are essential for success in today's global competition. It is a constant challenge for management institutes to train and equip their graduates with the skill-sets required in a dynamic market place. The competitive edge of Indian companies will depend on this.

The concept of commerce has undergone a radical change in almost every part of the world. E-commerce - business through Internet is now an accepted mode of commerce. Management courses should acquaint students with these new instrumentalities of commerce. Today, business has assumed a transnational character and an understanding of how to work in interlinked markets is important. It may be useful to remember that markets have a tendency to move up and down and, therefore, conducting business requires skills both for the upward and downward cycles. This year we have seen volatility in oil prices, which rose dramatically and then *fell* causing considerable uncertainties. Do management classes teach issues relating to risk management in diversified situations?

The limited crisis in the housing sector that began last year in the United States has within one year assumed the dimensions of a global financial crisis. The impact is being felt by almost all countries, though in varying degrees. The lack of confidence has translated into shrinking demand levels

resulting in contraction of industrial production and global trade. In such a scenario, while there is a need for coordinated global action, equally important is how individual business and institutions deal with the challenge. There is a need to regenerate confidence, to explore new markets and new products. This would require management skills and techniques. Have such techniques been included in business management courses? Do they sufficiently incorporate a study-of global opportunities and systems?

Models of managements and commerce are clearly *far* more complex than earlier. The need, therefore, is of having proper regulatory mechanisms, accounting procedure and transparency. This is the global debate today. I call on our financial and management experts to contribute to this process by joining in the ongoing international discourse, through research papers, interactions with think tanks and opinion makers. Deliberations in such kind of conferences where delegates coming from all over the country and discussing various economic issues, can certainly help in giving a meaningful direction to the growth of academics and research.

Commerce and management studies should include a comprehensive study of corporate governance. The purpose of studying and working should have a greater purpose, which is the welfare of communities and societies. Aspects relating to corporate social responsibilities are basic to a purposeful conduct of business.

I believe that management should extend to agriculture, which is a very important segment of our economy. It is important to take agriculture forward from subsistence farming to holistic development where there is value addition of agricultural products at the village level and support is extended for marketing the goods.

The Indian economy is growing, but not fast enough to generate employment levels required in the country. People should be encouraged to become entrepreneurs. Commerce and management should teach young entrepreneurs how to manage their human, physical and financial resources in an effective and efficient manner so that there can be maximum productivity. Institutes of Management should, focus on promoting entrepreneurship and related skills that can make medium and small enterprises as well as Self Help Groups successful. Industrial houses together with management education institutions can develop models for providing viable support services for such enterprises so that more jobs are created in the country.

I hope women entrepreneurs are also encouraged. Economic empowerment of women through self-income generating activities is very necessary and there should be special focus on this issue. As earning members, they would contribute to enhancing domestic consumption,

In conclusion, I would like to convey my good wishes to the Dhanawate National College. the venue of this Conference for their support to the Conference. The College has served the socially and economically backward strata of society for nearly 72 years and set an example in this region. I convey my best wishes to all of you for this Conference.

Thank you!

Jai Hind

Presidential Address  
61st All India Commerce Conference  
**Global Financial Crisis - Impact on India**

**Prof. P. Purushotham Rao**  
President  
The Indian Commerce Association

Honorable Chief Guest of the inaugural session, Her Excellency Smt. Pratibha Devi Singh Patil, President of India, Guests of Honour, His Excellency Sri S. C. Jamir, Governor of Maharashtra, Sri Ashok Chavan Hon'ble Chief Minister of Maharashtra, Sri Vilas Muttannwar, Union Minister for New & Renewable Energy Source, Sri Chhagan Bhujbal, Deputy Chief Minister Maharashtra, Sri Bala Saheb Thorat, Minister for Agriculture, Water Conservation, & Protocol Maharashtra & Guardian, Nagpur, Sri Arun Kumar B. Sheik, President Sri Shivaji Educational Society, Amaravathi and Dr. S.N. Pathan, Vice-Chancellor RTM, Nagpur University..

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I am very happy for this great opportunity of addressing the galaxy of intellectuals from various Universities and Business Houses across the Globe. I extend a warm welcome to all of you to this prestigious 61st All India Commerce Conference of ICA being hosted by Dhanwate National College, Nagpur.

The process of globalization and financial development has been prone to crises. Over the long-run, financial development is expected to support economic growth and poverty reduction. But, along the way, even relatively mature financial systems are vulnerable to systematic banking crises, cycles of booms and busts, and financial volatility. This appears to be partly intrinsic and partly. due to policy mistakes. It arises as banks expand and capital markets generate new financial products.

This entails new, unfamiliar, risk for financial intermediaries and regulators. Furthermore, as countries become more open to capital flow, crises are more

easily transmitted across borders. The positive long-run relationship between financial development and growth coexists with a negative short-run relationship through financial fragility. Hence, people are not learning from the history. Therefore, we have to know the impact of slowdown on India and also suggest the Indian government to rethink and actively participate in international financial architecture design.

### **Not Learning from History**

As the world struggles in the credit crisis, it seems appropriate to recount some (un)forgettable meltdowns of the twentieth century, the economics behind them and the panic that they created. Each of these major crises had features that have parallels in the current one. Yet, history repeats itself. Could investors have drawn a lesson or two from each of these and been more prudent?

**The Japanese Property Bubble :** The fall in property prices and defaults by sub-prime borrowers flagged off the now famous credit crisis. Will this crisis tip the world into recession? Let us hark back to the Japanese property bubble in the early 1980s. At that time, Japan had huge trade surpluses with the US. Alarmed at its unfavorable Balance of Trade position, the US, through the Plaza Accord of 1985, allowed the yen to appreciate against the dollar. In two years' time, the yen was up by almost 50 per cent.

The country's export-dependent economy stumbled. Capital investments slowed. To avoid a recession, Japan eased restrictions on borrowings and progressively lowered interest rates. But low inflation (due to cheap imports and the fall in international oil prices), coupled with cheap money, enabled cash-flows into the property and stock markets as well. Over the next few years, as demand for land increased, property prices soared. In the latter part of 1989, the Nikkei too raced towards its all-time high of 38,957 points but inflation had started to rear its head. As the New Year dawned, the stock market nose-dived. The Bank of Japan sharply increased lending rates and placed restrictions on lending to the real estate sector. Property prices plummeted. Loans given with land as collateral went bad.

Soon, slowing investment and consumption led to deflation. Following the crash, the 1990s came to be known as 'the lost decade' in Japan. With the Asian financial crisis further rubbing salt into the wounds, Japan's central bank adopted an extremely easy money policy that kept interest rates at virtually zero. Even today, at half a per cent, Japan has one of the lowest lending rates in the world. Little wonder that its central bank could not cut rates earlier this week, alongside several other countries, in response to the US credit crisis!

**Great Depression :** The current credit crisis is increasingly being compared to the Great Depression in the US in the 1930s. The 1920s witnessed a huge increase in manufacturing output in the US. But the wages did not keep pace. Instead, the bulk of the profits were pocketed by corporates, creating a wide gap between the rich and the blue-collared. At the same time, capacity expansions by companies (signaling higher profits), rising dividends and

speculation drew surplus into the stock market. The upward spiral helped the Dow Jones Industrial Average hit a peak of 381 in September 1929. When volatility rose, speculation gave way to fear and the party wound up quickly. The rich stopped spending. The poor, who were earlier financing their purchases mostly on credit, cut back. As demand declined, so did production. As a result, unemployment rose. Borrowers defaulted. Ironically, it was the onset of World War II that boosted spending and bailed out the economy.

**Asian Crisis :** If the Great Depression was born out of the unequal fruits of industrial prosperity, the Asian currency crisis of 1997-98 exposed the harm that volatile capital flows and highly leveraged positions can cause to entire economies. The years preceding the crisis saw South-East Asian economies such as Thailand, Malaysia and Indonesia open up their economies to foreign direct investments and capital flows. Full capital mobility was allowed, with these Asian economies aligning their exchange rates closely with the dollar. A sharp appreciation in the dollar in 1995 caused South-East Asian currencies to appreciate against other currencies as well. This resulted in significant losses on the export front - which was a key blow to these externally dependent economies.

A widening current account deficit (financed with overseas borrowings) coupled with basic differences in the economies of the US and these countries aroused speculation as to the 'real' exchange rate - the fixed exchange rate regime collapsed. As a result, the currencies of countries such as Thailand, Malaysia, Indonesia, Korea and Philippines were sharply devalued. Interest rates were steeply raised to protect the local currencies. This set off a vicious spiral of rising cost of financing for companies and a squeeze on debt servicing capabilities. Earlier, the fixed exchange rates and the free flow of foreign funds had prompted domestic banks and corporates to borrow heavily from abroad. Once disaster struck, the high leverage choked borrowers. Banks which resorted to borrowing from abroad for lending domestically too felt the heat. The excessive inflows had also found their way into asset classes such as the stock market and real estate.

When foreign investors began to pull money out, both stock market and real estate prices slumped. In the latter half of 1997, the IMF, along with the World Bank and the Asian Development Bank, provided aid to these countries as they were in danger of defaulting on their debt repayments. These countries also agreed to undertake structural reforms by tightening their fiscal and monetary policies.

**Latin American Debt Crisis :** A similar story had already been enacted in Latin America in the 1980s. In the context of massive inflows of foreign capital and subsequent flight, the Asian crisis was, in fact, Latin America Part II. The substantial increase in oil prices in 1973-74 by the OPEC nations resulted in massive inflows of surplus money into the oil-exporting countries. With the availability of funds far exceeding domestic requirements, these countries parked surplus funds in international commercial banks. This happened at a time when countries such as Chile, Uruguay and Argentina had just liberalized trade and needed money to implement economic reforms.

Besides, oil-importing countries in this area also needed money to finance their deficits. So Latin America resorted to borrowing these surplus 'petrodollars' from commercial banks whose loans were short term and carried variable rates. As the 1970s drew to a close, oil prices spiked again and fuelling inflation and, hence, higher interest rates. Money was needed to finance both the trade imbalance and the higher interest. For this, these countries resorted to fresh borrowings, and were thus pulled into a debt trap. A year or two later, oil prices fell, but not interest rates. In Mexico, an oil-exporting country there was a flight of capital abroad. The peso depreciated by about 80 per cent; Mexico was unable to service its debt and was on the verge of defaulting on loan repayments. Other Latin American countries followed suit. Further lending to these countries was refused and they could not get out of the debt trap. These nations were later forced to renegotiate their debt and the IMF stepped in to coordinate.

### **The Impact of Financial Crisis on India**

To quote S. Venkitaramanan a former Governor of the Reserve Bank of India "The U.S. financial crisis has had its reverberations on both developed and developing world. It is not possible to insulate Indian economy completely from what is happening in the financial systems of the world. 'Effectively speaking, however, the Indian banks and financial institutions have not experienced the kinds of losses and write-downs that even venerable banks and financial institutions in the Western world have faced. "

### **Real Estate**

The crisis in the US financial market will hit the Indian real estate sector hard. The sector was already reeling under tremendous pressure as RBI increased the interest rates to contain inflation, besides restricting the fund flow in it. The impact of the recent flurry of changes made by RBI is yet to be seen.

**Outsourcing** : The Economic Times published a story that tells US financial market issues will slow the offshore outsourcing market for Indian based companies. Forrester, John McCarthy told that the fundamental change in Wall Street will alter the outsource industry for the Indian IT and BPO companies. I am not sure how much we can believe these analysts any more, all these times they could not predict the financial market and now how can they predict the IT outsource market? Several reports have been published one report tells that current financial crisis will increase offshore outsourcing and other reports tells it will reduce it. Still a lot of confusion and fear looms large over this sector.

**Banking** : A detailed study undertaken by the RBI in September 2007 on the impact of the sub prime episode on the Indian banks had revealed that none of the Indian banks or the foreign banks, with whom the discussions had been held, had any direct exposure to the sub-prime markets in the USA or other markets. However, a few Indian banks had invested in the collateralised debt obligations (CDOs) / bonds which had a few underlying entities with sub-prime exposures. Thus, no direct impact on account of

*direct exposure* to the sub-prime market was in evidence. However, a few of these banks did suffer some losses' on account of the mark-to-market losses caused by the widening of the credit spreads arising from the sub-prime episode on term liquidity in the market, even though the overnight markets remained stable.

**Stock Market :** Any uncertainty in global markets always proves to be a poison pill for the stock markets. The drop in real estate and stock prices robs a much larger body of consumers of the wealth effect, which could affect spending on a broader front. The stock market values can fall further if the foreign institutional investors start pulling out money in large numbers over a short period of time.

**Employment Market :** As I write this, a number of companies in India especially in the IT and financial sectors are downsizing to cut costs. More than the downsizing itself, these companies will not be hiring in the near future and that will change the complexion of the job market.

After asserting that the global financial meltdown will not affect us, it is now being acknowledged that India is impacted and the effects will intensify. A flurry of activity to size up the happenings and counter the financial virus last spreading across the globe is now being witnessed. As early as April 2008, the early alarms had been sounded but our preoccupation with inflation-management made us virtually sidestep it - all in the belief that we were not vulnerable. This was some what naive looking at the magnitude of the predicament. The subprime crisis was translating into huge losses, and resulting in billions of dollars of capital raisings, including public offerings and asset-disposals. Market caps were plunging sharply, and not just in the US, but also of European banks. Central banks across the globe had begun to revive financial institutions, hit by what former Federal Reserve governor Alan Greenspan has described as 'the crisis of the century'.

India's economy is expected to grow about 6.8% during FY2008 and as low as 5.5% in FY2009. India's economy grew at an annual rate of 9% or more in the past three years, second only to China among the major economies, and the projections for FY2008 indicate that India's economic growth has been effected by the economic crisis. The Indian Finance Minister P. Chidambaram, however, said that he expected India's economy to "bounce back" to 9% during FY2009. This prediction has been met with skepticism by observers. The Asian Development Bank predicted India to recover from weakening momentum in 4-6 quarters. At the G20 Summit, India called for coordinated global fiscal stimulus to mitigate the severity of the global credit crunch. India said that it would inject US\$4.5 billion into the financial system to help exporters. Some analysts pointed that India's going trade with other Asian countries, especially China, will help reduce the negative impact of the crisis. Analysts also said that India's high domestic demand and large infrastructure projects will act as a buffer reducing the impact of the global downturn on its economy. Economists argued that India's financial system is relatively insulated and its banks do not have significant exposure to subprime mortgage.

India may be one of the least open economies in Asia but its external trade already constitutes over 40% of its GDP. Net investments by FIIs in Indian stock exchanges by January 2008 were \$ 65 billion. In the last four years India has received \$ 50 billion FDI. On October 23, by which time FIIs had pulled out over \$ 10 billion, the rupee plunged to 49.79 against the dollar, in comparison to under Rs. 39 a year ago. GDP growth had started slowing and it had become obvious that the projected growth at 9% was untenable. By mid-October, India was well in the midst of a global slowdown. Estimates of annual GDP growth had been lowered from 9% to 7.5%. During Q1 2008-09 growth was 7.9% compared to 9.2% in Q1 2007-08. Declination has been wide spread. Industrial growth is much slower. April-August 2008 saw 4.9% growth compared to 8.5% in April-August 2007 and 10% during entire 2007-08. Expansion in manufacturing, the emerging star of Indian economy, fell from 10.6% to 5.2%. Electricity generation nose-dived from 8.3% to 2.3%.

Agriculture declined in Q1 2008-09 from 4.4% to 3% and services from 10.6% to 10.2%. Foreign capital during HI 2008-09 registered a deficit of \$ 60 billion as against \$ 30 billion in HI 2007-08 Hitherto; export growth was being bolstered by rising commodity prices and the yet strong demand from emerging markets and oil producers. All such contributory factors are no longer there. There has been a reversal of portfolio equity flows, largely because of foreign institutions' need to enhance their liquidity positions and the overall reduction in the risk appetite of global investors. Equity market is down 30% since April 2008 and had dipped below the 10,000 level. A sharp decline in FII inflows exacerbated the downward pressure with rupee depreciating by almost 25% and touching a five year low of 50.18 on November 20. Since mid September, the tight liquidity conditions in the economy have led to extreme volatility in the money market. Interbank call rates have posting significant jumps, well above the official repo and reverse repo corridor.

By October 20, the call rates had become 20% and averaged 12% between mid-September and mid October. By mid October the economy has clearly deviated from its long-run growth path. The positive cycle had turned negative and the actual growth had lagged beyond the potential output growth. The manufacturing inflation gap has become positive, with the actual inflation being higher than warranted for many months. Our response to the emerging global turmoil has been essentially monetary. The RBI, which for 18 months had been increasing interest rates and the cash reserve ratio to cool down the over heating economy, has since October changed tracks. Repo rate has been cut by 150 bps, CRR by 350 points and SLR reduced from 25% to 24%. Such facilities aim at infusing greater liquidity and making credit cheaper. However, the additional liquidity of Rs.2 lakh crore has primarily gone to offset the sizable money withdrawals which occurred upon issue of bonds to oil and fertilizer companies for not effecting price increases.

Commercial banks have so far not significantly reduced their lending rates are started lending as before. Till the fragile financial systems start functioning normally again, the various macro measures might not be fully effective particularly in the transmission of increased liquidity to investors

and consumers. Many non-linear effects are anticipated as weaknesses in our trading partners spill over to us. There would also be reduction in investment financed through FDI, remittances international debt aid. India, like many other Asian countries, is expected to suffer severely from the lagged effects of the commodities' price shock. Also China, with whom Indian foreign trade has been steadily growing, is highly exposed to the down turn in the US and Europe. Already Indian Iron ore mine owners have cut down their output by 40%.

The number investor accounts at stock exchanges have surged. A crash in equity prices is affecting more people than ever before. Property markets have deepened substantially and the losing values of real estate have a potential multiplier effect. The global credit crunch has caused more restrictive lending by commercial banks, upon which Indian corporates and households heavily depend for finance. The monetary measures recently initiated are not adequate to spur banks to lend more as they are considered, and perhaps rightly, about short-term prospects of the economy. Most Indian IT firms are vulnerable to the emerging global recession - 70% of India's \$ 40 billion software exports are to the US and 40% of it for financial services which are shrinking rapidly. Our manufacturing and construction trade is facing prospects of further slackening investment. Financial services are up against tight liquidity and falling markets. Plummeting travel and tourism are slowing down transportation and hospitality sectors. More focused action, including fiscal, is needed to stem the worsening of the real economy.

#### **International Financial Architecture - India Must Re-think Initiatives**

One of the outcomes of the Asian crisis of 1997 is the recognition that financial stability of nations that have been pursuing market-oriented economic reforms is critical for promoting growth on a sustained basis not only for themselves but also for the industrialized countries. The magnitude and the spread of the crises have demonstrated the virulence of the contagion arising from the integration of economies through trade and financial flows and markets. India, however, has managed to avoid the crisis. This has been attributed to a number of factors - gradualism in respect of capital account convertibility, prudent external debt management, market-based exchange rate system and a fairly robust regulation and supervision of the banking sector.

Immediately following the Asian crisis, the industrialized countries invited some systemically important nations – emerging market economies (EMEs) – to examine issues related to financial stability, contagion effects and the growth of the world economy. This initiative led to the setting up of Financial Stability Forum (FSF) and the creation of a group of 20 finance ministers (G-20) in 1999. The G20 consists of the eight major industrialized countries and EMEs such as Argentina, Australia, Brazil, China, India, Indonesia, Korea, Mexico, South Africa, Saudi Arabia, Thailand and Turkey. The essential edifice of the financial architecture, however, has been left altered. The International Monetary Fund (IMF) and the World Bank (WB) continue, albeit, with greater transparency and with a more strengthened focus on

their basic objectives as also on the internal institutional controls. The Interim Committee, set up in the 1970s to guide the work of the IMF, has been re-christened the International Monetary and Financial Committee (IMFC) while the Development Committee that guides the work of the World Bank remains largely unchanged.

Almost all the members of the G-20 are those of the IMFC and a good many of them are members of the Development Committee. One should, therefore, expect the G-20 to bear its influence on the deliberations of the IMFC and Development Committee. In reality, however, the interactions work both ways: The two committees through their sway on the IMF and World Bank influence the G-20 as well. Since Ministers of only important countries deliberate in the two committees, the IMF Managing Director and the World Bank President have often been found to ensure that the viewpoints of those countries which are not members of the two committees are considered while taking decisions.

The industrial countries, in general, confer in a number of fora such as the G-10 and the OECD located in Paris. The EMEs do *not* have any such forum. Developing countries as a group deliberate on economic and financial issues of international importance in the G-24 - a group that was formed in the early 1970s. Some of the EMEs that are part of G-20 are also members of G-24. India is one of the classic examples of such dual membership. What is important *to note* is that while the OECD framework is well-structured, that of the G-24 is not, notwithstanding the fact that there is now the G-24 secretariat at Washington DC. The G-24 sponsors technical studies that are conducted by independent researchers. It has also sponsored broad-based studies on international issues, besides working groups: The blue book of 1979 and the green book of 1984 and the working group reports of 1985 and 1987 were largely the product of studies done by India through its Executive Directors at the IMF and the World Bank. India chaired the G-24 in 1984 and was, in general, active in the Group till the end of the 1980s.

The presence of India in the G-20 and the G-24 gives New Delhi the advantage of deriving critical perspectives on the issues confronting the global economy. But whether India can adopt a proactive role in both these groups so as *to* influence the deliberations of the IMFC is a question worth asking. It appears that despite the conferences on technical papers prepared for the G-24 and the support of the UNCTAD for such studies, the Group has not been effective in enthusing countries, India included, that have a larger stake in global financial stability. But India can neither give up the membership of G-24 nor can be a crusader of G24 causes at the G-20 meetings. India, therefore, has in the last three/ four years adopted the strategy of being seen and not necessarily heard at G-24 meetings. Otherwise, how does one explain the absence of India's Finance Minister in some of the recent ministerial meetings?

This strategy could be in India's medium-term interest only if it uses the G-20 forum *to* its advantage as well as to the benefit of the developing countries outside the G-20 fold. This is where the Indian strategy has been ambiguous. Very few are aware of the role that India had played as chairperson of the G-20 in 2002. It has missed the chance of taking new initiatives. Had there

been some, they would have by now surfaced, at least through the speeches of our authorities at subsequent international meetings including those of the IMFC. India cannot any more afford to be a passive participant, partly because it may be asked to lead the G-24 in the medium term and partly because it is aiming at 8 per cent annual average growth rate to move toward economic convergence.

The country, thus, has stakes in financial integration and stability. It needs to take new initiatives. To get the support of the rest of the world, it would need to use economic diplomacy more effectively, not so much through embassies as through focused conferences and groups. New Delhi, it may also have to send teams of specialists to various countries to canvas support for India's initiatives well before they are unveiled.

In terms of broad areas, the initiatives on trade in goods and services, financial sector development and regulations and macro and exchange rate policy coordination at the international level would matter. Also, the question of providing technical, financial and technological support to countries that undertake economic reforms would confront the G-20 sooner or later, now that adjustment is considered as critical to sustained growth.

### **Conclusion**

A number of generic lessons for the current crises are emerging. These include the importance of understanding incentives in the design of policy responses, the importance of spending composition in designing a fiscal stimulus or adjustment program and the importance of sound information on what is happening on the ground as the crisis unfolds. However, if there is one lesson that stands out it is that the short-term responses to a crisis cannot ignore longer-term implications for development in all its dimensions.

The macroeconomic stabilization response must be consistent with restoring the growth process and the pace of poverty reduction. Financial sector policies need to balance concerns about the fragility of the banking system with the needs for sound longer-term financial institutions. And the social policy response must provide rapid income support to those in most need, giving highest on the poorest amongst those affected, while preserving the key physical and human assets of poor people and their communities. Difficult choices will be faced in addressing the tradeoffs between rapid crisis response and longer-term development goals.

On this momentous occasion, I wish to profusely thank Prof. S. S. Mishra for delivering Prof. Deshpande Memorial Lecture. I do hope that we shall have fruitful deliberations across the four technical sessions on "Corporate Reporting Practices in Globalized Scenario", "CRM and Value Chain Management", "Intellectual Property Rights: Boon or Bane", "Management of Rural Institutions", and the Seminar on "SEZ: Politics vis-a-vis Economics". I take this opportunity to extend hearty congratulations to the Chairmen, Co-Chairmen, Key-note speakers and authors of technical papers to be presented across the technical sessions and the seminar, for their intellectual contributions. I wish that the presentations would pave the way for intelligent

interventions by the august audience of delegates, thus leading to formulation of ICA declaration in the field of Commerce.

The journey of ICA began well over 61 years, along with the independent India, and it is hoped that it grows from strength to strength by contributing its mite in taking the society to ever greater heights of achievements, prosperity and glory and in transforming India into a destination for intellectual capital.

And pray to the almighty to provide us with enough strength and courage to combat the adversaries posed by the global meltdown.

Thank you one and all.

Late Dr. S.G. Deshpande Memorial Lecture

**Decent India**  
**A 360° Leadership Vision of India's Development**

**Dr. Shivshankar Mishra**

Past President, ICA

Professor Emeritus and Academic Director  
The Institute of Hotel Management, Aurangabad

**Mr. Chairman, Mrs. Deshpande, the Hon. Dignitaries, the delegates and my young friends.**

Dr. Shyamkant Deshpande was an erudite thinker. His thinking was not confined to any easy-chair philosophising ideation. He was a man of the practical world and sought to reach to the roots of the problems beseeching practical solutions to the contemporary issues. He believed in relating intellect in solving the real life problems in a pragmatic manner. He was action oriented.

By profession, he was a licentiate chartered accountant, cost accountant, company secretary and a legal luminary, besides being an astute academician.

His untimely demise has been a great loss to his family, but no less to the Indian Commerce Association, as well; which had lately started restructuring its working under his leadership. ICA owes its elevated ambience much to his practical leadership.

I shared a special relationship with him. He had never been a direct pupil of mine, yet this worthy young man always honoured and made me proud by declaring, against my protests, that I was his guru. He had an uncanny knack of cultivating toughest of the nuts to convert to his line of thought, except where cunning and shrewd were involved. He commanded persuasive skill of effortless communication. That impressed every one.

He was a nationalist and a patriot to the core and a very cultured person, who was ever willing to engage in discourses on possibilities of India's turnaround. We spent many evenings discussing the ideas and strategies on turn-around of Indian society and the leadership qualities required for that and the real issues confronting the country. I am going to share with you some of them this morning.

**Growth Vs. Development**

Growth has become the defining feature of the modern global economy. It is governed by the simple logic of aggregation of production as much as possible, leaving distribution function to care for itself. Post-liberalization economic policy has hovered around this concept of economic thought. The growth efforts did yield some results and many countries started posting some impressive growth results, including India. The 'Shining India' vision was

sloganeered in 2004 under this perception which simply confounded people. They really could not digest the idea, in the face of numerous indices showing negative ratings on the country status. Campaign copy writers had scripted their slogans from the indicators that demonstrated the rising accruals on the prosperity indices. They had preferred to preclude the facts of living on pathos of a reeling multitude. It was the shadow-show of Growth and Development paradoxes. From mid-90s growth seems visible but no convincing development is in sight because growth is wealth-centric and development is peoplecentric. Growth happening without people's participation often results in power-entitlement of a few. In India growth has happened without people's participation. The corporate instrument has been used to power the growth with foreign investment without involving people very much. Therefore, the growth results though aggregated the national wealth, failed to benefit the masses by empowering them. Growth brings about prosperity of corporate business houses and of those who regulate the growth policies, but not necessarily helps the poor. India proved shining for the corporate apparatus and the regulators. The chasm of inequality has widened with every growth index upscaling. The instrument to measure the disparity is the Human Development Index which is constructed keeping in view the developmental perspective of the masses. India's negative showing is because of this disparity between the two perspectives of growth and development.

### **Post-modernity**

Independent India's post-modern era dawned in mid-80 when a falsified class differentiation spread at the behest of those who had garnered inexorable political power. They had crafted a supra structure with self-serving class rules. They argued to set the correctional course purportedly guaranteed by the Constitution of India. It was the neo-model of the age-old caste hierarchy which every one by then had come to consider a painful legacy to carry and necessary to abandon forthwith. The neo-configuration made it to happen reemerge as an impregnable power structure in the modern context with the reversal of roles. It is the scheme to continue with class differentiation and uneven distribution of resources and denial of opportunities. Positions have been swapped but the issue of development with social equality continues to elude. These are, rather paradoxical and pervert use of the constitutional instrument of democratic governance and subversion of the provisions of social equality and secularism. Disparities have spewed a number of discomforting irritants. Social strife and domestic terrorism are the expression of discontent and dissent of the marginalised people. This is time to consider the correctional course. This is the time to have a re-look at the social objectives as enunciated in the Constitution and the present aspirations of the people of the Republic. The temporal contexts have changed, so we need to identify the real contemporary issues confronting it.

A vibrant nation cannot afford to allow the division, subdivision and fragmentation of the society any more. There has to be a cohesive nationality

based on the principle of equity, brotherhood and secularism. Primacy of Individual's right and self-respect must be decently merged into the societal wellness, and vice-versa.

A decent society then presupposes to address itself to the issues of:

### **Issues**

- Crisis of the Global Image
- Poor HDI Rating
- Callous attitude of people at all levels and at all places
- Inane and vulgar show of wealth, i.e. crisis of wealth management
- Lack of scientific temper
- Ridiculous functioning of the parliamentary system
- Inane political governance
- Biased political Intervention in administration of law and judiciary
- Steady and sustainable economic growth
- Peak oil
- Climate Change
- Food and Water Security
- Equitable distribution of income and resources
- Equal opportunities
- Honour of Human rights
- Equality of Gender without bias
- Full appreciation of role in development for women, youth and intellectuals
- Full Employment
- Common perception of the concepts and definition of societal welfare
- Effective control over stabilised population
- Ecology sensitive planning and operations
- Corruption
- Neglect of Agriculture
- Neglect of the Cultural legacy of the land
- Extra-territorial allegiance and loyalties
- Absence of social harmony

### **Myopic Vision of 45°!**

In Indian context we find that there are numerous things which are visible and discernible but cannot be brought on the official record for proof of it. Our law system does not quite support the emergence of a decent society. Our social and political behaviour does not quite match with the mission and vision statements as enshrined in the Constitution which we claim to be so sacrosanct to us. When actions do not match with the Mission & Vision, the control mechanism starts showing compatibility gap. One of the reasons is that we always constructed our policy statements from our constitutional guarantees in piecemeal way by interpreting the provisions

in isolation and in a 45° thinking angle. This suited the convenience of some segmented population of the society at the cost of disadvantage to other sections. In 60 years of existence of the Republic the society has been so much divided, subdivided and fragmented that the dividing lines stubbornly refuse to fade now.

### **A Potential Economic Power House**

People are busy evaluating the magnitude of the present economic crisis and they surmise that it is no lesser than the Great Depression of 1928 in its impact. This should happen around the time when the real global processes were to begin and the 'real resources' were to find their due recognition, has surprised many! Emergence of 'ignored' countries like China, India, Brazil as economic world super powers had surprised many but justified as realistic because of the consumer markets they have and the scientific infrastructure that existed with them, for so long!! Brazil was declared a 'debt trap' gone case and India written off as worse than that. China was a suspect rogue state! And yet the world has to reckon them as the first ranking countries to vie for the world economic leadership.

Earlier the U.S. along with the puppet world regulators like IMF and the WB were the sole arbitrators and G-7 and G-10 as their approver witnesses in international matters of whatever character they might be; not any more now. The leadership is passing to an expanded G group of G-20 which includes all the above three hopeless states. That the global scenario is transforming is true. This is the potential of the country, but there are certain blemishes that do not augur well for the comprehensive inclusive growth prospect of the country.

### **Chink in the Armour**

Rising inequality and manipulated markets cause a serious concern. Generally markets impose their competitive logic and tend to advance their structures into every nook and cranny, at the behest of the elites they benefit as well as structurally on their own account due to the lessons they teach and the motives they impose on everyone, not just elites. This needs to incorporate the means and potential as well as circumstances and times in Indian cultural context which seeks an unspecified approach for dealing with externalities. At the core of economies lie two basic functions - Production and Consumption, intermediated by the all important Distribution function. Amartya Sen's economic theory rests on the premise that most of the issues relate to the latter.

### **Access to Common Resources**

A feeling of inequality in people with regard to access to resources and opportunities causes social tensions. The production aggregation system has the potential to relieve the economic problems but brings at stake the issue of distribution, which together determine the society's defining features and dynamics.

**Management of Wealth and Prosperity**

As uneven distribution of wealth is one problem the management of wealth, whether in private domain or in public systems, is also a problem. People tend to indulge in vulgar display and pervert uses of wealth. They ignore the need of its proper conservation and application. We have never learnt to respect wealth. Wanton destruction and misuse of public property and vulgar use and display of private wealth; both become the potential cause of social tensions in individual's life and also in the society. Look at the spoilt brats of the neo-rich and powerful people.

**The Swiss Bank Connection**

We have been experiencing the impact of a horrid manipulative distortion of stock market operations. The gullible investors feel to have been tripped. There is no valid justification or a plausible explanation for such massive changes in the economy. The economy today is black with grime. Global conditions and the conditions of the US economy could impact us to a very limited extent, as our balance of payments has always been adverse because of high imports and low exports. The only adversity then is withdrawal and flight of FDI from the capital market. I have a lurking doubt if it was genuine FDI or in major part it was our own money siphoned out in sleaze deals and staved off in foreign banks, re-ploughed as DFI on phony accounts. This could help in artificially hype up the capital market to help some corporate houses and their bourses to shoot up to unimaginable heights thereby roping in the rising middle class in the country to invest in capital market on a massive scale. These operations helped these elements in two ways; first the sleaze money got officially ironed out as white money, saving them escape economic offences investigations and second, helps their upstart business friends earn undeserved recognition in global markets and amass huge wealth without any productive efforts. The regulator body SEBI was caught napping.

**Uneasy Youth**

We are at the cross-roads and the younger population of the society is restless. It desires not only reforms but basic changes in attitude towards life. They look at history differently and they interpret it differently. Certain historical references they desire to ignore and reinterpret in a more inclusive and helping way. In this process, a re-look at the constitutional provisions is also included. Provisions that impel debilities need to be reviewed in a manner that facilitates the progress and not the convenience of a few. The educated youth of the country is growing weary of the manner of our farcical democracy. It is not an incoherent aspiration if they desire a change! They are tired to see the false gods and their false promises. This generation fully understands the motives behind the political slogans. This generation is different from the earlier one in more than one respect. They would not withdraw from the protest and the processes of democratic changes. They have seen the social engineers raise falls cries of sectoral threats and dangers and the outcome that always has been distorting. They now expect the basic issues to be addressed basically.

### **Population Control and Employment**

The euphoria of global prowess in intellectual property domain and shift of emphasis from 'capital' to 'human resource' for generation of wealth, pampered us to believe that all hands will automatically start getting work, and so we should not bother about population growth any more. That has been the biggest folly of our thinking during last two decades! The truth is the problem of population balance, still haunts us. That is the defining issue of our time. It is true that IT-enabled sector helped in generating large number of jobs. Similarly the attendant support service sector also offered variegated opportunities to expand our job base. Some skill-based jobs with technical background and executive jobs also emerged in the process, but they have not been enough to absorb all the job-seeking population of the society. We ignored that women's aspiration profile in India was undergoing a sea change, so the official figures of unemployment rate in India need to be revised to accommodate their number too!! Accommodation to farm displacements also needs to be taken into consideration. The adjusted data then would be a distressing commentary on or growth claims. Add to this the compound annual rate of population growth of 2.4 per cent and the problem becomes serious. We somehow ignored it to bask in the glory of a high GDP rate and expansion of wealth during the period. We did not take the issue of uneven distribution of wealth very seriously. We also ignored that it would not, per se, help in solving the problem of poverty alleviation.

We also ignored organic relationship that the social strife and tensions bear to the uneven distribution of wealth. We now need to understand that they emanate from this sense of disparity among the people and regions. Naxalite movement, communal strife and regional claims, are all the products of this vital phenomenon of disparity. The sooner we find the remedy, the earlier the social peace will return.

### **A Perpetual State of Emergency**

A decent society cannot afford to live in perpetual state of emergency. Lest we should be talking of a planned economic growth and compelled to act always like in a perpetual crisis. That is disastrous. Disaster management plans always draw heavily from the planned budgets and are out of bounds for financial accountability and tangible results. Budgets are exhausted but outcome is transient!!

This state of perpetual emergency, in its subtle way starts eroding the thin bond of ethics and morality of the people administering the system. They become unscrupulous manipulators and a sure source of corruption. They tend to withdraw the sense of decency, propriety and aesthetics from the work life of the people and set a model of bad governance!! It is a journey into the blind alley! So far we have trotted a long distance on this path. Darkness has so much overwhelmed us that enduring any light appears impossibility. Most of the transactions are shady and questionable. To become a finer society, it is essential that we ensure a safer and secure life to the citizens. For this the surveillance and defence systems need to be really alert and free from political controversy. Our social integrity and national security need to be rescued from being so vulnerable.

This then presupposes that our priorities should be right. First to refocus on a comprehensive and inclusive programme of population control, and then to generate wealth and opportunities for every one to work and earn; only then the dream of social equality could come true. Decency in private and public life is of paramount importance. That alone shall guarantee individual and societal quality of life. The world looks at India as an expansive market place for unloading their wares. It is up to us to think whether we would like ourselves to be showcased as a nation and a unique society, or continue to show up as a market place!!

### **Some Other Contemporary Issues**

The contemporary issues of peak oil, climate change, and food and water security, resonate strongly with the overshoot and collapse displayed in the business-as-usual scenario of 'The Limits to Growth'."

### **The Extent of Terrorism**

Terrorism is the current obsession with political problem solving, which generally is understood in relation to religious- or ideological or communal terrorism. It is very myopic in scope. Terrorism is terrorism, even besides the known motivations. Killing people in an inebriated state of health or extortions or abductions or burning of brides or victimization of the deprived and underprivileged or defenseless people or sodomising the children; are all the acts of terrorism and therefore should be looked and booked under a comprehensive law covering all of them and dealt on a fast-track harsher punishment mode. Corruption should also be considered as an adjunct offense to direct hitting terrorism, because in course of time the small and inconsequential looking offence of corruption becomes the source of potentially high intensity cause of terrorism. Unaccounted and unauthorized accumulation of wealth fills people with arrogance to behave in a derogatory way which is tantamount to terrorism.

Unless we look at the things holistically with a 360 degree vision the strategic thinking would not justify itself. (Look at the importance of 360 degree. Tatas considered all possible factors at Singur and excessively believed in the goodwill and the political clout of the present Government, ignored the nuisance that might emerge from any other source - in the instant case it emerged in the form of Mamta Benerjee and see what happened. Perhaps 359 degrees worked, one degree failed!)

Disaster management has the same story. People start consulting the dictionary and the rules book after a tragedy strikes the people. They seek their role or line of actions in the rule books and manuals, not in their common sense and compassion. By that time the tragedy is over and the people have lost their valuable lives and property. This shows a lack of a sense of proportion, confidence and commitment to a mission of good governance. (Many times, this is done with deliberate intention because right actions may deprive some of their unrightful gains from the tragedies. Actions are chosen to allow continuation and perpetuation of the miseries because they are the guarantees of perpetual succession of power.

### **State Intervention in Judicial Procedures**

The role of state Intervention in judicial processes and procedures has often been found controversial. Preferences, prejudices and biases show themselves in the process. State should constrict its role to policy making and administrative functioning. Police and Judicature should have complete autonomy in their working. An offence is an offence and the investigating agency should do its job of investigation independent of the government. Why should the government have a role in filing or withdrawing of cases? That goes against the principle of transparency and accountability.

### **Re-Look at the Distributive Justice**

Distributive justice needs to be considered in its perspective. Sharing knowledge is important as much as the thrift. Most of our problems emanate from uneven and unequal distribution of the access to resources. Whether you share and distribute your wealth is a moot issue; important is sharing the opportunity. We generated opportunities and wealth both, and denied both to the people. That keeps the nation from becoming a symbiotic system to withstand any onslaughts and denials.

There is this need for triangulation of the pillars of modern India the political system, the economic system and the secularism. Recent disclosures have exposed our debility to sustain the pressure of proactive actions in the areas of global image building. After all, a major asset in the balance sheet is always goodwill, your brand value in the eyes of the world, and that allows you an access to others markets and assets. People should trust you and their trust helps you market your ideology and wares! Our social strife is of chaotic character and has been sending wrong signals to the world community as an aspiring world leader.

### **Bury the Past**

Living in the past and fomenting our prejudices are preventing larger sections of the society from participating in the productive processes, thereby rendering them as a burden on the national wealth? Just try it for a five year, let it be the agenda of One Five Year Plan that we defer our prejudices for five years and allow equal right of work to every one irrespective of a gender and racial bias; let their be relentless work and only focused work and then see what happens!! Once people get to realize that they are desirable and useful members of the society, they automatically shed their indulgence in the counterproductive activities. It is a matter of mature decisions to believe and empowering the fellow citizens. Why should people look to other ethnic groups for their own identity if they could feel useful and desirabled in their homeland! The quality of the democratic process needs to be neat and decent.

### **The Decency Precept**

To me, it appears that the defining issue of our time is whether we want to live as a decent society or not? And if yes, whether we are willing to address some basic issues that look straight in our face?

Decency is a quality precept and converges on the quality in life which is by now popularized as Quality-of-Life, and includes the Aesthetics of Social and Personal Life leading to excellence. Aristotle said-"We are what we repeatedly do. Excellence, then, is not an act, but a habit." We have to decide which habits we want to cultivate.

We have been talking of Quality of Life for quite some time now. This needs to be imbibed as a national and social value to make it our national character. There are priority areas where this needs to be promoted urgently and vigorously. Let us begin with the quality of our institutionalized values of democracy, secularism and good governance.

### **A 360° Vision Building**

In India we are often seeking shortcuts and panacea. It requires patience to endure the hardship of the present to achieve the coveted goals of a 'planned' future. Strategic thinking is compromised, no holistic perspectivisation is possible. Tolerance and forbearance should not be construed to mean strategic thinking; the former is a fatalistic state of thought. The polity of the country is unfortunately banal and crass self-centred. The political behaviour of the parties and their leadership is focused on short-term gains. None of them speaks of their manifesto and basic issues of the people. Every body picks up the issues from the doings and actions of others. A crass gerontocracy?

### **Social Capitalization**

More than the market capitalization, there is urgent need to socially capitalize the finer values of life which have of late become scarcer. The social ethos and the polity need to sensitize the governance system of the country to redeem people's faith in the system such that they feel reassured about sharing the opportunities and the resources with equity. This fine tuned social engineering is the need of the time.

### **Status Analysis**

All these have been haunting the people of India at all levels. Solutions to these problems have been sought so far piecemeal and in isolation that created a myopic vision in the society and cutting the social fabric deep. Social malice and hatred has become deep rooted, almost to the extent of cynicism and callousness. These character attributes have been impeding the real developmental path of the country and stops it from really developing into a vibrant nation.

### **Role of Intellectuals**

Post globalization pressures and tensions are mounting on intellectuals to engage in a relieving discourse and finding solutions to the present, and the ensuing problems and future course of societal wellness. A large section comforting in cozy comforts address a very limited range of problems, I find challenges beyond the tube ring to the outfield if indeed we wish to address

the larger issues which range from micro-macro economics to socio-political overtones and issues of 'real' "rights" and dignity of man. Post-liberalization boom experienced around 1996 had generated a different type of euphoria and complacency in us and a social lull. We had started basking in reflected glories. The market melt down has shaken us vigorously to go to the roots and the fundamentals, lest the economy should turn black with grime. I still dread that moment, yet dressing in hopeful expectation!

There is uneasiness and it looks that this time the youth, the women and the intellectuals are awakened and are poised to take charge. All those basics are under scanner now and with a focus on the core and critical issues confronting the Republic, people have started asking for re-definition of the national philosophy and finding the defining issues. The vested interests have been trying to blind the people with falsified interpretations of the concepts, values and the social tenets. Therefore, now there is the need to redefine every thing desirable and undesirable for the success of the Republic.

### **Vision Plan**

There needs to be a focused dialogue among youth, women, intellectuals, the state polity and the society with object of embarking upon the path leading us to:

- Organic and Holistic thinking
- Excellence, Quality, Values, Finer Sensibilities, Decency and Aesthetics in Social and Personal lives
- Social Capitalization
- Mature management of wealth
- Effective triangulation of the pillars of the Republic – Democracy, Social Justice and Secularism

### **The Solution and the Course Correction Path-way**

Efforts need to be made to harmonise the society by removing the dividing lines created by compartmentalisation of the society under various considerations and policy decisions in the form of reservations of all kinds including that of minority-majority status. This will require us to move from the habit of 45 thinking to a 360° thinking which would enable us to be holistic in our approach to solve the problems of the Republic and emerge as a vibrant nation.



Technical Session I  
**Corporate Reporting Practices  
in Globalised Scenario**

*Chairperson*

Prof. Bal Krishan  
Deptt. of Commerce  
Himachal Pradesh University  
Shimla

*Co-Chairperson*

Prof. M.S.S. Raju  
School of Management Studies  
Indira Gandhi National Open University  
Maidan Garhi, New Delhi

## **Corporate Reporting Practices in India**

### *An Analysis of Investors Perceptions*

PRASHANTA ATHMA AND B. SANDHYA RANI

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The present paper analyzes the perceptions of the investors' towards the Corporate Reporting Disclosure Practices. For this purpose, investors' are classified into two types of investors - active and ordinary investors. The Corporate Reporting Disclosure Practices and the satisfaction by the type of investors' is tested with the help of chi-square test in respect of the following parameters viz., Disclosure of Information in Directors' Report, Disclosure of Risk exposure of the company, Disclosure of information required for quoting a price-tag in Book Building process and Disclosure of Additional information in the annual report.

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#### **Introduction**

Disclosure can be explained as the process to communicate all details regarding activities of the business that are to be disclosed either statutorily or otherwise, and to convey a true and fair view of the operating results and financial position to the users of the financial reports. It is nothing but the communication of financial information of the activities of the undertaking to the interested parties for facilitating their economic decisions. In general, accounting information is considered to be the chief means of reducing the uncertainty under which external users make decisions. If other things are equal, one would prefer to invest in a company that discloses fully than in a company that doesn't. Not only investors benefit from full disclosure, as they do not have to bear the uncertainty caused by lack of corporate disclosure, the company also gains because, an upward move in the share prices reduces its cost of capital and also helps in resource mobilization. Besides investors, disclosure is significant from the point of view of large number of other potential users like lenders, suppliers, creditors, employees, management, customers, financial analysts and advisors, brokers, underwriters, stock exchange authorities, legislators, financial press and reporting agencies, labor unions, trade associations, business researchers, academicians and above all, the public at large.

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Dr. Prashanta Athma is a Professor in Commerce, Vice Principal, Osmania University College for Women, Osmania University, Hyderabad. Mrs. B. Sandhya Rani is a Faculty Member of Commerce, Nizam College, Osmania University, Hyderabad.

**Objectives**

- To analyze the perceptions of the investor towards the corporate reporting practices prevailing in India and the expectations of the investor; and
- To suggest suitable measures to meet the expectations of the investor.

**Methodology**

The sample consists of 200 individual investors investing in securities. Most of the individual investors are the general public, who face typical problems in times of adverse conditions without having any tact. A questionnaire is administered to the sample investors in twin cities of Hyderabad and Secunderabad. The Corporate Reporting Disclosure Practices and the satisfaction by the type of investors are tested with the help of chi-square test. The intensity of association is determined with the help of Yule's Coefficient of Association (Q).

The study covers only the individual investor. Their perceptions on the disclosure practices in terms of a few parameters viz., the Disclosure of information in Director's report, Disclosure of Risk Exposure, Disclosure of Additional Information in Financial Statements and Disclosure of information required for quoting a price tag in Book Building process. Investment depends upon various factors like return, risk, capital appreciation, tax-benefits and speculation. Investors may be classified as risk averter, risk taker and risk neutral. Depending upon his risk perception, he makes an investment decision. Risk averter is one who avoids risk, therefore prefers to invest in regular income earning securities. On the other hand, a risk taker is one who is willing to take risk and invest in capital appreciation securities. A risk neutral is in-between.

**Discussion**

Analysis of motives that drive investors for investment in companies shows that earning capital appreciation is ranked first (126 investors) followed by earning benefits from speculation (82 investors), earning a regular income (68 investors) and to avail tax benefits (25 investors). It is also found that they invest in shares with more than one objective.

As regards the format of reporting, whether in vertical or horizontal form, the investors are not really much concerned about the format of financial reporting. Further, it is proposed to see as to whether the information in an annual report has any influence on price tag quoted in Book Building process. Book Building is a process wherein the issue price of a security is determined by the demand and supply forces in the capital market.

Among the sample investors, 94 investors accounting to 47% has participated in the book building process. However, 82 investors of the sample investors have opined that, information contained in annual reports to a certain extent affect the price tag to be quoted in book building process.

The information taken into consideration by the investors for quoting the price tag are – Net worth, Profitability, Growth rate, P/E ratio, Profits, Earnings

per share (EPS) trend, Dividend declared, Company's policies, Social responsibilities, Capital structure, Future plans, products/services information, Brand value, Promoters, Managing Director, Board of Directors, Organization structure and leadership traits of the important persons in the organization. As some of this information is not directly reported in the financial statements, the companies may provide the required information. Those who have not participated in book building process expressed the reasons for non-participation, such as – their inability to decide a price for the share, lack of technical knowledge and guidance to ascertain a price for the share.

Apart from the mandatory information, companies also present other information voluntarily, which also help the investors in having an idea about the company and taking decisions regarding the investments. Voluntarily, a company may disclose more information than required by law in the annual report. These may relate to information about Social Accounting, Human Resource Accounting, Environmental Accounting, Economic Value Added Statement, Financial Ratios, Information about New Products and Services introduced, Brand Value, Price Level Adjusted Statements, Usage of Attractive Diagrams, Pictures and Graphs which also affect their investment decision-making to some extent as reflected in Table 1. These items provide more information about other activities of the company. They come under non-mandatory reporting, which is also required by the investors and this type of information can improve the image of a company.

Regarding the additional information in annual reports, a majority of investors opined that information about new products and services introduced play a major role in their investment decision. This is followed by Brand Value, Financial Ratios, Social Accounting, Environmental Accounting, Human Resource Accounting, Economic Value Added statement, Price Level Adjusted Statement and Usage of attractive diagrams, pictures and graphs (Table 1).

Table 1: Additional information for investment decision-making

<i>Additional information</i>	<i>Number of Investors</i>		
	<i>Yes</i>	<i>No</i>	<i>Total</i>
a) Social Accounting	110	65	175
b) Human Resource Accounting	93	97	190
c) Environmental Accounting	100	75	175
d) Economic Value Added statement	50	75	125
e) Financial Ratios'	117	25	142
f) About new products and services introduced	174	26	200
g) Brand Value	158	42	200
h) Price Level Adjusted statements	45	74	119
i) Usage of attractive diagrams, pictures and graphs	25	100	125

**Note:** Some of the investors were not in a position to say as to whether additional information was taken for decision making or not as they were either unaware of the concept or they have not looked for the additional information.

### Ranking of Satisfaction – Corporate Reporting Practices

Table 2: Ranking of satisfaction – Corporate reporting disclosure practices

	<i>Disclosure</i>	<i>Satisfaction Points</i>	<i>Rank</i>
a)	Disclosure in Directors' Report	498	1
b)	Disclosure of risk exposure of the company	396	3
c)	Disclosure of information required for quoting a price tag in Book Building process	212	4
d)	Disclosure of additional information in Financial Statements	478	2

**Note:** The satisfaction is ranked on a five point scale. Weights are assigned as Highly satisfied -5; Moderately Satisfied – 4; Satisfied – 3; Not Satisfied – 2; Highly Dissatisfied – 1. Total points are calculated for each disclosure and then they are ranked as per the points.

The satisfaction of the investors towards the Disclosure of information in Director's Report ranked first followed by, Disclosure of Additional Information in Financial Statements (Table 2). The investors have ranked Disclosure of Risk Exposure and Disclosure of information required for quoting a price tag in Book Building process as last two ranks. It is here, the companies should play a major role in disclosing additional information voluntarily other than mandatory information. The last rank for Book Building process is due to the sample being only 82, whereas, in the case of other parameters the sample is 200.

Investors in general feel that annual report is the most significant channel of disclosure. This is the most valuable source of information which provides the most direct, least expensive, most timely and fairest method of reaching all shareholders and other present and potential investors.

### Types of Investors

The investors in the stock market consists of Individuals, Hindu Undivided Families, Companies, Mutual Funds, State Government and Central Government. The study concentrates only on individual investors. The individual investors are classified into Active and Ordinary investors. The analysis is carried out to see if there is any association between the type of investors and their satisfaction with regard to various parameters in Corporate Reporting Disclosure Practices.

To transact in the secondary market, an investor has to enter into a legal agreement with the stock broker by declaring himself as an active or an ordinary investor. This declaration is necessary in selecting the relative scheme / tariff structure as it is different for different types of investors. As per the agreement, fixed annual maintenance charges and the caution deposit are relatively high to an active investor compared to an ordinary investor. On the other hand, the active investor is being benefited by the low tariff structure compared to an ordinary investor. In addition to the above advantage, the active investor enjoys margin adjustments while transacting

through the stock broker. The difference in the tariff between active and ordinary investors varies from broking firm to firm and also from investor to investor.

### Corporate Reporting Disclosure Practices and Investors Satisfaction

The Corporate Reporting Disclosure Practices and the satisfaction by the type of investors is tested with the help of chi-square test in respect of the following parameters viz., Disclosure of Information in Directors' Report, Disclosure of Risk exposure of the company, Disclosure of information required for quoting a price-tag in Book Building process and Disclosure of Additional information in the Annual Report.

#### Disclosure of Information in Directors' Report

As per the Companies Act 1956, a Company's Annual Report should contain the Directors' Report. Here, it is tested to see whether there is any association between the type of investor and satisfaction regarding disclosure of information in Directors' Report.

**Null Hypothesis (H<sub>0</sub>):** There is no association between the type of investor and satisfaction regarding disclosure of information in Directors' Report.

**Alternative Hypothesis (H<sub>1</sub>):** There is an association between the type of investor and satisfaction regarding disclosure of information in Director's Report.

Table 3: Disclosure of information in Directors' Report and the satisfaction of the investors

Type of Investor	Response		Total (N)
	Satisfied (A)	Not Satisfied ( $\alpha$ )	
<b>a) Disclosure in Director's Report</b>	a - 5%; $\chi^2=10.33$ ; $t_{.05} = 3.841$		
Active (B)	20	43	63
Ordinary (b)	77	60	137
Total (N)	97	103	200
<b>b) Disclosure of Risk Exposure of the company</b>	a - 5%; $\chi^2=9.28$ ; $t_{.05} = 3.841$		
Active (B)	10	53	63
Ordinary (b)	51	86	137
Total (N)	61	139	200
<b>c) Disclosure of information required for quoting a price tag in Book-Building process</b>	a - 5%; $\chi^2 = 1.53$ ; $t_{.05} = 3.841$		
Active (B)	34	22	56
Ordinary (b)	12	14	26
Total (N)	46	36	82
<b>d) Disclosure of Additional Information in Financial Statements</b>	a - 5%; $\chi^2 = 17.24$ ; $t_{.05} = 3.841$		
Active (B)	13	50	63
Ordinary (b)	71	66	137
Total (N)	84	116	200

From the above values, it is clear that calculated value 10.33 is more than the table value 3.841, therefore null hypothesis is rejected and alternative hypothesis is accepted i.e., there is an association between the type of investor and satisfaction regarding disclosure of information in Directors' Report. Whether this association is positive or negative and the intensity of association is determined with the help of Yule's Coefficient of Association (Q).

$$Q = \frac{(AB)(ab) - (Ab)(aB)}{(AB)(ab) + (Ab)(aB)}$$

$$Q = \frac{20(60) - 77(43)}{20(60) + 77(43)} = -0.47$$

There is a moderate negative association between the active investor and satisfaction with regard to disclosure of information in Directors' Report.

In general, only 48 per cent of the sample investors are satisfied. Majority of them are not satisfied because their expectations are high with regard to disclosure of information in Director's Report. They are of the opinion that the company does not disclose in detail the future expansion programs, projects to be undertaken, future plan of action, steps taken to maximize the profits and minimize the cost. Industry structure and developments in which it is operating, opportunities, threats and risks to which the company is exposed to, adequacy of internal control system, number of people employed in the organization are some of the information to be disclosed in Management Discussion and Analysis, but some of the companies though report on these items, do not explain in detail in Annual Report, subsequently leading to investor dissatisfaction. Investors feel that there should be some Regulatory Body that constantly monitors companies reporting and take necessary action against the company's willful default.

#### **Disclosure of Risk Exposure of the company**

Company is exposed to various types of risks in the market, such as Competitor's Risk, Political Risk, Foreign Exchange Risk, Business Risk, Financial Risk, Obsolescence Risk to state a few. It is necessary and important to highlight the risks involved in the business, even if the companies think that they are manageable. In Management Discussion & Analysis, companies need to report the risks and concerns of the company. With effect from 31st March 2005 onwards, as per the revised clause 49 of the Listing Agreement, companies are supposed to disclose in Corporate Governance Code which is reported as a separate section to the Auditor's Report in the Annual Report, the risk assessment and minimization procedures. Management shall place a report certified by the compliance officer of the company, before the entire Board of Directors every quarter, documenting the business risks faced by the company, measures to address and minimize such risks, and any limitations to the risk taking capacity of the company. The independent auditors of the company shall certify this statement. The Audit Committee

shall make appropriate recommendations to the Board to take up steps in this matter. However, the actual disclosure of risk by companies is vague and may not satisfy the investors. Here, it is tested as to whether there is any association between the type of investor and satisfaction regarding disclosure of Risk Exposure of the company in Annual Report.

**Null Hypothesis (H<sub>0</sub>):** There is no association between the type of investor and satisfaction regarding disclosure of Risk exposure of the Company.

**Alternative Hypothesis (H<sub>1</sub>):** There is an association between the type of investor and satisfaction regarding disclosure of Risk Exposure of the Company. As the calculated value 9.28 is more than table value 3.841, null hypothesis is rejected and alternative hypothesis is accepted i.e., there is an association between the type of investor and satisfaction regarding Disclosure of Risk Exposure information of the Company in Annual Report. Further, it is analyzed to see the direction of association as well as the intensity by using Yule's Coefficient of Correlation (Q).

$$Q = \frac{10 (86) - 51 (53)}{10 (86) + 51 (53)} = -0.56$$

There is a moderate negative association between the active investor and satisfaction with regard to disclosure of information in Annual Report on risk the company is exposed to. Overall, satisfaction is low with regard to disclosure of risk exposure in the annual report which is 30 per cent.

The investors felt that disclosure of risk exposure is very much essential, as it would affect their decision of investment depending upon their risk perception. A risk taker would like to invest in the companies that are exposed to risks expecting a higher profit, whereas a risk averter would avoid taking risk in investing in a company, which is exposed to greater risk and he would prefer to invest in a company with low returns but safe returns. This disclosure would definitely affect the value of a share. Hence, the investor is very much interested in knowing the risks the company is exposed to and expect the company to reveal the same in the Annual Report.

#### **Disclosure of Information Required for Quoting a Price Tag in Book-Building Process**

For participating in Book Building process, mainly in the case of Follow-Up Public Offer (FPO), investors do look for the information in the annual report. Future plans, products/services information, the new sectors the company is intending to enter, past performance, brand image of the company, leadership traits of the important persons in the company such as the Managing Director and other Board of Directors, organizational structure, accumulated reserves, current years profit, earning per share (EPS), dividends declared, growth over a period of time, milestones reached by the companies, market share are some of the factors which investor generally look for in an annual report before making an investment decision as well as for quoting a price tag in the case of Book Building process. Here, it is tested as to whether there is any association between the type of investor

and satisfaction regarding disclosure of information in annual report required for quoting a price tag in Book-Building process.

**Null Hypothesis (H<sub>0</sub>):** There is no association between the type of investor and satisfaction regarding disclosure of information required for quoting a price tag in Book-Building process.

**Alternative Hypothesis (H<sub>1</sub>):** There is an association between the type of investor and satisfaction regarding disclosure of information required for quoting a price tag in Book-Building process.

The investors whether they have participated or not in the Book Building process but stated that information contained in Annual Report would affect the investors' decision-making in quoting a price tag in the Book Building process are only taken. Therefore, the total (N) here is 82 only. As the calculated value 1.53 is less than table value 3.841, null hypothesis is accepted and alternative hypothesis is rejected. Hence, there is no association between the type of investor and satisfaction regarding disclosure of information required for quoting a price tag in Book-Building process. As per SEBI guidelines, a company that is going for Book Building process should issue a draft prospectus, giving details about the company with regards to issue prize, past history and future plans. However, this information may be sufficient for an investor in case of Initial Public Offer (IPO) where as in the case of Follow-Up Public Offer (FPO), an investor would look for more information to make his decision to quote the price tag in the Book Building process. However, an investor is not satisfied with the information provided in the annual report due to the non-disclosure of Price Earning (PE) Ratio and other financial ratios, future expansion programs or the prospects or the projects the company is going to take up to mention a few. Though the Directors' mention the future plan of action in their report, the information is vague and the specific future plans of actions are not disclosed by most of the companies.

#### **Disclosure of Additional Information in Annual Report**

Additional information in the financial statements is non-mandatory. Communiqué/Letter from Chairman, Historical data of the company, Milestones reached by the company, Social programs taken up by the company and Social Accounting, Environmental Accounting, Human Resource Accounting, Brand Valuation, Inflation Accounting, Economic Value Added Statement are some of the additional information, which the companies may voluntarily report in their annual report. Here, it is tested as to whether there is any association between the type of investor and satisfaction regarding disclosure of additional information in annual report.

**Null Hypothesis (H<sub>0</sub>):** There is no association between the type of investor and satisfaction regarding disclosure of Additional Information in Annual Report.

**Alternative Hypothesis (H<sub>1</sub>):** There is an association between the type of investor and satisfaction regarding disclosure of Additional Information in Annual Report.

As the calculated value 17.24 is more than the table value 3.841, null hypothesis is rejected and alternative hypothesis is accepted i.e., there is an association between active investor and satisfaction regarding disclosure of Additional Information in Annual Report. Further, it is analyzed to see the direction of satisfaction as well as the intensity by using Yule's Coefficient of Correlation (Q).

$$Q = \frac{13(66) - 71(50)}{13(66) + 71(50)} = -0.61$$

There is a high negative association between the active investors and satisfaction with regard to disclosure of Additional Information in the Annual Report.

### Suggestions

The following are the suggestions which emerged from the study:

- Steps may be taken by the companies to improve upon the disclosure of voluntary information and also presentation of mandatory information in terms of ratios and percentages for better readability.
- The annual reports should reflect more about the future projects likely to be undertaken by the company, the risks they are exposed to, the expansion and diversification of the company and also the likely changes in the industry/sector as a whole.

### Conclusion

As the awareness levels of the investors are increasing, their expectations from the companies are also rising, demanding more and more information to be disclosed. Investors demand information to assess the timing and uncertainty of current and future cash flows so that they may value firms and make other investment decisions such as choosing a portfolio of securities. Companies satisfy this demand in part by supplying voluntary accounting information, thereby enabling them to raise capital on the best available terms. To meet the ever increasing needs of the stake holders in the information disclosed by the companies, it is necessary that the companies disclose more and more about itself in the form of voluntary information.

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## **Emerging Paradigms of Sustainable Corporate Reporting through Social Accounting and Sustainability Disclosures**

MANOJ PILLAI

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Corporate Social Responsibility and Corporate Governance have taken the centre stage of the business engagements with greater emphasis on transparency, accountability and responsibility. Social Accounting and Reporting through sustainability reports has become an important facet of corporate governance practices of business organizations round the globe. In India also sustainable corporate reporting has grown in prominence over the years both in the public and private sector units. The sustainability reporting presents a holistic view of the business operations relating to the stakeholder centric commitments particularly relating to community development and environment protection. This research paper is an in depth analysis of the various components of social accounting and reporting practices of four public sector units of Kerala.

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### **Introduction**

The concept of Sustainability rose to prominence following the Brundtland Report in 1987 which was constituted by United Nations World Commission on Environment and Development (WCED). The sustainability factor very rapidly became a core concept which has been universally accepted as a desirable, even essential, yard stick by which to assess human actions. Singh (2007) writes that modern day managers are discovering that maximization of returns to share holders is not a sufficient goal and instead they put more emphasis on social development. There is a paradigm shift from share holder's value creation to stake holder's value creation of which society is an important and vital component. It is against the backdrop of this strategic shift that concepts like Value Added Accounting, Environmental Accounting and Audit, and Social Accounting and Audit have emerged and modern day corporate organizations are using these concepts to present a holistic and complete view of their corporate operation and their corporate governance practices.

### **Social Accounting - Conceptual Perspective**

Social accounting envisages a paradigm shift in the core approach of organizations as it emphasizes on accountability to the stakeholders, a clear deviation from the old practice of active accountability to finance providers and profit oriented business strategies. In United States of America, The National Association of Accountant's Committee on Accounting for corporate social performance in its report (1974) has described four broad areas of social performance and reporting which are: (a) Community Involvement, (b) Human Resources, (c) Physical Resources and Environment, and (d) Product and Service Contributions. Belkaoui Ahmed (1980) has defined the concept of socio-economic accounting in as Socio – economic accounting results from the application of accounting in the social sciences; it refers to the ordering, measuring, analysis and disclosure of the socio economic consequences of governmental and entrepreneurial behavior.

Corporate Social Reporting defined as the process of communicating the social and environmental effects of organizations economic actions to particular interest groups within society and to society at large has become widespread. (Gray et al. 1987:9) As the relevance of ethics, integrity and transparency increased and gained wide currency in the 1980s and 1990s, innovative developments in the field of socio- economic accounting emerged. The coalition for developments in the field of socio-economic accounting and reporting emerged. The Coalition for Environmentally Responsible Economies (CERES) principles, The Public Environmental Reporting Initiative (PERI) reporting guidelines, The International Chamber of Commerce (ICC) business charter for sustainable development, World Business Council for Sustainable Development, Eco-Management and Audit Scheme (EMAS) and the ISO14000 series are some of the many standards which were developed. The most innovative of the recent standards which has come into force as a result of multi level collaboration between corporate world, governments, non government organization (NGOs) and civil society institutions includes the following:

**Global Reporting Initiative (GRI):** The GRI is a set of indicators of performance that aims to cover full range of issues related with stake holders including social, economic and environmental issues. These indicators are at different stages of development through a pilot process. A reversed version of the guidelines was launched in June 2000.

**The Ethical Trading Initiatives (ETI):** The ETI consists of various laws and guidelines with the main focus and thrust on labor – related issues. These guidelines have been formulated jointly by corporate world, trade unions and NGOs. It concentrates on the key elements of labour rights enshrined in International Labour Organization's Conventions.

**Social Accountability International and Social Accountability 8000 (SA8000):** This model was developed by the US based Council on Economic Priorities Accreditation Agency (CEPAA), now known as Social Accountability International (SAI). It aims to be a standard based on International Labour Organization (ILO) conventions, the United Nations Conventions on the rights

of the child, and the Universal Declaration on Human Rights. SA 800 is a performance standard covering the specified area of child labour, forced labour, health and safety, freedom of association, discrimination, discipline, working hours, compensation and management system.

**The Institute of Social and Ethical Accountability (AA 1000):** Founded in the United Kingdom in 1996, the Institute of Social and Ethical Accountability (ISEA) is an international professional body committed to strengthening social responsibility and ethical behavior of the business community and non profit organizations. Its AA 1000 are a series of guidelines which give the companies a standardized system that can support their processes of social and ethical accounting and reporting.

### **Social Accounting and Reporting in India**

All the legal aspects relating to companies in India are contained in the Companies Act of 1956. Section 227 makes it mandatory for the auditors to make a report which will highlight the financial status of the organization. There has been a number of amendments to this act from time to time but no concrete steps and no specific provisions has been made regarding social responsibility disclosures in their annual reports. The Government of India took the initiative and appointed a committee under the chairmanship of Justice Rajinder Sachar to review the companies act, in the year 1978. The committee recommended the inclusion of the societal aspects in the director's report.

In the year 1981, The Institute of Chartered Accountants of India carried a survey of 202 companies and it was found that 123 companies provided some information relating to social responsibilities in their director report. Sharma Porwal (1991) conducted an extensive study of Indian companies to examine the state of social reporting in India. They took a sample of 30 companies from the public sector and 147 companies from the private sector. The core area of the study was concentrated on environment protection, community development, energy conservation, human resources and the product. The study found that about 46 percent of the companies in India made some disclosure relating to their social responsibility in their annual report.

In 1998, the Confederation of Indian Industries (CII) published a desirable code of Corporate Governance, which some countries voluntarily adopted. In 2002, the Department of Company Affairs appointed a high level committee under the chairmanship of Mr. Naresh Chandra to examine various corporate governance practices. Again in 2002, Securities Exchange Board of India (SEBI) appointed a committee under Mr. N.R. Narayanamurthy to design various aspects of corporate governance practices. All these committees submitted detailed reports on various facets of corporate governance in which the social accounting and sustainability reporting was a very important component of the corporate governance measure.

### Objectives of the Study

The objectives of this study are:

- To evaluate the various dimensions of social accounting and sustainability reporting.
- To analyze the disclosure and reporting practices of the public sector units selected for the study.
- To study the awareness level of the middle level and senior level officials of two of these organizations relating to the concept of social accounting and sustainability disclosures and reporting.

### Research Methodology

A detailed questionnaire was prepared and survey method was adopted to collect information relating to Primary data. The annual reports of these organizations and detailed information from the organization's websites were obtained.

Information was gathered from 50 respondents of Hindustan Newsprint Limited and Fertilizer and Chemicals Limited, Travancore. A detailed questionnaire emphasizing on various facets of social and sustainability reporting was served to them so as to collect their relevant views and opinion.

### Results and Discussions

Name of Organization	How Significant Is Sustainable Disclosures			Total
	Highly Significant	Some Significance	No Significance	
FACT	8	17	0	25
HNL	6	15	4	25
Total	14	32	4	50

Out of the total number of 50 respondents 14 were of the opinion that Sustainable disclosures and reporting are highly significant and 32 respondents believed that the concept has some significance. Only 4 respondents opined that it has no relevance. On the whole a large majority of sample confirmed the significance of sustainability disclosures and reporting.

### Knowledge About Sustainable Disclosure and Reporting

Educational Qualifications	Knowledge About Sustainable Disclosure and Reporting			Total
	No Knowledge	Some Knowledge	Adequate Knowledge	
Graduation	7	9	0	16
Post Graduation	0	13	0	13
Professional Degree	0	7	14	21
Total	7	29	14	50

There is very high level of awareness amongst the respondents as 43 of them have adequate or some knowledge relating to the concept of sustainable disclosures and reporting. Similarly it can be seen that employees having professional qualifications have adequate knowledge about the concept.

### Orientation Sessions

Educational Qualifications	Attended Training/Orientation session on Sub. Disclosures		
	Yes	No	Total
Graduation	0	16	16
Post Graduation	0	13	13
Professional Degree	14	7	21
Total	14	36	50

It can be observed that a large proportion of employees holding professional degree have attended training programmes and orientations on themes and topics related to sustainability and disclosures.

Pearson Correlation Coefficient indicates that there is high level of correlation (0.751) between the education level and the awareness relating sustainability disclosures and reporting. Thus it can be proved that employees possessing higher educational qualifications and professional expertise of the two public sector units are better aware of the conceptual domains of sustainability reporting.

### Conclusion

Thus it can be concluded that even though sustainability reporting is at the infancy stage in India but still it has succeeded in becoming an important part of business organizations in India. Both Public sector units and Private sector units operating in India do considerable amount of social accounting and reporting. One suggestion to make it more effective is by initiating Social Audit and training in these organizations so that the reporting information becomes more transparent and authentic.

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## Convergence of AS with IFRS

UMESH MISHRA

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This paper discusses the issues relating to the convergence of AS with IFRS

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### Introduction

The term Accounting Standard refers to system of measurement and disclosure of financial information. Accounting Standard is the policy document issued by the expert accounting body. It is a uniform language of business. Accounting Standard is a code of practice for treatment of specific items of financial transactions. It covers the various aspects of accounting transactions in financial statements i.e., recognition, measurement, presentation and disclosure. Accounting Standard promotes dissemination of timely and useful financial information. It facilitates prudent and informed business decisions. It brings about comparability, rationalization and transparency in financial statement. Accounting Standard and principle need to be robust so that a degree of confidence is developed by the larger society. Accounting Standard standardizes diverse accounting policies and practices. Hence, harmonization of financial reporting to raise confidence is required.

In India Accounting Standard Board (ASB) of the Institute of Chartered Accountants of India (ICAI), New Delhi issues accounting standard for its application by the Indian concerns. ASB has issued 30 Accounting Standards till now. ICAI has issued a convergence report for convergence to IFRS with effect from April 1, 2011. Indian companies listed in bourses of countries in the European Union (EU), now have three additional years to comply with international accounting norms. The deadline set earlier for compliance expired in the month of December 2008. The move comes as a relief for many Indian firms that could have been forced to re-audit their financial statements as per IFRS or halt operations.

Under Section 210 A of the Company Act 1956, the Central Government by notification has constituted a committee to advise the Central Government on the formulation and lying down of accounting policies and accounting standard for adoption by companies or class of companies specified under the Act. Based on the recommendation of NACAS, the Central Government has notified accounting standard 1 to 7 and 9 to 29 in December 2006 in form of Companies (Accounting Standard) Rules, 2006. Securities and Exchange Board of India (SEBI) has set up standing committee on Accounting

Standard to monitor the existence of relevant Accounting Standard and their harmonization. The term IFRS refers to the International Accounting Standards issued by International Accounting Standard Board (IASB). It also encompasses the International Accounting Standard (IAS) issued by the International Accounting Standard Committee (IASC). It also includes interpretations issued by International Financial Reporting Interpretation Committee (IFRIC) and interpretations issued by previous SIC (Standing Interpretation Committee). IASB has issued 41 IAS and eight IFRS and withdrawn eleven IAS. IFRIC has issued 13 interpretations and 11 interpretations have been issued by SIC.

The IFRS issued by IASB are as under:

- IFRS 1: First-Time Adoption of IFRS (minor amendment 2005)
- IFRS 2: Share-Based Payment
- IFRS 3: Business Combinations
- IFRS 4: Insurance Contracts
- IFRS 5: Non-current Assets Held for Sale and Discontinued Operations
- IFRS 6: Exploration for and Evaluation of Mineral Resources
- IFRS 7: Financial Instruments: Disclosures
- IFRS 8: Operating Segments

Primarily International Accounting Standard committee (IASC), London used to issue International Accounting Standard (IAS). Of late IASC constituted International Accounting Standard Board (IASB) for issuing Accounting Standard named as IFRS.

### **Convergence of Accounting Standards (AS) with IFRS**

In general, convergence of AS with IFRS means to achieve harmony with IFRS. The term convergence can be considered to design and maintain national accounting standards in a way that financial statements prepared in accordance with national AS are in convergence with IFRS. IAS require that financial statements to comply with all requirements of IFRS. The local standard setters can add disclosure requirements and can remove optional requirements that do not create non compliance with IFRS. Thus, convergence with IFRS means adoption of IFRS with exceptions wherever necessary.

### **Need For Convergence**

Different countries have adopted their own Accounting Standard. Differences in Accounting Standard exists due to different accounting rules of measurement, different interpretation of similar rules, and varying degree of financial statements. Financial statements prepared in one country are not accepted in other countries. Differences in Accounting Standard followed by individual countries create difficulty in operation of today's international business that is growing at a fast pace. It necessitates preparation of varying types of financial statements which is cumbersome, expensive and time

consuming. Hence, there is a need for harmonizing different policy and practices followed in different countries for ensuring consistencies, value in terms of contents, uniformity and comparison.

Harmonized Accounting Standards facilitate faster access to investment opportunities around the globe by integrating global capital markets. Need of convergence of AS with IFRS is needed to attract cross border capital inflows. Globalized economic conditions demand fairly high standard of accounting information, transparency, adequate disclosure and enhanced decision making. Foreign investors are attracted to firms that used familiar Accounting Standard. Firms that adopt IAS are capable of raising capital at lower cost. Convergence of Accounting Standard with IFRS is crucial for companies for effective participation in global market. Therefore varied Accounting Standards in different geographical zones need harmonization for making Indian Companies globally competitive.

#### Differences between the Accounting Standard and the IFRS

<i>Category</i>	<i>Indian AS</i>	<i>IFRS</i>
Inventory Costing	Inventories are valued at lower of cost and net realizable value. AS – 2 permits only FIFO or weighted average cost formula for determining the cost of inventories. The cost includes both direct and indirect costs.	Use of LIFO inventory costing is prohibited but directly attributable cost are only included for determining cost of inventories.
Revenue Recognition	With regard to service about to be completed service contract method is recommended for revenue reorganization. With reference to service charges of performed Acts proportionate completion method is recommended.	With regard to service transaction percentage of completion method is recommended for revenue recognition. Where service transaction can not be measured reliably, zero profit model is to be utilized
Expense Recognition (Share based payments)	AS requires share based payment to be shown in the assets side of the Balance Sheet.	IFRS-2 requires companies to recognize the fair value of the share based payment as an expense in the income statement.
Expense Recognition (Employee benefit.)	AS-15 recommends accrual basis for accounting for employees' benefits and provision to be made on the basis of actuarial estimate.	Actuarial gains and losses are permanently excluded from the primary statements of operations.
Assets (Financial Assets)	AS-13 requires short term securities to be valued at lower cost or realizable value and long term securities at the cost.	Unlisted equity securities are to be recorded at fair value.

