

## EDITORIAL BOARD

Dr. G.S.Batra  
Professor, School of Management  
Punjabi University,  
Patiala, Punjab

Mr. Mohit Aggarwal  
Assistant Professor  
Doon Business School  
Dehradun, Uttarakhand

Dr. Gajendra Singh  
Associate Professor  
Department of Business Management  
H.N.B Garhwal University  
Srinagar Garhwal, Uttarakhand

Mr. Sunil Chaudhary  
Director Corporate Affairs, D.B.S  
Dehradun, Uttarakhand

Dr. Abhay Kumar  
Head of Department, (Management)  
Shobhit University,  
Meerut, U.P

Dr. A.K.Das  
Director General  
Academy of Management Studies  
Dehradun, Uttarakhand

Dr. A.K.Tomar  
Director, D.B.S  
Dehradun, Uttarakhand

Dr. Shailender Singh  
Associate Professor, D.B.S  
Dehradun, Uttarakhand

Ms. Anamika Bisht  
Assistant Professor, D.B.S  
Dehradun, Uttarakhand

Mr. Lalit Kumar,  
Assistant Professor, D.B.S  
Dehradun, Uttarakhand

Global Journal of Contemporary Management` is a bi-annual publication of Doon Business School, Dehradun with an objective to explore latest management developments related to multidisciplinary areas. All work published is blind reviewed according to the standard procedures of refereed Journals. The purpose of `Global Journal of Contemporary Management` is to publish manuscripts reporting original research in the field of management. Theoretical and applied work including case studies of companies or comparative studies is given equal weight in publication consideration.

Submission of manuscripts for publication review may be mail or email addressed to :

---

*The Chief Editor*

**Doon Business School**

Mi-122, Selaqui, Dehradun (UK), INDIA

Tel.:0135-2699166, 2699085, 3240733 Fax No. 91-135-2699231

Website : [www.doonbusinessschool.com](http://www.doonbusinessschool.com), Email : [info@dbs.org.in](mailto:info@dbs.org.in)

*Disclaimer*

Papers published in the Journal are of the named authors. Doon Business School do not assume any responsibility for the accuracy or otherwise of any paper and shall have no liability for any claims, damages whatsoever arising from the contents of any paper.

Global Journal of Contemporary Management

Volume-1 January 2011 Number 1

ARTICLES AUTHOR PAGES

**D.B.S Logo Doon Business School**

122-MI, Selaqui, Behind Pharma City, Dehradun Tel: 0135

# CONTENTS

## Research papers

1.	What lies Beneath: The Untapped Health Tourism Market in India and The Role of Social Venture Capital in Rejuvenating Ayurveda Tradition. . . . .	01
2.	A study on SHGs Demographic analysis, Microfinance Loan Utilization Pattern and Socio- Economic Performance of MFIs In India: w.r.t IDFFSPL . .	14
3.	A Study on Performance linked Productivity of ICT Usage in Technical Education . . . . .	31
4.	Corporate Citizenship Vis-A-Vis CSR. . . . .	35
5.	Impact of Talent Management on Customer Loyalty in Hotel Industry . . . . .	45
6.	Getting Maximum Out of International Trade Shows Participation. . . . .	55
7.	Women Empowerment in India: A Management Perspective . . . . .	66
8.	Challenges Before Indian B-Schools . . . . .	72
9.	Sickness in small enterprises-the capsules for revitalization . . . . .	76
10.	Loosing Grip of Regional Stock Exchanges to National Stock Exchanges - A case of Ludhiana Stock Exchange. . . . .	79
11.	The Present Legal Position of Business Competition in India . . . . .	83

# *From Editor Desk*

It's a great pleasure for us to launch the first issue of "Global Journal of Contemporary Management", D.B.S Journal of Management and Mass Communication. This issue brings out the ideas and knowledge on various contemporary issues on management thought both from India and abroad.

In this edition we are delighted to publish research papers written by eminent authors on various themes of management. We are extremely thankful to the learned scholars and Practitioners of Management for their overwhelming response to our first issue. We have taken into consideration the view points and suggestions of the authors and other well wishers, and have made a sincere effort in incorporating those in our first issue.

I would like to thank our respected Chairman, Director, Director Corporate Affairs for contributing their valuable suggestions.

Dr. Shailender Singh  
Chief Editor

# *From Director Desk*

## CHALLENGES TO OPPORTUNITIES

It is a matter of pride and great pleasure to see our Institute take another quantum leap in the direction of Quality Management Education by Business Schools in our country. The first Journal from Doon Business School reflects our vision towards sharing knowledge and enhance our commitment to interface Business Education and Industry. Here we strive for quality, excellence and continuous improvement and the journal in front of you is an excellent example of the same. I would like to thank and commend the editorial team and all fellow academic fraternity members who have contributed towards this journal. The task of publishing the first journal came as an immense challenge to all of us. The hard work, dedication and the perseverance shown by the team and the contributors helped us convert this challenge into opportunity. We look forward for your valuable suggestions and contributions as we resolve to improve each issue.

With Best Wishes & Regards,

Dr.(Lt.Col)Anirudh Kumar Tomar  
Director,  
DOON Business School,Selaqui,  
Dehradun.

# WHAT LIES BENEATH: THE UNTAPPED HEALTH TOURISM MARKET IN INDIA AND THE ROLE OF SOCIAL VENTURE CAPITAL IN REJUVENATING AYURVEDA TRADITION

SUBHASH, K. B\*, KLAUS WEIERMAIR\*\*, RUEY FENG CHEN\*\*\*

## Abstract

*There are innumerable examples of the rejuvenating capability of Ayurveda, but still those are not fully recorded and made academically available. Ayurveda, the traditional system of healing is based on the theory of balancing the body, the soul, and the mind. The present paper tries to find out the reason why people still consider Ayurveda as a life rejuvenator. This is followed with an overview of the historical perspectives of Ayurveda in India and in particular Kerala. Various problems faced by the Ayurvedic treatment centers are analysed to get an insight on the practical difficulties with possible measures to rectify the existing problems to make Ayurveda as a health tourism product. If timely care is taken (both private as well as government), Ayurveda can be effectively marketed (both domestically as well as internationally) as a health tourism product. But the ultimate success lies in developing a marketing strategy for promoting Ayurveda with a view of generating awareness among people about Ayurveda, this will in turn make more people to travel for health care towards Kerala, and this will lead to dual impact; firstly rejuvenating the Ayurveda tradition in Kerala, and secondly in turn Ayurveda helps in rejuvenating the health of people. Finally, by capitalizing on the transformational capability of social venture capital Ayurveda tradition in India and elsewhere can be rejuvenated in the coming years.*

Keyword: Ayurveda, Health Tourism, Social Venture Capital, India.

## INTRODUCTION

**A**yurveda, the science of life, prevention and longevity is the oldest and most holistic medical system available on the planet today. It was placed in written form over 5,000 years ago in India, it was said to be a world medicine dealing with both body and the spirit. Ayurveda is the perfect solution for all human needs, wants, and desires. It is not a mere compendium of therapeutic recipes, nor is it the first one to use herbs, instead; it is one of the earliest frameworks, which systematized the knowledge. This framework is not only self-consistent but also uses cause and effect arguments to correlate manifestations of sickness, its causes, and treatment (Kumar, 2002).

According to many scholars, knowledge of Ayurveda originated from India and influenced the ancient Chinese system of medicine and also medical system practiced in Greece (Varier, M.R.R, 1993, Pushpangadan 2002, Shankar 2002). People from numerous countries came to Indian Ayurvedic

schools to learn about this world medicine and the religious scriptures it sprang from. Learned men from China, Tibet, the Greeks, Romans, Egyptians, Afghanistans, Persians, and more traveled to learn the complete wisdom and bring it back to their own countries. Ayurvedic texts were translated in Arabic and under physicians such as Avicenna and Razi Sempion, both of whom quoted Indian Ayurvedic texts, established Islamic medicine. This style became popular in Europe, and helped to form the foundation of the European tradition in medicine. In 16th Century Europe, Paracelsus, who is known as the father of modern Western medicine (Allopathic), practiced and propagated a system of medicine, which borrowed heavily from Ayurveda. Thus, Ayurveda is also considered as the “Mother of all Healings”.

There are 2 main goals of Ayurveda: (1) To maintain the health of the healthy, and (2) To heal the sick. According to Ayurveda, life is a combination of four essential parts: mind, body,

---

\*Associate Professor, Faculty of Commerce, Goa University Taleigao Plateau, Goa – 403206, India + 91-832 651 9367 / 245 8086; + 91-94206 85626 subhash@unigoa.ac.in / subhashkbhaskaran@yahoo.co.in

\*\*Professor Emeritus, Department of Tourism and Service Management Institute for Strategic Management, Marketing and Tourism University of Innsbruck; Universitätsstr. 15, A-6020 Innsbruck Austria + 43-512-507 7080 Klaus.Weiermair@uibk.ac.at

\*\*\*Lecturer, Department of Travel Management Taiwan Hospitality & Tourism College No.268, Jhongsing St., Fongshan village, Shoufong Township, Hualien County 974, Taiwan (Office)+ 886-3-8653906#198 / (Fax) + 886-3-8656260 chenrayfong@gmail.com

senses, and the soul. It just not limits the knowledge to body or physical symptoms but also provides a through knowledge regarding spiritual, mental, and emotional aspects. This traditional system of healing is based on the theory of balancing the body, the soul, and the mind. This balancing includes eating the right at the right time, adapting to daily lifestyle habits, daily meditation, and maintaining purity of mind and soul. There is a strong connection between mind and the body. It not only controls the process of thoughts but also helps the body in day-to-day activities such as respiration, blood circulation, digestion, and elimination (Raman 2003). Our physiology is regulated by the combined work of mind and body. The senses are used as information gatherers so that mind can act accordingly to the body. The clarity of senses helps the mind and body to integrate their functions so that the human beings can live a healthy and happier life. Before existing in the physical body, we exist in a more fine and delicate form known as the soul. We may take the shape and form of many physical bodies throughout the cycle of life and death but our soul remains unchanged.

The evolution of life form from the inception till birth also gives some idea of the dynamic changes taking place inside mother's womb (of course, it can be artificially created). The changes happening to the shape of two water drops (ovum and sperm) inside mother's womb from day one onwards till the birth of the child clearly shows the relation between the mind, body, senses, and the soul. Every form of live has these four basic elements. Thus Ayurveda takes care of the entire life cycle of human beings (Varier, P.S., 1993).

The present paper tries to find some answers to the following research questions; viz.; (1) Why is Ayurveda considered as a rejuvenating therapy for good health ?; (2) How and in what way has the concept of Ayurveda emerged in India and spread around the world ?; (3) What was the reason and how could the concept of Ayurveda flourish in Kerala ?; (4) What are the main problems faced by people working in the field of Ayurveda ?; (5) What is the linkage between Ayurveda and Health Tourism; i.e.; is there any possibility of generating awareness among people to combine traveling and health care, specifically to opt for Ayurvedic treatment ?; and finally; (6) What are the future potential of Ayurvedic health tourism for India ?.

The need of the hour is to identify some kind of developmental strategy. The success lies in providing the necessary rejuvenating ingredients to

Ayurveda; in turn Ayurveda will help in rejuvenating the health of people in the coming years. Once answers to the above questions are arrived at, it becomes easy to develop a marketing strategy for promoting Ayurveda with a view of generating awareness among people about Ayurveda, this will in turn make the people to travel for health care towards Kerala, and finally it will have a dual impact; firstly rejuvenating Ayurveda tradition in Kerala and secondly rejuvenating the health of people. By capitalizing on the transformational capability of social venture capital, Ayurveda tradition in India and elsewhere can be rejuvenated in the coming years.

## ROLE OF AYURVEDA IN REJUVENATING HEALTH

There are innumerable examples of the rejuvenating capability of Ayurveda, but still those are not fully recorded and made academically available. The very idea of the present research paper was the result of the personal experience of the first author. It all started in the year 2002. In June 8th 2002 author was faced with the problem of inter-vertebral disc-prolapse. Due to severe pain, consulting medical practitioner advised to go for pelvic traction for five days during 28th June – 3rd July 2002. Instead of getting complete relief, the situation worsened. The spinal nerve got entangled between the discs, aggravating the pain and also resulting in walking disability. The author was facing a major mental trauma, walking continuously for 20 feet was not possible. Then on August 14th 2002, went to Goa Medical College for further treatment with the neuro-surgery department. The consulting doctor advised to do MRI of lumbo-sacral region for further investigation. To have a second opinion, the author went to Amrita Institute of Medical Sciences and Research Centre in Kerala. Being a Keralite and having known people working in medical profession there, the first choice was to go to Kerala. From August 20th 2002 onwards started consulting with the department of neurology. This went on for another 6 months; still there was no progress happening. The pain still continued and also the walking disability persisted. Then the doctors advised to take the MRI, and on February 10th 2003 it was taken. Investigation of MRI lumbosacral spine revealed that there was 'central posterior disc protrusion L 4-5 level compressing the thecal sac'. It was suggested to go for Neurosurgery, but no guarantee of full recovery. The author decided not to go for surgery; as the end result could be permanent disability in walking and lifelong pain.

But fortunately within a period of two months, through word of mouth, one of the patients who underwent a similar situation mentioned about one Ayurvedic treatment center, which specialised in back pains. Since there were no other options available except Neurosurgery, and as a last resort on May 26th 2003, the author got admitted at the Sree Agasthya Medical Centre, Kerala.

On the first visit before getting admitted, the consulting doctor identified the problem without even checking the MRI report. This he done by simply moving his thumb over the spinal section, and he jokingly said that Ayurveda makes a medical practitioner identify the root cause of the problem by moving the fingers over the body and sensing the pulses, and it was completely true with the authors MRI report. The treatment started on 26th may 2003. It was for 21 days, the first 9 days was oil massage, making the body highly flexible so that corrections can be done with ease. The oil was a mixture of many medicinal herbs, which penetrates inside the body and makes the bone joints work in its original form. On 7th day the doctor done correction on the disc manually by twisting the body and putting back the prolapsed disc back to normal position by releasing the entangled nerves also back to normal position.

Then from 11th day onwards the second phase of treatment started, which is called 'Navara Kizhi'. This treatment is done to make the body strong, which was made flexible during the first 9 days of oil massage. The main ingredient of 'Navara Kizhi' is a special variety of rice (Navara Rice, now a day's being used as a facial mask by most of the beauty clinics in Kerala) boiled in medicinal herbs, then filling in to a cotton cloth sachet. These rice sachets are then put it in a big bowl filled with continuously boiling milk. Lying on a medicinal wooden table, six people will be using the rice sachets from the boiling milk to massage the body, both front side and back side of the complete body. This process will last for 20-30 minutes till the entire milk gets over. This procedure will be carried out for a period of 11 days. By the end of the 21st day, the disc problem was completely cured; in fact immediately after the correction process, the pain and walking disorder was completely over. On 16th June 2003 the author got discharged from the hospital; a completely recovered patient, it was almost like a second birth, in other words the life of the author was completely rejuvenated with in a period of 21 days of Ayurvedic treatment; i.e.; *100 % recovery with 0% side effects.*

During the period from 26th May 2003 till

16th June 2003, there was a complete transformation of health condition. The author was impartial between Allopathic and Ayurvedic treatments, but the perception towards Ayurveda had been completely changed. Even with the educational background as a Keralite, the author was not having the full appreciation of the wonders of Ayurvedic treatments. This was even true with almost all the patients who were undergoing the treatment during the same time along with author. Most of the patients came to know about it through word of mouth, and the most interesting fact is that the majority of them were not from Kerala; many of them were from outside India (mostly from gulf countries). The author who had academic discussions with the doctor confirmed this. The rooms were always full, and one needs prior appointment for treatment. For many years they have been helping the patients to recover their health problems and rejuvenating their life, but still they don't follow any kind of modern marketing strategies.

This is one small Ayurvedic center in Kerala, where the success rate of the treatment has been almost 100 %. The success of Ayurveda demands that for the treatment to be effective, all the four *Padas*; viz.; Bishak (the doctor), Dravyani (the medicines), Upasthata (the attender), and the Rogi (the patient); should have the desired qualities (Varier, R.R, 1997); and the above mentioned center was having all the qualifications required from all the four *Padas*, hence the success rate was 100%. One has to study all such similar Ayurvedic centers in Kerala to have a complete picture of the rejuvenating capability of Ayurveda in improving health. Thus one can say confidentially that Ayurveda does have the power to rejuvenate health of human beings even at the present time.

#### ORIGIN, DEVELOPMENT, GROWTH, DECLINE, AND REVIVAL OF MEDICAL PRACTICES (CAM & MM).

In the present world of information, the existence of literature on ancient medical practices followed during the early periods of human settlement is very scanty. From the available bits and pieces of information which got survived during the clash of civilisations during the early stage of human settlement and also the later part of European colonisation speaks about the origin, development, growth, decline, and also the revival of indigenous and ancient medical practices in Africa, Asia, and Middle East. A brief outline of the historical development of medical practices around

the world during 3500 BCE till 2008 ACE is provided in Exhibit 1, which is not an exhaustive list but an indicative one. And like in any other sector, health care sector also got prominence and paved the way for the development of different varieties of health care treatments/systems over the years among different regions as well as religions.

If we go by the argument proposed by Sawandi (2002), the credit of developing and practicing herbal medicines successfully (around 10,000 years back) is to be given to Africa, especially to Egypt. Traditionally, ancient African priests would orally transmit their herbal knowledge (from one generation to the next. Not only was African medicine passed from generation to generation, starting in ancient Egypt (Khemit), but from continent to continent. The only true African healing system which is still intact in its original language of African terminology is Yoruba medicine, which is widely practiced on the African continent as well South America, and the Caribbean. According to Sawandi (2002), When Greek physicians took their oath to Aesculapius, they were really swearing in to an African originally named Imhotep. During his lifetime, he was revered as the god of medicine between 2780-2680 B.C. Western society has wrongly given credit to a Greek named Hippocrates, who had actually taken the Aesculapius (Imhotepian) oath and lived 2,000 years after the true father/god of medicine. As per the available information about the origin of human civilisation

and the settlement, this argument may be true, but needs to be corroborated.

Sawandi (2002) also argues that origin and development of Ayurveda medicine (around 6,000 years back) in India is also the product of the esoteric philosophy of African medical practices from inner Africa carried over by the migrants from Ethiopia via Isthmus of Suez, who were the founders of Hinduism in India. This argument seems to be partly correct, because according to many scholars, knowledge of Ayurveda originated from India and influenced the ancient Chinese system of medicine and also medical system practiced in Greece (Varier, P. S 1993; Varier, M.R.R, 1993; Pushpangadan 2002; Shankar 2002; Katsambas and Marketos 2007). But nowhere it is mentioned that it originated from African system of medicine, except that it has a divine origin and was initially possessed by gods. It is believed that Lord Brahma, much before human beings came into existence, created Ayurveda. The concept of god originated around the world at different periods of time, mainly for the purpose of having some uniformity among the group of people and also to protect and safe guard the precious natural resources as well as to safe guard the knowledge base acquired at that time (Subhash et al 2008). If we go by this simple philosophy, the ancient settlers from African continent who came to India carried with them the ancient African medical practice and propagated in the form of Ayurveda by giving the divinity veil to the practice, but failed to

**Exhibit 1: Development of Medical/Health Care Treatments/Systems [3500 BCE – 2007 ACE]**

#	Period	Milestones / Landmarks	Clustering Regions / Countries	Medical / Health care Treatments / Systems
1	3500-2000 BCE till 1600 ACE	Early civilisations started in Sumerian / Ancient Egypt / India / Minan / Neolithic	Middle East (3500-2500 BCE) / Egypt (2500-2100 BCE) / India (2500 BCE) / Greece (2000 BCE) / Central America (2000 BCE) / Then the emergence of European and Western Supremacy through colonisation	<ul style="list-style-type: none"> <li>* Yoruba Medicine [around 10,000 years ago in Africa (Egypt)]</li> <li>* Acupuncture [around 6000 years ago in India and Egypt]</li> <li>* Ayurveda &amp; Magnetotherapy [around 5000 years ago in India]</li> <li>* Siddha [around 5-1000 years ago in India]</li> <li>* Acupuncture [around 3000 years ago in India and China]</li> <li>* Acupuncture [around 3000 BCE in Macedonia and China]</li> <li>* Tibetan Medicine [around 2000 years ago in Tibet]</li> <li>* Yoga [around 900 BCE in India]</li> <li>* Hydrotherapy [around 500 BCE in Japan/China]</li> <li>* Clinical Medicine [around 460 BCE in Greece]</li> <li>* Unani [around 1025 ACE in Yunnan East]</li> </ul>
2	16 – 1700 ACE	Agricultural revolution	Mostly in Europe mainly Britain, also in America and Japan	<ul style="list-style-type: none"> <li>* Disappearance of Western Medicine / Remedial / Sanatonic Medicine / Modern Medicine – Mostly in Europe [mainly based on Clinical Medicine developed around 460 BCE]</li> <li>* Magnetotherapy [around 16<sup>th</sup> century got revived in Switzerland]</li> </ul>
3	17 – 1900 ACE	Industrial Revolution in Europe / Mass Colonisation of Asia, Africa, and Middle Eastern countries	Mostly in European countries, also in America, and also in Japan	<ul style="list-style-type: none"> <li>* Osteopathy [around 1800 ACE in Germany]</li> <li>* Naturopathy [around 1850 ACE in Germany]</li> <li>* Allopathy [around 1900 ACE in Europe and America, as opposite to CAM]</li> </ul>
4	1914-1945 till 1960's ACE	Power struggle in Europe led to WWI, and later on WWII	Mostly in Europe, America, Japan – also Russia, became socialist economy a power	<ul style="list-style-type: none"> <li>* Ancient medical practices/systems got sidelined, mostly by force</li> <li>* Reiki [around 1922 AC, in Japan]</li> <li>* Revival of Pranic Healing, Qigong Therapy, and Meditation in Asia and Europe</li> </ul>
5	1950 onwards till 2008 ACE	New economic order / End of Colonisation / Oil became vital / Terrors around the world / Middle Eastern problems	North America, Europe, Asia Pacific, Middle East & Africa, and Central and South America	<ul style="list-style-type: none"> <li>* Countries regained independence from the clutches of European colonial powers [Asia, Middle East, and Africa]</li> <li>* Revival of ancient medical practices in those countries</li> <li>* Development of modern medicine and medical facilities in Asian countries</li> <li>* Growth of Health and Medical Tourism around the world</li> <li>* Countries in Asia base on population explosion for health care</li> </ul>

Source: Subhash et al (2010).



mention about their exodus. But subsequently they recorded the spreading of ayurveda to other parts of the world. People from numerous countries came to Indian Ayurvedic schools to learn about this world medicine and the religious scriptures it sprang from.

The time line given in Exhibit 1 also gives a clear indication that the first ever medicinal practice started in Africa (mainly Egypt), then spread towards Asia (India, China, Tibet, Mongolia, and Japan), then to Europe (Greece, Switzerland, and Germany). As and when the knowledge of medicinal practice started spreading from one place to other, indigenisation of the knowledge paved the way for the development of various forms of medical/health care systems/practices in different regions. The origin of medical knowledge from Africa was not mentioned in any of the historical documents, but there are many references given about the link of Ayurveda teachings to the world of medicine. Learned men from China (Acupressure, Acupuncture, and Chinese Herbal Medicine), Tibet (Tibetan Medicine), the Greeks & Romans (Clinical Medicine), Egyptians (herbal medicine and aromatherapy), Afghanistans, Persians (Islamic Medicine and Unani), and more traveled to learn the complete wisdom and bring it back to their own countries. Ayurvedic texts were translated in Arabic and under physicians such as Hakim Ibn Sina (known as Avicenna in the west who lived during ACE 980-1037 developed Unani medicine) and Razi Sempion, both quoted Indian Ayurvedic texts, established Islamic medicine. This style became popular in Europe, and helped to form the foundation of the European tradition in medicine. In 16th Century Europe, Paracelsus (Swiss alchemist propagated Magnetotherapy in Europe), who is known as the father of modern Western medicine (Allopathic), practiced and propagated a system of medicine, which borrowed heavily from Ayurveda. Thus, Ayurveda is also considered as the "Mother of all Healings".

During the *first* stage (3500 BCE – 1600 ACE) and *second* stage (1600 – 1700 ACE) of history of mankind, most of the medical/health care systems/practices developed in different parts of the world. But the drastic change happened in the history of medicine is the decline (mostly by force) of ancient medical practices (CAM) in Asia, Middle East, and Africa during the *third* stage (1700 – 1900 ACE). This is the direct result of the industrial revolution started in European region which resulted in mass colonisation of countries in Asia, Africa, and Middle East by European countries to ensure steady supply of raw materials for the

industries in Europe. In a way almost 75% of the countries around the world were under the control of Europe. The clinical medicine developed in Greece (around 460 BCE in Europe) got prominence and witnessed a spontaneous growth, spread across Europe, which resulted in branding this branch of medicine as Western Medicine / Biomedicine. Scientific Medicine / Modern Medicine during 1600-1700 ACE, subsequently Hippocrates was sworn in as the "Father of Medicine". Thus during the *third* stage, the indigeneous medicinal systems practiced in Asia, Africa, and Middle east got sidelined by the mass colonisation by European countries. This being the case elsewhere a new system of medicine (Homoeopathy) got developed by Samuel Hahnemann in Europe (Germany) around 1800 as an alternative of the then existing clinical medicine in Europe. This clearly indicates the power with which the European colonial powers tried to suppress the development of the indigeneous medical systems practiced (mainly labelling them as witchcraft / black magic) and forcefully imposing the clinical as well as homoeopathy medicinal systems in the colonised countries. During the *fourth* stage (1914-1945 ACE) Reiki was developed in Japan (one of the super powers at that time). In the *final* stage (1960 onwards) world witnessed the end of colonisation and along with this came the revival of the indigeneous medicinal practices in Asia, Africa, and Middle East. Among all other CAM's, Ayurveda got more prominence and became very popular in India and also abroad. And during the last two or three decades, the development and growth of health/medical tourism activities around the world paved the way for overall development of Ayurvedic treatment facilities to cater the needs of patients coming for health care needs.

#### PRESENT SCENARIO OF AYURVEDIC CENTERS IN KERALA:

Though there are more than 300 centers working presently in Kerala, only around 50% of them are having the traditional lineage; i.e.; having a long family history of being in Ayurvedic practice for at least a minimum period of 100 years. The emergence of the other 50% Ayurvedic centers is the direct result of the impact of tourism. Those falling under the first category are of the opinion that this mushrooming of Ayurvedic centers because of the impact of tourism is in a way a negatively affecting the promotion of traditional Ayurvedic centers. The main reason for this argument is that it requires a minimum of 9-12 years of experience for a person to become an excellent Ayurvedic practitioner. Since

there are many training centers offering crash courses (many are having less than 1 year duration), the quality of treatments offered by those who come out of these training centers are slowly deteriorating.

Secondly the promotional strategy of these centers is not to give any special Ayurvedic cures, but only “Suga Chikiltsa”, in other words just to give different varieties of massages. Though this falls under one of the goals of Ayurveda, which is mentioned at the outset of this article (i.e.; to maintain the health of the healthy), the traditional practitioners are not seeing it as a healthy practice in the long run. Most of these non-traditional centers are having some tie ups with tour operators as well as the hotel industry, whereby they can access customers (tourists); in return all the players obtain hefty amounts of profit by charging differential pricing for foreigners.

Since the strength of Ayurvedic treatment centers in Kerala is known worldwide and also the Kerala Tourism Development Corporation (KTDC) uses it as a marketing strategy for promoting tourism in Kerala, tourists are attracted towards having some experience of Ayurveda. This is evident from (1) the package tours offered by many of the tour operators, (2) opening up of many Ayurvedic resorts and also (3) the starting up of Ayurvedic spa’s in many star category hotels. Discussion with some of the traditional Ayurvedic centers; viz.; Kottakkal Arya Vaidya Shala, Sree Agastya Medical Centre; and CVN Kalari Kendra; helped to identify some of the problems faced by the Ayurvedic centers in Kerala that needs to be tackled properly by conducting an extensive survey. Various problems are summarized as follows.

a. Difficulty in uniformity in medicinal formulations:

Since there is complete absence of the concept of patents in Ayurveda, any one with basic knowledge of medicinal herbs can make the formulations as per their choice. There are huge numbers of pharmaceutical firms (both recognised as well as unrecognized) in the market that manufacture the formulations and sell it in their name. This resulted in deterioration in the quality of Ayurvedic medicines, which in turn adversely affects the reputation of Ayurveda in the long run. Low and inferior quality may lead to dissatisfaction among customers, which in turn makes them not to become loyal to Ayurvedic treatments in future (Varier, 1996; Sankarankutty, 1997). This is the direct result of the negative impact of tourism, i.e.;

the increased demand resulted in mushrooming of centers by inexperienced entrepreneurs. Most of the traditional practitioners are of the opinion that the government should take appropriate initiatives to curb the mushrooming of Ayurvedic centers by inexperienced entrepreneurs.

Another aspect to be considered here is the access to technological development taking place in medicinal formulations. Many of the small and medium firms (except very few large scale manufacturers) still use the traditional technology for making Ayurvedic medicines. Adequate support to be provided for such firms in modernizing their technology to cope up with the increased demand as well as maintaining the high quality standards to remain in the industry, else many of them will cease to exist in the near future (Varier, 1996).

In spite of the above-mentioned drawback, Kumar (2002) sees a bright future in the area of Ayurvedic medicinal preparations. The future products of Ayurveda will be packaged in such a way that they not only have longer shelf life but also more users friendly. Some traditional Ayurvedic medicine manufacturers are already using capsules, tablets, etc. It is quite clear that future Ayurvedic products will incorporate more knowledge of contemporary biology, chemistry, and also biotechnology. Apart from improved characteristics and standardization, there will be entirely new preparations based on plant sources available internationally.

b. Shortage of traditional training centers:

Though there are almost over 150 traditional Ayurvedic treatment centers presently working in Kerala, very few are offering any formal training programmes. Most of the traditional centers are of the opinion that they have been following the age-old traditional training system for imparting knowledge. Those who want to become Ayurvedic practitioners should become students of the center; they have to undergo the rigorous training for at least 9-12 years to gain the accurate knowledge of human body chemistry. Those who come out of the traditional training system can effectively fulfill the two goals of Ayurveda; i.e.; (1) to maintain the health of the healthy, and (2) to heal the sick.

Many of the newly started training centers offering the short-term crash courses on “Suga Chikiltsa” are not properly imparting the knowledge. They are claiming that the training enables a person to practice Ayurveda for maintaining the health of the healthy, but it is like half knowledge; which will create more problems

than maintaining the health of the healthy. Only through traditional training one can completely master the Ayurvedic treatment skills, because rectification of problems during the treatment phase can be done only if the person knows how to heal the sick, which is completely ignored by the non-traditional centers (Sankarankutty, 1997). It has become a lucrative business in Kerala, because of the unemployment problems presently exists. Though there are many government recognized Ayurvedic medical colleges offering medical degrees on Ayurveda, it is not sufficient to cater the needs of both the students community as well and the Ayurveda training centers. If government takes proper initiative, entire problems can be completely controlled. This being the case, the popularity of Ayurveda and demand for Ayurvedic medicines are increasing rapidly all over the world.

c. Reluctance of entering into tie-ups with tourism and hotel industry:

Though the flow of tourists to the traditional Ayurvedic centers are on an increasing scale, most of the traditional centers are not having any formal tie ups with the tourism and hotel industry. *Firstly*, most of these centers are having high demand from the domestic market, they are of the opinion that there is no need to having any formal tie ups. Since the traditional centers are known worldwide, tourists are arranging appointments much in advance. *Secondly*, the tour operators as well as the hotels are also arranging the Ayurveda treatments for the tourists with the traditional centers in the tour package that they offer to tourists.

The main reason for not having a formal tie up is also because of the social responsibility aspect practiced by traditional centers. Most of these centers still believe that Ayurveda should be practiced as a service to society, and not as a profit making mechanism. This is because of the traditional training system they follow, which imparts the knowledge that the basic philosophy of Ayurveda is to make people healthy and not to make profit out of this. Many of the traditional centers still charge nominal fees for the treatments, and don't follow any differential pricing policy between domestic and foreign patients.

In contrast to this, most of the non-traditional centers are having formal tie ups and also follow differential pricing between domestic and foreign tourists. Since most of the foreign tourists have not the problem of paying high prices to those non-traditional centers (due to currency conversion benefits). This in turn led to a mushrooming of

training centers and also non-traditional Ayurvedic centers all over Kerala (Sankarankutty, 1997). Here too government can take initiatives in making some minimum standard norms for starting Ayurveda training as well as Ayurvedic treatment centers.

d. Reluctance to intensify marketing:

As is already mentioned above since traditional Kerala Ayurvedic treatments are known worldwide, most of the traditional centers are not in favour of adopting any kind of advertising strategy. Present advertising is mostly in the form of simple brochures, briefly giving centers mission and the strength acquired over the years. As most of the centers have loyal customers (patients), they are not in favour of intensifying advertising. Some of the traditional centers have their own web sites, providing basic information about their centre as well as various treatments offered. They are not in favour of going for extensive advertising campaigns to canvass for more customers, because the infrastructural facilities are not sufficient for supporting huge numbers of customers at a time. Most of the traditional centers are of the opinion that the service they provide needs no advertising, and people will come for the treatment on its own. They still believe in the traditional advertising policy; i.e.; word of mouth, satisfied customers brings in more customers. This will ensure the quality practice, which in a way will prevent the mushrooming of non-traditional centers in the long run. But in contrast to this, many of the non-traditional centers are following extensive advertising in the print and visual media.

e. Inertia of going for expansion:

Since traditional Ayurvedic centers are not in favour for major expansion, the increased demand for Ayurvedic treatments due to health tourism led to the opening up of many nontraditional training as well as Ayurvedic treatment centers.

*Firstly*, the reason for the inertia is mainly due to the shortage of trained people. As has already been discussed earlier, there are very few takers for the traditional training programmes in comparison to the non-traditional crash courses. *Secondly*, even if there are qualified personnel, getting finance and infrastructural facility for the expansion is slightly difficult. Many of the traditional centers are not in favour of going for borrowing huge funds for expansion.

*Thirdly*, the awareness concerning the concept of *venture capital* (today gaining in prominence around the world, and Social Venture

Capital is being used for promoting Ayurveda) is very low. Even if they are aware, none of the traditional centers are in favour of converting their traditional family oriented Ayurvedic practice into a company form of organisation where ownership is being sold in the form of securities to venture capitalists. Since they believe in upholding family traditions, they have the feeling that the controlling power may be lost if they go for venture capital financing, which in turn adversely affects the century old family tradition. Most of the traditional centers are owned and managed by family members only, whereby they are able to keep their knowledge as a secret among themselves, which they have been successfully doing for many centuries. The success of many of the traditional centers is the direct result of family secrets of Ayurvedic medicinal formulations and treatments.

But in contrast to this, non-traditional centers are expanding their operations. One can see the growth of these non-traditional centers in and around Kerala, other parts in India, and also abroad. Very few traditional centers took the initiative of expanding their operations and now they have established their operations in Kerala, some tried to expand into other states in India, very few ventured abroad.

f. Inadequate supply chain and logistics management:

Since Ayurveda heavily depends on medicinal herbs available in the natural habitats (mostly in forest areas), the supply of these medicinal herbs is becoming a major constraint (Larsen and Olsen 2007). Since there is huge demand for the Ayurvedic formulations, getting raw materials creates a real challenge for the traditional centers. Though there are attempts from some private players to grow the herbs on a commercial basis, it is not sufficient to cater to the increased need (Varier, 1996; Sankarankutty, 1997).

Another problem is about the transportation and storage; i.e.; the medicinal properties of the herbs gets diluted if they are not processed within a certain specific period. Many of the traditional centers are not having sufficient storage facility, hence it becomes difficult for them to buy in bulk and store it for future use. All this leads to reduction in quality of Ayurvedic formulations, older generation of people (above 60 years) in Kerala are of the opinion that the present Ayurvedic formulations are not as effective as before.

Even about transportation one needs to focus so that the herbs are made available to the centers as

and when they are in need. Appropriate logistics needs to be worked out in such a way that herbs are reaching the destination without losing their medicinal properties. Hence storage and transportation to be handled side by side for achieving excellent supply chain management system for Ayurveda is becoming increasingly important.

There should be some kind of mechanism to make sure that herbs are cultivated in its natural habitats to the extent possible; or support the commercial cultivation of herbs on a large scale. Once this is done, future supply of herbs can be assured, otherwise within a very short time, the entire supply of herbs becomes extinct; ultimately making the Ayurveda treatments highly difficult as well as exorbitantly priced and out of the reach for the majority of people.

Presently very few traditional Ayurvedic centers are having their own herbal farms, but the supply is not even sufficient to cater the demand for their products. As most of the traditional Ayurveda practitioners are of the opinion that Kerala Tourism Development Corporation (KTDC) is using Ayurveda as well as Kalarippayattu (a variant version of Ayurveda focuses on martial art as well as massages) a marketing strategy for promoting tourism in Kerala, KTDC have the moral responsibility of uplifting and supporting both traditions. The present goodwill and reputation, which is enjoyed by these two traditional practices, are not because of the support from government, but merely represent struggles of the forefathers of the traditional Ayurvedic treatment centers. This makes the argument made by the traditional practitioners even stronger. Major initiatives should come from the government side for solving all the problems associated with Ayurveda, especially regarding the supply chain aspects; the lifeblood of Ayurveda. It is high time now that governments take timely action for promoting and maintaining the Ayurveda tradition in its full strength; else they do not have the moral right to use the Ayurveda and Kalarippayattu for generating revenue. One portion of the revenue generated should be kept aside for Ayurveda developmental plans.

## HOW HEALTH TOURISM CAN BE USED FOR REJUVENATING AYURVEDA BY CAPITALIZING ON SOCIAL VENTURE CAPITAL

There are 2 main goals of Ayurveda: (1) To maintain the health of the healthy, and (2) To heal

the sick. Making use of these; government of Kerala can play a great role in helping Ayurveda to get rejuvenated by marketing the product as a health tourism product to prospective customers (both domestic as well as international). But care should be taken while promoting; because health tourism customers should be informed about the recognized treatment centers in Kerala well in advance. There is lot to be done before reaping the benefits, mainly helping all Ayurvedic centers to overcome the problems they are facing now, and then only these centers can provide excellent health care services to customers. Since most of the Keralite's are aware about the difference between traditional as well as modern Ayurvedic centers, no Keralite's will spend money on those centers not having properly trained staffs. Thus the need of the hour is to make modern centers to acquire sufficient training and expertise. Appropriate action should be taken against such centers not fulfilling required trained staff.

During this era of globalization of Ayurveda, there are many areas to be looked after properly and intensive research work in fundamental aspects, quality control of Ayurvedic medicines, availability of raw materials in required quantity, clinical efficacy studies in life style diseases, etc are important (Mishra, 2002). But most crucial area for urgent action is education in Ayurveda, which needs revitalization at every level. In Kerala, though Ayurveda courses are offered both by private as well as from public sector, more than 50% of the colleges offering such courses in India are in the states of Maharashtra and Karnataka. Thus Kerala needs to focus on providing much needed infrastructure for promoting more Ayurveda educational institutions so as to meet the increased demand of trained Ayurvedic practitioners to cater the potential and prospective health tourism needs in the near future.

And finally the transformational capability of social venture capital can also be capitalized on for rejuvenating the Ayurvedic tradition, and it is happening in Kerala also. There are many social entrepreneurs around the world having the idea of providing social venture capital for economic transformation in the rural areas of under developed and developing countries (BOP, 2008; SVC, 2008a; Glasner, 2008; Tiku, 2008 and NEF, 2008). Social venture capital is a form of venture capital investing that provides capital to businesses deemed socially and environmentally responsible intended for providing attractive returns to investors and to provide market-based solutions to social and environmental issues (SVC, 2008b). Though it is not clearly specifying the rural economy

transformation, many social venture capital funds are focusing on rural developmental issues. As it is rightly pointed out that social venture capitalists are those new breed of venture capitalists interested in and also willing to consider unusual models of business ideas.

There are many social venture capitalists around the world, of which one such social venture capital fund is Acumen Fund (a nonprofit venture philanthropy fund that invests in social enterprises addressing poverty in South Asia and Africa), one among the top 45 social entrepreneurs who are trying to change the world (Collaco and Subhash, 2008). One of the social entrepreneurial investment success stories of Acumen Fund in India (specially in Kerala) is AyurVAID Hospitals (equity investment of Rs. 4.5 crores), which focuses on offering affordable healthcare services to low-income communities, enhancing both the quality and the accessibility of medicare available through its 'AyurVAID Seva' program (AyurVAID 2008a and 2008b). This institution combined the traditional Ayurveda with the modern medicine and is a successful one from inception and now they have six hospitals in India providing health care services to needy people, both in the domestic market as well as international, and also to all income strata. It is a clear indication of social venture capitalists changing attitude towards assisting socially responsible, economically viable, as well as having potential in solving social problems (issues, which is considered as opportunities) business ideas. Though this is in health care area, a potentially viable business proposal can be devised in promoting rural tourism, which attracts social venture capitalists. There is great potentiality in promoting health tourism specially integrating Complementary Alternative Medicines (CAM, where Ayurveda is prominent) and Modern Medicines (MM) which many countries (including India) is trying to capitalize on in the coming years (Subhash, et al 2008; 2009) and rural herbal medicines can also be used as one of the rural tourism product/service. By capitalizing on the transformational capability of social venture capital, CAM (especially Ayurveda tradition) in India and elsewhere can be rejuvenated in the coming years.

## HEALTH TOURISM IN THE WEST: TRENDS AND PERSPECTIVE FOR INDIA.

In many Western European countries health and health related sectors such as health tourism have become mega branches of economic activity

(Nefiodow 2001). There are three, possibly four factors, which have accounted for this development. World and in particular European aging has been and continues to be progressing at a rapid rate with all of its implications from the maintenance of health, to changed patterns of leisure activities to the financing of alternative national systems of retirement (Weiermair 2005, 2006). At the same time, the cost of health in many Western national health systems have escalated leading to huge budget deficits with the result of ever increasing cost of both private and public health care. Many of today's health problems are diagnosed as resulting from psychosomatic and life style related reasons of stress, anger and frustration associated with increased pressures from work, family and society at large (Greenberg et al, 1997). A possible fourth reason is the secular decay in healthy eating habits. Classical medicine with its specialization on surgery and pharmaceutical treatment has in many cases been unable to respond with effective treatments. As a consequence homeopathic treatment to prevent and cure a number of illnesses has increased appreciably wherever it has become licensed. In this context Horx, a German futurologist speaks of the 21st century as "*the century of therapies*" (Horx 2001, 2002).

Thus the combination of escalating national cost of health, aging, the rise of alternative medicine and associated time and cost constraints for leisure/tourism activities have made health tourism for the aged and increasingly also for younger market segments a booming business (Goodrich & Goodrich 1991, Moutinho 2005, Foot 2006). Today almost all European destinations offer some type of wellness product along with their traditional cultural, sports and entertainment tourism products. In some cases and in order to provide unique selling propositions to tourists new products have been developed such as in the case with "alpine wellness" (Theiner & Steinhauser 2006). Given India's cost competitiveness in the health and tourism industry and given its long-standing tradition, expertise in "authentic Ayurveda" treatment, as has been described in the first part of this paper health tourism in India is forecast to become a fast rising sub sector of tourism. Before this will happen much has to be done as yet in terms of both broadening the scope of Ayurvedic treatment within the tourism industry in India and with respect to better marketing and branding it internationally.

## CONCLUSION

According to Becvar. Et al (1998), at the forefront of revolutionary changes in health care delivery is the emergence of practices, which have been inconsistent with and to date excluded from conventional allopathic medicine. Sometimes called unconventional, unorthodox, traditional, or folk healing, these alternative practices encompass a broad range of health promoting behaviors. These practices are now being designated as Complementary Alternative Medicine (CAM). The term Complementary / Alternative / Non-conventional medicine are used interchangeable with traditional medicine in some countries (Muraleedharan, 2002). But in the present globalised scenario, the world is turning green, as more and more people the world over prefer plant-based medicines, which is generally known as herbal medicines (Pushpangadan, 2002). The World Health Organisation estimated that 80% of the world population relies on traditional medicine for primary health care, and also the use of plant remedies is on the increase even in the developed countries especially among younger generation. The main reason for this is nothing but the urge of human nature for longevity; i.e.; enjoying a healthy life to the extent possible during the lifetime; which spring from the basic human instinct of multitude of needs/wants and limited means, specially the life span (Varier, P.S, 1993).

Though the history reveals that Ayurveda is considered as "Mother of all healings", it is being considered as Complementary Alternative Medicine (CAM) among the Western and European medical practitioners. But there is a gradual shift is happening from allopathic medicine towards CAM in general and towards Ayurveda in particular in Kerala. In the industrialised countries, the consumers are seeking visible alternatives to modern medicine, which has its associated dangers of side effects and over medication (Pushpangadan, 2002). The promotive and preventive aspects of oriental medicines (CAM), especially of the Indian – *Ayurveda*, *siddha*, *unani*, and *amchi*; Tibetan; and Chinese systems are finding increased popularity and acceptance in the developed countries. It is estimated that one of every three Americans makes recourse to some CAM services with an estimated 425 million annual visits to providers of these services at a cost of 13.7 billion dollars per year (Eisenberg et. al 1993). Indeed, in US, more visits per year are made to CAM providers than to primary care physicians, especially among

the Asian Americans (Mehta, et al 2007). Factors contributing to the increased use of CAM services include their lower cost; their success in treating some diseases, particularly chronic and terminal illnesses, that do not respond to allopathic approaches; the support provided for self-responsibility in making health care choices; the emphasis on health promotion; and degree of success in treating high levels of chronic and acute stress (Murray & Pizzorno, 1998).

Though between health tourism and medical tourism no major difference exists, health tourism has been in existence from 2000 BCE onwards and medical tourism is of recent origin (Hunter, 2007). But in the present situation, both terms are being used interchangeably and also can be integrated effectively. Thus around the world the concept of health tourism is gaining prominence mainly due to inefficiency, ineffectiveness, and consumer unfriendly nature of the health care system existing in developed countries (Herzlinger, 2006). Thus in the coming years people from developed countries will travel towards other regions for the purpose of enhancing health and general well-being. If deliberate attempt is made to attract tourists by promoting healthcare services and facilities in addition to regular tourist facilities (Gooderich, 1991), the full potential can be exploited. Along with this Europe is expected to have eight of the ten countries worldwide with the highest percentage of people over 60 (Garcia-Altes, 2005). Over the last few years, the focus of health care tourism has been on the international market (Gooderich, 1991, and Henderson, 2004) mainly because of the long waiting time and also high cost presently existing in developed countries to get the medical services (demand side). On the supply front, hospitals, clinics, spa resorts and tourist operators in developing Asian countries, such as Malaysia, Thailand, Singapore, the Philippines and India are eager to expand their service offering to foreign customers (Zarrilli, S. et al, 1998, and Hunter, 2007). Essentially, they are exploiting their advantages of “lowercost skilled personnel, cultural factors, natural endowments and unique forms of medicine” (Zarrilli et al, 1998). Several European countries, for example, Hungary, Poland and Slovakia, are also striving to specialize in health care tourism (Garcia-Altes, 2005). To reap the benefits of the future of demand for health tourism products/services, the environment should give opportunities for continuous innovations (Brooker, and Go 2007). Everything put together, India in general and Kerala in particular can make use of Ayurveda as a health

tourism product/service to attract the tourists coming for health care facilities.

The *new mantra*, which is being practiced around the world in the case of health care, is “*Old is Gold*” or in other words “*Back to Veda’s*”. Thus considering the recent developments taking place around the world towards Ayurveda, if the authorities take timely care (both private as well as government), Ayurveda can be effectively marketed (both domestically as well as internationally) as a health tourism product. But the ultimate success lies in developing a marketing strategy for promoting Ayurveda with a view of generating awareness among people about Ayurveda, this will in turn make more people to travel for health care towards Kerala, and finally it will lead to dual impact; *firstly* rejuvenating the Ayurveda tradition in Kerala, and *secondly* in turn Ayurveda helps in rejuvenating the health of people

This paper concludes that health tourism, around the world in general and India in particular, will certainly become more significant in the near future. Proper initiative should be taken by the authorities for promoting Ayurveda as a unique health tourism product with zero-side effects which in turn attracts more people resulting in development of profitable and sustainable tourism industry in the region. By capitalizing on the transformational capability of social venture capital, complementary alternative medicine, especially Ayurveda tradition in India and elsewhere can be rejuvenated in the coming years.

#### REFERENCES:

- AyurVAID (2008a). “Ayurveda overview”. Information provided by AyurVAID Hospital, which provides medical facilities to rural people by appropriately integrating classical Kerala Ayurveda with modern medicine. <http://www.ayurved.com/> last checked on 20th August 2008.
- AyurVAID (2008b). AyurVAID Hospitals Receives Investment from Acumen Fund, To Provide Nation-wide Affordable Medicare for Chronic Illnesses: Developing a Viable Business Model for Affordable Healthcare. <http://www.ayurved.com/> last checked on 20th August 2008.
- Becvar, Dorothy S; Cook, Cynthia A. Loveland; and Pontious, Sharon L. “Complementary Alternative Medicine: Implications for Family Therapy”. *Contemporary Family Therapy*. 20/4. p 436-456. 1998.
- BOP (2008). Alleviate world poverty. Do not treat the poor as victims or as a burden. Explanation of Bottom of the Pyramid of C. K. Prahalad. [http://www.12manage.com/methods\\_prahalad\\_bot](http://www.12manage.com/methods_prahalad_bot)

- tom\_of\_the\_pyramid.html last checked on 20th August 2008.
- Brooker, Edward and Go, Frank M (2007). *“Sea, Sand, and Surgery – The Role of Disruptive Innovation at RP Care”*. Unpublished Case Study of Rotterdam School of Management, Erasmus University, Netherlands.
- Collaco, Tyslin and Subhash, K. B (2008). How to Change the World: Role of Social Entrepreneurship. Working Paper. Department of Commerce, Goa University, India.
- Eisenberg, D. M., Kessler, R. C., Foster, C., Norlock, F. E., Calkins, D. R., & Delbanco, T. L. (1993). “Unconventional Medicine in the United States”. *New England Journal of Medicine*, 328(4), p 246-252.
- Foot, D (2006). Tourism and Education in Western Europe: A Demographic Perspective. in Weiermair, K; Pechlaner, H; Bieger, T (eds) *Time Shift, Leisure and Tourism*. Berlin: ESV, p 31-48.
- Garcia-Altes, A. (2005). “The Development of Health Tourism Services”. *Annals of Tourism Research*. 32/1. p. 262-266.
- Gooderich, J. and Gooderich, G. (1991) “Health Care Tourism”, in Medlik, S. (ed.) *Strategic Managing Tourism*, Oxford: Butterworth-Heinemann, pp. 107-114.
- Greenberg, J.S., Dintiman G.S. and Myers-Oakes B. (2007), “Wellness: Creating a Life of Health and Fitness”, Boston: Benjamin Cummings Prentice Hall.
- Henderson, J. (2004). “Healthcare Tourism in Southeast Asia”. *Tourism Review International*. 7(3/4). p. 111-121.
- Herzlinger, R. (2006). “Why Innovation in Health Care Is So Hard”. *Harvard Business Review*. 84/5. p. 58-66.
- Horx, M. (2001). *Was ist Wellness? Anatomie und Zukunftsperspektiven des Wohlfühlrends*. München: Das Zukunftsinstitut GfK.
- Horx, M. (2002). *Die acht Sphären der Zukunft. Ein Wegweiser in die Kultur des 21. Jahrhunderts*. München: Signum.
- Hunter, William Cannon (2007). *Medical Tourism in the Asia Region*. UNWTO Asia Pacific Newsletter. 7. p 9-10.
- Kumar, R. (2002). “What the Future Holds for the Ayurvedic Drug Scene”. Paper presented at the Centenary Seminar, February 24-25 2002, Kottakkal Arya Vaidya Sala, Kerala, India.
- Larsen, Helle Overgaard and Olsen, Carsten Smith (2007). “Unsustainable Collection and Unfair trade? Uncovering and Assessing Assumptions Regarding Central Himalayan Medicinal Plant Conservation”. *Biodiversity Conservation*, 16/6, p 1679-1697.
- Mehta, Darshan, H; Phillips, Russel.S; Davis, Roger.B; and McCarthyl Ellen.P (2007). “Use of Complementary and Alternative Therapies by Asian Americans. Results from the national Health Interview Survey”. *Journal of General Internal Medicine*, 22, p 762-767.
- Mishra, S. K. (2002). “Status and Strategies for Ayurvedic Education in India and Abroad”. Paper presented at the Centenary Seminar, February 24-25 2002, Kottakkal Arya Vaidya Sala, Kerala, India.
- Moutinho, L. (ed) Oxford CAB International und Henderson J (2005) “Health Care Tourism in South East Asia”. *Tourism Review International*. 7(3/4) p.111-121
- Muraleedharan, P. (2002). “Interfacing between the Traditional Health Care Approach and the Modern Developments”. Paper presented at the Centenary Seminar, February 24-25 2002, Kottakkal Arya Vaidya Sala, Kerala, India.
- Murray, M., & Pizzorno, J. (1998). *Encyclopedia of Natural Medicine* (2nd ed.). Rocklin, CA: Prima Publishing.
- NEF (2008). *Social Investment for Community Development: Completing the half-built house*. Report written by Jessica Brown and edited by Mary Murphy. New Economics Foundation.
- Nefiodow, I (2001). *Der sechste Kontradieff: Wege zur Produktivität und Vollbeschäftigung im Zeitalter der Information*. Bonn: Rhein Sieg Verlag.
- Pushpangadan, P. (2002). “Future of Herbal Medicines”. Paper presented at the Centenary Seminar, February 24-25 2002, Kottakkal Arya Vaidya Sala, Kerala, India.
- Raman, Varadaraja. V (2003). “Some Hindu Insights on Global Ethic in the Context of Diseases and Epidemics”. *Zygon*. 38/1, p 141-145.
- Sankarankutty, P (1997). “Ayurveda Chikiltsarangathe Innathe Prashnangal”. Paper presented at the XXXIII Ayurveda Seminar, January 30 1997, Kottakkal Arya Vaidya Sala, Kerala, India.
- Shankar, Darshan. (2002). “The Need for Reviving Traditional Knowledge Base”. Paper presented at the Centenary Seminar, February 24-25 2002, Kottakkal Arya Vaidya Sala, Kerala, India.
- Singh, Anuradha (2007). *Action and Reason in the Theory of Ayurveda*. AI & Society, *The Journal of Human-centered Systems*, 21(1/2), p 27-46
- Subhash, K.B; Weiermair, Klaus; George, Vinu; and Vinod Kumar, K. P (2008). “Back to Vedas: The New Mantra for Rejuvenating the Ayurveda Tradition. A Case Study of Health Tourism Prospects for Kerala and India in the 21st Century”. Paper presented at the National Conference on “Operations and Management Practices in Indian Hotel Industry: Prospects & Challenges”; Organised by Centre for Mountain Tourism and Hospitality Studies; HNB Garhwal University; Srinagar Garhwal; Uttaranchal. (January 9-10, 2008).
- Subhash, K. B; Smitha Govindas Bhandare; Weiermair,



- Klaus (2009). "Promoting Rural (Village) Tourism Through Micro Venture Capital Financing in the Face of Financial Crisis and Global Warming: A Case study of Goa". Paper presented at the International conference on "Facing Climate change and the Global Financial Crisis: Challenges for the Future of Tourism"; Organised jointly by EURAC and University of Innsbruck; Bolzano: Italy. (November 20-21, 2009).
- Subhash, K. B; Weiermair, Klaus; Lee, Christine; Scaglione, Miriam (2010). What constitutes Health Tourism: An Ayurvedic Perspective [保健觀光的組成：社會創投在傳統阿育吠陀療法的角色]. *Journal of Taiwan Hospitality & Tourism*. 7. Pp 55-81.
- SVC (2008 a). Social Venture Capital: Small Investments that Make a Big Difference. <http://uventurecap.blogspot.com/> last checked on November 20th, 2009
- SVC (2008 b). Social Venture Capital. [http://en.wikipedia.org/wiki/Social\\_Venture\\_Capital](http://en.wikipedia.org/wiki/Social_Venture_Capital) last checked on November 20th, 2009
- Theiner, B., Steinhäuser, C. (2006). *Neue Erlebnisse im Tourismus: Eine Analyse des Innovationsverhaltens von Anbietern und Nachfragern bei der touristischen Produktentwicklung. Illustriert am Beispiel "Alpine Wellness"*. Marburg: Tectum.
- Tiku, Nitasha (2008). Social Venture Capital Funds Support "Good" Enterprises <http://www.nextbillion.net/newsroom/2008/02/19/social-venture-capital-funds-support-goodenterprises> last checked on November 20th, 2009.
- Varier, M. R. R (1993). "Bharathiya Chikiltsa: Charitrapaschathalam". Editorial remarks made in Agnives, C. R. (Ed) Taiverukal: Vaidyaratnam P.S. Variarude Tiranjedutha Lekhanangal. Kerala Ayurvedic Studies and Research Society, Kottakkal, Kerala, India.
- Varier, P. S (1993). "Paschatya Vaidyavum Pourastya Vaidyavum". In Agnives, C. R (Ed) Taiverukal: Vaidyaratnam P.S. Variarude Tiranjedutha Lekhanangal. Kerala Ayurvedic Studies and Research Society, Kottakkal, Kerala, India. Earlier it was published in Dhanwanthari; 11/4,5,6; in the year 1908.
- Varier, P. M (1996). "Ayurveda Nirmanam: Innathe Prashnangal". Paper presented at the XXXII Ayurveda Seminar, January 30 1997, Kottakkal Arya Vaidya Sala, Kerala, India.
- Varier, R. R (1997). "Patients Point of View". Paper presented at the XXXIII Ayurveda Seminar, January 30 1997, Kottakkal Arya Vaidya Sala, Kerala, India.
- Varier, M.R.R (2002) "The Rediscovery of Ayurveda: The Story of Arya Vaidya Sala, Kottakkal". Viking, Penguin Books India (P) Ltd, India.
- Varier, N.V.K (2005). "History of Ayurveda". Department of Publication, Kottakkal Arya Vaidya Sala, Kerala, India.
- Whitaker, Jarrod. L (2000). "Devine Weapons and Tejas in the Two Indian Epics". *Indo- Iranian Journal*. 43. p 87-113.
- Weiermair, K. (2005). "New Patterns of Time Allocation in Leisure/Tourism on Account of World Aging". Paper presented at the World Ageing & Generations Congress, September 29 - October 1, 2005, St. Gallen, Switzerland,
- Weiermair, K. (2006). "Life Style versus the Economics of Aging". Paper presented at the World Aging Conference, September 27-29 2006, St. Gallen, Switzerland
- Zarrilli, S. and Kinnon, C. (Eds.) (1998). *International Trade in Health Services: A Development Perspective*. Geneva: UNCTAD

# A STUDY ON SHGs DEMOGRAPHIC ANALYSIS, MICROFINANCE LOAN UTILISATION PATTERN AND SOCIO-ECONOMIC PERFORMANCE OF MFIs IN INDIA: w.r.t IDFFSPL

Dr. M.V. ALAGAWADI\*  
Dr. TEKI SURAYYA\*\*

## Abstract

*Microfinance has emerged as a leading programme for poverty alleviation round the globe. The Indian microfinance sector has transformed from a fund-starved activity to one that can command patronage of multiple fund providers that includes banks, equity investors and donors, both domestic and international. In India many MFIs have come into being and doing and expanding their business as per their social mission yet some have drifted. Therefore, it was envisaged to conduct a study to assess functioning of MFIs and investigating how they are promoting two bottom lines. The paper aims at analysing demographic profile, study socio-economic profile, and analyse the loan utilisation pattern and impact of microfinance on income levels of SHG members in the study area.*

---

Key words: *microfinance, SHGs, demographics, loan utilisation, socio-economic*

---

## INTRODUCTION

Microfinance has emerged as proven tool for poverty reduction round the globe. More than subsidies, poor need access to credit. Microfinance reach has achieved greater heights than any other developmental programme on earth. Indian microfinance sector too has grown substantially over the past two decades or so. It has transformed from a fund-starved activity to one that can command patronage of multiple fund providers that includes banks, equity investors and donors, both domestic and international.