Consolidation	AS-23 recommends equity method of accounting for investment in associates in consolidated financial statement.	IFRS recommends control based model than variable interest model with consideration of risks and rewards. Where control is not apparent, potential voting right to be assessed.
Business Combination	AS-14 requires acquisition cost to be adjusted with goodwill or capital reserve.	Companies are required to expense acquisition cost.
Deferred Taxes	AS-22 requires that any portion of deferred tax asset not recoverable because of uncertainty of income should be written down.	IAS-12 requires recognizing deferred tax liabilities and assets on all temporary differences between the carrying amount of an asset or liability in the Balance Sheet and its tax base. IFRS recommends for avoiding permanent difference.
Provisions	No need to have obligation at reporting date to recognize.	IAS-37 refers to the existence of a legal or constructive obligation towards a third party at the reporting date as one of the recognition criteria for a provision.
Dividend	AS requires dividend proposed or declared after the Balance Sheet date to be provided for.	IAS-1 prescribes only the disclosure of dividend proposed or declared after the Balance Sheet date.
Impairment of Assets	AS-28 considers that an assets is impaired when its carrying amounts exceeds its recoverable amount. Recoverable amount refers to value in use, i.e., present value of future cash flows and net realizable value.	IAS-36 considers that an assets is impaired when its carrying amounts exceeds its recoverable amount. Recoverable amount refer to value in use i.e., present value of future cash flows.
Impairment of Goodwill	AS-26 permits amortization of goodwill.	IFRS-3 proposes that goodwill should not be amortized, it should be accounted for at cost less any accumulated impairment losses.
Grant	AS-12 requires grants to be shown as deduction from the gross value of assets or to be treated as deferred income.	IAS-20 requires recognizing the grant as income using an appropriate and systematic allocation basis.
Cash Flow Statement	AS-3 permits presentation of cash flow statement using Direct Method and Indirect Method of estimating cash flows.  Cash includes cash equivalent with short term maturity but does not include Bank Overdraft.	IAS-7 has expressed preference for Direct Method of presenting Cash Flow Statement.  Cash includes cash equivalent, investment with short term maturity and may include bank over draft but does not include borrowing of short term maturity.

Depreciation of Fixed Assets	Depreciation is charged as per the provisions of the Companies Act 1956 or the Income Tax Act 1961.	IAS-16 requires that depreciation method reflect the pattern in which the assets economic benefits are consumed by the enterprise.
Related party Disclosure	AS-18 requires related party to be determined by direct or indirect control, significant influence of one enterprise over other. Scope of IAS is much narrower as compared to IFRS. No exemption is provided for separate financial statement of subsidiaries.	IFRS requires related party to be determined by direct or indirect control, significant influence of one enterprise over other. Exemption from disclosure for separate financial statement of subsidiaries is provided by the IFRS.
Transaction Cost (Debt issue cost)	AS requires transaction cost to be treated as differed expenditure.	Where the liability is carried at fair value, transaction costs are expensed /deducted from carrying value of financial liability. If the liability is not carried at fair value the transaction cost are adjusted through income.
Debt / Equity	Preference share capital is considered as a part of equity.	IFRS require preference share capital that is redeemable at the option of the holder may not be considered a part of equity – rather it should be reported as a liability.
Gains / Losses	Gains (losses) are not considered as the revenue (expenses).	Gains (losses) represent increase (decrease) in economic benefits and as such they are no different in nature from revenue (expenses). Hence they are not regarded as separate elements in IASB's framework.
Biological Assets (Animals plants agriculture produce or additional biological assets.)	AS requires measurement of biological assets at net realizable value.	IFRS requires measurement of biological assets at fair value less point of sale costs.

### Impact of the Convergence

**Reported Earnings:** Convergence could result in higher and lower reported earnings through increase in certain expenses, such as interest expense, and more frequent impairments and impairment reversals which may have ripple effect impacting many aspects of a company's organization.

**Financial Instruments:** Debt or equity can vary and may have profound effect on capitalization profile and reported earnings. Debt equity arrangement may require restructuring due to unanticipated changes in

reported results rising from the use of IFRS. For example IFRS may require reclassification of certain financial instruments previously shown as equity on a company's balance sheet into their Equity and Debt components.

**Consolidation:** The conversion will entail consolidation of more entities which could have a fundamental impact on financial statement as a whole.

**Tax Based Changes:** Tax base changes will take place across the organization due to cross border funding structure, tax sensitive disclosures e.g. disclosure of related party transaction, foreign tax credit and capacity impact, cash tax impact of increase fair value accounting, taxation on transitional adjustment – avoiding permanent differences, complex share based payment rule etc.

**Accounting Changes:** Conversion from Accounting Standard to IFRS will bring long list of accounting changes due to the differences between the accounting methods enumerated above.

**Human Capital:** Adopting IFRS will have impact on the human capital. They will require further training to cope with the changes.

**Financers:** Conversion of a AS to IFRS will have impact on the shareholders and other key stakeholders due to higher and lower reported earnings, change in capitalization profile etc.

### Suggestions

Companies that will identify these impacts early will be in a better position to take appropriate action. The process of conversion will require the following.

- Adopting the IFRS will need careful study of the changes and its impacts.
- The company willing to adopt conversion will require thoughtful communication plan for the board of directors, shareholders and other key stakeholders.
- The process of conversion will demand well designed and efficient change management initiated and championed by a company's leadership.
- For initiating conversion of AS to IFRS will require formulation of human capital strategies. The company will have to assess the level of in-house experience/ expertise and the types of training that will be need. Further company must have a plan to compensate the employees. The company will have to provide for incentives that will work best in insuring conversion of AS with IFRS.
- The company needs to have tax planning strategies formulated to avail the benefits of the provisions of the new tax regime.
- Slow pace of conversion in India. Indifference attitude of ASB, Lack of openness, reference for Status quo, Government inclusion in Financial Reporting Area, Lack of Accounting Research

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Technical Session I  
**Corporate Reporting Practices  
in Globalised Scenario**

**ABSTRACTS**

**Corporate Governance Practices in India in Globalised Period**

D.N. SAH, SURAJ KUMAR AND MAMTA KUMARI\*

Corporate Governance is a compulsion of long-term corporate existence. Its importance and significance get heightened due to globalisation and liberalization. Good corporate governance is both a necessity and for motivation towards progress. It was seen either as glorified internal audit or having trusted lieutenants to keep an eye on the management. But by now the winds of change forced management to look at corporate governance as a compliance function aimed at upholding corporate values and beliefs. Corporate Governance should have the quality of social responsibility.

**Asymmetry of the Stock Market Index: A Case Study of Sensex**

HARMEET CHADHA AND Y.P. SACHDEVA\*\*

Financial theory is based on the assumption that distribution of stock return is normal. The present paper uses graphical and analytical techniques to find the distribution of the Sensex for 2000-2005. Histogram of the Sensex is computed and curve for normal distribution has been fitted. All the three tests of goodness of fit; Kolmogorov Smirnov Test, Jarque-Bera Statistics and Shapiro-Wilk test reject the null hypothesis that the distribution of daily returns on Sensex follows a normal distribution.

**Look Ahead the Obvious**

K.K. AGARWAL AND MEENAKSHI A. SINGH\*\*\*

Every global financial crisis leaves behind in its wake heaps of failed institutions, bankrupt nations, impoverished families and plenty of broken egos. It also leaves behind its unique argot, a special grab-bag collection of Jargon and expressions

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\* Dr. D.N. Sah is Reader in Commerce, Marwari College, Bhagalpur, T.M.B.U, Bhagalpur (Bihar), Suraj Kumar and Mamta Kumari are Research Scholars, Faculty of Commerce, T.M.B.U., Bhagalpur.

\*\* Dr. Harmeet Chadha is Lecturer, Guru Nanak Institute of Management and Technology, Ludhiana and Dr. Y.P. Sachdeva is Associate Professor, Dept. of Business Management, Punjab agricultural University, Ludhiana

\*\*\*Dr. K.K. Agarwal is Reader, Faculty of commerce and Management Studies, Mahatma Gandhi Kashi Vidyapith, Varanasi (UP) and Meenakshi A. Singh is Lecturer, School of Management Sciences, Institutional Area, Khushipur, Varanasi (UP).

that is peculiar to the crisis and will be forgotten by the time the next catastrophe rolls around. The basic purpose underlying corporate reporting is the need to ensure accountability, transparency and good governance. Corporate reporting is currently going through a period of radical change which shows no sign of slowing. Overall, in the larger interest of small investors, it is important to ensure that accounting rules are not tampered with to ensemble the financial objectives of the companies.

### **Ethical Dimensions of Corporate Disclosures in Globalised Environment**

KARAMJEET SINGH AND KAMAL KANT\*

The corporate character based on ethics bring the basis for conduct of business. Plethora of laws, rules, regulations, Financial Reporting Standards, Accounting standards, listing agreements and other requirements relating to disclosures by corporate entities leads to creatively and imaginatively comply with all such prescriptions in letter but not in spirit. The business of business is not business, but it is ethical business. Business conducted in ethical manner generates information that can only lead to disclosures ethically in the globalised business environment. Disclosures made considering all ethical aspects will lead to continued trust and support of the stakeholders and will maximize the value to all.

### **Corporate Environmental and Web Reporting Practices in Globalised Scenario**

LAKHSHMAN PD. JAISAWAL\*\*

This paper studies the extent of Web reporting as well as Environmental Reporting Practices in Indian Corporate sector. The existence of clean environmental and pure natural resources are needed for the survival of mankind on the earth. But it is saddening to note that over the last few decades, there has been some reckless use of natural and environmental resources mainly by the industrial organizations. The 42<sup>nd</sup> amendment to the Indian Constitution in 1976, Article 48A was amended to the Directive principles of State Policy, it stated that the state govt. shall endeavor to protect and improve the environmental and to safe guard the forests and wildlife of the country.

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\* Dr. Karamjeet Singh is Reader, University School, Panjab University, Chandigarh and Dr. Kamal Kant, Principal, Gort. College, Haripur Chullu, Tehsil Manali (HP).

\*\* Dr. Lakshman Pd. Jaisawal is Lecturer, University Dept. of Commerce, B.R.A. Bihar University, Muzaffarpur (Bihar).

## **Corporate Governance and Risk Management in Financial Sectors in Globalised Scenario**

MD ARIF HUSSAIN\*

Corporate governance and Risk Management Organisation for Economic Co-Operation and Development defines Corporate Governance as a set of relationship between company's management, its board, its shareholders and other stakeholders. Corporate Governance practices diverge as between different jurisdictions, based on Board structures, Legal Frameworks, Interpretations of the corporate concept, Prevalence of Competition, Role of Courts, and other factors, which were according to their evolution in specific cultures and countries. Modern day corporations, characterized by separation of ownership and control, have emerged as the most powerful institutions of contemporary society responsible for creating and distributing large part of wealth.

## **The Road to Transparency for Companies: Corporate Reporting**

MEENAKSHI A. SINGH AND MANOJ JHUNJHUNWALA\*\*

Companies have two main reasons for producing an annual report. The first is to meet the government's regulatory requirements. The second is to market the company to key stakeholders. The companies responded to the new economic realities by adding more information to its annual reports. Certain new dimensions of financial reporting, which were hitherto ignored by the accountants and the managements, have been added to its domain. Such new dimensions of financial reporting include; value added statement, HRA, social reporting, and certain emerging areas like value reporting, corporate sustainability reporting etc.

## **NPAs Management in Regional Rural Banks (A Case Study of Manipur Rural Bank)**

N. TEJMANI SINGH AND TH. JITENDRA SINGH\*\*\*

The present study is an attempt to analyze statement of Non Performing Assets (NPAs) of Manipur Rural Bank (MRB). RRBs were established (first five RRBs established in 1975) to provide loans and advances to the common people who lived in rural areas. Manipur Rural Bank (MRB) has also been taking its role for the economic development of the rural people since its inception in Manipur (1981). Non recovery also effects the profitability of banks. In fact, it is the level of Non-Performing assets which to a great extent, differential between a good and a bad bank.

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\* Dr. MD Arif Hussain, Department of Commerce and Management, T.M. Bhagalpur University, Bhagalpur (Bihar).

\*\* Meenakshi A. Singh is Lecturer, School of Management Sciences, Institutional Area, Khushipur, Varansasi (UP) and Dr. Manoj Jhunjunwala, D-48/73, Mishra Prokhra, Varanasi (UP).

\*\*\*Dr. N. Tejmani Singh is Reader and Head, Dept. of Commerce, Manipur University, Canchipur and Th. Jitendra Singh is Research Scholar, Dept. of Commerce, Manipur University, Canchipur.

### **Convergence of Indian Accounting Standards with IFRS-Need of the Hour in Globalised Era**

PRITI MITRA\*

India has taken steps to improve its corporate reporting practices and to bring it in convergence with international practices. Major step in this regard would be convergence of Indian Accounting Standards with International Financial Reporting Standards. The adoption of IFRS will reduce barriers to both trade and flow of capital. Investors will have access to more reliable financial data to compare and analyze corporate performance in multiple jurisdictions. In this regard an attempt has been made to study the advantages that will arise by adopting IFRS and the conceptual, legal and regularity difficulties that would be coming in India's way while converging with IFRS.

### **Recent Trends in WPI and CPI Inflation in India**

VILAS B. KHANDARE\*\*

During 1995 to till the inflation has been driven mostly by prices increases of fuel products, followed by manufactured product and then primary articles. In order to control inflation the government has taken a number of monetary measures but inflation is not in control. The current inflation in India mainly due to increase in the prices of petrol so for control on current inflation it is necessary to increase the production of crude oil and do develop a technology which increase highest mileage average capacity of vehicles overall in the world and fine out alternatives to petroleum product in coming years.

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\* Dr. Priti Mitra is Guest Lecturer, Department of Small Business Management, Mahatma Gandhi Chitrakoot Gramodaya Vishwavidyalaya, Satna (MP).

\*\* Dr. Vilas B. Khandare is Reader in Economics, Shri A.B. College, Beogaon (R.) Dist. Aurangabad (MS).



Technical Session II  
**CRM and Value Chain Management**

***Chairperson***

Prof. Narender Kumar  
Deptt. of Commerce  
M.D. University  
Rohtak (Haryana)

***Co-Chairperson***

Dr. Yogesh Upadhyay  
Reader, Inst. of Commerce & Management  
Jiwaji University  
Gwalior (Madhya Pradesh)

***Rapporteurs***

Dr. H.J. Ghosh Roy  
Professor, Inst. of Management Studies & Research  
M.D. University  
Rohtak (Haryana)

Dr. Sanket Vij  
Dean & Chairperson  
School of Management Studies  
B.P.S. Mahila Vishwavidyalaya  
Khanpur, Sonapat (Haryana)

## Rapporteur's Report

### **CRM and Value Chain Management**

The Technical Session II on CRM and Value Chain Management was held at Dhanwate National College, Nagpur on 28<sup>th</sup> December 2008. The Session was inaugurated by the visionaries like Prof B. P Singh, Prof P. Purushotam Rao, Prof R Vinayek, Prof H Venkateshwarlu, and Dr B B Taiware. Prof Ravinder Vinayek, made a brief introduction of the Chairman and Co-Chairman of the session. The participants had the word of wisdom from Prof B P Singh and other dignitaries. The Session could made the loud beginning with the introduction of the session by the Chairperson Prof Narender Kumar. It was followed by the presentation made by the Co-Chairperson Dr Yogesh Upadhaya.

In all 156 papers were received for presentation out of which 94 papers were physically presented by the participants and the remaining papers were deemed as read because of shortage of time. The Pre Lunch Session was devoted to 20 selected papers who were given an opportunity to make full presentation of their papers. In Post Lunch Session time was rationed according to the pre determined criterion.

The Paper Presenters covered almost every gamut of the topic while giving a wide coverage of the subject matter. The chief areas covered by the paper writers include: CRM as a Management Tool, CRM and Consumer Behaviour, CRM in Apparels, CRM in Retail Trade, CRM in Hotels and Restaurants, CRM and Communication Mix, CRM in Tours and Travel, CRM in Banking, CRM in Insurance, CRM in Service Sector, CRM in Hospitals, CRM in Education, CRM and Value Chain Management, CRM and Demand Chain Management, CRM in Mobile Industry, CRM in Gems and Jewellery, CRM and Knowledge Management, The Cost Benefit Analysis of CRM, CRM and Creation of Brand Loyalty, CRM in Transportation, CRM and Success of the Enterprises, CRM and Environment, The E-CRM, Role of Women in CRM, CRM In Rural Marketing, CRM as Performance Enhancer, CRM in Pharmaceutical Industry, CRM and Service Quality, CRM and Customer Satisfaction. The list is only an indicative and not exhaustive.

The active participation of the delegates during the session made the session live and interesting. The delegates placed on record their appreciation for the meticulous organisation and management of the session. The session ended with a vote of thanks to the chair. The Chairman of the session appreciated the arrangements made by the organizers and for the pains they have taken in making the session comfortable. The Chairman expressed his sincere thanks to each of the delegates for the cooperation and the patience they have shown and for the faith they have reposed in him.



## **Perceived Level of eCRM Services and Customer Satisfaction in Life Insurance Sector of India**

SANKET VIJ and H.J. GHOSH ROY

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The present study examines the level of perceived quality of eCRM services and also measures the impact of eCRM services on level of customer satisfaction across 424 policyholders of five main life insurance companies of India, using the advanced statistical tools and modified SERVQUAL instrument. Results indicate that security is consistently the most important determinant of perceived service quality.

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### **Introduction**

With over a billion people, India is fast becoming a global economic power. With a relatively youthful population, India has become an attractive insurance market. Strong economic growth in the last decade combined with a population of over a billion makes it one of the potentially largest insurance markets today. Like any country that opens its economy, India has in the last fifteen years seen much change in the way business and industries as a whole deal with consumer demand and expectation with regard to quality of service, and quality of goods being sold - this is especially evident in the insurance sector. The keen competition in the insurance market led insurance companies in an era of company loyalty to the customer in order to obtain customer loyalty to the company. Customer is more knowledgeable; companies must be faster, more agile, and more creative than a few years ago (Paul and Jongbok, 2001).

To keep customers in today's competitive environment, insurance companies are increasing the depth of relationship through implementation of customer relationship management programs. The concept of CRM, when seen in the context of eBusiness, it translates into eCRM (Mittal and Kumra, 2001).

The electronic Customer Relationship Management (eCRM) technologies supported by ICT revaluation permits insurance companies to establish and maintain individualised customer experience through online help, purchase referrals, quicker turn-around on customer problems, and quicker feedback about customer suggestions, concerns, and questions. The eCRM technologies also allowed customers to design insurances policies by adding features according to their choice (Berinato, 2002). The idea behind developing a customer focused strategy is not to mold the customer to the

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Dr. Sanket Vij is Dean & Chairperson, School of Management Studies, B.P.S. Mahila Vishwavidyalaya, Khanpur (Sonapat) and Dr. H.J. Ghosh Roy is Professor, Institute of Management Studies & Research, Maharshi Dayanand University, Rohtak.

company's goals but to listen to the customer and try to create opportunities beneficial for both (Rigby, 2002). The eCRM approach focuses on the long-term relationship with the customers by providing the customer benefits and values from the customer's point of view rather than based on what the company wants to sell. The use of eCRM technologies by Indian life insurance companies had been growing steadily from the previous few years and was now seen as the way forward for any business wishing to thrive in the eFuture.

### Review of Literature

Berry (1983), formally introduced the term customer relationship management into the literature, but several ideas of relationship marketing had emerged much before. Berry stated that relationship marketing is about attracting, maintaining, and enhancing customer relationships. McGarry's (1950, 1951, 1953 and 1958) emphasis on developing cooperation and mutual interdependence among marketing factors. However, McGarry's work was not widely publicized. Wroe Alderson (1965)'s focus on inter-and-intra-channel cooperation, Adler (1966) observed the symbiotic relationships between firms and Vardarajan (1986) and Vardarajan and Rajaratnam (1986) examined other manifestations of symbiotic relationships in marketing.

In the United States, several scholars began examining long-term inter-organizational relationships in business-to-business markets (Anderson, Hakanson and Johnson (1994); Dwyar et al. (1987), Hakanson (1982), Hallen, Johnson and Seyed-Mohamed (1991), Jackson (1985)). One of the results of CRM was the promotion of customer satisfaction (Evans & Laskin, 1994), which was considered to be a relational phenomenon (Chow & Holden, 1997; Jacoby & Kyner, 1973; Sheth & Parvatiyar, 1995; cited by Macintosh & Lockshin, 1997). Recent developments in Information technology had given the Internet a new role: to facilitate the link between eCRM and customer satisfaction, customer retention, and customer loyalty. In this way, it could be used as a business channel and so lead to the development of more effective eCRM as well as the emergence of new network cooperative opportunities (Avlonitis & Karayanni, 2000; Geyskens, Gielens & Dekimpe, 2002).

Most of what was then known about the impact of the Internet on business management was based on anecdotes, experiential evidence, and *ad hoc* descriptive studies (Avlonitis & Karayanni, 2000; Peterson, Balasubramanian & Bronnenberg, 1997). There was a considerable body of studies concerning RM, CRM, and eCRM. These studies (205 CRM articles (1992-2002) from 89 journals) were clustered together and classified into five broad categories and sub categories also. Almost 76 (37.1 %) of these articles were related to IT and IS, 65 (31.7%) to CRM fundamentals, 36 (17.6%) to Marketing, 15 (7.3%) to Sales & Support and 13 (6.3%) were related to Sales category. The study also disclosed that the research on CRM had increased significantly since 1999. A total of 191 publications were found from last three years of the study (2000-2002), representing 93 per cent of the total (E.W.T. Nagi, 2004, 2005).

### Objectives

- To study the level of perceived quality of electronic Customer Relationship Management (eCRM) services offered by Life Insurance Companies of India.
- To analyze the level of influence of electronic Customer Relationship Management (eCRM) on overall customer satisfaction.

### Hypothesis

$H_0(1)$  : There is no positive significant impact of eCRM services on overall customer satisfaction

### Research Methodology

The present study was exploratory cum descriptive in nature. Policyholders of five life insurance companies of India (Life Insurance Corporation of India, ICICI Prudential Life Insurance company, Bajaj Allianz Life Insurance Company, Birla SunLife Life Insurance Company and Tata AIG Life Insurance Company) had been considered as sample unit. The sample units were selected using 'QUOTA' sampling i.e. on the basis of their *respective market shares*. The primary data was obtained from 500 Policyholders of the selected life insurance companies of India, were selected from Delhi, Haryana and Noida through appropriate questionnaires and schedules. In the present study the researcher approached only those prospective respondents (policyholders) who have no previous experience related to eCRM services offered by selected Life Insurance companies.

### Data Analysis

The responses from respondents were coded and tabulated in SPSS 11.0. For analyzing the data, both simple (average, percentage, weighted average and mean score etc.) and advanced statistical tools (Standard Deviation, Bi-variant Correlation, one way ANOVA, Post hoc, and Paired Sample t-Test) were used. The test was conducted at 95 per cent confidence level (or 5 per cent level of significance). The study had also applied SERVQUAL (Berry, Parasuraman and Zeithaml, 1985) model with few modification supported by various studies (Zeithaml et al., 2001; Cox and Dale, 2001; Barnes and Vidgen, 2001; Madu and Madu, 2002; Wolfinbarger and Gilly, 2003; Zeithaml et al., 2002; Santos, 2003) to assess the perceived quality of eCRM services offered by selected life insurance companies. A seven point Likert scale (strongly disagree (1) to strongly agree (7)) was used and content of questionnaire includes the respondent profile; statements related to current *level of overall service quality*, *overall satisfaction* and also 30 statements related to seven dimensions viz. *Responsiveness, Reliability, Competence, Ease of use, Convenience, Security and Product portfolio*.

Out of 479 responses received, 424 (88.56%) were usable responses and of which 323 (76.2%) were males and 101 (23.8%) were females; 252 (59.4%) were policy holders of LIC, 48 (11.3%) were policy holders of ICICIPRU, 41 (9.7%) were policy holders of Allianz Bajaj, 43 (10.1%) were policy holders of

Table 1: Survey response rate

<i>Name of Insurance Company</i>	<i>Total Sample Size (Quota)</i>	<i>Usable Response Received</i>	<i>Response Rate (%)</i>
Life Insurance Corporation of India	300	252 (59.4%)	84
ICICI Prudential Life Insurance company	50	48 (11.3%)	96
Bajaj Allianz Life Insurance Company	50	41 (9.7%)	82
Birla SunLife Life Insurance Company	50	40 (9.4%)	80
Tata AIG Insurance Company of India	50	43 (10.1%)	86
Total	500	424 (100%)	84.8

Tata AIG, and 40 (9.4%) were policy holders of Birla SunLife (Table 1); 197 (46.5%) surveyed policy holders belong to 25-45yrs, 123 (29.0%) belong to >45yrs, and 104 (24.5%) belong to <25yrs age group; 223 (55.0%) of the surveyed policy holders belong to service class, 96 (22.6%) were businessman's, 75 (17.7%) were retired and 20 (4.7%) were housewife's; 172 (40.6%) surveyed policy holders belong to 10000 – 30000 household income, 128 (30.2%) belong to 30001 – 50000 household income, 78 (18.4%) belong to <10000 household income, and 46 (10.8%) belong to >50001 household income group; 206 (48.6%) of surveyed policy holder were residents of urban area, 132 (31.1%) were residents of metro city and 86 (20.3%) were residents of rural area; 236 (55.7%) surveyed policy holders were under graduates, and 188 (44.3%) were post graduates.

## Discussion

**Level of Perceived Quality of electronic Customer Relationship Management (eCRM) Services Offered by Life Insurance Companies of India:** Overall SERVQUAL Score of eCRM services provided by the selected life insurance companies of India. Overall average Unweighted SERVQUAL score for the total of 424 respondents was 0.69 (SD = 0.34). When importance weights were also taken into consideration the resultant overall Weighted SERVQUAL Score 9.31 (SD = 4.81) was also positive. Both Overall unweighted and weighted SERVQUAL scores were in positive zone meaning thereby that the policyholders' perceptions were more than their expectations. Policyholders perceived the eCRM services provided to them were of good quality. This reaffirmed that life insurance companies of India were providing the quality eCRM services to their policyholders.

**Overall Importance Weights For Dimensions of eCRM services:** Average importance weights were compiled and it revealed that *Security* 16.80 (SD = 4.17) was allocated maximum weight by the respondents, closely followed by *Convenience* 16.70 (SD = 3.94) and *Easy to use* 16.24 (SD = 3.87). *Reliability* 15.19 (SD = 3.60) ranked fourth closely followed by *Responsiveness* 14.46 (SD = 3.73), *Competence* 11.60 (SD = 3.78), *Product Portfolio* 9.36 (SD = 2.63) was ranked lower in eCRM services quality dimensions. Meaning thereby,

the policyholders were ready to compromise on *Reliability, Responsiveness* of employees of life insurance companies, *Competence and different types of product/policies* offered by the life insurance companies of India. The inherent intangibility of eCRM insurance services led the respondents to look for surrogate parameters of quality in *security, convenience, and easy to use*, which they rightly ranked higher than other quality dimensions.

Multiple correlations had been done between the dimensions and it was observed that there was a significant correlation existing between most of the dimensions of eCRM services. Reliability dimension was significantly positively correlated ( $r_{(423)} = .228$ ) with responsiveness and significantly negatively correlated with easy to use ( $r_{(423)} = -.403$ ), product portfolio ( $r_{(423)} = -.455$ ) and security ( $r_{(423)} = -.263$ ) dimension of eCRM service quality. Responsiveness was significantly negatively correlated with easy to use ( $r_{(423)} = -.396$ ) and convenience ( $r_{(423)} = -.150$ ) service dimension. Competence was significantly negatively correlated with easy to use ( $r_{(423)} = -.140$ ), Product portfolio ( $r_{(423)} = -.135$ ) and security ( $r_{(423)} = -.394$ ) dimension of eCRM services. Ease in use was significantly positively correlated with Product portfolio ( $r_{(423)} = .304$ ) and significantly negatively correlated with security ( $r_{(423)} = -.139$ ) dimension of eCRM services. Product portfolio ( $r_{(423)} = -.152$ ) and security ( $r_{(423)} = -.262$ ) both were significantly negatively correlated with convenience dimension of eCRM services.

**Overall Dimension Wise Gap Score:** As an extension of analysis each service quality dimension was separately compiled and analysed to find out the dimension wise overall un-weighted [Perception (P) – Expectation (E)] and Weighted [Importance Weight I(P-E)] Average Gap Score. It was observed that respondents were consistently more satisfied with convenience dimension (overall un-weighted average gap score = 0.85) in dimensions wise Unweighted gap score and were also consistently more satisfied with convenience dimension (overall weighted average gap score = 13.71) in dimensions wise weighted gap score, which was ranked higher than all other quality dimensions. The study also disclosed that there was positive Gap score for all quality dimensions of eCRM services provided by the selected insurance companies. Meaning thereby the level of perceived quality of eCRM services was better than expectations for all the dimensions.

Comparison of overall dimension wise Gap Score was done with other studies and the findings were similar to *Wisniewski (2005)* study of Scottish Insurance, *Uzun Ozge (2001)* study of Turkey Insurance sector and *Beverly Black (2001)* of Insurance in Middle East countries. In contrast *Nihada Mujic and Jelena Legcevic (2005)* study of UK, USA, Finland, and *Herng- Ching Lin et al. (2004)* study of Osijek, Croatia accorded negative Gap score for all or few dimensions of services quality of eCRM.

**Inter Comparison of SERVQUAL Score of eCRM services provided by the selected Life Insurance Companies of India:** The respondents were further grouped on the basis of their respective Life Insurance Companies, for inter comparison of SERVQUAL score of eCRM services quality offered by the selected life insurance companies of India. Out of 479 responses received,

424 (88.56%) were usable responses and of which 252 (59.4%) were policyholders of Life Insurance Corporation of India, 48 (11.3%) were policyholders of ICICIPRU Life Insurance company, 41 (9.7%) were policyholders of Bajaj Allianz Life Insurance company, 43 (10.1%) were policyholders of Tata AIG Life Insurance company, and 40 (9.4%) were policyholders of Birla SunLife Life Insurance company.

The study disclosed that respondents rated the quality of eCRM services provided by Life Insurance Corporation of India (Unweighted SERVQUAL Score = 0.46 & Weighted SERVQUAL Score = 6.17) were above than their expectations and higher than the SERVQUAL score of other life insurance companies. Meaning thereby the policyholders of LIC were more satisfied with the quality of eCRM services offered to them as compare to policyholders of other life insurance companies of India. It also revealed that all of the selected life insurance companies of India were accorded positive SERVQUAL SCORE (Unweighted score viz. ICICIPru = 0.06; Bajaj Allianz = 0.05; Birla Sunlife = 0.06; Tata AIG = 0.06 and Weighted score ICICIPru = 0.74; Bajaj Allianz = 0.65; Birla Sunlife = 0.89; Tata AIG = 0.87) that meant the policyholders using the eCRM services offered by these insurance companies perceived eCRM services better than their expectations.

The result of company wise average importance weight clearly described that Security dimension (Tata AIG = 2.03; Bajaj Allianz = 1.73; Birla SunLife = 1.70) of eCRM service quality was accorded the best perceived dimension amongst all the selected life insurance companies except Life Insurance Corporation of India (Convenience 10.28) and ICICI Prudential Life insurance company (Convenience 2.02). Meaning thereby the policyholders of Bajaj Allianz Insurance Company, Birla SunLife Insurance Company, and Tata AIG Life Insurance Company were more concerned with security while using eCRM services and the policyholders of Life Insurance Corporation of India and ICICI PRU Insurance Company were more concerned with convenience while using eCRM services offered by selected life insurance companies.

Easy to use service dimension ranked fourth closely followed by Reliability, Responsiveness, and Competence service dimensions of eCRM services quality offered by insurance companies. Product Portfolio was accorded (LIC = 2.63; ICICIPru = 1.03; Bajaj Allianz = 0.87; Birla Sunlife = 0.75; Tata AIG = 1.05) the worst perceived quality dimension amongst all the selected life insurance companies of India. Meaning thereby, the policyholders were ready to compromise on Reliability, Responsiveness of employees, Competence and different types of product/policies offered by selected life insurance companies of India.

Life Insurance Corporation of India was accorded the best Unweighted and Weighted gap score in all the seven quality dimensions of eCRM services offered (Reliability 0.44 and 6.24, Responsiveness 0.22 and 2.28, Competence 0.54 and 5.09, Easy to use 0.47 and 6.79, Product portfolio 0.37 and 3.01, Security 0.53 and 8.60, and Convenience 0.69 and 11.14 ). Tata AIG Life Insurance Company was accorded by the policyholders the second best Unweighted gap score in three dimensions of eCRM service quality (Reliability 0.11, Responsiveness 0.06 and Convenience 0.6) and Weighted gap score in

two dimensions of eCRM service quality (Reliability 1.57, and Convenience 0.86) following Life Insurance Corporation of India. Policyholders of ICICI Prudential Life Insurance Company accorded best Unweighted and Weighted gap score in two dimensions (Competence 0.10 and 1.01, and Product portfolio 0.11 and 1.12) of eCRM service quality following Life Insurance Corporation of India. Respondents accorded best Unweighted and Weighted gap score in two dimensions (Responsiveness 0.06 and 0.87, and Easy to use 0.07 and 1.03) of eCRM service quality offered by Bajaj Allianz Life Insurance Company following Life Insurance Corporation of India. Birla SunLife Insurance Company was accorded the best Unweighted and Weighted score (0.08 and 1.51 respectively) in Security service dimension of eCRM services following Life Insurance Corporation of India.

The results of the above analysis indicated that the attributes of Security (16.80), Convenience (16.70), and Easy to use (16.24) had been identified by the respondents to be the most important dimensions of eCRM services quality in life insurance sector of India. All of the service quality dimensions of eCRM services were found to have positive gap, implying that policyholder's expectations regarding the eCRM services in life insurance sector of India were met by the selected life insurance companies of India.

#### **Level of Influence of electronic Customer Relationship Management (eCRM) on Overall Satisfaction.**

**Overall Satisfaction Before Experiencing eCRM Services:** Table 2 described the respondents perception regarding the level of overall customer satisfaction before experiencing eCRM services offered by selected life insurance companies. The overall mean value of all the selected life insurance companies was 3.41. The mean value of Life Insurance Corporation of India was 3.13, ICICI Prudential life insurance was 3.90, Bajaj Allianz Life Insurance was 4.01, Birla SunLife Insurance was 3.93, and Tata AIG was 3.50. Post hoc and Descriptive analysis (overall satisfaction mean score v/s selected life insurance companies) clearly revealed that policyholders of Allianz Bajaj Life Insurance Company were having high mean score hence were overall more satisfied with the services offered.

**Overall Satisfaction After Experiencing eCRM Services:** In the case of overall satisfaction empirically revealed that after experiencing eCRM services, the overall mean value of selected life insurance companies regarding overall satisfaction had increased from 3.41 to 4.86 (Table 3). The mean value of Life Insurance Corporation of India had increased from 3.13 to 4.98, ICICI Prudential Life Insurance from 3.90 to 4.61, Bajaj Allianz Life insurance from 4.01 to 4.94, Birla SunLife Insurance from 3.93 to 5.00, and Tata AIG had increased from 3.50 to 4.17.

A significant relationship among the overall satisfaction and insurance companies was observed, by one way ANOVA ( $F_{4,419} = 30.359, p < .000$ ). Null hypothesis ( $H_0$ ) that "there is no positive significant impact of eCRM services on overall customer satisfaction" has been rejected.

Table 2: Level of influence

<i>Name of Insurance Company</i>	<i>Mean</i>	<i>Std. Dev</i>	<i>Std. Error</i>	<i>Min.</i>	<i>Max.</i>
Life Insurance Corporation of India (n=252)	3.13	.447	.028	2	5
ICICI Prudential Life Insurance Company (n=48)	3.90	.337	.049	3	4
Bajaj Allianz Life Insurance Company (n=41)	4.01	.217	.034	4	4
Birla SunLife Life Insurance Company (n=40)	3.93	.135	.021	4	4
Tata AIG Life Insurance Company (n=43)	3.50	.414	.063	3	4
Total (n=424)	3.41	.539	.026	2	5

Table 3: Overall satisfaction

<i>Name of Insurance Company</i>	<i>Mean</i>	<i>Std. Dev</i>	<i>Std. Error</i>	<i>Min.</i>	<i>Max.</i>
Life Insurance Corporation of India (n=252)	4.98	.410	.026	4	7
ICICI Prudential Life Insurance Company (n=48)	4.61	.865	.125	4	6
Bajaj Allianz Life Insurance Company (n=41)	4.94	.333	.052	4	5
Birla SunLife Life Insurance Company (n=40)	5.00	.523	.083	4	5
Tata AIG Life Insurance Company (n=43)	4.17	.359	.055	4	5
Total (N=424)	4.86	.546	.027	4	7

Post hoc and Descriptive analysis (overall customer satisfaction mean score v/s selected life insurance companies) clearly revealed that now the policyholders of Birla SunLife Insurance Company [by replacing Bajaj Allianz Life Insurance Company (mean score=4.94)] had a high mean score (5.00) and hence were more satisfied overall, after experiencing eCRM services. The post hoc analysis also revealed that there was a significant difference between most of the selected insurance companies contributing to the overall significant difference between the groups.

It was clear from the above data interpretation and analysis that eCRM services had significant influence on overall customer satisfaction. In the present study, policyholders perception regarding level of overall customer

satisfaction was tested twice i.e. once before using eCRM services and the other after using eCRM services, using paired sample t-Test to confirm the findings of the above analysis i.e. there was a positive significant influence of eCRM services on the overall customer satisfaction.

The significance value of paired sample t-Test of overall customer satisfaction ( $t_{(423)} = 38.27, p < .000$ ) strongly confirmed that there was a significant positive influence of eCRM services on the overall customer satisfaction level. Also, the confidence interval for the mean difference did not contain zero, this also indicated that the difference was significant. So the above discussion strongly confirmed that there was a significant positive influence of eCRM services offered by selected life insurance companies of India on overall customer satisfaction level.

### Conclusion

For enhanced customer satisfaction and better services quality, the customer-centric delivery mechanism of insurance services supported by eCRM technologies played a significant role in the customer delight movement. In addition, the employee's positive frame of mind and respect for their customers would delight the customers and assist the service providers in customer value creation in life insurance sector of India.

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## **CRM and Value Chain Management in Jewellery Retail A Study of the Consumer's Perspective in Pune City**

MARIAM NORONHA

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Increasing brand presence in an arena which was considered to be the exclusive domain of traditional jewellers has been a cause for concern for traditional jewellery firms. As CRM and value chain management become important tools for business success the question that comes to mind is that can they be used in jewellery retail? Then again if they are already being used then how and where do they manifest themselves? What do consumers of jewellery think and feel about CRM initiatives and value? The present paper seeks to highlight some issues related to CRM and value chain management in the context of some findings of a study of consumer perspectives on the jewellery retail business in Pune city.

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### **Introduction**

In recent times the jewellery retail business in India has undergone transformation from the traditional family jeweller to retail stores selling to the PMEB (professionals, managers, executives and business people) market. This strategic transformation has made competition steep and challenging. Gaining trust and proving quality remain as important, however the time available to demonstrate the same has reduced dramatically. Given this scenario there seems to be almost a scramble on the part of traditional/local jewellery manufacturers and retailer to restructure their business tactics. It is against this backdrop that a study of consumer perspectives on jewellery retail was undertaken in Pune city during the period August-October 2007.

Though Gitanjali Jewels entered the market in 1994 it was the entry of Tanishq in 1995 which proved to be the turning point in the Indian jewellery retail business. The company pioneered many changes in the Indian jewellery industry and has established its leadership position in the area today with a persona that is premium, stylish, exquisite and pure. Since then the branded jewellery market in India has grown by leaps and bounds and for those who are pessimistic about the status of branded jewellery in future one important point to note is that in the year 2004 alone some 30 brands of jewellery were launched in the market. Such is the potential of this industry that the consulting firm McKinsey estimates the branded jewellery market in India to grow at the rate of 40 per cent per annum to

touch Rs.10,000 crores by 2010. In a study conducted across cities and towns in India, entitled Indian Consumer in February, 2006 by CLSA, 66% of the respondents said that they would prefer branded jewellery over the local jeweller in future.

### **Methodology**

Primary data was collected through survey, personal interview and questionnaire. The sample for the survey comprised of 250 working women in Pune city from areas around corporates and shopping malls selected on a random basis. This sample was selected primarily because jewellery purchases by working women are backed by independent thinking and purchasing power. Since the sample size is small and restricted to Pune city only the findings and observations cannot be considered to be exhaustive and representative of the national scenario. The study does not take in to account the point of view of housewives who buy and consume a lot of jewellery and neither does it present the male perspective as men may not consume large amounts of jewellery but they are financiers and purchasers of the same

### **Findings**

**The Most Preferred Source Of Jewellery Purchase:** One of the hypotheses which the study tested was that the traditional jeweller still remains the most preferred source of jewellery purchase for most people. The findings revealed that 112 of the respondents surveyed stated that the traditional jewellery outlets/family jewellers were in fact as their preferred source of purchase. This indicated a deep rooted loyalty to the traditional jeweller continues to exist in the face of stiff competition from exclusive branded jewellery outlets and shopping malls. Respondents cited warm and personalized service and long standing relationships with their family jewellers as reasons for preferring them over other options.

The findings of the study revealed that the good old family jeweller knows his customer like no branded jeweller can say 28%, while 24% attribute his popularity to trust/long standing relationships, 18% seek exclusive designs which only he can offer vis a vis the standardized designs of a branded jeweller. A majority, 30%, feel that the traditional jeweller scores on all the aforesaid parameters. The knowledge that the traditional jeweller will provide her with what she wants or that he knows what she will be looking for even before she says it is the outcome of several years of association say the respondents.

**The Areas Of Increase In Spending By Traditional Jewellers:** It was observed that the biggest increase in spending was due to increase in the product range on offer, advertising, , salesmanship and sales promotion and store design, layout, furnishing and ambience. A visit to ten showrooms owned by the most prominent traditional jewellers in Pune only served to supplement and support these findings. The showrooms were large, spacious, spanky and well-lit. The layout was carefully planned with separate floors for different kinds of jewellery such as a floor each for gold, diamonds,

traditional and contemporary jewellery. Particular attention to display of jewellery with pleasant sales persons clad in uniforms added a distinctly professional aura to the store. Almost all the showrooms had outside advertising displays like neon signs, poster campaigns and hoarding advertisements at prominent locations across the city. P.N.Gadgil, a well established local jewellery brand even bagged the “Best Gold Jewellery Award for the outdoor campaign of the year 2007”.

**What Consumers Expect?** Considering what consumers expect in jewellery retail the study shed light on the importance of the following: (a) Guarantee, (b) Purity, (c) Ethical Business Practices, (d) Good Buying Experience, (e) Ambience, and (f) Facilitative sales staff. Issues like purity and guarantee are becoming important criteria for purchase of jewellery. 65 respondents cited awareness about BIS Hallmarking Diamond Certification and admitted to this being an important issue for them when buying jewellery. Consumers feel that investing in jewellery is a viable proposition provided it is backed by guarantee. Warm, personalized service rendered by sales staff was also considered to be a big factor in facilitating a purchase. All this in a good ambience added up to a good buying experience that provided value for money.

**Problems with the Traditional Jeweller:** Though the traditional jeweller is the most popular source of jewellery purchase even the mighty have their weaknesses and the traditional jeweller has a quite a few. Technology, finance and product range are his biggest downfall say the respondents. Considering that modern factories, teams of designers and financial resources for product development, marketing and promotion are areas where the branded jeweller outshines the traditional one. With technology and product excellence driving business success in almost every arena it is not surprising that the respondents admitted to attaching importance to these factors.

**Opinions about Branded Jewellery:** Opposed to this, respondents stated that the branded jeweller’s biggest weakness is his impersonal relationship with the customer owing to which he does not have a finger on the pulse of the market like the traditional jeweller has. His offerings are standardized and hold no attraction for those desirous of owning “one of a kind” jewellery. A few of the respondents feel that the heavy costs of technology, promotion, store design and décor incurred by branded jewellery firms are passed on to the consumers.

**Over the Counter or Catalogue/Online Buying:** 90% of the respondents said that they definitely enjoyed the experience of looking at jewellery, wearing it supplemented by advice and facilitation by the sales person in the jewellery retail outlet. Catalogue or online buying is an impersonal and non-interactive way of buying jewellery and did not find favor with a majority of the respondents. This indicates the importance of the touch and feel factor in buying jewellery. Advice and facilitation by sales staff go a long way in building a strong relationship with the customer while pressure selling is a definite “no-no” if retailers want a customer to keep coming back.

### Conclusions

Advertising, communication and ambience are important starting points for building a good relationship with the customer. However support, advice and in depth customer knowledge are absolutely essential and their absence cannot be made up for. Consumer awareness about Hallmarked jewellery and Diamond certification is on the rise and it is a critical issue in delivering value for money. Store layout and brand presence are becoming pertinent issues for traditional jewellers who just cannot afford to be complacent about their dominance in an increasingly competitive market. Exclusivity in jewellery design is something that niche clientele look for and could go a long way in building a mutually fulfilling and profitable relationship between consumers and jewellers. Jewellery buying in India has traditionally been governed by long standing relationships between customers and jewellers. However with the influx of brands and their increasing retail presence CRM and value chain management have become crucial for customer retention by traditional jewellery retail giants and local small jewellers.

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## **Service Quality, Customer Satisfaction and Customer Loyalty in Health Care Sector**

HARDEEP CHAHAL AND NEETU KUMARI

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This study examines the three dynamics of CRM viz; service quality, customer satisfaction and customer loyalty in healthcare sector to accomplish CRM goals. This study investigates specifically the effects of physical environment quality and interaction quality, significant components of service quality on outcome service quality dimensions viz customer satisfaction and loyalty. Further, interaction quality is hypothesized to be a more important determinant of service quality than physical environment quality. Overall, five hypotheses are framed to conceptualize the relationship among customer relationship dynamics. The data for the study was collected from four hundred indoor patients who have been associated with the Udhampur New District Hospital for more than three years. The study highlights that customer satisfaction and loyalty are affected by demographic characteristic of customers.

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### **Introduction**

Service quality has been linked to varied business performance metrics, such as customer satisfaction, loyalty, word-of-mouth referral, price insensitivity, sales growth, and market share (e.g., Boulding, Kalra, Staelin, and Zeithaml 1993 and Zeithaml, Berry & Parasuraman 1996). More recently, with increasing focus on CRM, scholars have begun to consider the importance of managing a firm's portfolio of customers (Johnson and Selnes 2004). Long-term relationships lead to an increase in client confidence about what they can expect to receive from the firm (Gwinner, Gremler, and Bitner 1998). A second important change that is likely to occur in long-term relationships is the escalation in the size and complexity of the transactions between the customer and organisation (Reinartz and Kumar 2003). Furthermore, as a high involvement product, both physical environment and interaction quality elements of service quality will feature prominently in clients' evaluation of the firm (Brady & Cronin, 2001). Lastly, impact of socio - demographic factors on CRM dynamics will provide new insight in understanding the concept.

A close inspection of some of the more influential relationship marketing definitions yields words such as maintenance (Morgan and Hunt 1994),

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Dr Hardeep Chahal is an Associate Professor and Neetu Kumari is a Research Scholar, Department of Commerce, University of Jammu.

development, collaboration and *cooperation* (Sheth and Parvatiyar 1995), all of which evoke the temporal nature of relationships. An important contribution on the dynamics of marketing relationships was made by Dwyer, Schurr, and Oh (1987) who considered the life cycle of relationship development. The notion that expectations of customer-organization relationships change as the relationship matures is supported by various studies on customer life-cycle variables and relationship strength. Choi et.al. (2005), for example, revealed that age has a direct effect on customers satisfaction while Chahal & Sharma (1995) showed that life-cycle demographics. As customer-organization relationships develop, customers become increasingly entrenched to relationship-specific investments (Jones et al. 2000). CRM is considered as a strategy to optimize customer satisfaction & loyalty (Maruthamuther and Kavitha, 2008).

The hypothesized model proposes service quality to be the one and most significant platform to achieve CRM objectives of providing optimum satisfaction to customers to retain them. As such two forms of service quality i.e physical environment and interaction quality as antecedents to outcome service quality (Brady & Cronin 2001) that leads to customer satisfaction and ultimately to loyalty are hypothesized.

### **Service Quality**

The study (e.g. Parasuraman, Zeithaml & Berry 1985, Bitner 1992, Rust & Oliver 1994 and Brady & Cronin 2001) considers influence of the physical environment quality on customer service evaluations. Ambient conditions relate to non visual aspects, such as temperature, scent, music (Bitner, 1990) peaceful, tranquil and maintenance services (Brady & Cronin, 2001), natural light and fresh air (Chahal & Sharma, 2004) . Second important sub dimension of physical environment quality is social factor, which refers to the number and type of people availing services and their behaviour (Bitner, 1990). Further, it also includes transparency and ethics in decision, acceptance of legal and statutory framework, integrity and honesty in practices, focus on societal needs, pollution control and hygienic life styles (Sardana, 2003). Another influence on physical environment quality is of tangible factor. It includes physical facilities, equipment and appearance of personnel (Conway & Will cocks, 1997), waiting room, amenities (Choi et. al., 2005), technical services (Chahal & Sharma, 2004), amenities (Choi et.al. 2005) and sitting arrangements (Kang & Jeffrey, 2004). On the basis of these review following hypothesis and objective are framed.

Services are intangible and characterized by inseparability features (Lovelock, 1981). The interaction that takes place during service delivery has greatest effect on service quality perceptions of the consumers and ultimately on CRM outcomes (satisfaction & loyalty) (Brady & Cronin, 2001). Number of literature studies authenticated attitude & behavior to be one of the important dimensions of interaction quality (Brady & Cronin, 2001). Bitner (1992) empirically demonstrated that attitude is a super ordinate concept of satisfaction. On the basis of this another set of hypothesis and objective are constructed.

Customers form service quality perception on the basis of evaluation of organizations performance at multiple levels and they combine these evaluations ultimately to arrive at an overall service quality perception (Brady and Cronin 2001). Number of studies viewed that the overall perception of service quality is based on the customer's evaluation of two dimensions of the service encounter, namely physical environment quality and interaction quality (Rust & Oliver 1994 and Brady & Cronin 2001). The surrounding physical environment can have a significant influence on perceptions about the overall quality of the service encounters in the service industries such as hospitals (Bitner 1992) as services being intangibles, often require the patients to be present during the process. The second important dimension of evaluating service quality is interpersonal interaction that takes place during service delivery and often has the greatest effect on service quality perceptions (Bitner 1990, Newman & Pyne 1996 and Gronroos 1982). Dedeke (2003) have identified three kinds of interaction viz; customer to staff (social interaction), customer to technology (technology interaction), third customer to product (product interaction).

There is consensus in the literature that the service outcome is the relevant feature that customers evaluate after service delivery (Gronroos 1982, Rust & Oliver 1994 and Brady & Cronin 2001). Satisfaction is basic subjective determination of service quality. Satisfaction is perceptual difference between prior expectations and post performance of the product (Tse and Wilton 1988). It is the satisfaction level only which propel patients to choose the same hospital next time (Sardana 2003) and latter on transform patient satisfaction into patient loyalty. A number of dimensions have been suggested in literature that influence satisfaction vis - a vis health care quality and these include physician care, nursing care, supporting staff behavior, convenient visiting hours, availability of emergency aid (Sardana 2003) and food, room characteristics & treatment (Raftopoulos 2005). Overall, doctors, nurses, management, facilities and cleanliness are the major factors which affect satisfaction (Chahal & Sharma 2004). Customer loyalty is defined as a consumer's intent to stay with an organization (Zeithaml et al. 1996). Use of behavioral intentions perspective of loyalty helps in recognising spurious loyals who have a low relative attitude toward the organization but are constrained to repeat purchase (Ruyter et, al. 1998).

Gender, education, age, income, profession are important factors for studying the perception of consumers as health needs vary according to these factors and also because their intensity in moderating the relationship between satisfaction and loyalty (Choi et al. 2005 and Sharma & Chahal, 1995). Number of studies found that the females are more satisfied than males with regard to health care services (Sharma & Chahal, 1995). The business class respondents are, generally less educated and hence their ability to perceive their health needs and poor and are more satisfied as compared to service class respondents (Sharma & Chahal, 1995).

### **Research Methodology**

**Sample:**The study on CRM dynamics vis - a -vis and service quality, satisfaction and loyalty is based on primary data collected from indoor patients of Udhampur District Hospital admitted between May to August 2007 for more than 4-5 days in 6 departments namely general medicine, paediatrics, general surgery, gynaecology, ENT and orthopaedics and associated with the hospital for more than three years. The pre- testing ( 35 respondents) was also conducted. The proportionate stratified random sampling was used for final data collection. This efforts resulted in selection of 74 patients from general medicine, 74 from paediatrics, 88 from general surgery, 74 patients from gynaecology, 30 patients from ENT, 60 from orthopaedics department thereby making total sample equal to 400.

**Demographic Profile:** The sample of indoor patients from New Govt. District Hospital (Udhampur) consisted of 66.5 percent females (266 females) and 33.5 percent males (134 males). The patients were also classified into four income groups. These income groups included respondents having income below Rs 5000 per month (INC I), the respondents having ranging between Rs 5000 - Rs 10000 per month (INC II), respondents Rs 10000 - Rs 15000 (INC III) and finally the respondents having income above Rs 15000 (INC IV) and included respondent illiterate (EDU I), respondents with below higher secondary education (EDU II), graduation (EDU III), post graduates (EDU IV) included 40, 308, 43, 9 respectively. The respondents were also classified into 4 groups on the basis of their age, namely age I (Below 20 years), age II (Between 20 - 40) years, age III (Between 40 - 60 years), and age IV (above 60 years) included 6, 296, 106, 19 respondents respectively. In addition, respondents were also grouped according to the nature of jobs as business class respondents (BCR), service class respondents (SCR), professionals (PRR) and dependents (DER) included 38, 92, 10, 260 respondents respectively.

### **Data Analysis**

On the basis of reliability, convergent, and discriminant validity tests, the study concluded that all the scales satisfied the psychometric property requirements. Furthermore, all sub dimensions of four constructs viz. PEQ,

- Hypothesis 1: Perception about ambient conditions, social factor and tangibility positively influence physical environment quality.
- Hypothesis 2: Attitude and behavior of staff, expertise skills and process quality directly positively influence the quality of service interaction quality.
- Hypothesis 3: Physical environment quality and interaction quality contribute positively to perceived service quality.
- Hypothesis 4: Perceived service quality positively influence customer satisfaction and customer loyalty.
- Hypothesis 5: The demographic characteristics of the patients affect their level of satisfaction and loyalty.

IQ, CS and CL are analysed using factor analysis to identify significant factors structure under respective sub-dimensions.. The principal component method and varimax rotation were used for the same. The detailed analysis is explained in the following sections.

### Physical Environment Quality

Table 1: Factors-wise mean, factor loading, KMO, variance explained, communalities and Eigen values for physical environment quality

<i>Dimensions and Factors</i>	<i>Mean</i>	<i>Factor Loading</i>	<i>KMO</i>	<i>% of v</i>	<i>Communalities</i>	<i>Eigen value</i>
<b>A Ambient Condition</b>	<b>3.01</b>		<b>0.833</b>	<b>66.43</b>		
F1 - Overall	3.39			43.88		2.63
1) Natural light	3.59	0.58	0.891		0.48	
2) Cleanliness of hospital	3.40	0.70	0.803		0.69	
3) Internal atmosphere	3.36	0.67	0.816		0.60	
4) Peaceful wards	3.35	0.81	0.826		0.67	
5) Hygienically clean wards	3.29	0.80	0.823		0.69	
F2 - Specific	2.63			22.55		1.35
1) Proper placement of beds	2.63	.914	0.904		0.84	
<b>B) Tangibles</b>	<b>3.83</b>		<b>.849</b>	<b>64.52</b>		
F1 - Supportive Facilities	4.17			40.15		2.81
1) Telephone facilities	4.26	0.81	0.842		0.70	
2) Oxygen services	4.25	0.75	0.895		0.61	
3) Bed sheets are changed daily	4.19	0.80	0.850		0.71	
4) Continuous water service	4.01	0.81	0.85		0.70	
F2 - Technical Facilities	3.48			24.37		1.70
1) Well equipped operation theater	3.58	0.81	0.814		0.72	
2) Good technical services	3.39	0.85	0.813		0.75	
<b>C) Social Factor</b>	<b>3.00</b>	<b>.745</b>		<b>57.82</b>		
F1 - Social Responsibility	3.32			31.92	2.23	2.23
1) Equitable treatment to patients	3.61	0.83	0.704		0.70	
2) Hygienic life style	3.35	0.70	0.736		0.57	
3) Special services to needy	3.30	0.79	0.743		0.64	
4) Societal commitment	3.05	0.55	0.747		0.50	
F2 - Employees Role	2.69			25.90		1.81
1) Integrity and honesty in medical practices	2.82	0.75	0.744		0.74	
2) Overall impression	2.70	0.77	0.797		0.79	
3) Employee role towards social responsibility	2.57	0.59	0.747		0.80	

**Ambient Condition** - The Kaiser - Meyer - Olkin (KMO) measure of sampling adequacy value is found to be 0.833 and Bartlett's test of Sphericity (BTS) Chi - square is 771.54 (degree of freedom =15 and significance = 0.000) (Table = 1), which support the relevancy of data for factor analysis. The application of varimax rotation method at 3 iterations, helped in identifying two factors. The first factor comprises five statements out of eleven statements. These statements include 'natural light' (MS = 3.59 & FL = 0.58), 'cleanliness of hospital' (MS = 3.40 & FL = 0.70), 'internal atmosphere' (MS = 3.36 & FL = 0.67), 'peaceful wards' (MS = 3.35 & FL = 0.81) and 'cleanliness of wards' (MS = 3.29 & FL = 0.80). The results reveal that there is overall cleanliness and maintenance in the hospital. The factor explained 43.88 percent of variance out of 66.44 percent. There is only one statement identified in factor 2. The statement includes 'proper placement of beds' with highly positive factor loading value of 0.91 and mean score of 2.63. The results revealed that there is lower degree of satisfaction among respondents toward placement of beds in hospital.

**Tangibles** - The KMO value is found to be 0.815 and BTS is 782.792 (dof = 15 and Sig = 0.000), which support the relevancy of factor analysis. The application of varimax rotation method at 3 iterations, helped in identifying two factors. The first factor comprised of four statements out of fourteen statements. These statements included 'telephone facilities' (M.S. = 4.26 & F.L. = 0.81), 'availability of oxygen services' (M.S. = 4.25 & F.L. = 0.75), 'bed sheets are changed daily' (M.S. = 4.19 & F.L. = 0.80) and 'drinking water services' (M.S. = 4.01 & F.L. = 0.81). The factor explained 40.15 percent of variance out of 64.52. Two statements identified for factor 2. The statements included 'well equipped operation theatre' (M.S. = 3.58 & F.L. = 0.81) and 'good technical services' (M.S. = 3.39 & F.L. = 0.85). The results indicated average level of satisfaction among respondents towards tangibles.

**Social Factor** - The KMO value was found to be 0.770 and BTS as 631.757 (dof = 21 and Sig = 0.000). The first factor comprised four statements. The statements included 'equitable treatment to patients' (M.S. = 3.61 & F.L. = 0.83), 'hygienically life style' (M.S. = 3.35 & F.L. = 0.70), 'special services to needy' (M.S. = 3.30 & F.L. = 0.79) and 'societal commitment' (M.S. = 3.05 & F.L. = 0.55). The items clarify that the hospital fulfills averagely its social responsibility. The factor explained 31.92 percent of variance out of 57.83 percent. Three statements namely 'integrity and honesty in medical practices' (M.S. = 2.85, F.L. = 0.75) and 'overall impression' (M.S. = 2.70, F.L. = 0.77), 'employee role towards social responsibility' (M.S. = 2.57 & F.L. = 0.50) were found to be important under factor 2. The result indicates that employee role is not effectively contributing to social image of the hospital.

#### Interaction Quality

**Attitude and Behaviour** - The KMO value is found to be 0.874 and BTS as 3927.339 (dof = 120 and Sig = 0.000). Two factors were identified. The first factor comprised seven statements out of eighteen statements relating to nurses. These statements includes 'behavior with your friends and relatives' (M.S. = 3.16 & F.L.=0.79), 'explain about technical treatment' (M.S. = 3.02 & F.L.=0.73), 'attitude & behavior' (M.S. = 2.96 & F.L.=0.84), 'helpful & supportive'

(M.S. = 2.96 & F.L.= 0.57) 'caring' (M.S. = 2.91 & F.L.=0.78), 'answer queries' (Chahal and Sharma 2004), (M.S. = 2.80 & F.L.=0.83) and 'listening ability'

Table 2: Factor-wise mean, factor loading, KMO, variance explained, communalities and Eigen values for interaction quality

<i>Dimensions and Factors</i>	<i>Mean</i>	<i>Factor Loading</i>	<i>KMO</i>	<i>% of v</i>	<i>Communalities</i>	<i>Eigen value</i>
<b>A) Attitude &amp; Behaviour</b>	<b>3.33</b>		<b>0.874</b>	<b>73.19</b>		
F1 - Nurses	2.93			27.78		4.44
1 Behavior with your friends and relative	3.16	0.79	0.900	0.80		
2 Explain about technical treatment	3.02	0.73	0.938	0.70		
3 Attitude and behavior	2.96	0.84	0.881		0.76	
4 Helpful and supportive	2.96	0.57	0.937		0.68	
5 Caring	2.91	0.78	0.898		0.67	
6 Answer queries	2.80	0.83	0.920		0.75	
7 Listening ability	2.76	0.83	0.912		0.78	
F2 – Doctors Attitude	3.56			20.78		3.32
1 Communication with staff	3.71	0.76	0.911		0.68	
2 Helpful and supportive	3.61	0.83	0.864		0.77	
3 Attitude	3.51	0.75	0.858		0.71	
4 Patient involvement	3.44	0.72	0.917		0.55	
F3– Technical & Supportive Staff	3.57			14.17	2.26	
1 Availability	3.68	0.78	0.832		0.69	
2 Attitude & behavior	3.57	0.84	0.774		0.83	
3 Friendly & helpful	3.47	0.76	0.775		0.75	
F4 – Doctors Behaviour	3.26			10.45		1.67
1 Professional values	3.32	0.64	0.832		0.74	
2 Answer queries satisfactory	3.21	0.71	0.804		0.79	
<b>B) Expertise</b>	<b>3.52</b>		<b>0.888</b>	<b>66.26</b>		
F1–Individual Expertise	3.65			48.96		3.91
1 Physician expertise	3.87	0.81	0.887		0.67	
2 Operation competence	3.85	0.69	0.863		0.59	
3 Technical staff are expertise	3.77	0.71	0.878		0.64	
4 Diagnosis diseases correctly	3.70	0.79	0.859		0.67	
5 Nursing expertise	3.65	0.82	0.897		0.71	
6 Technical knowledge	3.65	0.71	0.926		0.64	
7 Explain logically	3.12	0.64	0.926		0.41	

Table 2 contd. ...

Table 2 contd. ...

F2 – Overall Expertise	3.39			17.30	1.38
1 Overall competent	3.39	0.95	0.880		0.94
<b>C) Process Quality</b>	2.86		0.642	56.49	
F1 – Supportive Staff	3.25			31.89	2.23
1 Good housekeeping services	3.44	0.81	0.682		0.67
2 Listening ability of Supportive staff	3.34	0.77	0.676		0.62
3 Interaction with frontline staff	3.28	0.70	0.701		0.50
4 Grievances handling system	2.92	0.62	0.747		0.41
F2 – Supportive Facilities	2.49			24.59	1.72
1 Administrative function	2.65	0.71	0.564		0.55
2 Laboratory services	2.48	0.65	0.593		0.46
3 Blood bank services	2.36	0.84	0.532		0.71

(M.S. =2.76 & F.L.= 0.83). The results indicated that there exists dissatisfaction among respondents towards attitude & behavior of nurses in the hospital. The factor explained 27.78 percent of variance out of 73.19. The second factor contained four statements related to doctors. The statements included 'communication with staff' (M.S. =3.71 & F.L. =0.76), 'helpful & supportive' (M.S. = 3.61 & F.L. = 0.83), 'attitude' (M.S. =3.51 & F.L. = 0.75) and 'patient involvement' (M.S. = 3.44 & F.L. =0.726).The results revealed that there exists average level of satisfaction among respondents towards doctor attitude. The factor explained 20.78% of variance. The statements namely 'availability' (M.S. = 3.68 & F.L. =0.78), 'attitude & behaviour' (M.S. = 3.57 & F.L. =0.84), 'friendly & helpful' (M.S. = 3.47 & F.L. = 0.76) were found to be important under factor 3. The results indicated that patients are averagely satisfied with attitude & behavior of technical & supportive staff as also found by (Sardana 2003). The factor explained 14.17 percent of variance. The statements namely 'professional values' (M.S. = 3.32 & F.L. = 0.64) and 'answer queries satisfactory' (M.S. = 3.21 & F.L. =0.71) were found to be under factor 4. The results revealed that the patients have average satisfaction towards doctor's behavior. The factor explained 10.45 percent of variance.

**Expertise** - The KMO value is found to be 0.886 and BTS as 1473.116 (dof= 28, and Sig = 0.000) The first factor comprised eight statements that include 'physician expertise' (M.S. =3.87 & F.L. = 0.81), 'operational competence' (M.S. =3.85 & F.L. = 0.69), 'technical staff are expertise' (M.S. = 3.77 & F.L. = 0.71), 'diagnosis diseases correctly' (M.S. =3.70 & F.L. = 0.79), 'nursing expertise' (M.S. =3.65 & F.L. = 0.82), 'technical knowledge' (M.S. = 3.65 & F.L. =0.71) and 'explain logically' (M.S. = 3.12 & F.L. =0.64). The overall mean score of factor arrived at 3.65, revealed that respondents are averagely satisfied with respect to expertise of nurses, doctors and technical staff. The

factor explained 48.96 percent of variance out of 66.26. The second factor included only one statement namely 'overall competent' (M.S. = 3.39 & F.L. = 0.95). The overall mean score of factor is 3.39 revealed that respondents are averagely satisfied with respect to overall expertise of staff. The factor explained 17.30 percent of variance.

**Process Quality** - The KMO measure of sampling adequacy value was found to be 0.642 and BTS as 562.526 (dof = 21 and Sig = 0.000). The first factor comprised four statements. These statements include 'good housekeeping services' (M.S = 3.44 & F.L.= 0.81), 'listening ability of supportive staff' (M.S = 3.34 & F.L.= 0.77), 'interaction with frontline staff' (M.S = 3.28 & F.L.= 0.70) and 'grievances handling system' (M.S = 2.92 & F.L.=0.82) explained 31.89 percent of variance out of 56.49. The overall mean scores of factor came out to be 3.24 revealed that respondents are averagely satisfied with respect to process quality of supportive staff. The second factor included three statements namely 'administrative function' (M.S = 2.65 & F.L. =0.71), 'laboratory services' (M.S = 2.48 & F.L. = 0.65) (Sharma & Chahal 2003) and 'blood bank services' (M.S = 2.36 & F.L. = 0.84) explained 24.59 percent of variance. The overall mean scores of factors came out to be 2.49 revealed dissatisfaction among respondents towards process quality of hospital.

### Service Outcome Quality

Table 3: Factor-wise mean, factor loading, KMO, variance explained, cummunalities and Eigen values for customer satisfaction and loyalty

Dimensions	Factors	Mean	Factor Loading	KMO	% of v	Communalities	Eigen value
<b>A) Patient Satisfaction</b>		<b>2.97</b>		<b>0.790</b>	<b>58.82</b>		
	F1-Overall	2.47			34.70		2.77
	1 Up-to-date health care technique	2.81	0.67	0.800		0.80	
	2 Good technical facilities	2.60	0.76	0.810		0.81	
	3 Indoor services	2.52	0.85	0.781		0.73	
	4 Consciousness towards patient participation	2.29	0.73	0.857	0.85		
	5 Patient participation in suggestion	2.13	0.64	0.776		0.77	
	F2 - Satisfaction	3.47			24.12		1.93
	1 Visit for all treatments	3.82	0.77	0.709		0.70	
	2 Satisfaction regard to supporting staff	3.45	0.76	0.695		0.69	
	3 Satisfaction regard to doctors	3.14	0.63	0.816		0.81	
<b>B) Patient Loyalty</b>		<b>3.91</b>		<b>0.686</b>	<b>65.82</b>		
	F1- Recommendation	3.40			29.66		2.37

Table 3 contd. ...

Table 3 contd. ...

1	Hospital	3.48	0.87	0.654	0.96	
2	Physician	3.40	0.88	0.643	0.77	
3	Price effectiveness	3.37	0.65	0.829	0.47	
4	Trust	3.37	0.62	0.805	0.55	
F2 -	Relationship	2.36			18.09	1.44
1	Quality of care	2.48	0.75	0.664	0.66	
2	Emotional attachment	2.25	0.83	0.719	0.70	
F3 -	Overall	2.99			18.06	1.44
1	Preference over other private hospitals	3.36	0.81	0.67		
2	Positive perception	2.63	0.81		0.66	

**Customer / Patient Satisfaction** - The KMO value was found to be 0.790 and BTS as 928.315 (dof = 280 and Sig = 0.000). The application of varimax rotation method at 3 iterations helped in identifying two factors. The first factor comprised five statements. These statements include 'up to date health care techniques' (M.S. = 2.70 & F.L. = 0.67), 'good technical facilities' (M.S. = 2.60 & F.L. = 0.76), 'indoor services' (M.S. = 2.52 & F.L. = 0.85), 'consciousness towards patient satisfaction' (M.S. = 2.29 & F.L. = 0.73) and 'suggestion scheme' (M.S. = 2.13 & F.L. = 0.64) explained 34.70 percent of variance out of 58.82. The overall mean score of factor came out to be 2.47 revealed that patients are dissatisfied with respect to indoor services, consciousness towards patient, up - to -date technique and technical facilities. The second factor satisfaction comprised three statements. This statements include 'visit for all treatments' (M.S. = 3.82 & F.L. = 0.77), 'satisfaction regard o supportive staff' (M.S. = 3.45 & F.L. = 0.76) and 'satisfaction regard to doctors' (M.S. = 3.14 & F.L. = 0.63) explained 24.12 percent of variance. The overall mean score of factor came out to be 3.47 revealed that patients are averagely satisfied with respect to visit for all treatments and satisfaction regard doctors and supporting staff..

**Customer / Patient Loyalty** - The KMO value was found to be 0.686 and BTS as 516.552 (dof = 100 and Sig = 0.000) The first factor comprised five statements out of sixteen statements. These statements include 'hospital' (M.S = 3.48 & F.L. = 0.87), 'physician' (M.S = 3.40 & F.L. = 0.88), 'price effectiveness' (M.S = 3.37 & F.L. = 0.65) and 'trust' (M.S = 3.37 & F.L. = 0.62). The overall mean score of factor came out to be 3.40 revealed that patient are averagely loyal towards hospital (Corbin et. al. 2001). The factor explained 29.66 percent of variance out of 65.81. Two statements namely 'emotional attachment' (M.S = 2.25 & F.L. = 0.83) and quality of care' (M.S = 2.48 & F.L. = 0.75) were found to be important under factor 2. The overall mean scores of factors came out to be 2.36 revealed that there is dissatisfaction among respondents. The third factor included two statements namely 'preferences over other private hospitals' (M.S = 3.36 & F.L. = 0.81), 'positive perception' (M.S = 2.63 & F.L. = 0.81). The overall mean scores of factor came out to be 2.99 revealed that patient have not positive perception about hospital.

**Relationship among CRM Dynamics**

Impact of ambient condition, tangibles and social factor on physical environment quality; attitude & behaviour, expertise, process quality on interaction quality and the combined impact of physical environment quality and interaction quality on perceived service quality are assessed using structural educational modeling (SEM) using AMOS 5 (Table 4). In addition, the impact of perceived service quality on customer satisfaction and customer loyalty is also assessed. The impact of ambient condition and social factor on physical environment quality; attitude & behaviour and process quality on interaction quality are found to be significant as the CR values are found to be above 1.96. This led to the acceptance of hypotheses 1 and 2. Further physical environment quality explained about 70% variance with regard to interaction quality. Similarly, the CR values of physical environment quality and interaction quality revealed significant and positive combined effect on perceived service quality, and thus supported the hypothesis 3. In addition, as expected, results supported that perceived service quality leads to customer satisfaction and customer loyalty (Hypothesis 4). As such all the hypothesis are accepted. Moreover model fit values were also considered P (CMIN) (.000), CMIN/DF (11.399, NFI (0.720), RFI (0.651), IFI (0.738), TLI (0.671), CFI (0.736), RMSEA (0.161). The above values showed that only NFI,

Table 4: CR, RW, R2 and mean of physical environment quality, interaction quality and outcome service quality

Components	Dimensions	Critical Ratio	Standardized Regression Weight	R2	Mean				
Physical Environment Quality	Ambient Condition, Tangibles	23.44	0.82	0.68	3.01				
	Social Factor	REF	0.90	0.81	3.83				
	Interaction Quality	22.27	0.80	0.65	3.00				
	Perceived Service Quality	17.06	0.84	0.70	3.01				
	Overall Mean	03.31	0.22	1.000	3.00				
Interaction Quality	Attitude & Behaviour		3.24						
	Expertise	19.08	0.84	0.70	3.33				
	Process Quality,	REF	0.80	0.64	3.52				
	Perceived Service Quality,	18.79	0.83	0.69	2.86				
	Overall Mean	10.20	0.80	1.000	3.01				
Perceived Service Quality,	Customer Satisfaction		3.20						
	Customer Loyalty	16.34	0.77	0.60	2.97				
	Overall Mean	REF	0.76	0.58	3.91				
Overall	Chi Square Value	probability level	DF	Root mean square error of approximation	Normed fix index	Relative fit index	incremental fit index	Tacker lever confie-rents	Comp. fit
	2605.41	.000	91	.263	.076	-.066	.078	-.069	.074

RFI, IFI, TLI, CFI reflects accepted fit whereas CMIN/DF, P (CMIN), RMSEA showed poor fit but on the whole the overall model fit can be considered as below fit.

To examine the impact of socio - demographic factors on customer satisfaction and customer loyalty, t -test for gender impact and F test (ANOVA one way) for age, education, income, profession and impact on customer satisfaction and customer loyalty were applied. The results of t-test indicate that both male and female respondents have significant differences in their perceptions about customer satisfaction and customer loyalty measures (Table 5). In the age wise comparison the results of F test revealed that with respect to customer satisfaction and customer loyalty there is significant differences among perception of AGE II and AGE I, AGE I and AGE I on the other hand AGE I and AGE II have similar perception. The same results were observed by Choi et. al., 2005. Further education groups viz, EDII and EDIII, EDIII and EDI have different perception but EDI and EDII have similar perceptions. Similarly income groups INC I and INC II, INC III and INC I have significance difference in their perception. In contrary INC II and INC III showed similarity in there perception about customer loyalty but significant perceptual difference with regard to customer satisfaction. Further in profession wise analysis Business and Service showed similarity in there perception, Service and Professional have significant difference and the Professional and Business showed similar perception about customer satisfaction and different perception about customer loyalty. Overall results indicated that there is significant difference in the perception of demographic groups (Sharma and Chahal, 2003) namely male & female, education group (ED II & ED III, ED III & ED I), income groups ( INC I & INC II, INC III & INC I) and profession wise (Service & Professional, Professional & Business ) with respect to customer satisfaction and customer loyalty.

Overall we find support for all five hypothesized relationships in proposed model. The finding of positive and significant main effects of physical environment and interaction quality on service quality would come as no surprise to services researchers (e.g., Brady & Cronin et al. 2001 and Chahal & Sharma 2003). The study results pave way for significant relationship between all the three sub - dimensions of physical environment quality with physical environment quality. This is further corroborated with the mean values scored above three for ambient condition, tangibles, social factor and physical environment quality. Among three physical environment quality, ambient condition, tangibles and social factor, customers were quite appreciative for the overall tangible facilities of the hospital, both technical as well as supportive followed by overall ambient condition and social responsibility. However, transparent and validity in the behaviour ( social factor) and bed arrangement ( ambient condition) need to be given more consideration to make physical environment quality competitive and to contribute more to customer satisfaction and loyalty. The interaction quality dimensions shows little bit different picture. In fact, the main effect of interaction quality on service quality was stronger in comparison to physical environment quality. The study results found that friendliness and courteousness of service personnel affect the customers' long term

relationship with firm. Attitude & behaviour of doctors & supportive staff were appreciated by customers of Udhampur Hospital but process quality and nursing behaviour are considered to be below average. At the same time total variance explained ranged between 0.64 and 0.81 which is quite good. The supportive facilities under process quality are found to be major hinder factor to provide significant contribution to interaction quality. In addition, the perception of customer towards nurses (Attitude & Behaviour) is also not favorable particularly with regard to customers' problem and answering their queries, sincerity, caring attitude and overall attitude. The overall composite impact of sub dimensions of physical environment quality and interaction quality on respective overall physical environment quality and overall interaction quality indicate their significant positive contribution, as all CR values are above threshold value of 1.96 at 95% level of significance. In terms of their relative strength of squared multiple correlation and regression weights, tangible followed by ambient condition and social factor contributed quite significantly to physical environment quality. All values are found to be above 0.64 for squared multiple correlation and regression weights. However relationship between physical environment quality and perceived service quality and interaction quality and perceived service quality though significant but is weak for perceived service quality and process quality and very strong for interaction quality and perceived service quality. Further perceived service quality and customer satisfaction and perceived service quality relationship are also found to be significant in terms of Critical Ratio, Regression Weights and Square Multiple Correlation value. However overall mean score is below average for customer satisfaction and above average for patient loyalty. The somewhat higher value of customer loyalty in relation to customer satisfaction indicate presence of some moderating factors like customer value which need to be examined to know the real impact of service quality on customer satisfaction & loyalty.