In the last decade and half many MFIs have come into being and doing and expanding their business as per their social mission. However some MFIs have quietly drifted away from their social mission of providing affordable credit to poor. Some have not drifted and hold steadfast to their social mission and successful in providing financial inclusiveness growth and at the same time become self sustainable. Therefore, it was envisaged to conduct a study to assess functioning of MFIs and investigating how they are promoting two bottom lines -- one is of its client and another is of its own so that it keeps serving its clients in long run. Hence, a

study of microfinance institution namely Initiatives for Development Financial Services Private Ltd (IDF FSPL) which is functioning in the northern part of Karnataka State that is considered as economically backward, had been selected purposively. Since, poverty in Northern part of Karnataka State is rampant as major occupation of the people is agriculture, which has become highly risky due to changed economic and climate scenario. Therefore a study on contribution of microfinance in helping the poor in this part of the state becomes an important contribution. Hence, the analysis of performance of IDF FSPL on various parameters has been carried out in the present study.

Objectives of the study: a) To analyse demographic profile of the SHGs in the study area, b) to study socio-economic profile of the sample SHGs members in the study area, c) To analyse the loan utilisation pattern and Impact of microfinance on income levels of the sample SHG members..

Utility of the study: The study of this kind would be highly useful to generate valuable scientific information to understand the degree of influence of MFIs in enhancing the living standards of the poor

---

\*Professor of Management & head of MBA Program. School of Business Studies Central University of Karnataka, Gulbarga GULBARGA- 585 106, cedokdir@gmail.com

\*\*Professor and Head, Department of Management Studies Adikavi Nannaya University, Rajahmundry, A.P. State, India Phone: +91-883-2472616, fax: 91-883-2472615, Mobile: 91-8121692457, Email: tekisunny@gmail.com

in terms of economic and social parameters. A financial analysis of the functioning of MFIs would go a long way in understanding economic viability of these emerging financial institutions at the regional level. An effort made in this direction would aid planners, policy makers and the researchers to evolve appropriate policies and address the problems of these financial institutions.

## RESEARCH METHODOLOGY

For evaluating the specific objectives of the study, primary data from 130 sample SHGs members were selected from 81 SHGs, of which 60 SHGs were from urban and rest from the rural area. The primary data is also collected from the chairman and the CEO / MD. The primary data was collected through personal interview method on pre tested schedules. The secondary data too were collected from the MFIs reports and documents.

A systematic multistage stratified random sampling technique for selection of sample units was adopted

The collected data was analysed by tabular analysis where frequency and percentages, means, coefficient of variance were used to summarise, describe and analyse data. To find out the significant economic impact of micro finance on the sample SHGs members, Paired t-test and Sandler's A-test was applied. To analyse the MFIs financial

performance, financial ratio analysis was carried out on various financial parameters. Similarly to analyse social performance of the MFI, the identified social parameters were subject to descriptive analysis and statistical analysis.

Outline of the study area:

### *Dharwad District*

*Geographical Features:* Dharwad district is situated in the Western sector of the northern half of Karnataka State. The District encompasses an area of 4263 sq. kms lying between the latitudinal parallels of 15°02' and 15°51' North and longitudes of 73°43' and 75°35' East. The district is bounded on the North by the District of Belgaum, on the East by the district of Gadag, on the South Haveri and on the West by Uttara Kannada district. All these districts, which surround Dharwad district, belong to Karnataka State itself. The District lies approximately about 800 mts above the sea level, which is why it enjoys a moderate and healthy climate. The District may be divided into 3 natural regions, viz., the Malnad, Semi-Malnad and Maidan. These regions, on an average, receive moderate to heavy rainfall and have dense vegetation. Kalghatagi and Alnavar area in Dharwad taluka in particular receive more rainfall than other talukas of the District.

*Socio-Economic and Cultural Characteristics:* The

Table 1.1 Taluka wise Rural/Urban population as per 2001 census

Taluk	Area	Total Population	Male	Female
Dharwad	Rural	202517	103962	98555
	Urban	16286	8290	7996
	Total	218803	112252	106551
Hubli	Rural	128315	65952	62363
	Urban	0	0	0
	Total	128315	65952	62363
Kalghatagi	Rural	122302	63238	59064
	Urban	14676	7482	7194
	Total	136978	70720	66258
Kundagol	Rural	140202	72114	68088
	Urban	16837	8645	8192
	Total	157039	80759	76280
Navalgund	Rural	128732	66043	62689
	Urban	47909	24419	23490
	Total	176641	90462	86179
HDMC	Urban	786018	403270	382748
Grand Total	Rural	722068	371309	350759
	Urban	881726	452106	429620
	Total	1603794	823415	780379

Source: 2001 census.

district is a place for people belonging to various religions like Hinduism, Islam, Jainism and Christianity. Hindus, in particular, are spread across rural and urban areas. The widely spoken language in the district is Kannada, while a thin population is found using languages like Urdu, Marathi, Hindi, Telugu, Gujarati and Malayalam. The district falls in Tropical Region, which is largely affected by monsoons. This explains that the district is an agro-based economy, and also that agriculture is the main occupation in the whole of rural area of the district. The other activities of economy include; trade and commerce are completely dependent on agriculture. Manufacturing industry, particularly agro-based industry makes a significant contribution to the economy. Hubli-Dharwad are two of the major commercial centres in the State. 39% population is belonging to working class, including 26% is engaged in agriculture sector. The per capita income at current prices is Rs.14861 and at constant prices [93-94] it is Rs.10462. The main kharif crops are; cotton, chillies, sugarcane and groundnuts. Main Rabi crops are jowar, wheat, rice etc. Out of total cultivated land, around 30% of the area is irrigated. There are 50602 industrial units existing in the district. The district has as many as 216 banks and 535 Public Distribution shops.

*Demographic profile:* as per the 2001 provisional population statistics, the urban/rural population of the district is presented in Table 1.1. It is inferred

Table 1.3 presents the SC/ST population in the study district, on an average SC population is about 10% and that of ST population is 6.75% in this district.

Table 1.3 SC/ST Population in the study area: Dharwad district

Block	Total Population (2001)	SC Population (2001) Approx.				ST Population (2001) Approx.			
		Total SC	% of SC population to total Population	Male	Female	Total ST	% of ST population to total Population	Male	Female
Dharwad	218803	19692	9.00	10124	9568	14222	6.50	7312	6910
Hubli	128315	11548	9.50	5937	5611	8982	7.00	4618	4364
Kalghatagi	136978	12328	12.00	6338	5990	9588	7.00	4930	4658
Kundagol	157039	14134	9.50	7267	6867	11778	7.50	6056	5722
Navalgund	176641	15898	11.00	8174	7724	12365	7.00	6357	6008
Hubli-Dharwad City	786018	70742	10.00	36371	34371	53056	6.75	27278	25778
Total	1603794	144342	10.00%	74211	70131	109991	6.75%	56551	53440

Source: Census 2001 base

that the percentage of urban population to the total population is 54.98, i.e., urban population is more than rural population. As per 1991 census, it is 52.53%. As per 2001 census, Hubli-Dharwad twin cities stand 2<sup>nd</sup> in the State having the highest population next to the capital city, Bangalore. The HDMC population works out to 6.53% of the Class I cities as per 2001 census.

Hubli Dharwad cities form 49.00% of the total population of the district. If we exclude these two cities, then there will not be any urban area in Hubli Taluka. These two cities have floating population

Table 1.2 Taluka wise density of population in the Dharwad district

Sl. No	Taluka	Density	
		1991	2001
1	Dharwad	187	216
2	Hubli	178	203
3	Kalghatagi	177	200
4	Kundagol	212	242
5	Navalgund	149	163
6	HDMC	3394	4136
	District Total	333	376

Source :Census 1991, 2001 census

and consist of children of elementary education. These points insist on having separate BRC for these educational blocks. The percentage of residents in

urban area is more than that in rural area i.e., 54.98%. The size of male population is more in both urban and rural areas. The size of male population in rural areas is 51.42% and that of female population in urban areas is 48.72%. Taluka wise density of population is presented in table 1.2. It is inferred from the table that even though the decadal growth rate is decreasing in trend, the density of population has increased. It is due to urbanisation and migration from rural to urban area for better economical conditions

**Sampling design:** systematic multistage stratified simple random sampling technique was adopted for selection of study area and sample units.

**Selection of sample district:** Dharwad district in Karnataka State has been selected based on the concentration of SHGs financed by the IDF-FSPL. Dharwad district ranked first as it has highest number of SHGs credit linked.

**Selection of sample talukas:** Dharwad and Hubli talukas have been selected as they have large number of SHGs linked with credit compared to other talukas in the district. They ranked first and second respectively in terms of number of SHGs operating in the talukas.

**Selection of urban and rural areas within the sample talukas:** In order to make comparative study of the impact of MFI on the poor between rural and urban areas these areas have been selected within the sample talukas namely Dharwad and Hubli. Based on the principle of concentration of SHGs linked with credit by the MFI, Dharwad city and Hubli city are selected as urban areas from Dharwad and Hubli talukas respectively. Similarly Hebballi village from Dharwad taluka and Bandiwad/Mantur villages from Hubli taluka formed the rural areas of the sample talukas.

**Selection of the sample for the study:** In the next stage samples units (SHG members) are selected from both urban and rural areas in the proportion of 70:30 based on the proportion of SHGs credit linked by the MFI falling in urban and rural area of the selected talukas.

## NATURE AND SOURCE OF DATA

**Primary data:** The data needed for the study was collected from the respondents (SHG member) by personal interview method using pre-tested schedule prepared for the purpose. Majority of the respondents have not maintained records of income and expenditure relating to their income generating

activity. Hence, data collected was based on the memory of the respondents and corroborating circumstantial evidence. At the time of interview, personal bias of the sample rural women was minimised by convincing them about the genuineness of the purpose for which the data were collected. Data collected from the respondents pertains to socio-economic status, income before and after availing microfinance, nature of income generating activity pursued, type of loan availed and purpose for which loan was used, SHG they belong to, the functioning of SHG, socio-economic impact of SHG on member, respondents opinion regarding transparency and quality of service rendered by the IDF- FSPL, etc. Similarly the chairman and the CEO/MD were interviewed using structured schedules to obtain data and information on functioning of IDF-FSPL, about their perception and prospectus of the microfinance sector as a whole and the challenges faced in the dynamic business environment.

**Secondary data:** Secondary data pertaining to the financial statements, documents followed in the process of microfinance lending, and data relating to profile of the SHG members prior to providing microfinance etc., were collected from the records of IDF- FSPL.

Formulae used to make pertinent reckonings:

**Average percentage growth over one year period:** The average percentage growth was calculated using the following formula.

$$a) \text{ Average percentage growth over one year period} = \frac{(\text{Final amount}(X \text{ period})) - (\text{Initial amount}(X \text{ period}))}{\text{Initial amount}(X \text{ period})}$$

The higher the ratio better it is for the MFI.

**b) Average percentage growth over time (CGRA):** the geometric mean(GM) is used to find an average percentage of change over a period of time. The rate of increase is determined from the following formula:

$$GM = \sqrt{(\text{value at end of period})/(\text{value at start period}) - 1}$$

**c) Paired t- test analysis:** To find out the impact of microfinance on the SHGs beneficiaries the paired t -test was done. It is a statistical test for measuring the difference between before and after availing

microfinance by IDF- FSPL on the income position of SHG members.

$$\text{Paired t test} = \frac{(d_i - o_i)}{\sqrt{Sd^2 / n}}$$

d) *Sandler's A- test analysis*: To find out the impact of microfinance on the SHGs beneficiaries the Sandler's A- test analysis was done. It is a statistical test for measuring the difference between before and after availing microfinance by IDF-FSPL on the income position of SHG members.

$$A = D_i^2 / (D_i)^2$$

## REVIEW OF LITERATURE

### The Emergence of Microfinance Industry

The micro finance initiative in private sector can be traced to the initiative undertaken by Ms. Ela Bhat for providing banking services to the poor women employed in the unorganised sector in Ahmedabad. Shri Mahila SEWA (Self Employed Women's Association) Sahakari Bank, set up in 1974 as an Urban Cooperative Bank is providing banking services to the poor self-employed women working as hawkers, vendors, domestic servant etc. Though the MFI is making profit, yet the SEWA bank model of MFI has not been replicated elsewhere in the country. After nationalisation of the banking sector credit was recognized as a remedy for many of the ills of the poverty. Large number of credit-based programmes were introduced by the Central and state governments with large resource allocations. While the underlying objectives were laudable and substantial progress was achieved, credit flow to the

poor, and especially to poor women, remained low. This led to initiatives that were institution led, that attempted to convergence of the existing strengths of rural banking infrastructure and leverage this to better serve the unbanked poor. The pioneering efforts at this were made by National Bank for Agriculture and Rural Development (NABARD).

The research studies conducted by NABARD during the early eighties in association with MYRADA (a leading NGO from South India) and also independently, revealed that a vast majority of the poorest of the poor was still at the periphery of the formal banking system. These studies indicated that the existing banking policies, systems and procedures, and deposit and loan products were perhaps not well suited to meet the most immediate needs of the poor. It also appeared that what the poor really needed was a better access to these services and products, rather than cheap subsidised credit.

Against this background NABARD launched the Pilot phase of the SHG (Self Help Group) Bank Linkage programme in February 1992 aimed at promoting and financing 500 SHGs across the country. The SHG-informal thrift and credit groups of poor came to be recognised as bank clients under the Pilot phase.

The strategy involved forming small, cohesive and participative groups of the poor, encouraging them to pool their thrift regularly and using the pooled thrift to make small interest bearing loans to members, and in the process learning the nuances of financial discipline. Subsequently, bank credit also becomes available to the group, to augment its resources for lending to its members. NABARD,

Table L1: Legal Forms of MFIs in India

Types of MFIs	Estimated No*	Legal Acts under which Registered
1. Not for Profit MFIs a.) NGO - MFIs	400 to 500	Societies Registration Act, 1860 or similar Provincial Acts Indian Trust Act, 1882
b.) Non-profit Companies	10	Section 25 of the Companies Act, 1956
2. Mutual Benefit MFIs a.) Mutually Aided Cooperative Societies (MACS) and similarly set up institutions	200 to 250	Mutually Aided Cooperative Societies Act enacted by State Government
3. For Profit MFIs a.) Non-Banking Financial Companies (NBFCs)	6	Indian Companies Act, 1956 Reserve Bank of India Act, 1934
Total	700 - 800	

\* The estimated number includes only those MFIs, which are actually undertaking lending activity. Source: NABARD Select MFIs that are working in Madhya Pradesh state and their performance is presented in the table L2.

Table L2. Select MFIs in Mahya Pradesh

Name of MFI	2007 clientele	2012 plan	2007 loan outstanding Rs Million	2012 target Rs Million
Vikas Samiti	245	28245	1.06	157.83
Yukti Samaj	2713	15073	0	50
Pararth Samiti	5425 SHG	30000	0.39	75
Lok Biradari*	3409	35266	4.97	254.98
Vama Microfin	3825	17325	1.62	50.25
Sambhav SSO	48 SHG/JLG	54798	0.42	221
Sonata fin	0	100000	0	350
SKS	0	53000	0	300
MCM	2350	6500	25.21	99.21
KAS	2000	0	10	0
Anupam education society	4000 SHG/JLG	17210	0	80.5
Total		357417	43.67	1638.77
* Savings product offered				

Apart from these (Upendra Sharma-2008) there are other organisations, especially cooperatives that intermediate in finance. The state should clearly make its expectations known clearly to the MFIs and provide them the necessary space to operate in the sector. The

MFIs should also clearly indicate their business models, methods of operation and basis of pricing of products to the government so as to avoid misunderstanding at a later stage.

however, also took a conscious decision to experiment with other successful strategies such as replicating Grameen model, financing NGO-MFIs to enable them to onlend to the groups.

### MFIs and Legal Forms

The MFIs in India can be broadly sub-divided into three categories of organizational forms as given in Table 2. While there is no published data on private MFIs operating in the country, the number of MFIs is estimated to be around 800. An overwhelming majority of MFIs are operating on a smaller scale with clients ranging between 500 to 1500 per MFI. The geographical distribution of MFIs is very much lopsided with concentration in the southern India where the rural branch network of formal banks is excellent.

### RESULTS AND DISCUSSION

In consistent with the objectives of the study, the data collected from different sources in the months of October and November 2009, were analysed and discussed. The results and discussions were presented in the following heads.

- Socio-economic profile of the sample SHGs members;
- loan utilisation pattern and Impact of microfinance on income position of the sample SHG members; and
- financial Performance of IDF FSPL, d) social Performance of IDF FSPL

a) Socio-economic profile of the sample SHGs members: The information on socio-economic profile of SHGs members obtained in the study area is presented in the following paragraphs

*Age distribution:* the age distribution pattern of the sample SHGs members presented in Table 5.1 indicated that 80% of the overall SHG members are in the middle age (between 26 to 45 years). Whereas middle age SHG members residing in urban and rural areas constitute 79.55% & 80.96% respectively. Ten percent of the overall SHG members are of 18 - 25 years of age. But the percentage is 9.09 & 11.90 for urban and rural SHG members respectively. Ten percent of the overall SHG members are above 45 years of age. Whereas, the SHG members who are

Table 5.1: Age profile of the sample SHG members of IDF-FSPL (in No.)

Age	Urban	%	Rural	%	Overall	%
up to 25 years	8	9.09	5	11.90	13	10.00
26 to 35 years	35	39.77	19	45.24	54	41.54
36 to 45 years	35	39.77	15	35.71	50	38.46
45 to 55 years	9	10.23	3	7.14	12	9.23
above 56 years	1	1.14	0	0.00	1	0.77
TOTAL	88	100.0	42	100.00	130	100.00

Source: field survey 2009

Table No 5.2 : Marital Status of sample SHG members (in No.)

	Urban	%	Rural	%	Overall	%
Single	4	4.55%	1	2.38%	5	3.85%
Married	75	85.23%	38	90.48%	113	86.92%
Widow	7	7.95%	3	7.14%	10	7.69%
Deserted	2	2.27%	0	0.00%	2	1.54%
Total	88		42		130	

Source: field survey 2009

above 45 years of age residing in urban and rural constitute 11.37% & 7.14% respectively.

The majority that is 80% belong to middle age group show that members of this age group are quite active in income generation activities. Apparently the IDF FSPL is doing quite well in targeting members of right age who are capable of actively getting involved in productive purpose activities and increase their socio-economic status with the support of the MFI. It is noticed that in rural area members in age group of below 26 is more compared to urban area, it may be due to early in life they start earning to meet family responsibilities.

Marital status: information with regarding to marital status of sample SHG members are given Table 5.2., it can be inferred that 86.92% SHG members are married and remaining are; 3.85% single, 7.69% widows and 1.54% deserted. 85.23% and 90.48% of the SHG members in urban and rural areas respectively are married. 4.55%. Majority SHG members are married, though the percentage of married is more in rural compared to urban. This could be due to the fact that in rural area girls get married at early age. This is due to family tradition

cultural pressure. It was observed during the field survey that SHG members belonging to 'single' is almost double in urban area than in rural area. This is due to economic independence in urban area is to important than getting married. The more important is that the MFI makes an effort to support singles, widows, and deserted women in line with its social mission.

Educational profile of SHG members: the information on educational profile of the sample SHG members are presented in table 5.3. It can be deduced that about 24% of the overall SHG members are illiterate. With regard to urban and rural SHG members, 15.91% and 40.48% respectively are illiterates. About 37.69% of the overall SHG members have studied up to primary (I to VIII class). SHG members in urban and rural area constituting 32.95% and 47.62% respectively have studied up to primary class. 24.62% of the overall SHG members have studied up to X class, whereas, in urban and rural area 35.23% and 2.38% have studied up to X class respectively. Beyond X class is concerned, 13.85% of the overall SHG members, 15.91% of urban SHG members and 9.52% per cent of



Table 5.3: Educational profile of sample SHG members (in No.)

Particulars	Urban	%	Rural	%	Overall	%
Illiterate	14	15.91	17	40.48	31	23.85
up to IV Class	11	12.50	12	28.57	23	17.69
up to VIII Class	18	20.45	8	19.05	26	20.00
up to X Pass	31	35.23	1	2.38	32	24.62
PUC	10	11.36	2	4.76	12	9.23
Degree	4	4.55	2	4.76	6	4.62
Total	88		42		130	

Source: field survey 2009

Table 5.4 : Family size of sample SHG members (in No.)

Members	Urban	%	Rural	%	Overall	%
up to 2	4	4.55	3	7.14	7	5.38
3 to 4	39	44.32	17	40.48	56	43.08
5 to 6	37	42.05	15	35.71	52	40.00
7 to 8	5	5.68	5	11.90	10	7.69
above 9	3	3.41	2	4.76	5	3.85
TOTAL	88		42		130	
Mean family size	4.67		4.91		4.75	

Source: Field survey 2009

rural SHG members have pursued their studies beyond X Class.

Though nearly 24% of the overall SHG members are illiterate, but sizable number from rural area namely 40.48% are illiterate compared to urban area where only 15.91% are illiterate. This could be due to lack of educational facilities or could be due to lack of awareness of the importance of education among rural poor. Another reason could be still in rural areas girl is not given encouragement to study, rather she is asked to help parents in day to day house hold activities or join them to earn to make living. However, it is interesting to find that all illiterate SHG members are sending their children to schools. This means they want better future for their children and are aware of importance of education in life.

Most of the rural SHG members have studied up to primary. Beyond primary there is sharp dropout from school in rural areas. This could be again lack of awareness about education and lack of facilities. Another reason could be early marriage of

girl child in rural areas puts an end to schooling.

Most of the urban SHG members has an schooling up to Xth class. Even beyond Xth class more number of SHG members from urban pursued their studies compared to SHG members from rural area.

The IDF FSPL has been quite successful in inculcating among SHG members the concepts & discipline of SHGs. And made significant progress in imparting financial literacy and inculcate savings habits.

Family profile: It can be inferred from table 5.4, that 4.75 is the average family size for the overall SHG members, compared to average family size of 4.67 and 4.91 for urban and rural SHG members respectively. 88.64% of the overall SHG members have family size up to 8 members. In case of urban and rural SHG members the same is 90.92% & 83.60% respectively. 88% of families have up to six members. The average family size is bigger in rural area compared to urban area, the reason perhaps

Table 5.5 : BPL card holders position of sample SHG members (in No.)

Type of cardholders	Urban	%	Rural	%	Overall	%
BPL cardholders	65	73.86	38	90.48	103	79.23
Non-holders	23	26.14	4	9.52	27	20.77
Total	88		42		130	

Source: Field survey 2009

Table No 5.6: Category of sample SHG members (in No.)

Category	Urban	%	Rural	%	Overall	%
SC	10	11.36	10	23.81	20	15.38
ST	5	5.68	1	2.38	6	4.62
BC	18	20.45	8	19.05	26	20.00
Gen	38	43.18	16	38.10	54	41.54
Minority	17	19.32	7	16.67	24	18.46
TOTAL	88		42		130	

Source: Field survey 2009

could belief in large family and big family means more earning hands. Another reason could be lack of family planning awareness. The family size of 3 to 4 members is largest in both the urban and rural area. The larger family sizes are found mainly in rural area than in urban area. Reasons could be members from urban area are exposed to the advantages of small family and have access to & aware of family planning unlike their counterpart from rural area.

BPL card status: 79.23% of the overall SHG members are holders BPL card (Table 5.5). In rural area 90.48% SHG members are holders of BPL card compared to 73.86 SHG members in urban area. It is inferred that the MFI is largely targeting poor women in providing micro financial services. Especially 90.48% of rural SHG members are below the poverty line as compared to 73.86% of urban SHG members. Non BPL card holders need not necessarily above the poverty line. Many are not issued card due to administrative and other reasons.

Category profile: SHG members belonging to various categories are shown in Table 5.6. 15.38% and 4.62% of the overall SHG members belong to SC and ST category respectively. Whereas 11.36% and 5.68% of urban SHG members belong to SC and ST category respectively. 23.81% and 2.38% of rural SHG members belong to SC and ST category respectively. 20%, 20.45% and 19.05% of overall

SHG members, urban SHG members and rural SHG members respectively belong to backward class. 18.46%, 19.32% and 16.67 percent of overall SHG members, urban SHG members and rural SHG members respectively belong to minorities. It is inferred that 41.54%, 43.18% and 38.10 percent of overall SHG members, urban SHG members and rural SHG members respectively belong to general category.

The IDF-FSPL has been catering to weaker sections belonging to socio and economically disadvantaged class namely SC, ST, BC and minority, who constitute 58.46% of the overall sample SHG members. In urban area this class constitute 56.81% and in rural areas they constitute 61.91%. The IDF-FSPL has been quite successful in targeting weaker sections of the SHG members in rural area more compared to urban area. Though general category is the biggest single category, majority belong to economically disadvantaged class. Nearly 68% of sample SHG members belong to urban area whereas 32% belong to rural area. This could be due to the MFI has been finding it easy to expand its operation among urban poor than rural poor.

LOAN UTILISATION PATTERN AND IMPACT OF MICROFINANCE ON INCOME LEVELS OF THE SAMPLE SHG MEMBERS: Loan utilisation pattern and economic impact of microfinance on the

Table No. 5.7 : Purpose wise loan utilisation pattern by sample SHG members												
Nature of Loan	1st Cycle loan				2nd Cycle loan				3rd Cycle loan			
	Loan		Borrowers		Loan		Borrowers		Loan		Borrowers	
	Rs	%	No.	%	Rs	%	No.	%	Rs	%	No.	%
<b>Overall</b>												
Productive	518000	87.95	103	83.74	1445000	88.27	76	83.51	480000	82.05	13	81.25
Consumption	59000	10.02	18	14.63	125000	7.64	11	12.09	25000	4.27	1	6.25
Asset Creation	12000	2.04	2	1.63	67000	4.09	4	4.40	80000	13.68	2	12.50
Total	589000		123		1637000		91		585000		16	
<b>Urban</b>												
Productive	335000	86.56	70	85.37	1035000	90.55	51	85.00	425000	80.19	11	78.57
Consumption	42000	10.85	11	13.41	99000	8.66	8	13.33	25000	4.72	1	7.14
Asset Creation	10000	2.58	1	1.22	9000	0.79	1	1.67	80000	15.09	2	14.29
Total	387000	100	82	100	1143000	100	60	100	530000	100	14	100
<b>Rural</b>												
Productive	178000	90.36	32	80.00	360000	72.87	24	77.42	60000	100.00	3	100.00
Consumption	17000	8.63	7	17.50	76000	15.38	4	12.90	0		0	
Asset Creation	2000	1.02	1	2.50	58000	11.74	3	9.68	0		0	
Total	197000	100.00	40	100	494000	100	31	100	60000	100	3	100

Source : Field survey

status of SHG members has been presented in Tables 2.7 to 2.15. Impact of microfinance on income of the beneficiaries after availing of loan for various productive purposes were found using percentage change, paired t-test and sandler's A-test for before and after microfinance to SHGs members.

1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> cycle loan overall utilisation pattern for the purposes of productive /consumption /assets creation by the sample SHG members: generally beneficiaries are granted 1<sup>st</sup> Cycle loan after 3 to 4 months of becoming member of SHG. Generally 1<sup>st</sup> cycle loan will be small in size compared to subsequent cycle loans.

*1<sup>st</sup> Cycle loan utilisation pattern by sample beneficiaries:* major chunk of 1<sup>st</sup> cycle loan has been utilised for productive purposes (88%) by the overall SHG members (Table 2.7). In case of urban and rural SHG member the utilisation of loan for productive purposes constitutes 86.56% and 90.36% respectively. The 10.02% of the loan is utilised for consumption purposes by the overall SHG members. The 10.85% of 1<sup>st</sup> cycle loan is utilised for consumption purpose by the urban beneficiaries compared to 8.63% utilisation by the rural beneficiaries. A very small portion (1 to 2.6%) of 1<sup>st</sup> cycle loan is used for assets creation by the overall /urban /rural beneficiaries.

*2<sup>nd</sup> Cycle loan utilisation pattern by the sample beneficiaries:* a major chunk of 2<sup>nd</sup> cycle loan has

been utilised for productive purposes (88%) by overall SHG members (Table 2.7). In case of the urban and rural SHG members the utilisation for productive purposes constitutes the 90.55% and 72.87% of the loan respectively. Overall (rural and urban together) 7.64% of beneficiaries have utilised second cycle loan for consumption purpose whereas in rural area it was 15.38% and in urban area it was 8.66% only. 4.09%, 0.79% and 11.74% of the loan was utilised for assets creation purposes by the overall beneficiaries, urban beneficiaries and rural beneficiaries respectively.

*3<sup>rd</sup> Cycle loan utilisation pattern by the sample beneficiaries:* Most of 3<sup>rd</sup> cycle loan has been utilised for productive purposes (82%) by the overall SHG members (Table 5.7). In case of the urban and rural SHG member the utilisation for productive purposes accounts for 80% and 100% of the loan respectively. It was found that a 4.72% of urban area beneficiaries have utilised third cycle loan for consumption purpose and that of 15.09% for assets creation.

amount to beneficiary from rural area than to urban beneficiary. Average loan amount is highest in case of agriculture (Rs 12000)(Table 5.8 and 2.14), which is more than double the overall average. The MFI has been encouraging tenancy farming among landless agricultural labours through micro finance. This is done after due training in agriculture and allied activities.

**Table No 5.8 : 1st Cycle Productive purpose loan utilisation pattern by sample SHG members**

Nature of Loan	Overall				Urban				Rural			
	Loan		Borrowers		Loan		Borrowers		Loan		Borrowers	
	Amount	%	No.	%	Amount	%	No.	%	Amount	%	No.	%
Micro Production	104000	20.08	20	19.42	35000	6.76	8	7.77	69000	13.32	12	11.65
Micro service	175500	33.88	34	33.01	170500	32.92	33	32.04	5000	0.97	1	0.97
Micro Business	170500	32.92	39	37.86	134500	25.97	30	29.13	36000	6.95	9	8.74
Agriculture	48000	9.27	4	3.88	0	0.00		0.00	48000	9.27	4	3.88
Animal Husbandry	20000	3.86	6	5.83	0	0.00		0.00	20000	3.86	6	5.83
<b>TOTAL</b>	<b>518000</b>		<b>103</b>		<b>340000</b>		<b>71</b>		<b>178000</b>		<b>32</b>	
<b>Average loan</b>	<b>5029</b>				<b>4789</b>				<b>5563</b>			

Source :Field Survey

**Table 5.9 : 2nd Cycle Productive purpose loan utilisation pattern by the sample SHG members (Amount in Rs)**

Nature of Loan	Overall				Urban				Rural			
	Loan		Borrowers		Loan		Borrowers		Loan		Borrowers	
	Amount	%	No.	%	Amount	%	No.	%	Amount	%	No.	%
Micro Production	226000	15.64	15	19.74	165000	15.94	9	17.65	61000	14.88	6	24.00
Micro service	493000	34.12	23	30.26	415000	40.10	20	39.22	78000	19.02	3	12.00
Micro Business	456000	31.56	25	32.89	335000	32.37	18	35.29	121000	29.51	7	28.00
Agriculture	95000	6.57	5	6.58	0	0.00	0	0.00	95000	23.17	5	20.00
A. Husbandry	175000	12.11	8	10.53	120000	11.59	4	7.84	55000	13.41	4	16.00
<b>Total</b>	<b>1445000</b>	<b>100</b>	<b>76</b>	<b>100</b>	<b>1035000</b>	<b>100</b>	<b>51</b>	<b>100</b>	<b>410000</b>	<b>100</b>	<b>25</b>	<b>100</b>
<b>Average loan</b>	<b>19013</b>				<b>20294</b>				<b>16400</b>			

Source : Field survey

## 2<sup>nd</sup> Cycle productive purpose loan utilisation pattern by the beneficiaries

The major chunk of productive purpose loan is utilised for micro service (34%) and micro business (32%) followed by micro production (16%) and agriculture and animal husbandry (18%) by the overall beneficiaries (Table 5.9). In case of urban beneficiaries the above trend holds except that no beneficiary is engaged in agriculture. In case of rural area, the major activities being agriculture and animal husbandry put together (37%) and micro business(29%) followed by micro service(19%) and micro production(15%).

Overall average loan under 2<sup>nd</sup> cycle is Rs

19013, whereas in case of urban and rural area is concerned average loan is Rs 20294 & Rs 16400. The average loan amount is highest in case of animal husbandry (Rs 30000), followed by micro service (Rs20750), micro business (RS 18611) and micro production (Rs18333) in urban area (Table 5.15). In rural area the highest average loan is for micro service activity (Rs26000), followed agriculture (Rs19000), micro business (Rs17285), animal husbandry (Rs13750) and micro production (Rs10167). The 72% of loan is disbursed in urban area compared to 28% in rural area.

It is inferred that there has been a significant increase in loan size (3 to 5 times) compared to 1<sup>st</sup> cycle loan. This was mainly due to increasing

Nature of Loan	Overall				Urban				Rural			
	Loan		Borrowers		Loan		Borrowers		Loan		Borrowers	
	Amount	%	No.	%	Amount	%	No.	%	Amount	%	No.	%
Micro Production	0	0	0	0	0	0	0	0	0			
Micro service	320000	67.00	7	54.00	320000	76.00	7	70.00	0			
Micro Business	100000	21.00	3	23.00	100000	24.00	3	20.00	0			
Agriculture	60000	12.00	3	23.00	0	0.00	0	0.00	60000	100.00	3	100.00
Animal Husbandry	0	0.00	0	0.00	0	0.00	0	0.00	0			
<b>TOTAL</b>	480000		13		420000		10		60000		3	
<b>Average loan</b>	36923				42000				20000			

Source : Field survey

maturity level of beneficiaries under SHG system, who are, now, capable of expanding existing activity or start up new activities. The average tenure of loan in 2<sup>nd</sup> cycle is 24 months. In order to tap vast opportunity in urban area for micro service activities maximum proportion of loan is lent for this activity followed by micro business, micro production and animal husbandry. The MFI has been encouraging agriculture and allied activities among rural beneficiaries as they are good at innovative traditional activities. The maximum proportion of loan is lent to agriculture and allied activity followed by micro business, micro service and micro production in rural area. Mean loan amount is higher in case of urban beneficiary compared to rural beneficiary. This was mainly due to large scales of operation in urban beneficiaries compared to rural members. Since the 70% of operations of IDF FSPL is located in urban area, 72% of loan under this cycle is given to urban members and balance to rural members. The MFI has been helping beneficiaries by arranging IGA trainings wherever possible with the help of its parent organisation IDF either on their own or through sponsored scheme, thereafter providing credit linkage to the trained beneficiaries.

3<sup>rd</sup> Cycle productive purpose loan utilisation pattern by the beneficiaries: a large portion of productive purpose loan is utilised for micro service (67%) followed by micro business (21%) and agriculture (12%) by overall beneficiaries (Table

5.10). In case of urban area the maximum proportion of loan was lent to micro service (76%) and remaining for micro business (24%), in rural area it was only for agriculture (100%). Overall mean loan under 3<sup>rd</sup> cycle was Rs 36923, whereas in case of urban and rural area is concerned average loan size was Rs 42000 and Rs 20000, respectively. The average loan amount is highest in case of micro service (Rs. 45714), followed by micro business (Rs 33333) in urban area (Table 2.16). In rural area the average loan was for only activity namely agriculture was (Rs20000). Rate of disbursal in urban area was 88%, compared to 12% in rural area.

It is found that there has been a significant increase in loan size, almost double compared to 2<sup>nd</sup> cycle loan and 7 times compared to 1<sup>st</sup> cycle loan. This could be due to increased scale of operation and expertise gained by the clients in operating efficiently their chosen productive activities. The MFI has been encouraging its clients to exploit existing opportunities in micro services and market / business space in urban area. Same is the case for agriculture activities among rural beneficiaries. A very small% of beneficiaries have taken loan under 3<sup>rd</sup> cycle. This shows retaining majority of SHGs still 3<sup>rd</sup> cycle is difficult for various reasons. If the MFI succeed in retaining majority of SHGs till 3<sup>rd</sup> cycle then its cost of operation will come down significantly because of the fact that serving existing client is less expensive compared to new clients.\

Table No 5.11 : IGA activities(Old Vs New) status undertaken by the sample SHG members  
Overall

Activities	1st Cycle Loan		2nd Cycle Loan		3rd Cycle Loan	
	NO.	%	NO.	%	NO.	%
New	39	38	25	33	4	29
Existing	63	62	50	67	10	71
Total	102	100	75	100	14	100
Urban						
New	27	39	18	35	4	36
Existing	43	61	33	65	7	64
Total	70	100	51	100	11	100
Rural						
New	12	38	7	23	0	
Existing	20	63	24	77	3	100
Total	32	100	31	100	3	100

Source: Field survey 2009

Nature of productive purpose activities: majority of the beneficiaries have borrowed to expand their existing productive assets. However, some have switched over to new activities like tailoring and fashion design, agarbatti, candle making, kasooti on sarees, food products, vanity and hand bags, vermicelli etc., after taking pertinent training. The new Vs old income generating activities pursued by the beneficiaries under various cycles of loan are presented in Table 5.11. It was observed that under each cycle of loan the proportion of new activities are less compared to preceding cycle of loan. Hence, it can be inferred that the emerging business tendency is swinging towards continuation and expanding old income generating activity than to venture into new activities.

#### 1<sup>st</sup> AND 2<sup>nd</sup> CYCLE CONSUMPTION PURPOSE LOAN UTILISATION PATTERN BY SAMPLE SHG MEMBERS

1<sup>st</sup> cycle Consumption purpose loan utilisation pattern by the sample SHG members: a 10% of overall loan is given towards consumption purpose (Table 5.7). The majority of the consumption loan is utilised for education (76%) of wards of beneficiaries and remaining for social functions (24%) by all members (Table 5.12). In urban area, 81% is used for education and remaining 19% for social functions compared to 65% and 35% respectively in rural area. The 71% of loan amount is disbursed in urban area compared to 29% in rural area. The average loan

amount is Rs. 3818 in urban area and Rs 2429 in rural area. The positive trend is that in both urban and rural areas, the beneficiaries are using major portion of consumption loan for education purpose followed by social functions. Although rural members spend large proportion of loan amount on social purposes compared to urban members. The MFI, IDF FSPL is playing an important role by lending for consumption purposes. It saves members from high cost borrowing from money lenders.

2<sup>nd</sup> cycle Consumption purpose loan utilisation pattern by the sample SHG members: a 8% of overall loan is given towards consumption purpose (Table 5.7). Majority of the consumption loan was utilised for education (47%) of wards of beneficiaries followed by healthcare (23%), repayment of old debts (16%) and for social functions (14%) by all members (Table 5.13). In urban area a lion's share of loan amount is utilised for education (50%), followed by healthcare (20%), repayment of old debts(20%) and for social functions (10%) by the members compared to 38% for education, 31% for healthcare and remaining 31% for social functions. Loan disbursal rate in urban area was 79% and it was 21% in rural area. It was observed that majority of the borrowers both in urban (63%) and rural (33%) areas have taken loans for education purpose. In urban area members have borrowed for healthcare, repayment of old debts and for social functions. In rural area, members

Table 5.12 : Growth and outreach parameters

Table 5.12 :Growth and outreach parameters						
Sl. No.	Parameters	05-06	06-07	07-08	08-09	Sept 09
1	No. of active SHGs at the end of year	109	1378	4402	13305	14397
	Growth (YoY in %)		1164.22	219.45	202.25	8.21
	CAGR(for last three years)			18.06%	8.32%	8.70%
2	No of active SHG members at the end of year	1855	16536	48161	151204	172764
	Growth (YoY in %)		791.43	191.25	213.96	14.26
	CAGR(for last three years)			14.29%	8.07%	4.68%
3	No. of SHG members credit linked at the end of year	1308	6960	21312	82416	117900
	Growth (YoY in %)		432.11	206.21	286.71	43.05
	CAGR(for last three years)			11.11%	9.32%	6.06%
4	Percentage of SHG members credit linked	70.51	42.09	44.25	54.51	68.24
5	Percentage of SHG members yet to be credit linked	29.49	57.91	55.75	45.49	31.76
6	No of active Borrower SHGs at the end of year	109	580	1776	6868	9825
	Growth (YoY in %)		432.11	206.21	286.71	43.05
	CAGR(for last three years)			11.11%	9.32%	6.06%
7	No of active rural Borrower SHGs at the end of year	65	348	1066	2747	3930
	Growth (YoY in %)		435.38	206.32	157.69	43.07
	CAGR(for last three years)			11.15%	7.43%	4.76%
8	Rural SHGs as% of Overall active borrower SHGs	59.63	60.00	60.02	40.00	40.00
9	No of active urban Borrower SHGs at the end of year	44	232	710	4121	5895
	Growth (YoY in %)		427.27	206.03	480.42	43.05
	CAGR(for last three years)			11.05%	11.64%	7.64%
10	Urban SHGs as% of Overall active borrower SHGs	40.37	40.00	39.98	60.00	60.00

Source :IDF FSPL documents

borrowed mainly for healthcare and social functions. It was observed that rural beneficiaries have been spending large proportion of loan amount on social purposes compared to urban members. Average loan amount in case of urban beneficiaries was Rs. 12,373 which is more than three times the loan size of 1<sup>st</sup> cycle compared to Rs 8,667 which is more than three and half times the loan size of 1<sup>st</sup> cycle in case of rural beneficiary.

#### SOCIAL PERFORMANCE OF THE MFI

An analysis of social performance of the MFI

has been studied considering pertinent variables including a) targeting the clients, b) microfinance delivery process, c) impact of microfinance on the socio-economic status of the SHG members and d) promotion of community owned institutions namely SHG federations and mobilisation of community participation in the ownership of the MFI.

Targeting the clients: The MFI has adopted SHG model of microfinance for Serving exclusively women cliental (only women SHGs are formed), Majority of women belonging to the age group of 45 years. Singles, widows and deserted women are

made members of SHGs, who constitute 13.08%. Large chunk of SHG members are illiterate. Majority of the members served belong to socio-economically disadvantaged class like SC, ST, BC and Minorities, who constitute 58.46%. Over 80% of women are from the below poverty line category in both rural and urban areas served. Table 5.12 presents information on number of active SHGs formed and, number of women made active SHG members every year. Year wise SHG members credit linked in rural and urban SHGs are also presented.

The clientele served are exclusively women, who are socially and economically weaker section in society. The MFI's business model makes the MFI development oriented and not just credit lending financial institution. The model demands on the MFI to provide training in concepts of SHGs, leadership, group cohesiveness, co-operation and co-ordination, financial literacy, and income generating activities (IGAs), which the MFI has been doing well. The MFI has committed staff and developed standard instructional material in-house with the help of their parent NGO, IDF. The majority of the SHG members belong to weaker sections of society namely SC, ST, BC and Minorities. These groups together constitute 58.46%, overall members. Moreover, over 80% of the members fall under the below poverty line category. Efforts of MFI in organising women into SHGs have been yielding desired results in terms of number of SHGs formed and SHGs credit linked. The growth rates YOY and CAGR are very impressive on these parameters. The MFI had been serving more SHGs in rural area than in urban area till 2007-08, thereafter the trend has reversed. Probably they are finding it easier to serve urban poor.

### Process in the microfinance

The process is as much important as that of targeting the clients. The process relates to transparency, adherence to code of conduct, quality of service etc. With regard to quality of service and transparency, the sample SHG members expressed happiness about the process. Many clients gave credit to the MFI for their improved socio-economic status. Each sample member was asked specific questions as to rate of interest and fees charged, EMI, time taken to disbursement of loan, behaviour of credit officers and community organisers while sanctioning and recovery of loan, trainings etc. Answer to each question was very positive / satisfactory except on one count as to adequacy of loan amount. Most of the members felt that the loan amount should be larger than what it is now in each

cycle of loan. The MFI has taken deliberate decisions as to the size of loan amount keeping in mind to serve as many clients as possible and giving larger loan wherever group interest are served. The MFI has its own core values which are imbibed in every employee from the very inception. The MFI has also subscribed to the core values set by the Sa-Dhan and state level MFI association namely AKMFIs.

Impact of microfinance on the socio-economic status of the SHG members: The impact of microfinance on economic status of the sample SHG members has been discussed in full length. Most members income levels have improved significantly after utilization of loan from the MFI. This has been proved by statistical tools and techniques namely t-test and Sandler's A value. As far as social status is concerned, majority of SHGs members have reported that their say in family decision making process has been improved. Their spouses are respecting more now than earlier. They are able to take benefits of government scheme with the help of the MFI support. Their perception about their abilities, confidence and self-esteem has gone up considerably after joining and participation in SHG process. They are happy to send their children to schools and colleges by taking loan from the MFI for education purpose.

Promotion of community based institutions namely SHG federations and mobilisation of community participation in the ownership of the MFI: In order to develop long term association of SHG members with the MFI, the SHG members were organised into federation by the MFI. Already five federations were formed one each in five districts. The federations are registered bodies under Mutual benefit society's act. The interesting feature of the federation is that every SHG has to be member of concerned federation before it is eligible for assistance of microfinance from the MFI. Once the federation are stabilised in their functioning, they will be playing important functions in promoting welfare of its members. The functions like training, savings products, insurance etc., will be carried out by the federations. More important is that federations will be major shareholders in the MFI. Thereby SHG members will be ultimate owners and controller of the MFI. This will ensure that MFI never drifts away from its social mission. Ten% of loan made to SHGs is deducted as share money towards federation. The federation in turn invest this amount into the equity of the MFI. Presently the MFI has been providing all support, administrative as well as manpower in efficient



functioning of federations.

## CONCLUSIONS

Majority (80%) of the surveyed sample SHG members are belonging to middle age group (25-45 years) which show that members of this age group are active in income generation activities. IDF FSPL is doing well in targeting members of right age who are capable of actively getting involved in productive purpose activities and enhancing their socio-economic status with the support of the microfinance. 87% SHG members are married, though the percentage of married is more in rural compared to urban. The MFI makes efforts to support singles, widows, and deserted women in line with its social mission. Large chunk of SHG members are illiterate (24%), but sizeable number of illiterates are from rural area (40.48%) compared to urban area where only 15.91% are illiterate. However, it is interesting that all illiterate SHG members are sending their children to schools. Most (47%) of the rural SHG members have studied up to primary school level. Average family size was six members, size of rural area family is bigger than compared to urban area due to the belief that large family means more earning hands and absence of family planning awareness/facilities in their vicinity. Over 90% of rural SHG members and 74% of urban SHG members are belonging to below poverty line. SC, ST, BC and minority, constitute 58.46% of the overall sample of SHG members.

The 88% of SHG members utilised the 1<sup>st</sup> cycle loan for productive purposes about 10% of the loan is utilised for consumption purposes and small portion (1 to 2.6%) is utilised for a s s e t s maintenance. A large (88.27%), portion of 2<sup>nd</sup> Cycle loan was utilised for productive purposes, about 7.64%, loan was utilised for consumption purposes and 4% of the loan is utilised for the asset maintenance. 82.05% portion of the 3<sup>rd</sup> cycle loan was utilised for productive purposes. Therefore it is concluded that by and large the utilisation has been productive and asset maintenance, which is prudential investment of the loans taken by the SHG members. The impact of this prudent investment of loans resulted in significant improvement in the income levels of the sample SHG members. The statistical values, t-value and A-value are significant at 1% for all categories of productive purpose activities. That means in 99 out of 100 cases the micro credit has benefited the beneficiary. Similarly it is concluded that the volatility in incomes of beneficiaries has reduced

after availing micro credit thus beneficiary's exposure to risk arising out of fluctuation in income levels has been reduced considerably after utilisation of micro credit. That resulted into increased socio-economic welfare of the SHG members. Therefore it is concluded that the microfinance interventions providing enhanced socio-economic welfare and social security in t h e study area.

The cliental served are exclusively women, who belong to socially and economically weaker sections of the society. The business (SHG) model has made IDF FSPL the development oriented and not just credit lending financial institution. The model demands on the MFI to provide training in concepts of SHGs, leadership, group cohesiveness, co-operation and co-ordination, financial literacy, and IGAs, which the MFI has been doing well. IDF FSPL has developed standard instructional training materials in-house with the help of their parent NGO that is IDF. SHG members satisfied with service quality and transparency. In order to develop long term association of SHG members with the MFI, the SHG members were organised into federation by the MFI. An important feature of federation is that, SHG members are major shareholders in the MFI. Ten percent of loan sanctioned to SHGs is deducted as the share money towards federation. The Federation in turn invest this amount into the MFI as its equity partner. Thereby SHG members will be ultimate owners and have control on the MFI. This will ensure that MFI never drifts away from its social mission.

The Board of directors of IDF FSPL are having long experience with backgrounds from banking and community development. The MFI has initiated actions to induct professionals from the microfinance sector into its board. The MFI also intends to create various sub committees like assets management committee, investment committee, audit committee, corporate governance committee etc for smooth functioning of overall operations. The MFI should expedite its effort in this direction.

Government should consider to extend enhanced holistic support to MFIs that follow SHG model of micro finance business as it is proven socio-economic development oriented business model compared. The RBI should consider to frame user friendly norms with respects to capital adequacy, appointment of Business Correspondence and Business Facilitator, for NBFC MFI who follow SHG driven business model of microfinance. Special grants in the form of equity and capacity building

may be provided to MFIs who strive to promote SHG federation and adopt SHG business model. Conducive regulatory framework for effective functioning of microfinance sector may be evolved, so as to encourage right type of players in the sector and discourage who are exploiting the situation due to lack of regulatory frame work in place for the sector. PPP model where banks and MFIs join hands to bring in financial inclusiveness may be strengthened further by policy initiatives by the concerned authorities.

## REFERENCES:

- Bharathamma, G. U., 2005, Empowerment of rural women through income generating activities in Gadag district of North Karnatak. *M. Sc. (Agri.) Thesis, Univ. Agri. Sci., Dharwad, Karnataka, India.*
- C.R.Kothari, 2004, Research Methodology methods and techniques, New Age International publishers.
- Debadutta K Panda, 2009, Understanding micro finance, Wiley India Pvt Ltd.,
- Fernandez, A.P, 1992, Management system for savings and credit of the rural poor, MYRADA, Bangalore, pp, 25-28.
- Gobu, M., 2005, Microfinance through Self Help groups : Impact on income, employment and empowerment of rural women. *M. Sc. (Agri.) Thesis, Univ. Agri. Sci., Coimbatore, Tamil Nadu, India.*
- IDF FSPL, 2009, Financial Services for empowerment.
- Indian Institute of Banking and Finance, 2009, Micro-finance perspectives and operations, publisher Macmillan.
- Jeetendra Kumar Jha, 2007, Status of Microfinance in India, A project report for MBA, NIFM.
- Joanna Ledgerwood, 1998, Sustainable Banking with the Poor, Microfinance Handbook, An institutional and financial perspective.
- Kiiza, 2007, Micro finance self sustainability and reach in Uganda: A case of Test Rural Development Trust Limited. *Eastern Africal J. Rural Devp., 20(1) 34-44.*
- Kumarn. K.P, 1997. Self help groups : An alternative to institutional credit to the poor: A case study of Andhra Pradesh. *J Rural Devp., 16(3): 515-530*
- Nancy Natilson, Tillman A. Bruett, 2003, Financial performance monitoring, A manual for board members of microfinance institutions, The SEEP Network.
- Nanada. Y.C., 1999, Linking banks and Self help groups in India and NGOs – lessons learned and future prospects. National bank.
- Prita, M. P, 2001, A study on the performance of self help group in Dharwad district. *M. Sc. (Agri.) Thesis, Univ. Agri. Sci., Dharwad, Karnataka, India.*
- Sarada, O., 2001, Empowerment of rural women in Self Help Group in Prakasham district of Ander Pradesh – An analysis. *M. Sc. (Agri.) Thesis, Univ. Agri. Sci., Bangalore, Karnataka, India.*
- Savitashankar., 2006, The micro credit in micro finance. *Econ. Pol. Weekly, 13: 1171-1175*
- Shylendra, H.S., 2006, Mainstreaming microfinance for poverty alleviation: Need for a proactive policy and legal framework. *Working paper Institute of Rural Management Anand, 34pp*
- Sa-Dhan, The Bharat Microfinance Report, Effective microfinance services, side by side 2008.
- Sa-Dhan, The Bharat Microfinance Report, Effective microfinance services side by side 2007
- Sa-Dhan, The Bharat Microfinance Report Effective microfinance services, side by side 2006
- Sa-Dhan, The Bharat Microfinance Report Effective microfinance services side by side 2005
- Sa-Dhan, The Bharat Microfinance Report Effective microfinance services Quick survey 2007
- Sa-Dhan, The Bharat Microfinance Report, Effective microfinance services, Quick survey 2008.
- Sa-Dhan, The Bharat Microfinance Report, Effective microfinance services, Quick survey 2009
- Sa- Dhan, Microfinance resource centre, Quarterly compendium of new clippings on microfinance and related environment wef Jan-Mar 2006 to Apr-Jun 2009.
- SIDBI, 2008, Microfinance Impact assessment study 2001-07
- Sa-Dhan, 2009, Livelihoods profiling of the SHG/MFI Borrowers in Tamil Nadu and Uttar Pradesh
- Thort, Y. S., 2005, Microfinance in India: Sectoral issues and challenges. *National Bank News Rev. Mumbai, 21(1): 10-18.*
- Upendra Sharma, 2008, Microfinance in India with reference to Madhya Pradesh, A project report for PGDBM(FM).

*Acknowledgments: this paper is stemmed out from PGDM-2008-10, project report on “ An analysis of the performance of MFIs: a case study of IDF FSPL, of Dr. M.V. Algawadi, National Institute of Financial Management (NFM), Faridabad-121001, Co-Guided by. Dr. Teki Surayya, formerly Associate professor at NIFM. The authors acknowledge thanks to co-guide of the said project report Dr. V. Agrwal, Associate Professor, NIFM and all other authors also express their gratitude to IDFFSPL and all those whose works have been referred.*

# A STUDY ON PERFORMANCE LINKED PRODUCTIVITY OF ICT USAGE IN TECHNICAL EDUCATION

DR.GAJENDRA SINGH\*, RAJESH UPADHYAY\*\*

## Abstract

*The Usage of Information and Communication Technology (ICT) has entirely dominated the older Teaching Pedagogy. These ICT usages are an emerging issue driven by a rapid growth in the quantity of Information & Communication Technology equipments. The Technical Education institutions are using web based assignments, tutorials and even their lectures are delivered through PPT presentations. A lot of research work has already been done in hardware and software development in the ICT equipments, the Impact Analysis in terms of Performance & Productivity of ICT usage are almost less discussed in recent researches especially for the stake holders. In this paper, a comprehensive study about the different Performance linked Productivity Indicators on ICT usage in Technical Education has been done.*

---

Keywords : *Information and Communication Technology (ICT), KPI, Performance, Productivity, Outcome, Impact, Performance Indicators, Attributes, Counter Productive Behaviour*

---

## INTRODUCTION

The ultimate objective of any technology is to ensure that it provides comfort, leisure, enhances productivity and improves the quality of life of citizens. As global economic competition grows sharper, technical & vocational education becomes an important source of competitive advantage closely linked to economic growth and a way for countries to attract jobs and investment. In the Present era, Information and communication technology (ICT) has changed many aspects of our life.. We witness ICT application in areas of tourism, travel, business, law, banking, education (Engineering and Architecture), The impact of ICT across the past two decades has been enormous. The way these fields operate today is vastly different from the ways they operated in the past. But when one looks back at the education set up in India, there seems to have been a strange lack of influence and a far less change than the other areas have experienced.

A number of people have attempted to explore this lack of activity and influence. There have been a number of factors impeding the wholesale uptake of ICT in education across all sectors. These have included such factors as a lack of funding to support the purchase of the technology, a lack of training among established teaching practitioners, a lack of motivation and need among teachers to adopt ICT as teaching tools. But in recent times, factors have

emerged which have strengthened and encouraged moves to adopt ICTs into classrooms and learning settings. Information and communication technology (ICT) is a force that has changed many aspects of the way we live. The impact of ICT across the past two or three decades has been enormous in the fields such as medicine, tourism, travel, business, law, banking, engineering and architecture. These have included a growing need to explore efficiencies in terms of program delivery, the opportunities for flexible delivery provided by ICT, the capacity of technology to provide support for customized educational programs to meet the needs of individual learners, and the growing use of the Internet and WWW as tools for information access and communication. As we move into the 21st century, these factors and many others are bringing strong forces to bear on the adoption of ICTs in education, and contemporary trends suggest that we will soon see large scale changes in the way education is planned and delivered as a consequence of the opportunities and affordability of ICT.

ICT Usage in Technical Education Institutions:

Information and Communications Technology is usually a more general term that stresses the role of communications (telephone lines and wireless signals) in modern information technology. ICT consists of all technical means used to handle information and aid communication, including computer and network hardware as well

---

\* Dr.Gajendra Singh, Associate Professor, Dept of Business Management, HNB Central University, Srinagar (Garhwal) Uttarakhand.

\*\* Rajesh Upadhyay, Research Scholar, Singhanian University.

as necessary software. In other words, ICT consists of IT as well as telephony, broadcast media, and all types of audio and video processing and transmission. The term *ICT* is now also used to refer to the merging (convergence) of telephone networks with computer networks through a single cabling or link system. There are large economic incentives (huge cost savings due to elimination of the telephone network) to merge the telephone network with the computer network system. This in turn has spurred the growth of organizations with the term ICT in their names to indicate their specialization in the process of merging the two network systems. Thus, ICTs are not only a matter of technique and equipment. Presently new educational concepts are appearing, new types of resources are available, and new relationships between learners and educators are emerging.

ICT applications renew the reflection on pedagogy and seem to enhance team working and project based learning. Increasing use of ICT in Education has improved the learning process and enhanced the competency level of teachers and students. Distance and online education are gaining greater acceptance and most of the world universities have gone virtual, offering at least some classes online primarily through the Web and also via videoconferencing, CDROM and other technologies. In India too, online education is showing marked potential. The Ministry of Human Resource Development, Government of India, through a project covered under National Mission in education through ICT has initiated a project to promote and integrate the use of ICT in education and also to bridge the digital divide.

#### PERFORMANCE & PRODUCTIVITY OF ICT USAGE:

Performance commonly used in industrial and organizational psychology deals with the workplace. Generally, it refers to whether a person performs his job or functions well. Performance is an extremely important criterion that relates to organizational outcomes and success. Among the most commonly accepted theories, performance comes from the work of a psychological perspective. John P Campbell [1990] describes job performance as an individual level variable, i.e. performance is something that a single person does, which differentiates it from more encompassing constructs such as organizational performance or national performance which are higher level variables. There is always confusion among similar terms like

Performance, Efficiency, Outcome and Productivity. Campbell defines Performance as behavior where something is done by the employee, where as outcomes are the result of an individual's performance as well as other influences or factors which are seen or unseen. There are some more factors that determine outcomes than just an employee's behaviour and actions. Performance does not have to be directly observable actions of an individual. It can consist of mental productions including answering and making decisions and needs to be under the individual's control, regardless of the fact whether performance of interest is mental or behavioral. So outcome is the effectiveness of that performance. Another closely related term Productivity can be thought of as a comparison of the amount of effectiveness that results from a certain level of cost associated with that effectiveness, and effectiveness is the ratio of outputs to inputs—the inputs being effort, monetary costs, resources, etc.

Utility is another related term which is defined as the value of a particular level of performance, effectiveness, or productivity. Utilities of performance, effectiveness, and productivity are value judgments. Performance must be directed toward organizational goals that are relevant to the job or role. Therefore, Performance does not include activities where effort is expended toward achieving peripheral goals. Performance is divided in terms of task and contextual i.e. Citizenship and Counter-productive behaviors. Whereas task performance describes obligatory behaviors, contextual behaviors are behaviors that do not fulfill specific aspects of the job's required role.