The satisfaction and loyalty when examined individually reflected near to average mean score, indicating the need of service provider to look concretely into the service quality dimensions to operationalise CRM effectively. Satisfaction is found to be function of three items viz; regular visits of the staff, behaviour of supportive staff and behaviour of doctors and loyalty to be function of recommending service provider, trust and preferences of hospital over others. Specifically satisfaction dimensions such as patient participation, indoor services, latest medical equipment need to be improved. The loyalty dimensions contributing negatively include overall quality of care and overall positive perception. Thus there is need to improve CRM dynamics in the public healthcare to accomplish CRM objectives.

### **Conclusion**

The study provides some important insights for CRM theory and practice. There is strong support for the view that customers change the way they evaluate a firm's service as switching costs and image vary. An understanding of service quality, customer satisfaction and loyalty dynamics is a first step toward effective service management and the retention of customers in the long term.

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## **Developing Brand Loyalty through Customer Relationship Management**

H. C. PUROHIT

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Relationship marketing implies attracting, maintaining and enhancing customer relationships. In an economy of converging technologies, morphing markets and web-paced communications, customers get ready access to an unprecedented amount of information from anywhere in the globe and at any time of day or night. In response, a host of new financial products and services emerges to serve these customers. The customer centric business strategy with the implementation of customer relationship management tool will be helpful to understand the needs and values of the prospects. The present study measure the product quality of Maruti cars' and service quality of the Maruti Udyog Ltd. and also study the customer relationship management programme of the MUL to retain the customer.

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### **Introduction**

The theory of instrumental conditioning believe that brand loyalty results from an initial product trial that is reinforced through satisfaction, leading to repeat purchase. On the other hand, cognitive researchers, emphasize the role of mental processes in building brand loyalty. They believe that consumers engage in extensive problem-solving behavior involving brand and attribute comparisons, leading to a strong brand preference and repeat purchase behaviour. Consumer loyalty is the relationship between an individual's relative attitude toward a brand, service, store, or vendor, and patronage behavior (Alan and Kunal, 1994).

A major goal of marketers interested in how consumers learn is to encourage brand loyalty. Brand – loyal customers provide the basis for a stable and growing market share and can be a major intangible asset reflected in the purchase price of a company. Raj (1985), reported that brands with larger market shares have proportionately larger groups of loyal buyers. The marketers are concerned with a growing trend toward brand switching. Among the reasons given for the decline in brand loyalty are consumer boredom or dissatisfaction with a product, the constant availability of new product offerings, and an increased concern with price. In this era of lower-priced value brands, the market share of private label brands has increased in categories once considered the bastion of brand loyalty (Kathleen 1993).

### **Customer Relationship Management**

To retain current customers, some companies develop loyalty programs such as the frequent flyer programs used by many airlines. A marketer may also seek to retain customers by learning a customer's individual interests and then tailoring services to meet them. Amazon.com, for example, keeps a database of the types of books customers have ordered in the past and then recommends new books to them based on their past selections. Such programs help companies retain customers not only by providing a useful service, but also by making customers feel appreciated. This is known as relationship building.

Services and selling to existing customers is viewed to be just as important to long term marketing success as acquiring new customers (Berry, 1983). All customers are valuable, however, much valuable these customers are, the frequency of purchases from these customers should determine the differentiation in rewarding them. Interaction with the customers induces a more personal feeling and touch to the customer relationship programme. Dialogue is the process of interacting directly with prospects and customers. To foster dialogue, ways and means will have to be provided for this individual to react directly to whatever communication is sent to them. Dialogue continually refreshes the database of marketing information, which is being built, enabling an alert watch on what customers want. Berry's notion of customer relationship management resembles that of other scholars studying services marketing, Gronroos (1990), and Gummesson (1987). Each one of them is espousing the value of interactions in marketing and its consequent impact on customer relationships. The purpose of CRM is to improve marketing productivity and enhance mutual value for the parties involved in the relationship. CRM has potential to improve marketing productivity and create mutual values by increasing marketing efficiencies and/or enhancing marketing effectiveness (Sheth and Parvatiyar 1995). In the current era of hyper-competition, marketers are forced to be more concerned with customer retention and loyalty (Dick and Basu 1994, Reicheld 1996). Numerous studies have indicated that retaining customers is less expensive and perhaps a more sustainable competitive advantage than acquiring new ones. Marketers are realizing that it costs less to retain customers than to compete for new ones (Rosenberg and Czepiel 1984).

### **Objectives**

The objectives of the study are as follows:

- To evaluate the performance of Maruti car.
- To analyze the customer perception about the services rendered by the Maruti Udyog Ltd.
- To study the Customer Relationship Management programmes of MUL.

### **Methodology**

In order to accomplish the objectives of the study following procedures are administered:

**Data Collection:** The data were collected through primary as well as secondary sources. The product quality and service quality of a Maruti car were evaluated with the help of the users. A structured questionnaire was administered to the users of a car to rate the performance of a Maruti car. The CRM programme of MUL was analyzed with the help of the secondary sources i.e. the publication of the MUL.

**Questionnaire Construction:** The product performance evaluation tool to measure the performance of a car was developed on the pattern of the performance evaluation tool of two-wheeler products developed by Purohit (2004), total thirty five items were used to measure product performance, the product quality was measured on 7-point Likert type scale ranging from "better than expected to worst than expected". The service quality evaluation was done on the pattern of the SERVQUAL model developed by Parasuraman et.al. (1988), in all fifteen items were used on all five dimensions of the SERVQUAL tool, the questionnaire was constructed on 7-point Likert type scale ranging from "very good to very bad".

**Sampling:** The users of a Maruti car was included in the survey, the consumers who have purchased a car one to two year back was interviewed. The list of the buyer's was obtained from the local dealer's store and they were contacted personally. The data were collected from Jaunpur city a semi-urban city of eastern Uttar Pradesh. In all more than 100 users of Maruti car were interviewed and a structure questionnaire was handed over them to evaluate the services of Maruti car dealers and performance of the Maruti car (s), and 82 questionnaires were found suitable for analysis and interpretation, others were rejected due to incomplete answers.

## Results

The analysis of the data was done with the help of SPSS . The results of Product quality and Service evaluation are described as follows:

**Occupation:** More than half (57%) of the respondents were from business families, and 31% of the respondents were from service class families, rest (12%) of the respondents were having their own professions like; doctor, advocate etc. (Table-1) .

**Education:** An overwhelming majority (84%) of the respondents were highly educated. (Table-1).

**Gender:** Almost all (93%) of the respondents were male (Table-1).

**Family Size:** A great majority (63%) of the respondents were having medium family size i.e. three to five members, while around one third (31%) of the respondents were having large families i.e. more than five members in their family. (Table-1)

**Model:** More than one third (34%) of the respondents were having Maruti 800 car, followed by Alto 26%, Omni Van 16%, Zen 8%, Wagon R 8%, Esteem 4%, and other models of MUL are trying to make their entry in the market (Table-1).

Table 1: Profile of the respondents

Sl. No	Characteristic Feature	Sample %
<b>1.</b>	<b>Occupation</b>	
	Business	57.0
	Service	31.0
	Other	12.0
	Total	100.0
<b>2.</b>	<b>Education</b>	
	Up to 12	16.0
	Gradute and Above	84.0
	Total	100.0
<b>3.</b>	<b>Gender</b>	
	Male	93.0
	Female	7.0
	Total	100.0
<b>4.</b>	<b>Family size</b>	
	Up to 2 members	7.0
	3to 5 members	62.0
	Above 5 members	31.0
	Total	100.0
<b>5.</b>	<b>Model purchased</b>	
	M-800	34.0
	VAN	16.0
	ALTO	26.0
	ZEN	8.0
	ESTEEM	4.0
	WAGON R	8.0
	ZEN ESTILLO	2.0
	VERSA	1.0
	SWIFT	1.0
	Total	100.0

### Perceived Product Quality

The product attributes like; durability, driving comfort, colour choice, pick up, spare parts availability, overall look, gear number, brand popularity, travel convenience, head light power, foot brake power, maintenance ease, body design, paid service, and cooling of airconditioner was rated good by almost all the respondents (<90%) , while an overwhelming majority (<80%but >90%) of the respondents rated that the Maruti car was good on the attributes like; fuel efficiency, height, price (cost), new model changes, load capacity, engine (horse) power, tyre size (stability point of view), status (social), head light life, foot brake life, maintenance expenses, body strength,

Table 2: Perceived product quality

S.No.	Name of the attributes	Response in %			Mean	Standard Deviation	Standard Error
		Better than expected	Average	Worst than expected			
1	Durability	97	2	1	6.32	.91	.10
2	Driving comfort	90	7	3	6.07	1.097	.12
3	Colour Choice	95	3	2	6.27	.99	.11
4	Pick up	94	4	2	6.21	1.04	.11
5	Fuel efficiency	88	11	1	5.94	1.03	.11
6	Height	83	12	5	5.67	1.21	.13
7	Spare parts avail.	91	8	1	6.13	1.11	.12
8	Resale value	75	14	11	5.48	1.34	.15
9	Overall look	90	6	4	6.02	1.06	.12
10	Price (Cost)	89	10	1	6.07	1.04	.11
11	New model changes	87	4	9	5.88	1.43	.16
12	Load capacity	84	9	7	5.70	1.22	.14
13	Engine (horse) power	83	9	8	5.84	1.16	.13
14	Gear number	90	7	3	6.13	1.11	.12
15	Brand popularity	91	5	4	6.16	1.08	.12
16	Tyre size (stability view point)	85	11	4	5.93	1.16	.13
17	Status (Social)	88	6	6	5.71	1.16	.13
18	Travel convenience	91	5	4	5.85	1.07	.12
19	Head Light power	93	3	4	6.18	1.12	.12
20	Head Light Life	89	5	6	5.96	1.10	.13
21	Foot brake power	90	8	2	6.08	1.08	.12
22	Foot brake life	83	9	4	5.95	1.16	.13
23	Maintenance expns.	89	7	4	5.90	1.22	.13
24	Maintenance ease	90	5	5	5.82	1.12	.12
25	Body design	91	4	5	5.96	1.14	.13
26	Body strength	83	6	11	5.60	1.28	.14
27	Body weight (Handling ease)	82	13	5	5.72	1.31	.14
28	Overall functioning	93	5	2	6.06	1.03	.11
29	Warranty (Free) Service	86	10	4	5.90	1.26	.13
30	Interior Space	79	10	11	5.52	1.41	.16
31	Paid Service	84	11	5	5.83	1.20	.13
32	Cooling of Airconditioner	93	2	5	5.49	1.48	.16
33	Fuel tank capacity	94	1	5	5.98	1.05	.12
34	Seats	89	6	5	5.94	1.16	.13
35	owner's pride	85	10	5	5.76	1.29	.14

body weight (handling ease), overall functioning, warranty (free) service,

body weight (handling ease), overall functioning, warranty (free) service, paid service, seats, and owner's pride. However, the attributes like; resale value and Interior space was given last preference in the category of all these attributes., less than 80% of the respondents rated these attributes good (Table 2).

### Perceived Service quality

The items related to service quality of the Maruti Udyog Ltd. provided by the dealers is measured and found that the items like; How is the availability of the informations associated with your car at the dealer's, store/ manufacturer's outlet, How are the informations regarding the offerings displayed with the dealer's store/manufacturer's outlet, How safe is to go for paid service at the manufacturer's outlet/ dealer's store, How is the knowledge/skill of the employees working with the company/dealer, How is the market image of your dealer/manufacturer, How is the quality of the services rendered by the dealer/manufacturer etc. was rated good by almost all (<90%) the respondents. While the items like; How appealing is the physical facilities available with your dealer's store/manufacturer's out let, How is the after sale service of the manufacturer/dealer, How sincerely the break down of the car is taken by the employee of the company/dealer, How reliable is the spare parts available with the dealer's store, How is the behaviour of the employees of the dealer/manufacturer, How is the accountability of the employees working with the dealer/manufacturer of your car, and How effective is the feed back (consumer) system of the company, How is the competency and efficiency of the employees working with your car dealer/manufacturer etc. was rated good by an overwhelming majority (<80%). However, only one item "How is on the spot service facility of the manufacturer/dealer" was given the last priority and (>80%) of the respondents rated this item good (Table 3).

Table 3: Perceived service quality

S.No.	Name of the Item	Response in %			Mean	S.D.	S.E.
		Good	Average	Bad			
1.	How appealing is the physical facilities available with your dealer's store/ manufacturer's out let	89	10	1	6.04	1.05	.12
2.	How is the availability of the informations associated with your car at the dealer's store/ manufacturer's outlet	90	7	3	6.12	1.10	.12
3.	How are the informations regarding the offerings displayed with the dealer's store/ manufacturer's outlet	91	4	5	6.15	1.10	.12

Table 3 contd. ...

*Table 3 contd. ...*

4.	How is the after sale service of the manufacturer/dealer	89	5	6	5.94	1.27	.14
5.	How sincerely the break down of the car is taken by the employee of the company/dealer	85	8	7	5.82	1.25	.14
6.	How reliable is the spare parts available with the dealer's store	89	5	6	6.09	1.23	.14
7.	How safe is to go for paid service at the manufacturer's outlet/ dealer's store	93	5	2	6.07	1.06	.12
8.	How is the knowledge/ skill of the employees working with the company/dealer	90	5	5	6.02	1.19	.13
9.	How is on the spot service facility of the manufacturer/dealer	79	12	9	5.69	1.33	.15
10.	How is the behaviour of the employees of the dealer/manufacturer	87	10	3	6.15	1.24	.14
11.	How is the accountability of the employees working with the dealer/ manufacturer of your car	87	10	3	5.94	1.23	.14
12.	How effective is the feed back (consumer) system of the company	87	12	1	5.98	1.15	.13
13.	How is the market image of your dealer/ manufacturer	93	6	1	6.21	1.02	.11
14.	How is the quality of the services rendered by the dealer/manufacturer	91	4	5	5.87	1.21	.13
15.	How is the competency and efficiency of the employees working with your car dealer/ manufacturer	89	9	2	6.09	1.92	.12

## Conclusion

As the data obtained from the MUL website it shows that the market share of MUL is declining due to increasing global competition and in this competitive era it is required to retain the existing consumers by offering quality products and services. It is clear that the majority of the respondents was responding in the category of good but the degree of the satisfaction is not satisfactory especially when asked for retention. It may be because of availability of the alternatives in the market.

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## Technical Session II CRM and Value Chain Management

### ABSTRACTS

#### **Customer Relationship Management and Value Chain Management**

A.C. BHAVSAR (MH 073 ) and H.V. GOKHALE\*

This paper has been undertaken with the aim to analyze the change process adopted by various organizations and the amount of success achieved and to develop effective change strategies to be adopted in future for meeting success. Matrix of change has been used in this paper to evolve the change process in Indian automobile industry. Instead of considering various automobile organizations independently, they are categorized into four groups depending upon type of products, operations, strategies, time at which actions taken, and results of change achieved. Matrix of change for these four categories of case organizations has been constructed to result in the final recommendations.

#### **“Relationship Marketing: A Two-Way Street”**

A.K. MALVIYA\*\*

Customer relationship is the holistic process of identifying, attracting differentiating and retaining customers. It also involves the creation of relationship capital, the ability to build and maintain relationship with customers, suppliers and partners. In the era of business-to-business marketing, many firms have found that retaining customers requires more than supply providing prompt friendly service. It requires the establishment of long-term, mutually beneficial relationship. The development and nurturing long-term relationship is up to the seller. The firm must continually develop its products to meet the evolving needs of its customers. The firm must hire and train the personnel to deal with effectively with customers.

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\* A.C. Bhavsar (MH 073 ) and H.V. Gokhale are Faculty Members, M.S.G. Arts, Science & Commerce College, Malegaon Camp (MH)

\*\* A.K. Malviya is Reader, Department of Commerce & Business Administration University of Allahabad, Allahabad

## **Consumer Behaviour Towards TV- A Study of Women Consumers in Districts of North Karnataka**

A.S. SHIRALASHETTI and S.S. HUGAR\*

The behaviours of all consumers are not same for different aspects of marketing of TVs. Therefore, marketing management of TV companies must adopt right marketing strategies at right place and at right time to increase the sales turnover and profitability. The improvement in quality, reduction in price and proper promotion mix can make the success of TV companies brighter and easier. In addition, the TV companies and distributors must extend the credit facility to the consumers of low income to expand and penetrate the market. Further, post purchase dissonance can be minimized by the consumers by increasing the level of involvement before and during purchase.

## **Successful CRM in the Enterprise**

AJEET ANAND and SADANAND JHA\*\*

A successful and hard working CRM initiative should be a simple but powerful structural solution that can help organizations overcome accountability issues that Crush CRM efforts. Companies should make both business and IT teams responsible for its CRM initiative. The responsibilities should cover the design process, change management and technology implementation. Most companies are not able to measure the success of their CRM solutions because they are not sure of business metrics required to be measured in the first place. Every business unit, from operational to the back office, must create well defined metrics for measuring performance a day before CRM. Any improvement in performance overtime can be quantified and considered the measurement of success of a CRM initiative.

## **Creating Value For Customers**

ANIL CHANDRA PATHAK and NIRAJ KUMAR SHARMA\*\*

Marketing means educating customer about the value you create for them through your offering. So, marketing actually is an education business. The role of marketing is to educate the customer. Customer retention is secondary; the primary consideration is employee retention. Your assets are your people, not machines. So, *marketing begins at home*. Marketing isn't about just products or services. *Marketing is about the image of the company and the quality of people that you attract*. Because once you are a good company, you would have the best people to come and work for you. And that's going to be your competitive advantage, which would come through your people, executive education and training. 'Four Ps' or 'four As' isn't the main way to think about marketing. We have to think of it as the mindset, as an attitude. The real A that matters is attitude.

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\* Dr. A.S. Shiralashetti is Faculty Member, P.G.Dept. of Commerce, Karnatak University P.G.Centre(ASS Commerce College Campus) Gadag-582102- Karnataka State and Dr. S.S. Hugar is Professor, P.G. Dept. of Studies and Research in Commerce, Karnatak University, Dharwad-3.

\*\* Ajeet Anand is Research Scholar, Commerce faculty, T.M. Bhagalpur University, Bhagalpur and Sadanand Jha is Head, Deptt. of Commerce, Sabour College, T.M. Bhagalpur University, Bhagalpur.

\*\*\*Anil Chandra Pathak is Lecturer in Commerce, Jamshedpur Workers' College, Jamshedpur. (Jharkhand) and Niraj Kumar Sharma is PGT (Commerce) Navyug Vidyalaya, Bhagalpur (Bihar).

## **CRM-A Paradigm for Business**

ANJANI KUMAR\*

Customer relationship management (CRM) is a term which is not only used by business organizations today to maintain such good relationships with their present and old customer and associates but the terminology is now being used by almost any type of organization to create a beneficial environment for them and all in today's era of competition. CRM has played an ever increasing and important role in the growth of all such organizations those have developed a sense of understanding towards customer service and satisfaction and implementing CRM.

## **CRM – a key to success in organisational set up**

ANURADHA VERMA and BHRIGU NANDAN SINGH\*\*

In order to get more insight into organizational change in the CRM context, we conducted an exploratory single case study, and identified several change, events on different observational levels. The research results give support to previous findings that before implementing CRM technologies, a company should first change the organization to become more customer focused. This again requires the re-engineering of many key customer relationship management processes. Research findings suggest that to succeed, one should first identify existing and concurrent change processes and their related change entities.

## **A case study of tribal Dhanbad District of Jharkhand**

ANURADHA VERMA and B.N. SINGH\*\*

India had to face illiteracy ignorance suppressions exploitation, timidity lack of guidance etc. In regards to the economic re-surrection political freedom alone is not sufficient for the development of a nation, though it is the first key towards the better future. Economic and social independence are also equally important for the development and upliftment of millions who suffer all types of calamities such as social, political and administrative difficulties. From the very beginning of the five year plan in India, one of the prime objectives of the govt and the planners were the multifaced development of rural economy. India live in villages and without the upliftment of the villages the society and people could not achieve growth and prosperity. The concept of "Integrated Rural Development" was started on 2<sup>nd</sup> October 1952 which was the 83<sup>rd</sup> birth anniversary of Mahatma Gandhi.

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\* Anjani Kumar is Research Scholar, Deptt. of Commerce and Business Administration, University of Allahabad, Allahabad.

\*\*Anuradha Verma is Lecturer in Commerce, Graduate School College for Women, Jamshepur, Ranchi University, Ranchi and B.N. Singh is Lecturer Deptt. of Commerce, R.S.P College. Jharia, V.B. University, Hazaribag.

## **CRM and Value Chain Management**

ARUN KUMAR AND SARITA MAXWELL\*

This paper seeks to explore the role of CRM in value chain management. Today the focus has to on integrated networks and relationships between the various activities of the value chain as contrary to the belief that they are different areas as separate entities, that don't communicate with each other. Customer is the pivot being the central point of these activities. Getting the right product tailored to the customer and delivered on time requires deep coordination among all the activities of value chain. The value chain model is a useful analysis tool for defining a firm's core competencies as well as enable to create advantages in terms of cost. A differentiation advantage can also arise from any part of the value chain, which stems from uniqueness.

## **Knowledge Management: An Emerging Perspective with Reference to Value Chain Management**

ASHVINKUMAR HAMIRBHAI SOLANKI and S.A. CHINTAMAN\*\*

This article presents an overview that a knowledge management is helpful to each and every organization and each and every one of us. Knowledge management is a discipline that takes a comprehensive, systematic approach to the information assets of an organization by identifying, capturing, collecting, organizing, indexing, storing, integrating, retrieving and sharing them. Such assets include (a) the explicit knowledge such as databases, documents, environmental knowledge, policies, procedures and organizational culture; and (b) the tacit knowledge of its employees, their expertise, and their practical work experience. It strives to make the collective knowledge; information and experience of the organization available to individual employees for their use and to motivate them contribute their knowledge to the collective assets.

## **Customer Relationship Management Special Reference to Fuel Retailing Stations in India**

ATUL BANSAL\*\*\*

Many a time's organizations are likely to believe that it is function of marketing to have the customer relationship management. In reality it is meant for every one in the organization starting from the security person, telephone operator and accounting department. Providing good service and then finding a way to leverage the good will created by quality service a company can tie deeply into a consumers psyche and develop a strong business/client relationship. This paper examines customer complaints as a major source of losing customers and suggests suitable policy measures to overcome these handicaps. In addition, there is discussion on role of fuel retailing stations in India as an enabler of customer relationship management. The paper also develops a model for organizations to follow and summarizes the discussion.

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\* Arun Kumar is Reader, MONIRBA University of Allahabad, Allahabad and Sarita Maxwell is Assistant Professor, Allahabad Agricultural Institute-Deemed University, Allahabad

\*\* Solanki Ashvinkumar Hamirbhai is Lecturer, R.K.College of business mgt., Rajkot – Bhavnagar Highway, Kasturbadham – Rajkot. 360020 (Gujarat) and S.A.Chintaman is Lecturer, H.K.Commerce College, Ahmedabad – Gujarat.

\*\*\*Dr. Atul Bansal is Principal, C.Z. Patel College of Business and Management, Vallabh Vidya Nagar, Distt. Anand – 388120 (GUJARAT).

## **Customer Relationship Management--An Empirical Study of Organised Retail Sector**

B.B. GOYAL AND MEGHNA AGGARWAL\*

CRM has played an ever increasing and important role in the growth of all such organizations that have developed a sense of understanding towards customer service and satisfaction and implementing CRM. With the passage of time, the characteristics and the number of activities in retailing as well as approaches to manage customer relationship in retail sector have changed across the globe, including India. CRM has emerged as the latest buzzword in retailing, especially in organized retail sector, and an important tool to enhance retailer performance.

## **Customer Relationship Management (CRM) — A Case Study of Airtel**

B.B. MANSURI and SHAHINA PARVEEN\*\*

CRM not only improves the service to customers though; a good CRM capability will also reduce costs, wastage, and complaints. Effective CRM also reduces staff stress, because attrition - a major cause of stress - reduces as services and relationships improve. Good CRM also helps to grow business: customers stay longer; customer churn rates reduce; referrals to new customers increase from increasing numbers of satisfied customers; demand reduces on fire-fighting and trouble-shooting staff, and overall the organization's service flows and teams work more efficiently and more happily.

## **CRM In Life Insurance Industry**

B.N. BISWAL\*\*\*

Agents are the foundation on which the entire business structure of insurance industry rests. A professionalized agent educates the public, communicates information to them regarding insurance plans and their benefits. When an agent acts like a friend, philosopher and guide to a customer with respect to his financial needs, business would naturally flow from the family, friends and professional circles. Even in these days of alternate channels of distribution, the role of an agent cannot be exaggerated. Hence life insurance organisations should take in to the task to create professional agents who in turn create customer satisfaction with eternal customer relations. And also it will be right to designate them as Customers Relation Officers rather than mere agents.

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\* B.B. Goyal is Reader, University Business School, Panjab University, Chandigarh. and Meghna Aggarwal is UGC Research Fellow, University Business School, Panjab University, Chandigarh.

\*\* B.B. Mansuri and Shahina Parveen are faculty members, Women's College, A.M.U. Aligarh-202002.

\*\*\*B.N. Biswal is Faculty of Commerce, Nowrangpur Commerce, Nabarangpur-764063, Orissa.

## **The new Management Tool — Customer Relationship Management**

CHIRAG V. RAVAL and RAJENDRA V. RAVAL\*

CRM is best tool to build a powerful customer experience as the most competitive weapon around our businesses. CRM invert the pyramid for achieving success in businesses in the 21<sup>st</sup> century The paper deals with the concept of CRM (Customer Relationship Management).The paper throws light on the benefits derived by the organizations using CRM and outline about the CRM. It focuses on CRM implementation and CRM boosts overall development of the organization.Through CRM companies now have a better framework for choosing strategies and actions based on which would provide the best return on Marketing investments.

## **Application of E-CRM in Retail management**

D. RAM BABU and J.RATNA PRABHAKAR\*\*

With several States allowing retailers direct access to farm produce, there is a new revolution taking shape in rural India. Farmers are cultivating crops as per specifications and requirements of retail companies such as Reliance, ITC, Godrej and many others. More than 20,000 small farmers, for instance, are benefiting from such arrangements in Andhra Pradesh. The main aspects in E-CRM are 1) Know your customer 2) reach your customer and 3) Grow your customer. In order to understand the application of ECRM aspects in retail management we should go through the figures drawn in the area of each aspect. This paper indicates how ECRM can help Retail market concept. ECRM is not here to change the marketing instead enhance the quantum of customers.

## **Customer Relationship Management (CRM): The new face of marketing**

DARSHANA ROHIT\*\*\*

Most companies realize that they need to treat their customers with more care. Companies are now desperately searching for different ways to manage customer relationships effectively, not only to acquire new customers, but also to retain the existing ones. CRM is an overall business strategy for growth that enables companies to manage customer relationships effectively. From the IT perspective, it provides an integrated view of a company's customers to everyone in the organization so that the customer can be serviced effectively. CRM applications, often used in combination with data ware housing, E-commerce applications, and call centers, allow companies to gather and access information about customer's buying histories, complaints and other data so they can better anticipate what exactly the customers are looking for.

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\* Chirag V. Raval is Lecturer, Sardar Patel commerce College, Boriavi, Dist. Anand, Gurarat and Rajendra V. Raval is SR. Lecturer, C.C. Sheth College of Commerce, Navgujarat Campus, Ahmedabad, Gujarat

\*\* D. Ram Babu is Special Officer, Andhra University Campus, Tadepalligudem. and J. Ratna Prabhakar is Teaching Associate Dept., of Management A.U. Campus, Tadepalligudem.

\*\*\*Ms. Darshana Rohit is Lecturer, Post Graduate Department of Business Studies, Sardar Patel University. Vallabh Vidyanagar-388120. Anand, Gujarat.

### **Recovery Concept in Customer Relationship Management: A Study**

DIPAK Y. CHACHARKAR\*

Companies, suffer from high customer churn- high customer defection. It is like adding water to leaking bucket. It is critical for companies to learn from customers and change according to shifting customer needs and perceptions. Unhappy customers who do not complain are more likely to defect. In addition, the impact of defection goes beyond the loss of that customer's future revenue stream. Not only does it cost much more to attract new customers, but angry customers often end up giving the company bad publicity. The policy aims at minimizing instances of customer complaints and grievances through proper service delivery and review mechanism and to ensure prompt redressal of customer complaints and grievances.

### **Emerging Trends in Customer Relationship Management in Indian Banking Industry**

E. SUBBA RAO and K. HARI HARA RAJU\*\*

Retaining customers is a major concern for banking institutions which underscores the importance of customer relationship management (CRM). Customers, faced with an increasing array of banking products and services, are expecting more from banks in terms of customized offerings, attractive returns, ease of access and transparency in dealings. By using knowledge of the customer, banks can turn customer relationship into a key competitive advantage. Banks can develop customer relationships across a broad spectrum of touch points. The full integration of these systems, their associated business processes, and the methods, for which information is extracted and used, forms the basis for CRM. This paper examines issues related to changing banking industry and the challenges in customer relationship management (CRM).

### **The Role of Customer Relationship Management in Tourism: An Analysis of Home Stay Project in Kerala**

G. RAJU and SHOBY DAS. Y\*\*\*

Enhancing lifetime value of customers and developing a relationship with profitable customers has become the central focus of company's strategy. As a competitive sector, tourism industry is also recognizing the importance of CRM to achieve a competitive advantage. Many researchers have already discussed about the relevance of CRM and value Chain Management in Tourism and Hospitality sector. This paper is concentrating on a different angle of tourism business that is supplementary accommodation units. The present paper provides a brief profile of the supplementary accommodation sector of Kerala's home stays and the CRM strategies adopted by the operators. In this paper we are not at all considering the technology based CRM and what we are choosing is the human element in the interactions with the tourists.

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\* Dipak Y. Chacharkar is Reader, Deptt. Of Business Administration & Management, SGB Amravati University, Amravati. (M.S.), 444 602.

\*\* E. Subba Rao and K.Hari Hara Raju are Research Scholars, Department of Commerce and Management Studies, Andhra University, Visakhapatnam

\*\*\*G. Raju is Reader, Institute of Management in Kerala, University of Kerala, Thiruvananthapuram, Kerala. PIN-695034 and Shoby Das. Y is Research Scholar Dept.of Commerce, University of Kerala, Thiruvananthapuram, Kerala. PIN-695034

## **CRM And Value Chain Management With a special Reference to Customers' Expectations**

GOUR GOPAL BANIK\*

CRM helps a business to provide better customer service, increase sales and discover new customers and helps to simplify marketing and the process of sales. On the other hand, Value Chain Management is resorted to by large manufacturing companies which seek to increase their profitability. It is an inherent instinct of all such companies to apply Value Chain Management for the purpose of revenue generation, cost reduction and ultimately, profit maximization. It is of utmost necessity that customers be cared, protected and satisfied. Thus, CRM and Value Chain Management have a great role to play towards the fulfillment of the Expectations of customers This paper plans to make an exploratory study of the problems faced by customers and the role played by CRM and Value Chain Management in this respect.

## **A Study on Customer Relationship Dynamics: Service Quality, Customer Satisfaction and Customer Loyalty in Health Care Sector**

HARDEEP CHAHAL AND NEEETU KUMARI\*\*

The study examines the three dynamics of CRM viz; service quality, customer satisfaction and customer loyalty (long term relationship) in healthcare sector to accomplish CRM goals. This study investigates specifically the effects of physical environment quality and interaction quality, significant components of service quality on outcome service quality dimensions viz customer satisfaction and loyalty. Overall, five hypotheses are framed to conceptualize the relationship among customer relationship dynamics. The data for the study was collected from four hundred indoor patients who have been associated with the Udhampur New District Hospital for more than three years.

## **Two Component Customer Relationship Management Model for Health Care Services**

HARDEEP CHAHAL\*\*\*

The paper has made an maiden attempt to conceptualise and operationalise CRM through Two Component Model (Operational CRM ( OCRM) and Analytical CRM ( ACRM) ), particularly in healthcare sector. Relationship between OCRM, based on three patient-staff constructs ( physicians, nurses and supportive staff) and ACRM four constructs ( satisfaction, repatronization, recommend and organizational performance) with service quality as an antecedent to OCRM rather than as a moderator between two CRM components – OCRM and ACRM was analysed using confirmatory factor analysis ( AMOS).

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\*\* Dr. Gour Gopal Banik is Deputy Director, Institute of Distance and Open Learning (IDOL), Gauhati University Guwahati-781014

\*\* Dr Hardeep Chahal is Associate Professor, Dept. of Commerce, University of Jammu and Neetu Kumari is Research Scholar, Dept. of Commerce, University of Jammu

\*\*\*Dr Hardeep Chahal is Associate Professor, Dept. of Commerce, University of Jammu.

## **Virtual customer satisfaction: A service management perspective**

AMIT K SRIVASTAV, KULWANT NEHRA and SAROJ K DASH\*

This paper explores customer satisfaction with mobile services by expanding the expectation and desire disconfirmation model and incorporating constructs of perceived customizability and self-efficacy. The evaluation of constructs is derived from the current electronic commerce satisfaction research combined with literature on constraints of mobile services. In the context of mobile commerce, many technological constraints, such as small screen displays and limited bandwidth, tend to impede user adoption of mobile commerce. It therefore becomes crucial to customize interfaces, content, commerce transactions, and communication to meet mobile users' needs. A proposed research model and method to validate the effect of perceived customizability are presented in this paper.

## **CRM: An Investigation Study of Banking Industry in Yemen**

ABDULELEAH MOHSEN YAHYA ALOKAM and J.V. JOSHI\*\*

CRM suffers when it is poorly understood, improperly applied, and implemented. CRM in the banks in Yemen can be a source of competitive advantage. A challenge that the senior manager of a global market leading bank acknowledged: until recently we have been somewhat restricted because we really haven't had the total customer relationship management and life cycle relationship management capabilities that we really needed to manage life cycle and to measure life cycle profitability with the accuracy required. Most private banks in Yemen have been already applied CRM and e-CRM for customer satisfaction. With respect to client's number and type who are using Internet, the majority is of high income and the number is increased successively due to the increased use of Internet in their day to day life.

## **CRM - A Vital Business Tool for Bankers**

JAI SHANKER PRASAD SINGH\*\*\*

Especially with regard to the world of banking, CRM technology is the answer to the question of increased growth with less cost. No other technology can increase growth, which is the key to any improvement in business standards. Today's fast world of banking demands identification of the right customer, even targeting prospective customers of the future. All this cannot be achieved without an adequate data mining technique and exploring the huge data base into useful information.

Domestic banks need to pull away from their internal sluggishness. It needs more transparency to adhere to global prudential norms to which CRM is the key.

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\* Amit K Srivastav is Director, Sunderdeep Business School, Ghaziabad, UP., Kulwant Nehra is Asst. Professor, Sunderdeep Business School, Ghaziabad, UP. and Saroj K Dash is Senior Lecturer, Skyline Institute of Engineering and Technology, Greater Noida

\*\* Abdulelah Mohsen Yahya Alokam is faculty member and Dr. J.V. Joshi is faculty member, School of Commerce and Management Science, Srtmu, Nanded

\*\*\* Dr. Jai Shanker Prasad Singh is Faculty Member, Dept. of Commerce, K.P. College, Murliganj, Dist.-Madhepura (Bihar)

## **Outsourcing in Customer Relationship Management**

JAYA TRIPATHI and G.C. AGRAWAL\*

Customer Relation Management (CRM) is a way to provide maximum value to customers and also to maximize the return from the investment in business by providing information to customers. Outsourcing customer care is an increasingly popular trend impacting today's customer affairs professional. Traditionally companies have been reluctant to entrust delicate customer relationship to a third party ,however with careful planning ,evaluation and execution ,more companies are successfully outsourcing customer care. The enterprise marketing group needs to adapt to the outsourcing model and identify strategic plans for customer retention and satisfaction when using service providers.

## **Customer Relationship Management**

JAYARAM BUDHO MORE\*\*

Today because of globalization the world has changing in to free market field. It has turned the world into global village. It has created a stiff competition in the market. In such competitive and customer oriented market CRM is very essential. CRM is necessary for the existence in the market, for growing the sale of product or service, to achieve the objective of the production institute etc. In CRM the satisfaction of the customer is very important. Because this is the customer oriented concept. But the producers must notice one thing that customer relation should be permanent and not only for single deal. If the customers are satisfied with the product or service they will recommend the product to the others and this will help the company to increase the sale of goods. In short CRM is the process which is beneficial both the producer and the customer.

## **Emergence of Customer Relationship Management in Banking Sector : A Model Design for Banking Performance Enhancement**

JYOTI SHARMA and RINKU JHA\*\*\*

This paper present's the role of Customer Relationship Management in Banking sector and the need of Customer Relationship Management to increase customer value by using some analytical method in CRM application. "Customer Relationship Management" is a key element of differentiation that lets the Banks to develop its base and sales capacity in order to increase their profits. The present study aims at identifying the developing scope of CRM in competitive Banking Sector. Both technological and corporate benefits of CRM has been presented. The emerging and developing Scope of CRM has been described through designed model for Banking sectors using data mining task and data ware housing. The Designed model developed here answers what the different customer segments are? who more likely to respond

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\* Jaya Tripathi is Research Scholar, Department of Commerce and Business Administration, University of Allahabad, Allahabad-211002\_and Prof. G.C. Agrawal is Former Head, Dean, Director and Pro-Vice-Chancellor, University Of Allahabad,

\*\* Dr. Jayaram Budho More is Reader, Department of Commerce, Sant Muktabai Arts and Commerce College, Muktainagar Dist. Jalgaon Pin-425306.

\*\*\*Jyoti Sharma is Research Scholar Department of Commerce, University of Allahabad, Allahabad and Rinku Jha is Lecturer in Mahatma Gandhi Post Graduate Degree College. Allahabad- 211002

to a given offer? etc. Finally a cluster profile analysis is used for revealing the distinct feature of each cluster and for modeling product propensity which should be implemented in order to increase the sales.

### **CRM – An Emerging Marketing Strategy in Pharmaceutical Industry**

K. K. CHOUDHARY and K. K. AGRAWAL\*

The technological changes, advanced economic reforms, increased educational standards, explosion of middle class economy etc., have certainly brought a paradigm shift in the entire field of marketing. All corporate companies are adopting a new mantra called customer relationship marketing (CRM) to create delight to the customers. Companies are making efforts to develop good relationship with the customer and use the relationship for the marketing of their products. This paper tries to explain in detail the CRM in pharmaceutical marketing. The pharmaceutical marketing revolves around the main factors like corporate identity and communication strategy.

### **Customer Relationship Management in Financial Services**

KV SIVA PRASAD\*\*

Customer relationship management (CRM) is a term applied for processes implemented by a company to handle its contact with a customer. CRM is used to support those processes strong information on current and prospective customers. Information in the system can be accessed and entered by employees in different departments, such as sales, marketing, customer services, training, professional development, performance management, human resources development, and compensation. This paper presents the issues relating to CRM optimization. CRM solution for Financial Services, increases Customer Retention, expand product per household, provide outstanding customer services and create an adaptable technology infrastructure. CRM optimization involves identifying CRM goals, phased implementation, objective focus, Customer focus, Data consolidation, Changing incorporation, customer flexibility and Data assessing.

### **CRM in the Financial Services Industry in India - Boon or Bane?**

K. LAKSHMANA RAO and E. APPA RAO\*\*\*

The whole process must be reoriented so that the traditional business models to suit to the integrative approach of CRM by putting emphasis on customer life time value than a product life time value. The simple strategy making through a product life cycle approach is now obsolete and it gives path to customer life time value. The concept of customer life time value helps the marketer to analyze the cost of acquiring serving and retaining a certain set of customers in the market. This research paper

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\* K.K. Choudhary is Lecturer, Deptt. Of Commerce, M. M. T. M. College, Darbhanga and K.K. Agrawal is Lecturer, Deptt. Of Commerce, R.B.J. Bela College, Darbhanga

\*\* K.V. Siva Prasad is Research Scholar, Department of Commerce and Management Studies, Andhra University

\*\*\*K.Lakshmana Rao and E. Appa Rao are Research Scholars, Dept of Commerce and Management Studies, Andhra University, Visakhapatnam, Andhra Pradesh.

throws insight in to some of these issues in financial services industry. The financial services industry today is facing an upheaval task of reorienting itself with changing technology and varying customer demand.

### **Enterprise Customer Relationship Management (CRM)**

K. SATISH, E. SUBBA RAO and R. HEPSIBA\*\*

A business strategy which relate to techniques and methods for attracting and retaining customers as well as combining the organisational philosophies, values, mission, vision and objectives to maximise the customer loyalty and satisfaction thereby ensuring continuous growth and profits. However; it may vary in size, duration, scope and quality. In business, loyal customers are more profitable since they promote the products/services through word-of-mouth publicity. The goal of Relationship Marketing is to align all these aspects of a company with its chosen customers.

### **Prospect & Future of Customer Relationship Management technique in Marketing of Banking Services**

SAU. M.A. THORAT and SUBHASH M. VADGULE\*\*

Banking Sector has adopted Customer Relationship Management as a Strategic Tool to solve relationship related problems and putting it in the system from a long-term perspective. In the CRM driven situations Banks have adopted an integrated approach which primarily deals with customer needs and enhances corporate performance through service. This paper discusses about the CRM initiatives adopted by different Indian Banks namely ICICI Bank, HDFC Bank, American Express Bank & UTI Bank.

### **Customer Relationship Management and Small Businesses**

M.G. GACHCHANNAVAR and ANSUYA ANGADI\*\*\*

In the highly competitive market place, the company that has the best understanding of its customers will be able to respond more quickly to changing circumstances. Today, customers are increasingly becoming more sophisticated in their buying behavior. Identification of the right technologies followed by their integration with service, delivery systems are some of the new burning areas of investigation for Customer Relationship Management. Customer Relationship Management can be a personal understanding of small business owners and merchants who do a majority of their trade face to face and on a scale permitting them to know and understand their customers, their businesses so on., In this direction the present paper highlights the importance of CRM in business growth and how it is now entering the main stream of small business thinking despite the uncertain ties and weak market trend.

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\* K. Satish, E. Subba Rao, R. Hepsiba are Research Scholars, Department of Commerce and Management Studies, Andhra University, Visakhapatnam

\*\* Prof. Sau. M.a. Thorat is Faculty Member, Chhatrapati Shivaji Mahavidyalaya (Arts, Commerce & Science) Kannad Tq.Kannad Dist. Aurangabad (M.S.) and Dr. Subhash M. Vadgule is Professor & Head, Kautilya Institute of Management & Research, Pune-Nagar Road, Wagholi, Dist.Pune-412207 (M.S.)

\*\*\*M.G. Gachchannavar is Faculty Member, K.R. Bellad College, Mundargi and Dr. Ansuya Angadi is Faculty Member, Subn Women' College Hospet.

## **CRM in Banking Sector – An Overview**

M. YADAGIRI and N. SREENIVAS\*

The Customer Relationship Management (CRM) is a greater way with endless possibilities to improve customer satisfaction, retention and profitability. Using a combination of robust CRM technology and processes, banks can take their business to maximum level with higher growth rates and also better return on investment for their shareholders. With the emphasis on “delivering results” most of the bankers are resorting to customer grabbing, rather than customer cultivation and creation. However, bankers are fully aware that replacing customers, increases the relative cost of new customer acquisition. Moreover, it is a drain on the existing resources of the bank, which can be better deployed for growth initiatives.

## **Customer Relationship Management in Business Education**

MADHURI S. DESHPANDE\*\*

CRM can be considered as a process of attracting customers by identifying their needs, wants, and desires; retaining the customers by fulfilling their requirements over and above their expectations by developing customized marketing offers and creating customer delight continuously and consistently with the help of relationship strategies. This paper discusses the role of CRM in educational institutions. It explains CRM and its application to provide business education institutions with information on the customers /stakeholders to competitively survive in future and also maintain its leadership in the present scenario. Further, the paper analyses the strategic framework of CRM for business education and discusses the utility and effectiveness of e-CRM.

## **CRM and Value Chain management: Creating Synergy**

MAHESH PRASAD RAI and ER. GOURAV MUNAL\*\*\*

There is a definite link between customer relationship management and the value chain in any organization. Companies must consider how their resources complement each other and how a CRM platform effectively and efficiently delivers the desired value to customers. The CRM value chain is a proven model, which businesses can follow when developing and implementing their CRM strategies. It has been five years in development and has been piloted in a number of business-to-business and business-to-consumer settings, with both large companies and SMEs: IT, software, telecoms, financial services, retail, media, manufacturing, and construction. The model is grounded on strong theoretical principles and the practical requirements of business.

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\* Dr. M. Yadagiri is Professor of Commerce, Telangana University, Nizamabad-503002 and Mr. N. Sreenivas is Lecturer in Business Management, Thushara PG School of Information Science & Technology, Rampur, Warangal

\*\* Mrs. Madhuri S. Deshpande is Faculty, School of Commerce & Management Sciences, Swami Ramanand Teerth Marathwada University, Dnyanteerth, Nanded-431606 (M.S.).

\*\*\*Dr. Mahesh Prasad Rai is Lecturer, Dep't. Of Commerce, Sabour College, Sabour, T.M. Bhagalpur University, Bgp. and Er. Gourav Munal is CRM-QM. SAP Labs (I) Ltd., Bangalore.

## **Value Chain Management and Customer Relationship Management**

MALLKA HEGDE\*

CRM is a comprehensive sales and marketing approach to building long term customer relationship and improving business performance. Gathering all the information about customers helps the company to develop customer insight and enhance customer interaction. Technology tools and systems such as customer database, electronic point of sale, sales force automation, customer service helpdesk, call center, etc help in establishing customer relationship. Also, integration of these CRM systems with back-end systems such as ERP helps in offering solutions to the customers' problems with improved speed of response and quality of service. Effective implementation and monitoring of these approaches results in providing superior experience to the customers and help gain their loyalty in long term.

## **E-CUSTOMER RELATIONSHIPS MANAGEMENT (e-CRM) IN EDUCATIONAL INSTITUTES**

MAMTA DAHIYA\*\*

Electronic CRM (e-CRM) concerns all forms of managing relationships with customers making use of Information Technology (IT). The fact is that everything in the scenario is within reach today. All of the technology currently exists, and some small and mid-sized institutions are already beginning to implement parts of it. This article offers a general outline of the main competencies that an education centre has to acquire to adapt, introduce and integrate e-CRM (e-Customer Relationships Management) methodologies and techniques in its organization. The proposal presented is the results of the research work undertaken in various reputed educational institutes collaboration with the some university and other research centers.

## **CRM Implementation in Indian Banking Industry: An Overview**

DR. MANJIT SINGH, PARNEET KAUR and RAMANDEEP SINGH\*\*\*

The present paper highlights that the use of Customer Relationship Management (CRM) has gained paramount importance with usage of various strategies for customer acquisition and retention. With implementation of CRM, in Indian Banking Industry, it has become quite easy now to target the customers through sales reference material. The study has made a comparative analysis of the implementation strategies of CRM in public and private sector banks and the study suggests that at least one relationship manager must be employed in bank's branch; proper installation and usage of software system in every branch and there should be proper mechanism for maintenance of database of customers in every bank branch so that tracking of record is easy, convenient and quick. The study concludes that public sector banks need innovative strategies for customer retention and new customers.

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\* Dr (Ms) Mallka Hegde is Faculty Member, KES Shroff College of Arts and Commerce, Kandivli (west), Mumbai-400 067.

\*\* Mamta Dahiya is Lecturer, Apeejay College of Engineering, Sohna- Gurgaon

\*\*\*Dr. Manjit Singh, Reader, Department of Commerce, Punjabi University, Patiala, Parneet Kaur, Lecturer in Commerce, Govt. College for Men, Sec. 11, Chandigarh and Ramandeep Singh is Faculty Member, Department of Commerce, Punjabi University, Patiala.

### **CRM : Banking Finance Sector Scenario**

MOHAN S. RODE and D.M. KHANDARE\*

Banks have started providing fast and efficient service, personal care, calling by name etc. This tremendous change has been took place due to competition arise in the market. In a competition with foreign banks and private banks, it is difficult to survive and to accept change / improvement in level of customer service, to maintain the customer base available with our bank and to increase no of customer in our bank by introducing new product. The study concentrates on the service quality and welcoming of suggestions through customer and staff meets. Current study aims to analyze the Customer relationship management in Banking Finance Sector Scenario.

### **Customer Relationship Management is Betterment for Our Organisation**

N.B. JADHAV AND P.R. LOHANA\*\*

CRM can broadly be called as a process that will help bring together lots of pieces of information about customers, sales marketing effectiveness, responsiveness and market trends. CRM helps business use technology and human resources to gain insight into the behavior of customers and the value of those customers. CRM software is used to support these processes, storing information on current and prospective customers. Information in the system can be accessed and entered by employees in different departments, such as sales marketing customer services, training, professional development, performance management, human resource development, and compensation. Details on any customer contacts can also be stored in the system. The rationale behind this approach is to improve services provided directly to customers and to use the information in the system for targeted marketing and sales purposes.

### **Customer Relationship Management (CRM)' & Value Chain Management**

NARENDRA K. NAGPURE, PRAVIN H. GHOSEKAR AND SANTOSH M. SHARMA\*\*\*

Customer relationship management (CRM) is a customer-centric business strategy with the goal of maximizing profitability, revenue, and customer satisfaction. Technologies that support this business purpose include the capture, storage and analysis of customer, vendor, partner, and internal process information. Functions that support this business purpose include sales, marketing, customer service, training, professional development, performance management, human resource development, and compensation. Technology to support CRM initiatives must be integrated as part of an overall customer-centric strategy. Many CRM initiatives have failed because implementation was limited to software installation without alignment to a customer-centric strategy.

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\* Mohan S. Rode is Lecturer in Dept of commerce, People's College, Nanded and D.M. Khandare is Reader & Head Dept of Business Management, School of Commerce & Management Sciences, S.R.T.M. University, Nanded

\*\* N.B.Jadhav (Reader) and P.R. Lohana are Faculty Members, Dept. of Commerce, Yeshwant Mahavidyalya, Nanded, MS.43160

\*\*\*Narendra K. Nagpure is a Faculty Member, Rasoni College, (GHRIT), Nagpur, Pravin H. Ghosekar and Santosh M. Sharma are Faculty Members, Dhanwate National College, Nagpur

## **Customer Relationship Management in Life Insurance Corporation of India - A Study on Silchar Division**

NIKHIL BHUSAN DEY\* AND SUBIT DUTTA\*

Unlike other business, a customer of LIC is different in the sense that whenever a policyholder purchase a policy from the Corporation, he becomes the customer of the organization for a long period say 10 years, 20 years or more. Thus, the organization has to keep relationship with that customer not only for the collection of premium but also for change of address, change of nominee, sending premium notice, lapsation of policies, revival of policies, settlement of claims and most importantly for acquiring new business etc. It is rightly said that it costs five times to acquire a new customer than to retain an old customer. The present study has been undertaken to see Customer Relationship Management (CRM) in Silchar Division of LIC. For examining the position of CRM under this Division 68 Agents and Development Officers and 265 policyholders are questioned about various aspects of CRM.

## **CRM: A Strategic tool for organized retail in Rural India**

P.K. YADAV, SANJAY MISHRA AND ABHISHEK SHARMA\*\*

Retailers pass on the confidence they have on the product to the customer in the form of personal faith, statements like “take this product on my guarantee” depict this phenomenon. This faith is a rare sight at organized retail outlets where the salesman & showroom managers keep on changing every quarter. Hence having a comprehensive marketing strategy based on the concept of developing relations with the rural consumers is the need of the hour for organized retailers & can prove to be a major tool to enhance their market in rural India. This strategy has been successfully applied where the focus of the organization has been to develop faith & warm relations with the rural market forces such as farmers, *sarpanch*, *pradhans* etc by means of initiatives like *e-choupal* & hence their retail initiative *Chaupal Sagar* is currently reaping the fruits of success. Hence CRM can prove to be a major tool in enhancing the market share of organized retail & tap the immense untapped potential of rural market of India. The paper discusses in depth the strategic importance of CRM & how can it play a pivotal role in the expansion of organized retail in rural India.

## **CRM Challenges for Retail Apparel Units**

P. BABAGNANAKUMAR\*\*\*

In this paper, we will illustrate CRM in local textile retailing organization and witness how they maintain their trick of retaining their customers therefore. This knowledge supports allows for performance enhancements in customer-oriented business processes. We will base our reasoning on, how that organization gains “customer knowledge i.e. taste of its customer”, “process of receiving a customer” and “comfort shopping”.

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\* Nikhil Bhusan Dey is Professor and Head, Department of Commerce & Dean, School of Management Studies, Assam University, Silchar and Subit Dutta is Ph. D. Research Scholar, Department of Commerce, Assam University, Silchar.

\*\* Prof P.K.Yadav is Pro Vice Chancellor, MJP Rohilkhand University, Bareilly, UP, Dr Sanjay Mishra is Sr Lecturer, Deptt. of Bus. Admn., MJP Rohilkhand University, Bareilly, UP and Mr Abhishek Sharma is Sr Lecturer, Lotus Institute of Management Studies, Bareilly, UP

\*\*\*P. Babagnanakumar is Head of the department, Commerce, Sri Krishna Arts and Science college- 641002, Tamil Nadu.

### **Value Chain Management– The Success of Every Enterprise**

P. BEZBORAH AND SAMIP BARUAH\*

The study explores the new concept of the evolved supply chain management techniques which redefines it as value chain management. The focus of the paper is to define a typical value chain and establish that the enterprises success depends on the effectiveness as well as the efficiency of the value chain. Different Case studies on Value Chain Management of different enterprises are put forth to establish the importance of value chain management. The paper also highlights the three key dimensions of value chain management of agility, adaptability and alignment which brings the success of strategic alliances with the business partners for better business deliverables. It studies key enablers like IT, RFID, Bar Code etc which drives efficiency of Value chain Management. The study attempts to define the key principles of value chain management that bring success to any enterprise.

### **Customer Relationship and Value Chain Management – A Study on Enterprise Solutions**

P. VEERAAH, SUNIL S. DESAI & SUNIL T. RAUT\*\*

In this paper broadly covered the Enterprise Customer Relationship Management, Customer Relationship Management (CRM) Software from SAP and Enterprise Value Chain Management. We concluded that the enterprises must assess the total customer value and total customer cost associated with each competitors offer to know how their own offer stacks up. The enterprises that are at a deliverer value disadvantage can try either to increase total customer value or to decrease total customer cost. They call for strengthening or augmenting the offers' product, services, personnel and image benefits. They latter calls for reducing the buyers costs. The enterprises can reduce the price, simplify the ordering and delivery process or absorb some buyer risk by offering a warranty.

### **Customer Relationship Management- Key to Success in Banking**

PANDIT FALGUNI J. AND RAVAL MANISH B.\*\*\*

These days banks are stressing on retaining customers and increasing market share. This pressure of competition and dynamism has contributed to the growth of CRM(Customer Relationship Management). The structured approach to CRM

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\* Prof. P. Bezborah is Faculty Member, Department of Commerce, Dibrugarh University, Dibrugarh – 786004, Assam And Mr. Samip Baruah is Regional Manager - East (Modern Trade), ITC Limited, Eastern, District Office 2, Lee Road, 1<sup>st</sup> Floor, Kolkota- 20, West Bengal

\*\* P. Veeraiah is Sr. Lecturer, Business and Commerce Division, PSS Central Institute of Vocational Education (NCERT), 131, Zone – II, M.P. Nagar, Bhopal-462 011 (M.P.), Sunil S. Desai is Vocational Teacher, Jagruti Jr. College, Gadhingiaj, Dist: Kolhapur (Maharashtra) and Sunil T. Raut is Vocational Instructor, K.S.F. Girls Jr. College, Narkhed, Dist: Nagpur (Maharashtra)

\*\*\*Pandit Falguni J. is (Faculty in Accountancy), Lt. Shree M.J.Kundaliya Eng. Med.Mahila Commerce College, Opp. Jain Derasar, Kasturba Road, Rajkot-360 001 and Raval Manish B. is (Lecturer in Accountancy), Lt. Shree M.J.Kundaliya Eng. Med.Mahila Commerce College, Opp. Jain Derasar, Kasturba Road, Rajkot-360 001

provides various benefits to the bank such as, a distinctive and consistent customer experience, clear identification of the organizational, technological and process-related capabilities and prioritization of these capabilities. The present research paper deals with the meaning and emergence of CRM and guides about the implementation of CRM in banking. The paper also explains seven fundamental principles of CRM which are helpful for the easy implementation and maintenance of CRM. The paper also explains three steps through which the private banking have become successful in implementing CRM.

### **A Study of Customer Relationship Management (Crm) Practices With Refernce to Banking Services in the State of Gujarat**

PARIMAL H. VYAS AND KETANKUMAR.C.MODI\*

This paper put forward findings of an exploratory empirical research study based on responses of 1,004 bank customers who were conveniently drawn for the collection of the primary data using structured-non-disguised questionnaire from the selected branches of the Public Sector Banks (PSBs); Private Sector Banks (PBs); Foreign Banks (FBs), and Cooperative Banks (CBs) located in the four major cities viz., Ahmedabad; Surat; Rajkot and Vadodara of the Gujarat State with an objective of evaluating selected bank customers' overall experiences on CRM practices with reference to banking services that were classified into five groups viz., routine activities; service activities; staff performance activities; customer satisfaction activities; physical infrastructure and supporting activities. The Chi Square test was applied to test the hypotheses to offer results, findings and its implications.

### **A Conceptual study on application of Customer Relationship Management Techniques in India's Textile Industry**

MR PRAFULLA K. RATH & MR SAROJ KU. DASH\*\*

It is important to impress and improve the relationship with the customer. Because of the power of information and telecommunications technologies, business can track their customers and determine what they really want and how they actually use the product. Analyzing the information returned from customers, business can provide active and accurate service to the right customer through the right channel at the right time and increase customer satisfaction. This paper refers the Customer Service in Customer Relationship Management (CRM) and Information Technology (IT) concepts to analyze and understand the customers' needs and realize the competencies of support groups within the enterprise.

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\* Parimal H. Vyas is Professor and Head, Department of Commerce Incl. Business Administration, Faculty of Commerce the Maharaja Sayajirao University of Baroda, Vadodara [Gujarat] 390 002 And Ketankumar.C.Modi is Head, Department of Management, Shri V.R.Patel College of Commerce, Mehsana

\*\* Mr Prafulla K. Rath is Faculty Member, Department of Commerce, Science College, Hinjlicut, Orissa and Mr Saroj Ku. Dash is Senior Lecturer, Skyline Institute of Engineering and Technology, Greater Noida, UP

### **CRM In Marketing Management: A Conceptual Analysis**

R.P. CHOUDHURY AND P.K. MISHRA\*

In the context of changing marketing environment both in domestic and international marketing sphere, the present paper is assessing the conceptual relevance and its usefulness of Customer Relationship Marketing (CRM), to achieve the goals for marketing of any organization more efficiently and effectively in both domestic and international marketing field. The basic purpose of this paper is to arrive at conceptual relevance and its usefulness for the marketer of any organization to fulfill the universally accepted marketing goals encountered under the gradually evolved marketing management subject.

### **Customer Relationship Management - A Conceptual Foundation**

R.K. SRIVASTAVA, AMOD PRASAD AND PARMANAND LAL\*\*

The domain of Customer Relationship Management encompasses almost the entire marketing and also the strategic areas of business decisions. The recent growth and emphasis of CRM is a result of convergence of various dimensions of marketing that have incorporated the contemporary developments. Though CRM software sale accounts for over 1/3<sup>rd</sup> of the total software in the world, it is actually designed to support the strategic vision of the company and can only support it. Building effective customer relationship is a fundamental business requirement and requires holistic strategy and process to make it successful.

### **Customer Relationship Management (CRM) - A Cost-Benefit Analysis**

R.K. SRIVASTAVA, PARMANAND LAL AND SATISH KUMAR ARYA\*\*\*

An important objective of any business concern is to serve its customers to their utmost satisfaction. It is important for a business to realise the fact that customer satisfaction originates not only from the attributes of the product per se, but also from the psychological attributes associated with the consumption of the product and the retail environment. Value creation is a strategic process to manage a product, service or a business unit's growth and competitive share. It is built on a core foundation of market research applying advanced techniques, called customer value analysis (CVA). CVA holds an important position in Customer Relationship Management, as relationship needs to be designed and sustained when one party offers some value to the other.

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\* R.P. Choudhury is Retd. Prof. & Head, P.G. Deptt. of Commerce, Gangadhar Meher Autonomous College, Sambalpur and Sri P.K. Mishra is Lecturer, P.G. Deptt. of Commerce, Khalikote, Autonomous College, Berhampur.

\*\* Dr. R.K. Srivastava is Lecturer in Commerce, University Dept. of Commerce, BRA Bihar University, Muzaffarpur, Bihar, Dr. Amod Prasad is Prof. & Head, University Dept. of Commerce, BRA Bihar University, Muzaffarpur, Bihar and Dr. Parmanand Lal is faculty member, Atardah, Muzaffarpur, Bihar.

\*\*\*R.K. Srivastava is Lecturer in Commerce, University Dept. of Commerce, BRA Bihar University, Parmanand Lal is M. Com, L. L. B., Ph. D, Atardah, Muzaffarpur, Bihar and Satish Kumar Arya is Lecturer in Commerce, Dr. R.M.L.S. College, Muzaffarpur, Bihar.

## **Leveraging Technology for Competitive Advantage in Insurance Sector – The CRM Way**

R. RAMACHANDRAN\*

In today's highly competitive environment, the level of service insurance companies deliver to agents and policyholders is a key differentiator. Providing timely and relevant communications is a critical component of any effective customer service strategy. But as insurers have expanded customer touch points across numerous channels, delivering consistent, personalized communications has become increasingly complex. In addition, there is a large portion of market untapped and every player is eager to get a bigger share of pie. At such juncture, it is imperative for the players to strategically define competitive advantages, CRM not only to build a leadership position but also sustain it over a period of days. The paper is trying to focus on one of the aspects of gaining competitive advantage with application of CRM and how technology can be leveraged to fullest in order to achieve customer satisfaction.

## **Effectiveness of Marketing Communication mix as an element of CRM in Service sector of Assam**

RATUL DUTTA AND CHIMUN KUMAR NATH\*\*

This research paper evaluates the effectiveness of advertising and personal selling practices in Service Sector of Assam in communicating with its customers with the aim of finding solutions to improve the existing communication and customer satisfaction. After reviewing related literature, a questionnaire was prepared and distributed to 500 customers, out of which 30 percent from the telecommunications and 10 percent each from the remaining seven service industries viz. banking and insurance, education, travel, tourism and hotel industry, and hospital industry. Questions are framed to gather the data about the effectiveness of advertising and personal selling activities. The findings of the analysis showed that Service Sector's advertising and personal selling indicated moderately effective in providing information, creating awareness, and changing attitude and ineffective in building company image and enforcing brand loyalty.

## **CRM and Value Chain Management**

RAJENDRA SINGH WAGHELA\*\*\*

CRM is a key element of differentiation that allow a organization to develop its customer base and sales capacity. Focusing on individual customer service can be achieved by adopting new CRM technology to existing tools opening channels for increased profit and providing better managed customer interactions. By

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\* Dr. R. Ramachandran is Faculty Member, Annamalai University, Tamil Nadu. India

\*\* Ratul Dutta is Lecturer, Department of Commerce, Diphu Government College, Diphu and Dr. Chimun Kumar Nath is Lecturer, Department of Commerce, Dibrugarh University, Dibrugarh

\*\*\*Dr. Rajendra Singh Waghela is Professor & Head, Deptt. Of Commerce, Govt P.G. college Alirajpur (M.P.)

gaining consumer attention through effective marketing and cross-selling, profitability can only be achieved through effectively and innovatively business intelligence solutions. VCM and CRM suggest organizational and business model changes. It would be recommended to achieve better result from CRM and VCM, organization need to focus on their sales process to serve and satisfy their customers better.

### **Customer Relationship Management: A Comparative Study of Customers' Service Loyalty in Consumables special Reference to Reliance and Spencer's in Patiala City**

RAN SINGH DHALIWAL\*

It has been established that the customers will not be impressed by only the core product attributes as other organizations are also providing similar offerings. The study of customer loyalty and business performance has been a focus in the customer relationship management and that it is less expensive to retain a customer than acquiring a new one. The longer the customer stays with an organization, the more positive outcome he generates which include increase in the value of purchase, increase in the number of purchases and the customers' better understanding of Organization and vice-versa and more positive word of- mouth. On the basis of seven dimensions i.e (1) Behavioral dimension (2) Attitudinal dimension (3) Cognitive dimension (4) Conative dimension (5) Affective dimension (6) Trust dimension (7) Commitment dimension data has been analyzed and compared between two major players in consumables in Patiala city.

### **Customer Relationship Management a strategic issue in Indian Retail Industry**

RATAN SHANKAR MISHRA, AMIT VERMA & AVANISH SHUKLA\*\*

CRM has been the hot cake for the big business houses especially in India but it has its importance since existence of business. Unfortunately, there were few retailers who understand the role of CRM in development of business. CRM has been practiced frequently in banking industry but gradually other industries adopted this concept. To adopt this concept in effective manner is a research problem because every industry even an individual firm has its own working culture so whatever theory, policy, model are developed for one industry is not worked in same manner in another industry. Indian retail industry is at nascent stage and it is ready to grow at faster pace. So organized retailers are adopted several strategies and CRM is one of the part of them. This paper attempts to understand the concept of CRM and CRM programs from the retailing point of view.

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\* Ran Singh Dhaliwal is Faculty, School of Management Studies, Punjabi University, Patiala.

\*\* Ratan Shankar Mishra is Lecturer in Office Management & Company Secretary Ship, Bhu, Amit Verma is Research Scholar, Faculty of Commerce, Bhu and Avanih Shukla is Research Scholar, Faculty of Commerce, BHU.

### **Concept of CRM & VCM : Future Perspective & Status**

RITESH P. MAHURKAR AND PRAVIN R.PATEL\*

Still relationship marketing appears to be an expensive alternative to firms practicing mass marketing due to the relatively high initial investments. Firms would adopt relationship marketing only if it has the potential to benefit them. The benefits come through lower costs of retention and increased profits due to lower defection rates. When customers enter into a relationship with a firm, they are willingly foregoing other options and limiting their choice. Some of the personal motivations to do so result from greater efficiency in decision-making, reduction in information processing, achieving more cognitive consistency in decisions and reduction of perceived risks with future decisions.

### **Customer Relations Management and Value Chain Management**

S.K. WADEKAR\*\*

Today's customer is demanding, choosy and also unforgiving. Today customer needs or demands the most cost-effective way of fulfilling his needs, customer expects quality and value for money. To survive the corporate sector should concentrate on generating customer delight. Once the customer is delighted he is sure to respond. His response is the ultimate source for growth or survival. All the functional areas and managerial functions must be shaped around customer satisfaction and customer delight. The basic idea behind customer satisfaction is to create a customer advocate for the company. Today our mobile industry (handset manufacturers) has been following these rules. They are always on the innovation and try to give more and more facilities to their customers.

### **CRM – A CASE STUDY OF JAMMU & KASHMIR SRTC**

S.P. GUPTA\*\*\*

The present study deals with the issues relating to customer relationship management function in Jammu & Kashmir SRTC. The paper provides a brief profile of the corporation and details on the existing CRM function and what ails the understanding and implementation of CRM. It suggests that the corporation will have to identify the levers for growth and manage them through CRM. It also points out that there is a need to bring about fundamental change in the attitudes of management and employees, handle the customer complaints quickly and effectively and evolve a suitable Customer Information System. Once these elements are put in place, the scenario of CRM would become effective which finally ought to generate a higher level revenue stream for the JKSRRTC.

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\* Ritesh P. Mahurkar is Faculty Member, Aroma College of Commerce, Ahmedabad and Pravin R.Patel is Faculty Member, Gujarat Commerce College, Ahmedabad.

\*\* Dr. S.K. Wadekar is Director, K.B.H. Institute of Management & Research and Reader in Commerce, M.S.G. College, Malegaon Camp Dist Nashik.

\*\*\*Prof. S.P. Gupta is Formerly Head and Dean, Faculty of commerce, University of Jammu, Jammu

## **E CRM- Customer Centricity in Mutual Fund An Comparative study**

S.R. LOHANA & P.B.ASHURKAR\*

The advances in information and communications technology are making the entire financial services industry, including mutual funds, more efficient, cost-effective and transparent. New capabilities are required for capturing, storing and analyzing greater amount of customer data. But by making this a part of the future customer relationship management strategies, Mutual funds companies will be better placed to keep pace with the demands of their customers, take on the competitors and to grow profitability in the years to come. Financial services organizations are now concentrating on increasing products per household, share of wallet, and retention of their existing customers.

## **Role of Contact Centres in Managing the Customer Relationship in Retail Banking**

S. HAREENDRANATH\*\*

All banks strive to provide its customers, value added services through various channels 24/7/365. Keeping the customer's comfort in mind, new channels of service delivery have been added to the branch, like ATM's, net banking, mobile banking and phone banking (contact centre). With the explosion of telecommunications, it is the contact centre which offers the comfort of banking from our home. Ms. Sujatha Parthasarathi, has in her article on the 'Role of Contact Centres in Retail Banking', argued that a contact centre is not just about answering phone calls but managing customer relationships. She then goes about explaining the role and the challenge of running a contact centre. Like with all services, it is extremely important to measure performance of a contact centre and its impact on the customers on a regular basis. It is evident that contact centres will play a crucial role in the future of retail banking in managing the customer relationship.

## **Customer Relation Management in Banks in Jammu**

PROF. SANTOSH GUPTA\*\*\*

Driven by the challenges of competition, rising customer expectations and shrinking margins, banks have been using technology to reduce cost and enhance efficiency, productivity and customer convergence. The present study is based on comparative study between existing CRM practices in SBI and J&K Banks in Jammu City. SBI Banks are India's largest and most trusted banks having more than 14,000 branches 2.4 million customer accounts and equipped with the latest technology and centralized operations ensuring the best service standard in the industry. J&K Banks are the fastest growing private sector banks of J&K State with a network of more than 500 branches and offering best services, and has been rated as No. 1 bank in private sector.

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\* S.R. Lohana is Faculty Member, ICFAI National College, Nanded, Maharashtra and P.B.Ashurkar is Reader K.R.M.Mahavidyalaya. Nanded, Maharashtra

\*\* Dr. S. Hareendranath is Reader in Commerce, Mahatma Gandhi College, Pattom P.O., Trivandrum - 695004

\*\*\*Prof. Santosh Gupta is Head & Dean, Department of Commerce, University of Jammu, Jammu.

### **Role of eCRM in Customer Value Creation: An Empirical Study of Perceived Level of eCRM Services and Customer Satisfaction in Life Insurance Sector of India**

SANKET VIJ AND H. J. GHOSH ROY\*

The life insurance sector has placed increased emphasis on service quality and customer satisfaction as companies seek to compete with generally undifferentiated products. This attention to customer service and satisfaction dictates that the insurance service providers understand exactly what factors policyholders use to evaluate performance of their service providers'. The present study examines the level of perceived quality of eCRM services and also measures the impact of eCRM services on level of customer satisfaction across 424 policyholders of *five* main life insurance companies of India, using the advanced statistical tools and modified SERVQUAL instrument. Results indicate that security is consistently the most important determinant of perceived service quality. Implications for life insurance service providers are also discussed.

### **Changing Face of CRM: Customer Experience Management**

SHANTI SHUKLA\*\*

In order to survive in today's globalised competitive market where customer is the king, the organisations are working hard towards increasing customer satisfaction so as to improve their market agility, and strengthen their brands across global markets. Today a satisfied customer is not enough for a product to survive in market, what it needs is a customer advocate and customer loyalty. In order to gain customer loyalty and advocacy a company needs to go beyond CRM to create and optimise a comprehensive customer experience strategy. It needs a system that can address customer interaction and its implications on customer loyalty i.e. It needs a more interaction based, customer emotion oriented form of CRM which is termed as Customer Experience Management.

### **CRM-Focal Point In Customer Retention Technique**

SHINEY CHIB\*\*\*

The major objective of 'Customer Relationship Marketing' is to turn new customers into regularly purchasing clients, and then to progressively move them through being strong supporters of the company and its product or service, to finally being active and vocal advocates for the company. In case of service industry, CRM act as a very strong tool in customer retention part. If the service itself is highly intangible, the existence of a stronger relationship can be an important influence on a customer's decision to stick with the same service provider. A relationship marketing approach helps to retain the customer for long-term. This paper is an effort to find the CRM techniques adopted by the Hospitals, in Nagpur City.

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\* Sanket Vij is Dean & Chairperson, School of Management Studies, B.P.S. Mahila Vishwavidyalaya, Khanpur (Sonapat) and H. J. Ghosh Roy is Reader, Institute of Management Studies & Research, Maharshi Dayanand University, Rohtak.

\*\* Shanti Shukla is Research Scholar, Department Of Commerce and business Administration, University of Allahabad, Allahabad.

\*\*\*Shiney Chib is Assistant Professor, Nyss-Imr, Nagpur.

### **The Empirical Study Of Relationship Marketing Practices In Business Organisation (The ICICI Experience)**

SHIV KUMAR SHARMA AND SHWETA SHARMA\*

This paper sets out to address issues concerning relationship-marketing implementation through the application of Customer Relationship Management (CRM) and related technologies with reference to ICICI Bank. Under the present challenging business environment, customer service and customer loyalty are now the key advantages that an organization should have over other. For more market share, the significance of stellar customer satisfaction is now asserted and stressed upon. Maintaining close relationships with existing customers increases revenue. Customer conservation is now a very crucial factor for growth and development of an organization. Actually it has been felt now a days that obtaining a new customer is ten times more costly than keeping an existing one. Increased competition, wide varieties of product offerings and multiple distribution channels cause companies to value satisfied and highly profitable customers.

### **CRM And Value Added Services In Airtel Enterprises**

SHIVANI SAMBYAL & SANJANA GUPTA\*\*

There exists a vast world beyond voice that needs to be explored and tapped and the entire cellular industry is heading towards it to provide innovative options to their customers. Spoilt by choice, the mobile phone subscribers are beginning to choose their operators on the basis of the value added services they offer. The aim of this paper was "To know the the role of CRM and Penetration & awareness of Value Added Services (VAS) of Airtel in J&K (JAMMU CITY)".

### **CRM and Value Chain Management**

SHRIKANT PAJANKAR\*\*\*

For some, CRM is simply a bridge between marketing and IT: CRM is therefore an IT-enabled sales and service function. For others it's little more than precisely targeted 1- to-1 communications. But both of these views deny CRM its great potential contribution. Because CRM, at its most advanced, answers questions like 'who should we serve?' and 'what should we serve to them?' and 'how should we serve them?' it could, and often should, be positioned as the fundamental strategic process around which the business is organised. CRM decisions impact on marketing, certainly, but also on operations, sales, customer service, HR, R&D and finance, as well as IT. CRM is fundamentally cross-functional, customer focused business strategy.

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\* Shiv Kumar Sharma is Reader, Department of Management, Dayalbagh Educational Institute, Agra and Shweta Sharma is Research Scholar, Department of Management

\*\* Shivani Sambyal is Student, MBA Institute of Management Sciences, Patoli, Jammu and Sanjana Gupta is Faculty, MBA Institute of Management Sciences, Patoli, Jammu.

\*\*\*Dr. Shrikant Pajankar is Sr. Lecturer – Faculty of Commerce, Santaji Mahavidyalaya, Wardha Road, Nagpur.

## **Role of Boundary Spanners in Customer Relationship Management**

Souren Sarkar, Saket Jeswani and Sandeep Kr. Jain\*

Services are all about promise made and promises kept to customers. The strategic triangle known commonly as service triangle visually reinforces the importance of people in the ability of firms to keep their promises and succeed in building customer relationships. There is concrete evidence that satisfied employees make for satisfied customers and satisfied customer can, in turn, reinforce employees' sense of satisfaction in their jobs. Front line people are also referred to as boundary spanners because they operate at the organizations boundary. They provide a link between the external customer, environment and internal operations of the organization. This paper tries to explain the importance of boundary spanners engaged in service delivery process and to present some factors that support them to perform the best.