#### PERFORMANCE-PRODUCTIVITY DETERMINERS

Campbell (1990) suggested determinants of performance-productivity components. Individual differences on performance-productivity are a function of three main factors viz. Declarative knowledge, Procedural knowledge and skill, and motivation. Declarative knowledge refers to knowledge about facts, principles, objects, etc. It represents the knowledge of a given task's requirements where as Procedural knowledge and skill is to know how to do it. The Motivation is a combined effect of three choice behaviors—choice to expend effort, choice of level of effort to expend, and choice to persist in the expenditure of that level of effort. Motivation reflects the direction, intensity, and persistence of volitional behaviors. There are

Indicators and Attributes	Description of issue in Impact Analysis
<b>ICT based Policy &amp; Strategy</b>	
1. Government (Central & or State) policy for ICT in Technical education with master plan, Time Frame and Budgetary Provision.	The basis is the commitment of policy makers, converting commitment into action effectively backed up by funding
2. Proportion of budget, Organizational Structure responsible for implementing master Plan, Scope & level of ICT Programms etc	The basis is evaluating the priority being given to ICT, making ICT an integral part of so that a fully committed team making responsible for making it success & failure.
3. Monitoring & evaluation mechanism, inclusion woman & minorities.	Real intent for ICT implementation, women and minorities are marginalized by Policy.
4. If no policy exists, then country & institution for ICT implementation as well as the institution also prepared a master plan for same.	Directives & Strategies are appropriate and commitment of institution for ICT implementation.
<b>ICT infrastructure &amp; Access</b>	
1. ICT enabling environment is access to use of ICT, number of computer per stack-holders, allocation of timings, access to and use of ICT after scheduled timing within institution and outside.	The basis is the commitment of policy makers, converting commitment into action effectively backed up by funding
2. Internet Connectivity i.e. number of computers connected to network either stand-alone or networked, Kind of internet connection speed/ bandwidth, limited or unlimited accessing, sources of payment for internet connectivity, Accessing by stakeholder.	The capacity and sophistication, affordability of high quality connection, maximum utilization of ICT equipments, as well as the facility providing to stake holder is free. Any charging for its usage may deter the use of internet based resource.
3. Systems & Hardware in terms of sufficient quantity and technologically updated.	The institution has sufficient number of computer systems with latest updated hardware and software.
<b>ICT based Curriculum</b>	
1. Existence of curriculum which incorporates ICT and manner in which ICT taught.	The curriculum is standardized and incorporates in-depth teaching & usage of ICT.
2. Extent of ICT integration in curriculum.	Educational level and standards where the expertise in ICT hardware and software are integration.
3. Existence of ICT used for teaching and learning as well as how fast ICT resources can be obtained.	The lessons learned and ICT integration in curriculum.
4. If no policy exists, then country & institution for ICT implementation as well as the institution also prepared a master plan for same.	Supply and Demand of ICT hardware and software.
<b>Teaching Processes &amp; Outcomes</b>	
1. Percentage of Teaching and Supporting Staff who are computer literate before joining the service as well as these stakeholders are trained time to time for updation of their skills.	Competency checking of ICT usage of stakeholders and ability to cope up with the latest ICT advancement as well as commitment of Government for ICT implementation.
2. Types of ICT training, Training hours, purpose and frequency of ICT usage by beneficiaries.	Basic or highly skilled, commitment of stakeholders for ICT implementation and usage and effectiveness of skill upgradation.
3. Level of expertise in ICT related Hardware & Software usage and delivering to its beneficiaries.	On which programme area the application of ICT be focused.
4. Incentive for participation in ICT training.	Encouraging for more & more participation of Faculties and Staff in ICT training.
5. Usage of ICT in teaching & other related activities.	ICT based teaching & other supported activities which may be help to stack-holders.
<b>Learning Processes &amp; Outcomes</b>	
1. Usage of ICT by students and how accessible ICT facilities are for them inside the institution and outside the institution.	Students' accessibilities of ICT and its value added services.
2. Curriculum designed which supports ICT usage and accessing of Web bases activities in curriculum etc.	Effective learning.
3. Productive & Non-productive usage of ICT by students.	Favours ICT usage.

several other parameters which are reflective to Performance linked Productivity. This can be measured by a Performance Indicator or Key Performance Indicator (KPI) which is a measure

of Performance. Such measures are commonly used to help an organization to define and evaluate how successful it is, in terms of making progress towards its goals. The KPI differs depending on the nature of

the organization and the organization's strategy. KPI helps to evaluate the progress of an organization towards its vision and goals.

A KPI is a key part of a measurable objective, which is made up of a direction, benchmark, target and time frame. Performance Management includes activities to ensure that goals are consistently being met in an effective and efficient manner. Performance management can focus on the performance of an organization, a department, an employee, or even the processes to build a product or service as well as many other areas.

#### Performance-Productivity Indicators:

For analyzing Performance linked Productivity of ICT Usage in any Technical Education Institution, a survey has to be conducted. The principal indicators are derived on the basis of the strategic formulation on the basis of ICT based policy & funding from the Government to Teaching & Learning Process. The entire process may be categorically divided in to five components:

- ICT based Policy & Strategy
- ICT Infrastructure & Access
- ICT based Curriculum
- Teaching Process and Outcomes
- Learning Process and Outcomes

**Result and Conclusions:** This study tends to identify the indicators that have impact in terms Performance linked Productivity of ICT usage in Technical Education Institution. The ICT usage and its diffusion is on the basis of stake holder's ICT usage in both dimensions i.e. Instructional and Managerial. This study elaborates the underlying relationship between ICT facilities, Perceived attributes, and ICT usage for Technical Education

for Impact Analysis in terms of Performance linked Productivity. ICT facilities have a strong positive effect on perceived indicators and attributes. The study focuses on the fact that the ICT facilities cannot suffice alone, there should also be a policy framework and a strategical approach for its implementation

#### REFERENCES:

1. Usluel, Y. K., A kar, P., & Ba , T. (2008). A Structural Equation Model for ICT Usage in Higher Education. *Educational Technology & Society, 11* (2), 262-273.
2. Koellinger Dr Philip , Special Report No. 01/2006 ,Impact of ICT on Corporate Performance, Productivity and Employment Dynamics.
3. Campbell, J. P., McCloy, R. A., Oppler, S. H., & Sager, C. E. (1993). A theory of performance: In N. Schmitt & W. C. Borman (Eds.), *Personnel Selection in Organizations* (pp. 35-70). San Francisco: Jossey-Bass
4. Campbell, J. P. (1990). Modeling the performance prediction problem in industrial and organizational psychology. In M. D. Dunnette & L. M. Hough (Eds.), *Handbook of Industrial and Organizational Psychology* (pp. 687-732). Palo Alto, CA: Consulting Psychologists Press, Inc.
5. Campbell, J.P., Dunnette, M.D., Lawler, E.E., & Weick, K.E. (1970). *Managerial behavior, performance, and effectiveness*. New York: McGraw-Hill.
6. AICTE website <http://www.aicte.ac.in>
7. Oliver Ron, The role of ICT in higher education for the 21st century: ICT as a change agent for education,
8. Sharma Dharendra and Singh Vikram, *ICT in Universities of the WesternHimalayan Region in India: Status, Performance- An Assessment*.

# CORPORATE CITIZENSHIP VIS-A-VIS CSR

DR. B.K. MOHANTY

**T**he term corporate citizenship refers to the moral obligations of business to the society. As individuals, corporate are also constitute an integral part of the society and their behaviour shall be guided by certain social norms. An ordinary citizen is having, a limited life span and having unlimited liability where as the Company law, created by society has provided corporate of limited liability and perpetual life. At the same time, corporations have also acquired all the rights of individuals under law. Thus, corporations have become privileged citizens of society. When corporate are enjoying more privileges so, they must take more responsibilities as compared to an ordinary human being.

## EVOLUTION OF SOCIAL RESPONSIBILITY

The notion of corporate social responsibility (CSR) has been with us in India, ever since the concept of "Daan" of giving voluntary for greater good. The country's legendary business houses like the TATAs and the Birlas, actively promoted concepts of nation building and trusteeship in their corporate traditions, even before CSR became a popular cause. Jamsedji Tata had a letter to his son Dorab and instructed "Be sure to lay out wide streets planted with shady trees, every other one of a quick growing variety. Be sure there is plenty of space for lawns and gardens, reserve large areas for football, hockey and perks. Earmark areas for Hindu temples, Mohammedan mosques and Christian churches. No wonder Jamsedpur emerged as a beautiful and well developed city. TATA believed that the community was the reason for the very existence of the company.

1970, witnessed a land mark development when the articles of association of the company was amended to incorporate the social and moral responsibilities of the company to consumers, employees, shareholders, society and the local people. A decade later the Board of Directors of TISCO appointed a social audit committee to go in to the question of whether and to what extent the company had fulfilled its social obligations laid down

in the articles. This resulted in the first social audit ever undertaken by any company, public or private. In India, at a time it was not popular any where in the world. The report of the Committee was a glowing tribute to TISCO's endeavours in the discharge of its social obligations to the various segments of the society. TATA steel has own the National corporate governance award in 2000. For the disclosure in its annual reports about its strategies, current state of affairs, plans, operations, finances and initiatives in the social domin, contributed to the award being announced in its favour. The company has also has an effective system of communicating with shareholders, stock exchanges and the general public. It has also set in place practices and procedures that enable it to maintain friendly investor relations. Other reasons cited for bestowing the award on TATA steel included employee relations, support of rural and community development programmes, implementation of the ISO14001 environment management system and also the driving change within the company in terms of knowledge management systems, people processes and performance ethics.

Today, CSR has seen a movement away from mere funding to looking for a direct business impact. It is a social investment as opposed to philanthropy. A global survey by Price Water house coopers, which polled 1100 CEO's has come to a conclusion that CSR is important to profitability and can prevent the loss of customers, shareholders and even employees. With the proper implementation of CSR activities, a company can attract and retain the best talent, prevent future costs, create a long and lasting revenue source, strengthen brand value, enhance reputation, improve employee morale and create a positive political and social environment to function in.

After the scandals involving companies like Enron and Worldcom, investors are questioning companies an issues that goes beyond financial performance, like ethics, governance, business practices and environmental standards- all these are new part of CSR.

## APPROACHES TOWARDS CSR

According to Milton Friedman “Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stock holders as possible.”

Soloman held the view “Profits are not the purpose of a business activity, but a means to building the business and rewarding employees, executives and investors.”

Peter F. Drucker asserted that “Profit is not the explanation cause or ration able of a firm's behaviour and management decisions, but the test of their validity.”

Today, there is increasingly a realisation among many that CSR is good for business. Further,, there is growing evidence that the larger the firm the greater its social responsibility. Any failure to measure up to the requirements, expectations and desire of the stakeholders, including the wider society, will have implications for the firm's reputation even when such failure does not result in any shortcomings or limitation concerning product or service quality.

In 1971, the Committee for Economic Development USA stated three approaches for CSR such as-(1) The Inner circle approach (2) Intermediate circle approach (3) Outer circle approach. The Inner circle approach includes the clear cut basic responsibilities for the efficient execution of the economic function products, jobs and economic growth. Intermediate circle involves a responsibility to exercise the economic function as stated above with a sensitive awareness of changing social values and priorities. It involves environmental conservation, hiring and relations with employees. Outer circle approach is broad and involves newly emerging and more responsibilities that a business should assume to become more broadly involved activities improving the social environment. The CSR principles have undergone a sea change over the period of time and it is now mainly confines in the following four categories such as economic, legal, ethical and discretionary.

## VIEWS ABOUT CSR

Niall Fitz Erald (Former CEO, Uniliver) “ Corporate social responsibility is a hard edged business decision, not because it is a nice thing to do so or because people are forcing us to do it because it is good for business.”

William Ford J. (Chairman, Ford Motors) “Social

obligation is much bigger than supporting worthy-causes, it involves anything that impacts people and the quality of their lives”.

Jeroen vander veer (Managing Director Shell)” in my view the successful Companies of the future will be those that integrate business and employees personal values. The best people want to do that contributes to society with a company whose values they share, where their actions count and their views matter.”

Courtney Pratt, Former CEO, Toronto Hydro- “Business has a responsibility beyond its basic responsibilities to its share holders, a responsibility to a broader constituency that includes its key stake holders, customers, employees, NGOs, Government- the people of the communities in which it operates.”

N.R. Narayana Murthy-(Chairman and CEO of Infosys) “Corporate foremost social responsibility is to create maximum share holder value working under the circumstances where it is fair to all its share holders, workers, consumers, the community, government and the environment around us and not cheating our customers and workers, we might not gain anything in the short run, but in the long term it means greater profits and share holder value.”

Aman Mehta, CEO, HSBC, Hong kong- “CSR as a concept different to different people and in different Countries. Fundamentally, CSR is balancing the conflicting interest put on the corporations from different stake holders with the objectives a commercial organisation in such a way that there is minimum loss to anybody.”

Bertrand Collomb, Chairman and CEO, Lafarge, Franc- “Company can't be successful in the long run without a happy community around and a motivated and happy workforce which would translate into greater labour productivity, lower wastage in manufacturing process and product rejection rate resulting in greater profits. According to him, international companies can exhibit a greater social responsibility by bringing in efficient manufacturing and business practices to be developing countries and training and educating local people in new skills and Knowledge”

## CSR AND VALUE PROPOSITIONS

CSR is like social investment which the corporate houses make. It is an act of voluntary actions that business houses undertake to address both their competitiveness and the interests of society. It is about how business takes account of its



Table-1  
CSR Initiative of TATA towards Employees

Particulars	Year of Introduction	Govt. Enforced as Law	Legal measures
Five Hour working day	1912	1948	Factories Act
Free medical aid	1915	1945	ESI Act
Welfare department	1917	1948	Factories Act
Works Committees	1919	1947	Industrial Dispute Act
Leave with Pay	1920	1948	Factories Act
Provident Fund	1920	1952	Employees PF Act
Accident compensation	1920	1924	Workmen's Compensation Act
Training of Apprentices	1921	1961	Apprentices Act
Maternity Benefit	1928	1961	Maternity Benefit Act
Profit sharing Bonous	1934	1965	Payment of Bonou s Act
Gratuity	1937	11972	Gratuity Act

Source- Joshi and Sangam Kapoor- Business Environment- Page-116

economic, social and environmental impacts in the way it operates. The concept of CSR, however, goes beyond the philanthropic gestures i.e. donating money to good causes at the end of the financial year. Now, it has been realised that CSR is an all year round responsibilities that companies accept for the environment around them.

World Bank has also realised that CSR can help in improving the national competitiveness and companies are using CSR standards to meet the loaning conditions of the IFC (International Financial Corporation). Good social and environmental performance standards are a requirement for IFC investment. ifc has updated the performance standards of big corporate on social and environmental sustainability. The policies help IFC to understand opportunities and risks of their investments and assist the companies in minimising potential negative social and environmental impact of their business.

IFC has prescribed three standards for sanctioning the project finance lending to leading commercial financial institutions. Standard one focuses on client management system. The objective of this standard is that social and environmental requirements are complied in the basic operating systems of a company.

Standard two requires an integrated social and environmental risk assessment of the proposed projects. This is the fundamental way to get into the DNA of a company and to find out how the corporate

solve the potential risks and minimise the risk element. These standards require early and ongoing community engagement. All the institutions who are in need of project finance must disclose information essential to the health and welfare of affected communities and consult with them on these issues throughout the life of the project, not just at the initial development phase.

## S O C I A L R E S P O N S I B I L I T Y I M P L E M E N T A T I O N

TATA first introduced many welfare measures for the benefit of their employees and the Government made them compulsory later for other business groups to follow. CSR initiatives of TATA towards its employees is mentioned below in Table-1.

## CSR AS BUSINESS STRATEGY

CSR can be much more than a cost, a constraint or a charitable deed- it can be a source of opportunity, innovation and competitive advantage. Globally there are many companies who have managed the CSR goals with greater efficiency. For example - Nestle get permission from the Government of India in 1962 to set up a dairy plant in Moga, Punjab. At that time , the milk output of the livestock with farmers was very pathetic and there was high mortality rate of calves. Due to the poor infrastructure and lack of resources, milk could not be transferred over even short distances. Nestle, taken a bold step in transporting the milk to

Switzerland by creating a large base of small farmers. Gradually, the value chain extended and there was social transformation of the value chain. In due course of time, the company built refrigerated Lorries as collection points in each town and along with the lorries it also sent all kinds of experts such as veterinary surgeons and agronomists to provide farmers with technical expertise. Nestle provided farmers financial and technical assistance for constructing deep bore wells and fulfilled the irrigation requirements and improved the quality of livestock's feed crop, thereby, not only improving milk yields but also increasing their life style. The project has resulted in higher living standards in Moga. Now, 90% of households having access to electricity and telephones. Nestle got access to its raw material and its rural suppliers gained a higher standard of living. Today, the place became the hub centre for milk export and now milk is supplied from this place to Brazil.

Doing business with a strong sense of values is a win-win game for all consumers, employees, suppliers and investors trust organisations that live by a clear set of values. Trust is invaluable and is intrinsic to building a strong brand equity which commands a premium. Within the same industry companies that enjoy a score higher on ethics and principles also seem to command more respect.

### STEPS OF CSR LADDER

Corporations interact with civil society in five different manners- (1) Accountability to investors and lenders- it is also known as financial. In this domain major emphasis is given on corporate accounting, auditing, company law, stock market regulators and main focus is on corporate governance. (2) Value creation- In this ladder customers, employees, vendors, labour laws, and commercial contracts are given prime importance. Basically corporate management is given special attention. (3) Physical Environment- environmental influences such as external and internal are to be analysed to take up the pro-active measures instead of reactive steps. (4) Human Factor- In this domain health, education, employment and cultural needs in the community etc. is given utmost importance. (5) Political Environment- Accountability for the political health of the societies in which corporate operates, human rights, fair democratic practices etc, are to be looked upon. All the corporate are the more takers of permissions from the society. These five domains are like steps of a ladder of corporate social

responsibility. Many corporate are still on the first two ladders. So it is advisable that should gradually move up to the 5<sup>th</sup> level for the better management of CSR.

### MODELS OF CSR

CSR requires careful planning like any major business venture of an organisation. There are three ways of making CSR sustainable they are such as – (1) CSR may be competence driven (2) Community driven (3) Consumer driven. To take an example of competence driven model it has been seen that excel industry, an agro based company, shows its competence and volunteered to recycle garbage in Mumbai. This innovative act benefited them, as well as the community at large and earned much name and fame as a business house.

In community driven model CSR is achieved by linking the company's business interest to community development. For example- Lipton in "Etah" started Veterinary hospitals in the region from where it bought milk. This helped Lipton to get an assured supply of milk which kept the community of dairy farmers happy and brought general prosperity to the region. To take another example- IKEA has a massive education project in the districts of east Uttar Pradesh. In fact, IKEA has taken the further step of evaluating its educational interventions in terms of the impact it had on the actual employment of child labour in carpet factories of these districts.

Consumer driven Model- in this model CSR can create new consumer expectations and heat on competitors. For example, by encouraging the growth of green cotton that is less damaging to the environment and cotton producers, a textile manufacturer sets higher standards for its consumers, leaving its competitors no option but to follow the leader. But the initiator in this process will always have head start. From the above it has been understood that CSR is a way of making profit in a socially responsible fashion. CSR has, therefore, a different meaning from philanthropy. It would be necessary for all firms, big and small, to think along these lines.

### CSR RATINGS

Table -5, represents the Karmayog CSR Ratings of the 1000 largest Indian companies in 2008. Rating criteria and the method of rating levels have been incorporated in table no.2, 3 and 4 respectively.

### INDUSTRY SECTOR-SPECIFIC CSR INITIATIVES

The CSR study helped to identify several sector-

Rating Criteria:-Table-2  
Minimum Necessary Criteria

Necessary parameters that make a company eligible for a particular rating level:

Necessary Criteria	Explanation	Rating Level
If undertaking any CSR Activity	Where any kind of social, developmental or community work is done	Level 1
If CSR is linked to reducing the negative impacts of company's own products or processes	CSR activities that aim to improve processes and products of the company.	Level 2
If CSR initiatives are for the local community	CSR activities that are focused on those who are affected directly by the company	Level 3
If CSR is embedded in the business operations	CSR activities form a part of the daily business activities of the company.	Level 4
If innovative ideas and practices are developed for CSR	CSR activities enable sustainable and replicable solutions to problems faced by society.	Level 5

Source- Karmayog CSR Ratings-2008

Table-3 Sufficient Criteria for Minimum Rating  
If the company is doing this, they automatically get this rating at least

Sufficient Criteria	What this means	Rating Level
Company fulfilling the basic needs of society e.g. manufacture of food	The products and services of the company are useful and benefits society	Level 1
Unique CSR activity which would not otherwise happen e.g. Developing a mapping and tracking software for adoption in India	The CSR activity being undertaken by the company is not being done by government, NGOs, etc.	Level 1
Company reducing negative impact of others e.g. A company that makes water purification & waste recycling systems	The company's products or services provide solutions to mitigate harm caused by actions of companies, their products, etc.	Level 1
Company adopting the GRI Framework for CSR reporting	The company is committed to measuring and reporting its CSR initiatives as per a voluntary globally accepted framework.	Level 2
Company's annual expenditure on CSR = 0.2% of sales	The company is committed to a minimum expenditure on CSR annually, and thus considers CSR as an integral part of its business	Level 3

Source- Karmayoag CSR Ratings-2008

specific CSR initiatives that should be taken up by companies of that industry sector, as these initiatives are directly connected to the processes and products of that industry sector. As a society, we

would expect any company working in these sectors to be doing the following as an integral part of their CSR initiatives:

Table-4  
Negative Criteria that usually determine the maximum possible Rating  
Companies in this category will not normally get a higher rating than the one shown

Negative Criteria	Reason	Rating Level
Companies that make liquor, tobacco, genetically modified crops	These products are not needed by society, and cause harm to people and the environment. The CSR to do is to stop making these products.	Level 0
Companies that violate laws/rules/regulations	CSR is not limited just to how a company spends its money, but also to how it makes that money in the first place	Level 1
Companies engaged in high impact processes	Processes that severely damage the environment require extraordinary efforts by the company to reduce and repair the damage, and require greater contributions to benefit society	Level 1

Source- Karmayoag CSR Ratings-2008

#### GOVERNMENT SOPS TOWARDS CSR

The Ministry of corporate affairs is working on the board contours of a code that will require all profit making companies to set aside an amount proportionate to their turnover or profits for Corporate Social Responsibility (CSR) initiatives. Once finalised, the code may be woven into the companies' bill, 2009. The proposal if implemented will see private companies stepping up their CSR activity. Currently, profit making PSUs are required to shell out up to 2% of their net profit towards CSR work. Minister for corporate affairs Salman Khurshid had recently said that companies may even be extended fiscal relief for their involvement in CSR work. The Minister had said that one of the ways to attract companies towards CSR work is to develop a system of CSR credits, similar to carbon credits which are given to companies for green initiatives. The sops could be in the form of fiscal benefits equivalent to the credit points they have earned.

#### CSR POLICY

Keeping in view the importance of PSUs in discharging social obligation, a limited review on the initiatives taken by the PSUs in selected sectors viz. Oil and Natural Gas Sector, Coal and Power Sector towards CSR was conducted. Out of the total 28 companies in Coal Sector, Power sector and Oil and Natural Gas Sector selected for examination, it was observed that 19 companies (5 companies in Power Sector, 8 companies in Coal Sector and 6 Companies in Oil and Natural Gas Sector) had approved CSR

policy during 2007-08. The list of companies having CSR Policy and a list of companies not having CSR policy covered in the review are given in Table – 7. The Oil and Natural Gas Sector and Coal Sector Companies made the budget allocation for CSR activities as per the policy directions of their respective Ministries. While the Coal companies provided one rupee per tonne of coal produced, companies in Oil and Natural Gas Sector provided 0.5 per cent to one per cent of the profit for CSR activities. However, in case of Power Sector companies no structured guidelines existed for budget provision as emerged from the following Table-7.

#### RECOMMENDATION AND POLICY IMPLICATIONS-

##### 1) Social Obligations and SCBA

Sachar Committee has recommended that Social cost benefit Analysis (SCBA) is to be accepted as one of the prime considerations for making any investment in the public sector. The same principle must be applied towards the private corporate sector in the matter of investment. The private corporate sector should take up social accountability as a part of the discharge of its social obligations in the course of its own economic operations. In India while lot of companies are actively engaged in CSR activities, but till now CSR reporting is not obligatory under the companies Act, 1956. But as per the report of the Sachar Committee CSR reporting must be made compulsory for both the public as well as private companies.

Table-5  
Consolidated Sector Wise CSR Ratings

S. No.	Industry Sector	No. of Cos.	Sales in Rs. crores	Level 5	Level 4	Level 3	Level 2	Level 1	Level 0
1	Auto Ancillaries	48	45000	0	0	1	11	10	26
2	Automobiles	13	100000	0	0	4	4	0	5
3	Banking	40	260000	0	0	6	9	8	17
4	Cement	30	47000	0	1	0	11	11	7
5	Chemicals	63	45000	0	1	3	14	19	26
6	Computers	7	21000	0	1	0	0	2	4
7	Construction	57	65000	0	0	2	9	10	36
8	Diversified	13	24000	0	0	0	4	4	5
9	Electronics	18	35000	0	0	1	2	3	12
10	Engineering	44	40000	0	0	3	10	9	22
11	Entertainment & Media	15	8000	0	0	0	3	1	11
12	Fertilizers	19	41000	0	0	0	10	6	3
13	Financial Services	32	50000	0	1	1	2	6	22
14	FMCG & Consumer Durables	60	75000	0	0	4	15	14	27
15	Heavy Engineering	10	31000	0	0	1	1	6	2
16	Hotels	9	5300	0	0	0	3	2	4
17	Iron and Steel	93	180000	0	1	2	18	17	55
18	Jewelry	11	19000	0	0	0	0	4	7
19	Logistics	17	27000	0	0	1	6	5	5
20	Metals	14	51000	0	0	1	7	2	4
21	Mining	6	13000	0	0	0	3	2	1
22	Miscellaneous	42	45000	0	1	1	4	10	26
23	Oil and Gas	19	750000	0	0	2	5	8	4
24	Packaging	10	6300	0	0	0	0	3	7
25	Paper	13	7400	0	1	1	6	2	3
26	Petroleum and Petrochemicals	7	6800	0	0	0	1	2	4
27	Pharmaceuticals	49	43000	0	1	1	16	17	14
28	Polymers and Plastics	10	7000	0	0	1	0	5	4
29	Power	46	140000	0	0	2	11	8	25
30	Retail	5	8000	0	0	0	1	2	2
31	Software & ITES	40	88000	0	2	2	13	6	17
32	Sugar	25	15000	0	0	0	7	3	15
33	Telecommunication	20	64000	0	0	2	2	6	10
34	Textiles	77	57000	0	0	2	10	16	49
35	Trading	18	68000	0	0	1	2	2	13
	<b>Total</b>	<b>1000</b>	<b>2487800</b>	<b>0</b>	<b>10</b>	<b>45</b>	<b>220</b>	<b>231</b>	<b>494</b>

Source- Karmayog CSR Ratings-2008

Table-6  
Expected CSR initiatives for different sectors

S. No.	Industry Sector	Example of expected CSR
1	Automobiles & Auto Ancillaries	Reduction of auto emissions
2	Banking	Support small entrepreneurs
3	Cement	Quarry Rehabilitation
4	Chemicals	Minimise air and water pollution
5	Construction	Low cost housing
6	Computers	E-Waste management
7	Electronics	Energy efficient products
8	Engineering	Reduce material content and wastage
9	Entertainment and Media	Raising awareness on social issues
10	Fertilizers	Promote use of organic fertilizers
11	Financial Services	Support small entrepreneurs
12	FMCG and Consumer Durables	Reduce packaging
13	Heavy Engineering	Mitigating impact on environment
14	Hotels	Promote local tourism
15	Iron and Steel	Environment restoration
16	Jewelery	Promote local artisans and craftspeople
17	Logistics	Fuel efficient vehicles
18	Metal	Environmental restoration
19	Mining	Quarry rehabilitation
20	Oil and Gas	Promote and develop alternate energy resources
21	Packaging	Use of recyclable material
22	Paper	Farm Forestry
23	Petroleum and Petrochemicals	Environmental restoration
24	Pharmaceuticals	Focus on prevention of diseases
25	Polymers and Plastics	Environmental restoration
26	Power	Use of renewable energy sources
27	Retail	Reduce use of plastic and packaging
28	Software and ITES	Green IT
29	Sugar	Using by-products and waste to generate energy
30	Telecommunications	Improving connectivity and services in rural areas
31	Textiles	Use of environmentally friendly materials

Source- Karmayog CSR Ratings-2008

2) Role of Stake Holders

Stake holders should create a better reporting environment and should help in rewarding the socially conscious companies

3) Matrices of Reporting

The World Bank states that there is no single reporting system or model of corporate reporting for CSR which create many social or environmental problems. Therefore, it is necessary that the stake holders should suggest appropriate matrices for standard reporting. They should have possessed the features of regularity in the reporting with concrete data which should be accurate and verifiable. The

data should possess the characteristic of comparability across various locations. Firm wise and product wise data should be collected and accordingly suitable matrices may be used for better analysis and interpretation.

4) Role of Regulators

Professional institutions such as ICAI or FICCI, ASSOCHAM can play an important role in bringing uniformity and encouraging companies to take firm steps towards CSR accounting disclosures. Companies having innovative methods of presentation of the SCBA ( social Cost and Benefit Analysis) should be properly rewarded in the form of

Table-7  
Sector wise Allocation and Actual Expenditure towards CSR

Name of the sector/ company	Allocati on (Rs. in lakh)	Actual expenditure (Rs. in lakh)	Unutilised amount (Rs. In lakh)	<i>Percentage of unutilised amount over allocation</i>
<b>Oil and Natural Gas Sector</b>				
Bongaigaon Refinery & Petrochemicals Limited	135.00	109.15	25.85	19.15
Numaligarh Refinery Limited	543.25	349.84	193.41	35.60
Balmer Lawrie & Company Limited	36.00	34.50	1.5	4.17
Biecco Lawrie Limited	1.00	0.46	0.54	54.00
Bharat Petroleum Corporation Limited.	903.00	566.00	337.00	37.32
Hindustan Petroleum Corporation Limited	124.45	84.00	40.45	32.50
Mangalore Refinery Project Limited.	250.00	151.16	98.84	39.54
Oil India Limited	1717.00	642.07	1074.93	62.61
GAIL(India) Limited	1751.26	1666.07	85.19	4.86
Indian Oil Corporation Limited	5952.51	5426.72	525.79	8.83
<b>Total</b>	<b>11413.47</b>	<b>9029.97</b>	<b>2383.50</b>	
<b>Power Sector</b>				
Nuclear Power Corporation of India Limited	279.00	170.89	108.11	38.75
NHPC Limited	200.00	96.05	103.95	51.98
Narmada Hydro Development Corporation Limited	55.00	40.49	14.51	26.38
NTPC Limited	1401.00	759.00	642.00	45.82
NTPC-SAIL Power Company (P) Limited	74.87	46.12	28.75	38.40
Power Grid Corporation Limited	45.00	37.50	7.50	16.67
<b>Total</b>	<b>2054.87</b>	<b>1150.05</b>	<b>904.82</b>	
<b>Coal Sector</b>				
South Eastern Coalfields Limited	858.45	732.98	125.47	14.62
Western Coalfields Limited	439.07	351.46	87.61	19.95
Bharat Coking Coal Limited	240.00	*185.78	54.22	22.59
Central Coalfields Limited	500.00	*385.28	114.72	22.94
Mahanadi Coalfields Limited	1832.88	*1832.88	0.00	0
Eastern Coalfields Limited	200.00	*387.68	-	-
North Eastern Coalfields Limited	0.00	*14.91	-	-
Northern Coalfields Limited	250.00	*441.33	-	-
<b>Total</b>	<b>4320.40</b>		<b>382.02</b>	
<b>Grand Total</b>	<b>17788.74</b>		<b>3670.34</b>	

Source- Report No. CA-22 of 2009-10

monetary incentives.

#### 5) Adoption of standard CSR index

Steps should be taken to create a standardised CSR index across India. Index may be comprised taking into consideration the development of society and environment such as contribution towards environment, education, health care and donations for disaster recovery plans. Weightages for different elements may vary but disclosure of the above parameters would be a must in the CSR index.

#### 6) Tax Concessions and subsidies

Government should provide additional tax concessions to companies that are actively engaged in CSR activities. Subsidies if possible may be provided to the company utilising the services of the government paid servants in promoting community development programmes. For planning and execution for the various community development programmes specialists are needed from the government sector. On priority basis their services should be provided to the corporate and if possible specialised officers may be deputed for a limited period of time for which their allowances etc. may be compensated by the Government to encourage the corporate sector to take up further community development programmes by which society is benefited. In the long run, market forces would reward such companies.

#### 7) Role of NGOs

Usually NGOs are having better knowledge and experiences in the performances of the community development programmes. Technically, these NGOs are more competent to take up various community development programmes as compared to corporate. NGOs are mainly service providers but they are not having adequate finance to carry on various development works as per the need of the society. Corporate after providing finance can sponsor a particular NGO for the completion of the various community development programmes. The amount of donation by the corporate may be incorporated in the Annual Report or to be published in the form of the news letter for wide publicity before the stake holders and the public in general.

#### 8) Follow up Action

CSR requires through research, a detailed and pro-active plan, regular monitoring, constant interaction and feedback from the audience for whom the programme is run. The important factors

that are to be considered are sustainability, continuity, constant monitoring and reporting.

### CONCLUSION

There is a need to promote a drive in Government Companies towards greater accountability on Corporate Social Responsibility (CSR). In order to attain the social objectives, there is a need for framing a CSR policy in every company for prioritisation of activities for social spending and allocation of separate funds for this purpose. Moreover, to have an impact of the CSR spending and utilisation of allocated budget, there should be a system of periodical monitoring and reporting of the Board of Directors.

The corporate paradigm of “wealth creation” must extend beyond the stock market and corporations must be seen to foster widespread participation in economic activity. Ultimately CSR properly redefined, is the core of the CEO and Board's responsibility. The results they responsible for must be a composite of environmental sustainability, social inclusiveness and returns to the share holders. Sustainability of the CSR objectives comes from two areas. One, the goals are chosen wisely, are achievable and have a direct linkage to the business we are in. And two, there is commitment at the top most level of any organisation. It is time now for us as a whole, to reach the “value creation” stage. According to Prof.C.K. Prahallad's words from the “Fortune at the bottom of the Pyramid”.

### REFERENCES:

1. Cherunilam Francis- Business Environment- Himalaya Publishing House- NewDelhi
  2. Josy Rosy and Kapoor Sangam- Business Environment- Kalyani Publishers- NewDelhi
  3. Kably Lubana- “Make this World a better place” Economic Times Dt. 30.10.09
  4. Kanwar S. Onkar- “CSR makes good business sense” Economic Times-Dt. 02.04.07
  5. Singal Rajnish- “ CSR as business Strategy”- Economic Times- Dt. 15.05.07
  6. Birla Kumarf Mangalam- “ Values, the driving Force”- Economic Times- Dt. 08.01.07
- Maira Arun- “ Moving at the CSR ladder- Economic Times- Dt. 08.02.07

Signature



# IMPACT OF TALENT MANAGEMENT ON CUSTOMER LOYALTY IN HOTEL

DR. KOMAL NAGAR\*, TEJESHWAR SINGH\*\*

Declaration: This article is an original work of the author(s) and it has not been published or submitted for publication anywhere else.

Impact of Talent Management on Customer Loyalty in Hotel Industry

## Abstract

*Talent management is gaining great importance these days. It refers to the process of integrating new workers, developing and retaining current workers and attracting highly skilled personnel to work for your company (Chugh and Bhatnagar, 2006). Talent Management has indeed become an important business issue because the knowledge and talents of workforces represent a singular competitive advantage (Pizam, 2006). Baum (2008) comments that 'talent management is an organisational mindset that seeks to assure that the supply of talent is available to align the right people with the right jobs at the right time, based on strategic business objectives. It is both an espoused and enacted commitment to implementing an integrated, strategic and technology enabled approach to HRM. In essence this requires an 'organizational mindset or culture in which employees are truly valued. It is indispensable for survival and sustainable development of any business organisation. Neglect of talent management is suicidal for the organisation particularly in the current business scenario of high competition. Opportunities to qualified and talented employees abound in India due to expansion of higher education and coming up of a large number of institutes promoting professional courses in various streams (Joerres and Turcq, 2007).. The importance of talent management for MNC'S is pushed by two factors namely:- The role of individuals in an organisation by exploring their talent for its success.*

*The problems faced by organisations in recruitment and retainment of necessary managerial talent in order to operate globally.*

*It is noted that organisation do understand the potential value added by talented people hence making the organisation to spend time and resources in recruiting high deserving applicants.*

*Moreover MNC'S operate in an environment of ever increasing global competition; the effective management of talent will be significant in ensuring their continued success. Therefore, in the light of emerging talent management as an important tool, it is very necessary to successfully design and implement practices to recruit, develop and deploy and lastly retain the best and the brightest for key positions. As per Michael Wilkins, CEO of Promina, Talent management is about making sure that you have the right people in the right places for both themselves and the organisation. Talent management refers to additional processes and opportunities that an organisation makes available strategically to a pool of people who are deemed to have talent.*

---

Keywords: *Customer Loyalty, Talent Management, Tourist Behaviour, Destination Management.*

---

## IMPACT OF TALENT MANAGEMENT ON CUSTOMER LOYALTY IN HOTEL INDUSTRY

### INTRODUCTION

**T**alent management is also about recognising and addressing the constant challenge to have the right people matched to the right jobs at the right time and doing the right things. Therefore, talent management is about managing the demand, supply and flow of talent across the organisations through the human capital engine based on organisational strengths, weaknesses,

opportunities and threats. By talent we mean any individual who has the capability to make a significant difference to the current and future performance of the company.

### WHAT IS TALENT MANAGEMENT?

Talent management is the integrated process of ensuring that an organization has a continuous supply of highly productive individuals in the right

---

\*Assistant Professor, The Business School, University of Jammu, Jammu. E-mail:- komalnagar@rediffmail.com

\*\*Ph.D Research Scholar, The Business School, University of Jammu, Jammu. E-mail:- tejeshwar.singh@yahoo.co.in

job, at the right time. Rather than a onetime event, talent management is a continuous process that plans talent needs, builds an image to attract the very best, ensures that new hires are immediately productive, helps to retain the very best, and facilitates the continuous movement of talent to where it can have the most impact within the organization.

The goal of the talent management process is to increase overall workforce productivity through the improved attraction, retention, and utilization of talent. The talent management strategy is superior not just because it focuses on productivity, but also because it is forward looking and proactive, which means that the organization is continuously seeking for talent and opportunities to best utilize that talent. It produces excellent results because it overcomes the major problem of traditional recruiting, which is isolation. It instead integrates the previously independent functions of recruiting, retention, workforce planning, employment branding, metrics, orientation and redeployment into a seamless process.

#### KEY SUCCESS FACTOR OF TALENT MANAGEMENT

Before going into any detail about talent management, it's important to take a step back and look at where it fits into the larger role of HR and the business. Start with the operation of the HR department. Most HR departments operate using a functional model where every HR unit operates on a relatively independent basis. Other than HR generalists, every HR unit has independent goals, measures, and budgets. For example, there is little or no integration in the traditional recruiting function between its recruiting programs and the activities of other HR functions like development, compensation, and retention. Although this traditional separation provides the recruiting function with the opportunity to focus on its own specialty area, it can limit the impact of recruiting efforts by not meeting the expectation or needs of other people management and business processes and programs. Some have tolerated the problems related to this independence, while other organizations have instead implemented an overall HR strategy that integrates the different HR functions. This integrated strategy has become known as talent management — or in some cases the term "workforce management" is used. The reader should be aware that many in the field of HR use (or misuse) these terms, sometimes attaching them to

approaches that in fact offer no real change in their approach to HR. Fortunately, some have used the principles of talent management to create a unified approach to people management that produces significantly higher business results.

#### Primary Principles of Talent Management

The four primary factors that make the talent management approach unique include:

1. An integrated approach within HR. Talent management formally integrates people management programs and functions so that they work as a continuous process.
2. Integrating people processes into standard business processes. Talent management goes the next step and further repositions people management programs and processes into the company's standard business processes, such as the corporate strategic planning process, budgeting, mergers, and new product development.
3. Shifting responsibility to managers. Talent management pushes the accountability and the responsibility for executing people management down to the line management levels.
4. Measuring success with productivity. Talent management shifts the success measures from the more traditional HR and recruiting functional metrics towards measuring the overall productivity of the workforce.

In addition to the four above elements of talent management, there are some other factors that help define how talent management differs from traditional recruiting. They include:

**A focus on high impact positions.** A talent management strategy requires managers and HR to determine which jobs, when filled with top talent, have the largest impact on a firm's success.

**Accountability.** Talent management assigns responsibility for managing the talent inventory to the chief talent officer, who is responsible for results, not effort.

**Rewards and metrics.** Talent management builds cooperation and integration between previously independent efforts through its heavy use of common goals, metrics and rewards. As a result, no

independent function can be considered successful unless the overall talent management effort is also successful.

**Balanced metrics.** Talent management gets managers' attention by instituting a system of measures and rewards that ensures every manager is recognized and rewarded for excellence in people management (high workforce productivity). It simultaneously measures employee engagement to ensure that managers reach their productivity goals while using the appropriate management behaviors (two-way communications, empowerment, meritocracy, etc.).

**Business approach.** The talent management strategy is not derived from an overhead or administration model. It is developed from and mirrors other successful business process models, like supply chain management, finance, and lean manufacturing.

**Recognition of the business cycle.** The talent management approach involves

recognizing that different types of talent are required depending on changing business situations. As a result, talent management requires the continuous internal movement of talent in and out of jobs and business units based on current business needs and where the company is in its business cycle.

**Truly global.** Talent management encourages finding, retaining, and developing the best talent no matter where it is. It also stresses putting the work where the best talent is.

**Focus on service.** Seamless service is the expectation of talent management. Customer satisfaction, process speed, quality, and responsiveness are continually measured.

**Anticipation.** While traditional recruiting and retention tend to be reactive, talent management is forward looking. It forecasts and alerts managers about upcoming problems and opportunities. It encourages managers to act before the need arises in talent management issues.

## REVIEW OF LITERATURE

Cappelli (2008), discussed the impact of talent management practices on society and its failures leading to a mismatch between supply and demand, draining too many employees leading to layoff and having too little talent leading to talent shortages. These shortages may be due to i) doing nothing ii)

relying on bureaucratic old models of late 50's for forecasting and succession planning. These models fail because they are inaccurate and too costly. Therefore, a new third way of doing business and making money was suggested by understanding the cost and the benefits associated with company's talent choices, which can be achieved by responding quickly to changes in competitive environments.

Sandler (2006), Highlighted the importance of talent Management in an organisation. In HR critical issue survey respondents namely HR professionals and CEO's were asked to identify their top 5 issues and the results revealed that Talent Management was the top concern. When the respondents were asked for the reasons for prioritising Talent Management, it was found that Talent Management had a direct impact on productivity and future growth of the business. Moreover succession is another driver that is making Talent Management such a critical issue. Talent Management is a critical issue because many of the top leaders are retiring and it becomes expensive to continually hire persons from outside the organisation. Also there is a need that current employees should take more ownership of their work and to develop more innovative, efficient and less expensive ways of completing their job tasks. Criticality of Talent Management is high because companies are facing more competition in terms of new and upcoming shortages of qualified employees and the job market is now becoming a scary place.

Fernando (2008) explained the strategic nature of Talent Management and its close relationship with strategic Human Resource Management. Talent management may be described as comprising three components namely Talent Identifications, Talent Development and Talent Engagements, motivation and retention. Recruitment is a core component of external Talent Development. The article highlights the development of recruitment performance measures that matches with the organisational Talent management effort.

Sullivan and Burnett (2008), exhibited the evolutionary changes of traditional staffing into Talent Management which is increasing its speed day by day. Most of the leading companies are realising that talent as compared to technology is the driver capable of increasing or limiting the capability or capacity of an organisation. Some selected organisations supporting talent management with its new practices explains Talent Management as much a science as any other

management discipline.

Farel (2005) highlighted the importance of Talent Management as traditional HR practices are outdated. The demand to manage Talent effectively is placing new emphasis on strategic requirement of the HR functions. This requires a shift in thinking and a new level of participation at the executive level is required by translating corporate goals into strategic needs, linking people to profit and effectively managing talent are key to improving performance. The companies who have learned to master their functions, HR has earned a seat at executive table and businesses have reaped the rewards in forms of improved outcomes.

Jeffrey, Khurana and Reeves (2005) outlined the difficulties faced by managers while making decisions under competition with incomplete information and hence resulting in committing mistakes. Many of us ignore it resulting in poor quality decisions that waste time and money and Risks Company's future. To overcome this, evidence based management movement started i.e. every time someone proposes a change ask for evidence for its efficiency, clarify the logic behind evidence, looking for faulty reasoning, encourage managers to experiment with new ideas and rewarding those who learn from these efforts and this driving force insists that managers stay current in their field. Also encourage experiments by inviting managers to conduct small experiments to test the viability of proposed strategies, examine logic and reinforce continuous learning.

Valls (2004) in his paper outlined the general conditions of low cost by exploring the talent used for finding new ways of organising productive factors that has allowed new airline companies to enter the market by offering better prices. The paper focuses on Spanish urban hotel trade to analyse the series of factors such as increase in hotel accommodation, the fall in occupational level, prices, and the decrease in co-profitability. The findings suggested that strategies must be followed for exploring the Talent of employees in order to come up with better ideas to cater to the needs of their customers.

Gruthridge and Komm (2008) undertook a survey of some multinationals and revealed barriers to achieving cultural diversity to establish globally consistent HR practices and to promote mobility between countries. The findings show a strong correlation between financial performance as measured by profit per employee and companies

that achieve the best scores on a survey of their global Talent Management practices.

Cleeman (2004), in his paper highlighted the importance of Talent Management in small and medium sized enterprises (SMEs) and the Talent Management challenges which a company faces overtime. The findings gave some general principles which are very important for SME's which explained to recognise the importance of mindset, keep processes simple, have process owners and hold them accountable, hold managers responsible for Talent Management. Apart from these principles Human Resource performance drivers were also discussed to boost Talent Management

Hedger (2007) studied the core issues from hiring the right people to maximising individual performance and identifying leaders, Talent Management is a never ending process. If applied and carried out properly, it can raise a company's position to a whole new level. The bottom line results of this article states that Talent Management goes straight into the heart of an organisation i.e. developing the people who manage projects, contribute their ideas and move the company towards its goal. As a result Talent Management can deliver tangible business results. Also communication is very important part of the strategy and ensures that employees know how success is being measured. When an organisation shows interest in its people through performance development programs, it helps the organisation to attract and retain top talent.

Oracle White Paper series, March (2008), emphasised the need of Talent Management which is very critical for many organisations when it comes to effectively leveraging a state of the art technology, which is critical in talent shortage. Therefore, an integrated approach is ideal for forward thinking and expanding Talent Management scope of the organisation. This approach can be best achieved with a solution from a vendor that provides the core HR systems. The results stated that an integrated Talent Management framework from Oracle delivers this success via a holistic view of talent. The data source of Oracle provides constant and business processes and a uniform look which acts as a foundation for insightful decision making and profitability.

Kuusik (2007), studied about the influence of various factors on customer loyalty. The focus insists that the list of most important factors affecting loyalty is dependant on the level of loyalty of

customers. The results demonstrated that four factors namely satisfaction, trustworthiness, image, and importance of relationship are playing different roles on the different levels of customer loyalty.

Lalas (2005), in his paper brings in the key parameters that can be used for evaluating customer loyalty program solutions for an organisation. Considerable attention is paid in defining evaluation parameters. The results reveal that all organisations can not go with the same customer loyalty program, so the organisations needs along with an objective evaluation of solution option should precede a decision about a customer loyalty program.

Reid (2008) highlights whether customer satisfaction is the most reliable predictor of consumer repurchase behaviour. Most managers believe that a satisfied customer is one who repurchases in future. Through this paper the author gives an overview of the adequacy of customer satisfaction measures and it captures the relationship between customer satisfaction and loyalty. The findings reveal that re conceptualising customer satisfaction is a direct determinant which paves the way for deeper analysis of products. Service attributes have the greatest impact on the strength of a company-customer relationship.

Rousan, et.al (2010) presents the scenario of Jordan hotels. Many hotels are trying to win customer loyalty by providing enhanced quality services. A total of 322 surveys were administered to tourist who stayed at a three star branches of Marriott hotel in Jordan. The results show that dimensions of service quality such as empathy, reliability, responsiveness and tangibility significantly predicts customer loyalty. The most significant predictor of customer loyalty is tangibility. The results also implies that five star hotels in Jordan should also come forward and try their best to present better tourism service quality to win back their customer loyalty.

Dowling and Uncles (1997), argues that in order to strengthen relationships with their customers, marketers are showing renewed interests in customer loyalty programs. Research suggests that it is tough to obtain exceptional advantages through the launch of loyalty programs. Before introducing a loyalty program managers should fully access the cost and compare these costs with a realistic assessment of the benefits of the program. It was argued that to stand the best chance of success under tough market conditions, a loyalty

programme must enhance the overall value proposition of the product or service. This in turn, would motivate buyers to make the next purchase of the product.

Pitta, Franzak and Fowler (2006) undertook a study in order to present a strategic framework to managing online loyalty by integrating concepts including a range of recently published theoretical works in consumer loyalty in internet practice. The findings provide information and action approaches to consumer marketers that may increase the success, providing want satisfying market offerings outlines the costs and benefits of some online customer loyalty building practices.

Looser (2009) illustrated in its report the rationale behind the rebirth and explains why synchronisation with the brand strategy is one of the most imperative criteria for success of customer loyalty. It is pointed that the aim of customer loyalty instrument is to increase the customers of the company and its products or services for the long term.

Pirc (2008) addresses three research questions related to the process of consumer judgement and decision making and in particular customer loyalty. While talking of loyalty the stress in on, how determinants differ in their influence on customer loyalty. Loyalty is frequently measured by asking customers to forecast their future behaviour with two commonly used forms: intentions and expectations. Another dimension of this paper deals with how determinants influence customer loyalty. The results however revealed that satisfaction is the most important determinant for loyalty expectations. These finding are important both for companies that are defending their customer base and the companies who are trying to expand their customer base

Thompson (2005), explains the complexities in retaining the customers and also acquiring the new ones. Therefore, the author exhibits four steps to improve customer loyalty and retention, which if focuses on appropriate customers will improve profitability. The findings reveal that if these steps are followed, it will make organisation more customer-centric and will enable the business to grow faster and earn more profits.

Voyles (2007) surveyed 311 executives on their customer engagement practices. Respondents represented a wide range of industries and functions. The results showed that customer engagement moves are beyond customer loyalty. For

this the company must develop an engagement strategy by cultivating a close understanding of the customer and what he/ she expects from the company in order to become more fully committed. Further it will also address the role of technology which will help to engage customers.

## OBJECTIVES AND HYPOTHESES OF THE STUDY

The objectives of the Study are two-fold. The research was undertaken to study the various dimensions of talent management. Further it was undertaken to establish a relationship between the various dimensions of talent management with customer loyalty.

H1: Top management commitment and leadership has a significant affect on customer loyalty.

H2: Benchmarking significantly affects customer loyalty.

H3: Human resource management has a significant affect on customer loyalty.

H4: Social responsibility has a significant affect on customer loyalty.

H5: Service culture has a significant affect on customer loyalty.

## RESEARCH DESIGN AND METHODOLOGY

The study is exploratory and evaluative in nature and in order to increase its accuracy following methodology has been adopted.

### Generation of scale items

The data was collected thorough two questionnaires specifically developed for the study viz: Talent management and Customer Loyalty. The questionnaire used in the study for talent management was designed on the basis of review of existing literature viz; Corbin and Strauss, (2008) and Ashridge (1997). The questionnaire for measuring customer loyalty has been adapted from Zeithaml et.al and Ndubisi. The talent management

questionnaire consisted of 38 statements on 7 point Likert scale, covering 6 dimensions namely Development Strategy, Attract and Retain, Motivation, Deploy and Manage, Connect and Enable and Transform and Sustain. The customer loyalty questionnaire comprised with 7 statements. Besides this extensive discussion were held with the hoteliers, customers, tourists and the shopkeepers of Raghunath Bazaar and Hari Market.

## SAMPLE SELECTION AND DATA COLLECTION

The study has been confined to the 30 hotels of Jammu and about 50 shopkeepers of both Raghunath Bazaar and Hari market. All employees of these hotels were contacted for primary data collection. Census method was used for this purpose. The total number of employees contacted were 180. Out of 180, 152 employees generated complete usable questionnaires. The secondary data was collected from varied sources i.e. journals, books, magazines and from internet.

## DATA ANALYSIS

The data was analysed with the help of SPSS (11.5 version) and Regression analysis was applied to the study.

## VALIDITY ANALYSIS

Table 1 presents the validity analysis for this research, which was carried out using Cronbach's alpha. The validity for the potential variables were found to be 0.85 for top management commitment and leadership, 0.90 for benchmarking, 0.90 for human resource management, 0.83 for Social responsibility and 0.93. for Service culture. Since the results are significantly higher than the value of 0.7, the questionnaire is deemed to have excellent stability and consistency.

## REGRESSION ANALYSIS

The effect of Top management commitment and leadership dimension of talent management on customer loyalty was tested using

TABLE 1  
Results of the validity and reliability tests

Variable	Cronbach's alpha	Mean	Std Deviation
Top management commitment and leadership	0.85	4.02	0.59
Benchmarking	0.90	3.87	0.66
Human resource management	0.90	4.00	0.69
Social responsibility	0.83	3.93	0.63
Service culture	0.93	3.82	0.80

regression. The basic formulation of the regression equation is:

$$Y = a + bX$$

Where:

Y= dependent variable i.e. Customer loyalty

X= independent variable i.e. Top management commitment and leadership.

This research explores the effect of top management commitment and leadership on customer loyalty. Thus, the dependent variable is customer loyalty and the independent variable is top management commitment and leadership

Table 2

Regression output for Customer loyalty and top management commitment and leadership

Multiple R	0.081
R Square	0.234

**INTERPRETATION OF RESULTS:**

From Table 2 above we find out the strength of association between top management commitment and leadership and customer loyalty. Here, the coefficient of determination,  $R^2 = 0.234$ . This implies that 23% of the variation in customer loyalty is explained by the regression and the remaining 77% of the variation is explained by error.

Also,

Coefficient of correlation,  $r = 0.081$

Here 'r' has a positive sign which indicates that dependent variable i.e. customer loyalty is affected by the independent variable i.e. top management commitment and leadership. Therefore, the hypothesis is supported.

The affect of benchmarking dimension of talent management on customer loyalty was tested using regression. The basic formulation of the regression equation is:

$$Y = a + bX$$

Where:

Y= dependent variable i.e. Customer loyalty

X= independent variable i.e. Benchmarking

This research explores the effect of Benchmarking on customer loyalty. Thus, the dependent variable is customer loyalty and the independent variable is Benchmarking

Table 3

Regression output for Customer loyalty and Benchmarking

Multiple R	0.079
R Square	0.336

Interpretation of results:

From Table 3 above we find out the strength of association between benchmarking and customer loyalty. Here, the coefficient of determination,  $R^2 = 0.336$ . This implies that 33% of the variation in customer loyalty is explained by the regression and the remaining 67% of the variation is explained by error.

Also,

Coefficient of correlation,  $r = 0.079$

Here 'r' has a positive sign which indicates that dependent variable i.e. customer loyalty is affected by the independent variable i.e. benchmarking. Therefore, the hypothesis is supported.

The affect of human resource management dimension of talent management on customer loyalty was tested using regression. The basic formulation of the regression equation is:

$$Y = a + bX$$

Where:

Y= dependent variable i.e. Customer loyalty

X= independent variable i.e. human resource management

This research explores the effect of human resource management on customer loyalty. Thus, the dependent variable is customer loyalty and the independent variable is human resource management

Table 4

Regression output for Customer loyalty and human resource management

Multiple R	0.076
R Square	0.286

**INTERPRETATION OF RESULTS:**

From Table 4 above we find out the strength of association between human resource management and customer loyalty. Here, the coefficient of determination,  $R^2 = 0.286$ . This implies that 28% of the variation in customer loyalty is explained by the

regression and the remaining 72% of the variation is explained by error.

Also,

Coefficient of correlation,  $r = 0.076$

Here 'r' has a positive sign which indicates that dependent variable i.e. customer loyalty is affected by the independent variable i.e. human resource management. Therefore, the hypothesis is supported.

The affect of talent management on customer loyalty was tested using regression. The basic formulation of the regression equation is:

$$Y = a + bX$$

Where:

Y= dependent variable i.e. Customer loyalty

X= independent variable i.e. social responsibility

This research explores the effect of social responsibility on customer loyalty. Thus, the dependent variable is customer loyalty and the independent variable is social responsibility.

Table 5

Regression output for Customer loyalty and Social responsibility

Multiple R	0.069
R Square	0.384

Interpretation of results:

From Table 5 above we find out the strength of association between Social responsibility and customer loyalty. Here, the coefficient of determination,  $R^2 = 0.384$ . This implies that 38% of the variation in customer loyalty is explained by the regression and the remaining 62% of the variation is explained by error.

Also, Coefficient of correlation,  $r = 0.069$

Here 'r' has a positive sign which indicates that dependent variable i.e. customer loyalty is affected by the independent variable i.e. social responsibility. Therefore, the hypothesis is supported.

The affect of service culture on customer loyalty was tested using regression. The basic formulation of the regression equation is:

$$Y = a + bX$$

Where:

Y= dependent variable i.e. Customer loyalty

X= independent variable i.e. service culture

This research explores the effect of service culture dimension of talent management on customer loyalty. Thus, the dependent variable is customer loyalty and the independent variable is service culture social responsibility.

Table 6

Regression output for Customer loyalty and Service culture

Multiple R	0.087
R Square	0.194

INTERPRETATION OF RESULTS:

From Table 6 above we find out the strength of association between service culture and customer loyalty. Here, the coefficient of determination,  $R^2 = 0.194$ . This implies that 19% of the variation in customer loyalty is explained by the regression and the remaining 81% of the variation is explained by error.

Also,

Coefficient of correlation,  $r = 0.087$

Here 'r' has a positive sign which indicates that dependent variable i.e. customer loyalty is affected by the independent variable i.e. Service culture. Therefore, the hypothesis is supported.

## CONCLUSION AND RECOMMENDATIONS

As companies are not exploring the required Talent therefore, the approach of talent management is needed in service as well as in manufacturing sector .Basically, talent management process highlights the efficient utilization of human assets of the organisation, so if properly implemented it will improve the efficiency of employees. The results of the study suggest that a relationship exists between talent management and Customer Loyalty. The dimensions namely development, benchmarking, motivation and HR policy affect Customer Loyalty significantly and positively. The results further verified that HR policies of the hotels are linked to the customer loyalty through the proper implementation of Talent Management. Also, it is concluded that the proper formulation and implementation of talent management makes employees of the hotel more competent and effective. Training the employees of the hotels directly affects Customer Loyalty which can be visualized through their Re-visits. At the organizational level, a successful Human Resource



policies and programs prepares the employees to undertake a higher level of work which improves their performance (Nadler, 1984). In these settings, Human Resources Development is the framework that focuses on the development of competencies at the first stage by developing the employee, to satisfy the organizations long-term needs and the individuals' career goals (Kelly, 2001). Therefore, the results of the study suggest that a relationship exists between talent management and tourist's loyalty. The results verified that talent management contributes toward customer loyalty. Thus, study concludes that by effectively and efficiently utilizing and managing the available talent in an organization definitely hotels can improve tourist's loyalty. The study will help the marketers and the shopkeepers of Raghunath Bazaar and Hari market to come up with schemes to attract more and more customers.

### LIMITATIONS OF THE STUDY

Due to the scarcity of time only 30 hotels were contacted for the data collection.

The sample was restricted only to the customers visiting the hotels in Hari market and Raghunath Bazaar.

Scope of subjectivity might be there because customers responded according to their own perceptions.

### REFERENCES

- Baum, T and Kokkranikal, J. (2005), *Human Resource Development for Competitiveness and Sustainability: a case Study of Indian Tourism*, New York: Nova Science Publishers, Inc, pp 805-833.
- Cappelli, Peter (2008), "Talent on Demand: Managing talent in an age of uncertainty", Boston, MA, *Harvard Business Press*, P.5.
- Chugh, S. and Bhatnagar, J. (2006), Talent Management as high performance work practice: Emerging strategic HRM dimension. *Management and Labour Studies*, vol.31 (3), pp 228-253.
- Cohn, J. Rakesh, K. and Laura, R. (2005), Growing Talent As If Your Business Depended on It. *Harvard Business Review* 83 (10).
- Corbin, A. and Strauss, Farley. (2008), HR's role in talent management and driving business results. *Employment Relations Human Resource Planning*, vol. 27, pp 33 – 41.
- Creelman, David (2004), "Talent Management: The special challenges of small and medium sized enterprises", *A Human Resource Capital institute position paper*.
- Dowling, R. Grahame., and Uncles, Mark (1997), "Do Customer Loyalty Programs really work", *Sloan Management Review* 38(4), 1997, pp 71-82.
- Farley, Cheryl (2005), "HR's role in Talent Management and driving Business results", *Employment relations today, Wiley Periodicals*.
- Fernando, Vince Kevin (2008), "Aligning Recruitment to Talent Management Efforts", *Association for strategy and leadership professionals*.
- Guthridge, Mathew and Komm, B. Asmus (2008), "Why multinationals struggle to manage Talent", *The McKinsey Quarterly*.
- Hedger, Adrinne (2007), "Bringing out the best :-Four strategies for successful Talent Management", *Workforce Management*, September, pp43-50.
- Julia, Christensen Hughes and Rog, Evelina (2008), Talent management: A strategy for improving employee recruitment, retention and engagement within hospitality organizations. *International Journal of Contemporary Hospitality Management*, vol.20 (7), pp743-757.
- Kuusk, Andres (2007), "Affecting Customer Loyalty: Do different factors have various influence in different loyalty levels?", *Tartu University Press*.
- Lalas, Ravindra (2005), "Evaluating Customer Loyalty Solutions", *Tata Consultancy Services Report*.
- Lewis, Robert and Heckman, Robert (2006), *Talent Management: A Critical Review*", *Human Resource Management Review*, vol. 16(2), pp 139-154.
- Lockwood, Nancy, R. (2005), Talent management: driver for organizational success" *HR Magazine*, Vol. 5(2).
- Looser, Regula (2009), "Brand based Customer Loyalty- Ten criteria for success, one shared basis: The Brand, *Branders Publications*.
- Oracle white paper series (March 2008), "Integrating Talent Management: Extending the value of strategic Framework"
- Pirc, Mitja (2008), "Determinants, Contexts and Measurements of Customer Loyalty", *Dissertation department of Economics and Business, University of Barcelona*
- Pitta, Dennis., Franzak, Frank. and Fowler, Danielle (2006), "A strategic approach to building inline Customer Loyalty: Integrating Customer profitability tiers", *Journal of Consumer Marketing*, August, pp421-429.
- Reid, Aaron (2008), "What Drives Loyalty", *White Paper Series*.
- Rousan, Al., Ramzi, M., Mohammad, Badaruddin (2010), "Customer Loyalty and impacts of Service Quality: A case of five star hotels in Jordan", *International Journal of Business, Economics, Finance and Management Sciences* vol 2, pp3.