## **Customer Relationship Management (CRM) and Value Chain management**

Ms. Suman Mahanta\*\*

In this cut through competition, it has become very important for the existing players to develop new techniques and concepts, which will enable them not only to attract new customers but also to sustain the existing ones. In this paper, my emphasis is to present the conceptual framework of the two topics i.e Customer Relationship Management (CRM) and Value Chain management. CRM is a process or methodology used to learn more about customers' needs and behavior in order to develop stronger relationship with them. On the other hand to better understand the activities through which a firm develops a competitive advantage and creates shareholder's value, it is useful to separate the business system into a series of value-generating activities referred to as the Value Chain Management.

## **CRM and Value Chain Management-Tools For Competitive Advantage**

Sumita Shankar\*\*\*

To understand Customer relationship management, Study aims to understand the concept of value chain management. Study also aims to understand and increase the profitability to organization through CRM and to study the advantages of the organization due to value chain management. The study is based on secondary data. Extensive literature survey is carried out by the researcher to collect information available on the subject. To understand intricacies involved in value chain management, internet sites were also used for gathering the information available on the subject.

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\* Souren Sarkar is Asst Prof., Shri Shankaracharya Institute of Management & Technology, Junwani, Bhilai, Saket Jeswani is Sr.Lecturer, Shri Shankaracharya Institute of Management & Technology, Junwani, Bhilai is Sandeep kr. Jain is Student (Management Programme) at Shri Shankaracharya Institute of Management & Technology, Bhilai

\*\* Ms. Suman Mahanta is Faculty, Centre For management Studies, Dibrugarh University

\*\*\*(Mrs.) Sumita Shankar is vice-principal, Niranjana Majithia Degree college of Commerce, Kandivali, Mumbai-67.

## **Strategic Implications of Customer Relationship Management In Banking Sector: An Empirical Study on SBI**

SUSHIL KUMAR PATTANAİK, SWODES K. DAS AND M.K.MOHANTY\*

It was revealed from the study that, the maximum customers of State Bank Of India represented to businessman category followed by Government employee. It was observed that maximum number of customers have fixed deposits in State Bank Of India next to current account deposits. Another significant observation is that maximum number of customers have motivated for opening of account in State Bank Of India for their friends next to the motivation of employees and managers of the bank. It was also found in the study that, maximum customers are having more than 10 years of accounts in State Bank Of India followed by the group 8-10 years.

## **Relationship Management Through Knowledge Management**

PROF DR. SUSSMITA DAXINI\*\*

Knowledge management, has the potential to give an organization a strategic advantage in design and implementation of a CRM solution. It provides for a standard for how documents, databases, websites are labeled, organized and populated. It will also provide for keyword adoption that allows marketing professionals to select what they need rather than search for it. The knowledge architecture for CRM will reduce the risk element involved in taking strategic decisions to retain customer loyalty. The strategic decisions of market man will be more judicious, based on past knowledge, which was earlier hidden, and unorganized. Thus decisions making process will be more agile and effective. This paper synergises the concept of CRM and Knowledge Management which would help an organization to get strategic advantage in design and implementation of a CRM Solution

## **Customer Relationship Management: The Real Meaning**

DR. V.K. GANGAL\*\*\*

Customer relationship management (CRM) typically involves tracking individual customer behavior over time, and using this knowledge to configure solutions precisely tailored to the customers' needs. In the context of choice, this implies designing longitudinal models of choice over the breadth of the firm's products and using them prescriptively to increase the revenues from customers over their lifecycle. Several factors compel the use of CRM in the marketplace: A shift in focus in many organizations, towards increasing the share of requirements among their current customers rather than fighting for new customers.

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\* Sushil Kumar Pattanaik is Lecturer, Dept of Commerce, KBDV College, (Utkal University), Nirakarpur, Khurda-752019, Swodes K. Das is Sr. Lecturer, Dept of Commerce, PN (Auto) College, Khurda, Orissa and M.K.Mohanty is Sr. Reader, School of Commerce & Business Mgt., Ravenshaw University, Cuttack.

\*\* Prof Dr. Sussmita Daxini is Head, Department Of Commerce, Malad(East), Mumbai-400097

\*\*\*Dr. V.K. Gangal is Reader, Department of Applied Business Economics, Faculty of Commerce, Dayalbagh Educational Institute (Deemed University), Dayalbagh, Agra.

**Role of CRM in Indian Retailing**

MRS. V.R. HANDE AND D.M. GUJARATHI\*

Retailing occupies an important place in world economy. Retail is the final stage of any economy. The constantly changing consumer attitudes and buying behaviour is making it difficult for retailers to take their customers for granted. Retailers have realised that it is very essential to work towards getting into customer relationship management (CRM) programmes. CRM process which will enable retailers to increase their profitability through effective management. CRM provides ways of handling customers and it also provides ways for optimising customer satisfaction. The relationship marketing philosophy suggests that at a macro level, retail organisations should consider their impact across a broad range of market relationship in the value chain. CRM emerged in the 1990's and became an important tool due to the compulsions of competitions, globalisation and the emergence of more knowledge and prospective customers.

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\* V.R. Hande is Lecturer, Dept. of Commerce, R.N. Arts, J.D.B. Comm and N.S.C. Sci College, Nasik Road, Nasik and D. M. Gujarathi is Reader, Dept. of Commerce, Sangamner College, Sangamner. (MS).

Technical Session III  
**Intellectual Property Rights:  
Boon or Bane**

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Department of Commerce  
University of Kerala  
Thiruvananthapuram-695034

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Prof. Aaditya Lunavat  
Department of Commerce  
Govt. Girls PG College  
Dewas (MP)

# **Intangible Assets Accounting and Reporting Practices in India**

PRADEEP KUMAR SINGH

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This paper explains the need and importance of intangible assets in knowledge era, various ways of intangible assets reporting by Indian companies and the method for the valuation of intangible assets and their reporting and disclosures for the benefit of shareholders.

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## **Introduction**

Creativity and innovation are the new drivers of the world economy. The policies adopted by a country shall determine the nations well being and further as to how is it developing the trapped intellectual capital. An effective intellectual property system is the foundation of such a strategy. Within knowledge-based, innovation-driven economies, the intellectual property system is a dynamic tool for wealth creation providing an incentive for enterprises and individuals to create and innovate; a fertile setting for the development of, and trade in, intellectual assets; and a stable environment for domestic and foreign investment. Intangible accounting attempts to explain the excellence achieved by a company in augmenting shareholders value creation through its intellectual properties measured in terms of certain indicators such as Economic Value Added (EVA), Market Value Added (MVA), Total Shareholders Return (TSR), Brand Valuation, Human Resource Accounting etc.

## **Objective of the Study**

The following are the main objective of the present study:

- To study the concept of intangible assets and creation of IA in selected sample companies.
- To study the accounting, reporting and discloser practices adopted by Indian companies related to IA.
- To study the creation and generation of IA by the sample Indian companies.
- To offer some suggestions related to IA, accounting and reporting.

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Dr. Pradeep Kumar Singh is Head, Department of Commerce, Mahatma Gandhi Government Arts College (Affiliated to Pondicherry University, Pondicherry), Chalakkara, P.O. New Mahe, Mahe-673311 (U.T. of Pondicherry) India.

### Limitations of the Study

The following are the main limitation of the present study:

1. The study is limited to 5 years (2003-04 to 2007-08) performance of the selected 30 sample companies.
2. In this study, data have been taken from published annual reports only. As per the requirement and necessity, of the study, some data are grouped and sub grouped.
3. In this study data are related with Information Technology industry, Pharmaceutical industry, FMCG industry, Automobiles industry, and infrastructure industries, they are the leading wealth creators.

### Research Methodology

This research study is based on the primary and secondary data related to the 30 leading BSE Indian companies. Most of the data collected form their annual published reports available on official websites of the sample companies. These data are related to financial year 2003-04 to 2007-08 for five years because these five years are very important for the growth and development of intangible assets and market capitalization. For the smooth and logical analysis of the data, companies are further sub grouped according to their nature and business i.e. Information Technology industry, Pharmaceutical industry, FMCG industry, Automobiles industry, and infrastructure industries and under each sub group six leading units are included. For the analysis of collected data, the basic parameters are market capitalization, net worth, value of intangible assets, and percentage of intangible assets with market capitalization are taken. Related theoretical literature collected from various secondary sources i.e. leading journal, magazines and news papers and information available in official websites. To know the reporting and disclosure practice about the sample companies regarding Intangible assets, a comprehensive Industry wise analysis is made related with amortization method, duration and categories of intangible assets.

### Review of Literature

A lot of national and international literature is available in the area of intangible assets. Lev and Zambon state that the rise of IA shows the limits of the traditional external accounting approach that is based on transactions, and of the corresponding measurement tools which are largely rooted in what could be termed as a "black box" view of the firm. Further, they conclude that: *Intangible assets are the major drivers of company growth...and will continue to be vital to companies and the challenge of how to manage, measure and visualize them has to be addressed in theoretical and practical terms.* Nigel Finch examines the disclosure of intangible assets by 'high user' industrial firms in the Australian market subsequent to the introduction in 2005 of AASB 136 and AASB 138. He has taken a sample of ten large industrial firms with combined intangible assets of \$37,758 million as at 2006, the paper analyses the disclosure of goodwill and 18 other distinct intangible assets classes of these firms, and examines their implied effective

life by probing the impairment expense detailed in the profit and loss statement. Jayne M Godfre, Wei Lu & Xu-dong Ji explains differences between firms in the UK, US, Australia and China account for intangible assets. It then examines how these differences relate to international variations in the relevance of accounting for intangible assets for valuation of shares and their impact of adopting IFRS on the modeled relation between equity market and book values. Jhonny Di Giampaolo explains that intangibles play an important role as levers of value creation in many industries. Consequently, investors are strongly interested in obtaining information about the intangible asset stock of companies. Gurudatt (2008) pointed out need and valuation of intangible assets because, now a day's knowledge and intangible assets are supreme as compare to other tangible assets. Chandna (2008) stated that reporting of intellectual capital in India is very important due to non mandatory status. Only few companies are reporting it as voluntary basis. Gupta & Kundu (2004) focuses on the need and valuation for IPR. Bhasin (2007) focuses on intellectual capital reporting by Indian firms. He observed that intellectual capital reporting has been receiving increasing attention from accountants in recent years. Chakraborty (2005) focuses on the different aspect of intangible value and their impact on corporations value creation.

### **Industrywise Market Capitalization and Intangible Assets**

Market capitalization is calculated by outstanding shares multiply by market value per share at the end of the financial years. In this research paper average market value taken of the share in the month of March every year on the basis of high value and lower value at Bombay stock exchange (BSE).

**Information Technology** industry is one of the recently growing industry in India which fully depends upon the intangible assets rather than tangible. Wipro, Infosys, TCS, HCL, and Satyam, are the leaders in this area. When we analyze their last five years performance related to market capitalization and creation of intangible assets, TCS having a strong market capitalization with an average of Rs. 110568.67 crore. And average value of intangible assets are 103923.61 crore. When we compare contribution of IA in the market capitalization, IA are contributing 93.56% in their market capitalization. It indicates the positive effect of intangible over the tangible one. IA like Human capital, Brand, software etc. are the key factor for the creation of intangible assets. Infosys is the second largest units in which contribution of IA in market capitalization is 89.29% followed by Wipro (88.37%), HCL (81.34%) and Satyam with (77.67%). Finally overall contribution of IA in this industry is 85.8% during the study period.

**Pharmaceutical Industry:** is another major industry in which intangible assets contribute more than the tangibles. Firms like Lupin, Cipla, Ranbaxy, Dr Reddy's, phizer and Nicholas pharma are the leading sample companies in this area. During last five years. Ranbaxy has one of the leading market capitalization Rs.16920.84 Crore with average IA of Rs14501.44 crore during the last five years. When we compare contribution of IA in market capitalization, Ranbaxy secured first place with 85.70%, followed by Lupin (84.50%), Cipla (83.83%), Nicholas (82.97%), and Dr. Reddy's with 65.70%.

Table: Industry wise analysis of intangible assets (In crore Rs.)

<i>Companies</i>	<i>Total market capitalization*</i>	<i>Net worth*</i>	<i>Intangible assets**</i>	<i>% of intangible assets with total market capitalization</i>
<b>Information Technology</b>				
WIPRO	63526.14	7385.8	56140.34	88.36
INFOSYS	69777.00	8008.8	61768.2	89.29
TCS	110568.67	6645.06	103923.61	93.56
SATYAM	23159.35	5172.00	17987.35	77.67
HCL	15316.00	2858	12457.88	81.34
<b>Pharmaceuticals</b>				
LUPIN	3693.78	572.65	3121.13	84.50
CIPLA	14630.63	2358.61	12272.02	83.88
RANBAXY	16920.84	2419.40	14501.44	85.70
Dr REDDY's	9079.32	3113.86	5965.46	65.70
PIZER	1806.6	416.42	1390.18	76.95
NICHOLAS	4736.20	806.46	3929.74	82.97
<b>FMCG</b>				
DABUR	5619.65	449	5170.65	92.01
HUL	42885.6	2139.96	40745.64	95.01
COLGATE	4033.76	241.58	3792.18	94.01
BRITANIA	2891.86	558.81	2333.05	80.68
ITC	53356.2	9172.38	44183.82	82.81
NESTLE	9273.68	363.17	8910.51	96.08
<b>Automobiles</b>				
TATA MOTORS	23975.21	5593.26	18381.95	76.67
HERO HONDA	11206.4	1594.34	9612.06	85.77
M&M	8265.33	1948.86	6316.47	76.42
BAJAJ AUTO	18562.61	4266.57	14296.04	77.02
EICHER Ltd	750.14	350.52	399.62	53.27
MARUTI	19074.62	5809.83	13264.79	69.54
<b>Infrastructure</b>				
BHEL	29847	6420.54	23426.46	78.49
RIL	158050.60	54815.2	103235.4	65.32
ACC	5481.09	2477.00	3004.09	54.81
TATA STEEL	25151.00	12185.28	12975.72	51.57
GRASIM ltd	16882.03	5454.2	11427.83	67.70
ULTRATECH	7101.48	1587.60	5513.88	77.65
CEMENT				
NTPC	117993.11	46992.6	71000.51	60.17

**Source:** Calculated and compiled from the annual reports from 2003-04 to 2007-08. \*Average of the last five years. \*\* Intangible assets = Market capitalization – Net worth

In pharma industry IA like Licenses, Drug formula, Brand name, Human capital they are key factors which are responsible for the creation of Intangibles during the study period. Over all creation of intangibles assets is 80% during the study period.

**FMCG Industry** is one of the popular and customer base industries from many years. Under this Dabur, HUL, Colgate Palmolive, Britannia, ITC, Nestle they are the major FMCG selected as sample companies and they are contributing a major part in India FMCG market. When we analyze the market capitalization and role of intangible assets, they are leader among all sample companies. In the process of market capitalization ITC having strong market capitalization with Rs. 53356.2 crore during the last five years similarly they are also creating huge intangible assets on an average Rs. 44183.82 crore in the same period. Second largest market capitalization goes to HUL with Rs 42885.60 crore and they are also generating intangible assets worth Rs 40745.64 crore and then after followed by Nestle, Dabur, Colgate Palmolive respectively. When we compare Intangible assets with market capitalization scenario is different, Nestlé's intangible assets are securing 96.08% of market capitalization, then HUL Intangible assets are 95.01% of their market capitalization, then followed by Colgate (94.01%), ITC (82.81%), and Britannia with 80.68%. In this sector Intangible assets i.e., Brand Name, strong customer base sound marketing and distribution channels they are the key factors for the creation of intangible assets during the study period.

**Automobile Industry** is another fast growing industry during the last two decades. Tata motors, Hero Honda, M&M, Maruti, Baja auto, Eicher, they are the leading firm in this area. When we are analyzing market capitalization Tata motors is one of the leading players with Rs. 23975.21 crore and at the same time they are creating intangible assets worth Rs 18381.95 crore, II and III place secured by Maruti and Bajaj auto with 19074.62 and 18562.61 crore respectively, then it is followed by Hero Honda, M&M and Eicher tractors respectively. When we are comparing Intangible assets with market capitalization, scenario is entirely different. In case of Hero Honda IA with market capitalization is 85.77% followed by Bajaj auto (77.02%), Tata Motors (76.67%), M& M (76.02%), Maruti (69.54%), and Eicher with 53.27%. In automobile sector, Brand Image, Design patent, Goodwill, Human capital, and strong servicing net work, they are the leading factor for the creation of intangible assets.

**Infrastructure Industry:** is one of the basic industries for the development of a country. In this sector BHEL, RIL, ACC Tata Steel, Grasim industries, NTPC and Ultratech cement they are the leaders and taken as sample. When we are analyzing market capitalization, RIL is one of the leading company in term of market capitalization and net worth. Their market capitalization and net worth are Rs 158050.6 crore and Rs 54815.2 crore respectively. NTPC secured II place with 117993.11 crore then it is followed by BHEL, Tata Steel, and then others. Similarly huge Intangible assets are created RIL (103235.4 crore), NTPC (71000.51 Crore), BHEL (23426.46 crore) followed by others. But when we are comparing Intangible assets with market

capitalization BHEL secured I place with 78.49 % and then followed by Ultra tech cement ( 77.65%), Grasim industries ( 67.70%) , RIL( 65.32%)and then followed by others. Strong brand image, Human capital, Software, and technological development they are the key factors for the growth of IA for the infrastructural industry.

Finally, FMCG industries are securing I place with over all 90% contribution by the intangible assets in their market capitalization. Information technology industries are securing II place with over all 85.8% followed by pharmaceutical industry (80%), automobile industry (73.17%) and infrastructure industries with 65.33% of market capitalization.

### **Disclosure and Reporting Practices**

An industry wise analysis made in the table 2 to know the nature of intangible assets and reporting and disclosure practices adopted by the Indian industry during the study period. Information technology industries are the leader in respect of disclosure and reporting as a voluntary basis in the annual reports Infosys, Satyam, and Wipro, most of their intangible assets are in form of Human resource value, brand value, patents and softwares. During the process of disclosure and reporting they voluntarily reporting about intangible assets in form of Human value, brand valuation, EVA statement, MVA statement, Enterprise value, Intangible assets score sheet, which are very useful for the investor's for better judgment about the company's earning capacity creation of intangible assets. In Pharma Sector Industries, their main intangible assets are form of patent, brand value, trade marks, designs and licenses, Software, Non-compete fee and soft ware. They are also disclosing it on voluntary basis; Dr Reddy's is one of the leading firms in this regard. They are disclosing and reporting about Intangible valuation in form of EVA, MVA, Brand valuation, and total shareholders returns in their annual reports. In FMCG sector industry, their intangible assets are in form of Trade marks & Patent, Computer Software, Technical Know-how and Strong customer base. In this sector very limited information are provided by firms like, HUL providing information about EVA and ITC providing information about market capitalization etc. One important observation that this FMCG sector is claiming higher contribution of their IA in market capitalization as compare to other sectors industries, but limited information is provided in the annual reports as voluntary disclosure practice. In Automobile sector Industries, their intangible assets are in form of Industrial designs, models fees, brand value, Product designs, Software, strong servicing Networking. In this sector also limited information are provided by firms related with EVA and market capitalization. And finally in infrastructure industry their intangible assets are in form of Brand Value, Software, Technical Know how, Mining rights and Goodwill. In this sector also limited information are provided by firms related with EVA and market capitalization (BHEL). It is clear form the Table 2 that in different industries, their reporting and disclosure practices are different for the various assets in inter industry as well as intra industry.

Table 2: Industry wise disclosure and reporting practice for intangible assets in India

<i>Name of companies</i>	<i>Intangible assets</i>	<i>Discloser and reporting methods for IA</i>
<b>Information Technology industry</b>		
WIPRO	Technical know-how Patents, trade marks and rights and Brand value	Intangible assets are stated at the consideration paid for acquisition less accumulated amortization. The goodwill arising on acquisition of a group of assets is not being amortized. It is tested for impairment on a periodic basis and written off if found impaired.
INFOSYS	Human Resource Value, brand Value and Good will	Intangible assets are recorded at the consideration paid for acquisition and amortized over their respective individual estimated useful lives on a straight line basis, commencing from the date the asset is available to the Company for its use.
TCS	Goodwill, Brand value and softwares	TCS Intellectual Property / Distribution Rights amortized on the basis of Straight line with in 24 – 36 months. Software license are depreciated on straight line basis @ 20%.
Satyam	Human resource, brand value, softwares	Costs of application software for internal use are generally charged to revenue as incurred due to its estimated useful lives being relatively short, usually less than one year. Software – used in Development for Projects life is 3 years.
HCL	Goodwill, softwares	Estimated useful life of goodwill five years and the carrying value of goodwill at the end of each accounting years is reviewed for impairment. Software's life will be 3 years.
<b>Pharma industries</b>		
LUPIN	Brand value, software, Good will and Human resource value	The intangible assets are recorded at cost and are carried at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets (including computer software) amortized within the period of 6 years.
RANBAXY	Patent, trade marks, designs and licenses, Software, Non compete fee	Patents, Trademarks, Designs and licenses, are capitalized and amortized on a straight-line basis over a period of five years. Computer software which is not an integral part of the related hardware is classified as an intangible asset and is being amortized over a period of 6 years, being its estimated useful life. Non-compete fee Non- compete fee is capitalized and amortized on a straight-line basis over the term of the non-compete agreement.

Table 2 contd. ...

Table 2 contd. ...

		Product Development Cost incurred for acquiring rights for product under development are recognized as intangible assets and amortized on a straight line basis over a period of five years from the date of regulatory approval. Subsequent expenditures on development of such Products are also added to the cost of intangibles.
Dr REDDYs	Customer contracts, Technical know-consideration paid for how ,Non-compete fees Patents, trademarks and designs (marketing know-how)	Intangible assets are recorded at the acquisition. Intangible assets are amortized over their estimated useful lives on a straight-line basis. The management estimates the useful lives for the various intangible assets as follows: Customer contracts 2 to 5 years, Technical know-how 10 years, Non-compete fees 1.5 to 10 years, Patents, trademarks and designs (including marketing know-how) 3-10 years.
PIZER	Trademarks, software's,	Trademarks are recorded at their acquisition cost and are amortized over the lower of their estimated useful life and period of ownership on straight line basis i.e. over a period of 3 years.) Cost of application software not exceeding US\$ 1 million is being charged to the profit and loss account.  Capital expenditure on research and development is capitalized as fixed assets and depreciated in accordance with the depreciation policy of the Company.
NICH- OLAS	Brand/Know-how/ Intellectual Property Rights, Computer Software	Brands /know-how (including US FDA / TGA approvals and Business Application Software intended for long term use) are recorded at their acquisition cost and in case of assets acquired on merger, at their carrying values. Brands / know-how (including US FDA / TGA approvals) / Intellectual Property Rights are amortized from the month of product launch/ commercial production, over their estimated economic life not exceeding ten years.  Computer Software is being depreciated on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956.
<b>FMCG industry</b>		
DABUR	Trade marks & Patent, Computer Software.	Patents are being amortized over the period of ten years on straight line basis. Software is being amortized over the period of five years on straight line basis.

Table 2 contd. ...

Table 2 contd. ...

HUL	Trade Marks, Goodwill & Software	Intangible assets are stated at cost of acquisition less accumulated amortization. Goodwill and other intangible assets (except computer Software) are amortized over the assets' useful life not exceeding 10 years. Computer software is amortized over a period of 5 years on the straight line method. Goodwill arising on consolidation in accordance with AS-21 is amortized over 4 years at quarterly rests commencing from the quarter of recognition of goodwill.
COLGATE	Goodwill, Copyrights and Design, Technical Know-how	Goodwill and other Intangible Assets are amortized over the useful life of the assets, not exceeding 10 years.
BRITA- NNIA	Trademarks, Software Designs, & Computer	Intangible assets are stated at cost of acquisition less accumulated amortization. Computer software is amortized over a period of six years.
ITC	Trade marks, Software, goodwill, Brand value , Know-how, Business and Commercial Rights	Software is capitalized on the basis of future enduring economic benefits. Capitalization costs include license fees and costs of implementation/system integration services. To calculate depreciation on Intangible Assets in a manner that amortizes the cost of the assets after commissioning, over their estimated useful lives or, where specified, lives based on the rates specified in Schedule XIV to the Companies Act, 1956, whichever is lower, by equal annual installments. To amortize capitalized software costs over a period of five years.
NESTLE	Management information Systems (including soft ware	Management information systems (Intangible fixed asset)amortized within 5 years
<b>Automobiles industry</b>		
TATA MOTORS	Technical Know-how IT Assets taken on lease & Software	The product development cost incurred on new vehicle platform, engines, transmission and new products are recognized as intangible assets [included in the fixed assets] and are amortized over a period of 36 months to 120 months or on the basis of actual production to planned production volume over such period after commencement of the commercial production of the underlying product.
HERO HONDA	Industrial designs, models fees, brand value, goods will.	Intangible assets comparing of expenditure on model fees etc, incurred up to 31 march 2003 and on after 1-4-2003 are amortized on

Table 2 contd. ...

Table 2 contd. ...

		straight line method over period of three year and five years respectively.
M&M	Technical Know-how, Development Expenditure, & Software Expenditure	All Intangible Assets are initially measured at cost and amortized so as to reflect the pattern in which the asset's economic benefits are consumed. Technical Know-how: The expenditure incurred is amortized over the estimated period of benefit, not exceeding six years commencing with the year of purchase of the technology. Development Expenditure: The expenditure incurred on technical services and other project/product related expenses are amortized over the estimated period of benefit, not exceeding five years. Software Expenditure: The expenditure incurred is amortized over three financial years equally commencing from the year in which the expenditure is incurred.
BAJAJ AUTO	Technical Know- How	Technical know-how acquired Expenditure on technical know-how acquired (including Income-tax and R& D cess) is being amortized equally over a period of six years. Technical know-how developed by the company, post research stage, is recognized as an intangible asset, if and only if the future economic benefits attributable are probable to flow to the company and the costs can be measured reliably. The cost of Technical Know-how developed is amortized equally over its estimated life i.e. generally three years.
Eicher Ltd	Product designs, Prototypes etc. Computer, Software, Goodwill.	Intangible assets comprising of product designs, prototypes, etc, either acquired or internally developed, are amortized over a period of ten years, the estimated minimum useful life of the related products. Cost of software is amortized over a period of 5 years or less depending on the estimated useful life of the asset. Goodwill purchased is amortized on a pro-rata basis from the month of acquisition over a period of three years.
<b>Infrastructure industry</b>		
BHEL	Brand Value, Software and Good will	Intangible Assets can be measured reliably and is more than Rs.10,000/-Intangible assets are amortized over their estimated useful lives not exceeding three years in case of software and not exceeding ten years in case of others on a straight line pro-rata monthly basis.

Table 2 contd. ...

Table 2 contd. ...

RIL	Technical know how, software.	Intangible Assets are stated at cost of acquisition less accumulated amortization. Technical know how is amortized over the useful life of the underlying assets. Computer Software is amortized over a period of 5 years.
ACC	Computer Software	Software cost is amortized over a period of three years.
TATA STEEL	Computer software	Intangibles (Computer Software) amortized within 5 to 10 years.
Grasim Ltd	Computer software	Computer Software amortized within 3 years of acquisition.
SAIL	Mining rights, soft wares	Mining rights are treated as intangible assets and all the related costs thereof are amortized over the lease period. Software which is not an integral part of related hardware, is treated as intangible asset and amortized over a period of five years or its licence period, whichever is less.

### Conclusion

Highly innovative companies i.e. IT and pharma sector are voluntarily reporting information related to Intangible assets in their annual reports. But other older giants and traditional companies are still behind the reporting and disclosure practice related to IA. But gradually as per the need of the hour and international practices some leading firms are reporting intangible assets valuation, Brand valuation and market capitalization in their reporting practice which is very useful for the society to take appropriate decisions related with investment and ownership about the companies.

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## **IPRs – A Boon for Innovations and Discoveries**

### *Special Reference to Indian Pharmaceutical Industry*

AJAI KR. SINGHAL AND SHWETA AGARWAL

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The amendments in the Patent Act had brought major impact in the Indian Pharmaceutical sector. Indian companies were not able to produce generic versions of drugs protected by patents. In this study our main emphasis is on finding whether the IPRs have proved to be a boon for innovations and discoveries for the Indian Pharmaceutical Industries or not, and this fact has been analyzed and discussed in detail in our findings.

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#### **Introduction**

IPRs are legal rights, which gives an individual right to exclude others from the use of specific intangible creations/innovations for a certain period of time. These creations take the form of tangible products. The law gives protection to the intangible creations like ideas, technical solutions. This implies that the owner of a patent can prevent the manufacture, use or sale of the patented product in the countries where the patent has been registered. Intellectual property rights also safeguard creators and other producers of intellectual goods and services by granting them certain time-limited rights to control the use made of those productions. These rights also promote creativity and the dissemination and application of its results and encourage fair-trading, which contributes to economic and social development. This explains why intellectual property rights may have a direct and substantial impact on industry and trade. Hence, IPRs have opened new vistas in the life of man sitting in any corner of the globe.

#### **Trade Related Aspects of Intellectual Property Rights (TRIPS)**

General Agreement on Tariffs and Trade (GATT) negotiations on 1 January 1995 introduced the New Intellectual Property Right (IPR) regime under Trade Related Aspects of Intellectual Property Rights (TRIPS). It required the developing countries to amend their existing IPR regimes and adopt ones similar to those prevailing in the industrialized countries. It has also led to the establishment of a World Trade Organization (WTO) for the management of international trade and international dispute settlement procedures. The TRIPS Agreement requires the member countries to recognize seven forms of IPRs; i.e. Copyrights, Trademarks, Geographical Indications, Industrial Designs, Patents, Layout designs of integrated circuits, and Trade Secrets.

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Dr. Ajai Kr. Singhal is Reader, Department of Commerce & Business Administration, University of Allahabad and Shweta Agarwal is a Research Scholar, Department of Commerce and Business Administration, University of Allahabad.

Beside this, it also includes certain technological areas (which are not protected in many countries) like, pharmaceutical products, computer softwares, geographical terms and others. TRIPS incorporates and builds upon the latest versions of the primary intellectual property agreements administered by the World Intellectual Property Organization (WIPO), the Paris Convention for the Protection of Industrial Property, and the Berne Convention for the Protection of Literary and Artistic Works, agreements that go back to the 1880s. The significance of the TRIPS Agreement is three fold:

- It is the first single, truly international agreement that establishes minimum standards of protection for several forms of intellectual property;
- It is the first international intellectual property agreement that mandates detailed civil, criminal, and border enforcement provisions; and
- It is the first international intellectual property agreement that is subject to binding, enforceable dispute settlement. TRIPS, in effect, lay the groundwork for a strong and modern IPR infrastructure for the world community.

**Generic Drugs :** The competitiveness of generics producers is based on cost-efficient production. In this field, Indian companies are currently in top position. At one-fifth, India's share in the global market for generic drugs is considerably higher than its share in the overall pharmaceuticals market (approx. 2%). At the same time, India's pharmaceutical companies gained know-how in the manufacture of generic drugs. Hence the name "pharmacy of the poor" was given to India. Currently the most important segment on the domestic market is anti-infectives; they account for one-quarter of total turnover. Next in line, and accounting for one-tenth each, are cardio-vascular preparations, cold remedies and pain-killers. By contrast, medicines against civilization diseases (such as diabetes, asthma and obesity) or so-called lifestyle drugs (anti-depressants, drugs to help smokers to quit and anti-wrinkle formulations) are of little significance at present. All in all, the Indian pharma industry produces about 70,000 different drugs, which is higher than the number produced in Germany (60,000).

**Healthcare :** The Indian healthcare industry has undergone a phase of tremendous transition, registering a 12% annual growth rate. Riding on the current growth momentum, industry experts are predicting a market expansion of over US \$25 billion (approximately Rs. 1, 00,313 crores) by 2010. Between January and March 2008, major Indian pharmaceutical players have shown core competencies across several areas of the pharmaceutical business, including marketing, acquisition, and R&D investment.

**Booming Sales Growth :** India is gaining importance as a manufacturer of pharmaceuticals. Between 1996 and 2006, nominal sales of pharmaceuticals on the Indian subcontinent were up 9% per annum and thus expanded much faster than the global pharmaceutical market as a whole (+7% p.a.). Indian companies strongly expanded their capacities, making the country

by and large self-sufficient. Nonetheless, with total sector sales of roughly EUR 10 bn, India commands a less than 2% share in the world's pharmaceutical market (1966: 1.5%). This puts the country in twelfth place internationally, even behind Korea, Spain and Ireland and before Brazil, Belgium and Mexico. Among the Asian countries, India's pharmaceuticals industry ranks fourth at 8%, but has lost market share to China, as sales growth there was nearly twice as high and sales volumes nearly four times higher than in India. India's pharmaceutical industry currently comprises about 20,000 licensed companies employing approx. 500,000 staff. These include internationally well-known companies such as Ranbaxy, Cipla or Dr. Reddy's. With sales of roughly EUR 1 bn, Ranbaxy is currently the world's seventh largest generics manufacturer.

**Export Sector :** In 2006, India's pharma industry exported products worth EUR 3 bn, up from only EUR 650 m in 1996, which was due to the fact that demand for low-cost generic drugs is strongly on the rise, above all in the US, Europe and Japan. At 22%, export growth in 2006 was even twice as high as the global average and in Germany (roughly 11% each). Meanwhile, India's export ratio has reached 32% – about double the figure registered ten years ago. For some time now, India has exported more pharmaceutical products than it imports. Over the last ten years, the export surplus has risen from about EUR 370 m to currently just under EUR 2 bn. Slightly over 80% of the drugs are sold to the US and Europe, where India's companies are benefiting from the population's purchasing power as well as regulatory changes (greater cost-consciousness). By contrast, traditional sales markets such as Russia, Southeast Asia, Africa and Latin America have lost in importance. However, only 60 production locations of India's pharma sector have been certified by the World Health Organization, which implies they comply with the strict quality standards imposed by the US Food and Drug Administration (FDA). Compliance with FDA standards is the precondition for selling products on the important US market.

**Research & Development :** Indian Pharmaceuticals Industry has basically been a hub for the generics. Consequently research has taken a back seat here. R&D was largely concentrated on process development for known bulk drugs besides research on formulations and known drug delivery systems. India's R&D forte has been in synthetic organic chemistry and process development. A few new drugs, using conventional screening techniques, have emerged from the Indian R&D, but none of them have been blockbusters. But after 2005, reverse engineering skills was useful in manufacturing products going off patent. So Indian firms was forced to go in for product-based research for achieving high profitability. Therefore, Indian companies such as Ranbaxy, Dr. Reddy's laboratories, Wockhardt, Sun Pharmaceuticals, and Cipla, among others have started to invest in product research as opposed to process research.

Investment in R&D by industry as a whole in India has been low, only around 0.6% of the turnover. In the Indian pharmaceutical industry the average R&D expenditure is around 2% of the turnover contributed by around 150 companies. The low investment in R&D is due to the low levels of profitability and comparatively small size of the companies. However, the scenario is

now changing. Some pharmaceuticals companies now spend nearly 5% of their turnover on R&D. In addition to R&D in industry, substantial pharmaceuticals related R&D is carried out in publicly funded research organizations, mainly by the laboratories of Council of Scientific & Industrial Research (CSIR), Indian Council of Medical Research (ICMR), around 25 universities and a few pharmacy colleges. Some of the new R&D units in industry and a few of the publicly funded laboratories are equipped with sophisticated laboratory equipment, instruments and pilot plant facilities. The R&D manpower is generally highly qualified and proficient in conventional techniques of pharmaceutical R&D.

But Generic Industries will experience a good future as \$72-billion worth drugs expected to go off patent (between 2006 and 2010). This implies a great boost for the generics industry. To maximize profits from their technological expertise, many generic companies make it a top priority to be the first to file a generic version with patent challenges so that they can enjoy the six-month marketing exclusivity. This strategy can bring massive revenues in the short term

The Table 1 showing expenditure incurred by Indian firms on R&D, depicts that over the years there has been an upsurge in the R&D expenditure and this trend is even stronger in the leading Indian companies, such as Ranbaxy, Dr. Reddy.s, and Sun Pharmaceuticals. Companies that can make the transition to innovation will survive and these companies tend to be the larger corporations, such as Ranbaxy, that have the resources and funds to undertake innovation. The issue which crops in the mind is whether this increase in R&D expenditure is due to a general increase in expenditure across all sectors in India or due to companies more focus on innovation due to TRIPS. However, from documented interviews with pharmaceutical heads, it has been noted that companies, especially larger companies, are making a specific effort to increase innovation and therefore have been spending more on R&D. In the recent past, these larger companies, such as Ranbaxy and Dr. Reddy.s, have discovered new molecules.

Table 1: Expenditure incurred by the Indian firms in R&D

<i>Company</i>	<i>R&amp;D Expenditure (US\$ million) 2003-04</i>	<i>% of total turnover, 2003-04</i>
Ranbaxy Laboratories	60	7.80
Dr.Reddy's Laboratories	49	12.99
Sun Pharmaceuticals	23	10.20
Cadila Healthcare	19	7.52
Wockhardt	13	7.89
Nicholas Piramal India	12	3.90
Lupin	10	3.90
Torrent Pharmaceuticals	9	8.90
Orchid Chemicals & Pharmaceuticals	9	5.56
Glenmark Pharmaceuticals	8	9.67
Dabur Pharmaceuticals	4	8.50
JBChemicals & Pharmaceuticals	2	2.20
Total	218	7.73

Table 2: Expenditure incurred by top pharmaceutical MNCs

MNC	R&D Expenditure (US\$ Billion) 2003-04	R&D Expenditure as % of turnover
Pfizer	7.13	17.99
GlaxoSmithKline	4.54	15.23
Merck	3.17	9.47
Johnson & Johnson	4.68	24
Aventis	3.23	17.01
AstraZeneca	3.45	18.30
Novartis	3.07	19.16
Bristol-Myers Squibb	2.27	15.21
Wyeth	2.09	16.56
Eli Lilly	2.35	18.68
Total	35.98	16.63

Although table 1 shows increase in R&D expenditure by the Indian Pharma industries but a comparison of table with table 2 clearly indicates that there is paucity of funds at the disposal of the Indian Pharmaceutical industries. The tenth largest MNC Eli Lilly spent at around US\$ 2.35 billion as compared to the largest in India, Ranbaxy that spent at around US\$ 60 million. Thus, we see, India poorly compares with the pharmaceuticals giants worldwide in terms of R&D expenditure incurred. To raise resources R&D Firms may consider a variety of options like mergers with other Indian Firms, collaboration with foreign firms, joint ventures with foreign firms in other countries, etc.

### Conclusion

India's pharmaceutical industry has been in transition for several years now. Prior to the Patent Amendment Bill, not the substance itself but merely the manufacturing process was protected for a period of seven years. India's patent legislation had frequently been the reason for legal disputes with large western drug firms, especially from the US. In line with international standards, the sector is now subject to product and process patents valid for a period of 20 years. Indian companies seeking to copy drugs before the patent expires are forced to pay high license fees. This became necessary following the signing of the TRIPS Agreement (Agreement on Trade-Related Aspects of Intellectual Property Rights). So Indian drug firms could no longer simply copy medicines with foreign patents by using alternative manufacturing processes and offer them on the domestic market. As a consequence of these major changes to India's drug patent legislation, the country's pharmaceutical industry is undergoing a process of re-orientation. Its new focus is increasingly on self-developed drugs and contract research and/or production for western drug companies.

In the last two years, more than 3,900 new products (largely branded generics) have been launched in India, contributing about US\$ 355.6 million (million) worth of market value. While the Indian pharmaceuticals majors

launched more than ten products per year, global MNCs averaged one or two annually. In 2005, Indian companies controlled 70 percent of the domestic market.

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## **Restaurant Franchising — Ownership Structure of Property Rights**

P. BEZBORAH AND C.K. NATH

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This study explores the ownership structure of restaurant franchising by comparing and contrasting portfolio and agency explanations. The major thrust of the paper is on evaluation of these competing theories based on empirical studies related to the major determinants of ownership structure that affect restaurant franchising systems. Comprehensive data from specific individual restaurant franchisers has been used in this study. The study rejects the traditional concept of franchising structure and in the line of recent contribution made in the hospitality literature; this study finds that the choice of organizational form (company ownership versus franchising) is largely influenced by agency costs.

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### **Introduction**

In recent years, the issue of property rights has become increasingly prevalent in franchising literature. Among the most commonly suggested notions of property rights is an incentive feature encouraging resource efficiency (Posner, 1992). Franchising is a bundle of intellectual property rights. The rights legally protect both by the franchiser and franchisee by creating an entry barrier for the competitors. A franchiser's intellectual property rights—trademarks, logos, patents, copyrights, and operating procedures are exclusively owned or shared, frequently through franchise contracts, with other parties. The ownership structure of franchising offers an exceptional opportunity to investigate why franchise systems consist of both company-owned units and franchised units. Generally, the ownership structure of franchising, as an organizational form, can be explained by two dominant theories: capital market theory and agency theory. Elaborate discussions concerning these theories can be found in a separate body of literature. Academicians who are inclined toward marketing and retail systems tend to view franchising as a means of relieving financial restraints upon a firm's growth.

On the other hand, recent applications of agency theory focus on long-run efficiency incentive features of the franchise relationship (Carney & Gedajlovic, 1991). More specifically, agency explanations suggest that franchising is an efficient form of organization when the marginal costs of monitoring and ensuring performance of company-owned unit managers

are higher than the marginal costs of utilizing franchise contracts (Norton, 1988). A frequently mentioned motive of franchising in current hospitality literature is capital raising. For example, franchising is regarded as a vehicle for financing growth in which selling a franchise contract is a major source of capital for business expansion (Power, 1992; George, 1991; Keiser, 1989). Also, Correl (1990) has stated that the purpose of franchising is: to grow a company fast when you don't have, or can't raise, enough capital to do it through company-owned operations. That, in my opinion, is the only significant advantage to franchising. So if you have the financial muscle to build restaurants as fast as you want to, I would suggest that you avoid the franchise route.... If you have the financing to open restaurants yourself, you might be money ahead to forget about franchising and, instead, enact an aggressive program of company expansion.

The franchiser can achieve greater market penetration with a minimum amount of investment, while the franchisee is able to establish a business with a lesser amount of risk (Lundberg, 1989). From the portfolio theory perspective, Rubin (1978) questioned the standard argument of capital market theory and refuted the fact that franchising is an efficient way to obtain capital. Consequently, Rubin argued that the capital market could not sufficiently explain the idiosyncrasies of franchising.

### **Literature Review**

Much of the earlier literature strongly indicated that franchising is often perceived as a tool to raise capital for relatively small companies. According to this view, firms with limited access to capital markets utilize franchising to expand quickly. Oxenfeldt and Thompson (1969) asserted that franchisers have too little capital to establish a wholly owned chain. Similarly, Caves and Murphy (1976) argued that the firms in franchising do not have sufficient capital to expand through company-operated units. As a franchiser matures and relaxes its financial resource constraints, direct ownership increases by replacing franchised units with company-owned units (Hunt, 1973). The capital market explanation of franchising views the franchiser as being able to develop his or her own business more rapidly than a firm that does not exercise franchising. More specifically, Oxenfeldt and Kelly (1969) had stated: Some franchisers want to run a wholly-owned operation from the start (some because of the profit motive and others because they want total control of the system), but at first they lack the resources to do so. Initially, many franchisers establish franchises in order to penetrate the market as widely and rapidly as possible, thus pre-empting valuable territory from competitors. Once the desired initial coverage is attained, their emphasis usually shifts toward operating efficiencies and market development - both of which can best be attained through tight control permitted by ownership.

Hunt (1973) showed that the percentage of company-owned units increases in the franchise systems as the firm's capital constraints ease. Also, Lillis, Narayana, and Gilman (1976) identified that franchisers benefit from rapid market penetration during the early life cycle stage; but as the franchise system grows, franchising becomes less attractive and the franchise system is transformed into a fully integrated direct distribution system.

In contrast to the capital market argument, Rubin (1978) stated an agency explanation of franchising. The theory, which looks at monitoring and control within the firm, is drawn from Jensen and Meckling (1976) and Alchian and Demsetz (1972). According to Rubin, franchising responds more rapidly to agency problems and enables firms to reduce costs of monitoring company-owned unit managers. A theoretical background of the agency explanation of franchising stems from the different structures of incentive compensation between the company-owned managers and the owner-managers of franchised units (Brickley & Dark, 1987; Brickley, Dark, & Weisbach, 1991). Company-owned managers do not bear the full costs of their shirking and perquisite consumption because they are compensated by a fixed salary<sup>1</sup>.

Although franchising is an efficient organizational form when the costs of monitoring company-owned unit managers are high, the franchising agreements do not necessarily lead to perfection (Roh, 1996). The franchisers are concerned with the financial performance of the entire franchise system while franchisees are concerned with the residual income of their franchise units. Therefore, the impact of the quasi-rents is analogous to inefficient risk born by the franchisees (Carney & Gedajlovic, 1991). In restaurant franchise agreements, the franchiser specifies the design of the building and kitchen equipment, which is less valuable than alternative uses. Brickley and Dark (1987) indicated that the risk of quasi-rent appropriation increases when the franchiser requires a high initial investment. Since higher capital investment requirements by the franchiser increase costs of inefficient risk imposed on the franchisee, it will discourage prospective franchisees from engaging in franchise contracts. The value added to the functional product or service by associating it with the brand name (Aaker and Brel 1993; see also Aaker 1995).

### **Methodology**

The predictions of each model are tested using two different data sets. The secondary data source has been used extensively as these are basically designed to help the prospective franchisee in the selection of a franchiser. The data provides specific individual franchiser information. Apart from this a self-administered questionnaire has been served through email that contained a total of 38 questions to individual franchisers whose required full data are not available in the previous source. The second source is the Worldwide Franchise Directory (Anonymous, 2007). It supplements the data from Source Book of Franchise Opportunity.

The two data sources encompass a total of 156 useful observations under the restaurant categories. The main advantage of exclusive use of a specific segment of the industry is that a relatively homogeneous group helps avoid generalizations of other industries franchising behaviour.

Variables relevant to determinants of ownership structure are presented in Table 1. Given the variation of measures in it is clear that there are substantial cross sectional differences between restaurant franchisers. On average, 73.3% of establishments are franchised units in the restaurant chains (ratio) and the average number of years (age) franchisers are engaged in franchise

business is 13.06. The mean number of states (State) where a franchiser has his or her own operations is 10.87. Total investment (Toinv) required by the franchiser is measured in INR 50,000/- increments and the sample has a mean value of 399.54. The size of each franchise system (Sale) is approximated by the measures of sales of each system, which was derived by the industry average sales per unit multiplied by the total number of franchise units. Average sales per unit of franchise system are obtained from the Restaurant Industry Operations Report (Anonymous, 2007)<sup>2</sup>.

Table 1: Statistical summary

<i>Variable</i>	<i>Definitions</i>	<i>Mean</i>	<i>Standard deviation</i>	<i>Expected Sign.</i>
<i>Ratio (%)</i>	% of Franchised Units	73.35	26	n/a
<i>Ln_sales (INR)</i>	Log sales of Franchiser	6.84	2.11	-
<i>Age</i>	# of years since franchiser began franchise contracts	13.06	12.03	-
<i>State</i>	# of states where franchiser has his/her own business	10.87	12.26	+
<i>Toinv (INR)</i>	Total investment required by the franchiser	399.54	422.83	

Source: Compiled from questionnaire

### Hypotheses

The study hypothesizes that variables related to capital markets and agency explanations would differentiate the ratio of franchised units in the franchise system. If franchising is motivated by the desire to raise capital and/or to reduce monitoring costs, it follows that the related variables should exhibit measurable differences on the dependent variable. A positive (negative) sign on an independent variable coefficient indicates that higher values of the variable increases (decreases) the likelihood that a franchiser is engaged in franchise contracts.

The variable Ln\_SALE is a proxy for the size of the franchiser, measured by the natural log of the total sales of the franchiser. The logarithmic transformation of this variable is a common practice followed in many studies and helps to smooth the distribution from earlier observations (Maddala, 1991). If franchising is used as a viable tool to raise capital for small firms, the franchiser is expected to move toward a wholly owned distribution chain as the franchiser becomes larger. This implies that the proportion of franchised units should be negatively related to size of the franchisers. Thus, the expected sign of the Ln\_SALE coefficient is negative.

Variable age is the age of the franchise company, which accounts for the number of years in franchise business. This variable measures the maturity and life cycle of the franchiser. The capital constraint explanation of franchising argued that franchisers are likely to depend heavily on franchising systems during expansionary stages but later rely proportionally

more on company-owned units (Oxenfeldt & Kelly, 1969; Oxenfeldt & Thompson, 1969; Hunt, 1973; Caves & Murphy, 1976). Since older and stabilized firms are expected to repurchase existing franchised units and convert them into company-owned chains, older franchisers should have more company-owned units than younger franchisers, *ceteris paribus*. Therefore, the coefficient of age is expected to be negative.

The State variable is intended to measure the monitoring costs of the franchise system. The desirability of franchising increases with high monitoring costs. Although it is difficult to observe or directly measure monitoring costs, Rubin (1978) proposed a testable hypothesis whereby monitoring costs are an increasing function of the geographical dispersion of franchised operations. If monitoring costs are an increasing function of the distance between the monitoring headquarters and the local establishments, physical dispersion of outlets should encourage the propensity of franchised units. Since it is hypothesized that the franchising should be more common when franchise systems are geographically dispersed, it is reasonable to assume that the franchisers with units in a larger number of states would rely on franchise contracts to reduce costs of monitoring. Thus, the expected sign of the coefficient of State is positive.

Total capital investment required by the franchiser by INR 50,000/- + (Toinv), measures inefficient risk imposed on the franchisees. If the franchisees were risk-averse individuals who perceive risks to increase as investments increase, those franchisees would be reluctant to engage in franchise agreements. Higher initial investment should discourage prospective franchisees and thus, lead to lower proportions of franchised units. The expected sign of the coefficient of TOINV is negative.

Using 156 observations, the results of empirical analysis are provided in Table 2. The full model with all four hypothesized independent variables has an *F* value of 9.05, which is significant at the 1% level. With respect to capital market explanation variables, the estimated coefficient of Ln\_SALE (a proxy for franchiser size) is, as expected, negative. However, the coefficient is statistically insignificant; hence, no inference can be drawn about the relationship between Ratio and franchiser. Contrary to capital market explanations of franchising, the empirical result does not provide evidence that franchising is motivated by a small company which utilizes franchising to raise or conserve capital.

Age is statistically significant at the 1% level but the sign of the coefficient is opposite to that predicted. The result is disturbing because the positive coefficient of age variable suggests that the older franchiser systems have a higher proportion of franchised-owned units than younger franchisers. According to the traditional argument of franchising, franchising enables a younger firm to grow more quickly in an otherwise capital-constrained environment. However, the result related to the age of the franchise system is incomplete contradiction to the capital market explanations of franchising. The empirical results evidence that franchisers do not utilize franchising contracts as a short-term solution to accomplish rapid initial growth.

On the other hand, the two hypotheses associated with agency explanations of franchising are supported. The coefficients are significant with signs in the hypothesized direction. The variable state has a positive sign and is statistically significant at the 7% level (p value = 0.068). The positive and significant variable indicates that the larger the number of states, the higher the reliance on franchising contracts. This is consistent with the wide geographical dispersion of franchise operations increasing the costs of the monitoring. Franchising is thus positively associated with the geographical dispersion of retail outlets.

The estimated coefficient of the Toinv variable is negative and significantly different at the 1 % level. The result strongly supports the agency explanation of franchising hypothesis and suggests that the proportion of the franchised units is lower when franchisers demand higher capital investments. In summary, the empirical findings show that the capital market theory of franchising is not supported in this study. However, they show strong support for the agency explanation of franchising in the restaurant industry.

Table 2: Regression results for eeterminants of ownership structure of franchise system

Variable	Intercept	Ln_Sale	Age	State	Toinv
Coefficient	+0.806	-0.018	+0.006	+0.005	-0.00023
t-ratios	8.97***	-1.05	2.49**	1.84*	4.49***

$R^2 = 0.225$ ;  $Adjusted R^2 = 0.20$ ;  $F = 9.05$  \*\*\*

\*\*\* Significant at the 1% Level; \*\* Significant at the 5% Level.

\* Significant at the 10% Level.

Why restaurant firms choose to franchise establishments rather than owning and managing them directly has been a wide open question in hospitality literature. The prevailing theories stated that the ownership structure of franchise systems falls into two competing theories: 1) capital constraints, and 2) efficiency issues. The primary purpose of this research is to offer empirical evidence of the factors that determine whether a franchise system is owned by the franchiser or an independent franchisee. Based on the empirical findings, there is no evidence that franchise systems ultimately convert to company-owned chains as the system matures; neither is franchising a transient solution to ease financial constraints. However, the essential economic rationale for the ownership structure of franchising is that it is an efficient form of organization. As such, a franchiser chooses franchising as a strategic alternative to reduce costs of monitoring company-owned unit managers. Another important factor that determines the structure of ownership appears to be the agency problem arising between franchisers and franchisees.

The results of the findings suggest possible future research agenda. One area is the issue of growth and the use of franchising. A majority of the current hospitality literature hypothesizes that franchise systems help

franchisers grow faster (Power, 1992; George, 1991; Nykiel, 1989). To date, the empirical support for such a viewpoint is inconsistent. If swift growth is a motive for franchising, another issue that needs to be investigated is whether franchisers are likely to remove franchise contracts once they accomplish the desired growth. If franchise systems create and preserve a competitive advantage for the franchiser, why should such a shift in the optimal mix of contractual alternatives occur over time? The answer to this question will be of considerable importance in determining the ownership structure of the restaurant firms as a long-term strategy.

### Foot Notes

1. There are compensation arrangements whereby the firm provides incentives (such as stock options or a sales performance bonus) to a potentially shirking company owned manager. However, it is difficult for the firm to distinguish whether the sales performance is attributed to the efforts or the company-owned manager or demand variability.
2. Restaurant Industry Operations Report is prepared on the basis of financial and operating data supplied by members of the National Restaurant Association and members of various state restaurant associations.

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## Technical Session III Intellectual Property Rights: Boon or Bane

### ABSTRACTS

#### **Importance of Innovations and IPRs in a Knowledge Economy**

A.A. ANSARI, AARTI BHARADWAJ AND AMIR U. KHAN\*

The role of government, domestic industry, international firms, research institutions, non-government organizations, and of course private individuals has changed significantly in the past few years, and what is more, will continue to change in the future. The direction is towards lower government command and control in all sectors and greater role of the market place in creating the right set of incentives for all. And all of this is in the context of an economy that is becoming more and more integrated with the international economy, and where free movement of knowledge and technology goes hand in hand with the flow of financial and human capital. The paper is aimed at putting the importance of innovation in India and the inextricably linked importance of intellectual property rights in the context.

#### **IPR Protection in India: Issues and Challenges**

A. K. MALVIYA AND SMITHA PAUL\*\*

While the developed countries favoured TRIPS claiming huge losses from imitation and use of their innovations, less developed countries were worried about the rise in prices that implementation of IPR will entail. The two major challenges experienced by developing countries especially India is the low level of investments in R&D and lack of IP innovation infrastructure necessary to convert research results into IP assets including policies of ownership of research results, technology licensing offices, and professional IP services. Making an innovation is generally a costly business, but filing a patent for the same is equally costly. Further patent rights being territorial in nature, protecting it against potential infringements may again cost crores of rupees. The effective implementation of the various IPR laws enacted in the country is another major issue that needs to be addressed.

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\* A.A. Ansari is Head, Dept of Business & Commerce, Jamia Millia Islamia, Delhi, Aarti Bharadwaj is Fellow, India Development Foundation, Delhi and Amir U. Khan is Director, India Development Foundation, Delhi

\*\* A.K. Malviya is Reader and Ms. Smitha Paul is Research Scholar, Dept of Commerce & Business Administration, University of Allahabad, Allahabad – 211002

### **TRIPS: A Historical Perspective**

A.S. SIDHU AND RAJWANT KAUR\*

TRIPS is being considered as remarkable development from the view point of the supporters of liberalization and globalization. From the perspective of previous international efforts at coordinating national IPR rules, TRIPS has succeeded to bundle together the main provisions of the major international IPR Agreements. Another prominent feature of IPRs under TRIPS is the coverage of enforcement under the WTO Dispute Settlement Mechanism and in view of the threat of trade sanctions for non-compliance of the provisions of TRIPS. The justification for the strong legislation on IPRs has also come from the fact that to achieve higher level of production of goods and services needs considerable level of investment in research and development. The present paper is an attempt to present a historical perspective of IPRs and its implications for the developing and least developed countries during the post TRIPS Agreement era.

### **Enigmatic Entrepreneurship in the IPR Framework: Some Issues**

A. SATISH BABU AND D. GUNASANKAR\*\*

Enterprises in the near future will pave the way to Intelprises (Intellectual + Enterprises) and Intelpreneurs ( Intelligence + Entrepreneurs) will replace entrepreneurs. This new breed of leaders would naturally give prominence to Intelplace (Intelligence + Marketplace) and Internet, the network of networks, would be the domain of interaction for the Intelprises. Imagination, creativity, and entrepreneurship are more important resources than is financial capital. This warrants capitalization of scientific and technical strengths to convert innovation into property and transform research into profits.

### **IPRs: Boon or Bane**

ABHISHEK SRIVASTAVA AND U.A. LANGEWAR\*\*\*

The authors explain in detail the various types of IPRs. The reasons why IPRs should be considered as a boon are presented followed by arguments why it becomes a bane to society. The authors finally conclude that IPRs are a boon because the merits far outweigh the demerits.

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\* A. S. Sidhu is Professor and Rajwant Kaur is Asstt. Professor, Dept of Commerce & Business Management, Guru Nanak Dev University, Amritsar, Punjab.

\*\* A. Satish Babu is Associate Professor, PG Dept of Commerce and Research and D. Gunasankar is Asstt. Professor, PG Dept. of Management Studies, VRS & YrN College, Chirala.

\*\*\*Abhishek Srivastava and U.A. Langewar are Faculty Members, Centre Point College, Tilak Nagar, Nagpur.

**IPRs: A Boon**

SANJAY D. KHAIRNAR\*

The paper sums up the importance of IPR in a rapidly changing society. The author has highlighted the salient features of IPRs and discussed the various types of IPRs. The author argues that IPR is a boon because it subserves humanity through inventions, improvements, technological developments, and attraction of foreign investments.

**IPRs: A Boon for Innovations and Discoveries with Special Reference to Indian Pharmaceutical Industry**

AJAI KR. SINGHAL AND SHWETA AGARWAL\*\*

The amendments to the Patent Act has brought major impact on the Indian pharmaceutical sector. Indian companies are no longer able to produce generic versions of drugs protected by patents. The authors seek to find out whether IPRs have proved to be a boon for innovations and discoveries in the Indian pharmaceutical industry or not.

**Patents (Ammendment) Act 2005: Effect on Indian Pharmaceutical Industry**

AMIT BANERJEE\*\*\*

The Indian Patent Act 1970 was amended with effect from 1<sup>st</sup> January 2005 to include product patents in the field of pharmaceuticals, agrochemicals and food products. The product patent regime is likely to have a great impact on Indian pharma industry and health care system. The author examines in this article, various aspects of the shift from the process patent to product.

**Existing Methods of IPR valuation with Special Reference to Patents**

ANUBHAV VERMA\*\*\*\*

Intellectual Property Rights (IPRs) can be highly valuable rights playing a key role in many fields of business. However their value has been highlighted largely through their involvement in relatively rare but highly conspicuous transactions and litigation concerning successful businesses. In recent years concerns about IPR valuation have centered on Brand Valuation especially in the wake of takeover bids. Attempts to assess IPR value and particularly the value of patents in order to make

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\* Sanjay D. Khairnar is Reader & Head, Dept of Commerce, L V H Mahavidyalaya, Panchavati, Nashik - 422 003

\*\* Ajai Kr. Singhal is Reader, Dept of Commerce & Business Administration, University of Allahabad, Allahabad - 211 002 and Shweta Agarwal is Research Scholar, Dept of Commerce & Business Administration, University of Allahabad, Allahabad - 211 002

\*\*\* Amit Banerjee is Asst Professor, Dept of Management and Business Studies, Meerut Institute of Engineering and Technology, Meerut

\*\*\*\* Anubhav Verma is Research Scholar, Dept of Commerce & Business Administration, University of Allahabad, Allahabad.

management a decision about them earlier in their life when their future value is highly uncertain has received far less attention. This article primarily focuses on the following issues related to patent valuation: (i) various factors to be taken into consideration in patent valuation process (ii) existing methods being used for valuing patents (iii) advantages and limitations of existing methods.

### **IPRs and the Enforcement Mechanism**

ARPITA MISHRA AND MS ARUNA MISHRA\*

IPRs are basically a bundle of exclusive rights over the creation of the mind both artistic and commercial. IP is the foundation of the knowledge economy. The paper looks at various treaties, legislations, and organizations both at the national and international level engaged in the administration of IPRs.

### **IPRs: Its Introduction and Culture**

ARUN SHARMA\*\*

IPR is basically a western concept, developed and designed by developed countries to meet their expectations and requirements. Oriental culture attaches the highest value to Gyan and consider it sacred and immortal. On the other hand, western culture treats it as a commodity which can be gained, retained, and traded. The word 'property' is more suitable with the western culture where it is like a commodity whereas oriental culture treats it as sacred. According to the author, Intellectual Attainment is a more appropriate concept than intellectual property. The word 'right' has more significance in the masculine western culture whereas in the eastern culture the emphasis is on duties and responsibilities rather than rights. According to oriental culture, it is one's duty to transfer and spread intellect and knowledge to another generation as one has received it from the guru. So if one is transferring his intellect others, he is not doing any sort of benefaction but simply trying to repay his debts to his guru.

### **IPR: Boon or Bane**

B. B. MANSURI, MOHAMMED FAYYEZ, BADRUZZAMA SIDDIQUI AND MOHD FIROZ ALAM\*\*\*

The 21<sup>st</sup> century will be a knowledge based society and India is likely to be one of the leaders of such a society. The foundation of knowledge based economy will be intellectual property. By participating in the international system of IPR protection, India having vast pool of scientific and technical persons and well established expertise in medical treatment and health care, has unlocked vast opportunities in both exports and outsourcing and has the potential to become a global hub in the area of R&D based research.

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\*\* Arpita Mishra is Research Scholar, Dept of Commerce and Business Administration, University of Allahabad, Allahabad and Ms Aruna Mishra is Research Scholar, Dept of Commerce and Business Administration, University of Allahabad, Allahabad.

\*\* Arun Sharma is Faculty Member, Dept of Business Administration, RR College, Alwar, Rajasthan.

\*\*\*B. B. Mansuri, Mohammed Fayyez, Badruzzama Siddiqui and Mohd Firoz Alam are Faculty Members, Women's College, Aligarh Muslim University, Aligarh.

**IPRs – As Regulatory Institutions in Pharmaceutical Industry**

B.S. PASWAN AND A.K. PRASAD\*

The paper undertakes an assessment of the evidence emerging from Indian pharmaceutical firms which in the post TRIPS scenario have the best conditions prevailing for growth through the proposed path of integration with the global pharmaceutical industry. The paper identifies some of the preferred routes for the growth of domestic firms like export of generics to the regulated markets, contract manufacturing and looking for outsourcing of drug discovery research, drug development and clinical research. The new patent regime, according to the authors, will be a landmark for the pharma industry with far reaching implications on the structure and direction of growth.

**IPRs: Emerging Paradigm**

CHANDRA SHEKHAR RAVI\*\*

The paper highlights the importance of IP and proceeds to explain the four main types of IP viz copyrights, patents, trademarks, and industrial designs.

**IPRs**

DARSHANA ROHIT\*\*\*

IPR laws vary from jurisdiction to jurisdiction, such that acquisition, registration or enforcement of IP rights must be pursued or obtained separately in each territory of interest. However, these laws are getting increasingly harmonized through the effects of international treaties such as the 1994 WTO agreement on TRIPS, while other treaties may facilitate registration in more than one jurisdiction at a time. The author proceeds to explain the various types of IPRs.

**IPR: A Menace to Society**

DEEPAK KUMAR AGARWAL AND SOURABH MUNAL\*\*\*\*

IPRs is not a prerequisite for innovations. People who innovate seldom get the benefit of their innovation. Knowledge as private property is harmful to the society at large. IPRs are actually immoral, because there is no defensible case for cordoning off a body of knowledge and saying 'this belongs to me'. The defenders of IPR claim that in the absence of property rights attached to the creation of knowledge, nobody will innovate. This is patently false. What happens is that profit making corporations will suffer. The human race has been innovating from day one and in fact most of our life altering innovations that happened in the pre IPR days.

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\* B.S. Paswan is Lecturer, Dept of Commerce, JMDPL Mahila College, Madhubani, Bihar and Dr A. K. Prasad is Lecturer, Dept of Commerce, HBJ College, Khajedih, Madhubani, Bihar

\*\* Chandra Shekhar Ravi is Student, Faculty of Commerce, TMBU, Bhagalpur – 812 007

\*\*\* Darshana Rohit is Lecturer, PG Dept of Business Studies, Sardar Patel University, Vallabh Vidya Nagar, Anand – 388 120, Gujarat

\*\*\*\* Deepak Kumar Agarwal is Research Scholar in Commerce, T M Bhagalpur University, Bhagalpur and Sourabh Munal is Programme Trainer, Cognizant Technology Solutions, Pune

## **Protection of Traditional Knowledge through IPRs in the Modern Economic Era**

DEEPTI CHANDRA\*

The 21<sup>st</sup> century is the century of knowledge. Innovation is the key to production as well as processing of knowledge. A nation's ability to convert knowledge into wealth and social good through the process of innovation will determine its future. In this context, issues of generation, valuation, protection, and exploitation of IP are going to be critically important all over the world. One of the concerns of the developing world is that the process of globalization is threatening the appropriation of the elements of the collective knowledge of societies into proprietary knowledge for the commercial profits of a few. An urgent action is needed to protect these knowledge systems through national policies and international understanding linked to IPRs, while providing its development and proper use for the benefit of its holders.

### **IPRs: Boon or Bane**

G.T. WANJARI\*\*

The author highlights the importance of IPR and its advantages for Indian companies. Some of the negative aspects of IPR are discussed and finally the author goes on to explain the role of teachers as promoters and protectors of IPR.

### **EMRs in the Field of Indian Patents**

GUNINDRA DAS\*\*\*

The Exclusive Marketing Rights which were the result of the Patent (Amendment) Bill 1998 under the TRIPS agreement have allowed the industry to develop alternative methods of production of pharmaceutical products and also to get protection over the same. In future drugs may go bad or some companies may try to enforce difficulties. They may try to make market life-saving drugs at exorbitant prices. In the name of public interest u/s 24 (d) (2) of the bill, the government can intervene to regulate the prices. This aspect is not clear in the TRIPS agreement.

## **19 Impact of the IPR Regime on the Indian Agricultural Industry: Boon or Bane**

SHIPRA TRIPATHI AND SRISHTI SHARMA\*\*\*\*

Bringing of subjects like agriculture within the ambit of WTO and TRIPS agreement has some inherent problems in it which is a consequence of the dichotomy in the level development of the countries in the world viz the developed countries and the

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\* Ms Deepti Chandra is SRF, Dept of Commerce and Business Administration, University of Allahabad, Allahabad

\*\* G.T. Wanjari is Lecturer in Commerce, R S Mundle Dharampeth College, Nagpur

\*\*\* Gunindra Das is Principal, Barpeta Girls College, Barpeta, Assam

\*\*\*\* Shipra Tripathi is Student, Fourth Year BA LLB (Hons), Hidayatullah National Law University, Raipur, Chattisgarh and Srishti Sharma is Student, Fourth Year BA LLB (Hons), Hidayatullah National Law University, Raipur, Chattisgarh

developing countries. The paper addresses two issues namely (i) are the returns arising out of the WTO agreements the same for developed and developing countries, and (ii) would these measures be able to improve the condition of Indian agriculture? The authors also review the role of the government which plays a significant role in the whole issue.

### **IPRs: Boon or Bane**

J.P. SHARMA\*

According to the author, IPRs have proved to be an unsuccessful monopoly behaviour which brings the death of innovations and sharing of ideas. Hence IPRs is a bane and not a boon.

### **World Trade Organisation, IPR and its Impact on the Indian Pharmaceutical Industry**

K.S. CHANDRASEKAR AND C.S. SIVAPRAKASH\*\*

None of the drugs presently in the Indian market or any that have been patented prior to January 1, 1995 anywhere in the world can be patented in India. About 90% of existing drugs would have been off patent in the existing patent regime. The average time for a new chemical entity's discovery to market introduction is 12 years. It is, therefore, unlikely that these drugs would reach the market in the TRIPS transition period. The paper seeks to address the following: (i) concerns of WTO impact on the industry, (ii) drug prices in the post WTO era, (iii) impact on small scale manufacturers, (iv) forecasts pertaining to WTO, and (v) types of research undertaken and DPCO and R&D.

### **IPRs: Boon or Bane**

K.S. JAISWAL AND SADHANA MISHRA\*\*\*

The authors explain the meaning of IPR and discuss the various types of IPR. The authors then proceed to present some of the arguments that consider IPR to be a boon to society and the arguments that disfavour IPRs.

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\* J.P. Sharma is faculty member, Dept of Commerce, B N College, Tilkamanjhi Bhagalpur University, Bhagalpur

\*\* K.S. Chandrasekar is Reader, Institute of Management in Kerala, University of Kerala, Trivandrum and C. S. Sivaprakash, Research Scholar in Management, University of Kerala, Trivandrum

\*\*\*K.S. Jaiswal is Reader, Faculty of Commerce & Management Studies, MG Kashi Vidyapith, Varanasi and Sadhana Mishra, Research Scholar, Dept of Commerce, MG Kashi Vidyapith, Varanasi

### **Avoiding Common Pitfalls in IPR Exports**

K. HARI HARA RAJU AND P.P. CHANDRABOSE\*

When exporters are exporting IPRs to any export market, they have to know the common pitfalls. Exporters generally believe that IPRs protected in one country would be applicable to other countries also. Patents are generally applicable only to the country in which it is filed unless it is filed through Patent Co-operation treaty. The authors discuss some of the common pitfalls and suggest measures to overcome these.

### **Management of IPRs in India**

K. HARI HARA RAJU, E. SUBBA RAO AND K. SATISH\*\*

The authors discuss the various types of IPRs and explain the durations and legal aspects involved in each type. The authors finally discuss the management of IPRs in publicly funded institutions in India.

### **Relevance and Position of Knowledge Economy in India: An IPR Perspective**

KAYNAT SHEIKH AND MOHAMMAD UMAR\*\*\*

In India before 1995, the practice of protecting innovations through IPRs suffered feeble implementation. Plight of weak IP trade regime lead India to become a signatory to WTOs 'knowledge differentiator' agreement of TRIPS. The authors explain how IP laws have proven and will prove beneficial in various sectors after municipal level modifications and enactment of laws compliant to TRIPS are made. Some landmark cases which played a vital role in IPR evolution and its legal determination are discussed. The paper analyses how knowledge sharing and its concurrent development thereby can be a bonus to a country's economy.

### **IPRs – Boon or Bane**

L.K. SHUKLA AND OM PRAKASH ANGIRA\*\*\*\*

The authors feel that IPRs is a mixed blessing having both the features of boon and bane. In certain sectors it can be regarded as a boon and in some others it is a bane. Overall, however, the authors are of the view that IPRs is a boon and not a bane particularly because it encourages specialization and the principle of division of labour.

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\* K. Hari Hara Raju is Research Scholar, Dept of Commerce and Mangement Studies, Andhra University, Vishakapatnam and P. P. Chandra Bose is Research Scholar, Dept of Commerce and Mangement Studies, Andhra University, Vishakapatnam

\*\* K. Hari Hara Raju is Research Scholar, Dept of Commerce and Mangement Studies, Andhra University, Vishakapatnam, E. Subba Rao is Research Scholar, Dept of Commerce and Mangement Studies, Andhra University, Vishakapatnam and K. Satish is Research Scholar, Dept of Commerce and Mangement Studies, Andhra University, Vishakapatnam

\*\*\* Kaynat Sheikh is Student II Year, Hidayathullah National Law University, Raipur, Chattisgarh – 492 001 and Mohammad Umar is Student II Year, Hidayathullah National Law University, Raipur, Chattisgarh – 492 001

\*\*\*\*L. K. Shukla is Faculty Member, Dept of Commerce, BRA Bihar University, Muzaffarpur and Om Prakash Angira is Faculty Member, Dept of Commerce, Dr RMLS College, BRA Bihar University, Muzaffarpur – 842 001

**IPRs: The Business of Winning**

MAHESH CHANDRA PRASAD\*

According to the author, there is a strong opposition, particularly in the developing countries, to the very idea of the necessity of strong IPRs. It is believed that only developed countries will benefit from it. On the other hand, it is also believed that establishing ownership of intellectual assets, arriving at acceptable frameworks for fair and equitable sharing of benefits for social good, and providing harmonized legal structures to encourage continuous flow of innovations are bare necessities to fuel a vibrant global economy. The author discusses the impact of TRIPS on new plant varieties and computer software.

**IPRs: Helmetian Dilema**

MAHESH PRASAD RAI AND SANJAY KUMAR JHA\*\*

The establishment of IPRs represent a trade-off to balance the interest of society in the creation of non-rival goods with the problems of monopoly power. Critics of intellectual property criticize it as intellectual monopoly and argue that the public interest is harmed by protectionist legislation. IPR, according to the authors, has also been criticized on the ground that the rights conferred by exclusive rights laws are in some ways more limited than the legal rights associated with property interests in physical goods.

**IPRs: An Imperative Engine for Growth**

MD REYAZUDDIN\*\*\*

It is essential not only in the interest of the individual but country and society at large that scientific inventions, new technologies and creative achievements are protected so that the respective innovators, designers, and other professionals can gain 'rewards' which they deserve. There has been a phenomenal increase in copying, counterfeiting and similar other malpractices and owners of IP are severely affected by such piracies. Patents and copyrights laws differ widely between nations which affect trade and investment flow between nations and also give rise to trade and industrial disputes. The various national and international efforts in this direction, according to the author, could not do much to alleviate the problem.

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\* Mahesh Chandra Prasad is Reader in Commerce, Dept of Applied Economics and Commerce, Patna University, Patna – 800 005

\* Mahesh Prasad Rai is Lecturer, Dept of Commerce, Sabour College, Sabour, TM Bhagalpur University, Bhagalpur and Sanjay Kumar Jha is Principal, Sabour College, Sabour, TM Bhagalpur University, Bhagalpur

\*\*\*Md Reyazuddin is Reader in Commerce, Vanijya Mahavidyalaya, Patna University, Patna – 800 005

## **The Outsourcing in India: An Intellectual Property Perspective**

MD MOAZZAM NAZRI AND DEEPA SHARAN\*

With the growth of IT, outsourcing has acquired an international dimension and it has intensified in recent times. India has become an important destination for global outsourcing because of low wage rates and availability of vast skilled manpower. In this paper, the authors have made an attempt to identify the reasons for outsourcing to India, the benefits of outsourcing, and to track the growth of outsourcing to India.

## **Impact of TRIPS – Public Health Concerns with Reference to Accessibility of Medicines**

N. VENKATESWARA RAO\*\*

The Indian Patents Act 1970 provided only process patents for food, medicine or drugs and not product patents. This allowed the Indian pharmaceutical companies to provide drugs at cheaper rates compared to patented drugs of developed countries. Patents Act 1970 was amended to comply with the TRIPS agreement to introduce a system of Exclusive Marketing Rights and to provide a mail box for national patent office to start entertaining product patent application for pharmaceuticals and agro chemicals. Compulsory licensing, parallel imports, and differential pricing between developed, and developing countries have been suggested as instruments to improve access within the broad framework of TRIPS.

## **IPRs: Boon or Bane**

NAGENDRA KUMAR JHA, PRASHANT KUMAR SINGH AND MANOJ KUMAR\*\*\*

The authors spell out the concept and nature of IPRs. The reasons for the growth of IPRs and the types of IPRs are discussed. Some of the benefits of IPRs are highlighted. The IPR regime in India is briefly touched upon and the limitations discussed. The authors conclude that if IPRs are executed properly it would lead to overall growth and development of the society. Hence it would be a boon to the whole world.

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\* Md Moazzam Nazri is Lecturer, Dept of Commerce, Karim City College, Jamshedpur, Jharkand and Deepa Sharan is Lecturer and Head, Dept of Commerce, Women's College, Jamshedpur, Jharkand

\*\* N. Venkateswara Rao is Asst Professor, Dept of Commerce and Business Administration, Acharya Nagarjuna University, Ongole Campus, Ongole, AP

\*\*\*Nagendra Kumar Jha is Sr Lecturer, Dept of Applied Economics and Commerce, Patna University, Patna, Prashant Kumar Singh is Research Scholar, Dept of Applied Economics and Commerce, Patna University, Patna and Manoj Kumar is Research Scholar, Dept of Applied Economics and Commerce, Patna University, Patna

## **Impact of IPRs on Small and Medium Enterprises in India**

NEETU PATHAK AND PAWAN SRIVASTAVA\*

The increasing importance of intangible assets as a source of competitive advantage for firms, has made the IP system increasingly attractive and, in many cases, indispensable for all economic agents. Evidence, according to the authors, suggest that SMEs face significant barriers in making use of the IP system and this may have an impact on their ability to exploit their innovative and creative capabilities.

## **Intellectual Property: The New Driver of the World Economy**

P.K. PODDAR AND P.C. BADALIA\*\*

Land, labour, and capital are just not enough for a country to succeed. The world is going to be ruled by assets created out of education, intellect, its exploitation, and growth of vision. The importance of IPR in the context of international trade is ever increasing and it has forced business empires to review their business mode, strategies, and evaluation of the IPRs through which business is conducted. The country has to turn out people who can innovate and at the same time become entrepreneurs.

## **IPRs: Boon or Bane**

P.K. PODDAR\*\*\*

In the context of knowledge transfer and knowledge sharing, the author examines the implication of IPRs arising from the WTO requirements. IPR has no doubt taken the world ahead in leaps and bounds but it has introduced to the world certain new things which have thrown up new issues through the communication technology to be tackled. Unless the ill-effects are arrested the advent of boon of the IPR age will prove to be a bane to the world. Checks have to be made more stringent, otherwise a Hiroshima type explosion is not ruled out thus threatening the world's existence.

## **Indian Universities: A Niche for IPRs**

P.P. CHANDRA BOSE\*\*\*\*

Statistics show that India is way behind other countries in patent filings. India needs to strengthen her innovation activities to remain competitive in the market. None of the Indian universities figure in the list of the top 20 universities that have filed for patents under the Patent Co-operation treaty. The author makes a few suggestions for making Indian universities encourage filing of patents.

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\* Neetu Pathak is Research Scholar, Dept of Business Economics, VBS Purvanchal University, Jaunpur, UP and Pawan Srivastava is Student, MBA (Business Economics), VBS Purvanchal University, Jaunpur, UP

\*\* P.K. Poddar is Reader, Dept of Commerce and Business Administration, T M Bhagalpur University, Bhagalpur and P.C. Badalia is Reader, Dept of Commerce, Marwari College, TMBU, Bhagalpur.

\*\*\* P.K. Poddar is Reader, Dept of Commerce and Business Administration, T M Bagalpur University, Bhagalpur.

\*\*\*\* P. P. Chandra Bose is Research Scholar, Dept of Commerce and Mangement Studies, Andhra University, Vishakapatnam.

### **Restaurant Franchising – The Ownership Structure of Property Rights**

P. BEZBORAH AND C. K. NATH\*

The study explores the structure of ownership structure of restaurant franchising by comparing and contrasting portfolio and agency explanations. The major thrust of the paper is on the evaluation of these competing theories based on empirical studies relating to major determinants of ownership structure that affect restaurant franchising systems. The study rejects the traditional concept of franchising structure and in the line of recent contributions made in the hospitality literature; the study finds that the choice of organizational form (company v/s ownership v/s franchising) is largely influenced by agency cost.

### **Indian Tea Industry in the Context of IPR and Geographical Indications**

PARAG SHIL\*\*

Indian tea industry should protect its prestigious and quality products from duplication and mishandling in the global market. It took the initiative to not only register the logo but also the word 'Darjeeling'. It also engaged the services of Compumark, an international watch agency that keeps the Tea board informed of all attempts to register the word 'Darjeeling' worldwide. There were several instances of attempted registration and these have been challenged through oppositions, cancellations, and some through negotiations. Some primary initiatives have been taken by the industry to protect Nilgiri tea and Assam tea though the measures were not sufficient.

### **Biopiracy and Biocolonialism: A Challenge to Indigenous Knowledge and Bio-diversity**

POOJA SUNDAN, BUPINDER KAUR AND RACHITHA SAMBYAL\*\*\*

Biopiracy and biocolonialism by state, MNCs, and other research institutions violate indigenous people's inherent right by denying fair and equitable manner benefits arising from the appropriation of their knowledge and its subsequent use in drug development. Issues in IPR are exhaustive and include profiteering from the 'Common Heritage of Mankind', commoditization of life, privacy and human dignity, crop monocultures and monopolization of crop genomes, gap between technology transfer and technology assimilation, access to invention and exploitation etc. Stopping biopiracy demands, shaping the appropriate laws for seeds, biodiversity, and patents, nationally and internationally for the defense of our biological and intellectual wealth.

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\* P. Bezborah is Professor, Dept of Commerce, Dibrugarh University and C. K. Nath is Lecturer, Dept of Commerce, Dibrugarh University

\*\* Parag Shil is Senior Lecturer, Dept of Commerce, Assam University, Silichar – 788 011

\*\*\* Pooja Sundan is Research Scholar, Dept of Commerce, University of Jammu, Jammu, Bupinder Kaur is Research Scholar, Dept of Commerce, University of Jammu, Jammu and Rachitha Sambyal is Student, MBA (Telecom & IT), UIAMS, PU, Chandigarh

## **Prospects and Challenges of IPRs in Developing Countries**

PRADEEP KAMAL AND MITHILESH KUMAR SINGH\*

IPRs in the era of knowledge economy, is expected to encourage development of innovations and evolve a sense of respect for owned knowledge, discourage knowledge piracy, profiteering from counterfeiting and establishing symbiotic relationship in society. The authors find IPRs as a whole to be less advantageous for developing than for developed countries in many areas of development such as health, education, agricultur, and IT. The authors feel that future competition among nations will be determined by their ability to create market, and manage value added intellectual assets. Thus developing countries will have to master techniques in managing IPRs to meet the industry and society with a sense of confidence and positive responsiveness.

## **Commercial Benefits of Awareness about IPR and its Role in Rural Economy (A Case of Nagpuri Oranges)**

PRAVIN H. GHOSEKAR AND MUKUL A. BHURGATE\*\*

The paper seeks to investigate relationships, conflicts, and synergies between provisions in the Convention on Biological Diversity (CBD) relating to IPRs, especially those relevant for protection of seeds and plant varieties. The authors feel that there is a lack of awareness among Indians about the commercial benefits of registering products under IPR. The paper concludes with recommendations for spreading awareness about protecting bio-diversity products under IPR.

## **IPRs: Boon or Bane**

R.P. GUPTA\*\*\*

The author feels that the establishment of IPR represents a trade-off to balance the interest of society in the creation of non-rival goods (by encouraging their production) with the problem of monopoly power. Since the trade-off and the relevant benefits and costs to society will depend on many factors that may be specific to each product and society, the optimum period of time during which the temporary monopoly rights exist is unclear.

## **IPRs: Boon or Bane**

R.S. SATOKAR AND P.D. HADKE\*\*\*\*

With the emergence of the knowledge society and virtual products, the issue of safeguarding the investments in the information based products has certainly gained

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\* Dr Pradeep Kamal is Reader in Commerce, DAVPG College, Banaras Hindu University, Varanasi and Mr Mithilesh Kumar Singh is Research Scholar, KN Govt PG College, Gyanpur, SRN Bhadohi (UP)

\* Pravin H. Ghosekar is HOD, Computer Dept., Dhanwate National College, Nagpur and Mukul A. Bhurgate is Head and Co-ordinator, Dr Panjabrao Deshmukh Institute of Management Technology and Research, Dhanwate National College, Nagpur-12.

\*\* R. P. Gupta is Professor & Head, Dept of Commerce, Govt Girls PG College, Rewa, MP.

\*\*\* R. S. Satokar is Lecturer (Sr Scale), Dhanwate National College, Nagpur - 12 and P. D. Hadke is Faculty Member, Dhanwate National College, Nagpur-12.

high importance. The protection of IPR has definite benefits, such as to propagate innovative culture, profitability, market leadership, and helps creation of wealth for the individual and the nation. The authors have also dealt with some of the arguments against the usage of the term IP.

### **IPRs: Nature and Initiatives**

RITHESH P. MAHURKAR AND MR PRAVIN R. PATEL\*

The authors explain the various types of IPRs. The authors next explain the amendments made to the Copyrights Act to protect software. Finally the authors highlight the measures taken by the government to protect IPRs.

### **IPRs – A Boon to Indian Companies**

SADANAD JHA AND AJEET ANAND\*\*

IPRs, according to the authors, is the key factor for economic growth and advancement in the high technology sector. They are good for business, benefits the public at large, and acts as a catalyst for technical progress. The protection of IPRs has definite benefits, such as to propagate innovative culture, profitability, market leadership, and helps creation of wealth for the individual and the nation.

### **IPRs: Boon or Bane**

SAPNA OBIA\*\*\*

The paper explains how a strong IPR regime favours large enterprises and become a bane to the small manufacturers. The author conducted a survey among the Aligarh lock and hardware industry to prove her point.

### **E-Commerce IPRs: Boon or Bane**

SARITHA KADHAO AND PRAFUL BARAPATRE\*\*\*\*

In this article the authors first explain the different types of IPRs. They next proceed to discuss whether IPRs are a boon or bane to society. The authors finally provide a detailed description of copyrights and patents.

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\* Rithesh P. Mahurkar is Faculty Member, Aroma College of Commerce, Ahmedabad and Mr Pravin R. Patel is Faculty Member, Gujarat Commerce College, Ahmedabad

\*\* Sadanad Jha is Head, Dept of Commerce, Sabour College, TM Bhagalpur University, Bhagalpur and Ajeet Anand is Research Scholar, Commerce Faculty, TM Bhagalpur University, Bhagalpur

\*\*\* Sapna Obia is Research Scholar, Dept of Commerce, Aligarh Muslim University, Aligarh – 202 002, UP

\*\*\*\* Saritha Kadhao and Praful Barapatre are Faculty Members, G H Rasoni Institute of Technology.

**IPRs: Boon or Bane**

SATPAL WADHWA\*

The author presents a conceptual framework of IPR. Some of the recent legislations on IPR have also been covered. The author next presents some of the arguments that go in favour of IPR which lead to IPR being considered as a boon to society. The author has also conducted a field survey among the college students in Rohtak to measure the level of awareness of IPR among them.

**IPRs: Management of Illusion**

SUDHIR SHUKLA AND AMIT KUMAR PANDEY\*\*

IPRs are ideas that are translated into tangible products, writings etc that are protected by the state for a limited period of time from unauthorized commercial protection. A large part of this business is driven by low cost of manufacturing and development in India, but most (especially software) are IP sensitive. This rapid growth in outsourcing to India, according to the authors, is indicative of the fact that the new IPR related laws are bearing fruits for the Indian economy.

**IPRs: Issues Before the Developing Nations**

SUDIPTI BANERJEA\*\*\*

The author is of the view that in the developed world a powerful lobby believes that all IPRs are good for business, benefit the public and act as catalyst for socio-economic and technological progress. In the developing world, a strong view exists that IPRs are likely to cripple the national industry and technology, harm the people and benefit only the developed world. Most of the developing countries, though not technologically very advanced, do possess very rich knowledge developed over the centuries and valuable resources of varied types that can benefit not only their own countries but the world at large. The fundamental question that arises is that the IP systems so far generated in the developed world, whether it can help protect such knowledge and vast resources and guarantee justice to their owners. The issue gets complicated because the commercial interests of the developing world often come in conflict with the developmental needs of the developing countries.

**IPRs: A Boon for Small Manufacturing Enterprises**

SUNITA SHARMA\*\*\*\*

Business organizations in developed and developing countries are using IPR protection for a variety of products. The paper provides a brief review of the characteristics and types of IPR, how IPRs are a boon for SMEs and reviews the IPR

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\* Satpal Wadhwa is Lecturer in Commerce, Govt College for Women, Rohtak – 124 001

\*\* Sudhir Shukla is Faculty Member, Dept of Commerce, MG Kashi Vidyapith, Varanasi and Amit Kumar Pandey is Research Scholar, Dept of Commerce, MG Kashi Vidyapith, Varanasi.

\*\*\* Sudipti Banerjea is Faculty Member, Dept of Commerce, University of Calcutta, College Street Campus, Kolkata – 700 073.

\* Sunita Sharma is Head, Dept of Commerce, Maniben Nanavati Women's College, Vile Parle (W), Mumbai – 400 056

policy in India in relation to SMEs and financial institutions. It also makes recommendations to promote IPR awareness in the Indian industry.

### **Enforcement of Patent Rights in India – A Boon for the Infringer**

SUNITA SHARMA\*

The objective of the paper is to highlight the uncertainties surrounding the enforcement of Patent Rights in India. The paper has been divided into three sections. Section I briefly discusses what is a Patent, Patent Law in India and Remedies for Infringement. Section II analyses the archaic provisions of enforcement measures available under the Indian Law which becomes a boon for the infringer. The two sections discussed in details are Section –48 that defines the violation of a patent right and Section – 104 which discusses enforcing of the patent by the patentee. Section III concludes by giving examples of various judgments, which create unhealthy precedents for future cases.

### **What is IPR?**

SUSHAMA GAWANDE\*\*

The author explains what constitutes IPR and proceeds to discuss the various types of IPRs.

### **IPRs: Boon or Bane**

SYED ALAY MUJTABA AND PANKAJ PURUSHOTHAM\*\*\*

In the era of globalization, while the whole world is coming under unified market concept, if all tariffs are brought down to zero, then 'knowledge' becomes the only trade differentiator. IPRs give protection to that very important concept of knowledge by offering tools like trademarks, copyrights, patents, trade secrets, design registration etc. India, according to the authors, is not ready to take advantage of the IPR regime. In the era dominated by WTO, India should look into its potential and try to protect its Intellectual Property by enacting proper legislative measures.

### **IPRs: Boon or Bane**

T.S. TOMAR\*\*\*\*

Indian contribution to the pool of international patents is negligible and needs to be increased substantially. While most of the developing countries are bringing changes in the legal system to protect IP, a lot more need to be done for which it is necessary to enhance basic awareness, upgrade legislation, strengthen infrastructure facilities. If protection of IPRs is not given to the global players, then, innovative research will lose momentum, but if these inventions and innovations are not made universal, vast segments of humanity will be deprived of its benefits and

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\* Sunita Sharma is Head, Dept of Commerce, Maniben Nanavati Women's College, Vile Parle (W), Mumbai – 400 056

\*\* Sushama Gawande is Lecturer in GHRIIT, Nagpur

\*\*\* Syed Alay Mujtaba is Lecturer, Dept of Commerce, Rameswhar College, Muzaffarpur, BRA Bihar University and Pankaj Purushotham is BBA, MDDH College, Muzaffarpur, BRA Bihar University

\*\*\*\*T. S. Tomar is Reader, Faculty of Commerce, SMJN (PG) College, Haridwar

further progress will be immensely hampered. Compared to other countries, the author feels, that there is more growth of knowledge in India, but the quality and pace have to be augmented to match with them developed world.

### **Indian Pharmaceutical Industry: Competitive Advantages and Challenges**

V.M. CHOPDE\*

The paper seeks to analyse how product patents, affect the Indian pharma companies. Indian pharma companies have enjoyed cost advantages due to low fixed assets cost, cheap labour, process expertise, low clinical study costs and sales costs. However, neither Indian companies nor international companies have leveraged the cost advantages in any material sense. About US\$ 60 billion worth of blockbusters will open up to legitimate genuine competition in the near future, and Indian companies are expected to actively participate in supplying generic versions of these blockbusters. MNCs can use the skills of the Indian companies to re-engineer the manufacturing process.

### **17 Creating Knowledge Assets: Role of IPR and Software Projects**

VAISHAIL RANE\*\*

Protection of IPRs in India has been below international standards in some respects. Some copyright standards are equal to the world's most stringent, but others are not. Enforcement is the principal weakness. In any event, neither patents nor copyright protection was important to the Indian software companies in the past. In the future, Indian software companies will shift towards higher value added and more complex software services that will require more advanced technology, more skilled labour, and more managerial and marketing skills. To succeed in this strategic transition, the companies will need to create new and valuable IP, which will be both innovative and reusable.

### **IPRs in Agriculture**

VIJAYA BOOTPUR AND MORAGE PRAKASH V.\*\*\*

The paper explains the concept and the importance of IPRs and also its key forms. The paper also discusses the patent issues relating to Indian agriculture and examines the legal aspects relating to plant variety and farmer rights. The authors conclude by stating that India is a rich source of medicinal plants, which can be commercially exploited and patented by companies. In order to safeguard the national interest, the authors suggest that plants of commercial interest should be both conserved and protected.

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\* V.M.

Chopde is Reader, Dept of Commerce, Dr Ambedkar College, Deekshabhoomi, Nagpur  
\*\* Vaishail Rane is HOD, Computer Dept, NYSS College of Non-AICTE Courses, Pratap Nagar, Nagpur

\*\*\*Vijaya Bootpur is Reader, Dept of Commerce and Management, Gulbarga University, Gulbarga - 585 106 and Morage Prakash V. is SGL in Commerce, Govt First Grade College, Shahapur, Gulbarga - 585 223

Technical Session IV  
**Management of Rural Institutions**

***Chairperson***

Prof. Mohd. Akbar Ali Khan  
Department of Commerce  
Osmania University  
Hyderabad

***Co-Chairperson***

Dr. S.P.S. Bhadu  
Associate Professor  
Department of Bus. Administration  
M.L. Sukhadia University  
Udaipur

***Rapporteur***

Dr. V. Usha Kiran  
Associate Professor  
University College for Women  
Osmania University  
Hyderabad



## Rapporteur's Report

# Management of Rural Institutions

The Technical session started on 28<sup>th</sup>. Dec. 2008 at 10.30 a.m. with the welcome address given by Mrs. Kavita, Faculty member, National Dhanwate College, Nagpur. The Chairman in his key note address raised various issues such as: Continuing problem of Poverty in India, lack of rural infrastructure, falling agriculture growth, health care, political concentration in towns and cities, performance of poverty alleviation schemes, exploitation by money lenders, plight of landless laborers, low level of education, poor skills development, ignorance, crop failure, various rural revolutions which brought impact on the lives of the people. The need of the hour is skill development in rural poor and revival of the rural institutions.

A total of 135 papers were received of which 75 papers were presented. Majority of the papers focused on major areas like micro-finance, bank linkages, rural investments, rural marketing, governance of rural institutions, such as Panchayat raj, gram panchayats, constitution of rural policy making bodies, government schemes for alleviation of poverty and health care and rural banks.

The major highlights of the session are as follows:

- SHGs are truly working as a tool of poverty alleviation and women empowerment.
- Funds should be provided to rural poor through single window;
- The focus should be on capacity building, rural infrastructure and managerial skill of the poor.
- Members of Panchayat Raj Institutions (PRI) lacked the skill of preparing the action plans and PRI require operational restructure.
- Rural banks should be given freedom to lend the loans to the poor without many hassles and should have trained manpower.
- There should be a harmonious balance between theory and practice of studies relating to rural needs.
- A rural secretariat be established so that rural poor need not go round various places.
- Rural institutions should have tailored marketing strategies for present prevailing problems.
- Most of the poor from remote villages do not have access to banks. There should be financial literacy programmes (education camps) to rural people to achieve the financial inclusion.
- There should be a rural friendly institutional framework in rural areas.
- Over dues in RRBs and Co-operatives is serious concern which needs to be addressed.

- Schemes for entrepreneurship, including women entrepreneurship schemes should be introduced to inculcate skill development habits among rural poor.

Dr. S.K. Bhadu, Co-chairman observed that Government should involve research institutions in training the people. Though many institutions are striving hard to achieve rural development, there is no coordination among them in this respect. The Chairman, in his concluding remarks, expressed that inclusive growth can be achieved only when the rural poor are empowered and advised the intellectuals to spend some time with them on regular basis. The session ended with vote of thanks by Mrs. Saroj Jain, a faculty of the College.

## **Micro-finance: An Instrument for Poverty Alleviation** *(A study of Eastern Uttar Pradesh in India)*

MANAS PANDEY

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Micro-finance is emerging as a powerful instrument for poverty alleviation in recent years. The need for micro finance in India has arisen due to failure of formal banking system in meeting the credit needs of millions of rural and urban poor. Micro finance through Self Help Groups is being propagated as an alternative system of credit delivery for the poorest of the poor groups. Micro finance in fact, is a programme for the poor by mobilising the savings of poor and using them to meet their financing needs. This paper analyses the micro finance instrument for poverty alleviation.

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### **Introduction**

The Rural India is the real India, therefore, rural development is pre-requisite for economic development of the country. The problems of poverty in rural and urban areas are due to lack of access for the poor to the basic services like education, health, sanitation, etc. The main reasons of the same are economic dependence, rapid increase in population after Independence, disempowerment and lack of access to credit. Generally the credit facilities were not available to such poor sections of the society until the country attained Independence except through the village moneylenders. After Independence, the co-operatives were expected to help these classes and the Government also launched several subsidized wage and self-employment programmes for the benefit of the poor.

### **Criteria of Poverty**

There are two main criteria to define and measure poverty: (i) income, and (ii) consumption expenditure. Since consumption depends on income, income is regarded as the most comprehensive criterion to measure poverty. However, in India no attempt has been made so far to collect statistical data in respect of income distribution, In India the NSS data on consumption expenditure provide such information that can be used for determining the incidence of poverty and therefore the country adopted the criterion of consumption expenditure to measure poverty. Consumption expenditure takes into account both food and non-food items. Here one thing should also be kept in mind that in the estimation of poverty line we take into account only private consumption expenditure. Public consumption expenditure is not included

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Dr. Manas Pandey is Head, Department of Business Economics, VBS Purvanchal University, Jaunpur -222001, (UP), India.

in the estimation of poverty line in the country. The minimum consumption requirements include (i) a reasonable satisfactory level of nutritional diet, (ii) some minimum reasonable clothing, housing and furniture, and (iii) access to minimum level of education and health facilities.

### Estimates of Poverty

The estimates may not be strictly comparable to the earlier estimates of poverty because of some changes in the methodology of data collection from time to time. An important feature of poverty in India is that its incidence is far greater in rural areas than in urban areas.

Table 1: Estimates of poverty year wise

Year	Rural Sector		Urban Sector		Combined All India	
	Poverty Ratio (%)	Number (Million)	Poverty Ratio (%)	Number (Million)	Poverty Ratio (%)	Number (Million)
1973-1974	56.4	261	49.0	60	54.9	321
1977-1978	53.1	264	45.2	65	51.3	329
1983-1984	45.7	252	40.6	71	44.5	323
1987-1988	39.1	232	38.2	75	38.9	307
1993-1994	37.3	244	32.4	76	36.0	320
1999-2000	27.1	193	23.6	67	26.1	260
2004-2005	28.3	220	25.7	81	27.5	301
2007*	21.1	170	15.1	50	19.3	220

**Source:** Ministry of Finance, Government of India, Economic Survey, 2004-05

\* Projected figure

### Micro Financing

The need for micro finance in India has arisen due to failure of formal banking system in meeting the credit needs of millions of rural and urban people, who constitute poverty or near poverty groups in the country. The formal banking sector always demands high discipline in collateral security, procedures and impracticable repayment schedules. Hence they failed to meet the financing need of those struggling to stay alive. It is possible only by making the strategies to increase the scope of activities of micro finance by including food credit, crop credit, health and consumption loans, skill upgradation and education loan.

### Objectives of the Study

The study aims at:

- examining the performance of micro- financing in rural areas
- analysing the micro finance as an instrument of poverty alleviation
- finding out the role of Self Helps Groups in micro finance.

**Hypotheses:** In Eastern UP micro finance is at a primary stage for poverty alleviation and it is a viable system for improvement in the economic conditions of people in Eastern UP.

### Research Methodology

Primary data has been collected from the eastern UP through a well designed questionnaire schedule and the secondary data has been collected from the various publications of Economic Survey, NSSO, RBI, NABARD, MFIs, and also from the various books and journals. The data thus collected, have been analysed by using the suitable statistical tools for specific interpretation. The study covers the Varanasi, Jaunpur, Mau, Azamgrah, Gazipur, Balia and Gorakhpur districts of Uttar Pradesh in India. The data has been mobilized through random samples of 250 respondents, who were members of the self help groups in the aforesaid districts.

### Analysis and Interpretation

Inequality in the distribution of income and wealth makes the poverty perpetuate and permanent and also reduces the efficiency of the people in general. All efforts for development become futile if the already well-off sections are allowed to corner the additional income largely. In this situation, instead of coming down, the level of poverty may go up. It is, therefore, essential to redistribute income in such a way that the income and consumption level of the poor class may increase. There is need to redirect the flow of income, wealth and resources from the rich people to the poor people. Respondents opinion about the level of awareness about the micro finance are as follows:

Table 2: Level of awareness campaign about micro finance

<i>Level of Awareness</i>	<i>No. of respondent</i>	<i>Percentage</i>
Very Good	41	16
Good	92	36
Average	78	32
Not Effective	39	16
Total	250	100

It shows that in the eastern UP the awareness campaign of micro finance has been getting good response. Nearly 52% people are quite aware of the micro finance (Table 2). Banks, Small Industries Development Bank of India and Non Government Organisations (NGOs) have been assisting rural poor by creating awareness among staff and villagers for better utilization of credit, by participatory financing for the education, health, sanitation, better living conditions, etc. and by mobilizing small savings and generating rural employment.

Poverty can effectively be eradicated only when the poor start contributing to the growth by their active involvement in the growth process. The form of saving and credit or micro credit schemes have succeeded in changing the life of the poor, enhancing their incomes and generating positive externalities, like, self esteem. It becomes possible only through proper information regarding micro finance, which is gathered from the following sources:

Table 3: Source of information about micro finance

<i>Source of Information</i>	<i>No. of Respondents</i>	<i>Percentage</i>
News Papers	60	24
Radio	20	8
T.V	05	2
Banners and Posters	Nil	Nil
Staff Members	80	32
NGOs	85	34
Total	250	100

It is observed that NGOs and banks are the main source of information about micro finance. It covers upto 66% of respondents for information regarding micro finance (Table 3). This is possible through the process of social mobilisation, encouraging participatory approaches of institutions and empowerment of the poor. The income generation orientation of poverty alleviation programmes does not recognise the importance of increased flow of social inputs through family welfare, nutrition, social security and minimum needs programmes in alleviating poverty on a long -term basis. It has been felt for sometime that the credit needs of poor have not been adequately addressed by the formal financial institutions in the country. The vast gap between the demand for and supply of credit to this section established the need for scheduling the interest rate and repayment policies for micro finance.

Table 4: Opinion about interest rate and repayment policy

<i>Opinion</i>	<i>Interest Rate Policy</i>		<i>Repayment Policy</i>	
	<i>No. of Respondents.</i>	<i>%</i>	<i>No. of Respondents</i>	<i>%</i>
Very Good	88	36	98	40
Good	72	28	92	36
Average	59	24	60	24
Not Satisfactory	31	12	Nil	Nil
Total	250	100	250	100

It may be observed that 64% respondents were well satisfied with interest rate policy while more than three-fourths of respondents were well satisfied with repayment policy of micro finance (Table 4). A number of measures have been taken in India's development plans in the direction of poverty alleviation, but they could not produce the desired results. Micro finance through Self Help Groups is being propagated as an alternative system of credit delivery for the poorest of the poor. The Self Help Groups brought out a sea change in perceptions of bankers and borrowers that SHGs are not merely vehicles for credit but also perform a multi-faceted role in the development of poor. Unless these sections of the society are empowered,

their upliftment and country's overall economic development cannot be guaranteed.

Table 5: Awareness and satisfaction of respondents about performance of SHGs

<i>Levels of Awareness and Satisfaction</i>	<i>Awareness about SHGs</i>		<i>Satisfaction Level of SHG</i>	
	Number of Respondents	%	Number of Respondents.	%
High	40	16	72	28
Moderate	90	36	88	36
Low	110	44	63	24
NA	10	04	27	12
Total	250	100	250	100

It shows that a majority of the respondents were aware of the functioning of SHGs and about two third majorities of the respondents were satisfied with the performance of SHGs (Table 5). This awareness and satisfaction has exhibited a spatial variation in the area under the study.

Table 6: Awareness and satisfaction of respondents

<i>District</i>	<i>Awareness %</i>	<i>Satisfaction %</i>
Varanasi	51	61
Jaunpur	52	64
Mau	54	62
Azamgrah	56	63
Gazipur	52	66
Balia	51	62
Gorakpur	56	63
Mirzapur	52	61
Overall Average	52	64

It shows that the awareness about the SHG averaging 52% throughout all the districts covered under the study whereas 64% respondents were satisfied with the functioning of SHGs (Table 6). The awareness about the SHGs amongst Azamgarh, Gorakhpur and Mau respondents has been more than the average while the satisfaction level with the performance of the SHGs amongst respondents from the Gazipur and Jaunpur districts has been found satisfactory comparatively.

It is estimated that near about all agencies in India are engaged in the provisions of micro finance services for providing increasing facilities to the poorer section of the society so that they can invest more in agricultural sector, and cottage and tiny industries.

Table 7: District-wise performance analysis of the micro finance

District	Awareness %	Satisfaction		
		Interest Rate Policy %	Repayment Policy %	Consultation Facility %
Varanasi	52	64	72	61
Jaunpur	54	61	78	64
Mau	55	60	74	68
Azamgrah	56	67	73	67
Gazipur	50	68	70	68
Balia	53	62	75	63
Gorakhpur	53	66	76	69
Mirzapur	51	63	72	66
Overall Average	52	64	76	68

It reveals that the awareness about the micro finance is, on an average, 52%, satisfaction regarding interest rate policy is averaging 64%, repayment policy covered 76% and consultation facility satisfied 68% respondents respectively (Table 7). It is observed that performance of Micro finance is satisfactory in almost all districts but Varanasi, Gorakhpur, Azamgarh and Jaunpur have shown better performance in regard to micro finance.

#### Micro Financing and Poverty Alleviation Levels of Respondents

Thus, the study expect the Poverty-Index (PI) to be a function of age, family structure, earning capacity, employment opportunity and tenure at the NGO/ SHG's. A bivariate analysis reveals that there are no significant correlations among the independent variables and dependent variable except tenure at the NGO/ SHG's. In order to understand the combined effects of all the conceptualized variables, we use a regression model using the data for ' NGO/ SHG's' and 'Respondent' combined, we do not include the other group, as they all have zero years at the NGO. This will provide an estimate of the combined explanatory power of the independent variable on the P – Index (PI).

Therefore, the equation  $PI = f(A, E, C, F, T)$

where: PI = Poverty- Index – dependent variable, an aggregate of four separate indexes

f = Function

A = Age in years,

E = Employment Opportunity

C = Earning Capacity (Dummy Variable 0= low earning, 1= above low earning),

F = Family Structure (Dummy Variable 0= nuclear, 1= Joint family),

T =Years of Tenure at the NGO/ SHGs

Table-8: Regression analysis of micro financing and poverty alleviation

<i>Linear Regression Model: Dependent Variable: P-Index</i>	<i>Unstandardized Coefficients</i>	<i>Standardized Coefficients</i>	<i>t</i>	<i>Significance</i>
	B	S. E	Beta	p
Constant	12.524	4.425		2.831 .007
Employment opportunity	.423	.210	.280	2.020 .050
Earning Capacity	-2.600	1.502	-.231	-1.731 .091
Age	4.686E	-02.073	.089	.639 .526
Family Structure	2.067	1.328	.202	1.556 .127
Years in NGO/SHGs	.548	.131	.538	4.167 .000

R square = .40 N=250

Using the T-test for family structure ( $t= 1.27$ ) and earning capacity ( $t=.91$ ) these are not significant,  $p>.05$ . For years of tenure at the NGO/SHGs, age and employment opportunity, only years of tenure at the NGO/SHGs is significant at  $p<.01$  (Pearson's coefficient correlation =0.556 at  $p<.01$ )

The regression in Table- 8 shows that years in the NGO, and employment opportunity are two significant explanatory variables. In both the bivariate analysis and the regression model, the years in the NGO are significant. It is interesting to note that employment opportunity is only significant in the regression model. This suggests, that employment opportunity, in and of it self, may not be sufficient to give a poor a high P-Index. It is likely that a poor with higher human capital is more receptive to the experiences of a working in an NGO. Thus we see the explanatory power of employment opportunity when combined with longer tenure at the NGO.

What needs further explanation is why the variables such as age, earning capacity, employment opportunity, and family structure were not significant in the regression model. One explanation may be, that given the poor rural environment from which these originate; the social traditions and disenfranchisement of poor people were similar regardless of their employment opportunity or age. The earning capacity variation was also fairly minor, as our qualitative notes showed. The respondents were asked to say whether they were classified themselves between lower earning capacity classes or above lower earning capacity classes. Almost all said lower earning capacity class. On some prodding, those with any regular source of income put themselves in the above lower earning capacity class. What is surprising to us is how many people lived in nuclear families still scored low on the P- Index. However, they lived in fairly close proximity to their in laws and extended families, and this negated the influence of family structure.

In depth interviews allowed us a glimpse into the manner in which the 'Micro Finance' through SHGs had managed to transform their lives and it is indicative from our findings that people living in rural area who had come to the NGOs for assistance, despite their earning capacity level, would have scored very low on the P-Index before being employed and facing common denominators of subjugation, poverty and helplessness.

### **Conclusion**

With a view to evolving supplementary credit strategies for reaching the unreached rural poor in the rural areas micro finance innovations are yielding results and giving hope to the millions of poor through providing credit. In other words, micro finance is a programme for the poor and by the poor to mobilize the savings and use them to meet their financing needs. Thus, micro financing is a new method to meet the credit requirement in rural areas. In other words, there is need to evolve an informal credit system with assistance from formal financial institutions. Though the size of credit is very small for the target users, like micro entrepreneurs and low income households to utilize the fund for income generation and enterprise development and is also for community use, with the nominal terms and conditions and easy to understand with the help of SHGs and Banks. There is now mounting hope that micro finance can be a large scale poverty alleviation tool. Banks too are shedding their old reluctance to lend to the poor, and are looking to tap the expertise of micro credit groups to create a new market.

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# **Impact of Economic Reforms and Role of Management of Rural Development Institutions on Sustainable Rural Economic Development**

PRAKASH A AND SOOFI ASRA MUBEEN

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The primary objective of this paper is to study about the economic impact of various programs implemented in rural areas especially schemes pertaining to women and also study about lapses in execution of the plans. This study is based on secondary data. The period of the study is covered from 2000 onwards. In this study micro economic indicators are used - rural income, employment, peoples' participation in rural programs, rural organizational structure etc. Trend analysis is used to study the impact of various schemes and programs introduced in rural areas.

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## **Introduction**

The economic reforms in India initiated in June 1991 to integrate with the global economy through trade, investment and technology flows and for this purpose, create conditions which would give Indian entrepreneurs an environment broadly comparable to that on other developing countries. Economic reforms include -fiscal stabilization, industrial policy, foreign investment, trade policy, exchange rate policy, tax reforms, public sectors policy, financial sector policy, agricultural sector, and labor market reforms. A common criticism of India's economic reforms is that they have been excessively focused on industrial and trade policy, neglecting agriculture which provides the livelihood of 60 percent of the population. The vast majority of rural inhabitants still depend directly or indirectly on agriculture and its allied activities for their sustenance. For many rural people- smallholders, landless wage laborers, and sharecroppers, small entrepreneurs, members of scheduled castes and scheduled tribes and lack of a collective organization deprive them of the power to influence decisions affecting their lives.

## **Objective of the Study**

The Primary objective of this paper is to study about the economic impact of various program implemented in rural area especially women's programs.

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Prakash A is Senior lecturer, Birla Institute of Technology, International center, Muscat. Ms. Soofi Asra Mubeen is Research Scholar, Department of Commerce, Osmania University, Hyderabad, India.

## Methodology

Secondary data have been used. Micro-economic indicators have been used for this study. In order to analyze the performance of rural institutions, a simple comparison analysis regarding investment in agriculture, government plan and non-plan expenditure on rural development and its impact on rural employment and income has been used.

National Bank for Agriculture and Rural Development (NABARD) at national level, Regional Rural Banks (RRBs), Commercial Banks, Co-operative Banks are some of the major banking institutes established to develop the rural India. These institutions are instituted to channelize the funds to cater the needs of planned rural programs. These institutions have been channelizing the funds through micro institutions at grass root level such as Agricultural Producer Associations, Rural Workers Associations, Primary Agricultural Credit Societies – Rural Credit Banks, Women and Youth Associations and other Self Help Groups are examples of such rural institutions at grass root level. They have been traditionally defined as organizational entities with procedures and regulatory frame works.

Microfinance is one way of fighting poverty in rural areas, where most people live. It puts credit, savings, insurance and other basic financial services within the reach of poor people. Through microfinance institutions such as rural banks and non-governmental organizations, women's Association, poor people can obtain small loans, receive remittances from other sources and safeguard their savings. It is proved that the poor people especially women have often good credit ratings. Example, in Bangladesh women default on loans less often than men and credit extended to women has a much higher impact on women's status, their children, family income etc. Farmers' Club Program which is redesigned in view of the current context of national agenda of Farmer First. The basic objective of the program is to organize the farmers around a common agenda so as to enable them to gain access to credit, technology and extension services. As on March 2007, RRBs promoted maximum number of clubs 9180, commercial Banks 6949, Co-operative Banks 5018 other agencies like NGOs and agriculture universities promoted 1810 clubs. Region-wise distribution of clubs indicate, as southern region (35%), the Central (21%), the western (17%), the eastern (15%), the northern region (9%), and the NER (3%).

The SHGs- bank linkage programme launched by NABARD in 1992 continues to be the predominant micro-finance model in the country. During (2006-07) 6, 86,408 new SHGs were credit linked with banks as against 6, 20,109 during 2005-06. Total cumulative number of SHGs in the country during 2000-07 is 29, 24,973.

Table 1 shows that credit disbursement by different agencies at gross root level. The total disbursement of all the agencies was at 2, 03,296 crore while the target was at Rs. 1, 75,000 crore. The Ground Level Credit (GLC) flow for agriculture and allied activities during 2006-07 registered with a growth of 13% over the previous years. The credit flow from Co-operative Banks, RRBs and Commercial Banks increased by 8%, 34%, and 12% respectively. But

the rate of growth during 2006-07 was decrease by 18% when compared to 2005-06. Total credit flow from all the agencies was 13%. Reduction of investments on rural areas will have negative impact on rural income, employment, and agricultural related areas. Agency wise Average credit flow from 2002 to 2007 was 31 percent. It is a serious concern and worth noting at this juncture that co-operative banks especially PACSs should be strengthened in order to improve rural areas.

Table 1: Ground level credit flow (GLCF) agency-wise GLCF

Agency						Growth Rate (%)		
	02-03	03-04	04-05	05-06	06-07	05-06	06-07	02-07#
Co-op. Bank	23,636	26,875	31,231	39,404	42480	26	8	16
RRBs	6070	7581	12404	15223	20434	23	34	35
Commercial Banks	39774	52441	81481	125477	140382	54	12	37
Other Agencies	80	84	193	382	NA	98	-	-
Total	69560	86981	125309	180486	203296	44	13	31

# Compound Annual Growth Rate

Source: 10 the Five Year Plan Document

Sub-sector cumulative credit flow during 2002-06 was 32 percent (Table 2). Among the sub sector, distribution of crop loan enjoys the maximum which accounted for 42 percent during the year 2002-06. Minor irrigation, Farm mechanization and Hi-Tech agriculture, animal Husbandry were also given attention. Fisheries show the negative growth during 2005-06 when compared to average of 24 percent during the period 2006-06. Among the sub-sector, crop loan constitute nearly an average 60 percent of the total ground level credit flow. Minor irrigation, farm mechanization and hi-tech agriculture got about an average 12 percent of the total GLCF.

Table 2: Sub-Sector-wise GLCF for agriculture and allied activities

Sector/Sub-						Growth Rate (%)	
	2002-03	2003-04	2004-05	2005-06			
I. Crop loan	45,586	54,977	76,062	1,05,350	32	38	
II. Term loans (MT&LT)	23,974	32,004	49,247	75,136	46	53	
Minor irrigation	1,976	2,730	4,186	8,663	64	107	
Land development	393	579	840	1,749	64	108	
Farm mechanization	3,600	3,896	4,555	9,965	39	113	
Plantation and horticulture	1,195	1,436	1,720	4,481	55	161	
Animal husbandry#	2,637	2,928	3,097	7,341	41	137	
Fisheries	539	1,142	1,301	1,019	24	-22	
Hi-tech agriculture	2,268	4,017	6,648	9,737	62	46	
Others \$	11,366	15,186	26,900	32,451	42	21	
Total (I+II)	69,560	86,981	1,25,309	1,80,486	37	44	

Source: 10 the Five Year Plan Document

\* % change over the previous year

# includes dairy development, poultry farming and sheep/goat/piggery

\$ includes storage/market yards, forestry, waste land development, bullock and bullock carts. Bio-gas

Rate of growth of PACSs during 2001-02, 2003-04 and 2005-06 was showing negative growth (Table 3). Some of the societies might have become dormant which may be resulted to merge with others. Similarly membership is also declined during 2004-06. There is a drastic change in borrowings and showing negative trend. During 2003-04 total demand of the loan itself was -9.69 and this has its impacts on borrowings and not only that during that period almost all performance indicators are showing either very narrow growth or negative growth. During 2002-03 the performance indicators are sounds better. The important concern in this study is that the mounting over dues. During 2001-02 to 2002 - 03, the overdue has increased from 10.25 to 38.15 percent. Certainly this will affect the sustainability of the institute. The government should take remedial measures to improve upon this grave area. Although the overdue during 2005-06 was negative, it does not mean that the total amount of overdue is reduced drastically. The average overdue during the period 2001 – 2006 is 10 percent. This will have serious impact on working capital, capital and sustainability of the banks.

Table 3: Performance of primary agricultural credit societies (PACS)

Items	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Number (lakh)	0.99	0.98 (-10.10)	1.12 (14.28)	1.06 (-5.35)	1.09 (2.83)	1.06 (-2.75)
Membership (thousands)	99,918	102141 (2.12)	123552 (21.00)	135411 (9.60)	127406 (-5.91)	125197 (-1.73)
Borrowing members	46533	55545	63880	51265	45070	46076
Owned funds(crores)	5594	6856 (22.56)	8198 (19.57)	8,397 (2.43)	9,197 (9.53)	9292 (10.33)
Deposits (crores)	13481	14846	19,120	18,143	18,976	19561
Borrowings(crores)	25890	29475 (-19.37)	30,278 (15.00)	34,297 (-19.75)	40,249 (-12.08)	41018 (2.23)
Loans issued (crores)	25698	30770 (19.74)	33,996 (10.48)	35,119 (3.30)	39,212 (11.65)	42920 (9.46)
Total demand (crores)	28764	34077 (18.47)	40341 (18.38)	44237 (-9.69)	47785 (8.02)	50979 (6.68)
Loans outstanding	34522	40779 (18.11)	42411 (4.00)	43873 (3.45)	48785 (11.20)	51779 (6.13)
Loan collections	18726	23010	25051	27942	31733	35503
Total over dues	10038	11067 (10.25)	15289 (38.15)	16295 (6.58)	16502 (1.27)	15476 (-6.22)

Source: Performance of PACS April 1, 2005 to March 31, 2006. National Federation of State Cooperatives Banks Ltd. (NAFSCOB)

Figures in parantheses refer to growth percentage over previous year.

**Suggestions**

- Focus must be given to the agriculture sector in all future reforms since many more jobs can be created in the agriculture sector.
- Existing poverty reduction programs must be strengthened.
- The PACS should be strengthened its operations to support the agricultural sectors.
- The rural development programs should address the local needs, instead of forcing them to accept the pre-conceived plans.
- The government should ensure that the rural programs reach the targeted people.
- A common accounting and management information system with appropriate checks and controls should be developed.
- Non- performing assets in rural banks should be avoided.
- Emphasis must be given to the areas such as Health, Education, gender justice, welfare development of scheduled caste and scheduled tribe and other backward communities to reduce poverty.

**Conclusion**

The planners and policy makers should give due importance to have a balanced economic growth in the country by giving more emphasize on agricultural sectors. Rural institutions role and its performance for rural development is very important. Working of rural financial institutions such as co-operative societies especially PACS should be strengthened.

## **Transmutating Watershed Technology in J&K : Experiences from Watershed Development Projects Under DPAP**

NEETU ANDOTRA, POOJA AND BUPINDER KAUR

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The present paper analyses agriculture productivity, adoption level of technology among farmers of WAs, net incremental gains from major crops and level of people's participation in three micro WDPs falling in sub-tropical zones of J&K state namely, Sue-Chaker, Sundrani and Kawa-Baryal. The results suggested availability of funds, input and technology through single window system; popularising alternative agri. patterns and capacity building of WAs through training and field exposures.

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### **Introduction**

In recent decades, developed and developing countries are increasingly adopting variety of Watershed Technology (WT) such as bench terracing, nallah bank erosion, gully plugging, diversion drain, water harvest structures etc. 'to establish an enabling environment for integrated use, regulation and treatment of water and land resources to accomplish resource conservation, agriculture production, biomass generation and thereby sustaining social and economic development (Mayers 1993, Newson 1992, Jain 2000). In India, since the inception of Watershed Development Projects (WDPs) an estimated US \$ 3.5 billion have been invested by the Govt. The World Bank, Danish Development Agency (DANIDA), State Institute of Rural Development (SIDA), Swiss Development Corporation (SDC), Department for International Development (DFID) and Indo-German Watershed Development Programmes (WDPs) for rehabilitation and development of Micro-Watersheds. In the earlier soil and water management technology, non adoption among farmers/villagers was high on account of several factors such as high initial investment, high operational & maintenance costs and high technical input requirement. Accordingly after ceaseless efforts of ICAR, SAU and many NGOs working on Watershed projects, people's participation through Watershed Associations (WA) are evolved to address three sustainable agriculture component: ecological sustainability, economic sustainability and social sustainability. These WAs are informal networks, comprising directly or indirectly dependent watershed area population and meets at

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Dr. Neetu Andotra is a Professor, Department of Commerce, University of Jammu, Jammu.  
Dr. Pooja is a Contractual Lecturer, Jammu University Campus, Udhampur. Ms. Bupinder Kaur is a Contractual Lecturer, Department of Commerce, University of Jammu, Jammu

least, twice a year to evolve/improve the village watershed development plan, monitor and review its progress, approve the statement of accounts, formation of User Groups/Self-Help Groups, resolve differences or disputes between different User Groups, Self-Help Groups or amongst members, lay procedure for the operation and maintenance of assets created, appropriation of Watershed Development Fund and take disciplinary actions against members (Watershed Guidelines 1994). This informal group has the potential to transform rain fed farming into more sustainable productive systems by mitigate the adverse effects of drought, preventing ecological degradation, promoting saving and other income generation activities, human resource development etc. (MoRD 1994).

### **Watersheds Under DPAP Udhampur in J&K State**

The Drought Prone Area Programme District Udhampur with an area of 4550 sq km lies between 32° 45' to 33° 30' north latitude & 75° 35' to 75° 55' longitudes, forms fifth largest district of J&K State. The DPAP Udhampur started functioning in April 1982 and initially covered eight blocks namely, Udhampur, Chenani, Panchari, Reasi, Pouni, Arnas, Mahore and Gool. The elevation of the three micro Watershed Development Projects (WDPs) namely, Sue-Chaker, Sundrani & Kawa-Baryal covered under the study varies between 800-1250m above MSL. The topography of the area is undulating, cut up, rolling type and the general slope of the area ranges from 10-80% towards north-west. The area is traversed with numerous dry nallahs and depth of gullies so formed ranges from 4 metres to 20 metres. The water of the area drains into the Barhma nallah which ultimately merges into river Tawi. Due to erosion on the bank of nallahs, numerous land slides during the rainy season causes damage to the soil as well as to the vegetation. The cropping pattern in watersheds are: maize-fallow, mustard-fallow, mustard-maize, maize-mustard, fallow-rice, mash-wheat, potato-wheat and maize-barley. Due to lack of irrigation facilities paddy is grown on limited areas and vegetables like peas, brinjals, radish, knol-khol, lady finger, cowpease, beans, curcubits are grown for own consumption. 84% of the watershed population is dependent on agriculture and land holdings of the farmers are small and marginal ranging from 0.5 to 2.0 hectares. 54% of the population is schedule caste. Agriculture is rainfed with frequent occurrence of moisture stress/draught like situations but in few cases excessive rains causes slip and splash erosion.

GOI through a range of schemes, projects and programmes falling under three Central Govt. ministries (agriculture, forest and rural development) initiated Watershed Development Projects to ensure the availability of drinking water, fuelwood, fodder and increase income and employment for farmers and landless labourers through improvement in agriculture production and productivity (Rao, 2000). Benefits from water harvest structures ranged from increased aquifer recharge from 5.2% to 38.5% (Khan, 2004), intensified land use with emphasis on cash crops and livestock husbandry (Sharma, 2002), income generating schemes contributing in raising family status and improved water flow (Shrestha, 1998), increase in the value of rain fed dry land by 17% (Lokesh, 2004), increase in the net

incremental income at Rs. 1680 per hectare with family labour ( Sripadmini 2004), asset building by SHG( IWDP Report 2004) etc. have spatially touched the various aspect of watersheds besides being area specific. An integrated approach under one nodal agency (DPAP) in sub-tropical zones has remained untouched.

### **Research Methodology**

Data were collected in two phases. In the first phase, physical and financial assessment of various agronomical and engineering measures carried in the WDPs were conducted by contacting office of the Project Officer DPAP Udhampur/Chairman of Watershed Committee/Team leaders of respective blocks. Expenditure of 42.21 lakhs, the percentage expenditure of Department of agriculture was 44.11, Forest department 50.14, Department of Sericulture 4.81 and department of Horticulture 1.04. In the second phase, a schedule needed for collection of primary data from farming community constituting WAs in the respective WDPs was developed from review of literature and through discussion with knowledgeable people, covering twelve impact variables adopted by Deshpande and Narahayanmoorth (1999) while reviewing the implementation of NWDPRAs across studies in India. Apart from descriptive and open ended questions, some questions were kept on 5-point Likert scale (5<.....>1). The same after pre-testing, got filled from 10% male population (602) selected through multi-stage systematic random sampling technique from three WDPs namely, Sue-Chaker (200), Sundrani (196) and Kawa-Baryal (206). The collected data were further purified using factor analysis (SPSS version 15.00). The results of Exploratory factor analysis using principal component method with Varimax rotation and Kaiser Normalization method yielded 17 factors from 21 items with Eigen value equal to 1. The communalities for items were indicative of higher degree of linear association among variables. The factor loading ranged from 0.559 to 0.968 and cumulative variance extracted ranged from 51.54 to 65.63. The reliability of the scale items was tested using Cronbach's Alpha method, the values ranged from 0.309 to 0.706.

Several studies have demonstrated net benefits from watersheds-Improved land use pattern (Balak, 2004), decrease in run off up to 55% ( Sharma, et al. 2001), beginning of several agro-forestry practices such as agro-horticulture, agro-silvicultural systems and silvo-pastoral system increasing total productivity per unit area (Joshi, 2004), promotion of enterprise like sericulture, mushroom, horticulture (Singh, et al. 2005), introduction of new crop variety to increase farm production (Sharma, 2002), increase in net incremental income from agriculture and family labour. Results of Rajeev Gandhi Watershed Mission (M.P.) showed increase in area by 16% and productivity by 30% in rabi and increase of 16% in area and 30% productivity in kharif compared to pre WDP levels. The success stories of WDPs namely, Sukhomajri village in Haryana, Pani Panchayat in Maharashtra, Ralegaon Siddhi in Maharashtra, Rajsamadhivals village in Gujarat, Thanagazi area in Alwar district of Rajasthan, direct well-recharge in Saurashtra have ensured the availability of drinking water, fuel, wood & fodder but also have helped in raising income & employment of farmers & landless labourers

through improvement in agriculture production and productivity. Similarly, increase in productivity ranging from 2-4 percent to semi dry crops were also recorded under Integrated Watershed Development Programme, Medak Nalla Watershed (Karnataka).

Participation in watershed management is recognised as a preferred tool to address the issues associated with balancing environmental concerns and consumptive use of water ( Kenney et al 2000). This paradigm shift of development strategy from 'what the project can do to help the people' to 'what the project can do with people's participation' in 1980s and 1990s was the outcome of a number of flaws and resulting poor performance exhibited by the NWDPRAs along the early large scale watershed development programmes of GOI: evaluation according to biophysical factors without regarding people's livelihoods, operations in a top down fashion, little commitment to the maintenance of water harvesting structures so crated and a syndrome of dependency on Government (Turton, 2000). Soil conservation works on rain fed plots are much better maintained were participatory approach is adopted and farmers themselves have made a financial contribution towards their cost, neglect of women and poor (Kerr, et al. 1998). Participation and communication may be passive, functional, interactive etc. which may relate to specific action for a limited purpose ( Peabody, 1965), active involvement of citizens in the decision-making process (Heap, 1976), self-motion (Giovanni & Sartori, 1970) and a process whereby those with legitimate interests in a project both influence decisions which affect them and receive a proportion of any benefits which may accrue (ODA 1966 as quoted by Turton, et al. 1998). Such a process has showed a shift from self destruction to rejuvenation (Arya & Samra, 2001) and short term/on-site/direct/tangible benefits to beneficiaries (Tejwani K.C 2005).The comprehensive framework for capacity development in environment (CDE) published by DAC(OECD-DAC 1995,OECD-DAC 1997a,OECD-DAC 1997b,OECD-DACnd) focussed on empowering communities with technical facilitation support from the technical staff & making them responsible for all steps of project cycle (identification, planning ,management, implementation, monitoring and evaluation of activities)both on the private as well as community land. Thus it is hypothesized:

- $H_1$ : *Application of Watershed technology leads to improved agriculture practices.*
- $O_{1a}$ : *To investigate increase in agriculture productivity in major agri. crops.*
- $O_{1b}$ : *To assess shift in higher remunerative crops among members of Watershed Associations.*
- $O_{1c}$ : *To measure incremental gains accruing to members of WAs consequent upon the implementation of watershed technology.*
- $H_2$ : *People's participation is necessary in planning, implementing and improving watershed projects.*
- $O_{2a}$ : *To assess the degree of people's participation through Watershed Associations in Sue-Chaker, Sundrani and Kawa-Baryal WDPs.*
- $O_{2b}$ : *To locate the training needs of WAs so as to make people's participation in WDPs effective.*

### Data Analysis

Table 1 shows comparative pre-post agriculture productivity of various crops including vegetables and fodder among the farmers of Sue-Chaker, Sundrani and Kawa-Baryal WDPs of district Udhampur. Average productivity of paddy improved considerably and recorded as 1.48 qtl/ha in Sue-Chaker, 1.55 qtl/ha in Kawa Baryal and 2.02 qtl/ha in Sundrani. In case of Jowar, the average productivity rose by 6.34 qtl/ha (Sue-Chaker), -0.01 qtl/ha (Sundrani) and 0.25qtl/ha (Kawa-Baryal). Average productivity of maize from pre-post development activities in the watershed rose from 10.10 qtl/ha to 11.31 qtl/ha, 6.24 qtl/ha to 6.33 qtl/ha and 9.41 qtl/ha to 15.07qtl/ha in Sue-Chaker, Sundrani and Kawa-Baryal respectively. Maximum increase in productivity of wheat was recorded at 12.87qtl/ha in Kawa-Baryal followed by 1.42qtl/ha in Sundrani and least at 0.09qtl/ha in Sue-Chaker WDPs. Average productivity of barley rose by 1.6qtl/ha whereas rape and mustard recorded an increase of 1.44qtl/ha in Sue-Chaker WDP. Similarly, increase in average productivity was recorded in respect of vegetables and fodder in all the three WDPs. Average productivity of bajra declined in Sue-Chaker, whereas it remained almost static in Sundrani even after the Watershed Development project activities. From the above analysis, it may be concluded:

- a. Productivity in respect of major crops in post WDP increased noticeably as compared to pre WDP.
- b. Local varieties continued to remain popular in pre-post WDP phase. Productivity in respect of improved varieties continued to remain low against the standardised due to non-availability of other inputs needed to meet crop requirements for higher level of productivity on sustained basis.
- c. Productivity of both local and improved varieties of crops remained low for want of required level of application of monetary and non-monetary inputs.

Table 2 reveals comparative percentage increase /decrease in area under local/improved varieties in post watershed period compared to pre watershed period in Sue-Chaker, Sundrani and Kawa-Baryal WDPs. Area under local variety of paddy declined in Sue-Chaker but recorded an increase of 37.23% in Sundrani and 3.33% in Kawa-Baryal WDPs. Usage of improved variety showed maximum increase at 200 % in Sue-Chaker, 37.23% Sundrani and 3.33% Kawa-Baryal WDPs. Percentage increase in area under local variety of Jowar was reported maximum at Sue-Chaker (126.22), Sundrani (15.79) whereas Kawa-Baryal showed negative trend. Area under improved variety of Jowar rose by 164.29% in Sue-Chaker WDP. Area under local variety of maize showed negative trend, whereas under improved rose to maximum at 1175 % in Sue-Chaker followed by 360 % in Sundrani WDP. Area under local wheat declined in Sue-Chaker but recorded increase in the remaining two WDPs. Area under improved/hybrid variety of wheat recorded maximum increase in Kawa-Baryal (400%). Usage of local variety of barley declined in Sundrani and its improved /hybrid cultivation was reported to be discontinued in all the three watersheds. Local variety of rape and mustard declined in Sue-Chaker but reported increase in Sundrani

Table 1: Average pre-post agriculture productivity among farmers of Was in Watersheds of District Udhampur

Crop	Variety	(Productivity in qtl/ha)					
		Pre WDPs			Post WDPs		
		Sue- Chaker	Sundrani	Kawa- Baryal	Sue- Chaker	Sundrani	Kawa- Baryal
Paddy	Local	6.53	6.38	6.66	8.00	7.75	14.00
	China	6.50	7.73	-	7.60	10.15	-
	Ratna	6.32	10.82	-	8.57	12.94	-
	Local/Ratna	-	-	-	-	7.50	-
	Ratna/China	-	-	-	8.00	-	-
	Basmati-370	-	8.00	6.00	-	5.22	4.31
	PC-19	-	12.00	6.39	-	18.00	10.39
	Average	6.45	8.79	6.35	7.93	10.81	7.90
Jowar	Local	5.61	0.73	0.75	7.96	0.72	1.00
	Pioneer	14.86	-	-	16.56	-	-
	M.P-Cherry	10.00	-	-	12.83	-	-
	M.Ch/Pioneer	-	-	-	28.60	-	-
	Average	10.15	0.73	0.75	16.49	0.72	1.00
Maize	G.S-2	9.37	6.24	9.41	10.88	6.97	15.07
	Pioneer	10.80	-	-	12.67	-	-
	G.S-2/Mansar	-	-	-	9.67	-	-
	Mansar	-	-	-	12.23	-	-
	Kanchan	10.30	-	-	-	-	-
	Pio/Kan	-	-	-	11.48	-	-
	Pio/G.S-2	-	-	-	10.95	-	-
	Apnamaka	-	-	-	-	5.69	-
Average	10.16	6.24	9.41	11.31	6.33	15.07	
Wheat	Local	6.28	7.98	6.26	7.96	7.78	7.20
	Sonalika	6.00	-	-	6.57	-	-
	1553	7.70	-	-	-	-	-
	542/2004	6.67	-	-	-	-	-
	1553/2004	5.60	-	-	-	-	-
	1553/SI	5.00	-	-	-	-	-
	SI/2004	-	-	-	6.40	-	-
	SI/2329	-	-	-	7.50	-	-
	Ray-3077	-	-	-	-	3.24	32.75
	Average	6.21	7.98	6.26	7.11	9.40	19.98
Barley	Local (AV)	2.90	4.00	-	4.50	-	-
Rape & Mustard	Local (AV)	2.96	-	-	4.40	-	-
Vegetables	Local(AV)	17.48	27.71	29.52	26.14	28.07	42.32
Fodder	Local (AV)	35.94	47.49	50.90	40.72	47.88	51.19
Bajra	Local (AV)	4.19	2.00	-	3.88	2.00	-

Source: Field survey

WDP. Usage of improved/hybrid varieties of vegetables, fodder and bajra were found to be non-existent in all the three WDPs. Area under local variety of vegetable recorded maximum increase in Sue-Chaker followed by Kawa-Baryal and least in Sundrani WDPs. Local variety of fodder and bajra continued to be cultivated more intensively in Sundrani as compared to Sue-Chaker WDP. From the above analysis, it can be inferred:

- Gradual fall in the usage of local varieties and more of improved/hybrid varieties in post WDPs was observed significantly.
- Farmers continued to cultivate local varieties in respect of barley, rape & mustard, fodder and bajra, with corresponding increase in area during the post WDP compared to pre WDP.
- Number of farmers cultivating local variety of paddy declined in post WDP. Improved high yielding varieties registered more usage in middle regions of WDPs during post watershed development period.
- Farmers continued with more local and less with improved/hybrid variety of Jowar in post WDPs.

Table 2: Shift towards higher remunerative crops among farmers of watershed associations

(Area in ha)

Crop		Variety% increase/decrease in area after WDP		
		Sue-Chaker	Sundrani	Kawa-Baryal
Paddy	Local	-89.71	+37.23	+3.33
	Improved	+200	+0.0.18	+6.87
Jowar	Local	+126.22	+15.79	-50.00
	Improved	+164.29	Nil	Nil
Maize	G.S-2	-61.43	-17.11	-14.67
	Improved	+1175.93	+360	Nil
Wheat	Local	-11.37	+33.59	+15.85
	Improved	+30.53	+370	+400
Barley	Local	Nil	-100	Nil
	Improved	Nil	Nil	Nil
Rape & mustard	Local	-18.18	+114.29	Nil
	Improved	Nil	Nil	Nil
Vegetable	Local	+131.88	+32.94	+57.93
	Improved	Nil	Nil	Nil
Fodder	Local	+9.78	+10.37	Nil
	Improved	Nil	Nil	Nil
Bajra	Local	-33.33	+100	Nil
	Improved	Nil	Nil	Nil

Source: Field survey

Tables 3. shows crop-wise net incremental gain from cultivating major crops in Sue-Chaker, Sundrani & Kawa-Baryal WDPs. Net income was calculated by subtracting average five years' cost of cultivation from five years' average price of a crop. The year-wise cost of cultivation and market price of crop

(including straw) was obtained from J&K Dept. of Food and Supplies, Cooperatives, Food Corporation of India, Dept. of Agriculture (Udhampur) and prevailing rates in Udhampur market. The net income obtained from paddy, jowar, maize, wheat, rape and mustard, vegetables, fodder and bajra was Rs 62,637.5, Rs.-2324, Rs. 51590, Rs.140271, Rs. 3855, Rs.55788, Rs.199038 and Rs. -137 respectively in Sundrani WDP. Similarly a comparison of pre & post watershed income from Kawa-Baryal WDP revealed that crop wise net benefits from paddy were (Rs.98,880), jawar ( Rs.-500), maize (Rs.85,743),wheat (Rs. 2,51,730), vegetable(Rs. 1,14,852) and fodder (Rs.2,93,025). In both these WDPs there has been marginal increase in gross area under different crops due to undertaking of different agriculture activities. A perusal of Table 3 reveals that compared to other WDPs, farmers of Sue-Chaker WDPs derived maximum income from jowar (Rs.6,679),maize (Rs. 3,61,529),wheat (Rs.2,48,796),barley (Rs.210),rape and mustard (Rs.22,292),fodder (Rs. 2,06,729) and bajra (Rs. 681).Whereas maximum income was to the tune of Rs 64,015 (paddy) and Rs. 56,857(vegetable) reported by the farmers of Kawa-Baryal WDP. Overall maximum increase in the net income was recorded from the farmers of Sue-Chaker (Rs.8,94,687) followed by Kawa-Baryal (Rs.4,98,850) and least by Sundrani ( Rs. 3,27,655.5) by cultivating various crops under study.

Table 3: Pre & post income position of farmers of watershed associations

S.no	Crop	Net increase/decrease in income (in Rs)		
		Sue-Chaker	Sundrani	Kawa-Baryal
1.	Paddy	19363	43312.5	64015
2.	Jowar	6679	-632	388
3.	Maize	361529	39820	54093
4	Wheat	248796	62584	123072
5	Barley	210	-17	Nil
6	Rape & Mustard	22292	3505	Nil
7	Vegetables	28408	34048	56857
8	Fodder	206729	145088	200425
9	Bajra	681	-53	Nil
	Total	894687	327655.5	498850

Source: Field survey

In district Udhampur, Watershed Associations (WA) ensures people's participation in the selection of the schemes, role in executing it and taking part in the fruits of development. Participation of WAs was found to be mediocre and the reasons identified are listed in Table 4. The mean responses for low participation in order of importance were, the project was not as per our local need ( 4.78), non existence of informal group (4.67), participation need was not felt (4.48),unaware about WDP(4.13), absence of strong panchayat (3.99),insufficient awareness generation by PDA ( 3.22) and suggestions made were not accepted (2.91).To make participation by Watershed Associations effective, most of the farmers favoured training

covering various facets of Watershed Technology and agriculture allied operations. A perusal of Table 5 regarding the training needs of WA reveals that knowledge about technical aspect of *in situ* soil and moisture conservation technique (2.72) was preferred most followed by operation and maintenance of civil works (2.51), awareness about agri., horti., social forestry, nurseries, dairy, livestock mgt., fodder and pasture mgt., pisciculture & other land uses (2.01), record keeping & conducting meeting (1.48) and least administrative and accounting procedure.

Table 4: Reasons for non-participation in WDPs by watershed associations

Reasons for non participation	Sue-Chaker		Sundrani		Kawa-baryal		Grand Mean	
	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank
Unaware about the WDP	4.94	II	4.38	II	3.08	VII	4.13	IV
Participation need was not felt	5.53	I	4.22	V	3.68	IV	4.48	III
Non functional Govt. agency	4.69	IV	4.23	IV	5.10	II	4.67	II
The WDP was not as per our local needs	4.78	III	4.45	I	5.12	I	4.78	I
Absence of strong panchayat	3.82	V	4.29	III	3.86	III	3.99	V
Insufficient awareness generation by PDA	2.60	VI	3.41	VI	3.64	V	3.22	VI
Suggestions made were not accepted	2.11	VII	3.10	VII	3.52	VI	2.91	VII
Mean	4.06		4.01		4.00			

Source: Field survey

Table 5: Training needs of farmers of watershed associations

Training needs	Sue-Chaker		Sundrani		Kawa-baryal		Grand Mean	
	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank
Technical aspect of in situ soil & moisture conservation technique	2.65	I	2.91	I	2.60	II	2.72	I
Operation and maintenance of civil works	2.33	II	2.85	II	2.36	III	2.51	II
Agri. & allied operations	1.02	III	2.36	III	2.64	I	2.01	III
Record keeping & conducting meetings	1.00	IV-V	2.10	IV	1.34	IV	1.48	IV
Administrative & accounting procedure	1.00	IV-V	0.50	V	Nil	V	0.50	V
Mean	1.60		2.14		1.79		1.84	

Source: Field survey

## Conclusion

From the above data, it may be concluded that to bring about improvement in productivity per hectare, three things should be available i.e. funds, input and technology. For this, Dept of agriculture through its various sale centres can make HYV seeds available to farmers. Other inputs like fertilizer, plant protection material and implements should be subsidised and made available through single window system. Awareness about improved farm operations could be created among WAs through agri. extension agency and mass contact. Agriculture universities should be associated to undertake plant breeding keeping in mind the synergy of different crops for mixed farming and the results should be given wide publicity. The diversification of agriculture in watershed areas is must for increasing the income of farmers. Mushroom cultivation, beekeeping, cultivation of medicinal plants, sericulture could be the main components of this proposed diversification. For ensuring people's participation, a participatory micro-plan at grass root level must be prepared by Watershed Associations covering all socio-economic and natural resource management. Indigenous knowledge and local material should be better utilized in the design and implementation of the project activities. For capacity building, members of Watershed Associations must be trained both in technical skills and managerial capabilities. Appropriate educational films and field trips can be used to teach farmers about various methods of rain water harvest and water storage technologies.

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## **Entrepreneurship Development Under Prime Minister's Rozgar Yojana**

B. RAJA RATHNAM

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In this paper an attempt has been made to analyse the country-wide performance of PMRY scheme, community-wise performance (SC/ST/OBC and Women) and overall entrepreneurship development under PMRY scheme in Andhra Pradesh. The study is based on secondary data, the secondary data collected from the office of Directorate of Industries, Andhra Pradesh and the Convener State Level Bankers Committee, State Lead Bank of A.P. (Andhra Bank) was used to evaluate the overall performance of the PMRY scheme to promoting entrepreneurship development since its inception during the years from 1993-94 to 2007-08. It is found that even though the Government had increased the targets periodically, the actual percentage of units grounded fell below the targets and in most case showed a down ward trend.

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### **Introduction**

Prime Minister's Rozgar Yojana (PMRY) was launched on October 2, 1993 throughout the country with a view to providing employment to 10 lakh educated unemployed youth by setting up 7 lakh micro enterprises. The PMRY is an enlarged version of SEEUY, being implemented with higher investment limit of project cost up to Rs.1 lakh per person, without insisting on collateral security for starting a self-employment ventures in industry, service and business sectors. There is a special provision in the scheme allowing two or more eligible persons to join together in partnership for promoting an enterprise. In such cases, the loan limit will also be correspondingly increased to Rs. 2 lakh for two person, Rs.3 lakh for 3 persons and so on. The beneficiary should contribute 5 per cent of the project cost as margin money. This loan is provided by the bank for suitable persons.

### **Objectives of the Study**

The main objectives of this paper are:

- To analyse the country-wide performance of the PMRY scheme in promoting the entrepreneurship in India.
- To study the entrepreneurship development under PMRY scheme since its inception in Andhra Pradesh.
- To evaluate the community-wise performance of the PMRY scheme in promoting the entrepreneurship since inception in Andhra Pradesh.

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Dr. B. Raja Rathnam is Associate Professor and Additional Controller of Examination, Department of Commerce, Osmania University, Hyderabad, A.P.

### **Methodology**

Mainly secondary data collected from the office of Directorate of Industries, Andhra Pradesh and the Convener State Level Bankers Committee, State lead Bank of Andhra Pradesh, (Andhra Bank) was used to evaluate the overall performance of the PMRY scheme in entrepreneurship development since its inception. Community-wise data were also collected to assess the growth of entrepreneurship among different communities like SC/ST/OBC and women. Country-wide data were also collected and used to present the country-wide performance of the PMRY scheme.

### **Country-wide Performance of PMRY Scheme**

Table-1 presents the country-wide entrepreneurship development among the educated unemployed youth. The progress of the PMRY scheme was analysed for the period from 1997-98 to 2003-2004, since the country-wide data were available for that period. The country-wide performance of the PMRY scheme shows a rather discouraging trend on the whole, during the period of review. The actual grounding of units, as evident from the percentage of target, steadily decreased from 59.95 per cent in 1997 to 37.28 per cent in 2003-2004. Even taking the average over the review period of seven years, not even 50 per cent of the target of grounding of units has been achieved.

### **Entrepreneurship Development under PMRY Scheme in Andhra Pradesh**

It can be observed from Table 2 that targets under PMRY scheme have been increasing over the years from 3,335 in 1993-94 to 43000 in 2006-2007 about 13 times, indicating the sensitivity of the government in providing employment for educated unemployed youth. In the same way, the number of applications recommended to the banks also registered a nine-fold increase during the same period, reflecting the awareness it has created among the beneficiaries. Similarly, a more than nine-fold increase is seen in the number of loans sanctioned by the banks and the actual number of units grounded. There are three important stages in the scheme like, the first stage of application form recommendation to the banks, the second stage of sanction of loan by the banks and the third stage is actual grounding of the units, which is the indicator of success of the scheme.

However, the significant differences are seen in the number of applications recommended to the banks and the actual sanction of loans. Evidently, all the applications could not be given loans due to budgetary constraints or other administrative matters. Similar differences are observed in the number of loans sanctioned and in the number of units actually grounded (For example, during the year 1993-94, 6,340 applications were recommended to the banks, the actual sanctions were only 3,466 and the units grounded were only 2,520. Similar trends are observed in all the years of PMRY up to 2006-2007).

Whereas the number of applications recommended for bank loans was always above the relevant target, the actual sanction of loans was more than the

Table 1: Country-wide performance of PMRY since 1997-98

Year	Target units	Applications sponsored by DIC's	% over target	Sanctions	% over target	Amount sanctioned (Rs. Crore)	Grounded	% over target	Amount grounded (Rs. Crore)
1997-98	348875	511083	146.49	267083	76.56	161913.45	209147	59.95	118885.26
1998-99	358225	523194	146.05	276137	77.08	165472.04	195192	54.49	111521.20
1999-00	356050	518212	145.54	267797	75.21	168552.09	193517	54.35	118830.22
2000-01	360050	479960	133.30	239157	66.42	156539.79	149137	41.42	81123.24
2001-02	347135	464148	133.71	247570	71.32	157082.30	183015	52.72	84647.75
2002-03	355075	466278	131.32	242659	68.34	161881.92	154496	43.51	91249.82
2003-04	339900	412720	121.42	210684	61.98	134946.26	126731	37.28	75917.58
Total	2465310	3375595	136.92	1751087	71.02	1106388.26	1211235	49.13	682175.07

Source: Reports of the Development Commissioner, (SSI), Ministry of SSI, Govt. of India.

Table-2 Year-wise performance of PMRY since inception (A.P.) as on 31-10-2007

Year	Target units	Applications recommended to banks	% over target	Number Sanctions	% over target	Amount sanctioned (Rs. Lakhs)	Number Sanctions	% over target	Amount grounded (Rs. Lakhs)
1993-94	3335	6340	190.10	3466	103.93	2597.62	2520	75.56	1527.92
1994-95	18200	37874	208.10	19851	109.07	11152.83	14769	81.15	8141.51
1995-96	31900	57912	181.54	32556	102.06	18552.79	23677	74.22	13177.57
1996-97	31900	52958	166.01	30754	96.41	18564.55	21766	68.23	12059.49
1997-98	34200	54741	160.06	29763	87.03	17406.96	20724	60.60	11339
1998-99	34200	60280	176.26	29013	84.83	17027.12	19027	55.63	10494.92
1999-00	33600	56287	167.52	26336	78.38	17768.86	16597	49.40	9539.71
2000-01	33800	54026	159.84	25503	75.45	17175.76	15834	46.85	9120.65
2001-02	33200	57818	174.15	27685	83.39	17718.27	17791	53.59	10066.38
2002-03	35800	60158	168.04	30561	85.37	19910.81	22399	62.57	12119.62
2003-04	36800	62201	169.02	33792	91.83	22015.3	24499	66.57	14535.33
2004-05	43000	58249	135.46	31059	72.23	20421.24	21635	34.82	8606.29
2005-06	43000	47515	110.50	34050	79.10	25800.00	20345	47.31	24680.00
2006-07	43000	50201	116.75	31148	72.44	19095.92	16940	39.40	5952.42
2007-08	31900	28012	87.81	14445	45.28	9094.77	1540	4.83	1067.58
Total	487835	744572	152.62	399982	81.99	254299.80	260063	53.30	152428.40

Source: Reports of the Directorate of Industries, A.P., Hyderabad and SLBC report Andhra Bank, A.P., Hyderabad.

relevant target only for the first three years but remained below the target during the rest of the years. Importantly, the actual units grounded had always remained below the relevant targets throughout the period of reference. But the most disturbing trend is its continuous fall during the years from 1996-97 to 2000-2001, and then an increase upto 2003-04 with a sharp fall in 2004-05, and again an increase upto 2006-07.

### **Community-wise Evaluation of PMRY Scheme in A.P.**

The community-wise performance of the PMRY scheme in Andhra Pradesh, was studied in respect of SC, ST, OBC and Women on which the data was available for the period from 1993-94 to 2007-08. It can be seen from Table-3, the year-wise performance of PMRY among the scheduled castes the percentage over targets in the three stages continued to be in the decreasing trend, in all the three stages, viz., recommendation of application forms to banks, sanction of loans by the banks and the actual grounding of sanctioned units. It can be observed that sufficient awareness was lacking among the SC beneficiaries, as shown by the target and applications recommended to the banks in each year. More discouraging is the decrease in percentage over target from 1994-95 to 1999-2000. Only from 2000-2001, the percentage of target shows a slight increase over the next three years, but again continuously to fall down during the year 2004-05 to 2007-08. Applications recommended to the banks were 20.04 per cent of the targets whereas actual sanction of units was only 8.66 per cent of the targets. Again there is a significant gap between sanctions and grounding of units. Actual sanctions were 8.66 per cent whereas actual grounding of units were only 4.64 per cent. This explains that, though the Government was encouraging SCs through 15 per cent of reservations in the PMRY Scheme to promote more entrepreneurs, the actual units grounded were below the targets. Therefore, the Government should make more efforts to create awareness among the SCs about PMRY Scheme.

The year-wise performances of PMRY scheme among the scheduled tribes are presented in Table 4. The STs applications recommend to the banks were 16,686, i.e., 3.42 per cent of the target. Sanctions were only 7470, i.e., 1.53 per cent of the target while grounding of units were 3613, i.e., 0.74 per cent. The figures are much more discouraging in the case of STs compared to SCs and the trend of decreasing percentage of target continues in all three stages. In spite of 7.5 per cent reservation provided for STs in the PMRY scheme, the actual entrepreneurship development among STs was very less compared to SCs. There should be some special measures on the strategies to make the scheme more attractive to STs in particular.