Sandler, F. Susan (2006), "Critical issues in HR drive 2006 priorities #1 is talent management", *HR Focus*, Vol 83, No.1.

Sullivan, John and Burnett, Master (2007-2008), "To buy or trade Talent: That is the question behind Talent Management", *Linkage*.

Thompson, Bob (2005), "Secrets to Customer Retention

and increased profits", *Loyalty Connection series*.

Valls, F. Joseph (2004), "Impact of low cost on Spanish hotel prices", *14th International Tourism and Leisure symposium*.

Voyles, Bennett (2007), "Beyond Loyalty: Meeting the Challenge of Customer Engagement", *The Economist*.

# GETTING MAXIMUM OUT OF INTERNATIONAL TRADE SHOWS PARTICIPATION

DR. SANJAY NANDAL

## Abstract

*International trading environment is passing through a phase of rapid transformation, offering in the process more opportunities and presenting challenges for companies planning to operate offshore. With the wind of globalization blowing across different parts of the world, export activity has become an all-pervasive function of the business enterprise. The imperatives of this transformation call for a paradigm shift in the operating environment for conduct of export business. Marketing opportunities exist in all countries regardless of the level of economic development. To assume that only developed countries offer more market potential is a misconception. In the international market too many goods are chasing too few buyers. As a consequence, the buyers are becoming highly selective. The markets are fast growing into buyers market. Trade fairs and exhibitions are important promotional tools for the implementation of export strategy by the companies. A good exhibition provides the exhibitor with a sales office and a working showroom. It also represents a kind of neutral territory where both he, as an individual and a member of a group, and the customer are outside the normal environment. The firm's representatives are not knocking on customers doors bidding for attention. Rather, the customers are attending the exhibition and stand voluntarily in their own time. In effect the exhibition reverses the normal buyer seller situation. They are simply a kind of marketing tool and a very effective one if properly exploited. Benefits of participating in trade fairs and exhibitions are immense. But these events are like a two edged sword, if not handled well can ruin the image of the company in the eyes of existing as well as potential customers. So handling trade fairs and exhibitions in a planned way is of utmost importance. Some participants take these events casually and incur losses. The research paper discusses the ways how participants can turn a nightmare into reality.*

---

Key Words: *Trade Fairs & Exhibitions, Visitors, Exhibits, Exhibit Strategies, Trade Fair Stand.*

---

## INTRODUCTION

In today's era of globalization, liberalization and privatization, companies are facing stiff competition from multinational companies. In order to be competitive, a firm must enjoy economies of scale, domestic market demand size being limited companies have to venture out in overseas market to sell their products. The marketing environment existing in overseas market is uncertain. Lack of knowledge and unfamiliarity with foreign markets usually heightens the risk of company wanting to do business in a foreign land. This problem is further complicated by the fact that international marketing research is more difficult, more complex and more subjective than domestic research. There are various methods to crack the problem mentioned above but it is useful to concentrate on cost and time effective methods. Trade shows are generally considered as one of such methods as they provide a platform and a method for international marketing of goods, services and even commercial

ideas. Trade shows are time- and (often) sector-defined marketing events at which the fundamental products and innovations of an industry or sector are exhibited by a variety of companies referred to as exhibitors and which are targeted at interested buyers and industry participants- the visitors. These shows are usually organized by governments, chambers, industry associations, or by specialized exhibition companies. They represent a real-time, interactive environment bringing together supply and demand in a certain industry. For firms that have decided to begin a dedicated export marketing effort, the main reason to participate in an international trade fair is to increase product exposure and, ultimately, to make sales in new markets. These fairs are a highly efficient way to find appropriate channels of distribution, find out what is happening in the industry and in specific markets, and investigate various market entry options. Many potential and existing buyers attend trade fairs, making these events a good way to build

---

Astt. Professor, Institute of Management Studies and Research, Maharshi Dayanand University, Rohtak, Ph: 09813233465, E-mail: sanjaynandal@gmail.com

contacts and give the product an immediate exposure to potential customers. Participants will minimize the time and effort they spend to attract each new contact. Trade fairs offer an important venue for introducing new products; they are also an ideal opportunity to publicize product advances and new services, and to show how a company can solve potential client's problems. Trade fairs provide customers with an opportunity to touch the product and see it in action. Participants usually have a chance to ask or answer questions, and to determine the extent to which potential customers are interested in a product or service. If someone expresses interest, the company representatives can follow up with a meeting or visit the potential customer's premises. Trade fairs also give participants, as a prospective exporter, an opportunity to check out the competition. A major general or specialized trade fair will likely attract other companies involved in the sector, so participants can see what they are offering and also observe reactions to it. International trade fairs help companies reach new prospects whom the sales force may not have approached. In addition, existing clients whom salespeople have not visited in the past year may come to the stand, providing an ideal opportunity to re-establish a relationship with these clients. Trade fairs typically account for 22 to 25 per cent of the business market's promotional budget, second only to personal selling, and ahead of print advertising and direct mail.

### *CHALLENGES FOR PARTICIPANTS*

- Defining the clear purpose of participation.
- Choosing the right events and locations for participation.
- Forecasting the cost attached with various activities like printing brochures, staff training, stand design etc.
- Delivering the exhibits to the venue of shows on time i.e. complexity of logistics

### *RESEARCH METHODOLOGY*

The research is based on primary data collected by imparting structured questionnaires and personal discussion with the participants in these trade shows. Sample size of 200 representatives (one representative from a company) has been taken. For selecting the participating companies the trade shows have been classified into four categories.

- (a) General fair: In this category “India International Trade Fair” has been selected. This trade fair is held every year from Nov. 14-27 at New Delhi. In this trade fair all type of companies ranging from manufacturing firms and service providers to trading firms participate. This fair presents a wide spectrum of participation from all type of firms
- (b) Food and Agro Based Fair: In this category “Aahar” has been selected. This is a specialized fair in which the participating companies are from the food and agro sector.
- (c) Handicraft Show: In this category the “Indian Handicraft and Gift Fair(Spring) has been taken. This fair is held every year in February/March. Companies involved in handicrafts participate in this fair.
- (d) Technology intensive fair: In this category “India International Leather Fair” has been included. This fair is held every year from May 20-22. In this fair focus is on all kinds of finished leather; machinery for training and finishing leather; shoe making, stitching, sewing, leather chemicals, effluent treatment plant and equipment

Out of the sample of 200 participating companies 50 companies from each category of fair have been selected randomly. The data has been analyzed by using ranking method.

To get the maximum out of the trade shows and make them an effective platform for export marketing, the researcher has suggested following measures, If followed properly, these would definitely help the participants to get the maximum out of the trade shows.

### *Pre-fair activities*

#### *Planning for participation in trade shows*

- (a) Setting realistic goals for the trade shows:

Clearly identifying the benefits of trade fairs is the first step in focusing on their importance to a company's overall promotion strategy. Consequently, it is the first step in planning for a trade fair. Successful participation in a fair, like any well executed marketing exercise, depends on a carefully considered plan of action. A plan focuses the whole effort; it sets goals and provides benchmarks against which to measure results. Well

Table 1  
Objectives of participation in International Trade Shows

Sr No.	Objective of participation	Rank
1	Market Assessment	1
2	Introduction of new product	2
3	Searching partners for foreign collaboration	3
4	Searching new channel members	4
5	Enhancing the image of company	5
6	Reviving old customers' contacts and making new	6
7	On the spot advertisement	7
8	Direct sales promotion	8
9	Conducting competitors' research	9
10	Finding new products, processes and technologies	10

Source: Field data

Table - 2  
Criteria for choosing International Trade Shows

Sr. no.	Criteria for selecting Fairs and exhibitions	Rank
1	Visitor's profile and expected number of visitors	1
2	Custom clearance for products being exhibited	2
3	Promotion of the fair by organizers	3
4	Quality of move-in and move-out arrangements	4
5	Location of the fair (country)	5
6	Location of the fair within the country(nearest city center)	6
7	Frequency of the fair	7
8	Level of international participation	8
9	Size of the area covered by the fair	9
10	Easy accessibility to the fair site	10
11	Size of the stand and other spaces provided by organizers	11
12	Proximity of hotels and accommodations	12
13	Mode of transportation to the fair site	13
14	Lead time for applying for participation	14

Source - Field data

laid out objectives itself is the passport to a successful trade show. Table 1 gives a probable list of objectives of participation according to the preference of the participants.

It is evident from table 1 that the most important objective for participating into these fairs is to assess the market size of their product in that country. If the participants are receiving a lot of enquiries about their product on the stall from the visitors, then it is inferred that the product may be in large demand. The next important objective is to introduce their product in a new market. For introduction of the product into the market they should try to search out foreign collaborators. The next important objective is to search new channel members for logistic purpose in that country. They may also participate in these events to enhance the

image of the company.

If their product has already been introduced into that country, their mere presence in the fairs in that country enhances the image of the company in the eyes of the users of the product. Next in order is the objective of reviving old customer's contacts and making new. The exporters who have already customers in that country and somehow lost them, they try to approach these customers again to bring back with them with the company. On the spot advertisement and direct sales promotion are their least important objectives of participation in these events. List all possible objectives a company may wish to achieve at a fair, then review the list and rank each objective by priority. Ultimately, one or two objectives will stand out as being of primary importance. Therefore, participants should channel

Table 3  
Preference of audience quality

Sr. No	Type of Visitors	Rank
1	Business	1
2	General	2
3	Both types	3

Source: Field data

#### 4.2. Establishing a budget:

Sr. No.	Component of Budget	% age Expenditure (approx.)
1	Space booking	20
2	Cost of exhibits	50
3	Cargo expenses	6
4	Advertising in the fair	3
5	Traveling accommodation of the staff	12
6	Stand design	5
7	Fair services	1
8	Pre-fair promotion	3

Source: Field data

most of their fair-related efforts into meeting these objectives, because it is easy to lose focus at a trade fair. There are many types of visitors, many activities and many opportunities to explore. It is therefore crucial to focus on a company's top-priority objectives to ensure success at the fair. The list will also dictate the way participants will measure the results of the fair and how they will pursue their follow-up strategy after the trade fair.

#### (b) Choosing the right fair

As depicted in table no. 2 The most important criterion for choosing Trade Shows is visitors profile and expected number of visitors. The participants should try to find out whether the visitors to the fair are business or general visitors visits the fair and what is their exact number. They prefer business visitors as compared to general visitors. Next important criterion is the level of international participation. They should prefer those fairs which attract international participants. This is due to the reason that their direct competitors in these fairs are large and hence can evaluate their own product's standing in the world market. They are of the opinion that a large scale promotion of the fair by the fair organizers attracts more quality audiences. So this criterion is important when it comes to choosing the fair. The criterion next in order is the size of the area covered by the fair. They prefer a fair spread over a large area. The country in which the fair is to be organized and the location of fair within that country (nearest

city center) are the next important criterions. They prefer the countries where they feel that they may have potential markets. Within that country they prefer those fair which are in proximity of country's business centers. Custom clearance procedures in that country is next important criteria. They generally avoid those fairs which are located in the countries whose custom clearance procedure is cumbersome. The next important criterions adopted by these exporters are size of the stand and other spaces provided by organizers, frequency of the fair, easy accessibility to the fair site, quality of move- in and move -out arrangements, proximity of hotels and accommodations, mode of transportation to the fair site, lead time for applying for participation. They prefer those fairs which have wide choices available for participant regarding the size of space. Tens of thousands of commercial events are held around the world and virtually every country hosts at least a few of them. Finding the right exhibition opportunity the first time can be a nightmare. So participants must analyze the possibilities and choose a fair carefully to avoid costly mistakes.

After defining the objectives of participation, now the job is to ensure that there is a good chance of realizing these objectives at the fair that has been chosen.

#### (c) Assessing audience quality:

Although the audience may be huge, only a small percentage of these visitors may be of interest for a particular company. It is therefore essential to

ensure that visitors to the trade fair are the types of customers a firm wishes to meet. The main problem in exhibiting at a major general trade fair is the difficulty of attracting a worthwhile number of "target" business visitors to the booth or stand. This involves defining the target audience, finding out about the characteristics of visitors who typically attended the fair in the past, and assessing the extent to which the target audience and actual visitors coincide. As per the findings of the study, business visitors are preferred.

(d) Consideration of location and frequency:

Location is one of the most critical factors to consider while deciding which trade fairs to attend. The relevant questions as given below may help for choosing the right fair locations in line with the objectives of the firm. Is the fair located in the target market's region, or in a region to which the target marketer will travel? How often does the fair take place? Is it annual or bi-annual? If the fair is held in different locations each year, consider which location is most suitable for the company.

(e) Finding government support: In order to promote exports Indian government provides financial and other type of helps for participants planning to participate in these events. Find out the procedure to avail this support.

Trade fairs can be very successful tools for reaching to the potential clients, although these events are not very much expensive but involve many cost elements. Without a fixed budgetary target, it is easy to overspend. So the participants must be well prepared to ensure maximum benefits from a trade fair that the company is planning to participate. Treat a trade fair as a profit centre, like any other marketing expenditure. At the outset, establish a global budget for trade fairs, using as a starting point the total number of annual trade fairs the participants are considering. To participate in a trade fair, a company will incur costs on the following kinds of items:

Basic Exhibit space costs are most often quoted on a "square meter" basis. It is to be booked well in advance to ensure effective participation. Purchase of the exhibits makes the highest component of total budget. Material handling (also known as drayage) is an on-site cost of moving the exhibit and products from the loading dock to the stand area of the company. Material handling is usually billed for "in and out". If the company is not sending exact items, the material handling costs

can be lowered at the time of the payment of the bill. For advertising in the show, special equipments for demonstrations or presentations like display screens, VCRs, computers, slide projectors, overhead projectors are required. Brochures and other printed materials, including writing, design, translation and printing adds to the advertising cost.

Fair services, including furniture rentals, computer rentals, electrical hook-up services, security, telephone services and insurance constitutes only a small percentage of total budget. Pre-fair promotion, including pre-fair releases sent to trade and business periodicals, advertising in the fair guide, local radio promotions, direct mail materials and special invitations for selected guests. Estimate all of these costs in advance when planning the annual marketing budget. A budget for each trade fair will help the company to focus its trade fair program. It will introduce an element of control and encourage the participants to avoid cost overruns.

4.3 Arranging shipping of exhibits: Carefully read all the documentation the trade fair organizers send to the company. Special shipping arrangements may be required for goods to be sent to the fair. If such arrangements are needed, participants should be familiar with them at the outset of the planning process and be prepared to meet all related deadlines. If the company has to make its own shipping arrangements, check first with the fair organizers to verify when they can receive goods and how the products must be packed and labeled. Make all arrangements with the shipper as early as possible to benefit from the least expensive shipping modes and rates. Shipping as early as possible also ensures that customs problems are dealt with early and the goods arrive in time for the fair. While selecting a shipping company, make sure to select someone with exhibit forwarding experience. Ask the trade fair organizers whether there is an official show logistics company. While these services are not always the least expensive, using an official supplier can guarantee on-time delivery and saves countless last-minute hassles.

4.4 Conducting a pre-fair market visit: The international trade fair the participants are planning to attend may attract a lot of local companies. As a result, it is often worthwhile to plan a pre-fair market visit to familiarize with the local culture, market dynamics and businesses. The Indian Trade Commissioner Service in the destination country can help to develop an

appropriate itinerary. Depending on the nature of the business, a visit may be arranged to potential customers, retail or wholesale operators, or talk to industry experts.

4.5 Assigning responsibility: At the outset, a person within the company should be chosen to assume responsibility for all aspects of trade fairs. Since participating in a trade fair involves numerous tasks and responsibilities, even small and medium-sized companies should choose someone for this role. In a small or medium-sized company, this person should be a senior manager. A middle manager would assume this role in larger companies. In all probability, this individual will delegate various logistical aspects of the fairs but will remain the central point of command. As soon as the company identifies its trade fair objectives for the year, the person responsible should immediately build an in-house team. If the company plans to attend trade shows regularly, the same person should be responsible for trade show logistics on an ongoing basis, so that the company can draw on his or her experience.

#### During the fair activities

5.1 Designing the trade fair stand: Visitors are potential clients, so it must be ensured that the company's stand is impressive and reflects positively on the company's image. The main purposes of the stand are to differentiate the firm from its competitors and to attract attention quickly. This does not mean that the stand must be large and imposing. In fact, quite the contrary; a well-designed small stand may be visually appealing and memorable, while also reducing space costs. When choosing a stand, focus on practicality and creative design. It must have the right combination of lighting, open space and graphic presentation to help visitors focus and separate themselves from the noise level of the trade fair. If the company has a busy fair schedule, a larger investment in a sophisticated stand may be money well spent. If the

company is new to trade fairs, consider renting a stand for its first effort. Find out what works well and what should be modified, then use this experience later if a stand is already bought. If the company does buy a stand, make sure participants do a dry run by setting up the stand at home before heading to the first event.

#### 5.2 Choosing a location within trade show ground:

When the company is reserving space, trade fair organizers will usually present with a floor plan and ask to select a preferred location in the exhibit area for the stand. Participants prefer corner locations because the location draws traffic from two directions. As a result, they tend to create better exposure and generate greater levels of interest of visitors. Next preferred location is near exits, restrooms and food areas as these areas tend to be high-traffic areas. Visitors often skip dead-end aisles. Spaces near freight doors are often congested with late arrival traffic and early departure traffic. Locations close to the competitors are not favourable, as a company will not want its competitors constantly observing visitors to the stand.

5.3 Selecting & training the staff: The people working at the stand will be performing almost all the elements of personal selling. They will be identifying prospects; servicing current accounts; introducing existing and new products or services; promoting the corporate image; gathering information on competitors; getting technical information; and selling. Therefore, it is important to select personnel who are good at these functions. Trade fairs are very demanding and the company cannot afford to put such people at the stand who cannot cope with the stress. There is nothing a potential client will remember more than visiting a stand where staffers were openly tired or bored. Although companies tend to staff their exhibits primarily with sales personnel, there is a growing

Table 4  
Location Preference within Trade Show Ground

Sr. No.	Location	Preference (Rank)
1	Corner	1
2	Dead End Aisles	3
3	Near Public Utility Services	2
4	Near freight doors	4
5	Closeness to competitors	5



trend toward bringing in knowledge experts. It should have a key person whose main contribution is to provide in-depth knowledge of the product or service. Such individuals fulfill a vital role. They act as resource people for the sales staff and answer technical questions that clients and visitors ask. The presence of senior officials who can talk directly to decision-makers also enhances the credibility of the company. A crucial item to consider in advance is the training of stand personnel. All staff should attend a pre-show briefing, regardless of their experience. At a minimum, staff should spend some time with the person in charge of the trade fair effort to clearly understand the following:

- Their responsibilities before the fair;
- The company's objectives for its participation in the fair; the role of each person at the stand and during the fair;
- The techniques for promoting the company's product;
- How to approach visitors, gather information;
- How to differentiate between real potential clients and browsers;
- How to recognize and deal with competitors seeking confidential information;
- How to record details of discussions effectively while working at the stand;
- How to deal with both dissatisfied customers and former clients

### Exhibit strategies

There are many strategies the company can use to ensure a successful exhibit experience. The following strategies will help it to attain a professional trade show image.

- (a) Employee identification & business cards: Each person staffing the booth should have clear identification badges. Not all trade show organizers provide exhibitor badges; therefore, it should always bring its own company badges. A very important tool for personal contact at a trade fair is a business card. Business cards should be printed on both sides, with one side carrying a translation in the language of the target market. In some countries, there is an elaborate etiquette involved in presenting business cards. It should research this etiquette and understand

it well before having the cards printed.

- (b) Literature about the company & media kits: Literature is useful for reinforcing product or service knowledge and retaining attention after the trade fair. It is also a terrific method of giving prospective customers information about the company and its principals. Attendees at international shows avoid excess paper. Experienced travelers take only what they really want and need. Often, they appreciate an offer to have literature sent to their workplace. As a result, many companies prefer to get the names of visitors interested in the exhibited products or services, and then send corporate information to them as part of the follow-up to the fair. Another approach is to make corporate materials available on request only, after a person has been identified as a good potential lead. Still other companies advise that materials should be available to one and all who visit the stand. If it chose to bring literature for everyone, consider producing a one-page summary with a request form for additional information. Regardless of what other material the company develops for a trade fair, it should prepare a basic printed media kit with a theme for all media. This is integral to the marketing process. The kit should contain background information on the company, a product catalogue or service descriptions with illustrations, photographs, testimonials, and compelling examples of how the product or service has helped clients. Print price lists, delivery schedules and terms of payment separately to accommodate constant changes in these areas. Send this media kit ahead to any known media prospects. It builds credibility and can bring highly motivated media representatives to its stand. Again, print the kit in the local language as well as English. Special attention is needed to avoid embarrassing and costly mistakes. Design and write a copy with translation in mind. Avoid slang and unusual expressions. In non-English-speaking countries, examine the meaning and acceptability of brand names and logos used in India. Make sure that no negative or inappropriate connotations are conveyed. Make sure that colour symbols used in promotional material are sensitive to local tastes and consumer preferences. Also, bear in mind that languages spoken in more than one country can vary greatly, both nationally and

regionally. Many fairs have a media room that will display news releases from exhibitors. If the company has news to announce, a large, focused trade fair is often a good venue to do so. Media tend to cover these events and journalists look for nuggets of newsworthy material. Furthermore, the fair often has its own internal methods for distributing fair news each day. If the company uses this service, put forward newsworthy information only; basic corporate sales information that it has simply repackaged into a news release format will generally be ignored.

- (c) Display & demonstrations of exhibits: If the company sells products, display only core products and new products. Presenting the entire product line will inevitably create clutter and may not contribute to the overall image of the company. By displaying only core products and new products, it focuses visitor's attention on what the company does and on its new, exciting and progressive activities. This experience will shape visitors' expectations. Trade fair expert suggests that a live demonstration is a key element of a successful trade fair stand. If the company is going to do demonstrations on site, it must prepare well in advance and make sure the demonstration is informative, concise and polished. Use demonstrations that apply directly to the product or service, delivered by a person who is comfortable performing in public and talking to crowds. Choose demonstrators based on their skills, not on their seniority in the company. These skills should include product or service knowledge; comfort in public settings; the ability to articulate the advantages of the company's products or services; the ability to project a favourable image; and the ability to speak the local language.
- (d) Promotional products with logo of company: Promotional products are small but important tools at a trade fair. These branded items, which help the company to leave a tangible impression of the firm with visitors, might include pens, letter openers, laminated business cards or key chains. In some markets, visitors appreciate receiving something "Indian." There are as many possibilities as there are exhibitors at a fair. The offerings should bear the company name and logo; they should be related to the

company in some way; and they should be given out one by one to foster personal interaction. They can be a great way of thanking someone for visiting your stand.

- (e) Dress of stand staff: Dress should be consistent with the atmosphere at the fair. Many fairs have a "feel" of their own, related to the nature of the industry or to the venue in general. Anticipating the atmosphere at a fair the company is attending for the first time in another country can be nearly impossible. At many international fairs, formal business attire is the norm. Some trade fairs are more relaxed, but it is better for the staff to be "overdressed" than to be too casual while meeting customers who are in business attire. Staff should be able to assess this aspect of the show by researching previous shows using the methods outlined previously. In any event, company representatives must look professional at all times. This is especially important in the international setting, where staff at the stand may be the only image a visitor has of the firm. First impressions are extremely important, and the staff will be the front line of company's customer relations. Brief stand personnel on their positions and responsibilities at the trade fair, and on trade stand etiquette. The following tips are key to enhance the company's image at a trade fair, so make sure that the company's representatives understand them.

Staff must not sit at a trade fair. Sitting gives an impression of disinterest or boredom. Key staff must always be present at the stand. Clients who have been invited to the trade fair may visit and will expect to see specific people. Staff should not eat at the stand. Schedule breaks to give staff ample opportunity to eat in assigned areas. Exhibitors should refrain from smoking except in designated areas. Staff must always show keen interest to visitors. They must never betray the fact that the hours are long, the room stuffy or the questions repetitive. When a colleague looks tired, ensure he or she gets a few minutes off to freshen up. Potential clients will see many competing products or services at the fair and the company wants them to remember it. Putting a positive face on their first encounter with the company is the best way to do this.

- (f) Arranging up meetings in advance: If company representatives have identified important customers in advance, move

beyond a simple invitation to the stand by asking them in advance for a meeting at the fair. The prospective client if plans to attend the fair, will rarely turn down the request for a meeting. If a prospect accepts request for a meeting, company can use its booth as a rendezvous point. However, the representatives should hold the meeting themselves at a nearby location away from the traffic and distractions of the trade fair floor. This creates a neutral place to meet and is a good way to "break the ice" with a prospective client. Look at the benefits of holding meetings with representatives of firms that sell products and services that complement the company's own products. Cross-referrals—when non-competing firms actively look for new business opportunities for one another at the show—can be a powerful tool.

- (g) Proper & effective management of the stand: Fairs are stressful, for the staff managing the stand, due to physical exertion of standing, talking and performing from morning through evening. To ensure maximum efficiency in a high-stress environment, following different techniques may be utilized.

Develop and maintain a realistic staffing schedule that includes breaks. The work schedule should allow everyone time off to walk around the fair.

Conduct daily reviews, company representatives and the other staff should spend time at the end of each day reviewing and clarifying information that has been gathered during the day. This is easier to do when the information is fresh than it will be after returning to regular workloads at the office a week later. Ensure that each person knows that this task is a key element of being part of the trade fair team, because it means the company will be able to follow up the new leads effectively after the fair. The representatives of the company can coordinate these review sessions with fun activities such as dinners, cultural events or sightseeing. Before going to the fair, role play with colleagues to develop new and more direct lines that can elicit useful information about a visitor. Basically, questions should be open ended and related to the person's business. This approach will open up the discussion and create opportunities to learn about the visitor's business needs. An in-stand demonstration is a natural icebreaker. Once the

demonstration is over, approach attendees who have participated and ask them how they view the new information they have just received.

- (h) Closing a sale: Each industry is different in respect of the nature of the product or service it offers, so it is difficult to say whether the company can close a deal within the time frame of any given trade fair. However, the fair creates a unique environment that often eliminates normal hurdles. For instance, the president or general manager of a firm often attends major trade fairs. If executives from a prospective client firm are also on site, putting the senior people together—on their own or with salespeople—can often accelerate the sales cycle. This allows securing a commitment without worrying that the proposal will be quashed when the buyer takes it home for higher levels of approval.

#### Post Trade fair activities:

- (a) Debriefing staff: After the trade fair, the company will face two principal tasks: Following up potential leads; and Evaluating the fair to determine its true benefits, ideas that worked and areas that could be improved. To make this easier, the company should immediately and thoroughly debrief all staff involved in the trade fair. It is important to review all lead cards while the information is still fresh in the minds of those who collected it. This debriefing gives everyone an opportunity to discuss the business leads they collected. In some cases, visitors will have had discussions with more than one person at the stand; in other cases, booth staff will have talked with more than one person from a prospective client company. It is important to reveal these relationships and related details to ensure that the firm has a complete picture of each of the leads identified. During the debriefing, solicit comments about the fair, competition, visitors and logistics, and record them for future consideration.
- (b) Arranging market visits and meetings after the fair: As noted previously, the international trade fair may attract a lot of local companies. As a result, it is often worthwhile to extend the company's visit beyond the trade fair dates. Then, if there are prospective clients with significant business potential, they can be visited (with their approval) after the fair.

- (c) Following up leads: Trade fair experts recommend that the company should contact clients and potential clients as quickly as possible after the fair. If data has been gathered consistently, a very fruitful follow-up campaign can be undertaken. It is crucial to know whether it will make contact with each prospective customer using local representation or the internal staff. It should give the salespeople a responsibility for specific products, services or geographic regions, and all the relevant information about leads generated at the trade fair. These should be the same salespeople who before the fair planned the letter and telephone contacts. They should be prepared to do the follow up within a week of the fair's closing. If the company is new to the region and does not have a sales force to follow up on its behalf, it should have a pro-forma letter ready to mail when the representatives return to the office. Depending where its market is, it may send this correspondence by mail, courier, fax or e-mail. The best method of making contact is something it needs to determine before the fair. It should also follow up with the Indian trade commissioners in that target market. Trade commissioners are frequently in contact with potential sales leads and may also be able to qualify a specific lead for the company.
- (d) Measuring results: To measure the payoff of the trade fair, following questions would be helpful: Did the company meet the objectives? What problems did it encounter? What could be done for better performance at future fairs? To build internal support for the company's ongoing trade fair activities, the marketing and salespeople have to prove the benefits. The company needs internal support to obtain a sufficient budget and resources for future trade fair activities. The intrinsic problem is knowing what to measure and how to determine explicit benefits. Tally the number of leads generated and sort them by region or type of client, depending on the firm's priorities. Record the actual sales generated by leads from the trade fair within 30 days of the trade fair, within six months, within one year or within a longer period, depending on the sales cycle. Calculate the cost per lead by dividing the cost of the trade fair by the number of qualified leads. Then compare this figure to the cost of generating the same number and quality of leads through personal

sales calls or other key means of generating new leads. Finally, do the final analysis of the objectives. Did the company accomplish what it set out to do.