Under PMRY scheme OBC have 27 per cent reservation. According to the data available over the years application forms recommended to the banks were 3,37,700, i.e., 69.22 per cent and sanctioned were 2,05,556, i.e., 42.13 per cent of the targets on the average. Grounding of units was 1,25,182, i.e., 25.66 per cent of the targets. It clearly indicates that the percentage of sanctions and groundings under PMRY scheme among OBC were more encouraging than in the case of SC and ST even though the targets were

Table 3: Year-wise performance of PMRY among SC

Year	Target	Appliations recom- mended to banks	% over target	Number Sanctions	% over target	Amount sanctioned (Rs. Lakhs)	Number Grounding	% over target	Amount grounded (Rs. Lakhs)
1993-94	3335	784	23.51	361	10.82	226.29	245	7.35	132.20
1994-95	18200	5839	32.08	2799	15.38	1515.37	1738	9.55	884.33
1995-96	31900	7150	22.41	2995	9.39	1543.6	1963	6.15	981.54
1996-97	31900	6354	19.92	2472	7.75	1433.22	1530	4.80	758.98
1997-98	34200	5621	16.44	2220	6.49	1221.66	1398	4.09	670.92
1998-99	34200	6180	18.07	2382	6.96	1307.03	1407	4.11	693.32
1999-00	33600	5914	17.60	2233	6.65	1492.54	1285	3.82	686.15
2000-01	33800	6279	18.58	2728	8.07	1815.43	1529	4.52	865.24
2001-02	33200	8086	24.36	3198	9.63	1969.88	1810	5.45	969.22
2002-03	35800	8755	24.46	3567	9.96	2239.76	2520	7.04	1337.24
2003-04	36800	8983	24.41	4165	11.32	2622.6	2462	6.69	1322.94
2004-05	43000	8309	19.32	4319	10.04	2806.08	1736	4.04	947.05
2005-06	43000	7740	18.00	3741	8.70	2560.10	1690	3.93	1165.05
2006-07	43000	6665	15.50	2795	6.50	1507.80	1215	2.82	1012.06
2007-08	31900	5132	16.09	2279	7.14	1405.91	154	0.48	98.16
Total	487835	97791	20.04	42254	8.66	25667.27	22682	4.64	12524.40

Source: Reports of the Directorate of Industries, A.P., Hyderabad and SLBC report Andhra Bank, A.P., Hyderabad.

Table 4: Year-wise performance of PMRY scheme among ST

Year	Target	Applications recom- mended to banks	% over target	Number Sanctions	% over target	Amount sanctioned (Rs. Lakhs)	Number Grounding	% over target	Amount grounded (Rs. Lakhs)
1993-94	3335	102	3.06	34	1.02	18.89	18	0.54	9.68
1994-95	18200	656	3.60	306	1.68	145.4	169	0.93	74.02
1995-96	31900	901	2.82	430	1.35	206.5	256	0.80	105.06
1996-97	31900	1241	3.89	460	1.44	222.86	295	0.92	135.74
1997-98	34200	1273	3.72	502	1.47	256.91	276	0.81	133.10
1998-99	34200	1088	3.18	370	1.08	204.33	190	0.56	96.36
1999-00	33600	909	2.71	343	1.02	236.97	190	0.57	104.07
2000-01	33800	994	2.94	397	1.17	238.87	255	0.75	130.39
2001-02	33200	1049	3.16	431	1.30	270.37	229	0.69	150.13
2002-03	35800	1180	3.30	493	1.38	315.74	316	0.88	173.92
2003-04	36800	1462	3.97	659	1.79	403.13	392	1.07	207.75
2004-05	43000	1487	3.46	766	1.78	488.11	288	0.67	168.23
2005-06	43000	1548	3.60	850	1.97	510.12	325	0.75	175.13
2006-07	43000	1634	3.80	945	2.19	620.80	363	0.84	182.50
2007-08	31900	1162	3.64	484	1.52	304.97	51	0.16	32.46
Total	487835	16686	3.42	7470	1.53	4443.97	3613	0.74	1878.54

Source: Reports of the Directorate of Industries, A.P., Hyderabad and SLBC report Andhra Bank, A.P., Hyderabad.

Table 5: Year-wise performance of PMRY scheme among OBC

Year	Target	Applications recom- mended to banks	% over target	Number Sanctions	% over target	Amount sanctioned (Rs. Lakhs)	Number Grounding	% over target	Amount grounded (Rs. Lakhs)
1993-94	3335	3926	117.72	1839	55.14	1139.56	1307	39.19	810.14
1994-95	18200	12721	69.90	9580	52.64	5081.9	7483	41.12	4111.13
1995-96	31900	24982	78.31	15676	49.14	9035.76	11329	35.51	6149.56
1996-97	31900	22756	71.34	15452	48.44	8965.97	10473	32.83	5667.69
1997-98	34200	22823	66.73	14526	42.47	8370.12	10149	29.68	5580.27
1998-99	34200	26240	76.73	14991	43.83	8734.84	9484	27.73	5273.83
1999-00	33600	24706	73.53	13951	41.52	9741.36	8669	25.80	4862.90
2000-01	33800	23091	68.32	13327	39.43	8970.85	7943	23.50	4520.20
2001-02	33200	27276	82.16	14355	43.24	9453.45	9122	27.48	5079.68
2002-03	35800	27713	77.41	16570	46.28	11198.18	11556	32.28	6256.25
2003-04	36800	28789	78.23	17171	46.66	11395.53	12650	34.38	7175.05
2004-05	43000	27230	63.33	15290	35.56	10159.84	7416	17.25	4265.09
2005-06	43000	26423	61.45	17028	39.60	10865.60	7987	18.57	5056.10
2006-07	43000	25305	58.85	17866	41.55	14570.50	8791	20.44	5578.15
2007-08	31900	13719	43.01	7934	24.87	4956.46	823	2.58	572.17
Total	487835	337700	69.22	205556	42.13	132639.92	125182	25.66	70958.21

Source: Reports of the Directorate of Industries, A.P., Hyderabad and SLBC report Andhra Bank, A.P., Hyderabad.

Table 6: Year-wise performance of PMRY scheme among women

Year	Target	Applications recommended to banks	% over target	Number Sanctions	% over target	Amount sanctioned (Rs. Lakhs)	Number Grounding	% over target	Amount grounded (Rs. Lakhs)
1993-94	3335	1708	51.21	679	20.36	451.24	417	12.50	226.13
1994-95	18200	4009	22.03	3086	16.96	1646.92	2011	11.05	1035.54
1995-96	31900	9434	29.57	5314	16.66	3024.98	3363	10.54	1927.67
1996-97	31900	8280	25.96	4831	15.14	2871.78	3152	9.88	1786.40
1997-98	34200	8268	24.18	4698	13.74	2876.45	3136	9.17	1654.91
1998-99	34200	9162	26.79	4877	14.26	2973.55	3240	9.47	1792.85
1999-00	33600	9799	29.16	5123	15.25	3532.84	3344	9.95	1894.44
2000-01	33800	10775	31.88	5783	17.11	3650.60	3358	9.93	1843.77
2001-02	33200	12616	38.00	5854	17.63	3548.91	3849	11.59	2248.08
2002-03	35800	13367	37.34	6999	19.55	4305.50	5208	14.55	2715.70
2003-04	36800	14253	38.73	8775	23.85	5222.41	5771	15.68	3074.11
2004-05	43000	14273	31.34	7571	17.61	4798.03	3246	7.55	1808.10
2005-06	43000	15678	36.46	7847	18.25	5085.05	4525	10.52	2034.12
2006-07	43000	17694	41.15	8677	20.18	5267.08	6367	14.80	2515.10
2007-08	31900	6653	20.86	3693	11.58	2297.52	397	1.24	259.45
Total	487835	155969	31.97	83807	17.17	51552.86	51384	10.53	26816.37

Source: Reports of the Directorate of Industries, A.P., Hyderabad and SLBC report Andhra Bank, A.P., Hyderabad.

never realized in full at any stage. However, the declining trend continued, causing concern regarding the success of the scheme and realization of its objectives. The detailed information is shown in the Table 5.

In the case of women entrepreneurs, 1,55,969 units were recommended to the banks under the scheme, i.e., 31.97 per cent of the target and sanctions were 83,807, i.e., 17.17 per cent, whereas groundings were 51,384 units, i.e., 10.53 per cent of the target only. Even though there are no reservation for women entrepreneurs under PMRY scheme, the actual grounding of units was better than in other categories. Government should encourage the participation by women by making the scheme more attractive to them and may think of reserving suitable percentage for them in the scheme. The detailed particulars are seen from Table 6.

### Conclusions

Based on the study following conclusions and observations were drawn.

- Even though the Government had increased the targets periodically, the actual percentage of units grounded fell below the targets and in most case showed a down ward trend.
- The number of units sanctioned was always below the targets inspite of the number of applications recommended being above the targets.
- All the sanctioned units were not grounded and both the targets showed a down ward trend.
- In Andhra Pradesh, the PMRY targets increased from 3,335 in 1993-94 to 43,000 in 2006-07. The number of applications recommended to the banks was always more than the targets. However, the sanctions, except for the first three years, were below the targets, the percentage of target decreasing upto 2000-01 and then showing an increase over the next three years i.e., (01 to 03), and again continuously decreasing in the years from 04 to 07, (upto 31-10-07). Besides, the percentage of grounded units was on a decreasing trend up to 2000-01 and showed an increase over the next three years i.e., from 01 to 03 and again fall down continuously during the years from 04 to 07.
- The community-wise analysis shows that inspite of reservations, the participation of SC/ST beneficiaries was not upto the mark. Probable lack of awareness and educational facilities on entrepreneurial schemes might be the reasons for this type of situation. While compared for the two communities of SCs and STs, the STs were in a more disadvantageous position and as well as more negligible as is observed from the present study.
- Percentage of grounding units (25.66 per cent) over targets was high among the OBC compared to SCs and STs together.
- There was not much difference in the percentage of grounded units over the targets between the entire country and Andhra Pradesh (i.e., around 50 per cent).

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## Technical Session IV Management of Rural Institutions

### ABSTRACTS

#### **Jharkhand Kshetriya Gramin Bank: A Boon For Rural Finance**

A.K. CHAUDHARY AND BIRJU RANA\*

Jharkhand is a newly established state which is rich in minerals but it consists of poor people. The major objective of inception of the state is to uplift the tribal and deprived society. Jharkhand Kshetriya Gramin Bank is mainly established in rural areas for economic upliftment, by providing basic banking facilities and mobilizing savings from rural masses. JKG Bank, Hazaribagh region comprises three districts and bank has 30 branches, all in rural areas. This paper studies, the working in relation to saving, investment, micro-finance and other aspects and how it is helping the poorest among poor in their economic upliftment. It also gives valuable and feasible solution for better performance specially the problem of over dues in JKG bank.

#### **Intellectual Property and Developing Countries**

A. LALITHA AND V. BHANU\*\*

This paper outlines some of the issues relating to intellectual property, the conditions affecting public interest and the conditions and circumstances of developing countries such as India. An intellectual property right is viewed by many as a privilege granted in recognition of the need of the holder to recoup the costs incurred in the research and innovation process so as to maintain incentives for further innovation. Thus, an intellectual property entails an exclusive right for a limited time enabling the holder to charge a higher price. Trade Related Aspects of Intellectual Property Rights (TRIPS) set minimum standards for a wide range of intellectual property that are mandatory to implement. Many analysts have concluded that TRIPS has very significantly tilted the balance in favour of intellectual property right holders (most of who are in developed countries) vis-à-vis consumers and local producers in developing countries and vis-à-vis development interest.

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\* Dr. A.K. Chaudhary is Faculty member, PG Department of Commerce & Business Management, V.B.U., Hazaribagh and Mr. Birju Rana is Lecturer in commerce, Jharkhand College, Dumri (Giridih), Jharkhand.

\*\* A. Lalitha is Associate Professor, Department of Commerce, University College for Women, Osmania University, Hyderabad and (Mrs.) V.Bhanu is Dept. of Commerce, Nizam College, Osmania University, Hyderabad.

**An evaluation of the management of the various institutions and agencies for the growth of Self help groups under Swarnjayanti Gram Swarozgar Yojana in Assam – A Case study of Dhemaji Block of Dhemaji, District of Assam.**

AJANTA B. RAJKONWAR\*

In this paper an attempt has been made to make an evaluation of the management of the various institutions and agencies for the growth of Self Help Groups under Swarnjayanti Gram Swarozgar Yojana in Assam, with special reference to Dhemaji Block of Dhemaji District of Assam. The present scenario of SHGs in the Dhemaji Block has been highlighted in the study. The role played by Block and district level SGSY committee, Panchayat Samities, District Rural and Development Agencies, Gram shavas, Block level committees, Branch Managers of the financial institutions, BDOs, NGOs etc. in the growth of SHGs have been evaluated. The paper note the various lacunas and emphasis on bridging the gap between SGSY guidelines and the SHGs formed.

**Impact of govt. poverty alleviation programs: A case study of tribal Dhanbad district of jharkhand**

ANURADHA VERMA AND B.N. SINGH\*\*

India suffered a lot during the British Colonialism. The per capital income was the lowest, 80% of the entire population constituted the rural population and than 48.3% in the year 1977-78 of that population was below poverty line. After political Independence, economic and social independence are also become equally important for the development and upliftment of millions of people. Thus GOI introduced the “Integrated Rural Development” program on 2<sup>nd</sup> October, 1952, which was the 83<sup>rd</sup> birth anniversary of Mahatma Gandhi, to alleviate rural poverty. This paper discusses the evaluation steps taken during pre-independence era, by the British govt. and voluntary organization, achievements and limitations of steps taken, introduction of Panchayat Raj institutions, people participation, and survey of the schemes proposed.

**Entrepreneurship Development Under Prime Minister’s Rozgar Yojana (Pmry)**

B. RAJA RATHNAM\*\*\*

In this paper an attempt has been made to analyse the country-wide performance of PMRY scheme, community –wise performance (SC/ST/OBC & Women) and overall entrepreneurship development under PMRY scheme in Andhra Pradesh. The study is based on secondary data, the secondary data collected from the office of Directorate of Industries, Andhra Pradesh and the Convener State Level Bankers Committee, State Lead Bank of A.P. (Andhra Bank) was used to evaluate the overall performance

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\* Ajanta B. Rajkonwar is Faculty Member, Dibrugar University (Assam).

\*\* Anuradha Verma is Lecturer in Commerce, Graduate School College for Women, Jamshedpur, Ranchi University, Ranchi and B.N. Singh is Lecturer – Dept. of Commerce, RSP College, Jharia, VB University, Hazaribagh.

\*\*\*Dr. B. Raja Rathnam is Associate Professor and Add. Controller of Examinations, Department of Commerce, Osmania University, Hyderabad-7, Andhra Pradesh.

of the PMRY scheme to promoting entrepreneurship development since its inception during the years from 1993-94 to 2007-2008. Entrepreneurial Skills are essential for industrialization and for alleviating mass unemployment and poverty. The entrepreneurship has to play a crucial role in the cause of upliftment of the underprivileged people i.e., weaker sections of the society.

### **Micro Finance Institutions in Rural India**

D.M. KHANDARE AND KAPIL V. DONGARGAONKAR\*

The concept of micro finance exists over centuries in different parts of the world in India, rural money lenders are provided credit support, but not to poor rural people. Indian banks are not successful to provide the micro credit to rural poor people, there continues wide gap in availability of banking services like finance to rural poor people. Finance minister in his statement on union budget 2005-06 had suggested RBI to examine the above issues so that the banks would give more focus to provide credit to rural and farm households through innovative measures and promote and empower MFIs. Government and private financial institutes must increase their funding in micro finance, MFIs is the perfect solution for rural poverty.

### **Micro Finance to Rural Artisans – A Study**

D.T. RAO, CHANDRAYYA AND MISHRA\*\*

Among the various infrastructure facilities for rural development, banking facilities are considered as one of the important factors which need due consideration. For the purpose of the study, we have taken Viskhapatnam district of Andhra Pradesh. Further out of various artisans only ten artisans named Cobblers, Carpenters, weavers, Potters, stone Carvers, Medaries, Tailors, Metal Workers, Goldsmiths, and Blacksmiths are taken for our study and 500 samples are selected (10X50) 50 for each artisans. For the collection of primary data a suitable questionnaire has been prepared by taking the scope and objectives for the study. The Regional Rural Bankers, Commercial banks situated in rural areas and Co-operative banks are given due importance regarding the finance made to the rural artisans.

### **Financial Inclusion in India: Challenges & Opportunities**

D.CHENNAPPA\*\*\*

Financial inclusion is an essential pre-condition for sustainable economic development and also for greater economic and social equity. According to National Sample Survey Organization's (NSSO-2001) estimates, 45.9 million farmer households in the country, out of a total of 89.3 million households, do not access

\* Dr. D.M. Khandare is Reader & Research Guide, School of Commerce & Management Science, Swamy Ramanandteerth Marathwada University, Nanded-6 (MS) and Mr. Kapil V., Dongargaonkar is Research Student, SRTM University, Nanded-6.

\*\* D.T. Rao is Senior Faculty member, Dept. of Commerce, Govt. Degree College, NAAC "B" grade, Yellmanchili, Visakhapatnam District, A.P., Mr. Chandrayya is Senior faculty member, Dept. of Commerce, Govt. College (Autonomous) NAAC "A" Grade, Rajhundry, East Godavari District, A.P. and Dr. Mishra is Professor, Dept. of M.B.A. Biju Patnaik University of Technology. SMIT, Ankushpur, Berhampur, Orissa.

\*\*\*Dr. D. Chennappa is Associate Professor, Department of Commerce, Osmania University, Hyderabad, A.P.

credit at all. Despite the vast network of bank branches, only 27 percent of total households are indebted to formal sources; of which one-third also borrow from informal sources. Farm household's not accessing credit from formal sources as a proportion to total farm households is especially high at 95.91 percent, 81.26 percent and 77.59 percent in the north-eastern, eastern and central regions, respectively. An attempt is made in this paper to explore 1) RBI's initiatives, 2) Role of I T, 3) Role of SHG, 4) Role of Micro finance, 5) Challenges in board basing for financial inclusion, and 6) Opportunities in India.

### **Small Rural Hotel Business: Some Prominent Issues**

DILIP KUMAR PATIL AND MAHESH V. SHITOLE\*

Hotel Business comes under service sector and rural hotel occupies significant importance in the economy. Considering this, it is decided to select the rural hotel institutions for Micro study. The rural areas in India are progressing through number of social and economic institutions run under cooperative, Govt. And private folds. The first part of this article highlights the various significant parameters while the second part has made an empirical study of 50 hotels from the 10 village (see annexure) of the Kolhapur District of Maharashtra. From each village two hotels were selected for the detail study. In fact this is a pilot study designed for the Project "Hotel Business in the Kolhapur District" financed to the authors by the Phoenix Institute of Management, Pune" in JAN, 2008.)

### **Management of Rural Self Government: Problems and Controversies**

DIPEN ROY\*\*

Panchayat is an Ideal Institution of Rural Self Governance. 73<sup>rd</sup> Constitutional have added due momentum to strengthen the grass-root democratic institution for its greater role in rural development and poverty alleviation. The paper made an in-depth study into the management of this rural institution. The study revealed that importance of planning by this institution is much preached, but not practiced. The way Central and State Governments are delegating functions leaves no scope for them to learn the art of local planning. Organisation of Panchayat Raj consists of two interlinked but characteristically different structures. These are popular democratic structure and operational structure. Heavily loaded democratic structure is placed on weak and poorly manned operational structure.

### **Pura- A Road Towards Rural Transformation**

ELIZABETH MATHEWS\*\*\*

*This paper attempted to study PURA as an initiative to bridge the rural urban divide. A study of Periyar and Gandhigram in Tamilnadu is undertaken to understand the initiatives adopted by them. The study is based on secondary data. The study concludes*

\* Dilip Kumar Patil is Director, Dr.D.Y.Patil Centre for Management and Research and Mahesh V. Shitole is Director (US Courses), Bharati Vidyapeeth University (MOB).

\*\* Dipen Roy is Reader in Commerce, University of North Bengal.

\*\*\* Mrs. Elizabeth Mathews is Head, Department of Commerce, C.K.Thakur A.C.S.College , New Panvel-410206.

that the success of Periyar and Gandhigram PURA initiatives are founded on the strong commitment to providing the same amenities to villages as in towns and cities, and through education and technology create a competitive and dynamic economic environment. Educational Institutions are serving as knowledge connectivity hub which helps to boost the confidence of villagers and results in sustainable development.

### **Decision Making in Gram – Panchayats**

(A Sample of Gram – Panchayats in Rajasthan)

G.L. GAUR\*

The present study is based on primary data. Five Gram Panchayats of Nagaur district in Rajasthan were selected for study purpose. Researcher tried to collect information through personal observation regarding decision making in gram-Panchayats in Rajasthan. Main objective of the study is to find out that who take the decisions at local level in practice? The study also tries to suggest measures for improvement in formulation and execution of decentralized planning system at village-level and Rajasthan. Role of Panchayati Raj Institutions in rural decision making in Rajasthan was analysed on the basis of selected factors. The present empirical study revealed that after independence the administrative power shifted from feudalistic to the elite class in rural areas. As against the avowed aim, the powers of the decision making could not be decentralized. The 73<sup>rd</sup> amendment of the constitution raised some hope for the betterment.

### **Micro-Finance in India- Role of NGOs and SHGs for Rural Development**

DR. G. NARESH REDDY\*\*

This paper discusses about small loans to the poor, predominantly women, in India, and the role of different SHGs and NGOs for rural development. NGOs and SHGs have tied up with banks and successfully implemented various schemes under government policy. NGOs and SHGs are playing an important role in promoting micro finance in India. Over a period the amount of loans given by banks also increased. To certain extent poverty of rural poor was eradicated. But still there is lot of gap in between developed and under developed. Hence government should develop some suitable schemes to totally eradicate poverty of the rural poor.

### **Managing Self Help Groups – A Taluka Level Study**

H.M. JHA BIDYARTHI AND MRS. NEELAM Y.KASLIWAL\*\*\*

This paper studies some of the issues associated with the opportunities created and the challenges faced by micro-finance institutional initiatives in becoming a more effective and potent instrument to serve the multidimensional needs of the rural poor with specific reference to a Taluka. Micro Finance Institutions have become

\* Dr. G.L. Gaur is Faculty member, EAFM Dept., University of Rajasthan, Jaipur.

\*\* Dr. G. Naresh Reddy is Assistant Professor of Commerce, Nizam College, Basheerbagh, Osmania University, Hyderabad-500001.

\*\*\*Dr. H.M. Jha Bidyarthi is Professor and Neelam Y.Kasliwal is Reader, Department of Business Administration and Research, Shri Sant Gajanan Maharaj College of Engineering, Shegaon - 444 203, Maharashtra, INDIA

increasingly diverse in organizational types and their associated objectives, methodologies, products, target groups and scales of operations. Based on the study of intervention in the micro finance sector at a *Taluka* level this paper observes that BPL (Below Poverty Line) families supported by the local SBI through Nehru Yuvak Mandal – a locally active NGO for its developmental impact – have marked convincing performance with SHGs. However the most encouraging finding of this study has been the viability and financial sufficiency of the women members of SHGs but their greater dependence on the NGO as linking pin between the Bank and the SHGs is threatening to occupy the role of age-old money lender.

## Management of Rural Institutions

HARENDRA PRASAD SINGH\*

This paper is an attempt to identify the rural institutions in this country which are important from development point of view and to ascertain their present functioning in different areas with particular reference to newly created states like Jharkhand. This paper is a humble exercise in making explorations on the areas in which formal rural institutions are either non-existent or are in infant stage. Only this paper comes to the conclusion that the formal rural institutions are no doubt functioning in some areas but not very successfully. The paper also comes to the conclusion that there is need for making concerted efforts by the government and other NGO's operating in rural areas.

## Management of the Rural Institutions

I.P. TRIPATHI\*\*

Villages constitute Real India. In Indian scene there are many Rural Institutes which are working for the betterment and Management of the people and Rural poors and also those who are in the below poverty line. Gram Panchayats, Rural Banks, Sadak Yojna, water shed schemes. Land developments through the Rural Banks and the cooperative societies. Money lenders and other personalities in the rural areas are self managed very well. The Govt. of India, State Govt. Local bodies are trying to remove the evils of the Money lenders in rural Mass as earlier pointed out by the Royal Commission of labour and agriculture. Co-operatives are paying a pivot role. In this connection Govt. has started many welfare programs for the development of the rurality as well as rural Mass through the better and effective Managerial approach and effectiveness.

## “Impact Assessment of Management of Rural Development Institutions in the Nalgonda District-Andhra Pradesh”

INDRAKANT SEKHAR\*\*\*

Programmes like SGSY/DWCRA, IRDP, SITRA and TRYSEM are aimed at developing the potential of self independence of poor section by providing them the required fund / toolkits / trainings etc and there by aiding the poor mass to achieve permanent

\* Harendra Prasad Singh is Faculty Member, J.M.College, Bhurkunda, Under B.B. University, Hazaribag.

\*\* I.P. Tripathi and A. Haquim are Professors of Commerce, Govt. TRS College, Rewa (MP).

\*\*\* Indrakant Sekhar is Asst. Professor, Department of Commerce, University College for Women, Osmania University, Hyderabad.

source of income in the long run. In addition to this list, issues related to the shelter & community health and are taken care of by Indira Aawas Yojana, Rural Sanitation Programme and Rajiv Gandhi National Drinking Water mission. National Social Assistance Programmes focuses upon the need of the old aged people, poor pregnant women and the families who lost the principal breadwinner. As a whole the rural development institutions focuses upon the financial ecological and social need of the rural poor segment.

### **Role of Micro finance Institutions in Rural Development – A case study of SKS**

J. RAVI KUMAR\*

The important objective of the study is that the role of institutions in micro finance with special reference to a case study of SKS. It can be concluded that the SKS is a micro finance institutions, it provides loans to needy people in 1988. The members of this institution engage in five types businesses like agriculture, livestock, services, production and trade. The charge different slabs of interest rates on the basis of the nature of the loan. SKS provides assistance to society to their own programmes like SKS Assist.

### **Rural Institutions: Prospects & Challenges for Rural Development**

JAGAT NAARAYAN GIRI & DR. BANARASI MISHRA\*\*

In a country like India where more than two third of the total population lives in villages and where chief means of livelihood is agriculture and that too at subsistence level, rather than at commercially viable level, the significance of rural institutions can not be overlooked. Batting on this construct and taking incites from World Development Report and Human Development Reports, the paper deliberates on the role that rural institutions play in all round development of the rural geography of India. The paper also attempts to carve out of the facts, different forms of rural institutions. The paper concludes with the remark that the rural India is no longer rural; it has now become a ruler and possesses enormous potentials for all round development of India.

### **Management of Regional Rural Banks and Rural Development**

JITENDRA KUMAR SHARMA\*\*\*

In order to increase the growth of agriculture, the Government has planned several programs pertaining to Rural Development in India. The Ministry of Rural Development in India is the apex body for formulating policies, regulations and

\*\* Dr. J. Ravi Kumar is Assistant Professor, University College for Women, Dept. of Commerce, Osmania University, Kothi, Hyderabad.

\*\* Jagat Naarayan Giri is Senior Lecturer, School of Management Studies, Mangalmai Institute of Management & Technology, Knowledge Park-2, Greater Noida (Delhi, NCR). and Dr. Banarasi Mishra is Reader, Department of Commerce, Udai Pratap Autonomous College, Bhojubar, Varanasi.

\*\*\*Jitendra Kumar Sharma is Faculty Member, Department of Economic Administration And Financial Management, Seth Moti Lal Post Graduate College, Jhunjhunu (Raj.).

acts pertaining to the development of the rural sector. Agriculture, handicrafts, fisheries, poultry, and dairy are the primary contributors to the rural business and economy. The introduction of Bharat Nirman, a project set about by the Government of India in collaboration with the State Governments and the Panchayat Raj Institutions is a major step towards the improvement of the rural sector. The National Rural Employment Guarantee Act 2005 was introduced by the Ministry of Rural Development, for improving the living conditions and its sustenance in the rural sector of India.

### **Management of Rural Institutions Need for Scientific and Professional Approach**

K.T. KHAIRNAR\*

The major financial crunch faced by big banking and insurance multinational companies showed that there was a necessity for states or government's hold on every sector and a proper supervision and guidance. In India nearly 60-65% of population is rooted in rural areas; rural institutes are established to provide a healthy, moral boosting and social upliftment of services to the rural masses. Even to-day our remote rural population do not have schools, hospital, roads, water facility and this population is affected by superstitions, beliefs, unorthodox family behavior and so on. Hence, the need of the hour is good governance of rural institutions.

### **Management of Rural Institutions (Educational Institutions)**

K.V. PREMA LATHA\*\*

Three major sets of institutions or organizations exist which share the management responsibility of education and rural development. It is huge machinery and hence needs multi-operational strategies. But these multi operations must be perfectly coordinated for effective functioning. The system of grants-in-aid which we propose to establish in India will be based on an entire abstinence from interference with the religious instruction conveyed in the school assisted. Aid will be given to all schools which impart a good secular education; provided that they are under adequate local management and provided also that their managers consent that the schools shall be subject to Government inspection, and agree to any conditions which may be laid down for the regulation of such grants.

### **Management of Rural Co-operative Institutions A Success Story of MCRB**

K. SOMESHWER RAO\*\*\*

For the purpose of the study the Mulkanoor Cooperative Rural Bank (MCRB) one of the successful and profitable multi-purpose cooperative rural bank is selected. The

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\* Dr. K.T. Khairnar is Professor, Dept. of Commerce, MSG Arts, Science & Commerce College, Malegaon c\Camp, Tal-Malegaon, Dist. Nashik- 423 105.

\*\* K.V. Prema Latha is (Ph.D. Research Scholar), Ambai Arts College, Ambasamudram.

\*\*\*K. Someshwer Rao is Reader in Commerce, Badruka College of Commerce, Hyderabad.

important objectives of the study are- to know the progress of MCRB over a period of last Ten years, to analyse the credit, non-credit and welfare services of MCRB and to examine the capital adequacy, asset quality, management, earnings and liquidity of MCRB by applying CAMEL model. We can conclude from the study that the MCRB has highly performing in all respects of credit, non-credit and welfare services over the study period. The bank is rendering valuable services to its members as well as general public by way of providing credit, supply of agricultural inputs, purchase and sale of agricultural produce, distribution of essential commodities, sale of consumer goods, etc.

### **Micro-Finance Through SHGs in India: A Study**

L.B. BAHIR AND C.N. CHOBE\*

Micro-credit/finance programs have been introduced especially during the period of last 10 years in many developing countries. The well-known examples are the Grameen Bank in Bangladesh, Banco Sol in Bolivia and Bank Rakyat in Indonesia. The micro-credit/finance program in India has been adopted after the economic reform measures adopted. The micro-credit/finance sector has grown rapidly over the last decade in India. There are 2 main models of micro-credit/finance in India. They are (1) the self help group model under the SHG-bank linkage program (SHG-BLP) and (2) the micro-finance institution (MFI) model. The present paper is an attempt to study SHGs in India, their progress with a view to find out the extent of micro-credit through them and their weaknesses.

### **Performance of State Institute of Rural Development, Orissa in Capacity Building**

LALIT MOHAN PATTNAIK, SACHIDANANDA PATRO AND JAGANNATH PANDA\*\*

Rural Development through Panchayati Raj Institutions is the largest public intervention programme of the State in terms of its reach, size of financial investment and number of public functionaries associated with its implementation. However, the task of Rural Development is a complex one as it involves working with the people and linking with a host of institutions and agencies connected with the implementation of Panchayati Raj and Rural Development programmes. Therefore, it is imperative that the elected representatives of Panchayati Raj Institutions (PRIs) as well as development functionaries are properly oriented and trained to enable them to perform their assigned role in Panchayati Raj and Rural Development administration.

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\* L.B. Bahir is Lecturer in Commerce, M.S.S. Arts, Commerce & Science College, Jalna and C.N. Chobe is Tax Consultant, Jalna.

\*\* Lalit mohan Pattnaik is Lecturer in Commerce, Science College, Hinjilicut, Orissa, Sachidananda Patro is Reader in Commerce, Science College, Hinjilicut, Orissa and Prof. Jagannath Panda is Professor and Head, P. G. Department of Commerce, Berhampur University, Orissa.

## **Role of Rural Entrepreneurship in Present Scenario**

M.V. SHITOLE AND KIRTI S. GUPTA\*

Today the world's premier economies are facing a severe financial crisis and business activities have almost lost their momentum. Business houses are reeling under severe depression. In this context, the Indian economy is supposed to be robust and able to withstand the shocks of the global meltdown to some extent. The job market is on the downswing, salaries are shrinking and also the urban market are showing signs of saturation. In this scenario, it is necessary to explore the fresh markets and business opportunities. Here, the role of Rural entrepreneurship gains much importance exploit the untapped potential of the rural markets and to combat the problems of underdevelopment and unemployment in the rural areas. This, after six decades of independence and implementing of various policies, still the rural villages are not developed as they should be.

## **Micro-finance - An Instrument for Poverty Alleviation (A Case study of Eastern Uttar Pradesh in India)**

MANAS PANDEY\*\*

The poverty in India is wide spread as well as deep rooted. A large number of government and non-governmental organizations and international agencies are engaged in this seemingly unending war against poverty using various strategies and instruments. Micro-finance is emerging as a powerful instrument for poverty alleviation in recent years. The need for micro finance in India has arisen due to failure of formal banking system in meeting the credit needs of millions of rural and urban poor. Micro finance through Self Help Groups is being propagated as an alternative system of credit delivery for the poorest of the poor groups. Micro finance in fact, is a programme for the poor by mobilising the savings of poor and using them to meet their financing needs.

## **NABARD - Its Schemes towards Rural Development**

MOHD ASHRAF ALI AND SHAHID ALAM\*\*\*

Agriculture & Rural Development has been the key mantra for a sustained and long term economic growth in India. The same is in the sharper focus today with the Government taking keen interest to ensure a comprehensive and visible uplift of this sector through effective implementation of various old and new schemes. The Government runs its large-scale rural development schemes mainly through the Ministry of Rural Development, National Bank for Agriculture and Rural Development (NABARD), and Khadi and Village industries Commission (KVIC) Besides, some autonomous bodies like District Rural Development Agency (DRDR), National

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\* M.V. Shitole is Director (UG Programmes), Bharati Vidyapeeth University's, Institute of Management & Entrepreneurship Development, Pune and Kirti S. Gupta is Assistant Professor, Bharati Vidyapeeth University's, Institute of Management & Entrepreneurship Development, Pune.

\*\* Dr. Manas Pandey is Head, Department of Business Economics, VBS Purvanchal University, Jaunpur -222001, (UP),

\*\*\*Dr Mohd Ashraf Ali and Shahid Alam are Associate Professors, Dept. of Commerce, AMU, Aligarh.

institute of Rural Development (NIRD), National Rural Roads Development Agency (NRRDA) and Council for Advancement of People's Action and Rural Technology (CAPART) are also working in tandem with the Government for a better 'Rural India'. This paper gives an overview of the various schemes of NABARD related to the rural development.

### **Transmuting Watershed Techology in Rural J&K: Experiences From Watershed Association Formed Under Dpap Programme**

NEETU ANDOTRA, POOJA AND BHUPINDER KAUR\*

Application of Watershed Technology in integrated Watershed Development projects has led to increase in groundwater recharge, increase in chamber of wells & water bodies. Enhancement of cropping intensity. Change in cropping pattern, higher yields of crops and reduction in soils losses. The present paper analyses agriculture productivity, adoption level technology among farmers of WAs, net incremental gains from major crops and level of people's participation in three micro WDPs failing in sub-tropical zones of J&K state namely, Sue-Chaker Sundrani and Kowa-Baryal. The results suggested availability of funds, input and technology through single window system, popularizing alternative agricultural patterns and capacity building of Was through training and field exposures.

### **Credit Deployment and Problem of Overdues in Regional Rural Banks – A Case Study**

NIKHIL BHUSAN DEY AND KINGSHUK ADHIKARI\*\*

This paper makes an attempt to assess the performance of Regional Rural Banks in the sphere of deployment of credit including problems of overdues with the help of a case study. The main findings of the paper are that the growth rate of advances in Cachar Gramin Bank is higher as compared to the growth rate of advances of all RRBs of India as well Assam during the study period. In case of Cachar Gramin Bank the relative share of non-priority sector advances has been increasing and the proportion of priority sector advances has been decreasing over the years. The major problems in sanctioning loans by Cachar Gramin Bank are shortage of adequate manpower, lack of proper infrastructure, unproductive use of loans by borrowers, low awareness level of borrowers and poor recovery of loans.

### **Management of Rural Financial Institutions**

P.P. PRADHAN\*\*\*

In India there are 300 million workers in the informal sector. To enhance the productivity in agriculture and stimulate non-farm entrepreneurship, each country has emphasized the importance of the rural financial system as part of the process of poverty alleviation. Non- bank finance companies, NGOs and MFIs have become

\* Prof. Neetu Andotra is Professor, Department of Commerce University of Jammu, Jammu, Ms.Pooja is Faculty Member, Department of Commerce, University of Jammu, Jammu and Ms.Bhupinder Kaur is Lecturer, Dept. of Commerce, UOJ, Jammu.

\*\* Nikhil Bhusan Dey is Professor, Department of Commerce University of Jammu, Jammu and Kingshuk Adhikari is Dean, School of Management Studies, Assam University, Silchar.

\*\*\*Dr. (Mrs.) P.P. Pradhan is Faculty Member, SPB Commerce College, Surat, Gujarat

an important part of rural financial system. MFIs has emerged as an important mechanism to provide financial services to the poor. This article has been divided into four parts. The first part describes the rural institutions. The second part explores the rural financial services with special reference to Indian scenario of microfinance. Third part related to the management of rural financial services. The last part concludes the article.

### **“NREGA: Lifeline and Ray of Hope for Rural India”**

PINAKIN R. SHETH AND KETAKI SHETH\*

The National Rural Employment Guarantee Act (NREGA) was notified on September 7, 2005. The Act aims at enhancing livelihood security of households in rural areas of the country. It provides at least one hundred days of guaranteed wage employment in a financial year to every household whose adult members wish to do unskilled manual work. The Act covered 200 districts in its first phase, implemented on February 2, 2006. It was extended to 330 additional districts in 2007-2008. All the remaining rural areas are notified with effect from April 1, 2008. NREGA has raised rural expectations like anything.

### **Impact of Economic Reforms and Role of Management of Rural Development Institutions on Sustainable Rural Economic Development**

PRAKASH A. AND MS. SOOFI ASRA MUBEEN\*\*

This paper is focused on economic of rural targeted group after economic reforms, and role of rural development institutions in implementing rural welfare schemes. The primary objective of this paper is to study about the economic impact of various programs implemented in rural areas especially schemes pertaining to women and also study about lapses in execution of the plans. Proper audit system, follow-up and accountability must be an integral part of the schemes and programs. Among the rural poor, women are more deprived than men in all areas especially decision making and hence women's role in decision making is crucial and they must be encouraged. Poverty and economic inequality are major stigmas and challenges before rural India. The best way to accelerate rural poverty reduction and economic inequality is to tape the rural Poor's underutilized capacities, resources by strengthening rural institutional frame work that would offer them a greater voice in decision making and would result to enhance economic status.

### **Management of Rural Institutions**

R.B. CHHETRI\*\*\*

Microfinance has changed the lives of the poor, by ensuring a reasonable rise in the income of the poor and won many influential policy makers as supporters, which led to adaptation by Central Government in its battle against poverty. Undoubtedly,

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\* Pinakin R. Sheth is Reader in Management, Department of Business Studies, Sardar Patel University, Vallabh Vidyanagar and Ketaki Sheth is Senior Faculty, Anand Commerce College, Anand.

\* Prakash A. is Senior Lecturer, Birla Institute of Technology, Department of Commerce, International Centre, Muscat and Soofi Asra Mubeen is Research Scholar, Osmania University, Hyderabad, India

\*\*\*R.B. Chhetri is R/o LIG I 184, Vikas Nagar, Post: FCI, Gorakhpur, UP-273 007

self-help and micro credit led to empowerment of women and inculcation of financial training and discipline amongst the poor have long term key to economic and socio-cultural freedom for India's millions of poor, opening the gates of a hitherto untapped reservoir of human enterprise. This paper is based on secondary data from the reliable sources. It provides a bird's eye view of microfinance sector in India viz., the role of banking sector in providing financial assistance to rural people, analyses the functioning of NGOs in microfinance, and examine the performance of SHGs in various stages.

### **Management of Rural Institutions: A Comparative Study of Marketing Orientations in JRB and SKGB**

R D SHARMA AND GURJEET KAUR\*

The paper measures the level of marketing orientation in two regional rural banks through customers' assessment on the basis of responses gathered personally from randomly selected 185 customers of Jammu Rural Bank and 175 of Shivalik Kshetriya Gramin Bank, residing in the developed areas, viz., Simbal Camp of Jammu district and Baghpur of Hoshiarpur district. These areas were classified as developed on the premises of poverty level, literacy rate, per hectare yield and infrastructural facilities like roads, electricity, schools etc. The information has been gathered through a self-developed schedule based on 5-point Likert scale. Comparative analysis has been carried out for both RRBs so as to measure the extent of marketing orientation in regional rural banking.

### **Role of Nabard in Rural Development**

R. VENKATESHWARLU\*\*

Rural development and poverty reduction are two sides of the same coin to India's development agenda. Economic growth can reduce poverty by generating employment and income, but it is to be supplemented by Human development. NABARD is playing an important role in promoting, implementing and balancing the above agenda. We can suggest from the study that the agricultural insurance policies should be modified as farmer friendly; agricultural finance cycle is broadened.

### **Rural Empowerment through SHGs-Bank Linkage Programme in India: An Appraisal**

RAJ KUMARF AND SHAKSHI CHAUDHARY\*\*\*

The Micro Finance scene is dominated by Self Help Groups (SHGs) – Bank Linkage Programme formally launched in 1992 by NABARD. The SHGs – Bank Linkage Programme has registered tremendous growth in physical and financial terms in rural India. The present paper unfurls the growth of SHGs programmes in regional and national perspective. The paper reveals that the growth of SHGs is highly

\* R D Sharma is Professor and Gurjeet Kaur is Asstt. Professor, PG Department of Commerce, University of Jammu, Jammu – INDIA.

\*\* Dr. R. Venkateshwarlu is assistant Professor of Commerce, Nizam College, Basheerbagh, Osmania University, Hyderabad-500001.

\*\*\*Raj Kumar is Professor, Faculty of Management Studies, Banaras Hindu University, Varanasi. (U.P.) and Ms. Shakshi Chaudhary is Lecturer in Commerce, DAV Degree College, Varanasi (U.P.).

associated with selected inputs. The paper also pinpoints the major hurdles faced by SHGs in fulfilling its goal of poverty alleviation and empowerment of rural poor. In last the paper suggests that the development of entrepreneurial skills, linkage to obtain technology, raw materials, marketing channels, specialised training programmes, exposures and broad basing of leadership would certainly enable the SHGs - Bank Linkage Programme to a new height.

### **Management of Rural Institutions: A Case Study of Co-operative Credit Societies**

RAJKUMAR JAIN\*

History of co-operative credit is very old in India. In fact, the cooperative movement was initiated in 1904 through the three-tier structure of cooperative credit societies, to promote thrift and indebtedness of rural people. The credit provided was almost negligible in the pre-independence period and than later picked up especially in Sixth, Seventh and Eighth 5-year plans. Many cooperatives suffered from poor management and lack of enthusiasm and dedication among members resulting in a great deal of inefficiency and poor service to the members. Moreover, affair of most of the societies are managed by the large farmers to their advantage in convenience and collusion with government officials while the small and marginal farmers and other poor members generally have no say. This became a threat to 'cooperation movement'. GOI constituted a Task Force to revive and propose a regulatory frame work for these institutions.

### **Role of Institutions In Rural Development: A Case Study of Simdega District**

RAJEEV RANJAN SHARMA & SUDHIR KUMAR SINHA\*\*

The paper analyses the role of different institutions in proper implementation of different Centrally Sponsored Schemes in Jharkhand and in its blocks for eradication of poverty viz., quality of training provided to trainees, generation of income and employment for the beneficiaries, Impact of GOI and State Sponsored schemes and role of Panchayats, District Co-ordinator and Program Officer in proper implementation. It concludes by saying that accelerated agriculture development holds the key for poverty eradication and employment.

### **Microfinance : An Emerging Entity of Rural Development**

RAM BAHADUR CHHETRI\*\*\*

Microfinance is gathering momentum to become a major force in India. The self-help group (SHG) model with bank lending to groups of (often) poor women without collateral has become an accepted part of rural finance. The paper discusses the state of SHG-based microfinance in India. With traditionally loss-making rural

\* Rajkumar Jain is Guest Faculty, EAFM Department, University of Rajasthan, Jaipur.

\*\* Rajeev Ranjan Sharma is Faculty Member, Dept. of Commerce, Marwari College, Ranchi, Ranchi University, Jharkhand and Sudhir Kumar Sinha is Faculty Member, Dept. of Commerce, Pampapur Inter College, Palkot, Gumla, Jharkhand

\*\*\*Ram Bahadur Chhetri is Research Scholar, Dept. of Business Economics, FMS, V.B.S. Purvanchal University, Jaunpur (UP)

banks shifting their portfolio away from the rural poor in the post – reform period, SHG-based microfinance, nurtured and aided by NGOs, have become an important alternative to traditional lending in terms of reaching the poor without incurring a fortune in operating and monitoring costs. The government and NABARD have recognized this and have emphasized the SHG approach and working along with NGOs in its initiatives.

### **Role of Micro Finance and Empowerment of Women in Rural**

RANJAN KUMAR SWAIN AND RABINDRA PRASAD SAHU\*

The Indian Constitution's Preamble grants equality of women, but also empowers the State to adopt measures of positive discrimination in favour of them. Women get doubly marginalised by virtue of being poor and being women. Thus the role of micro credit gives the rural poor women, a hand up to break the cycle of poverty to attain social and economic empowerment. According to Women Empowerment Project conducted by Opportunities, an NGO, 60 per cent of women has greater power over family planning, buying and selling property and sending their children to school. The article concludes to promote saving thrift as the core service on offer than loan, which becomes debt when exposed to crisis.

### **Rural Risk Management and Policies Development**

REKHA V. GANACHARI\*\*

The primary activity of the great majority of Indian rural households is agriculture and it is an intrinsically risky activity. The risks faced by rural residents depend on the local farming systems, climate, infrastructure and the policy and institutional settings. Therefore we recommend a step-by-step approach to the development of suitable institutions, organically linked to farmers' organizations, which would act as effective and honest channels for intervention. A stock taking report complements the overall study, which covers a short presentation of sample project, World Bank literature on evaluation of development experience and the lessons learned from WB projects.

### **Management of Rural Institutions : A Case Study of Solapur Gramin Bank, District Solapur, Maharashtra**

DR. S.K. PATIL\*\*\*

Solapur Gramin Bank, sponsored by Bank of India (Led Bank of Solapur district), was established on 21<sup>st</sup> January 1984, under the provisions of Section 3 (1) of Regional Rural Banks Act 1976. The area of operation of bank is in Solapur district. The Government of India extended the area of operation to adjacent districts of 'Sangli' and 'Satara' vide its notification dated 07-08-2007. The banks objective was

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\* Ranjan Kumar Swain is Lecture in Commerce, Malkangiri College, PO/ Dist: Malkangiri, Orissa and Rabindra Prasad Sahu is Principal, Malkangiri College, PO/ Dist: Malkangiri, Orissa

\*\* Rekha V. Ganachari is Lecturer in Commerce, Sri Jagadguru Renukacharya College of Science, Bangalore.

\*\*\*Dr. S.K. Patil is Head, Dept. of Accountancy, B.P. Sulakhe Commerce College, Barsi-413411, Maharashtra.

to help and develop economy by providing credit and other facilities to agriculture, trade, industry and other productive activities. In the current economic scenario the functioning of RRB has experienced a far-reaching change with the introduction of banking sector reforms and application of prudential norms as part of financial sector reforms.

### **Financial Performance Analysis of Microfinance Institutions of India: A Study**

S.K. SINHA AND PANKAJ K AGARWAL\*

For a country like India, deep-rooted problem of poverty continues to be one of the biggest policy concerns. Amongst various measures to fight this menace, Microfinance practices in India seem to provide a solution. The Task Force on Supportive Policy and Regulatory Framework for Microfinance constituted by NABARD defined microfinance as “the provision of thrift, saving, credit, and financial services and products of very small amount to the poor in rural, semi-urban, and urban areas for enabling them to raise their income levels and improve their standard of living”. The present study is an attempt to analyze the financial performance of various microfinance institutions operating in India.

### **The Role of Regulatory Institutions in Promotion of Rural Insurance-Thrust and Challenges**

S.N. JHA AND PRAMOD KUMAR VERMA\*\*

Since long insurance business has been considered urban centric, but in recent years it has been realized that insurance companies-both public and private need to consider the rural areas of the country as a potential market for different insurance products. In order to avoid possible negligence and slackness by insurance companies to rural insurance IRDA has formulated the “Obligations of insurers to rural or social sector”. In exercise of the powers conferred by sections 32B and 32C of the Insurance Act 1938, the IRDA defines rural sector, social sector and the obligations of the insurers for providing insurance coverage to rural areas. The present paper throws light on the legal provisions regarding rural and social insurance, the insurance companies obligations in their regard and the challenges of rural and social insurance.

### **The Management of School Education in Rural India**

SANDEEP TANDON, JYOTI SHARMA AND NEHA GUPTA\*\*\*

This paper provides an overview of management of school education in India. Firstly, it places India’s educational achievements in international perspective, especially against countries with which it is now increasingly associated like China in

\* S.K. Sinha is Reader & Head, Department of Financial Studies, VBS Purvanchal University, Jaunpur (UP) and Pankaj K Agarwal is Fellow Student, Xavier Labour Relations Institute, Jamshedpur.

\*\* Dr. S.N. Jha is Reader, Pramod Kumar Verma, Research Scholar, Faculty of Commerce, Banaras Hindu University, Varanasi-221005, U.P.

\*\*\*Dr. Sandeep Tandon is Associate Professor of Commerce, DDE, University of Jammu, Ms. Jyoti Sharma is M.Phil Scholar, Dept. of commerce, University of Jammu and Neha Gupta is Lecturer, Udhampur campus, University of Jammu.

particular. India does well relative to Pakistan and Bangladesh but lags seriously behind, especially in secondary school participation and youth literacy rates due to their poor management. However, despite progress, attendance and retention rates are not close to universal rates. Enrolment rates are low, learning achievement levels are seriously low and teacher absenteeism is high, signaling poor quality of schooling. Secondly, the paper examines the need of proper management of rural educational institutes in India. Lastly, the paper discusses interventions for better future policy making in educational sector.

### **Impact of Tribhuvandas Foundation on Rural Development of Anand District**

SANDIP K. BHATT AND YASHASVI R. RAJPARA\*

Anand, is one of the districts of Gujarat, known as the Milk Capital of India. In Anand district majority of activities are carried out by Tribhuvandas Foundation. It can be called that, microfinance in Anand district and Tribhuvandas foundation always remains together. Doctor V. Kurien set up the Tribhuvandas Foundation. Late Tribhuvandas Patel was Founder Chairman of it, and begins to work in 1980. The aim was to provide primary health care and education to villagers. It integrated rural health and development program, is a unique and outstanding example of the co-operative movement. It promotes the program through and with the help of AMUL and Dairy Co-operative Societies of the villages. At present, Anand district has an average literacy rate of 80%, higher than national average of 59.5% and 11% of the population is under 6 years of age.

### **Utkal Gramya Bank – Its Performance and Prospects**

SANTOSH KUMAR BADATYA, KISHORE HARI BADATYA & R.N.MISRA\*\*

Utkal Gramya Bank (UGB) was formed through amalgamation of Kalahandi Anchalika Gramya Bank (KAGB), Bolangir Anchalika Gramya Bank (BAGB) and Koraput Panchabati Gramya Bank (KPGB) sponsored by State Bank of India in Orissa with effect from 31<sup>st</sup> July, 2006. This paper is based on Secondary data collected from various Annual reports of KAGB and UGB from 1995-96 to 2007-08, to evaluate performance of UGB and prospects of UGB in extending its activities in all the districts under its jurisdiction. It concludes by good performance of UGB after Amalgamation, faring well profitability and bright prospects of UGB in future.

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\* Prof. Sandip K. Bhatt is Professor (F & A area), Deputy co-ordinator UGC-SAP program, PG Dept. of business studies, Sardar Patel University, Vallabh Vidyanagar – 388120. (Gujarat) and Yashasvi R. Rajpara is Lecturer, SGM college of Commerce & Management, Sardar Patel University, Vallabh Vidyanagar, Gujarat.

\*\* Santosh Kumar Badatya is Lecturer, Dept. of MBA, SMIT, Berhampur, Orissa, Kishore Hari Badatya is Head, Dept of Economics, Govt. Autonomous College, Phulbani – 762 001, Orissa and R.N.Misra is Professor, Dept. of MBA, PG Centre for Management Studies, SMIT, Berhampur, Orissa.

## **Role of Banks in the Rural Development**

SHIVAKUMAR DEENE<sup>†</sup> RAVISHANKAR AND B.M.S. YETHISHCHANDRA<sup>\*</sup>

Right from the beginning of the first five year plan, the rural banking policy in India has been primarily among at widening and deepening the institutional coverage of rural credit needs. For many years, state policy in this regard laid emphasis on the development of cooperative credit structuring as the major instrument of rural credit structure. Though cooperatives have achieved some progress, since then, their progress showed considerable regional unevenness. Even in areas where the cooperatives have had notable success, there is a reason to believe that the benefits have not percolated equally to all. Rural banks are established by the central government at the request of commercial banks who have sponsored such proposals and are called the sponsor banks.

## **Management of Rural Institutions in Financing Rural Artisans- A Study**

MISS. SUBHASHMITA MISRA AND R.N.MISRA<sup>\*\*</sup>

This paper studies, the village menials and independent artisans, their must traditional village craft services to cultivators, their payment linkage to cultivator's yearly agriculture production and their must skill upgradation through DIC, ITI, and KVICs, in tune with rural development to get gainful employment. It is a fact finding research of five years, from 2002-03 to 2007-08, using random sampling method, questionnaire and personal interview technique, in Ganjam district of Orissa, to study the behavioural attitude of borrowers and on repayment, style of the institutional loan. Primary data collected from 1000 samples, which includes ten types of artisans, consists 100 nos each type/ trade.

## **Micro Planning of Self Help Groups for Rural Women Entrepreneurship**

SUDESH KUMAR SAHU<sup>\*\*\*</sup>

Since the SHGs were able to mobilize saving from the poor who were not expected to have any saving and could also recycle effectively the pooled saving among the members, they succeeded in performing banking services to their members may be in a primitive way but in a manner which was cost effective, simple, flexible at the door steps of the members and above all without and defaults in repayment by borrowers which is well managed by the poor illiterate women. The involvement of SHGs which is well managed by the poor illiterate women. The involvement of

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<sup>\*</sup> Dr. Shivakumar Deene, Ravishankar, B. and M.S. Yethishchandra are Lecturers, Dept. of Commerce and Management, Karnataka State Open University, Mysore- 570 006 (Karnataka).

<sup>\*\*</sup> Miss. Subhasmita Misra is MBA Final year student, PG Centre for Management Studies, SMIT, Berhampur (BPUT), Orissa, and Dr. R.N.Misra is Professor of MBA, PG Centre for Management Studies, SMIT, Berhampur, Orissa.

<sup>\*\*\*</sup> Sudesh Kumar Sahu is Faculty Member, Dept. of Commerce, S.S. Memorial College, Ranchi.

SHGs with bank could help in overcoming the problem of high transaction cost in providing credit to the poor by some banking responsibilities regarding loan appraisal follow up and recovery etc. to the poor themselves.

### **Management of Rural Institutions**

SURYAKANT BABURAO PATIL\*

Rural Institutions is the way of removing poverty. The co-operative movement started in India on the basis of the co-operative movements in Europ. Co-operative is the sector where all the decisions are taken on the basis of democracy. Rural Institutions provide all necessary things like food grain, vegetable, milk, eggs, etc. to the urban population and therefore the management of Rural is very important and based on modern management principles. Modern management principles are very useful in development of the rural institutions. If the rural people being progressed they will use modern technology and the Rural Institution will get success. It is to be kept in mind that there will be no alternative for rural institutions.

### **Social Accountability of Rural Institutions: A Case Study of Forest Department of Chhattisgarh**

SUSHEEL INDURKAR AND HEMANT SHARMA\*\*

India is one of the oldest civilizations in the World with kaleidoscopic variety and rich cultural heritage and flora and fauna. Chattisgarh is the third largest state in terms of forest coverage. It has 59,772 sq.kms area covered with forest which equals 44.2% of its land area. The main forest produce is wood and timber wood. This paper highlights the economic aspects of flora, problems and prospects of flora utilization and role of rural institutions in utilising flora for economic development. It suggests eco-tourism, in and ex-situ conservation medicinal nursery, forest dispensary, and processing value addition to develop Chattisgarh.

### **Management of Rural Institutions**

VINOD KUMAR PANDEY AND RAJENDRA KUMAR MISHRA\*\*\*

Rural area is the area connected with or like the country side. India is to be found not in its few cities but in its approximately 7,00,000 villages. A mostly, rural character of India's National Economy is reflected in the very high proportion of its population living in rural areas. Rural development with management will be an absolute and urgent necessity in India Rural institution of management is essential before we can achieve the development of India in other words economic development is generally associated with the growth of rural development and its depend upon good management so some experts go so far as to asserts that acid test of development lies in the growth of rural as like as urban area.

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\* Suryakant Baburao Patil is Head of Commerce Department, Sant Muktabai Arts and Commerce College, Muktainagar, Dist. Jalgaon Pin-425 306.

\*\* Susheel Indurkar is Lecturer, Institute of Management, Pt. R.S. University, Raipur, Chhattisgarh and Hemant Sharma is UDC – II, Pt. R.S. University, Raipur, Chhattisgarh.

\*\*\*Vinod Kumar Pandey and Rajendra Kumar Mishra are Faculty Members, Nehru Gram Bharti Vishwavidyalaya, Kotwa, Jamunipur, Dubawal, Allahabad.



Seminar on  
**SEZs : Politics vis-a-vis Economics**

*Chairperson*

Prof. H.K. Singh  
Faculty of Commerce  
BHU, Varanasi

*Co-chairperson*

Prof. G. Tulsi Rao  
Head, Deptt. of Commerce & Mgt. Studies  
Andhra University Campus  
Elcherla, Srikakulam

*Rapporteur*

Dr. H.C. Purohit  
Deptt. of Business Economics  
VBS Purvanchal University  
Jaunpur



## Rapporteur's Report

### **SEZs: Politics vis-à-vis Economics**

Just after the graceful inauguration of 61<sup>st</sup> All India Commerce Conference by Her Excellency – President of India, Shrimati Pratibha Devisingh Patil ji, the seminar session started. Prof. M. Venkateswarlu, the Executive-President of the Association, introduced the Chairman of the Session and expressed his view on the relevance of the topic. Prof. H.K. Singh, Faculty Member at the Faculty of Commerce, Banaras Hindu University and Chairman of the Session, defined the seminar topic “SEZs: Politics vis-à-vis Economics” at length. He emphasised on a proper debate on the burning issue of SEZ where at one end, it is beneficial for the economy, at other, it is creating political instability in the nation in general and in certain states in particular.

The session was co-chaired by Prof. G. Tulsi Rao of Andhra University, Srikakulam. Prof. Rao, in his address to the delegates, spoke about the pros and cons of SEZ policy and its greater impact on the public at large.

In all, 130 papers were received for the Session and because of time-constraint, about 40 were presented by the delegates considering an equitable representation of different areas of our nation. Most of the papers were equivocal in opinion that SEZs are for greater investment opportunity and for better economic prospects while concerns for sustainable development is highly demanded. Problems of improper and unethical land acquisition, improper compensations and rehabilitation were considered and some possible solutions were suggested.

Following issues/suggestions broadly emerged out of the deliberations:

- SEZ development is necessary for the economic growth and a positive framework and atmosphere is needed for it.
- A positive communication is required to guide and help common people in explaining the role of SEZs in greater development and removing the misconceptions about the whole programme/policy.
- Role of media in circulation of bad news earlier than good news is also a cause of misleading propaganda against SEZ developments. It should be balanced by showing progressive role of these zones in greater production.
- SEZs are important for employment generation, greater production and stronger capacity building. These are engines of growth provided these engines should not be de-railed from the track of progress.
- SEZs should only be developed in barren or waste lands. In no case, the agricultural land be provided for the purpose.
- The compensation to the farmers should be adequate and prompt.
- The land-owners should be allowed to have a share in future SEZ units for profit only.

- SEZ units should be environmental friendly and should have ISO 2000: 14001 certification for environmental concerns.
- They should have Greenfield arrangement and unpolluted electricity generation system.
- SEZs should be developed in those areas only which are backward in terms of industrial development.
- It would be quite prominent that these should follow 'sustainable development' features for safer and better future.
- Size is another important factor for SEZ success in China. Each SEZ is well over 1,000 hectares. The minimum recommended area in India is not even a third of this among the converted SEZs.
- China has 6 SEZs in total whereas India has approved 513 SEZs ([www.sezindia.nic.in](http://www.sezindia.nic.in)) and 250 have been notified till August 2008 (more are coming). Are these large amount of SEZs required? What are the real interests behind this mammoth approval of SEZs
- There is need of serious research in this field to get a clear picture about the aggregates of pros and cons regarding SEZ.
- SEZs are expected to induce dynamism in the export performance of a country by eliminating distortions resulting from tariffs and other trade barriers, the corporate tax system, excessive bureaucracy, and missing infrastructure.
- Indian government should first frame a well-equipped implementation strategy for SEZs keeping in mind all reasonable and practical implications of this policy in Indian scenario and ensure the absence or possibility of any type of nexus between the political parties and industrialists.
- A judicious allocation of land, ruling out nexus of mafia-bureaucrats and politicians, developing SEZs in those backward areas only which need development and not to make these locations friendly for estate developers.

At the end, Chairman of the session Prof. H. K. Singh has thanked to all the delegates and their contribution in finding various known and hidden reasons behind SEZs unpopularity, uneven growth and its inherent potential for the economy.

## **SEZ in India: A Perceptual Study of Indian Citizens**

AJAY KR. SINGH AND VANDNA SHARMA

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India's – and indeed Asia's - first Export Processing Zone was set up in Kandla, Gujarat, in 1965. In the four decades since, the EPZ programme has grown from one zone, to seven, to 53 approved SEZ's under the previous policy, to the current total of more than 400 approved so far under the SEZ Act. With a view to overcome the shortcomings experienced on account of the multiplicity of controls and clearances; absence of world-class infrastructure, and an unstable fiscal regime and with a view to attract larger foreign investments in India, the Special Economic Zones (SEZs) Policy was announced in April 2000. This paper discusses about a perceptual study of Indian citizens regarding SEZ.

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### **Special Economic Zones**

A SEZ is “a specifically delineated duty free enclave and deemed to be a foreign territory for the purpose of trade operations and duties and tariffs”. Goods going into the SEZ area from Domestic Tariff Area (DTA) are considered as exports and goods coming from the SEZ area into DTA shall be treated as if the goods are being imported. In any SEZ, goods may be imported or procured from DTA, without payment of duty for the purpose of manufacture of goods and services, production, processing, assembling, trading, repair, reconditioning, re-engineering, packaging, etc (Shaban and Sharma, 2005). To instill confidence in investors and signal the Government's commitment to a stable SEZ policy regime and with a view to impart stability to the SEZ regime thereby generating greater economic activity and employment through the establishment of SEZs, the SEZ Act, 2005, supported by SEZ Rules, came into effect on 10th February, 2006, providing for drastic simplification of procedures and for single window clearance on matters relating to central as well as state governments.

The gusto with which the state is approving special economic zones under the SEZ Act (404 formally approved SEZs so far, comprising 54,280 hectares of land [GOI 2007]) is indicative of a new mantra of growth and development in elite national discourse much in keeping with the global neoliberal discourse.

The main objectives of the SEZ Act are: (i) Generation of additional economic activity (ii) promotion of exports of goods and services; (iii) promotion of

investment from domestic and foreign sources; (iv) creation of employment opportunities; (v) development of infrastructure facilities. It is expected that this will trigger a large flow of foreign and domestic investment in SEZs, in infrastructure and productive capacity, leading to generation of additional economic activity and creation of employment opportunities.

### **Objectives**

The main objectives of this study are:

- To study the impacts of SEZ, its benefits to both Units and Developers.
- To study the perception of Indian Citizen about the role of SEZ in Economic development, politics, and unbalanced development in India.
- To make recommendations for improvement.

### **Hypotheses**

This study begins with a hypothesis and research questions and involves precise procedure and data source specifications.

- H0a: There is no difference of opinion amongst academicians and students on the role of SEZ in India.
- H1a: There is a significant difference of opinion amongst academicians and students on the role of SEZ in India.
- H0b: There is no difference of opinion amongst service and business class people on the role of SEZ in India.
- H1b: There is a significant difference of opinion amongst service and business class people on the role of SEZ in India.

### **Research Methodology**

To develop the quality instrument to assess citizen perception on role of SEZ in India, a two-stage research was designed. The first stage was the qualitative research consisting of in-depth interviews, the second stage comprised of questionnaire survey. The measurement scale used, for this study was, developed by combining the exploratory and the empirical studies. Initially, a pool of fifty-eight attributes in probable four dimensions was formed as a result of the literature survey. This pool was refined using the qualitative technique of in-depth interviews. This pool of items was further elaborated to a panel of experts, academicians and researchers to get their feedback. The result of the qualitative study was a pool of forty one items spread across proposed four overlapping dimensions . These 41 items are cast into survey questions.

### **Primary Survey on Perception of Indian Citizen on role of SEZ in India**

A questionnaire has been circulated to 200 respondents covering 50 each from Service, business, academician and students class for the generation of statistical data on the views of the citizens. An Analysis of the responses collected is as follows:

### Exploratory Factor Analysis

The principal component analysis could not provide any pattern. Principal axis factoring with oblique rotation (as factors were found correlated with each other) provided better results. The perception score data provided four dimensions, with 29 items in total. Scale items reduction was done using the criteria of corrected item-total correlation in SPSS. Dimensions with less than coefficient value of 0.5 were discarded. Table 1 provides the results of factor analysis and coefficient of alpha values of the dimensions extracted from factor analysis. There appears consistency in the results as 29 items were retained in the questionnaires after the statistical reduction of items.

Table 1: Factor analysis results

S. No.	Items and Factors	Loadings	(Coefficient of Alpha)
	SEZs and Economic Development:		0.899
1	SEZs are essential for innovation.	0.959	
2	SEZ have generated direct employment.	0.81	
3	SEZ has increased foreign direct investment in India	0.842	
4	Indian SEZs have activated economic development by facilitating the establishment of residential colonies, schools, primary healthcare centers and building townships.	0.684	
5	SEZs boost economic growth to double digits.	0.723	
6	SEZs lead to a manifold rise in India's exports.	0.783	
7	SEZs create pockets of prosperity in rural areas.	0.865	
8	SEZs provide lakhs jobs in manufacturing and services.	0.782	
9	SEZs attract global manufacturing and technology skills	0.74	
10	SEZs make Indian and foreign firms more competitive.	0.84	
	SEZs and Unbalanced Development	0.654	
11	SEZ is forcible acquisition of farmland.	0.833	
12	SEZs is transforming the whole of the rural scenario in the country from bad to worse.	0.517	
13	Very limited employment opportunities for unskilled tribal people in the newly constructed SEZ.	0.454	
14	We believe that development of people of India is impossible without the development of agriculture.	0.682	
15	SEZs lead to huge revenue loss due to several incentives.	0.67	
16	SEZs distort economic setup.	0.46	
17	SEZs make non-SEZ units uncompetitive.	0.776	
18	SEZs create powerful and regional private monopolies.	0.649	

19	SEZs divert farmland to SEZs, put pressure on agriculture.	0.677	
	Reformulation of SEZs Policy		0.625
20	Expansion of SEZ was done without any consultation with the local people.	0.377	
21	The government should rethink the SEZ policy.	0.497	
22	It's about the checks and balances in the SEZ system to ensure transparency and fairness.	0.622	
23	SEZs will create an unequal and imbalanced economic playground.	0.764	
	SEZs and Politics		0.687
24	SEZs are part of the pro-imperialist policies.	0.776	
25	Being an election year, the perceived politics of policies has become more important, putting all other considerations on the backburner.	0.649	
26	SEZs are vote-losers.	0.454	
27	Politicians are trying to secure votes by criticizing SEZs.	0.677	
28	Politicians are making fool of common people by agitating against SEZs.	0.683	
29	SEZs have become more of a political issue than economic.	0.672	

Table 2: Descriptive statistics of role of SEZ in India (N=200)

	Mean	S. D.
Economic development	3.8	0.55
Unbalanced development	4.2	0.63
Reformulation of SEZ policy	4.6	0.49
Politics	4.8	0.25

Where 1. Strongly Disagree 2. Disagree 3. Undecided 4. Agree 5. Strongly Agree

### Findings and Results

On the basis of grand total of 200 Respondents, the mean and standard deviation have been calculated for the four parameters that are Economic development, unbalanced development, reformulation of SEZ policy, and politics. It was found that mean value of politics (4.8) is highest (Table 2).

- H0a: There is no difference of opinion amongst academicians and students on the role of SEZ in India.

$$H1a: \mu_1 = \mu_2$$

Where,  $\mu_1$  = opinion of academicians

$\mu_2$  = opinion of students

Table 3. Comparison of SEZ role perception amongst academicians and students

S. No.		Academicians (N=50)		Students (N= 50)		'Z' Value
		Mean	S.D.	Mean	S.D.	
1	Economic Development	3.8	0.57	4.4	1.20	3.20
2	Unbalanced Development	4.6	1.11	4.9	1.36	1.36
3	Reformulation of SEZ policy	4.9	0.94	4.7	0.73	1.09
4	Politics	4.8	0.25	4.9	0.57	0.78

In order to test for the difference in opinion of academicians and students standard deviation and 'z' values were computed. At 5% level of significance the critical value of 'z' is 1.96 and Table 3 reveals that for economic development the calculated value of 'z' is higher. Therefore, academicians and students opinion differ only on the role of SEZ in economic development but no difference in opinion for unbalanced development, reformulation of sez policy and politics.

- H0b: There is no difference of opinion amongst service and business class people on the role of SEZ in India.

$$H1b: \mu_1 = \mu_2$$

Where,  $\mu_1$  = opinion of service class

$\mu_2$  = opinion of business class

Table 4. Comparison of SEZ role perception amongst business and service class

S. No.		Business (N=50)		Service (N= 50)		'Z' Value
		Mean	S.D.	Mean	S.D.	
1	Economic Development	4.4	1.92	3.6	1.24	3.20
2	Unbalanced Development	3.2	0.87	5	0.34	11.6
3	Reformulation of SEZ policy	3.6	0.46	3.8	0.73	1.29
4	Politics	4.2	1.24	4.4	1.68	0.83

In order to test for the difference in opinion of Academicians and students standard deviation and 'z' values were computed. At 5% level of significance the critical value of 'z' is 1.96 and Table 4 reveals that for economic development and unbalanced development the calculated value of 'z' is higher. Therefore, business and service class differ on the role of SEZ in economic development and unbalanced development but no difference in opinion for reformulation of SEZ policy and politics.

### Conclusions

From the above analysis, following conclusions can be drawn:

- i) Students have a strong opinion about role of SEZ in economic development as compared with academicians.
- ii) Both academicians and students have a strong opinion about role of SEZ in unbalanced development.
- iii) Both academicians and students strongly agree on the issue of reformulation of SEZ policy.
- iv) Both academicians and students strongly agree on the politicizing of SEZ.
- v) Business class has a strong opinion about role of SEZ in economic development as compared with service class people.
- vi) Service class has a strong opinion about role of SEZ in unbalanced development as compared with business class people.
- vii) Both business and service class agree on the issue of reformulation of SEZ policy.
- viii) Both business and service class strongly agree on the politicizing of SEZ.

### Recommendations

The mean value for contribution of SEZ in economic development came out to be lesser (3.6) in comparison to unbalanced development (4.6), reformulation of SEZ policy (4.9), and politics (4.8). Therefore, though SEZs are perceived to be source of innovation, FDI, employment creation, economic growth, enhanced export, prosperity, and increased competitiveness but until issues like forcible acquisition of farmland, providing employment opportunities to unskilled tribal people, rehabilitation programmes for disabled, politicizing of SEZ issues for vote gain, transparency and fairness of SEZ system are not resolved, SEZ policy may not give desired results.

Despite progress on many fronts, many problems remain. India still has a large, unprofitable and unbalanced economic growth due to improper implementation of SEZ policy. Therefore, policy makers at the level of government and industry have to work together to reformulate the SEZ policy keeping in mind the long-term global perspective of balanced development.

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## **Performance & Effects of Special Economic Zones in India**

### *A Socio-economic Examination*

RAVI JAISWAL AND MEERA SINGH

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This paper explores the Indian policy framework and performance of SEZ's, it further discusses the various incentives available to an SEZ and the recent legal, regulatory developments and issues pertaining to SEZ's in India.

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#### **Introduction**

SEZs are essential to create country specific infrastructure base as well as for the increase in export earnings. It is conducive for the overall socio-economic development of a nation on the one hand and a better commerce and business base on the other hand. These SEZs may be a curse if they consider the economic aspect alone thus making them a potent tool of capitalism for few at the cost of the entire nation. That is why importance must be given to socio-economic development rather than pure economic development. For instance, the agricultural lands of the farmers of India are under a potential threat of being acquired by the Government of India on behalf of the SEZ developers. A level playing field must be provided to Indian farmers to make them globally competitive.

#### **What Makes SEZs Attractive?**

Facilities and incentives offered to a SEZ developer include:

- 100 percent foreign direct investment (FDI) allowed for developing townships with residential areas, markets, play grounds, clubs, recreation centers, etc. besides franchise for basic telephone service in the zone
- Wide-ranging income tax benefits
- Duty exemption on import as well as domestic procurement of goods for the development, operation, and maintenance of SEZ
- Exemption from service tax
- Permission to the developer to transfer infrastructure facility for operation and maintenance
- Permission to generate, transmit and distribute power within the SEZ

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Dr. Ravi Jaiswal is Faculty Member of Finance, International School of Business & Media, Pune. Dr. Meera Singh is Faculty Member of Commerce, UP Autonomous College, Varanasi.

- Permission to provide and maintain services like water, electricity, security, restaurants, recreation centers etc., on commercial lines
- Freedom to allocate the space and built-up area to approved SEZ units on purely commercial basis

India is one of the first countries in Asia to recognize the effectiveness of the Export Processing Zone (EPZ) model in promoting exports. Asia's first EPZ was set up in Kandla in 1965. With a view to create an environment for achieving rapid growth in exports, the SEZ policy was first introduced in India in April 2000, as a part of the Export-Import (EXIM) policy of India. Considering the need to enhance foreign investment and promote exports from the country and realizing the need that level playing field must be made available to the domestic enterprises and manufacturers to be competitive globally, the Government of India in April 2000 announced the introduction of Special Economic Zones policy in the country deemed to be foreign territory for the purposes of trade operations, duties and tariffs. To provide an internationally competitive and hassle free environment for exports, units were allowed be set up in SEZ for manufacture of goods and rendering of services. All the import/export operations of the SEZ units is on self-certification basis. The units in the Zone are required to be a net foreign exchange earner but they would not be subjected to any pre-determined value addition or minimum export performance requirements. Sales in the Domestic Tariff Area by SEZ units is subject to payment of full custom duty and as per import policy in force. Further Offshore banking units are being allowed to be set up in the SEZ's. Attractive incentive and great investment opportunities have attracted many business tycoons to step into the SEZ all over the country.

### Exports

Exports from the SEZ's during 2007-08 have registered a growth of 92 % in rupee terms over the previous year. Exports during 2006-07 were of the order of Rs. 66637 crores as compared to Rs.34613 crores during the corresponding period of last year (Table 1). Exports from the SEZ's during the last two years are given as under:

Table 1: Total physical exports

	2006-07	2007-08	2008-09 (Projection)
Central Govt. SEZ's	25358	39275	42898
State Govt./ Prior to SEZ Act 2005	9134	22167	30176
SEZ's notified under SEZ Act 2005	123	5196	52876
Total	34615	66638	125950

### Benefits to SEZ Developers

100 percent of the profits of the Developer arising from the business of

developing an SEZ, notified after April 1, 2005 under the SEZ Act, shall be deducted from taxable income. This deduction can be claimed at the option of the assessee for any 10 consecutive years out of 15 years beginning from the year in which the SEZ has been notified by the Central Government. If a Developer who sets up an SEZ after April 1, 2005, transfers the operation and maintenance of the SEZ to another Developer, the transferee is entitled to the above deduction of profit for the remaining period. The Developers of SEZ are not required to pay Minimum Alternate Tax & No dividend distribution tax shall be paid by a Developer engaged in developing, operating and maintaining an SEZ.

This apart, developers will also be entitled to duty drawback benefits for sourcing material such as steel and cement for infrastructure purposes from the domestic tariff area. The issue of land acquisition is one of serious concern, 40 per cent of the SEZ's that had come up were on land in possession of industrial development corporations of States. Special Economic Zone (SEZ) developers and units would now be eligible for concessional financing that was available for infrastructure sector, with an Empowered Group of Ministers deciding that all activities other than purchase of land should be treated as infrastructure by banks for financing purposes. The Reserve Bank of India had earlier advised commercial banks that SEZ's should be treated as real estate and not as infrastructure for financing and risk weightage purposes. The EGoM decision would give a fillip to SEZ development as developers and units will be eligible for concessional financing from banks on the lines accorded infrastructure.

### **Benefits to SEZ Units**

The Units set up in an SEZ which have begun to manufacture / provide services during the financial year beginning April 1, 2005 will get the following exemptions:

- 100% exemption of profits and gains from business for the first 5 years.
- 50% exemption on profits and gains from business for the next 5 years.
- 50% exemption to the extent that such amounts is re-invested in the SEZ Special Reserve Account.

Losses falling under the heads "Profits and Gains from Business or Profession" and "Income from Capital Gains" can be carried forward / set off as long as such loss is related to the business of the SEZ Unit.

Capital Gains on transfer of assets in case of shifting of an industrial undertaking from an urban area to an SEZ shall be exempted, provided that 1 year before, or 3 years after the transfer:

- machinery / Plant was purchased for the business of the industrial undertaking in the SEZ,
- building or land was acquired or building was constructed in the SEZ,
- the original asset was shifted and the establishment was transferred to the SEZ
- the assessee incurred such other expenses as are notified by the Central Government.

Interest income received by a non-resident or a person who is not ordinarily resident in India, on a deposit made in an OBU situated in an SEZ, shall be exempt from total income. etc.

### **SEZ's Leading to the Growth of Labour Intensive Manufacturing Industry**

Out of the 531 formal approvals given till date, 184 approvals are for sector specific and multi product SEZ's for manufacture of Textiles and Apparels, Leather Footwear, Automobile components, Engineering etc. which would involve labour intensive manufacturing. SEZ's are going to lead to creation of employment for large number of unemployed rural youth (Table 2). Establishment of SEZ's would lead to fast growth of labour intensive manufacturing and services in the country.

Table 2: Direct employment generated in SEZ's

<i>Direct employment generated till 30-06-2008</i>	<i>Number of persons getting employed</i>
In notified SEZs	100885 persons (all Incremental Employment generated after February 2006)
In Private/State Govt. SEZs which came into force prior to SEZ Act, 2005	48988 persons (Incremental employment generated since Feb. 2006: 36,250 persons)
In 7 SEZs established by the Central Government	1,99,330 persons (Incremental employment generated since Feb. 2006: 77,094 persons)

### **Investment and Employment Opportunities in SEZ's**

The investment in special economic zones is likely to touch Rs 2 lakh crore by December 2009 from the current Rs 77,000 crore. Direct employment by then would be up to eight lakh and indirect employment 16 lakh as against the current 2,14,499. The Empowered Group of Ministers (EGOM) has recently decided to reduce the land requirement for handicraft SEZ from 100 hectare to 10 hectare and also refund the service tax component paid by developers and units outside of the SEZ zone.

Table 3: Investment in SEZ's

<i>Investment in notified SEZs (as of 30.6.08)</i>	<i>Rs. 73348 crore (all Incremental Employment generated after February 2006)</i>
Investment in Private/State Govt. SEZs which came into force prior to SEZ Act, 2005 (as of 30.6.08)	Rs. 3701.91 crore (incremental investment generated since Feb. 2006 is Rs. 1946 crore)
Investment in 7 SEZs established by the Central Government (as of 30.6.08.)	Rs. 4043.28 crore (incremental investment generated since Feb. 2006 is Rs. 1764.08 crore)

**Conclusion**

The enactment of the SEZ Act and its implementation should enable the Government of India to fulfill its agenda of economic reforms as the multiplier effects on the economic activities triggered by SEZ materialize. Only there is strong future need of co-operation between Industry-Farmers and Political view without any hidden motive.

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# **Relevance of Special Economic Zones for Developing Economies : A Study of Indian Perspective**

ADITYA P. TRIPATHI

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The present paper makes an attempt to examine the relevance of SEZ model for expediting industrial growth in developing economies with special reference to India by explaining the economics as well as the politics involved into it. It also highlights the critical issues involved into the implementation of SEZs in Indian context with the help of the implementation difficulties faced in Singur case by the state government, and suggests an appropriate functional strategy for the successful establishment of SEZs in the wake of Indian reality.

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## **Introduction**

In order to promote export competitiveness, economic zones have emerged as a part of trade policy with special emphasis on outward orientation. Areas with special economic privilege i.e. lower taxes and rebates have been common since 16<sup>th</sup> century but it did not impact the world trade. Economic zones emerged as a powerful instrument for integration with world economy; some of the successful examples are Chinese Special Economic Zones and Mexican Maquildoras. This can be seen with the rise in numbers of economic zones worldwide and also rise in number of countries adopting this trade policy to impart competitiveness and outward orientation to their trade.

## **Zone Development in Asian Economies**

The rationale for the development of special economic zones differs between developing and developed countries. For developing countries, these zones have traditionally had both a policy and an infrastructure rationale. A typical SEZ policy package includes import and export duty exemptions, streamlined customs and administrative controls procedures along with liberal foreign exchange policies, and income tax incentives-all meant to boost an investment's competitiveness and reduce business entry and operating costs. Export oriented zones are intended to convey "free trade status" to export manufacturers, enabling them to compete in global markets and counterbalance the anti-export bias of trade policies.

Table 1: Direct employment impact of SEZs

	<i>Direct Employment (millions)</i>	<i>Percentage of National Employment</i>
Global	68.441	0.21%
Asia and the Pacific	61.089	2.3%
Western Europe	.179	
Central and East Europe and Central Asia	1.590	0.001%
Middle East and North Africa	1.458	1.59%
Sub-saharan africa	1.040	0.20%

*Note:* Estimates from FIAS database were formulated on ILO data. In some cases where discrepancies arise due to inclusion of indirect employment figures (as identified by WEPZA), a revised direct employment figure was calculated using a standard ratio of 1:2; that is, for every one direct job created, two indirect jobs are in turn created.

*Sources:* Bearing Point; ILO database; WEPZA (2007); FIAS research.

The Asia and the Pacific region have been at the forefront of zone development over the last three decades, led by the “Asian Tigers” in East and Southeast Asia. The region displays a wide range of development and management approaches. Zones in East Asia and South Asia continue to be mostly government-run, usually by central government zone authorities (for example, the Republic of Korea, Singapore, and Bangladesh), state government corporations (Malaysia, India) or ministerial departments (Taiwan, China). Traditional Export Processing Zones (EPZs) have played a key role in the development and proliferation of export sectors in a number of Asian economies, including Sri Lanka, Taiwan China, and Malaysia. However, only a few of these economies have been able to break away from low skilled textiles and apparel manufacturing into higher value-added manufacturing and services. Thailand, Malaysia, and Taiwan (China) are all often pointed to as models in utilizing their zones to both promote and diversify their export bases. Each of these economies has succeeded in moving from low value-added manufacturing to attracting investment and encouraging exports in a wide range of industries, including electronics assembly and component manufacturing (Thailand, Malaysia, and Taiwan, China), automotive assembly (Thailand), and chemical processing (Thailand). Global statistics indicate that 119 countries have followed the concept of SEZs as engine of growth.

History of EPZs in India shows the evolution of the special economic zones in India. The government of India has taken various efforts in order to promote the setting up of more and more EPZs in the country. Export Processing Zones are specialized areas in a country where tariffs are eliminated in the hope of attracting FDI and new business. The main objectives behind the setting up of Export Processing Zones in India are to encourage export and foreign exchange earnings.

India as a developing nation has strategically identified economic zones for export promotion and trade development. Ministry of Commerce, Government of India, defines, "Special Economic Zone (SEZ) as specifically delineated duty free enclave and shall be deemed to be foreign territory for the purpose of trade operations and duties and tariffs". The common goals and the characteristic shown by the export zones have been highlighted by Agarwal (2004), Madani (1999), Kundra (2000), and Kumar (1989). Zones share few common features worldwide;

- Unlimited, duty-free imports of raw, intermediate inputs and capital goods necessary for the production of exports;
- Less governmental red-tape, flexibility with labor laws for the firms in the zone than in the domestic market;
- Generous and long-term tax holidays and concessions to the firms;
- Above average (compared to the rest of the host country) communications services and infrastructure; and
- Zone firms can be domestic, international or joint venture. The role of FDI is also prominent in EPZ activities.

Indian government idea to foster SEZ relies on two pronged strategy: reduction in restrictions- Duty free imports, liberalised foreign exchanges, and flexible labour laws etc. Provision of incentives - better infrastructure and generous long term income tax concessions (IDFC, 2001). A micro level analysis of the zones' contribution to industrialization efforts in India reveals that EPZs have had a catalytic effect in promoting new production sectors, exporting new products and in building up the country's image in certain products in international markets [Aggarwal 2006b].

Following the phenomenal success of China's free ports, a number of other countries in the region have sought similar results, including: Philippines, which converted a number of former U.S. military bases into large-scale freeports-Subic Bay and Clark-with impressive results. Indonesia, which provided bonded zone status to Batam and Bintan islands, located 20 minutes away from Singapore. India, which has launched a major Freeport development initiative-some 26 freeports have been approved for development, 5 of which are underway, several by leading private sector consortia. The Republic of Korea has initiated a major large-scale Free Economic Zone development program, with three large-scale zones being implemented by private property development consortia; it has also designated Cheju island as a "Free International City" with special benefits. A number of Asian countries have also implemented specialized zones for financial services, information technology, science-based industries, and other industries requiring tailored infrastructure, facilities, and business development services.

### **Economics Behind Indian SEZs**

The wave of economic reforms initiated in 1991 could not result in a sustainable growth in manufacturing; there was a significant slowdown in the second-half of the 1990s. Bureaucratic red tape, procedural complexities

in administrative procedures, rigid labour legislations and poor infrastructure are believed to have affected the investment climate adversely in the manufacturing sector (Acharya 2006). To address these issues, the government reverted to EPZs with the expectation that if they could effectively be separated from the rest of the economy then they could provide the *engine of growth* to propel the manufacturing sector. It was argued that the existing zones could not succeed in attracting investment because of the lack of government commitment to the programme, piecemeal reforms, policy reversals, poor site selection, and failure to provide world class infrastructure, weak incentives and poor regulation of the zones.

In a major initiative to boost export-led growth and motivated by the success of Chinese SEZs, the government replaced the EPZ scheme with the “SEZ scheme” in 2000 with the commitment of tightening all the slackening prevailing in the system. The main difference between an SEZ and EPZ is that the former is an integrated township with fully developed infrastructure whereas an EPZ is just an industrial enclave. Under the new scheme, all existing zones were converted into SEZs and three Greenfield SEZs became operational by 2004. However, the impact of SEZs remained far removed from expectations. In order to provide a significant thrust to the policy, the government enacted the SEZ Act 2005. The act became operative in February 2006 after the SEZ rules were framed and notified. In addition, state governments also enacted their own SEZ laws, primarily to cover state related issues.

### **The Economic Performance and Impact of Zone Programs**

Social critics of zone development, on the other hand, have emphasized the social and environmental impacts of zones and largely dismissed its economic contributions. And almost all studies have failed to evaluate the contributions of zones relative to other duty-abatement mechanisms. If we look into the economics of SEZs, the following benefits can be attributed to SEZs in Indian scenario.

**Employment Generation:** SEZs are viewed as highly effective tools for job creation, particularly for women first entering the workforce. Experience suggests, however, that the direct employment impact of zones is marginal. In most countries, zones are not a major source of employment. As shown in *Table 2*, SEZs account for less than 1 percent of the global workforce, and are above 1 percent only in the Americas and the Middle East and North Africa. While the direct employment impact of zones on an average is marginal, although the indirect employment effects can be quite substantial. The ratio of indirect to direct jobs created ranges from 0.25 percent in Mauritius (ILO, 2003) to 0.7 percent in Madagascar (Cling, Razafindrakoto and Roubaud, 2004), to 2.0 in Honduras (ILO, 2003). This implies that the indirect employment effect of EPZ development globally could range from 9.6 million to 77 million jobs.

Global statistics approves that Zones can and do play a major role in employment creation in certain countries. Employment in the Dominican Republic’s industrial free zones rose from 500 in 1970 to almost 200,000

today. Almost 1 million workers are employed in the Philippine eco-zones. Evidence suggests that zones have proven to be much more significant source of employment in smaller countries with populations of less than 5 million (examples include: Mauritius, the Seychelles, and Jamaica) than in larger countries. Even in Mexico, for example, the highly visible and successful maquiladora program accounts for only 3.2 percent of total jobs (Sadni-Jallab and Blanco de Armas, 2002). So, India can also expect spurt in employment generation with the help of SEZs. EPZs account for a significant share of manufactured exports in most regions, particularly in the Middle East and North Africa and sub-Saharan Africa (Table-2).

Table 2: Impact of zones on exports

	<i>Zone Exports (US\$ millions)</i>	<i>% of Exports</i>
Global	851,032	40.8%
Asia and the Pacific	510,666	41.0%
Americas	72,636	39.0%
Central and East Europe and Central Asia	89,666	38.7%
Middle East and North Africa	169,459	36.5%
Sub-Saharan Africa	8.605	48.7%

*Sources:* Bearing Point; ILO database; WEPZA (2007); FIAS research.

EPZ programs also spearheaded export diversification efforts in most countries, from an almost total reliance on primary commodities to manufactured exports. For example, most of the countries of the Caribbean and Central America exported mainly fruits and vegetables before the establishment of EPZs. In Costa Rica, the EPZ share of manufactured exports jumped from less than 10 percent in 1990 to 55 percent in 2003. Ten years ago, the main exports of the zones were apparel and textile products; today, over half of zone exports are modular circuits and other electronic components, even excluding exports generated by the Intel plant opened in 1997 (Table 3). Globally, Zones have contributed substantially to the exports (40.8%). Moreover, if we look Continent-wise contributors of SEZs to export

Table 3: Exports from the functioning SEZs in India

<i>Year</i>	<i>Value (Rs. Crore)</i>	<i>Growth rate (over previous year)</i>
2003-04	13,854	39%
2004-05	18,314	32%
2005-06	22,840	24.7
2006-07	34,787	52.3%
2007-08 (Projected)	67,088	

*Source:* <http://www.sezindia.com>

Asia Pacific gained 41% of its exports from SEZs followed by 39% (Americas), 38.7% (Central and East Europe and Central Asia), 36.5% (Middle East & North Africa) & 48.7% (Sub-Saharan Africa) respectively (Table-3). In Indian context, if we look at the statistics we find substantial contribution from functioning SEZs which accounted for more than 50% (52.3%) in the year 2006-07 (Table 3).

**Foreign Direct Investment:** Available data suggests that SEZs are an important destination of FDI in some countries. In the Philippines, for example, the share of FDI flows separately, and data is uneven. These zones play a very important role in Economic Freedom Index of a particular country. In the Philippines, for example, the share of FDI flows going to the country's eco-zones increased from 30 percent in 1997 to over 81 percent in 2000 (UNCTAD, 2003). In Bangladesh, \$103 million of the \$328 million of FDI inflows were registered in EPZs. In Mexico, the share of annual FDI accounted for by maquiladora operations increased from 6 percent in 1994 to 23 percent in 2000 (Sadni-Jallab and Blanco de Armas, 2002). And in China, SEZs account for over 80 percent of cumulative FDI. So, there should not be any doubt or inhibition about the success of these Zones in Indian scenario.

**Foreign Exchange Earnings:** The foreign exchange contribution of zone programs is hard to establish directly since most do not collect foreign exchange earning statistics. Earnings can be approximated by tracking net exports (gross exports minus imports) as an indicator of the local value added from zone activity. The net economic impact of zones is increased as local value addition is raised.

The success that some zones have had in increasing local purchases of zone-based goods and services is exemplified by the East Asian newly industrialized countries. In the Republic of Korea, for example, net EPZ exports were over 60 percent in 2000 (Schrank, 2001). Korean zones were successful in developing significant backward supply linkages and sub-contracting relationships with domestic firms, particularly in footwear operations (Healey and Lutkenhorst, 1989). In Indonesia, net exports of firms located in bonded zones reached 62 percent in 1990. The net export ratio among the Philippine eco-zone firms was 45 percent in 2003, according to the Philippine Export Zone Authority.

Thus we can say that the economics of SEZs worldwide in general and India to be specific, gives enough reason and logic for adopting the concept of SEZs as a development engine. Various researches suggest that if India really wants to be called as a transformed economy, implementation of SEZs in true spirits is a pre-requisite. But the implementation of SEZs in true development spirit is not possible due to personal vested interest of political parties and real estate developers. Behavior of developers and state governments is giving a vivid indication of politico-real estate nexus in SEZ development. After considering all the perspectives (Government, Industries and Farmers/Land owners), the problems involved into the successful as well as peaceful implementation of SEZs, Real status and way out have been formed in Table 4.

Table 4: Making SEZs operational in India: a point-to-point approach

<i>Factor affecting the establishment of SEZs</i>	<i>Way out</i>
<p>Type of Land: Farmers are worried about their livelihood and acquisition of agricultural land may result into food crisis.</p>	<p>In place of using fertile land, Barren or waste land should be identified and used for SEZs to avoid any type of opposition by farmers. If it is not possible, then single cropped land should be acquired not the double cropped. Perforce double cropped land has to be acquired ,the same should not exceed the limit of 10% of the total land acquired for SEZ.</p>
<p>Way of Acquisition: The forced acquisition of land by the use of the LAA 1894 leading to large scale displacement destruction of Agro-based economy, loss of local agriculture, fisheries based and other artisans traditional livelihoods and issues of food security with no guarantees of alternative employment is a major cause of concern by farmers and land owners.</p>	<p>In place of acquiring the land forcefully, land should be acquired amicably after consulting the land owners in a collective manner.</p>
<p>Misuse of Land for Real Estate: Possibility of nexus between Political Parties and promoters of SEZs. Promoters will get land cheaply and will make their fortune out of real estate by development and speculation indiscriminately. The minimum prescribed requirement of infrastructural facilities processing area is 35 per cent. The rest i.e. 65% like housing, commercial spaces, will be for residential and recreational facilities.</p>	<p>To regulate usage of the SEZ area by the developers, the SEZ board of approvals should assess the size requirement of infrastructural facilities like housing, commercial spaces, recreational amenities, etc, based on the employment generation potential of the SEZ. There should be a Master Plan which should ensure that this plan should not be used by real estate developers for their own benefit rather passing the benefits to the industries at large.</p>
<p>Uneven Growth: There is a strong possibility that SEZs -will be set up in states where there is already a strong tradition of infrastructure development and manufacturing and exports. The trend is already seen in the initial approvals. The share of the four most industrialized states (TN, Karnataka, Gujarat and Maharashtra) in total approvals is 49.5 per cent. Andhra Pradesh, Kerala and Haryana account for another 31.1 per cent of total approvals. Thus seven states account for 80.6 per cent of approvals. Their share of in-principle approvals is 63.8 per cent. On the other hand, industrially backward states of Bihar, north-east and J and K do not have a single approval.</p>	<p>A Master plan considering the entire nation as a point of focus, should be chalked out and balanced growth should be ensured. State wise statistics on SEZ indicates an entirely imbalanced distribution. Product wise allocation of SEZs also indicate that the idea have been captured by IT/ITES industries and accounts for more than 50% of the allocations made till date.</p>

### Suggestions

The Government should chalk out a Master plan taking into consideration the following facts:

- 1) Maximum no. of SEZs permitted in a State should be prescribed.
- 2) Type of Land to be acquired for this purpose should be specified.
- 3) Compensation to be paid to the land owners should be based on logical parameters and market price of land should also be taken into consideration.
- 4) Any nexus between government and Developers is to be denied by forming approval committee comprising members from different areas.
- 5) National policy on Development Planning and Just rehabilitation of the displaced should be enacted.
- 6) A dialogue or consultation be initiated with people's groups and communities to seek opinion on whether SEZs will help in strengthening the development of local economies and what could be the options suitable opportunities for them \_\_\_\_\_ .

### Conclusion

The common mistake at the root of many of these obstacles to optimal zone performance is a lack of effective coordination, both in terms of the parties involved and various physical and procedural aspects of the zone itself. So Indian government should first frame a well-equipped implementation strategy for SEZs keeping in mind all reasonable and practical implications of this policy in Indian scenario and ensure the absence or possibility of any type of nexus between the political parties and industrialists (Real estate developers). Otherwise it would be called as a government sponsored land grab by the rich and powerful.

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## **Socio-economic Rationale of SEZs in India**

H.K. SINGH AND AMIT MANGLANI

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The plan of Special Economic Zone seems to lie in the specific spectrum of policy implementation. This analyses some of the important views and counter-views on SEZs to find what should be more beneficial for the development of the country.

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### **Introduction**

The concept of Special Economic Zone is one such policy through which a possible corrective measure could have been taken to make India developed with balanced and equilateral growth. It was a right decision of Government of India to provide a kind of subsidy or relaxation to prospective developers and industrialists in terms of land use and tax payments to develop a zone in those areas where no (or, less) developmental process has been done till date in respect to other industrialised zones. Such a zone is considered as special economic zone; special – because of privileges it receives from the govt. for itself and for the manufacturers who have to establish their units in this specific zone. Some of the privileges like, considering this zone as foreign territory; all of its outward production as export; charging custom duty to all its imports and providing tax holiday of around 10 years, which make this zone special from other industrial areas. The purpose of developing such zone is establishing manufacturing units to expand the production. So, for the balanced development purpose, idea of developing SEZs looks beautifully crafted policy initiative by the government. When the SEZ policy is initiated with development as keyword for overall growth then why there is protest against the establishments of these zones by the public. These protests have been in news from all round of the country in general and from Singur and Nandigram (both in West Bengal) in particular.

### **Objectives of the Study**

The article discusses the subject matter by considering following objectives:

- To study the concept of developing SEZs for developmental purpose
- To study that how SEZs help every stakeholder to be a part of development process of the country
- To study the arguments raised against the establishment of SEZs and provide certain acceptable solutions.

### Discussion

It is important to understand the views and expectations of every stakeholder who directly or indirectly is affected by SEZs. Stakeholders – like, the Government, the land losing public and the producers who want to set up their units in SEZs are being considered accordingly.

Government need to develop special economic zones for raising its economic performance, increasing the GDP, increasing the total output and to increase its revenue. Raising income from already saturated areas is difficult and developing other areas is also an agenda for equal distribution of income across the states. Also, no industry will set up to those cut-off areas where even the basic amenities of water, electricity and transportation are not available. Governments, thus, have to provide certain incentives to the industries to establish their units from saturated yet profitable areas to difficult accessible areas. Some of the arguments against governments ruling and about these incentives and their possible answers are being discussed here:

S. No.	Views	Counter-views
1.	Loss of Public Revenue. It has been estimated that due to given incentives to SEZs, the government will lose around Rs. 1,60,000 crores of public revenue till 2010	For promoting an area which is not beneficial to manufacturers in terms of availability of raw materials, basic infrastructure; there need to provide certain incentives. These incentives may seem very expensive at the short-run but, will prove beneficial at long-run because of its idea of developing a 'zone of no activity' to the 'zone of industrial production.'
2.	More emphasis to capital-intensive industries which will affect labour-rich India	These sector will generate greater employment opportunities. (An additional of 21,09,589 jobs are expected by December 2009). However, job will only be available to skilled labourers.
3.	No concern of the environment	Environmental deterioration is not the problem of SEZ development alone. It is the problem related to industrialization (whether it is being done in the name of SEZ development or otherwise). The aspect of environment and industrialization are two oppositely related concerns. A cause for one will hamper the development (or, growth) of other. Only 'sustainable' development will justify the need and extent of the growth of both the aspects. A positive use of barren land as areas for establishing SEZs will help to do away this problem.
4.	Displacement and loss of livelihood	Every developmental process has the problem of displacement. It is not just the case with SEZs, the same problem can be seen in the areas of developing dams, national highways and like. Only immediate and adequate compensation and rehabilitation policy can answer such questions.

*Table contd. ...*

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5.	Labour law violations	<p>And for proper implementation of rehabilitation process the central government is framing 'National Policy on Relief and Rehabilitation.</p> <p>Labour laws can be differentiated in two parameters as these laws act in two basic spectrums. One- for safety purposes while other provide some power and framework to the workers group to express their demands collectively to the management. In SEZs, this expression cannot be given by workers by making an organization and trade unions. Simply, right of having 'trade unions' is diluted for units established in SEZ.</p> <p>This prospect is taken in this zone to pacify the production and hence, the development and reduce the friction among the parties involved in productive activities. It is very much known fact that because of strikes and lockouts, our nation has faced loss of millions of working-hours and the production.</p>
6.	Compensation to legal owner of the land only and not to the workers associated with that land.	<p>This argument seems little biased. A compensation in any case can only be given to legal owner of the land and though, it is important to provide some relief to landless-labourers working on those lands, it cannot be legally binding to the third party to compensate them as well. A minimal help from state governments can be provided to this group to re-establish them in the economic activity.</p>
7.	SEZs: Towards entertainment purposes rather than production activities	<p>It is important to notice that these zones are established for the development purposes and its use should be delineated for the said purpose only. Development of city like structure, malls, and recreational centres shall be avoided on such zones. And on that parameter, the proposed SEZ of Reliance near Mumbai shall not be allowed.</p>
8.	SEZs: A land grab	<p>Probably this is the most controversial point related to the SEZ. Media coverage on recent Singur and Nandigram crisis has made the topic of SEZ and exploitation of land owners a red-hot one. This actually made the whole concept of SEZ, a doubtful one. While the actual problem was unlawful land acquisition by state governments for the SEZ development, blame made on the usefulness of SEZs.</p> <p>New directives from the central government has defined the nature of land which should be used for developing an SEZ will lessen this problem and create more positive response towards its growth.</p>

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### Conclusion

Like all ideas, the idea for Special Economic Zones, in its originality, is a very attractive one. If implemented according to proper rules and regulations and most importantly, with proper consideration for farmers and project affected people (PAPs), the SEZs provide a win-win situation for the company and the PAPs as well. In the ideal condition, the Project Affected people benefit by getting better occupation, better living conditions and better income while the involved developers and company get the benefits of tax-exempt production centres along with a dedicated workforce derived from amongst PAPs. Clearly, if the PAPs are satisfied with the policies of the company and their rehabilitation and relocation programmes, they will have trust and goodwill as employees while working for the company.

Role of media is also a factor to look on. It is said that a bad news spreads quickly than the good news. Same thing happens with the SEZ. News of Singur and Nandigram made people aware of SEZ and its negative aspects only. Nobody even thought of its positive points and potential it can provide after a good time. A common man's mindset was against the development of these zones

A judicious allocation of land, ruling out nexus of mafia-bureaucrats and politicians, developing SEZs in those backward areas only which need development and not to make these locations friendly for estate developers, and creating a positive sense of understandability among the people about its profits. People's mindset on positive development is also a key factor for gaining acceptability of these zones in the society.

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Seminar on  
**SEZs : Politics vis-a-vis Economics**

**ABSTRACTS**

**Political Economy of Special Economic Zones (SEZs) in India:  
A Critical Evaluation**

A.S. SIDHU AND OM PARKASH\*

The Special Economic Zones (SEZs) have got birth long back at the global level under different names. Special Economic Zone (SEZ) is a specific region where the existing Economic Laws/Labour Laws are generally more liberal than a country's General Economic Laws. SEZs may take the following forms, like, Free Trade Zones (FTZs), Export Processing Zones (EPZs), Free Zones (FZs), Industrial Estates (IEs), Free Ports (FPs), Urban Enterprise Zones (UEZs) etc. It is also argued that SEZs help a country to attract more foreign investment, create higher level of employment opportunities, and work as a catalyst for the promotion of new technology and infrastructure in a developing country. In view of the expected benefits of SEZs, such Zones have been proposed to be set-up in India during the post-reforms period.

**Role of SEZ in Rural Economy**

ABHILASH KUMAR SRIVASTAVA AND SATISH KUMAR SRIVASTAVA\*\*

According to SEZ Act 2005, a Special Economic Zone can be established either jointly or separately by the central government, or any other person involve in the manufacturing of goods. Even a foreign company can also set up. After identifying the proper area a person wishing to establish a SEZ unit may make a proposal to the state government. At present functional Economic Zones located at Santa Cruz (Maharashtra), Cochin (Kerala), Kandla and Surat (Gujarat), Chennai (Tamil Nadu), Vishakhapatnam (Andhra Pradesh), Falta (West Bengal) and Noida (Uttar Pradesh) in India. Further a SEZ at Indore (Madhya Pradesh) as now ready for operation.

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\* Dr. A.S. Sidhu is Professor and Om Parkash is Senior Research Fellow, Department of Commerce and Business Management, Guru Nanak Dev University, Amritsar.

\*\* Dr. Abhilash Kumar Srivastava is Head, P.G. Department of Commerce and Research Studies and Satish Kumar Srivastava is Research Scholar, P.G. Dept. of Commerce and Research Studies.

## **Relevance of Special Economic Zones for Developing Economies**

(A Study of Indian Perspective)

ADITYA P. TRIPATHI\*

The idea of building SEZs is under serious debate. Industries at large believe that SEZ will be able to promote industrialization with the help of improved infrastructure, enhanced investment and reduced transaction costs in a planned way, whereas another segment of the society is of opinion that this scheme of development is against the interest of farmers in Agriculture-oriented economy like India. The present paper makes an attempt to examine the relevance of this new model for expediting industrial growth in developing economies with special reference to India by explaining the economics as well as the politics involved into it.

## **SEZ in India: A perceptual study of Indian Citizens with respect to Economic and Political dimensions**

AJAY KR. SINGH & VANDNA SHARMA\*\*

India's – and indeed Asia's - first Export Processing Zone was set up in Kandla, Gujarat, in 1965. In the four decades since, the EPZ programme has grown from one zone, to seven, to 53 approved SEZ's under the previous policy, to the current total of more than 400 approved so far under the SEZ Act. This policy intended to make SEZs an engine for economic growth supported by quality infrastructure complemented by an attractive fiscal package, both at the Centre and the State level, with the minimum possible regulations.

## **An Evaluation of Political Affairs on SEZ Policy in India**

AJIT KUMAR\*\*\*

In this paper the role of politicians on SEZs policy have been evaluated. Some politicians used as a tool of SEZs Policy for movement in India for their self recognition, Such as Nandi Gram, Singur in W.B. , Gujrat, U.P. etc. They did not effort for rectifications or modifications at the time of approval in the parliament. Therefore the suggestion have been made for study of the SEZ policy and they should have requirement to use SEZ policy for development to rural areas in India, so that the income of our villagers could increase and they could enjoy with their income in the society.

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\* Dr. Aditya P. Tripathi is Faculty Member, Board of Studies, The Institute of Chartered Accountants of India, New Delhi.

\*\* Dr. Ajay Kr. Singh is Reader Deptt. of Commerce, Delhi School of Economics, University of Dehli, and Vandna Sharma is Reader, Birla Institute of Technology, Ranchi Mesra – Ext. Centre – Noida.

\*\*\* Ajit Kumar is Faculty of Commerce, P.K. Roy Memorial College, Dhanbad.

## **SEZ: Politics Vis-À-Vis Economics With Reference to Nagpur**

AKHIL YADAO RAMTEKE\*

The politics and economic both are for the development of society. Economics is not politics, one is a science, concerned with the immutable and constant law of nature that determine the production and distribution of wealth; the other is art of ruling. Since the beginning of political institution, there have been attempt to fixed wage, control pries and create capital, all resulting in failure. Such undertaking must fail because the only competence of politics is in compelling men to do what they do not want to do or to refrain from doing what they are inclined to do and the laws of economics do not come within that scope.

### **Special Economic Zones : Are they really Economic?**

AMIT A. JOSHI\*\*

There is a need to have a critical evaluation of SEZ. As a citizen of this country, I am sure that we all shall support the development process but at the same time the government is expected to play role of catalyst to keep check on the entire process of setting of SEZ. The Commerce ministry is only depicting the rosy picture and ignoring the repercussion of SEZ. There is a need to eliminate the side effects of sales to the minimum level and for that the government efforts to be need genuine. There are three players in the game of setting up of SEZ namely the private developers, the government and farmers and there has to be a common agreement among the three to arrive at a rational outcome.

### **Special Economic Zone or Special Election Zone! An Empirical Evaluation from Income Tax Act of 1961**

AMITAVA SAMANTA\*\*\*

On the 14<sup>th</sup> Aug. Economic Times (Kol.) had asked a question, 400 acres land for 4 crs. Voters in Nano case. This ultimate withdrawl of plant puts question mark of SEZ viability, its delay in induction of industries in SEZ in selected areas. First we assess some sections of Income Tax Act of 1961 where exemptions has been allowed U/S 10 AA for Income from newly established units in special Economic Zones. For the purposes of this section reconditioned imported machinery or plant will be regarded as new. Further, where the total value of the machinery or plant transferred to the new business does not exceed 20% of the total value of the machinery or plant used in that business, the benefit of exemption will not be denied to it.

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\* Akhil Yadao Ramteke is Student, B.Com. (Computer Application) Dhanwate National College, Nagpur.

\*\* Amit A. Joshi is Faculty Member, Lecturer in Economics, S.V.N. College of Commerce & Arts, Dombivali (E).

\*\*\* Amitava Samanta is in Deptt. of Commerce, Markham College of Commerce, Hazaribag.

## **Special Economic Zone In India**

ANAND DEV RAI AND MISS NIBHA SINGH\*

India was one of the first in Asia to recognize the effectiveness of the Export Processing Zone (EPZ) model in promoting exports, with Asia's first EPZ set up in Kandla in 1965. With a view to overcome the shortcomings experienced on account of the multiplicity of controls and clearances; absence of world-class infrastructure, and an unstable fiscal regime and with a view to attract larger foreign investments in India, the Special Economic Zones (SEZs) Policy was announced in April 2000. This policy intended to make SEZs an engine for economic growth supported by quality infrastructure complemented by an attractive fiscal package, both at the Centre and the State level, with the minimum possible regulations.

## **SEZ In India : Some Concerns and Ways**

ANAND KUMAR AND R.B.L. SRIVASTAVA\*\*

Apart from bright aspects of SEZ there are some serious concerns as problem of Land acquisition, environmental degradation, imbalanced economic growth, political-Capital nexus etc. All these are finally jeopardizing the interest of poor people without adequate and proper justice. There is need to take care of all these issues and to search out amicable solutions leading to both development and humanity. We need both. Neither we can afford "NO SEZ" nor "NO HUMANITY". There is need to evolve such a process of working of SEZ in which local people who could be associated as equity holders. Thus, anti SEZ voices could be minimized and consequently demand for SEZ will start to come from land owners and common people in general. This paper is an effort to discuss and to move in this direction.

## **Special Economic Zone and Tax Incentives**

ANAND TIWARI AND ARVIND JAIN\*\*\*

State Government has provided the title of land broker for the industrialist proprietorship of fertile land. There was ladhi charge and firing when it was discarded by these poor people. This incident has alive the barbarism of Jallyawala Bagh period. It is clearly said in the land seizing Law 1994 in this relation that seizing of any land can be done by the Government only when National Highways, hospital, Airport, Railway Station Bridge or Dam are owned by the Government himself. The matter relating to the zone that land seizing law is not valid. On account of Private undertaking land seizing law says that the compensation fee should be deposited to the District Collector. Constitutional Provision relating to the land seizing says that where the land is the mean of earning there land cannot be taken without making the optional management of livelihood.

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\* Dr. Anand Dev Rai is Lecturer, Faculty of Commerce, Rajiv Gandhi South Campus Barkachha, B.H.U., Mirzapur and Miss Nibha Singh is Lecturer, Faculty of Hospital Management, (IMS) Rajiv Gandhi South Campus Barkachha, B.H.U., Mirzapur.

\*\* Dr. Anand Kumar is Senior Lecturer, Deptt. of Commerce, A.D.C., University of Allahabad, and Dr. R.B.L. Srivastava is Senior Lecturer, Deptt. of Commerce, C.M.P., University of Allahabad.

\*\*\* Dr. Anand Tiwari and Dr. Arvind Jain are Professors, Deptt. of Commerce, Govt. Girls PG College, Sagar, M.P.

### **SEZs: - Politics vis-a-vis Economics**

ANANT DESHMUKH, DEVENDER KAWDAY AND DINI MENON\*

“There is hope that the much-heralded growth engines, India and China, would make a significant contribution to help the world economy ride out the recession. These two countries have been brought to a new awakening of the magnitude of crisis that looms over their own economies” This will happen because of the policy like SEZ”. With a view to overcome the shortcomings experienced on account of the multiplicity of controls and clearances; absence of world-class infrastructure, and an unstable fiscal regime and with a view to attract larger foreign investments in India, the Special Economic Zones (SEZs) Policy was announced in April 2000. This policy intended to make SEZs an engine for economic growth supported by quality infrastructure complemented by an attractive fiscal package, both at the Centre and the State level, with the minimum possible regulations.

### **Economic Effect and Poverty Impact of India's Sez Strategies**

ANKITA SHARMA AND BHUPINDER KAUR\*\*

SEZs are seen as a key instrument not only for promoting exports and earning foreign exchange but also for stimulating economic growth through additional investment, technology transfers, and employment generation. There were 176 such zones across 47 countries in 1986. In 2003 the number of zones increased to over 3000 across 116 countries (ILO 2003). A majority of new zones have taken root in developing countries.

### **SEZ Politics In India**

ARCHANA V WANKHEDE, BABAN B. TAYWADE AND PRAMOD GAWANDE\*\*\*

One reason why even seemingly attractive offers of compensation are refused by project-affected people is the lack of viable enforcement mechanisms, the courts in most areas often being dysfunctional at best. Unless India's states can rise to the challenge of rebuilding their credibility – which implies the creation of institutions for enforcing compacts between citizens and governments – the political environment facing the continuation of economic reform will be inhospitable at best. The second point of relevance concerns the relation between India's middle class and the country's ongoing process of democratization. For many middle-class Indians, the prospect of living in an SEZ's residential enclave is extremely attractive – not just because of the promise of upscale facilities, but (as importantly) because it offers a chance of escaping from the contentious and unpredictable politics that India is currently experiencing.

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\* Anant Deshmukh is Convenor, Academic Activities, Lecturer, Dhanwate National College, Nagpur, Devender Kawday is Lecturer, G.S. College of Commerce and Economics, Nagpur and Dini Menon is Lecturer in Commerce, Dhanwate National College, Nagpur.

\*\* Ankita Sharma is Research Scholar, Deptt. of Commerce, University of Jammu, Jammu and Bhupinder Kaur is Lecturer, Deptt. of Commerce, University of Jammu, Jammu.

\*\*\* Dr. Archana V. Wankhede is Lecturer, N.M.D. College, Gondia, Dr. Baban B. Taywade is Principal, D.N.C. College and Dr. Pramod Gawande is Principal, Mauda College.

### **Special Economic Zones in India: Is it an “Engine of Growth” at the Cost of Poorest of the Poor?**

ARUP PRAMANIK\*

Special Economic Zones are capable of bringing multiple benefits to an economy in terms of creating jobs, augmenting exports, building infrastructure of international standard and inviting huge Foreign Direct Investment (FDI). Besides these, some of the possible “trickledown effect” of SEZs in the host economy, including learning effects, human capital development effect, demonstration effect, technological and knowledge transfer and so on. In other words, human displacement, whether in response to natural disaster, economic opportunity or building infrastructure within the key issue in contemporary discussion of population movement. In India the battle lines have been drawn between the paupers and prosperous over the issue of displacement of poor and acquisition of land for the development of SEZ<sub>s</sub>. These zones are considered as a strategic tool for expediting the process of industrialization in developing countries.

### **Special Economic Zones: Are They Good For the Country**

ASHISH KANT CHAUDHARI AND TWINKLE PRUSTY\*\*

The very idea of building special economic zone is under furious debate. Industries at large believe that SEZ will be able to promote industrialization by improving infrastructure, enhancing investment and reducing transaction cost. To attract this critical level of investment in infrastructure creation, government incentive appears to critically important, undoubtedly necessary. But the criticism is that the incentive offers are excessive and inequitable and will entail revenue loss. This paper looks at the policy of special economic zones in India and their suitability for fulfilling the goals of export promotion, employment generation and maintenance of the tempo of economic growth.

### **Special Economic Zones – Zones of Controversy**

ASHOK KUMAR MISHRA AND ANJANI SRIVASTAVA\*\*\*

Special Economic Zone ‘SEZ’ is a geographical region with different economic laws than a country’s typical economic laws, with the main goal of attracting foreign investment. In economic terms, SEZ is specifically delineated duty-free enclave and shall be deemed to be foreign territory for the purposes of trade operations and duties & tariffs. Countries which have experimented with this concept are China (with great success), UAE, Malaysia, India, Jordan, Poland, Kazakhstan, Philippines, Russia and to some extent North Korea. Apart from Central government, any private/

\* Dr. Arup Pramanik is Lecturer in Economics, Siliguri College of Commerce, Siliguri, Darjeeling.

\*\* Ashish Kant Chaudhari is Research Scholar, Faculty of Commerce, Banaras Hindu University, Varanasi and Twinkle Prusty is Senior Lecturer, Faculty of Commerce, Banaras Hindu University, Varanasi.

\*\*\* Dr. Ashok Kumar Mishra is Head, Deptt. of Commerce, Mahatma Gandhi Kashi Vidyapith, Varanasi and Dr. Anjani Srivastava is Lecturer, Faculty of Commerce, Sri Agresen Kanya PG College, Varanasi.

public/ joint sector or State Government can set up an SEZ. Before recommending any proposal to department of commerce, the State must satisfy them that they are in a position to supply basic inputs like water, electricity etc.

### **SEZ : Democracy Vs. Corporacy**

BHARAT MEGHE, PRADEEP GHORPADE AND PRAVIN H. GHOSEKAR\*

The corporate mafias new avatar is SEZs by grabbing thousand and lakhs of acres of land in the name of SEZs. Today democracy is in danger because of political and corporate greed. All the democratic countries acting for the welfare of corporate sector only. In a democracy the role and size of nation states and corporate sectors is expanding rapidly on a day to day basis, while the smaller unbargainable individual and citizen groups right is shrinking and they are exploited by the state and corporates. Wherever corporate industrialized democracy, there is a danger to the billions of lives of poor citizen.

### **Special Economic Zones Vis-a-Vis Land Acquisitions: The Challenges and Solutions**

CH. SATYANARAYANA, P. KRISHNAMA CHARY AND CH. SRIKANTHVERMA\*\*

An analysis of the zones' contribution to industrialisation efforts in India reveals that EPZs have had a catalytic effect in promoting new production sectors, exporting new products and in building up the country's image in certain products in international markets. The SEZ Act 2005 offers a highly attractive fiscal incentive package, which ensures: Duty-free import/domestic procurement of goods for development, operation, and maintenance of SEZs and SEZ units, Extension of income tax benefits to SEZ developers for a block of 10 years in 15 years, as per the choice of the developers, 100% income tax exemption for SEZ units for the first 5 years, 50% for 2 years thereafter, and 50% of the ploughed back export profit for the next 3 years.

### **SEZ : A Controversy Which Still Lingers**

CHANDRAMA SINGH\*\*\*

In most of the cases SEZs have been built up on those lands which are fertile, nearer to towns and have amenities for water, roads and in India SEZs, infact, are official tools to grab land from peasants for making money. The protest again SEZ in Nandigram and Singur created a political turmoil and similar protests were seen from millions of people from the states of Haryana, Orissa, Maharashtra and other

\* Dr. Bharat Meghe, Kamla Nehru Mahavidyalaya, Nagpur, Dr. Pradeep Ghorpade is Faculty Member, Shri Shivaji Mahavidyalaya, Gadchiroli and Dr. Pravin H. Ghosekar is HOD Computer Deptt., Dhanwate National College, Nagpur.

\*\* Dr. Ch. Satyanarayana is Professor, Deptt. of Commerce and Business Management, Yaagdev Degree & PG College, Kishanpura, Hanamkonda, Dr. P. Krishnama Chary is Professor, Deptt. of Commerce and Business Management, University PG College, Subadari, Hanamkonda, Warangal and Ch. Srikanthverma is Lecturer, Deptt. of Commerce & Management, Post Graduate Centre, Lal Bahadur College, S.P. Road, Warangal.

\*\*\* Chandrama Singh is Dean, Faculty of Commerce, Patna University, Patna.

places for not allowing the government to acquire land for SEZs. Large scale protest against displacement of peasants from their land, the main source of their subsistence, has been supported by many politicians, political parties, NGOs and social workers, but by flouting the protest government of India has been inclined to serve the narrow interests of corporate sector without having any care whether it will add to the poverty of masses.

### **SEZs: Politics vis-à-vis Economics**

CHITRA NATRAJAN\*

SEZs should be established in such a way that it gives maximum benefit to the people whose lands are acquired and to the Indian society as a whole. It is clear that these SEZs are the new tools which are of real help in obtaining the prerequisites like better employment opportunities, more exports and higher investible resources in terms of Foreign Direct Investment, necessary for achieving sustained growth. The path that SEZ have shown to the industrial giants is a lucrative one and no one is going to misuse it by not using the opportunities. Indian industrial sector are very eager to take the opportunity to grow with these benefits. Products like IT hardware, telecom equipment, auto components, biotech and textiles are also ready to grasp the benefits of SEZ.

### **Special Economic Zones: Is It Beneficial to the Farmers or Developers?**

D.B. BHARATI\*\*

Recently newspapers were headlined by news on Special Economic Zones (SEZs). SEZs were in the news because of land acquisition in areas like Noida (UP), Baroda (Gujarat), Pune (Maharashtra) through the establishment of such units. Naturally question is raised whether SEZs are beneficial to the farmers or the developers of such units? And such units are politically motivated? No doubt SEZs are playing an important role in the process of economic development of the country. The progress and performance of SEZs in India is satisfactory but one should keep in mind that SEZs are not the only answer and sole drivers for economic development and future growth of Indian economy.

### **Specials of Special Economic Zones: Gateway to Growth; Pathway to Prosperity**

DHEERENDRA. L. EKBOTE AND M.F. KURI\*\*\*

The land of the 195 notified SEZs, where operations have involved is approximately 26,000 hectares. Andhra Pradesh is housed with SEZs, mainly for Pharmaceuticals, IT/ITES, Footwear, Gems and Jewellery & Multi-product. Andhra Pradesh tops as

\* Dr. Chitra Natarajan is Vice-Principal & Head of Deptt. of Commerce, K.P.B. Hinduja College of Commerce, Mumbai.

\*\* Dr. D.B. Bharati is Professor, Director, Pratribha Institute of Business Management, Chinchwad, Pune.

\*\*\* Dr. Dheerenra L. Ekbote is Professor, Deptt. of Commerce, M.A.S.C. College, Haunsbhavi, Karnataka and Dr. M.F. Kuri is Professor, Deptt. of Commerce, Shri S.B. Mamadapur Arts, Commerce & Science College, Badami, Karnataka.

for as number of SEZs is concerned. However, Gujarat claims first position when we talk of area coverage by the SEZs. In the state, since area coverage is 8624.77 hectares for only 16 SEZs, this speaks more infrastructure facilities. Many of states have SEZs for IT/ITES except Jharkhand. This reflects the role of IT/ITES in the growth of the nation. Of the 439 SEZs, 150 approvals involve labour intensive manufacturing. These SEZs, are creating many employment opportunities for the rural youth. Nokia and Flextronics Electronics hardware SEZs in Sriperumbudur are providing employment to 9,645 and 2,069 persons respectively. Hyderabad Gems SEZ for Jewellery in Hyderabad has already provided employment to 2,000 persons. Apache SEZ being set up in Andhra Pradesh will employ 20,000 persons to manufacture shoes. Brandix Apparels – A Srilankan FDI project would provide employment to 60,000 workers over a period of 3 years. IT and ITES SEZs would provide employment to 12.5 lakh persons.

### **Dynamics of Economics and Politics in Indian SEZs**

DURGA MADHAB MAHAPATRA AND ASHOK K. MOHANTY\*

The academic exercise of evaluation made here, succinctly reveals that the economic benefits of SEZs such as augmentation of higher investments, generation of additional economic activities, acceleration in earnings from exports, creation of employment opportunities and development of infrastructure are not realised, rather, SEZ Act, the analysis points out, has led to corporate activism at the costs of huge loss of revenue to government, significant loss of land and employment, denial of rights of workers in respect of wages, other employee benefits and decent working conditions and finally freeing the SEZ units from local governance. SEZs policy is heading the country to the state of somewhat economic despair and away from democratic governance. However, right kind of interventions by the government at the Centre and State levels like Kerala and Maharashtra and suitable modification in the Act would make SEZs centres of growth and healthy political and social ambience.

### **Special Economic Zones-A Boon or Bane?**

ELANGBAM NIXON SINGH\*\*

Following the land-acquisition related controversies, an Empowered Group of Ministers (EGoM) has decided that State Governments would not buy land for private entrepreneurs and they would acquire only barren/wastelands or single crop lands for SEZs directly. There is now a consensus across political parties and civil society organizations (CSOs)/non-governmental organizations (NGOs), on acquisition/buying of agricultural land by private SEZs developers, albeit on market prices. It is true that there are visible economic benefits for the nation by way of increased exports, improved investment climate due to SEZ concept in India. However, the social cost of SEZ also has to be analyzed.

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\* Sri Durga Madhab Mahapatra is Sr. Lecturer in Management, Greater Noida Institute of Technology (U.P.) and Prof. Ashok K. Mohanty is Professor, Department of Commerce and Comptroller of Finance, Berhampur University, Orissa.

\*\* Dr. Elangban Nixon Singh is Associate Professor, Deptt. of Management, Mizoram University, Aizawl.

### **SEZ in India: A Disputed Zone**

F.B. SINGH AND AJAY PRATAP YADAV\*

The very idea of building special economic zone is issue of debate since its beginning in India. Industries at large believe that SEZ will be able to promote industrialization by improving infrastructure, enhancing investment and reducing transaction cost to attract this critical level of investment in infrastructure creation, government incentive appears to be critically important, undoubtedly necessary. But the criticism is that the incentive offers are excessive and inequitable and will entail revenue loss. India got its inspiration from China where Shenzhen and Shanghai experienced rapid economic growth. But situation of India is totally different from that of China. Till today SEZ have not got a widespread recognition in India due to various economic, political and social reasons. So India still needs more transparent and multidimensional analysis to enable the SEZ to be one of the efficient way of driving economic growth.

### **Changing Profile of SEZs From Zone of Hatred to An Engine of Growth**

F.B. SINGH AND AWADHESH KUMAR TIWARI\*\*

A SEZ unit has both advantages as well as disadvantages. Today SEZ policy is the more controversial and hot policy in the economy. While on one hand SEZ is presented as a driver of future growth of the Indian economy on the other SEZ concept looked at with suspicion and contempt by some sections of political spectrum as a medium of exploitation of the farming community. The main purpose to promote SEZs in India is to speed up economic growth. This paper describe changing profile special error zone into special economic zone.

### **Special Economic Zones Analysis of Some Important Issues**

G.P. PRASAIN\*\*\*

The SEZ Act 2005 envisages key role for the State Governments in export promotion and creation of related infrastructure. A Single Window SEZ approval mechanism has been provided through a 19 member inter-ministerial SEZ Board of Approval (BOA). The applications duly recommended by the respective State Governments/ UT Administration are considered by this BoA periodically. All decisions of the Board of approvals are with consensus. The SEZ Rules provide for different minimum land requirement for different class of SEZs. Every SEZ is divided into a processing area where alone the SEZ units would come up and the non-processing area where the supporting infrastructure is to be created. SEZ is a means to achieve growth and employment, which industry is eager to utilize effectively.

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\* Dr. F.B. Singh is Reader, Faculty of Commerce, Banaras Hindu University, Varanasi, and Ajay Pratap Yadav is Research Scholar, Faculty of Commerce, Banaras Hindu University, Varanasi.

\*\* F.B. Singh is Reader and Awadhesh Kumar Tiwari is Research Scholar, Faculty of Commerce, Banaras Hindu University, Varanasi.

\*\*\* Dr. G.P. Prasain is Professor of Commerce, Manipur University, Imphal.

## **An Overview of Special Economic Zone (SEZ) in Reference to India**

G.S. RATHORE, SHAILENDRA DEV PANDEY AND MOHD. ABUL KHAIR\*

A Special Economic Zone (SEZ) is a trade capacity development tool with aim to promote economic growth of country by providing more liberal economic laws related to tax, FDI etc. SEZs in India seek to promote the value addition component in exports, to generate employment as well as to mobilize foreign exchange. This paper explores the Indian policy framework for an SEZ; it further discusses the various incentives available to an SEZ and an SEZ Unit, and the recent legal and regulatory developments pertaining to SEZs in India.

## **Special Economic Zones As Engines Of Growth: Expectations And Doubts**

G. RAJU AND PAUL MURRGAN\*\*

Special Economic Zones are crucial for countries like India to sustain high rates of economic growth in the years ahead and that is why at a recent Infrastructure Conference, our Prime Minister Manmohan Singh has enunciated that SEZs are here to stay. The Commerce Ministry has also said that the overall tempo of economic activity, massive new investment as well as job creation will more than offset the revenue loss. Thus it is a fact that these zones can play significant role in making India a major platform for manufacturing export oriented goods especially those in the labour intensive sector and also in the IT sector. However, greater care should be taken not to disturb the farmers by depriving them of their farm lands in large scale.

## **S.E.Z- A New Name of Deprivation**

GOUTAM CHATTERJEE\*\*\*

In this article I wish to discuss the various sides of the phenomenon known as Special Economic Zone (S.E.Z). This article is divided into six sections. The recent experience of West Bengal bears this out amply enough. What stands out in this connection is that in the recent panchayet polls, the popular verdict has gone against the policy of transfer of resources from agriculture to big corporate capital in general and of building Special Economic Zones in particular. Bhangar, Singur, and Nandigram are good examples of this popular reaction.

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\* Dr. G.S. Rathore is Reader and Dean, Faculty of Commerce, UP Autonomous College, Varanasi, Shailendra Dev Pandey is Research Scholar, Faculty of Commerce, UP Autonomous College, Varanasi and Mohd. Abdul Khair is Sr. Lecturer, Apeejay Institute of Desi. & Management, Gurgaon.

\*\* Dr. G. Raju is Reader and Paul Murrigan is Research Scholar in Deptt. of Commerce, University of Kerala, Thiruvananthapuram, Kerala.

\*\*\* Dr. Goutam Chatterjee is Senior Lecturer in Commerce, Badruka College of Commerce, Kachiguda, Hyderabad.

### **SEZs – Some critical issues**

H.C. HONNAPPA AND K.G. RAMAKRISHNA\*

SME's in India are performing excellently both in manufacturing and export areas when compared with SEZ's. But they have not been extended with such tax benefits which are enjoyed by SEZ's. The conversion of agricultural land to industrial use is a bigger lose in many ways. By such conversion fertile land is converted will have its impact on environment to a great extend. Therefore, government should bestow its interest in awarding rich agricultural land from being converted into SEZ's, on the other hand, much preference should be given for utilization of huge quantity of barren land existing in the country. The establishment of SEZ's has created number of problems. And the most important among them is the rehabilitation of those displaced persons.

### **Measuring Socio-economic Rationales of SEZs in India through Views and Counter-Views**

H.K. SINGH AND AMIT MANGLANI\*\*

We are running in the 61<sup>st</sup> year of the independence of our nation. Our policy makers made most of the good-looking plans and programmes to gear up country's economy, living standard and other qualitative measures and make it at par with those of developed countries. Those plans have been implemented with lots of publicity and propaganda and with hope that 'this plan (or, policy, programme) will change the difficult days to happier ones.' Alas! Most of these programmes fussed without a bang; and there could be as many reasons for this failure as we look on. Some are natural while most are exaggeratedly evolved with agitation of concerned public.

### **Special Economic Zones: A Smooth Sailing in A.P.**

H. SRINIVAS RAO\*\*\*

SEZs promise employment for all the Land surrendered families. But in practice either they provide part time or temporary jobs thereby creating disguised employment in the society. SEZs are successful in China and Singapore that does not mean, they will be successful in Indian context also because, the economic structure and systems in China, Singapore and India differ on several parameters. SEZ is a controversial and most dynamic concept in India. In every state, some or other kind of unrest is seen, criticizing the SEZ. But there is no such controversy (or) aggression in A.P. Therefore, A.P. appears to be a place of smooth sailing for Special Economic Zone in India.

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\* Dr. H.C. Honnappa is SGL in Commerce, JSS College, Nanjangud, Karnataka and Prof. K.G. Ramakrishna is HOD, Deptt. of Commerce, JSS PG Centre, JSSCW, Mysore.

\*\* Prof. H.K. Singh and Dr. Amit Manglani are in Faculty of Commerce, Banaras Hindu University, Varanasi.

\*\*\* Dr. H. Srinivas Rao is Senior Lecturer in Commerce, Badruka College of Commerce, Kachiguda, Hyderabad.

### **SEZs : Politics vis-a-vis Economics**

HELGE E.J.\*

Over the past two years, the policy of promoting Zones has found favour with the govt. of India as well. In 2000 the govt. replaced the old EPZ for SEZ with several lucrative incentives/benefits that were available earlier scheme. The Policy is expected to give a big push to exports, employment & investment in SEZ. SEZ is nothing but it is only the rainfall of various types of concessions & incentives. Low Agricultural Productivity, indebted Farmers, suicide of farmers etc. arise the need of FDI or Domestic investment. There is no single policy of Investment through SEZs either by the Central Govt. or State Govt. even not by the Business houses. IFFCO Plans to establish a "Kisan SEZ" at Nellore District in Andara Pradesh. Beside developing the "KISAN – SEZ" IFFCO is planning to start various training institutions like ITI etc. to develop agriculture & allied Activities.

### **Performance of Special Economic Zones in India and Maharashtra**

J.V. JOSHI\*\*

SEZ's are a prominent role in economic development and general welfare in the economy. An SEZ is a trade capacity development to, with a goal to promote rapid economic growth by using tax and business intensives to attract foreign investment and technology. In this paper an attempt is made to throw light on the SEZ policy of Government of India vis-à-vis Government of Maharashtra and how SEZ is helping in providing employment opportunities in Maharashtra. In India 449 Special Economic Zones will be established where as in Maharashtra 131 such Special Economic Zones will be established and will generate employment opportunities to the extent of 59 lakhs.

### **Special Economics Zone in India : An Overview**

J.K. JAIN AND ANKUR RANDHELIA\*\*\*

SEZs in India have been criticized on the ground that it has failed to benefit India in real sense. The farmers are being compensated at a price which is far less than the market value of their lands. Most of the fertile and agricultural land is being covered under SEZs to build buildings, malls and supermarkets. If this continues for long it will endanger the food security in our country. Establishment of SEZs also causes huge revenue loss to the country as it encourages the tax paying businesses to shift to tax free zones. SEZs should be established in such a way that it gives maximum benefit to the people whose lands are acquired and to the Indian society as a whole. The creation of SEZ is, indeed an attempt to promote investment, trade, job-creation and growth.

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\* Dr. Helge E.J. is Head, Deptt. of Commerce, Shri Shivaji Education Society, Amravati's Jijamata Mahavidyalaya, Buldana (Maharashtra).

\*\* Prof. J.V. Joshi is Professor & Director, School of Commerce & Management Science, Swami Ramanand Teerth Marathwada University, Nanded (Maharashtra).

\*\*\* Dr. J.K. Jain is H.O.D., Commerce Deptt. and Ankur Randhelia is Research Scholar, Dr. H.S. Gour University, Sagar (M.P.).

## **Special Economic Zone – Book or Bake**

JAYANT JOSHI AND PRASANNA KHADKIKAR\*

The concept of SEZ come into light in early 2000 when late Murasoli Maran, the then Union Minister of Commerce and Industries, went on a visit to China, Inspired by the impressive impact of these special economic zones on China's economic growth. Maran introduced the concept of SEZ in the economy through the annual export and import policy in 2000. The policy provided for setting up of SEZs in the public, private and joint sector or by the state government. It was also envisaged that some of the existing export processing zones would be converted into Special Economic Zones.

## **Need of SEZs for Investment, Employment, Exports and Infrastructure Development**

JITENDRA AHIRRAO, SHIVAJI MADAN AND VIJAY NAGORI\*\*

SEZs are for all practical purposes and therefore will be administratively easy and cost effective. SEZs would act as a catalyst in bringing a progressive change in the economic growth and development of our country. So Government must also give adequate attention to the review and monitoring of the activities and performance of SEZs. SEZs are a vital instrument not only for boosting India's export, but also for generating employment, creating world class infrastructure and attracting Foreign Direct Investments.

## **SEZS: Politics VIS - A -VIS Economics**

JYOTSNA S. DESHPANDE\*\*\*

There are other innovative ways in which SEZs can contribute. Instead of paying taxes to inefficient and corrupt state and central governments, companies within SEZs can be asked to build schools and hospitals within the zones they operate in. This would ensure efficient usage of tax revenues without the interference of bureaucrats, and provide India's crumbling rural education infrastructure a boost. This would be a great way to educate rural children and also ensure that they have other career options apart from cultivating small plots of farmland.

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\* Prof. Jayant Joshi is Professor, SRTM University, Nanded, Maharashtra, and Prasanna Khadkikar is Lecturer, Deptt. of Commerce, Vivek Vardhini (AN) College, Jambagh, Hyderabad.

\*\* Dr. Jitendra Ahirrao is Reader, Deptt. of Commerce & Research Centre in Commerce & Management, Smt. Dankunwar Mahila Mahavidyalaya, Jalna, Dr. Shivaji Madan is Dean, Faculty of Commerce and Reader, Deptt. of Commerce, M.S.S. College, Jalna, and Dr. Vijay Nagori is Reader, Deptt. of Commerce & Research Centre in Commerce & Management, Smt. Dankunwar Mahila Mahavidyalaya, Jalna

\*\*\* Dr. Joytsna S. Deshpande is HOD, Economics, Shri Binzani City College, Umrer Road.

## **Economic Evaluation of Special Economic Zones in India**

K.B.D. SOBHA RANI AND B. APPA RAO\*

To address the foreign trade related problems, it is necessary to establish Special Economic Zones (SEZs) both by the government and private sectors to improve physical and social infrastructure within and outside the zones. The Special Economic Zones (SEZs) are the instruments of earning valuable foreign exchange as they are industrial estates integrated with international markets, located near port towns in separate enclaves of independent customs territories within the country. In this paper, an attempt is made to present a holistic approach for promotion of exports and to bring about balanced development of all the states and regions in India through the establishment of Special Economic Zones.

### **SEZs : Politics vis-a-vis Economics**

K.R. UDMALE\*\*

SEZ is the emerging concept which is directly related with our Socio-Economic development of the nation. And also, SEZ is highly criticized due to the problems of land acquisition and demolisation of agricultural lands particularly in the rural area. Every time, there has some conflict when the new steps to be taken for the development. When the privatization and globalisation have initiated, it created prejudices, arguments and now SEZ is the latest Socio political issue in our country. Well and established infrastructure facilities and good political atmosphere are also the possitive points of its industrial development. SEZ provides employment opportunities particularly to the rural educated and uneducated youth. It is directly related with rural development of the particular region.

### **SEZs : Politics vis-a-vis Economics**

K.S. JAISWAL AND DHANANJAY VISHWAKARMA\*\*\*

Though we have crossed the 50 years of independence, our narrow power centric politics has not yet diminished. Enough is enough, We may recall issues like Orissa-posco in Jagtsinghpur, Nandigram in West Bengal, SEZ in Goa and more recently Singur in West Bengal. What's the result, the poor becomes poorer and rural sector blocked to Socio-Economic progress and political party silently gets support and leads to power politics. India has grown at 8% but growth has urban centric .Obviously, the 73% of population still in rural and rest in urban area. So ,the growth should move to rural area .This is only possible by the industrialization in rural area and political will. It is proved, our rural economy can not be healthy ,only through agriculture, rather industrialization is must.

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\*\* K.B.D. Sobha Rani is Teaching Associate, Ambedkar University, Etcherla, Srikakulam District, Andhra Pradesh, and B. Appa Rao is Dean, Faculty of Commerce, and Director, Centre for Banking Studies and Research, Deptt. of Commerce and Management Studies, Andhra Pradesh University, Visakhapatnam.

\*\* K.R. Udmale is Faculty Member, Deptt. of Commerce, M.S.G. Arts, Science & Commerce College, Malegaon Camp, Nashik.

\*\*\* Dr. K.S. Jaiswal is Reader, Faculty of Commerce and Management Studies, and Dhanajay Vishwakarma is Research Scholar, Deptt. of Commerce, M.G. Kashi Vidyapith, Varanasi.

## **Problems And Prospects Of Special Economic Zones (SEZs) In India : An Overview**

K. RAMAKRISHNAIAH AND G. TIRUMALAI AH\*

An overall view of the SEZ reveals that it is likely to provide maximum benefits, provided adequate safeguards are taken. In a large-scale effort transforming India's competitiveness in the global market, the United Progressive Alliance (UPA) government currently in power enacted the Special Economic Zones (SEZ) Act in 2005. The gusto with which the state is approving special economic zones under the SEZ Act (404 formally approved SEZs so far, comprising 54, 280 hectares of land (GOI 2007) is indicative of a new mantra of growth and development in elite national discourse much in keeping with the global neoliberal discourse. The increasing role of the state as the promoter of corporate-led economic growth is underlined by the acquisition of land for SEZs and the transfer of ownership of this land to "developers".

## **Special Economic Zones and Agricultural Land**

KAILASH GOSWAMI\*\*

The Central Government's SEZ policy of establishing special Economic Zones (SEZs) with a view to aggressively promote exports of goods and services in an ever so highly Competitive global market place, generated enthusiastic zeal in different major states of the country. The Government has showcased the objectives of the SEZ Act that it would generate additional economic activity, promote export of goods and services, also promote investment from domestic and foreign sources, create employment opportunities and develop infrastructure and termed SEZs as a catalyst for economic growth. Every SEZ is divided into a processing and non processing area. The non processing area of SEZ will be meant for basic – supporting infrastructure like presence of self sustaining modern industrial township, so, that increased economic activity does not create pressure on existing infrastructure.

## **Special Economic Zones (Sezs) At the Cross Road in India**

KAMTA KUMAR, MENHI PRASAD YADEV AND SHIVNATH PRASAD\*\*\*

SEZs have become a bone of contention between govt. and landowners. Farmers are demanding higher compensation for acquiring land and meaningful resettlement and rehabilitation Policy for those whose source of livelihood would be affected. On the other hand these zones enjoy special privileges in the context of tax concession & export exemptions. The purpose behind its establishment is to provide internationally competitive and hasslefree environment for export of goods & services. SEZs must become a net foreign exchange earner.

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\* Dr. K. Ramakrishnaiah is Professor, and G. Thirumalaiah is Research Scholar in SVU College of Commerce Management and Information Sciences, S.V. University, Tirupati.

\*\* Dr. Kailash Goswami is Senior Lecturer, Tangla College, Udalguri, Assam.

\*\*\* Kamta Kumar, Menhi Prasad Yadev and Shivnath Prasad are Research Scholars of P.G. Deptt. of Commerce & Business Administration, T.M.B.U., Bhagalpur.

### **The processing area of SEZs: Politics vis-à-vis Economics**

KAVITA RATNAPARKHI AND KRISHNAKANT SINGH BUNDELA\*

This article describes the salient features of the Indian embodiment of the model Chinese SEZ, why it evolved in India and how the establishment of Special Economic Zones (SEZs) is one element in the vein of economic growth, is currently leading to a great deal of conflict between various actors, be they political or societal. The SEZs are tax-free enclaves for investors from India and abroad. As the Prime Minister of India, Dr. Manmohan Singh, said: "SEZs are here to Stay". The Indian government and the state governments are now finding that it is not enough to promulgate modern laws luring foreign direct investment into India for its economic growth, but that they also have to provide for the concerns and the livelihoods of those affected by the establishment of SEZs.

### **Special Economic Zones and Growth :- Politics Vis-à-vis Economics**

LAKSHMAN PD. JAISAWAL\*\*

The SEZ Act, 2005 is a major step in the direction of providing a long term comprehensive policy framework. Our small neighboring countries – Bangladesh and Sri Lanka introduced a dedicated Act and an elaborate institutional set-up immediately after they launched the scheme in their respective territories. India However, took 40 long years to do so. The question now is whether it actually provides a paradigm shift in the policy to ensure rapid growth in SEZs and their impact on the rest of the economy. The feedback across 253 units across eight zones, reflects that a majority of the entrepreneurs are not satisfied with the rules and procedures and the quality of governance. They reported that units have to deal with as many as 15 authorities at the time of entry. These include DC, electricity, P.F. Income Tax, Sales Tax, factory registration, labour, pollution excise and customs etc.

### **Special Economic Zones in India: Problems & Prospects**

M.A. LOKHANDE AND L.B. BAHIR\*\*\*

India has been trying to develop SEZs on the track of success of SEZs models in China. But the recent reporting about the SEZs of China is that there have been ill effects of SEZs. The UNO and World Bank Reports 2006 spell out that there has been development in China through SEZs to some extent but more than that ill effect on environment led to deaths of lakhs of people. India has to learn a lesson from the experience of China's SEZs. Considering the strong resistance of the people to acquisition of land, China's experience of ill effects of SEZs and the problems/

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\* Dr. Kavita Ratnaparkhi is HOD of Commerce and Management and Vice Principal, Career College, and Dr. Krishnakant Singh Bandela is Assistant Professor of Management, Career College, Barkatullah University, Bhopal.

\*\* Dr. Lakshman Pd. Jaisawal is Lecturer, University Deptt. of Commerce, B.R.A. Bihar University, Muzaffarpur (Bihar).

\*\*\* Dr. M.A. Lokhande is Lecturer, Dr. B.A.M. University, Aurangabad, and L.B. Bahir is Lecturer, M.S.S. Arts, Commerce & Science College, Jalna (Maharashtra).

challenges in the development of them, the prospects of SEZs in India seem to be dim and vague, though there has been growth in exports from the SEZs units and their share in the total exports.

### **Impact of Sezs in Indian Economy-An Over View**

M. VENKATESWARULU, K. RAMAKRISHNAIAH AND G. TIRUMALAIHAH\*

SEZs sponsor provide employment guarantee to the land providers and local rural people. Once the SEZs has established that places will automatically develop and other related industries also establish their factories in the near by SEZs. Hence there is possibility of development of that area with all infrastructure facilities. When the specialist SEZs will setup, it will be useful to rural people also, they can supply their local resources to the industries where in the SEZs. SEZs, no doubt would act a catalyst in bringing a progressive change in the economic growth and development of our country.

### **New Commerce for Homogeneously Developed & Border Irrelevant World Family By 2025**

MANOJ SRIVASTAVA\*\*

In the creativity driven new world order the new entrants will not need anything except their willingness to sharpen their creativity & economic productivity because the new business/commercial system will provide them free health/education, free fooding/lodging, free guidance for business creation & management with a condition that the new entrants as 'business daughters' of the parent company will share one third profit with those who taught/guided/counseled/researched with them, one third with the mechanical workers contributing in their companies & rest one third with the companies for risk management, technology upgradation & business expansion etc.

### **Indian Special Economic Zone (SEZ): An Outline**

MANZOOR AHMAD AND UDAYAN SAMAJPATI\*\*\*

Industrialization gives chance to private sector to render public utility services. Consequent upon the SEZ Rules coming into effect w.e.f. 10th February, 2006, fifteen meetings of the Board of Approvals have since been held. During these meetings, formal approval has been granted to 341 SEZ proposals and in-principle approval has been granted to 171 SEZ proposals. Out of the formal approvals, 130 SEZs have been notified. Out of the 341 formal approvals given till date, over 120 approvals are for sector specific and multi product SEZs for manufacture of Textiles & Apparels, Leather Footwear, Automobile components, Engineering etc. This would involve labour intensive manufacturing. The employment projected in the 130 SEZs notified so far is over 17, 43,530 additional jobs. SEZs are thus going to lead to creation of employment for large number of unemployed rural youth.

\* Dr. M. Venkateswarulu is Associate Professor, Dr. K. Ramakrishnaiah is Professor and G. Tirumalaiah is Research Scholar, Deptt. of Commerce, S.V. University, Tirupati.

\*\* Dr. Manoj Srivastava is B.Tech., Ph.D. and resident of Raebareli.

\*\*\* Dr. Manzoor Ahmad is Reader, and Udayan Samajpati is Research Scholar, Faculty of Commerce, Banaras Hindu University, Varanasi.

## **SEZ In India-Trends and Opportunities**

MEERA SINGH, SANKALP SRIVASTAVA AND RAVI PRASAD\*

India was one of the first in Asia to recognize the effectiveness of the Export Processing Zone (EPZ) model in promoting exports, with Asia's first EPZ set up in Kandla in 1965. With a view to overcome the shortcomings experienced on account of the multiplicity of controls and clearances; absence of world-class infrastructure, and an unstable fiscal regime and with a view to attract larger foreign investments in India, the Special Economic Zones (SEZs) Policy was announced in April 2000. This policy intended to make SEZs an engine for economic growth supported by quality infrastructure complemented by an attractive fiscal package, both at the Centre and the State level, with the minimum possible regulations.

## **SEZs in India: Problems and Prospects**

MIR M. AMIN\*\*

SEZs in India can be interpreted as possible catalysts for transition from a planned to market economy. However, the government of India needs to play a more proactive role for effective realization of the full range of benefits from SEZs. In the process of establishing a SEZ, land acquisition plays an important role, which is also a sensitive issue among different players in India. In addition, costs and benefits of SEZs have generated an intense debate, touching on almost every possible aspect of SEZs. Therefore, whether SEZs are beneficial for the development of an economy remains a subject of debate. Keeping in view the above perspective, this paper first gives a brief conceptual framework and evolution of SEZs in India. Then, it highlights various benefits and the current problems which SEZs are facing for the smooth performance in India.

## **SEZs and FDI: An Indian Perspective**

N.Z. QURESHI AND MIR M. AMIN\*\*\*

SEZ being conceptualized on an integrated format helps in attracting large amounts of FDI. Furthermore, domestic investment also gets attracted to the SEZs. With the enactment of SEZ Act in 2005, the policy has given a big boost to exports, employment and investment (both domestic and foreign) in SEZs. SEZs may also play the role of catalyst to make the balanced regional development in India. Taking all these aspects into consideration, this paper presents the main features of SEZ in India and then highlights the interface between the SEZ and FDI. As 100 per cent FDI is permitted for all investments in SEZs (except for activities under the negative list) thus, the main objective of this paper is aimed at explaining the link between SEZ and FDI in India and how SEZ can prove a catalyst for increasing FDI in India.

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\* Dr. Meera Singh is Sr. Lecturer, UP Autonomous College, Varanasi, Dr. Sankalp Srivastava is Asstt. Professor, Kali Charan Nigam Institute of Technology and Dr. Ravi Prasad is Sr. Lecturer, Kali Charan Nigam Institute of Technology, Banda.

\*\* Mir M. Amin is Sr. Research Fellow, Deptt. of Commerce, AMU, Aligarh.

\*\*\* Dr. N.Z. Qureshi is Reader and Mir M. Amin is Sr. Research Fellow, Deptt. of Commerce, AMU, Aligarh, U.P.

## **Measures for the Development of Special Economic Zones**

N. RAJYALAKSHMI AND R. KARUNAKARA RAO\*

In the global economy, EPZs are viewed as an important second best policy instrument to promote industrialization, generate employment, and for regional development. The new SEZ policy gives a major thrust to SEZs. However the creation of SEZs alone does not ensure the realization of their potential. The government needs to play a more proactive role for effective realization of the full range of benefits from SEZs. The new SEZ policy has triggered a wide ranging debate in India. However, costs and benefits of SEZs have generated an intense debate, touching on almost every possible aspect of SEZs.

## **SEZ's – Its Impact on External Sector**

N. SANTOSH RANGANATH, S. TARAKESWARA RAO AND M.P.SURI GANESH\*\*

There are 13 functional SEZs and about 61 SEZs, which have been approved and are under the process of establishment in India. Most of the developing countries such as India have recognized the importance of facilitating international trade for the sustained growth of the economy and increased contribution to the GDP of the nation. Under this policy, one of the main features is that the designated duty free enclave to be treated as foreign territory only for trade operations and duties and tariffs. No license required for import. The manufacturing, trading or service activities are allowed. To provide a stable economic environment for the promotion of Export-import of goods in a quick, efficient and hassle-free manner, Government of India enacted the SEZ Act, which received the assent of the President of India on June 23, 2005.

## **Special Economic Zone: Politics VIS-À-VIS Economics**

P.C. MOHANTY\*\*\*

Special Economic Zones (SEZs) have become a catalyst to boost economic development through industrialization and exports. But it is not an unmixed blessing. The countries desiring for SEZs are to sacrifice a lot.

In the midst of all these above facts, a trial has been made in this paper to study the approximate boons and the inevitable losses on accepting SEZs for economic development. India is a country in the threshold of development and a country which has equitable, democratic, sovereign status. The logo of a 'welfare state' is the purpose of any economic development. It is now time to examine and to see upto what extent the SEZs will help in the alleviation of poverty and adds for economic development.

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\* Dr. N. Rajyalakshmi is Professor, and R. Karunakara Rao is Research Scholar in the Deptt. of Commerce & Management Studies, Andhra University, Visakhapatnam.

\*\* N. Santosh Ranganath and S., Tarakeswara Rao are Faculty Members, Deptt. of Commerce and Management Studies, Andhra University Campus, Etcherla, Srikakulam and M.P. Suri Ganesh is Faculty Member, Deptt. of Management Studies, Sri Sivani College of Engineering, Chilalapakalem, Srikakulam.

\*\*\* Dr. P.C. Mohanty is Reader and Head, Faculty of Commerce, Aska Science College Aska (Ganjam), Orissa.

## **Special Economic Zones - A Comparative Study Of India And China**

P.S. RAO AND K.Y. SHINDE\*

SEZ is a geographical region with different economic laws that are more liberal than a country's typical economic laws, with the main goal of attracting foreign investment. In economic terms, SEZ is specifically delineated duty-free enclave and shall be deemed to be foreign territory for the purposes of trade operations and duties and tariffs. Countries which have experimented with this concept are China (with great success), India, UAE, Malaysia, Jordan, Poland, Kazakhstan, Philippines, Russia and to some extent North Korea. An attempt was made in this paper to critically examine and compare the functioning of SEZs in India and China, and suggested various measures to attract more FDIs to India.

### **SEZS Should Not Be A Cess**

P. SUDARSANAN PILLAI AND P. MADHUSOODANAN PILLAI\*\*

As per the SEZ Act, only 50 percent of land would be for industrial set up, while the remaining would be used for non-industrial purpose like recreation centres, shopping malls and housing, which may create Real Estate Zones within SEZs and defeat the very purpose of setting up of SEZs. Lacuna in the law is likely to become a loophole for accumulation of land by private developers and property dealers for the purpose of real estate speculations. Hence, the SEZ Act 2005 needs suitable amendments in this regard.

SEZs should serve as a bridge between rural and urban economies and envisaged to bring a positive economic explosion in the Indian economy. SEZs should not be a 'Cess' on common man in the country!

### **Economic Growth Through Establishment Of SEZs And AEZs In India**

P. VEERAIHAH, S. SURESH AND R. B. DESAI\*\*\*

SEZ covers a wide range of very specific zones such as Industrial Estates, Free Zones, Free Ports, Free Trade Zones, Export Processing Zones, Rural Industrial Zones and Urban Enterprise Zones. The Special Economic Zones (SEZs) Policy was announced in April 2000, with a view to attract larger foreign investments in India and to overcome the shortcomings experienced on account of the multiplicity of

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\* Dr. P.S. Rao is Dean, Prin L.N. Welingkar Institute of Management Development & Research, and Dr. K.Y. Shinde is Vice Principal, Siddhartha College of Commerce and Economics.

\*\* Dr. P. Sudarsanan Pillai is Professor and Director, Centre for Advanced Studies & Research in Plantation Management, School of Management Studies, Cochin University of Science and Technology, Kochi, Kerala, and Dr. P. Madhusoodanan Pillai is Director, M.G. University Off-Campus Academic Centre, Technology Bhavan, Thycaud (P.O.), Trivandrum, Kerala.

\*\*\* Dr. P. Veeraiyah is Sr. Lecturer, Business and Commerce Division, PSS Central Institute of Vocational Education (NCERT), M.P. Nagar, Bhopal, S. Suresh is Lecturer, Commerce and Business Management, University PG College, Nirmal, Dist. Adilabad (A.P.) and R.B. Desai is Vocational Instructor, S.M. Lohiya Jr. College, Kolhapur (Maharashtra).

controls and clearances; absence of world-class infrastructure, and an unstable fiscal regime. The policy intended to make SEZs an engine for economic growth by generating greater economic activity and employment supported by quality infrastructure and complemented by an attractive fiscal package.

### **Special Economic Zones The Economic & Political Fallouts in Comparative Framework**

PRADYOT KESARI PRADHAN, MAHESWAR SAHU AND N.M.LEEPSA\*

Most of the developing countries (including China) in the world have recognized the importance of facilitating international trade for the sustained growth of the economy and increased contribution to the GDP of the nation. As part of its continuing commitment to liberalization, the Government of India has also, since the last decade, adopted a multi-pronged approach to promote foreign investment in India. To provide an internationally competitive and hassle free environment for exports, units were allowed to be set up in SEZ for manufacture of goods and rendering of services.

### **Special Economic Zone- Myth & Reality**

PRAMOD KUMAR UPADHYAY\*\*

Will the SEZ movement succeed in transforming India into a global manufacturing leader? Unquestionably, India possesses strong fundamentals for becoming a manufacturing hub. These include an abundant supply of well-educated labour, a tradition of domestic manufacturing exemplified by companies like Bajaj and Videocon, a fast-growing market of middle-class consumers and, for the most part, political stability. To this list of advantages, the SEZ movement has added a strong dose of political will to attract FDI – often a decisive factor in winning big FDI projects.

This argues for the need to explore innovative financing models for infrastructure development – Build- Operate-Transfer (BOT) projects for example, or the liberalization of FDI into the infrastructure sector.

### **Special Economics Zones – Boon or Bane for the Indian Economy**

PRASANNA KHADKIKAR\*\*\*

Whether SEZ – a boon/bane for the Indian Economy? This paper describes the main feature of the SEZ policy. It is attempted in this paper to analyze the benefits of SEZ in the light of all round development of the economy. Being an agro-based economy, it is suggested that on similar lines which SEZ, it would be beneficial to frame SAZ (Special Agricultural Zone) policy.

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\* Pradyot Kesari Pradhan, Maheswar Sahu and N.M. Leepsa are Faculty Members, P.G. Department of Commerce, Utkal University, Orissa.

\*\* Dr. Pramod Kumar Upadhyay is Lecturer, Th. H.N. Singh Degree College (C.S.J.M. Kanpur University, Kanpur), Kairela Bagh, Allhabad.

\*\*\* Dr. Prasanna Khadkikar is a Senior Faculty, Deptt. of Commerce, Vivek Vardhini (AN) College, Hyderabad.

### **Special Economic Zones: Issues & Implications**

PRASHANT RAI, SHAILENDRA KUMAR AND ISHU SRIVASTAVA\*

Indian Government has announced SEZ policy in 2000 with an intention to promote Foreign Direct Investment (FDI), Indian export and fostering the infrastructural development in India. The framed policy is quite rational & logical but many economist doubt the practicability of the policy. It is expected that this will trigger a large flow of foreign and domestic investment in SEZs, in infrastructure and productive capacity, leading to generation of additional economic activity and creation of employment opportunities.

### **Special Economic Zones: Are They Helpful In Economic Development**

PRIYANKA TRIPATHI AND DR. V.K. PANDEY\*\*

SEZs have been in the center of controversy in India ever since they were introduced afresh into the center stage of policy for economic development by the Ministry of Commerce in 2005 with the passing of the SEZ Act. However, the SEZ policy has been around since 2000 when it replaced the EPZ regime and it has substantially provided the input for the 2005 Act. Technically speaking the first SEZ/EPZ in India was set up in 1965 in Kandla, Gujarat. But since then there had been not much addition to the numbers till recently. In this paper, we will look at the arguments put forth on both sides of the debate - for and against - on the idea of SEZs. We will try to arrive at some suggestions which will meet the requirements of growth while addressing concerns about the adverse impacts of the SEZs.

### **Special Economic Zone : An Indian perspective**

R.S. MEENA AND SARIKA SHARMA\*\*\*

With a view to overcome the shortcomings experienced on account of the multiplicity of controls and clearance; absence of world-class infrastructure, and an unstable fiscal regime and with a view to attract larger foreign investment in India, the Special Economic Zones (SEZs) policy was announced in April 2000. This policy intended to make SEZs an engine for economic growth supported by quality infrastructure complemented by an attractive fiscal package, both at the Centre and the State level, with the minimum possible regulations. This paper describes the Indian policy framework for SEZ and further discusses the various incentives available to a SEZs Unit in India. This paper provides the bird's eye view of SEZ in India and China; and also depicts its role in our economy. Further paper elaborates the life cycle incentives for SEZ in India.

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\* Prashant Rai, Shailendra Kumar and Ishu Srivastava are students, Deptt. of Business Economics, V.B.S. Purvanchal University, Jaunpur (U.P.).

\*\* Priyanka Tripathi is UGC-SRF Department of Commerce, Gorakhpur University and Dr. V.K. Pandey is Professor, Department of Commerce, Gorakhpur University.

\*\*\* Dr. R.S. Meena is Lecturer, and Sarika Sharma is Research Scholar, Faculty of Commerce, B.H.U., Varanasi.

### **SEZs : Politics vis-a-vis Economics**

(Indian Politics & Economic Development)

RATHI N.S. AND BHAWSAR S.J.\*

Government of India introduced the concept of Special Economic Zones (SEZs) in the year 2000. They are believed to create a conducive environment to promote investment and exports. Number of developing countries is engaged in developing the SEZs with expectations that they will provide the engine of growth for achieving the industrial growth in the respective economy. In order to achieve these objectives various financial incentives are offered to these SEZs. e.g. Tax concessions, duty free imports, reliable infrastructure and freedom to operate on globally accepted principles etc., SEZs can be developed in the public, private or Joint sectors by the State Governments. They are expected to promote the establishment of large, self contained areas supported by world class infrastructure, oriented towards export production.

### **Special Economic Zones In India**

R.K. SINGH, ARUN KUMAR AND RANJIT SINGH\*\*

Special economic zone is a particular area inside a country which acts as foreign territory for tariff and trade operations. These SEZs are supported by world class infrastructure coupled with attractive fiscal incentives and tax rebates, both at the Central and the State level. It helps in the development of infrastructure of the area around the SEZ, provides employment to people and make the exports more viable. Such zones can not be treated as an economy within an economy; these are the part of an economy. Their development can not be presumed as a development of the economy as a whole, they should not, therefore, be viewed as an alternative to over all development models.

### **SEZ vis-a-vis Politics**

RAGHUNANDAN PRASAD SINHA, L.P. JAISWAL AND R.K. SRIVASTAVA\*\*\*

SEZ are the latest buzzwords in India's charge onto the World Economic Stage. It is a refined version or more generous version of 'Liberalisation'. SEZs are the industrial areas treated as alien land as far as levying different types of 'charges, taxes and sur-charges are concerned. It was done to attract a large number of corporate families into ambit of SEZ. Its prime motive is to increase Export Quantity and produce Qualitative Product to compete in international market. Other expectation from SEZ is to open up vast avenues of employment. Questions are raised against its acceptability and estimated benefits that it might give in future.

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\* Rathi, N.S. is Faculty Member, Dept. of Commerce, Dr. B.A.M.U., Aurangabad and Bhaswar, S.J. is Faculty Member, Dept. of Commerce, JES College, Jalna.

\*\* R.K. Singh is Reader, Deptt. of Commerce & Business Administration, University of Allahabad, Allahabad, Arun Kumar is Reader, Deptt. of Commerce, Feroze Gandhi College, Raebareli, C.S.J.M. University, Kanpur, and Ranjit Singh is Research Scholar, Deptt. of Commerce, Feroze Gandhi College, Raebareli, C.S.J.M. University, Kanpur.

\*\*\* Dr. Raghunandan Prasad Sinha is Professor Commerce & Head, L.N.T. College, Muzaffarpur, Dr. L.P. Jaiswal is Lecturer, B.R.A. Bihar University, Muzaffarpur and Dr. R.K. Srivastava is Lecturer, University Deptt. of Commerce.

## **Special Economic Zones And Vanishing Agrarian Society: Economic Development At What Cost?**

RAHUL SINGH AND VIBHA SINGH\*

Development goals since independence have taken a heavy toll of agrarian society. SEZs which are the logical outcome of neo-liberal and pro-market strategy, further deepens the agrarian crisis in India. The market which was subordinate to the social or religio-cultural goals of the earlier societies came to set the goals in a globalizing world and this leads to large scale land acquisition, displacement, and destruction of agrarian social structure. This paper gives a comprehensive account of these problems. This paper also gives an alternative strategy of development so as to make a balance between industrial development and agricultural development.

## **Special Economic Zone (SEZs) A Historical Analysis**

RAJEEV NAYAN SINGH\*\*

The Exim Policy of 1997-2002, which laid down the path for the establishment of SEZs, came into effect on April 1, 2000. The Government of India has given green signal to SEZs in various sectors like Petrochemicals, Auto parts, IT, Biotech, Jewellery and Electronics signed in Memoranda of Undertaking with various industrialists both at the Centre and State levels. But the acquisition of land for establishing SEZs in different states has met with stiff opposition from political parties and Non-Government Organizations (NGOs). According to them, the SEZs have far-reaching effect on the lifestyle of agricultural families and the economy and also widen the inequalities of income and wealth.

## **The Role of Special Economic Zone (SEZ) in India's Industrial Growth**

RAJENDRA SINGH, KUNWAR RAMANUJ KUMAR SINGH AND RAVISH KR. CHOURASIYA\*\*\*

SEZ is a double edged weapon which has been gifted by WTO arrangements. It has been envisaged to play a very positive role in boosting manufacture of goods and rendering of services. It is allowed to import/procure from the *Domestic Tariff Area*(DTA) without payment of duty all types of goods(except prohibited items, whether new or second hand. Goods shall include raw materials for making capital goods for use within the unit. The units are allowed to import goods required for the approved activity, free of cost on loan from clients. Software Gem and Jewellery Units may also avail this concessional opportunity through nominated agencies. Thus SEZ shall be a good foreign exchange earner. Net *Foreign Exchange Earning* (NFE) shall be calculated cumulatively for a period of five years from the period of commercial production.

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\*\* Dr. Rahul Singh is Lecturer, Deptt. of Commerce, Uai Pratap College, Varanasi, and Vibha Singh is Lecturer, Deptt. of Commerce, Arya Mahila Degree College, Varanasi.

\*\* Dr. Rajeev Nayan Singh is Head of Deptt. of Commerce, Jhunjhunwala P.G. College (Rs. R.M.L. Avadh University), Faizabad (U.P.).

\*\*\* Dr. Rajendra Singh is Professor, P.G. Deptt. of Commerce & Business Administration, T.M. Bhagalpur University, Bhagalpur, and Kunwar Ramanuj Kumar Singh and Ravish Kr. Chourasiya are Research Scholars in Deptt. of Commerce & Business Administration, T.M. Bhagalpur University, Bhagalpur.

### **SEZ – Politics vis-à-vis Economics**

RAJESH KALLA\*

On the face of it, setting up a SEZ seems to be the hottest business to get into. The world has experimented with SEZs differently. Yet, the concept has traveled a long way from its modest size of 80 projects in 30 countries in 1970 to over more than 3000 zones today which are being experimented in 120 countries across the globe. India has never been a laggard in adopting the policy, India was the first country in Asia to adopt the model by establishing the Export Processing Zones – Kandla was set up in 1965 – 14 years before China established its first SEZ in Shanghai – it was more than an experiment with capitalism under Chinese socialism fabric. Chinese SEZs is a large success because it has created huge employment. Out of 50 Million jobs being created in over 3000 SEZs around the world, about 30 million (60%) are in China alone.

### **Special Economic Zones: Politics vis-à-vis Economics**

RAJESHWARY GOVINDAPPA\*\*

The RBI in its Annual Report 2005-06, has said that though the SEZs are to act a growth catalyst, there are concerns that the zones could aggravate the uneven pattern of development by diverting resources from less developed areas. Globally, SEZ have been successful because of their large size and fewer numbers. In India the trend is reverse with huge numbers of applicants and smaller size of SEZs. The Central Government should conceptualize these SEZs and arrange private capital subsidy too. Though the ministry of commerce has attempted to dispel the criticism of the SEZ policy, the fact remains that the SEZ Act was framed without giving adequate thought to most of the ancillary issues.

### **Special Economic Zones in India- the continuity context**

RANJIT SINGH AND ARUP BARMAN\*\*\*

The whole idea behind the setting up of SEZ was to increase the exports and hence accelerate the economic development of the country. This paper gives a birds eye view about the SEZ, objectives and rules of SEZ, incentives available in SEZs, benefits from SEZ, impact of SEZ in India, the arguments against the SEZ, the politics behind SEZ and finally the paper ended up with recommendations for the sustainability of the SEZs in the interest of the farmers and industries both.

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\* Rajesh Kalla is General Manager (Corporate), M/s PIX Transmissions Ltd., Nagpur.

\*\* Dr. Rajeshwary Govindappa is Reader in Deptt. of Commerce, K.P.B. Hinduja College of Commerce, Mumbai.

\*\*\* Dr. Ranjit Singh and Dr. Arup Barman are Senior Lecturers, Deptt. of Business Administration, Assam University (A Central University), Silchar.

## **Performance & Effects of Special Economic Zones in India: A Socio-economic Examination**

RAVI JAISWAL AND MEERA SINGH\*

Indian government has taken several steps to remove some controversies on land acquisition & several other problems, the Ministry of Rural Development, has suggested that people whose lands are acquired for mega projects should get jobs in the new industries established on their land or equity shares and job to one person from each displaced family in that company. Various steps taken by government will ensure rehabilitation by means of compensation in the form of several options. There is a need to reconcile the Government's Policy regarding SEZs on the one hand and the socio-economic welfare of the farmers on the other. This paper explores the Indian policy framework & Performance of SEZ's, it further discusses the various incentives available to an SEZ and an SEZ Unit, and the recent legal, regulatory developments & issues pertaining to SEZ's in India.

## **Special Economic Zone: Evaluation Of Incentives And Performance**

RAVINDRA TRIPATHI AND RAKESH KR. SRIVASTAVA\*\*

In order to give a long term and stable policy framework with minimum regulatory regime and to provide expeditious and single window clearance mechanism, the Special Economic Zones Act, 2005 has been brought into effect along with the Special Economic Zones Rules, 2006 from 10 February 2006. Benefit derived from SEZs is evident from the investment, employment, exports and infrastructural developments additionally generated. Stability in fiscal concession is absolutely essential to ensure credibility of Government intensions. In this research paper we are analyzing the schemes and performance of SEZs in India with special reference to investment, employment, export and foreign capital.

## **Special Economic Zone policies in Indian Perspective**

S.D. TALEKAR AND S.V. GANDE\*\*\*

There is clear understanding that well implemented and designed SEZ can be bring about many desire benefits for host country such as increases in employment, FDI attraction, general economic growth, foreign exchange earnings, international exposure and the transfer of new technologies and skills. The caveat is that this only possible and successful when the SEZs are developed effectively. A poorly designed SEZs can have many negative consequences for a host country such as labour and environmental abuses, tax evasion stunted liberalization policy.

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\* Dr. Ravi Jaiswal is in Faculty of Finance, International School of Business & Media, Pune and Dr. Meera Singh is in Faculty of Commerce, U.P. Autonomous College, Varanasi.

\*\* Dr. Ravindra Tripathi is Sr. Lecturer and Dr. Rakesh Kr. Srivastava is Asstt. Professor, Deptt. of Business Management, United Institute of Management (Affiliated to U.P. Technical University), Allahabad.

\*\*\* Dr. S.D. Talekar is Reader & Head, Deptt. of Commerce, Sant Ramda College, Gahansawangi, Dist. Jalna (M.S.) and S.V. Gande is Lecturer in Commerce, Lal Bahadur Shastri College, Partur, Dist. Jalna (M.S.).

### **Analysis Of Gains & Pains Of SEZ In Indian Scenario**

S.K. KHATIK AND ER. R.V.SAXENA\*

No country, not even China, has a large enough domestic market to shift its people rapidly from farming to industry. Why not locate SEZ on India's wastelands? The standing committee has also recommended it. SEZ should, in fact, come up on vast government lands beside ports and railways for easy shipment of goods. But why limit the size of SEZs to 5000 hectares? This is typical of "license raj" mentality-keep Indian companies puny. Why give tax concessions in the SEZs? Our exporters suffer far more from bad roads, ports, power shortages and bribes to inspectors. If these problems are solved, then no tax concessions are required.

### **SEZ's Politics V/s a Vis Economics**

S.N. SINGH, R.P. SINGH AND SMT. LEENA SINGH\*\*

SEZ's politics v/s a vis Economics and Impact on Human Development examining by this study as reflected in the composition of economic and politics intensive and technology intensive firm co exist in India zones. Human Development and Poverty elevation have been the most important channel through employment which SEZ's lends. The study argues that politics could not be exploited fully in India of the zone's potential. The new SEZ policy provides a major thrust to SEZ's.

### **SEZs And Economic Benefits: An Indian Perspective**

S.P. AGRAWAL\*\*\*

For rapid industrialization of economic growth, need to enhance foreign investment, promote exports from the country and realizing the need that a level playing field must be made available to the domestic enterprises and manufacturers to be competitive globally. The Government of India announced in April 2000, the introduction of Special Economic Zones policy in the country, deemed to be foreign territory for the purposes of trade operations, duties and tariffs. Finally Government of India passed **Special Economic Zone Act on 23<sup>rd</sup> of June, 2005.**

### **SEZs : A Myth Or Reality For Indian Economy**

S.P. SAHA, K.K. CHOUDHARY AND BALRAM JHA\*\*\*\*

The policy relating to SEZs has generated more controversy and heat than any other economic policy adopted by the Government. On the one hand, SEZs are being projected as an engine of making India a developed nation, on the other SEZ

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\* Dr. S.K. Khatik is Reader & Head, Deptt. of Commerce and Ex Chairman, BOS, Barkatullah University, Bhopal, and Er. R.V. Saxena is an Accredited Energy Manager and is working as Addl. Executive Engineer in City Dn.(East), MPMKVVCL, Bhopal.

\*\* Dr. S.N. Singh is in B.S.K. College, Maithon (Dhanbad), V.B.U., Hazaribag, Dr. R.P. Singh is in Behrangora College, Ranchi University, and Dr. Leena Singh is in B.S.K. College, Maithon (Dhanbad), V.B.U., Hazaribag.

\*\*\* Dr. S.P. Agrawal is Reader, Faculty of Commerce, BHU, Varanasi.

\*\*\*\*Dr. S.P. Saha is Head, Deptt. of Commerce, J.M.D.P.L. Mahila College, Madhubani (L.N. Mithila University, Darbhanga, Bihar), Dr. K.K. Choudhary is Lecturer in Commerce, RRM Campus, Janakpurdham, Tribhuvan University, Kathmandu (Nepal) and Balram Jha is Lecturer in Commerce, MMTM College, Darbhanga (Bihar).

concept is looked at with suspicion and contempt by some sections of political spectrum as a medium of exploitation of the farming community. In view of generating additional economic activity with an increase in production of goods and services, attracting investments both domestic and foreign sources, creating employment opportunities, raising the pace of export promotion and developing the infrastructure facilities, the SEZs were welcomed by the Indian economy but the controversy over SEZ emerged at its peak after the bad incidents happened at Nandigram and Singur villages in West Bengal.

### **SEZ : Performance, Problems and Suggestions**

SADASHIV S. MULEY\*

In this changing global business environment, the role of SEZs is very crucial; through the SEZ we are attracting larger foreign investment in India, and promoting the exports. With the help of SEZ projects, we are increasing employment opportunities, raising productivity, enhance exports, transfer skill and technology and for development of infrastructure facilities. Thus SEZ are very necessary for under developing countries like India. The government of India had announced the introduction of SEZ policy in April 2000, for this purpose special act was passed by parliament in May 2005. Even though SEZ is highly criticized, it is very essential for economic development of nation.

### **Special Economic Zones- Politics Vis- a -Vis Economics**

SANDEEP TANDON, RENU BALA SAINI AND JYOTI BAHL\*

Many developing countries including India are facing the problem of regional imbalances and capital scarcity. Vast and untapped commercial resources of an underdeveloped area can be utilized by establishing Special Economic Zones. A Special Economic Zone in a geographical region that has economic laws. SEZ covers number of zones like Free Trade Zones (FTZs), Export Processing Zones (EPZs), Free Zones (FZs), Industrial Estates (IES) and others. Present paper throws light on the objectives of setting up of SEZ in India, its present & future position in India with thrust on its Economic as well as political scenario.

### **SEZs IN INDIA: Economical and Political Considerations**

SANJEEV GUPTA AND GAURAV GUPTA\*\*\*

A Special Economic Zone (SEZ) is defined as a specially delineated duty free enclave for trade operations. This area is reckoned as a foreign territory for the purpose of duties and tariffs. It is a geographical region that has economic laws that are more

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\* Dr. Sadashiv S. Muley is Reader, Deptt. of Coommerce, Lal Bahadur Shastri College, Partur, Dist. Jalna (Maharashtra).

\*\* Dr. Sandeep Tandon is Associate Professor in Commerce, Directorate of Distance Education Education, and University of Jammu, Ms. Renu Bala Saini is Junior Statistical Assistant (Planning and Statistics) in Financial Commissioner's Office (Revenue), J&K, and Ms. Jyoti Bahal is Lecturer, Udhampur Campus, University of Jammu.

\*\*\* Dr. Sanjeev Gupta is Reader & Head, Deptt. of Commerce, Y.D. (PG) College, Lakhimpur-Kheri, U.P. and Gaurav Gupta is Research Scholar & Lecturer, Institute of Professional Studies, Lakhimpur-Kheri, U.P.

liberal than a country's typical economic laws. The category 'SEZ' covers a broad range of more specific zone types, including Free Trade Zones (FTZ), Export Processing Zones (EPZ), Free Zones (FZ), Industrial Estates (IE), Free Ports, Urban Enterprise Zones and others. The process of setting up these enclaves, started with free ports in Singapore, Penang and Hong-Kong during 1819. This was followed by the establishment of an industrial park in Manchester during 1891. In India, the first zone was set up in Kandla as early as 1965.

### **Special Economic Zones (SEZs): Politics at the Cost of Socio-economic Development**

SANTOSH SADAR\*

Out of 531 approved proposals of SEZ in the country, Maharashtra State has the largest number of SEZ. Of the 133 proposals in the State 100 have been formally approved while 33 have been notified. The state government claims they would create more than 69 lakh opportunities for direct or indirect employment and self-employment. Out of 133 the Kokan region alone accounts for 64 SEZ proposals including 17 in Raigad alone. Western Maharashtra has 44 proposals, while the Marathwada and Vidarbha have 14 and 9 proposals respectively. The 133 SEZs are proposed to come up over 44268 hectares land. The agricultural land acquisition issue in Kokan and particularly in Raigad and non-acceptance of private power projects plant in Amravati SEZ started speaking differently. The SEZ developers are seeking denotification or buyers for their projects under economic turmoil or politicalization of the issue.

### **Special Economic Zones In India: A Detailed Study**

SATYENDRA PRATAP SINGH, S.S. BHADOURIA, SANJEEV GUPTA AND A.K. BAJPAI\*\*

The Government of India converted most of the existing EPZs (Export Processing Zones) into SEZs and took serious steps to promote SEZs in the country to achieve the objective of Export-Lead Growth. After the notification of the SEZs Act 2005 and the SEZs Rules in February 2006, the pace of growth of SEZs got a big fillip. But this growth has also stirred up a hornet's nest in India. Starting of some of the SEZs has attracted lot of criticism and opposition particularly from the farmers. But, inspite of this opposition, most of the people believe that SEZs are contributing in the economic growth of the country and their contribution will be even more in the days to come. This research paper is an attempt to study the concept and growth of Special Economic Zones in India. The authors have also attempted to analyse the role SEZs have played in the growth of Indian economy.

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\* Dr. Santosh Sadar is Reader & Head, Deptt. of Business Administration and Management, Sant Gadgebaba Amravati University, Amravati, Maharashtra.

\*\* Dr. Satyendra Pratap Singh is Reader, School of Management Sciences, Varanasi, Dr. S.S. Bhadouria is Head, Deptt. of Commerce and Mgt., Maharaja Man Singh College, Gwalior (M.P.), Dr. Sanjeev Gupta is Asstt. Professor, Govt. SLP PG College, Morar, Gwalior (M.P.) and Dr. A.K. Bajpai is Asstt. Professor, MLB College of Excellence, Gwalior (M.P.).

## SEZs In India: Growth and Prospects

SHISHIR PANDEY, UMA SHANKAR, VIKAS KUMAR JAISWAL\*

Export Promotion Council for SEZs is the government body that notifies the SEZs. With the Indian companies setting up bases in SEZs, the total investments in SEZs shot up while foreign investments in SEZs followed suit. SEZs have; in fact, helped people in rural areas increase their income. They have generated a considerable investment. More than 32,000 people are employed in the SEZs on regular wages. The Ministry of Commerce estimates employment generation of 100,000 people by December 2007 and export revenues to cross Rs 67,000 crore by the end of 2007-08. This paper presents the background of SEZ which clarifies its conceptual framework along with growth, benefits and challenges.

## Special Economic Zones With Reference To Nagpur

SHOBHA B. JAMBHULKAR\*\*

At present there are eight functional SEZ located at various places all over India. Besides any private/public, joint sector or state Government or its agencies can set up SEZ. India was one of the first country in Asia to recognize the effectiveness of Export Processing Zone (EPZ) models in promoting exports. The first EPZ was set up at Kandla in 1965 with a view to overcome the multiplicity of controls and clearness absence of a world-class infrastructure and an instable fiscal regime and with a view to attract larger foreign investments in India, the SEZ policy was announced in April 2000. The intention of SEZ was economic growth both at the Centre and State Level.

## Special Economic Zones (SEZs) in India – Which Way?

SUDIPTI BANERJEA\*\*\*

Serious debates have cropped up regarding the SEZs. The states, where the SEZs have been approved, notified and established, are increasingly facing resistance from the land losers and the poor and marginalized people. Allegations are being made against state governments that they are forcibly acquiring fertile/multi-crop land at abnormally low prices instead of the prevailing market prices. The major problems associated with the establishment of SEZs are *displacement and loss of livelihoods, loss of public revenue, impending food problem, legal violations, creation of corporate city states and real estate zones.*

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\* Shishir Pandey, Uma Shankar and Vikas Kumar Jaiswal are Research Scholars, Faculty of Commerce, Banaras Hindu University, Varanasi.

\*\* Dr. (Miss) Shobha B, Jambhulkar is Lecture in Commerce, Dhanwate National College, Nagpur.

\*\*\* Dr. Sudipti Banerjea is Professor, Deptt. of Commerce, University of Calcutta.

## **SEZs in India : An Overview And Challenges**

SUNIL KANT MISHRA\*

The SEZs in India are facing various challenges. The challenges are related to land acquisition, size and location of SEZs, rehabilitation of displaced people, quality of infrastructure and governance, availability of credits, pollution and labour policies. The SEZs are part of the economy and they should not be viewed as an overall model of growth. Thus, the farmers interests should not be ignored and India should adopt cautious approach towards SEZs.

## **Special Economic Zones: Role in India**

SURESH VADDE AND CH. SRIKANTH VERMA\*\*

Most developing countries in the world have recognized the importance of facilitating international trade for the sustained growth of the economy and increased contribution to the GDP of the nation. As part of its continuing commitment to liberalization, the Government of India has also, since the last decade, adopted a multi-pronged approach to promote foreign investment in India. This paper deals with SEZs goal of attracting foreign investment -Indian Scenarios, analyze the Approval mechanism and Administrative set up of SEZs, the Role of State Government in Establishment of SEZ Units, analyze the SEZs Land requirements for approved Special Economic Zones Finally this paper concludes with a focus on incentives and facilities offered to the SEZs.

## **Role of SEZs in India's Export Promotion Strategy**

SWAMI PRAKASH SRIVASTAVA\*\*\*

Though the gross exports, foreign exchange earning and employment increased phenomenally in absolute terms, their growth rates declined substantially. Growth in exports per unit of employment also slowed down indicating deterioration in the export performance. Furthermore, zones also failed to promote non traditional exports. Traditional sectors namely electronics and gems and jewellery dominate the SEZs. This could be due to the piecemeal nature of the policy changes.

## **SEZ's : POLITICS vis-a-vis ECONOMICS**

V.H. RAKIBE\*\*\*\*

The author has made an attempt to show the investment, employment, infrastructure facilities and exports prior to and after SEZ Act 2005. However, the industrial development with respect to above points is much faster after passing SEZ Act

\* Dr. Sunil Kant Mishra is Sr. Lecturer, Deptt. of Commerce, C.M.P. Degree College, Allahabad University, Allahabad.

\*\* Dr. Suresh Vadde and Ch. Srikanth Verma are Faculty, Commerce and Business Management, P.G. Centre, Lal Bahadur College, S.P. Road, Warangal (A.P.).

\*\*\* Dr. Swami Prakash Srivastava is Reader, Deptt. of Economics, Dayalbagh Educational Institute, Dayalbagh, Agra.

\*\*\*\*Dr. V.H. Rakibe is Lecturer in Commerce, M.S.G. College, Malegaon, Dist. Nashik (Maharashtra).

2005. The study reviews number of advantages derived by setting up SEZ's in various states of the country such as tax holiday on export profit, no license for imports, duty free imports, exemption from customs duty, central excise and central sales tax, exemption from service tax etc.

### **SEZs : Politics vis a vis Economics**

V.S. KANNAN KAMALANATHAN\*

It is assumed that SEZ, which was originally approved on the premises that it will be like an 'Island of Excellence' with world class infrastructure is now being seen by certain developers as a real estate opportunity. This is rather unfortunate. The developer who assumes the role of the Government, in a small way through large infrastructure development, needs to achieve a fine balance between development of most comprehensive integrated infrastructure, creation of platform to attract global capital, creation of skills creates large employment opportunities for locals and necessary commercial, institutional, residential and recreational infrastructure to support the entire endeavour.

### **Singur SEZ: Victims of Politics**

VIVEKA NAND SINGH\*\*

The SEZ Act, 2005 is anti-democratic and unconstitutional as it completely violates the right to life and livelihood of the people, who are being forcibly displaced for the implementation of these projects. The issue regarding Nandigram and Singur is a purely economic one. Politicians have merged this issue with the political framework which emerges as the crux of problem. Public participation is necessary for the welfare of the community. The economic aspects has been neglected which should be addressed by the state. If agricultural land is required for building infrastructure and for industrialization, appropriate compensation and rehabilitation must be insured. Thus the importance of the government's intervention in land acquisition where the amount of cash compensation that the land owners are reportedly getting is above the market rate. These issues relating to Singur and Nandigram need to be looked at from a national perspective.

### **SEZ : Politics vies a vies economics**

V.G. MAMDE\*\*\*

India has progressively opened up the economy to effectively face new challenges, & opportunity of 21<sup>st</sup> century. To compete in global market the Government of India has liberalized export policies licensing of technology & implemented tax reforms providing various incentives as results in 1999-2000 export has been increased. The govt. of India announced the SEZ policy in the country with a view to provides an internationally competitive & hassle free environment for exports these zones are designated duty free enclaves & free deemed foreign territories for the purpose of trade operations duties & tariffs.

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\* Dr. V.S. Kannan Kamalanathan is Vice Principal & Head, Deptt. of Commerce, KES Shroff College of Arts and Commerce, Kandivali, Mumbai.

\*\* Dr. Viveka Nand Singh is Asstt. Professor, Nimbus Academy of Management (NAM), Dehra Dun.

\*\*\* V.G. Mamde is Lecturer in Commerce, M.S.G. College, Malegaon, Nashik (M.S.).

**PREM ARUN JAIN & CO.**  
Chartered Accountants

**'PREM VILLA'**  
B-3/19, DLF QUTAB ENCLAVE  
PHASE-I, GURGAON-122002  
Ph: 95-124-2357 600  
Fax: 95-124-2357 500  
E-mail: paj\_\_ca@rediffmail.com

### **AUDITOR'S REPORT**

We have audited the annexed statement of accounts of the Indian Journal of Commerce of The Indian Commerce Association for the year ended on 31st March, 2008 with the help of bank statement, record and vouchers produced and information and explanations given to us, and report that the aforesaid statements of account are in agreement with such records subject to our observations as under:

1. The Income and Expenditure Account and Receipt & Payment account are prepared for the period from 1.4.2007 to 31.3.2008.
2. Subscription and interest on FDRs is mainly accounted for on cash basis.

Place: Gurgaon  
Date: 23rd December, 2008

Arun Jain  
B.Com (Hons.) FCA, ACS  
Proprietor  
PREM ARUN JAIN & CO.  
Chartered Accountants

**INDIAN JOURNAL OF COMMERCE  
OF INDIAN COMMERCE ASSOCIATION**

**BALANCE SHEET AS AT 31.3.2008**

	Previous Year (2006-07) Amount Rs.	Current Year (2007-08) Amount Rs.
<b>A. LIABILITIES</b>		
GENERAL FUND		
Balance as per last Balance Sheet	11,02,453	12,84,175
Add: Life Membership	2,26,500	2,83,000
Patrons	10,000	50,000
Add/Less: Surplus/Deficiency for the year	(54,778)	18,676
	12,84,175	16,35,851
Endowment fund for BBAY	1,00,000	1,00,000
Current Liabilities		
O/s Sec Assistance/Due to Secy.	3,850	3,800
Due for dispatch etc.	3,103	-
<b>Total Liabilities</b>	<b>13,91,128</b>	<b>17,39,651</b>
<b>B. ASSETS</b>		
Conference Dues (Incl. Life Member fees, Conf. Fees etc.)	1,10,600	-
Fixed Deposits – PNB, IGNOU	10,75,000	14,00,000
Current Account – PNB, IGNOU	2,05,528	3,39,651
<b>Total Assets</b>	<b>13,91,128</b>	<b>17,39,651</b>

Place: New Delhi

Date: 23rd December, 2008

Signed in terms of our  
Report of even date

(ARUN JAIN)

B.Com (Hons.) FCA, ACS  
Proprietor  
Prem Arun Jain & Co.  
Chartered Accountants

(R.K. GROVER)  
Joint Managing Editor

(N.V. NARASIMHAM)  
Managing Editor

**INDIAN JOURNAL OF COMMERCE  
OF INDIAN COMMERCE ASSOCIATION**

**INCOME AND EXPENDITURE ACCOUNT FOR THE PERIOD  
1-4-2007 to 31-3-2008**

	Previous Year (2006-07) Amount Rs.	Current Year (2007-08) Amount Rs.
<b>A. INCOME</b>		
Subscriptions (Annual)	1,38,550	1,30,900
Conference Fee - Institution	35,000	25,000
- Delegates	75,600	1,88,000
Bank Interest	44,601	52,902
<b>Total Income</b>	<b>2,93,751</b>	<b>3,96,802</b>
<b>B. EXPENDITURE</b>		
Journal Publication Expenses	2,35,766	2,53,578
Despatch expenses	95,608	1,09,834
Salaries/Honorarium	7,000	7,000
Sundry Expenses (incl. Bank Charges)	7,655	5,214
Audit fees	2,500	2,500
<b>Total Expenditure</b>	<b>3,48,529</b>	<b>3,78,126</b>
<b>SURPLUS/DEFICIENCY (A-B)</b>	<b>(-) 54,778</b>	<b>(-) 18,676</b>

Place : New Delhi

Date : 23rd December, 2008

Signed in terms of our  
Report of even date

(ARUN JAIN)

B.Com (Hons.) FCA, ACS

Proprietor

Prem Arun Jain &amp; Co.

Chartered Accountants

(R.K. GROVER)

Joint Managing Editor

(N.V. NARASIMHAM)

Managing Editor

**INDIAN JOURNAL OF COMMERCE  
OF INDIAN COMMERCE ASSOCIATION**

**RECEIPT AND PAYMENT ACCOUNT FOR THE PERIOD  
1-4-2007 TO 31-3-2008**

	Previous Year (2006-07) Amount Rs.	Current Year (2007-08) Amount Rs.
<b>BALANCE AS PER LAST AUDIT REPORT</b>	<b>10,48,585</b>	<b>12,80,528</b>
<b>RECEIPTS</b>		
Subscriptions to Journal		
Life Membership	2,26,500	2,83,000
Patrons	10,000	50,000
Annual Membership	1,38,550	1,30,900
Conference fees – Institutions	-----	25,000
– Delegates	-----	1,88,000
– Dues	1,59,500	1,10,600
Interest on FDs	44,601	52,902
<b>Total Receipts</b>	<b>5,79,151</b>	<b>8,40,402</b>
	<b>16,27,736</b>	<b>21,20,930</b>
<b>PAYMENTS</b>		
Journal Publication Expenses	2,35,766	2,53,578
Despatch Expenses	95,345	1,09,834
Hon. for Sect. Assistance	7,000	7,000
Sundry expenses (Including Bank Charges)	965	1,414
Audit fees	2,500	2,500
O/s Due of Secretary paid/Sec. Hon.	3,500	3,850
O/s Dues for despatch etc.	2,132	3,103
<b>Total Payments</b>	<b>3,47,208</b>	<b>3,81,279</b>
<b>BALANCE AT THE END</b>	<b>12,80,528</b>	<b>17,39,651</b>
	<b>15,27,736</b>	<b>21,20,930</b>

Place : New Delhi  
Date 23rd December, 2008

Signed in terms of our  
Report of even date

(ARUN JAIN)

B.Com (Hons.) FCA, ACS

Proprietor

Prem Arun Jain & Co.

Chartered Accountants

(R.K. GROVER)

Authorised Signatory

(N.V. NARASIMHAM)

Managing Editor

## **SECRETARY'S REPORT 2008**

### **61st Annual General Body Meeting of the Indian Commerce Association held on December 29, 2008 at Dhanwate National College, Nagpur.**

Mr President, Past Presidents, Office Bearers, Members of the Executive Committee and the Life Members of the Indian Commerce Association, I extend a very warm and hearty welcome to all of you at this General Body Meeting of the Indian Commerce Association. I have the pleasure to report as under:

The Diamond Jubilee Conference of the Indian Commerce Association was held on December 27-29, 2007 at Osmania University, Hyderabad. Prof P Purushotham Rao, Head Department of Commerce, Osmania University Hyderabad was the Conference Secretary. More than 1500 delegates representing all the States of the Country attended the Conference. Shri S Jaipal Reddy, Hon'ble Minister of Urban Development and Culture, Government of India as Chief Guest of the Inaugural function, inaugurated the Diamond Jubilee Conference of the Indian Commerce Association. Prof K C Reddy, Chairman A P State Council of Higher Education, Andhra Pradesh was the Guest of Honour. Prof Mohd. Suleman Siddiqi, Vice Chancellor, Osmania University Hyderabad, and Dr J Rameshwar Rao, CMD, My Home Group of Companies were the other Guests of Honour at the Inaugural Function. Prof L Venugopal Reddy, President, Indian Commerce Association, and the Vice Chancellor, Andhra University, Visakhapatnam, delivered his Presidential Address on the theme of "Global Dynamics and Need for Professionalisation of Commerce Education in India" at the Inaugural Function. Prof L Venugopal Reddy also presided over the Valedictory Function of the Diamond Jubilee All India Commerce Conference on December 29, 2007 where in Dr C Rangarajan, Chairman, Economic Advisory Council to the Prime Minister, Government of India was the Chief Guest. Dr K Ramakrishnan, CMD, Andhra Bank, and Prof Mohd Suleman Siddiqi, Vice Chacellor, Osmania University Hyderabad were the Guests of Honour.

Prof Om Parkash, Past President of the Indian Commerce Association and former Vice Chancellor University of Rajasthan, Jaipur delivered Diamond Jubilee Lecture on December 27, 2007 on the theme of "Future Education: Materialistic or Ethical".

The Seminar Session of the Diamond Jubilee All India Commerce Conference was held on December 27, 2007 on the theme of "Industry - University Interface" Prof B Parvathiswar Rao, Dean, Faculty of Commerce & Management, Andhra University, Visakhapatnam was the Chairperson of the Seminar Session and Dr Ms Prabha, Reader, Delhi School of Professional Studies and Research, New Delhi, was the Co-chairperson. The session started with Panel discussion followed by the presentation of the papers by the delegates.

On the second day of the Conference i.e. on December 28, 2007, four Technical Sessions of the Conference were concurrently held. Technical Session I was on the theme of "Service Sector Led Growth: Myths and Realities". Prof B P Singh, Past President, ICA chaired the Session, and Prof C Sivarami Reddy of S V University, Tirupati was the Co- chairperson of the Session.

Technical Session II was on the theme of "Retailing Perspective: Challenges and Opportunities". Prof J K Tandon of University of Rajasthan, Jaipur was the Chairperson of the Session which was Co- chaired by Dr Ms Shaila Bootwala of Abeda Inamdar College, Pune.

Technical Session III was on the theme of "Micro Finance The Emerging Horizons". This Session was chaired by Prof. S Moharana of Utkal University, Bhubhneswar and Co-chaired by Dr B L Vaishnav of J N Vyas University, Jodhpur.

Technical Session IV was on the theme of "Informal Sector: Hopes and Challenges". Dr N K Gupta, Professor IIM Lucknow (Noida Campus) chaired this Technical Session which was Co-chaired by Prof Sandeep K Bhatt of Sardar Patel University, Vallabh Vidya Nagar, Distt. Anand.

All the Technical Sessions were well attended and the delegates presented their research papers. The Sessions ended with lively deliberations on the findings of the research papers presented by the delegates.

In the evening of the second day of the Conference a special session was arranged for the presentation of two best papers from each Technical and Seminar Session Before the Jury for finalization of the "Best Business Academic of the Year Award". The Jury selected papers for the award of Gold and Silver Medals. The Medals were presented to the first authors of the award winning papers in the Valedictory Session. These award winning papers are:

#### **Gold Medal**

- Yogesh Upadhyay and S. K. Singh, Institute of Commerce and Management, Jiwaji University, Gwalior (M P) for the paper entitled '*Measuring Consumer Perceived Value of Different Retailing Formats*'

#### **Silver Medal**

1. R. K. Singh and J. S. Khokhar, Shri Ram College of Commerce, University of Delhi, Delhi for the paper entitled '*A New Paradigm for Developing Economies with Special Reference to India*'
2. A. P. Pati, Department of Commerce, NEHU, Shillong for the paper entitled '*Subsidized Micro Financing and Financial Sustainability of SHGs*'
3. D. M. Sheaba Rani and K. Hari Hara Raju, Department of Commerce and Management Studies, Andhra University, Visakhapatnam for the paper entitled '*Role Conflict Among Sales Girls, Clerks and Nurses Working in Informal Sector in Visakhapatnam City*'
4. G. Tulasi Rao, Department of Commerce and Management Studies, Andhra University Campus, Etcherla, Srikakulam (A. P.) for the paper

entitled '*University Industry Interface – with Reference to Commerce Education*'

Dear friends, the much-awaited issue of the registration of the ICA in the name of Indian Commerce Association could not materialise during the year 2008. Dr. PM Kothari, former member EC of the ICA was authorized by the General Body of the ICA to follow up the appeal filed by late Prof. S. G. Deshpande, Past President of ICA. He has informed that the relevant papers pertaining to the case or the appeal itself with the relevant Appellate Authority could not be traced. The case is coming up before you for further consideration.

During the year 2008 two workshops were organized at Indore and Hyderabad on the issue of All India Commerce Talent Search Examination. Prof. I V Trivedi, Past President of ICA has submitted the Report on the workshops, which will be considered by this august body in today's meeting and Further decision on the format of this examination will be taken.

Dear friends, I would like to apprise you of the activities of the International Strategic Alliance Management Team (ISAMT) of the Indian Commerce Association. One MOU was signed by Dr. Ajay Kr. Singh, the Team Leader of ISAMT on behalf of ICA, in the presence of Professor Ravinder Vinayek, Secretary, ICA with Szent Istvan University, Hungary at New Delhi on Jan. 3, 2008. This MOU is for organising the Tenth International Conference on the main theme: "U. N. Millennium Development Goals: Challenges and Perspectives" under the joint auspices of various organizations including Indian Commerce Association. This Conference is going to be organized in Hungry in June 2009.

Dear friends, the membership base of the Indian Commerce Association is continuously surging. We have now more than 2500 Individual Life Members of the ICA. The Editorial Board of the Indian Journal of Commerce deserves congratulations for coming up with all the four quarterly issues of the Journal this year. The Editorial Board, however, could not implement this year also the decision of the General Body of the ICA taken in the Year 2006 to make one of the issues of the Journal as refereed one.

It gives me great pleasure to place on record my deep sense of gratitude to the President of the ICA Prof P. Purushotham Rao, and Immediate Past President Prof. L. Venugopal Reddy for their able guidance in the smooth conduct of the activities of the Association. I would like to place on record the contributions made by Late Prof. Om Prakash, Past President of the ICA in giving complete support for the growth and development of the ICA. I would also like to thank profusely Prof. B P Singh, Prof A Shankaraiah, Prof S S Mishra, Prof. Mahfoozur Rahman, Prof. I V Trivedi, Prof Ramesh Mangal and all other Past Presidents of the ICA for their positive contribution in giving meaningful direction to the activities of the ICA. My thanks are also due to my colleagues Prof H Venkateshwarlu, Executive Vice President, Prof N V Narasimham, Managing Editor, The Indian Journal of Commerce, Dr. Subhash Garg, Joint Secretary, and all the members of the Executive Committee of the ICA for their active cooperation and support.

Dear friends, I derive my strength from the honourable members of the ICA for which I shall always remain indebted for their continuing support and guidance without which it would not have been possible for me to carry out my responsibilities as Secretary of the Association. My thanks are also due to all of the delegates who have come in such a large number from the different parts of the country, which has made the 61<sup>st</sup> All India Commerce Conference of the Indian Commerce Association a historic milestone event that shall be remembered for all times to come. Before concluding my report, I would like to thank the Chairpersons and Co-chairpersons of the Seminar Session and all the Technical Sessions of the 61<sup>st</sup> All India Commerce Conference who have taken lots of pain in reviewing and selecting papers for presentation in the different sessions of the Conference. I am also thankful to the Jury Members of the Best Business Academic of the Year Award for the valuable services rendered by them. I am also thankful to the Key Note Speakers and the Rapporteurs of the various Sessions for their valuable contribution.

Last but not the least our thanks are also due to Dr. B. B. Taywade, the Conference Secretary and his dedicated team of colleagues and student volunteers for taking so much pain in the successful organization of the 61<sup>st</sup> All India Commerce Conference of the Indian Commerce Association. We shall be carrying with us the sweet memories of the Conference hosted by Dhanwate National College, Nagpur.

Wishing you all a very Happy and Prosperous New Year 2009.

NAGPUR  
December 29, 2008

(DR. RAVINDER VINAYEK)  
Secretary, ICA

## **Minutes of the Meeting of the Executive Committee of the Indian Commerce Association held on December 27, 2008.**

A meeting of the Executive Committee of the Indian Commerce Association was held on December 27, 2008 at 6.15 p.m in the Seminar Hall of Punjab Rao Deshmukh Institute of Management Technology and Research (Dhanwate National College Campus) Nagpur under the Chairmanship of Prof. P Purushotham Rao, President of Indian Commerce Association.

The following members were present in the meeting:

1. Prof B P Singh
2. Prof A Shankaraiah
3. Prof S S Mishra
4. Prof M Rehman
5. Prof I V Trivedi
6. Prof Ramesh Mangal
7. Prof H Venkateshwarlu
8. Prof N V Narasimham
9. Dr V K Shrotryia
10. Prof C Ganesh
11. Prof. (Ms) Kshama Agarwal
12. Prof Parimal H Vyas
13. Prof R P Das
14. Prof D S Chundawat
15. Prof Umesh Mishra
16. Dr Awadhesh Kumar Tiwari
17. Dr Narender Kumar
18. Dr M Rama Chandra Gowda
19. Dr M D Somani
20. Dr P Indrasena Reddy
21. Prof Nawal Kishor
22. Dr Ajay Kumar Singh
23. Prof Mohd. Akbar Ali Khan
24. Prof T N Mathur
25. Prof H K Singh
26. Prof G Tulasi Rao
27. Prof R R Azad
28. Dr B RajaRathnam

29. Dr (Ms) Prashanta Athma

30. Dr Balwinder Singh

31. Dr B B Taywade

32. Prof Ravinder Vinayek

Secretary

The Secretary informed the members of the Executive Committee about the sad demise of Prof. Om Parkash Ji, Past President of ICA on Dec. 4, 2008, at Jaipur and of Prof Manubhai M Shah, Past President of ICA in the year 2006. The members of the Executive Committee stood in silence for two minutes as a mark of respect to the departed souls. The EC of the ICA passed following condolence resolutions:

#### **Condolence Resolution (A)**

“The Executive Committee of the Indian Commerce Association in its meeting held on Dec. 27, 2008 at Nagpur deeply condoles the untimely and sad demise of Prof. Om Parkash Ji on December 4, 2008 at Jaipur. Prof Om Parkash Ji was former Vice Chancellor, University of Rajasthan, Jaipur and was one of the founder members of the Indian Commerce Association way back in 1947 at University of Allahabad. He did the pioneering work of drafting the initial constitution of the ICA and was Managing Editor of Indian Journal of Economics published from the University of Allahabad. He had the distinction of being one of the Past Presidents of Indian Commerce Association.

The Association acknowledges the significant contributions made by Prof. Om Parkash Ji for the promotion of Commerce and Management Education in India, in particular, and to the society in general. It is a big loss not only to the bereaved family but also to the whole of Commerce and Management fraternity. Professor Om Parkash ji was a great visionary and he gave a meaningful direction to the Indian Commerce Association. He had rare humane and leadership qualities. Indian Commerce Association shall always miss this great man.

We pray to the Almighty to grant eternal peace to the departed soul and give courage to all of his family members and the Commerce fraternity to bear this irreparable loss.”

The EC of the ICA adopted this resolution. A copy of the resolution will be sent to the bereaved family. Further resolved to hold Late Prof. Om Parkash Memorial Lecture at the time of 62<sup>nd</sup> All India Commerce Conference. Also resolved that Late Prof. Om Parkash Memorial Lecture shall be delivered by Prof B P Singh, Past President of ICA. Further resolved that an Exhibition on the works of Prof. Om Parkash Ji be organized at the time of 62<sup>nd</sup> All India Commerce Conference. Prof TN Mathur and Prof (Ms) Kshama Aggarwal, both members EC of the ICA are authorized to take steps for the organization of this exhibition.

**Condolence Resolution (B)**

“The Executive Committee of the Indian Commerce Association in its meeting held on Dec. 27, 2008 at Nagpur deeply condoles the untimely and sad demise of Prof Manubhai M Shah in the year 2006 . Prof Manubhai M Shah was Head and Dean, Deapartment of Commerce, Vallabhbai Vidyapith now known as Sardar Patel University, Vallabh Vidya Nagar, Anand(Gujarat) He had the distinction of being one of the Past Presidents of Indian Commerce Association.

Prof. Manubhai Ji Shah was an international scholar of repute, a good orator, an eminent economist and an able administrator. He was a student of London School of Economics. After the death of Prof. Manubhai M. Shah, his body was donated to Karamsad Medical College, Karamsad. He lived and died for a noble cause. The Association acknowledges the significant contributions made by Prof. Manubhai M Shah Ji for the promotion of Commerce and Management Education in India, in particular, and to the society in general. It is a big loss not only to the bereaved family but also to the whole of Commerce and Management fraternity.

We pray to the Almighty to grant eternal peace to the departed soul and give courage to all of his family members and the Commerce fraternity to bear this irreparable loss.”

The EC of the ICA adopted this resolution. A copy of the resolution will be sent to the bereaved family. Further resolved to hold Late Prof. Manubhai M Shah Memorial Lecture at the time of 62<sup>nd</sup> All India Commerce Conference. Also resolved that Late Prof. Manubhai M Shah Memorial Lecture shall be delivered by Prof. Sandip K Bhatt of Sardar Patel University.

The meeting was adjourned for sometime. Thereafter the regular business of the EC of the ICA was transacted.

The following decisions were taken in the meeting

1. The minutes of the last meeting of the executive committee of the ICA held on Dec. 28, 2007 at Hyderabad were confirmed.
2. The EC of the ICA reviewed the arrangements made by the organizers of the 61<sup>st</sup> All India Commerce Conference. The members in general were satisfied with the arrangements made by the organizers. However, some suggestions were given for setting up more counters for serving food at the dining place. The Conference Secretary Dr B B Taywade assured the members that all the suggestions will be implemented.
3. The BBAY Award Jury was constituted as following:
  - i. President's Nominee - Prof K Eresi
  - ii. EC of ICA's nominees- Prof A Shankaraiah and Prof I V Trivedi
  - iii. Sponsorer's nominee-Prof. Bhagirath Singh
4. Considered the letter of Dr P M Kothari regarding the follow up action on registration of the Indian Commerce Association wherein he had informed that he could not trace any papers pertaining to the appeal filed with the Appellate Authority. It was resolved to authorise the Conference Secretary Dr B B Taywade to take steps for the registration

of the ICA in the name of Indian Commerce Association with a national character.

5. Considered the report submitted by Prof I V Trivedi, Past President, ICA on the workshops organized at Indore and Hyderabad regarding All India Commerce Talent Search Examination. The report was accepted in principle by the EC of ICA. The EC members felt that there is a need for working the detailed modalities of the operational part of the proposed All India Commerce and Management Talent Search Examination (AICMTSE). Dr Balwinder Singh, member EC of ICA was authorized to work on the detailed modalities and submit his report latest by 31<sup>st</sup> March, 2009. He was authorized to co opt any member with him.
6. Considered and approved the report submitted by Dr Ajay Kr Singh, Team Leader, International Strategic Alliance Management Team (ISAMT) regarding the progress made by the ISAMT during the year 2008. The report is attached.
7. Reviewed the developments regarding the setting up of the State Chapters of the ICA. It was felt that efforts should continue to strengthen the membership base of the ICA in different States through its State Chapters.
8. Resolved that the Report of the One man Committee of Prof H Venkateshwarlu on the conduct of the Annual Conference of ICA be taken up for consideration in the next meeting of the EC of ICA.
9. It was felt that the academic and professional input needs to be strengthened both in terms of time management and quality management which can be possible if we economize on the inaugural session within two hours. In between the lunch break and the Inaugural session memorial lecture, if any, can be ideally fitted in.

The meeting ended with a vote of thanks to the chair.

December 28, 2008  
Nagpur

(DR RAVINDER VINAYEK)  
Secretary, ICA

## **Minutes of the Meeting of the Executive Committee of the Indian Commerce Association held on December 28, 2008.**

A meeting of the Executive Committee of the Indian Commerce Association was held on December 28, 2008 at 6.15 p.m in the Seminar Hall of Punjab Rao Deshmukh Institute of Management Technology and Research (Dhanwate National College Campus) Nagpur under the Chairmanship of Prof. P Purushotham Rao, President of Indian Commerce Association.

The following members were present in the meeting:

1. Prof P Purushotham Rao
2. Prof B P Singh
3. Prof A Shankaraiah
4. Prof S S Mishra
5. Prof M Rehman
6. Prof I V Trivedi
7. Prof Ramesh Mangal
8. Prof H Venkateshwarlu
9. Prof N V Narasimham
10. Dr V K Shrotryia
11. Prof Bal Krishan
12. Prof C Ganesh
13. Prof. (Ms) Kshama Agarwal
14. Prof Parimal H Vyas
15. Prof R P Das
16. Prof D S Chundawat
17. Prof Umesh Mishra
18. Dr Awadhesh Kumar Tiwari
19. Dr Narender Kumar
20. Dr M D Somani
21. Dr P Indrasena Reddy
22. Prof Nawal Kishor
23. Dr Ajay Kumar Singh
24. Prof Mohd. Akbar Ali Khan
25. Prof T N Mathur
26. Prof H K Singh
27. Prof S A Ansari
28. Prof R R Azad

- 29. Dr B RajaRathnam
- 30. Dr (Ms) Prashanta Athma
- 31. Dr Balwinder Singh
- 32. Dr B B Taywade
- 33. Prof Ravinder Vinayek Secretary

The following decisions were taken in the meeting of Executive Committee of the Indian Commerce Association (ICA):

1. The Minutes of the last meeting of the Executive Committee of the ICA held on December 27, 2008 were confirmed.
2. Considered One Man Committee Report prepared by Professor H. Venkateshwarlu regarding the conduct of the Annual Conference of the ICA. The members of the Executive Committee of the ICA made various suggestions. Resolved to approve in principle the One Man Committee Report on the conduct of the Annual Conference of the ICA. Further resolved that suggestions made by the members of the EC of ICA be incorporated in the final report.
3. Resolved to approve the Secretary's Report for the year 2008, which is to be presented in the Annual General Body Meeting of the ICA.
4. Resolved to approve the audited accounts of the ICA for the year 2007-08 and Managing Editor's Report, which is to be presented in the Annual General Body Meeting of the ICA.
5. Considered the proposal of Professor H. K. Singh, Chairperson of the Seminar Session regarding publication of the articles on the session SEZs: Economics vis a vis Politics in the Book form. Resolved that the committee constituted under the convener-ship of Prof N V Narasimham vide Resolution No. 10 of the meeting of the Executive Committee of the ICA held on December 27, 2007 on the similar issue and to examine and develop "Revenue Earning Model" relating the publication of the articles will take up this issue and submit its report within two months. Further resolved that if publication of articles is allowed, the book shall be the property of the ICA and royalty shall also come to the ICA.
6. Resolved to recommend to the General body of the ICA that the 62<sup>nd</sup> All India Commerce Conference be held at MDS University Ajmer and Professor Bhaghirath Singh, Vice Chancellor, MDS University, Ajmer, shall be the Conference Secretary.
7. Resolved to constitute a committee of the Office Bearers of the ICA and the Past Presidents present in the Conference, which shall recommend to the General Body of the ICA the topics for the Seminar Session and four Technical Sessions to be held at the time of 62<sup>nd</sup> Annual Conference of the ICA.
8. Resolved to recommend to the General Body of the ICA that a committee comprising of incoming and outgoing President of the ICA and all Past Presidents of the ICA present in the Conference shall finalise the names of the Chairpersons and Co-chairpersons for the Seminar Session and four Technical Sessions to be held at the time of 62<sup>nd</sup> Annual Conference of the ICA.

9. Resolved to recommend to the General Body of the ICA that same committee constituted for the item no. 8 above shall finalise the names to fill up the vacancies of the Office Bearers of the ICA, namely, Executive Vice President, Secretary, Managing Editor, and Joint Secretary for a term of three years i.e. from 62<sup>nd</sup> Conference to 64<sup>th</sup> Conference.
10. Considered the number of the vacancies in the Executive Committee of the ICA to be filled up by the General Body of the ICA. There are 10 vacancies in the EC for a term of three years that is up to 64<sup>th</sup> Conference, one vacancy for a period of two years that is upto 63<sup>rd</sup> Conference caused by the absence of Prof. B. Parvathiswar Rao, without any intimation, and one vacancy for a period of one year that is up to 62<sup>nd</sup> Conference caused by the absence of Prof P. N. Mishra without any intimation. Resolved that the proposals be invited from the General Body to fill up these vacancies.
11. Resolved to recommend to the General Body of the ICA that Dr. B. B. Taywade, Principal Dhanwate National College Nagpur and Conference Secretary 61<sup>st</sup> All India Commerce Conference be elected to the post of the President of the ICA for the next term that is up to the conclusion of the 62<sup>nd</sup> Annual Conference of the ICA.  
Dr. B. B. Taywade expressed his thanks to the Executive Committee of the ICA for recommending his name to the General Body of the ICA for election to the post of President of the ICA and assured that he will make sincere efforts for the attainment of the mission and the objectives of the ICA.
12. In any other item, the following decisions were taken:
  - (a) Resolved to recommend to the General Body of the ICA that Past Presidents and EC members of the ICA who have retired from active service should be exempted from the payment of the delegate's fee.
  - (b) Considered the request of Dr. N. K. Sharma Co-Coordinator of BBAY Award that he should be allowed to sit in the meetings of the EC of the ICA. Resolved that Dr. N. K. Sharma be invited to the meetings of the EC of the ICA only when an item pertaining to BBAY Award is under consideration.
  - (c) Considered the suggestions made by Prof. P. Purushotham Rao, President ICA, and Prof. B. P. Singh, Past President ICA that upon the conclusion of the Annual Conference of the ICA draft resolutions having policy ramifications be prepared and submitted to the relevant policy making institutions at the National as well as State levels. Resolved that this proposal is approved and this issue be incorporated in the final document of One Man Committee Report referred in item no. 2 above.

The meeting ended with a vote of thanks to the chair.

(DR. RAVINDER VINAYEK)  
Secretary, ICA

## **Indian Commerce Association**

### **Minutes of the Annual General Body Meeting of the Indian Commerce Association held on December 29, 2008 at Nagpur.**

The Annual General Body Meeting of the Indian Commerce Association was held on December 29, 2008 at 2.00 p.m. in Dhanwate National College Campus, Nagpur. Professor P Purushotham Rao, President of the Indian Commerce Association presided over the meeting.

The President, ICA informed the General Body about the sad demise of Prof. Om Parkash Ji, Past President of ICA on Dec. 4, 2008 at Jaipur and of Prof Manubhai M Shah, Past President of ICA in the year 2006. The members of the General Body stood in silence for two minutes as a mark of respect to the departed souls. The General Body of the ICA passed following condolence resolutions:

#### **Condolence Resolution (A)**

“The General Body of the Indian Commerce Association in its meeting held on Dec. 29, 2008 at Nagpur deeply condoles the untimely and sad demise of Prof. Om Parkash Ji on December 4, 2008 at Jaipur. Prof Om Parkash Ji was former Vice Chancellor, University of Rajasthan, Jaipur and was one of the founder members of the Indian Commerce Association way back in 1947 at University of Allahabad. He did the pioneering work of drafting the initial constitution of the ICA and was Managing Editor of Indian Journal of Economics published from the University of Allahabad. He had the distinction of being one of the Past Presidents of Indian Commerce Association.

The Association acknowledges the significant contributions made by Prof. Om Parkash Ji for the promotion of Commerce and Management Education in India, in particular, and to the society in general. It is a big loss not only to the bereaved family but also to the whole of Commerce and Management fraternity. Professor Om Parkash ji was a great visionary and he gave a meaningful direction to the Indian Commerce Association. He had rare humane and leadership qualities. Indian Commerce Association shall always miss this great man.

We pray to the Almighty to grant eternal peace to the departed soul and give courage to his family members and the Commerce fraternity to bear this irreparable loss.”

Resolved that the copy of the resolution be sent to the bereaved family.

#### **Condolence Resolution (B)**

“The General Body of the Indian Commerce Association in its meeting held on Dec. 29, 2008 at Nagpur deeply condoles the untimely and sad demise of Prof Manubhai M Shah in the year 2006. Prof Manubhai M Shah was Head and Dean, Deapartment of Commerce, Vallabhbhai Vidyapith now known

as Sardar Patel University, Vallabh Vidya Nagar, Anand(Gujarat) He had the distinction of being one of the Past Presidents of Indian Commerce Association.

Prof. Manubhai Ji Shah was an international scholar of repute, a good orator, an eminent economist and an able administrator. He was a student of London School of Economics. After the death of Prof. Manubhai M. Shah, his body was donated to Karamsad Medical College, Karamsad. He lived and died for a noble cause. The Association acknowledges the significant contributions made by Prof. Manubhai M Shah Ji for the promotion of Commerce and Management Education in India, in particular, and to the society in general. It is a big loss not only to the bereaved family but also to the whole of Commerce and Management fraternity.

We pray to the Almighty to grant eternal peace to the departed soul and give courage to all of his family members and the Commerce fraternity to bear this irreparable loss.”

Resolved that the copy of the resolution be sent to the bereaved family.

The meeting was adjourned for sometime. The General Body reassembled thereafter to transact the agenda items. The following decisions were taken in the meeting:

1. The minutes of the last meeting of the General Body of the ICA held on December 29, 2007 at Osmania University, Hyderabad were considered and confirmed.
2. The Secretary's Report for the year 2008 as approved by the Executive Committee of the ICA was presented by the Secretary ICA. Resolved to accept the Secretary's Report.
3. Considered and approved the accounts of the ICA for the year 2007-08 and the Managing Editors Report as recommended by the EC of the ICA.
4. Resolved to approve the recommendations of the EC of the ICA that Late Prof. Om Parkash Memorial Lecture be delivered by Prof B P Singh, Past President of ICA at the time of the 62<sup>nd</sup> All India Commerce Conference.

Further resolved that an Exhibition on the works of Prof. Om Parkash Ji be organized at the time of 62<sup>nd</sup> All India Commerce Conference. Prof T N Mathur and Prof (Ms) Kshama Aggarwal, both members EC of the ICA are authorized to take steps for the organization of this exhibition.

5. Resolved to approve the recommendations of the EC of the ICA that Late Prof. Manubhai M Shah Memorial Lecture be delivered by Prof. Sandip K Bhatt of Sardar Patel University at the time of 62<sup>nd</sup> All India Commerce Conference.
6. Resolved to approve the recommendation of the EC of the ICA that Dr. B. B. Tyawade be authorized to get ICA registered in the name of the Indian Commerce Association maintaining its original national character.
7. Resolved to approve the recommendation of the EC of the ICA that Dr. Balwinder Singh, Member of EC be authorized to work on the detailed

modalities of the proposed All India Commerce and Management Talent Search Examination and submit its report latest by March 31, 2009. He is authorized to co-opt any member(s) with him.

8. Resolved to approve the recommendation of the EC of the ICA that the Report of the One Man Committee of Prof. H. Venkateshwarlu on the conduct of the Annual Conference of the ICA be approved with the incorporation of modifications as suggested by the members of the EC of ICA.
9. Considered the recommendation of the EC of the ICA that Past Presidents/EC Members of the ICA who have retired from service be exempted from the payment of the delegate fee. Resolved that these recommendations of the EC of the ICA be not approved.
10. Considered and approved the progress report of the International Strategic Alliance Management Team (ISAMT) as approved by the EC of the ICA (Report attached).
11. Resolved to confer the honour of the Fellow of Indian Commerce Association to the Chairpersons of the Technical Sessions and the new members of the EC of ICA for their contributions made to the ICA in particular, and academics in general, in terms of the Resolution No. 10 of the General Body Meeting of the ICA held on December 28, 2004 at Indore.

The honour of the Fellow of Indian Commerce Association was conferred upon the following:

- I) Dr. Baban B. Taywade
- II) Prof H. K. Singh
- III) Prof. Bal Krishan
- IV) Prof. Narender Kumar
- V) Prof. C. Ganesh
- VI) Prof. Mohd. Akbar Ali Khan
- VII) Prof. Kshama Aggarwal
- VIII) Prof. Prashantha Athma
- IX) Prof. D. S. Chundawat
- X) Prof. B. Raj Rattanam
- XI) Dr. Gurcharan Singh
- XII) Prof. Ram Chandra Gowda
- XIII) Dr. R. R. Azad

12. Resolved to approve the recommendations of the EC of the ICA that 62<sup>nd</sup> Annual Conference of the Indian Commerce Association be held at Maharshi Dayanand Sararwati University, Ajmer and Professor Bhagirath Singh, Vice Chancellor of the University shall be the Conference Secretary.
13. Resolved to approve the recommendations of the EC of the ICA that a committee comprising of the Office Bearers of the ICA and Past Presidents present in the conference be constituted to finalize the topics

for the Seminar Session and four Technical Sessions to be held at the time of the 62<sup>nd</sup> Annual Conference of the ICA.

14. Resolved to approve the recommendations of the EC of the ICA that a committee comprising of incoming and outgoing Presidents of the ICA and Past Presidents present in the Conference be constituted to finalize the names of the Chairpersons and Co-chairpersons for the Seminar Session and four Technical Sessions to be held at the time of the 62<sup>nd</sup> Annual Conference of the ICA.

#### Action Taken on Resolution No 13 &14

##### Topics for the 62<sup>nd</sup> All India Commerce Conference

Technical Sessions	Chairpersons	Co-Chairpersons
<b>i. International Accounting Standards: India's Preparedness</b>	Prof. K Eresi Department of Commerce Bangalore University, Bangalore	Dr K B Rao Principal Smt. T J Patel Commerce College, College Road, NADIAD- 387001 09825090063 raokalpeshbe@yahoo.com
<b>ii. E-governance: Perspectives &amp; Challenges</b>	Prof (Ms) Prashanta Athma Head, Department of Commerce Osmaia University College for Women, Koti, Hyderabad prashantaathma@gmail.com 040-24730803	Dr K Someshwar Rao Dept of Commerce Badurka College Kachiguda Hyderabad
<b>iii. Marketing Innovations &amp; Ethics</b>	Prof (Ms) Santosh Gupta Department of Commerce University of Jammu, Jammu	Prof Amod Prasad Head, Department of Commerce BRA Bihar University Muzaffarpur, BIHAR 09470268797
<b>iv. Inclusive Growth: The Road Ahead</b>	Prof R H Gupta 58 -Parak Nagar Near Telephone Nagar Jalgaon (Mah) 425002 09423185002	Dr Sanket Vij Dean & Chairperson Dept of Management BPS Women University, Khanpur, Sonipat (Haryana) 09812310310 sanketvij@rediffmail.com
<b>Seminar</b>		
<b>Global Recession: Opportunities &amp; Challenges</b>	Prof J P Sharma Department of EAFM University of Rajasthan, Jaipur	Dr Ms. Varsha Thakare Department of Commerce, Anna Saheb Gundewar College, Katol Road, Nagpur

15. Resolved that same committee approved for item no. 14 shall fill up the vacancies of the Office Bearers of the ICA (upon completion of the term of the existing team) namely Executive Vice President, Secretary, Managing Editor of the Indian Journal of Commerce, and Joint Secretary for a term of three years i.e. from 62<sup>nd</sup> to 64<sup>th</sup> Conference.

**Action Taken on Resolution No. 15**

- Executive Vice President:** Prof. H Venkateshwarlu. Principal, College of Commerce & Management,, Osmania University, Hyderabad.
- Secretary:** Prof Ravinder Vinayek , Faculty of Commerce, M D University, Rohtak (Haryana).
- Joint Secretary:** Dr.P T Choudhary, Head, Dept of Commerce, M J College, Jalgaon.
- Managing Editor, IJC:** Prof. Nawal Kishor, School of Management Studies, IGNOU, Maidan Garhi, New Delhi-110068.

16. Resolved that the same committee approved for item no. 14 above shall fill up the vacancies in the Executive Committee of the ICA. There are ten vacancies for a period of three years i.e. up to 64<sup>th</sup> Conference, one vacancy for a period of two years i.e. up to 63<sup>rd</sup> Conference, and one vacancy for a period of one year i.e. up to 62<sup>nd</sup> Conference.

**Action Taken on Resolution No. 16**

**(a) Executive Committee members from 62<sup>nd</sup> to 64<sup>th</sup> Conference.**

1. Prof. Bal Krishan, Dept of Commerce, Himachal Pradesh University, Shimla
2. Prof. Narender Kumar, Dept of Commerce, M D University, Rohtak - 124001
3. Prof. C Ganesh, Dept of Commerce, University of Kerala, Thiruvanthapuram - 695034
4. Prof. Mohd, Akbar Ali Khan, Dept of Commerce, Osmania University, Hyderabad.
5. Prof. H K Singh, Faculty of Commerce, Banaras Hindu University, Varanasi.-221005
6. Dr Anant Deshmukh, Reader, Dept of Business Management, RTM Nagpur University, Nagpur.
7. Dr.Aaditya Lunavat, Dept of Commerce, Govt. Girls P G College, DEVAS. (MP)
8. Dr V Appa Rao, Asso Prof, Dept of Commerce, Osmania University, Hyderabad.- 500007
9. Dr Balwinder Singh, Reader, Dept of Commerce & Management, G N D University, Amritsar.
10. Dr.Bharat Meghe, Dept of Commerce, Kamla Nehru Mahavidyalya, Sakkardhara Chowk, Nagpur.

**(b) Executive Committee Member up to 63<sup>rd</sup> Conference.**

Prof G Tulasi Rao, Head, Dept of Commerce & Mgmt Studies, Andhra University Campus, Etcherla, Srikakulam (AP) - 532402

(Note:- Vacancy caused by the absence without information of Prof B Parvathiswar Rao)

**(c) Executive Committee Member up to 62<sup>nd</sup> Conference.**

Dr Manas Pandey, Dept of Business Economics, VBS Purvanchal University, Jaunpur (UP).

(Note :- Vacancy caused by the absence without information of Prof. P N Mishra)

**(d) President's Nominee up to 62<sup>nd</sup> Conference.**

Dr Vinod Krishanrao Gawande, Principal, Smt Rajkamal Baburao Tidke Mahavidyalaya, Mouda, Distt Nagpur.

17. Resolved to approve the recommendations of the EC of the ICA that Dr. B. B. Taywade, Conference Secretary be elected as President of the ICA for the next term i.e. up to the conclusion of the 62<sup>nd</sup> Annual Conference of the ICA.

The meeting ended with a vote of thanks to the chair.

(DR. RAVINDER VINAYAK )  
*Secretary, ICA*

Immediately after General Body meeting of the ICA, a meeting of the Executive Committee of the ICA was held under the Chairmanship of Dr. B. B. Taywade after taking over charge from the outgoing President Prof. P Purushotham Rao. The following resolutions were passed in the meeting:

- 1.** The EC of the ICA placed on record its appreciation of the dedicated and dynamic leadership provided by the outgoing President of ICA Prof. P. Purushotham Rao.
- 2.** The EC of the ICA reposed full faith in the leadership of its new President Dr. B. B. Taywade and assured him of full cooperation in taking the Indian Commerce Association to new heights.
- 3.** Resolved to approve the proposal of the newly elected President of the ICA, Dr. B B Taywade, that the designation of Immediate Past President be changed to the Working President. Further resolved that the decision of the Executive Committee be put up before the next General Body Meeting of the Indian Commerce Association.

The meeting ended with a vote of thanks to the chair.

(DR. RAVINDER VINAYAK )  
*Secretary, ICA*