## CONCLUSION

So it can be concluded that participation in trade fairs and exhibitions participation is an important promotional tool for the implementation of export strategy by the companies. A good exhibition provides the exhibitor with a sales office and a working showroom. It also represents a kind of neutral territory where both he, as an individual and a member of a group, and the customer are outside the normal environment. The firm's representatives are not knocking on customers' doors bidding for attention. Rather, the customers are attending the exhibition and stand voluntarily in their own time. There are fewer pressures on the customers, and the seller is able to play host to the buyer who is away from his day to day office distractions. In effect the exhibition reverses the normal buyer-seller situation. To maximize returns it is essential that participation in fairs be focused. *Trade fairs being an important element of the promotion strategy for industrial products, are also a source of information about market trends for managers of those companies who attend these events.* Under conditions of increased competition, promotional activities of trade fairs are aimed at attracting not only new exhibitors, but also professional visitors and the general public. A trade fair philosophy is emerging, with Trade fair organizers aiming their promotion intensively to secure the attendance of professional visitors. This has caused trade fairs to move from their more traditional geographical proximity to manufacturing areas toward the areas where there is greater "visitor supply." Because significant effort goes into attracting the greatest number of professional visitors, trade fairs have entered a phase that can be called as "visitor orientation." Such trade fairs are characterized by intangibility, inseparability, heterogeneity, and perishability, as like every service. Therefore they are high in experience qualities both for visitors and for exhibitors. Complexity is another characteristic in fair services that are addressed to visitors. The exhibition itself can be viewed as a composition of a sequence of services and activities that have to be perfectly coordinated (installation, decoration, product display in the stand, maintenance, and removal). The exhibition gives the seller the opportunity to appeal to the buyer's five senses. There is no great mystique attached to the

exhibitions They are simply a more kind of marketing tool and a very effective one if properly exploited. These advantages of exhibitions as sales opportunities are valid only as long as stand personnel are able to exploit the unique sales advantage presented. All too often this does not happen. Exhibition sells because of the personal contact between the buyer and the seller in the presence of the product on display. But often sales opportunities are lost because the representative on the stand is not qualified to discuss the technicalities of the product or answer the simplest questions concerning the commercial arrangements for its supply. This is frequently the case where a small producer in a country has sent samples for display on a national stand but the government commercial representative who staff the stand are inadequately briefed. Benefits of participating in trade fairs and exhibitions are immense. But these events are like a two edged sword, if not handled well can ruin the image of the company in the eyes of existing as well as potential customers. So handling the trade fairs and exhibition in a planned way is of utmost importance. Some participants take these events casually and incur losses. So to save the participants from such failure the researcher has given suggestions which if followed can turn nightmare into reality. Exhibitions should be organized on modern corporate lines so that these events can be more attractive to the participants.

## BILBLOGRAPHY

- Aggarwal P.N. (1978), "Indian *Export Strategy*", Vikas Pub. House, New Delhi.
- Barczyk, Casimir C., George B. Glisan, and William C., Lesch (1983), "Trade Show Participation: Inter-Industry and Organizational Motives", *Journal of Professional Services Marketing*, , pp 131-147.
- Belizzi, Joseph A. and Delilah J. Lipps (1984), "Managerial Guidelines for Trade Show Effectiveness", *Industrial Marketing Management*, pp49-52.
- Brad O Hare et.al (1993), "Industrial Trade shows abroad", *International Marketing Management*, pp 223-237.
- Dekimpe, Marnik G., Francois, Pierre, Gopalakrishna, Srinath, Lilien, Gary L. & Van den Bulte, Christophe(1997), " *Generalizing About Trade Show Effectiveness: A Cross-national Comparison*, *Journal of Marketing*" pp. 55-64.
- Gopalakrishna Srinath and Jerome D. Williams (1992), "Planning and Performance Assessment of Industrial Trade Shows: An Exploratory Study, *International Journal of Research in Marketing*, pp 207-224.
- Hansen, Kare (1996), "The Dual Motives of Participants at International Trade Shows: an Empirical Investigation of Exhibitors and Visitors with Selling Motives", *International Marketing Review*, pp39-54.
- Hoshen, Nathan (1993), "Meeting the Right Visitors on Your Stand, *International Trade Forum*, (July-September), pp. 14-17, 33, 34.
- Kerin, Roger A. and William L. Cron (1987), "Assessing Trade Show Functions and Performance: An Exploratory Study", *Journal of Marketing*, pp87-94.
- Kijewski, Valerie, Eunsang Yoon and Gary Young (1993), "How Exhibitors Select Trade Shows, *Industrial Marketing Management*, pp287-298.
- Manuera, José & Ruiz, Salvador (1999), "Trade Fairs as Services: A Look at Visitors' Objectives in Spain", *Journal of Business Research*, pp. 17-24.
- Popli R.S. (1990), "Trade Fair Management and Exhibit Marketing", Deep and Deep, New Delhi
- Rosson, Philip J. & Seringhaus, F.H. Rolf (1995), "Visitor and Exhibitor Interaction at Industrial Trade Fairs", *Journal of Business Research*, pp. 81-90.
- Sashi, C.M. & Jim Perretty(1992), "Do Trade Shows Provide Value? *Industrial Marketing Management*, pp. 249-255.
- Shipley, David, Colin Egan, and Kwai Sun Wong (1993), "Dimensions of Trade Show Exhibiting Management", *Journal of Marketing Management*, pp55-63.
- Vashistha G.(1995), "Secrets of Successful Trade Shows: Planning, Scheduling, monitoring and Evaluation", Animesh Creative, New Delhi.

# WOMEN EMPOWERMENT IN INDIA: A MANAGEMENT PERSPECTIVE

N. SANTOSH RANGANATH\*, DR. T. KAMA RAJU\*\*

## Abstract

*Women Empowerment is a global issue and discussions on women in business and management are at the fore front of many formal and informal campaigns world wide. Education is milestone of women empowerment because it enables them to responds to the challenges, to confront their traditional role and change their life. So that it can't neglect the importance of education in reference to women empowerment India is poised to becoming superpower. Credit for empowerment is about organizing people, particularly around credit and building capacities to manage money. The focus is on getting the poor to mobilize their own funds, building their capacities and empowering them to leverage external credit. Perception women is that learning to manage money and rotate funds builds women's capacities and confidence to intervene in local governance beyond the limited goals of ensuring access to credit. Further, it combines the goals of financial sustainability with that of creating community owned institutions.*

*Trends towards a market economy in the new era of globalization have widened the gap between education and technology opportunities for men and women. According to UNESCO Bulletin on S&T Statistics, women represent less than 30% of researchers in the world, and this share is much less for Asia (15%), South Asia (12%) and India (10%). At the same time, wherever programmes have been conscientiously designed keeping in mind the specific needs and potential of women, new opportunities for women's empowerment have been generated and in the era of new technology and knowledge society, women are slowly and steadily embracing the knowledge. This paper emphasized the economic empowerment of women in India and how they succeeded in their life as well as in the business organizations by applying management techniques.*

---

**Keywords:** *Multi-dimensional, Gender based discrimination, Micro Finance, Entrepreneurship, Crisis Management, Corporate Culture.*

---

## INTRODUCTION:

**E**conomic Empowerment from the management point of view is the expansion of assets and capabilities of people to influence control and hold accountable institution that affects their lives. Empowerment is the process of enabling or authorizing an individual to think, behaves, take action and control work in an autonomous way. It is the state of feelings of self-empowered to take control of one's own destiny. It includes both controls over resources (Physical, Human, Intellectual and Financial) and over ideology (Belief, values and attitudes). Empowerment can be viewed as a means of creating a social environment in which one can take decisions and make choice either individually or collectively for social transformation.

Empowerment is a multi-dimensional social process that helps people gain control over their own

lives communities and in their society, by acting on issues that they define as important. Empowerment occurs within sociological psychological economic spheres and at various levels, such as individual, group and community and challenges our assumptions about status quo, asymmetrical power relationship and social dynamics. Empowering women puts the spotlight on education and employment which are an essential element to sustainable development. Women are key for a nation's ability to innovate and their socio-economic status is one of the strategic indicators of a country's development.

However, an analysis of the UN's Gender-related Development Index (GDI) shows major differences between men and women in the areas of education, health and quality of life and there are glaring gaps between the targets set by countries for women's empowerment and the true social,

---

\*Faculty Member Dept. of Commerce and Management Studies Dr. B.R. Ambedkar University Srikakulam, Andhra Pradesh – 532410  
\*\*Associate Professor & Head, Dept. of Commerce and Management Studies, Dr. B.R. Ambedkar University, Srikakulam, Andhra Pradesh – 532410

educational and economic status of women. Women are often the most marginalized in the developing countries, facing several kind of discrimination. Even when they are able to organize themselves, they lack negotiating power. Despite considerable improvement in women's education over the last few decades, they continue to remain highly under-represented in many areas, particularly in the fields of business and management. Due to the lack of participation of women in these fields almost half of the human brain pool is wasted, thereby affecting the economy of the countries. One of the eight UN's Millennium Development Goals (MDGs) targeted to be achieved by 2015 is to promote gender equality and economic empowerment of women.

#### WOMEN EMPOWERMENT IN INDIA:

Women empowerment in India is a challenging task as a need to acknowledge the fact that gender based discrimination is a deep rooted social malice practiced in India in many forms since thousands of years. Addressing the malice of gender discrimination and women empowerment in India is long drawn battle against powerful structural forces of the society which are against women's growth and development. It is to accept the fact that things are not going to change overnight but because of this cannot stop taking action either. At this juncture the most important step is to initiate ground level actions however small it might seem. The ground level actions should be focused towards changing the social attitude and practices prevalent in the society which are highly biased against women. This can be initiated by working with the women at the root level and focusing on increasing women's access and control over resources and increasing their control over decision making. Further working on the aspect of enhanced mobility and social interaction of women in the society would positively influence all round development and empowerment of women in India.

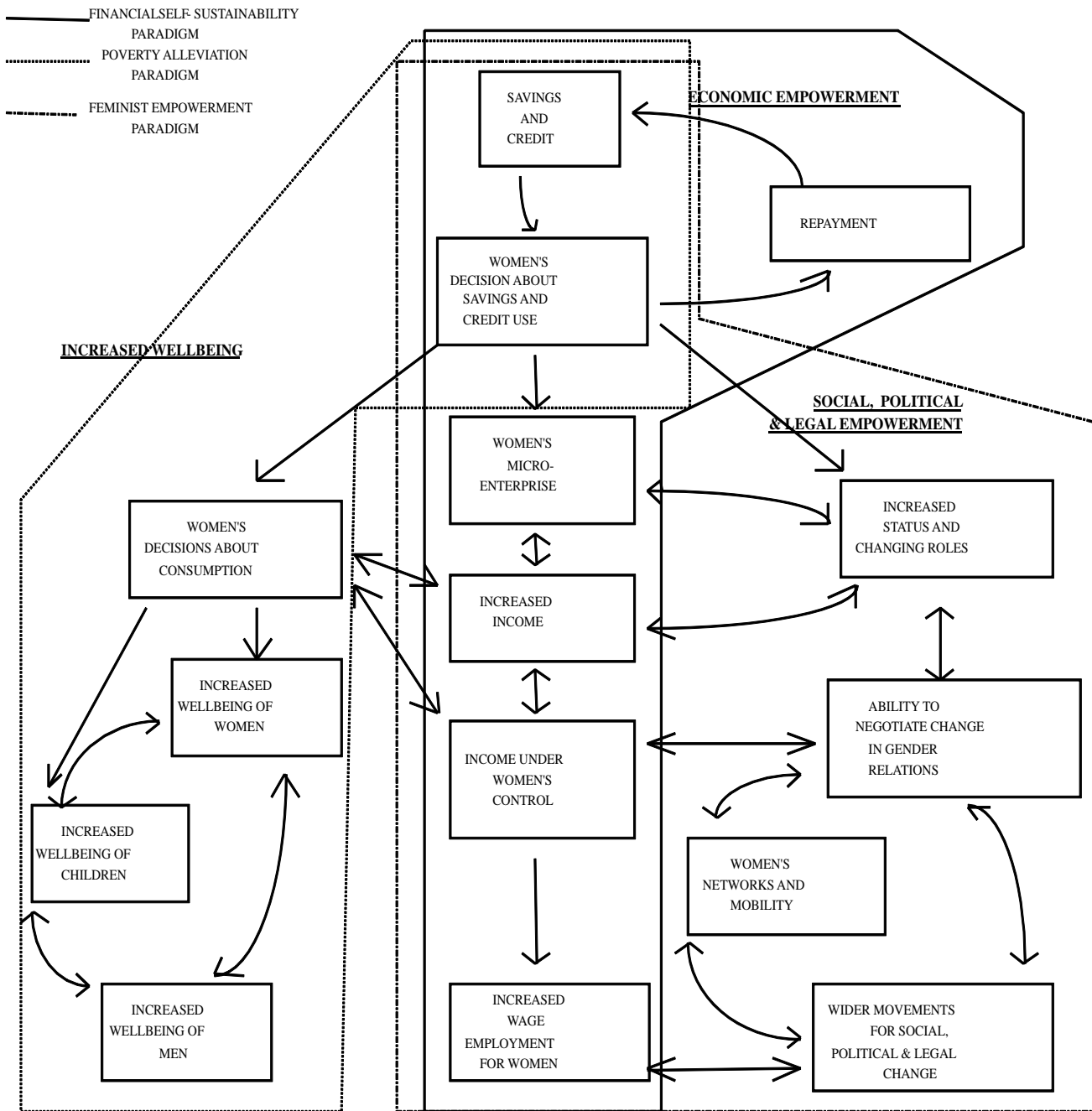
Today there are lots of things that are happening in the name of women empowerment in India and lot of resources are spent in this direction. Keeping this in mind it is crucial to have a reality check on what is happening on paper and what is the actual ground situation. It is worthwhile to ponder on the fact that these are one of the worst in terms of worldwide gender equality rankings. In India women are discriminated and marginalized at every level of the society whether it is social participation, economic opportunity and economic participation, political participation, access to education or access to nutrition and reproductive health care.

One of the major aspects of women empowerment in India is to change the attitude of society towards women. The problem in India is that the society never worked on the premise of gender equality from a long-long time. Atrocities and discrimination against women is a way of daily life in Indian society. There is an attitude which still prevails in India where women are considered to be only worthwhile of household activities and managing the children. The veil system, child marriage and dowry are testimonies to this truth. Women have never been part of the mainstream society in India and they are still considered as a great liability. If we just look at the sex ratio it will show the plight of women in India. It is the lowest at around 933. Female literacy is just 54.16 % as per 2001 Census. In Indian parliament and assemblies women have never represented more than 10%. Most of the women workers in India are outside the organized sector. Administrators, managers, professionals combined together and technical workers on the other hand are the lowest at 2.3% and 20 % respectively. Now these figures gives the real truth of the actual mentality of the society which has restricted women, marginalized women and discriminated against women quite openly.

#### WOMEN ENTREPRENEURSHIP THROUGH MICRO-FINANCE

Micro Finance is emerging as a powerful instrument for poverty alleviation in the new economy. In India, micro finance scene is dominated by Self Help Groups (SHGs) - Bank Linkage Programme, aimed at providing a cost effective mechanism for providing financial services to the "unreached poor". Based on the philosophy of peer pressure and group savings as collateral substitute , the SHG programme has been successful in not only in meeting peculiar needs of the rural poor, but also in strengthening collective self-help capacities of the poor at the local level, leading to their empowerment. Micro Finance for the poor women has received extensive recognition as a strategy for poverty reduction and for economic empowerment. Increasingly in the last five years , there is questioning of whether micro credit is most effective approach to economic empowerment of poorest and, among them, women in particular. Development practitioners in India and developing countries often argue that the exaggerated focus on micro finance as a solution for the poor has led to neglect by the state and public institutions in addressing employment and livelihood needs of the poor.

**Fig. 1**  
EMPOWERMENT OF WOMEN: PARADIGMS



Credit for empowerment is about organizing people, particularly around credit and building capacities to manage money. The focus is on getting the poor to mobilize their own funds, building their capacities and empowering them to leverage external credit. Perception women is that learning to manage money and rotate funds builds women's capacities and confidence to intervene in local

governance beyond the limited goals of ensuring access to credit. Further, it combines the goals of financial sustainability with that of creating community owned institutions.

Support for targeting women in microfinance programmes comes from organizations of widely differing political perspectives. There has recently been an apparent convergence of policy and



terminology and common concerns with sustainability, participation and empowerment as donor agencies and NGOs have attempted to address their critics, and activists have become engaged in constructive dialogue. They also have rather different emphases in the ways they perceive the inter linkages between microfinance and women's empowerment as indicated in Figure 1.

The Government measures have attempted to help the poor by implementing different poverty alleviation programmes but with little success. Since most of them are target based involving lengthy procedures for loan disbursement, high transaction costs, and lack of supervision and monitoring. Since the credit requirements of the rural poor cannot be adopted on project lending approach as it is in the case of organized sector, there emerged the need for an informal credit supply through SHGs. The rural poor with the assistance from NGOs have demonstrated their potential for self help to secure economic and financial strength. Various case studies show that there is a positive correlation between credit availability and women's empowerment.

Empowering Women has become the key element in the development of any economy. It has been found that there are various forums and NGOs that are working hard towards this direction. There are lots of research studies supporting this view. The Indian Economy has been substantially liberalized in recent years with an increasing role for small-scale private enterprise. Alongside economic liberalization has come a drive to enhance the role of women with moves to ensure that women have at least 30% of seats in local councils and many other elected bodies (though not as yet in the national parliament). As a result women are playing a more important economic role. There has always been a tradition of education for middle class women in India and increasingly there is a strong and growing group of professional women holding positions in Indian Universities and Government service.

Women have also traditionally been involved in the informal economy, working in family businesses without formal position or pay. Thus their economic contribution is often undervalued or just not mentioned at all. The Indian Government and the state governments have taken some steps to encourage women to set up small businesses. However the Microcredit Programme run by the Indian Government does help provide finance for small businesses. The main goal is to develop an empowerment program that leads to establishments

of small enterprises in private sector and contributes towards lasting improvement in the social and economical condition among women.

Empowering women entrepreneurs is essential for achieving the goals of sustainable development and the bottlenecks hindering their growth must be eradicated to entitle full participation in the business. Apart from training programs, Newsletters, mentoring, trade fairs and exhibitions also can be a source for entrepreneurial development. As a result, the desired outcomes of the business are quickly achieved and more of remunerative business opportunities are found. Henceforth, promoting entrepreneurship among women is certainly a short-cut to rapid economic growth and development. Let us try to eliminate all forms of gender discrimination and thus allow 'women' to be an entrepreneur at par with men.

## WOMEN EMPOWERMENT IN INDIA: A MANAGEMENT PERSPECTIVE

Today, India is a force in the global economy, with a high demand for talent. A key source of talent is educated Indian women. While Corporate India has not yet fully recognized or utilized this talent pool, the growing gender diversity in Indian managerial ranks offers a pathway for change for Indian women. Cultural and societal change means a shift from traditional views and stereotypes. This article provides a glimpse into the status of women in management in India. Based on in-depth interviews by the Society for Human Resource Management (SHRM) with Indian professional men and women and findings from Indian research studies, this article aims to present perspectives that offer an increased awareness of the challenges and opportunities for women in management in India.

The percentage of women in management in India is roughly 3% to 6%, with approximately 2% of Indian women managers in Indian corporations. However, almost 96% of women workers are in the unorganized sector. As a brief comparison, in the United States women are projected to account for 49% of the increase in total labor force growth between 2006 and 2010. In 2008, the largest percentage of employed women (39%) worked in management, professional and related occupations and women accounted for 51% of all workers in the high-paying management, professional and related occupations.

Globally, the number of women senior managers in large corporations is low. The March

2009 report, Women CEOs of the Fortune 1000, published by Catalyst (the U.S. firm working to expand opportunities for women and business), identifies the women CEOs of the Fortune 500 and 1000 companies, of the Fortune 500 companies, 15 CEOs are women, of the Fortune 501-1000, there are nine women CEOs. The statistics at the CEO level of these large companies clearly show that there is much progress to be made for women worldwide at this level of management.

Women's leadership is a crucial element in development and the expansion of women's capabilities not only enhances women's own freedom and well-being, but also has beneficial effects on business as a whole. A critical aspect of promoting gender equality is the empowerment of women, with a focus on identifying and redressing power imbalances and giving women more autonomy to manage their own lives. Women's empowerment is vital to sustainable development and the realization of human rights for all. Promoting diverse management practices and opening doors to women in management through proactive human resource policies and programs is one way for Indian organizations to expand their talent pool and, ultimately, their leadership pipeline.

Generally, the Indian literature about women in management is limited. Yet, while research reveals a challenging environment for women in the business world in India, there is positive movement. Developments in information technology and related services sectors are helping women in India to move out of their traditional household roles and develop a career in business organizations. At the same time, merely having programs for women in the workplace will not be sufficient. Rather, there must be a true commitment on the part of senior management to hire women managers, including a policy for advancement linked to the business strategy. Indian women as managers offer key strengths. In fact, a good example of an Indian organization well-known for its women management is ICICI Bank Limited, India's largest private bank. Its Managing Director and Chief Executive Officer is Ms. Chandra Kochhar, who began her career with ICICI as a management trainee in 1984 and has headed the major functions in the Bank in different assignments over the years. This is an era of quantum leaps in management development. This is an era of ensuring and securing active participation of the Woman Power in organizational development.

## The strengths of Indian Women as Managers:

- Ability to network with colleagues
- Ability to perceive and understand situations
- Strong sense of dedication, loyalty and commitment to their organizations
- Ability to multitask
- Collaborative work style—solicit input from others, with respect for ideas
- Crisis management skills
- Willingness to share information (interactive leadership style)
- Sensitivity in relationships (e.g., compassionate, empathetic, understanding)
- Behaving in a gender-neutral manner

As social values change, Indian women have been entering the workforce in the past couple decades. Globalization has brought an influx of multinational corporations to India, with Western HR practices and concepts such as gender diversity in leadership roles. As opportunities for women in management in India slowly increase, women are entering professions previously seen as the domain of men in the corporate world: advertising, banking, civil services, engineering, financial services, manufacturing, police and armed forces, and emerging fields such as IT and communications.

The Indian literature on Indian women managers highlights challenges and opportunities for women and for organizations. A number of studies, spanning the years 2002 to 2008, document positive progress for women in the Indian management space as well as barriers to their progress. Research shows that the economic development of India has been positively influenced by entrepreneurial enterprises. Further, entrepreneurship has provided women in India the opportunity to enter social and political circles previously closed to them. Family background and support play an important role to achieve independence and move above the confines of a male-dominated traditional society. For most women entrepreneurs, financial stability in the household and family support is critical for their success. "A supportive family, both before and after marriage, is a key factor for Indian professional women to succeed."

In terms of organizational perceptions of

importance of gender issues, overall, Indian organizations lack sensitivity about these issues and under appreciate women's capabilities and talents. The study also examined management skills and leadership style and found that generally, men tend to want women to act like men, and most men are not comfortable working for a woman manager. Overall, women prefer an interactive style, and men prefer a command and control style. To be successful in business, women develop management styles that make it more comfortable for men to work with and/or report to a female manager. Lastly, the study concluded that major barriers to women's advancement to corporate leadership include lack of mentoring of women, lack of awareness by women of company politics and an inhospitable corporate culture.

#### CONCLUSION:

In today's global economy, Corporate India needs talent in order to be competitive. Generally, women as managers are underutilized in corporate India. To advance women in managerial roles, support by top management is essential. Promoting diverse management practices and opening doors to women in management through proactive human resource policies and programs is one way for Indian organizations to expand their talent pool and, ultimately, their leadership pipeline. As highlighted by the Indian women professionals, specific success factors a good education, mentoring, family support, strong communication skills and life-long learning are essential for Indian women managers today. While traditional Indian cultural viewpoints are slow to change (and not all women want a career in management), positive change for women in the business world in India is moving forward.

#### REFERENCES:

Ackerley, B. (2008), Testing the Tools of Development: Credit Programmes, Loan Involvement and Women's Empowerment, *World Development*, 26(3), pp.56-68.

Akthar Najma (2007), Higher education in Future, Manak publication Pvt.Ltd, New Delhi, pp.121-125.

ASPBAE/FAO, 1993: Women's Empowerment in South Asia: Concepts and Practices, New Delhi, ASPBAE (Asia South Pacific Bureau of Adult Education)

Basu, S. (2008), Gender stereotypes in Corporate India: A glimpse. New Delhi: Response Books, pp.87-92.

Budhwar, P. S., Saini, D. S., & Bhatnagar, J. (2008), Women in management in the new economic environment: The case of India, *Asia Pacific Business Review*, 11(2), pp.179-193.

Das Suranjan. (2007), "The Higher Education in India and the challenges of Globalization", *Social Science* vol.35, pp. 3-4.

Govt. of India, Ministry of Human Resource Development, Dept of Education, 2006, <http://india.gov.in/outerwin.htm?id=http://education.nic.in/>, accessed on February 2010.

Gupta, A., Koshal, M., & Koshal R. K. (2006). Women managers in India: Challenges and opportunities. In H. J. Davis, S. R. Chatterjee & M. Heuer (Eds.), *Management in India*, New Delhi: Response Books, pp. 285-312.

Handy, F, Ranade, B., & Kasam, M. (2007, Summer). To profit or not to profit: Women entrepreneurs in India. *Nonprofit Management & Leadership*, 17(4), pp. 383-401.

Isserles, Robin G., (2008), "Microcredit – the Rhetoric of Empowerment, *Women and Development: Women's Studies Quarterly*, 31:3&4, pp. 38-57

Janaki.D . (2007), Empowerment of women through education:150 years of university education in India, *University News*, .vo. 4, pp. 82-84.

K.G.Karmakar, (2006), 'Rural Credit and Self-Help Groups: Micro-finance needs and concepts in India', Sage Publications, pp. 34-38.

Sumanthy.M and Nagendran. K., (2007), "Women Empowerment: Ethics and logics, southern economist, vol. 46 pp. 5-6

Wixard Kausar and Arya vrat Vijay, (2007), "Women in Higher Education in the work force: Need to Bridge the Gender Gap, ", *University News*, Vol. 45(3), pp. 67-71.

# CHALLENGES BEFORE INDIAN B-SCHOOLS

Ms. RITU SINGH GOUR

## Abstract

*The competition to be one of the most preferred destinations for recruitment among the corporate world is gradually becoming hotter. The competition is becoming tougher year after year. The B-Schools these days are competing internationally to have a competitive edge above one-another and to become stronger gradually. The B-Schools across the globe and Indian b-schools in particular are facing various challenges at various dimensions in the current scenario. This paper emphasizes on the challenges before the Indian B-schools in global scenario.*

---

Keywords- *Competition, Recruitment, corporate world, Indian B-school student,*

---

## INTRODUCTION

In the modern economic scenario all over the world- “Management” – as a stream of education and training has acquired new dimensions. Management is an exciting field where you can have an immediate impact on the operations of any business. The field of Management is dynamic in nature. New tools and techniques are continually being introduced to improve the efficiency, productivity, and profitability of any organization. All organizations and their departments, functions, or groups use Management methodologies, which include problem solving techniques and guidelines for various related activities.

Indian B-schools need to revamp intake of students to make a mark. The Indian economy and business are growing at a scorching pace. With the Indian economy set to double to approximately \$2.4 trillion in the next eight years, the expansion of businesses will be manifold, and so will be the requirement of a trained workforce and managers. India, at this point in time, is reaping dividends of the benefits of a young nation with 65 per cent of population under the age of 35. This fact, if exploited, will lead to demographic dividends with an increased output, productivity and consumption. Not only does it have the potential to become the world's services factory, but to be one of the most important destinations for consumers of global products and services. There have been several early signs of the same. Industries such as aviation, telecom, real estate and automobile are the right examples of this trend. However, the education

sector is also reaping the demographic dividend.

To cater to the need of businesses, new management institutes are being set up, and seats in the existing programmes are getting multiplied. There are roughly 2,000 business schools in India that are churning out 100,000 management graduates. In the next ten to 15 years, it is estimated that the demand for management professionals will grow to 300,000 graduates. While the demand will grow, the supply is likely to be of varied quality. As a result, companies and the market have started discriminating the quality of institutions and management graduates.

## MANAGEMENT EDUCATION IN INDIA

Structure of management education in India is divided into major divisions as outlined hereunder:

- Institutions of national importance.
- University departments.
- Colleges affiliated to the universities.
- Non University Autonomous Institutions.
- Distance/Correspondence based Institutions.
- Unaffiliated Institutions.

At the top are the reputed Institutes of national importance institutes, like the IIMs and some university departments such as FMS which have maintained a high quality in their teaching and research of management education. The second rung institutes are those started by industrial houses, private institutes and state level educational institutes like MICA, Symbiosis and so on, which

offer quality management education at par with these reputed institutes. These come under the category of “Non University Autonomous Institutions”. The third level management Institutes in India are the University departments and other Open Universities which provide management education through correspondence, distance and part-time.

In India all educational institutes, which are providing management education are certified by the All India Council of Technical Education (AICTE). In India management study and training come with a variety of names –Master of Business Administration (MBA), Master of Management Studies (MMS), Master in Finance Control (MFC), PG Diploma in Business Management, Post-Graduate Program in Public Management & Policy (PGP-PMP), Master of Public Administration (MPA), PG. Diploma in Management (PGDIM), PG. Diploma in Human Resource Management (PGDHRM), PG. Diploma in Financial Management (PGDFM), PG. Diploma in Operations Management (PGDOM), PG. Diploma in Marketing Management (PGDMM) and so on. During the course, there are prospects of internship from the campus, providing a glimpse into the operation of an organization

The fee structure of the management programs in India varies from program to program. Full time courses from the most reputed institutions are usually expensive, ranging from Rs. 50,000 to Rs. 4 lakh, per annum, approximately. Graduates with a minimum of 45 percent to 50 percent marks are eligible to apply for admission to management programs. Aspirants have to go through a selection process which includes entrance/admission tests, followed by group discussion and the interview of candidates declared successful in the written test. The aim of the test is to evaluate, under stress, a candidate's general verbal, mathematical and analytical abilities. The management entrance test in India call for a superior command over the English language, quantitative skills and a sharp mind.

## CHALLENGES BEFORE INDIAN B-SCHOOLS

The increasing rate of competition in India and other B-Schools in the Asia-Pacific Region has brought the b-schools on their toes to perform or perish. The business education sector is getting hot just as the competition in the corporate world. In such a competitive environment, Indian B-schools have to face certain challenges which are as follows:

## INTAKE OF STUDENTS –

Organizations in this era are looking for skillful managers with excellent knowledge and talent. B-schools in India face the problem of intake of students which varies in quality, and students having no work experience. Most of the B- schools in India select their students through a competitive exam followed by group discussion and interviews only. This kind of selection procedure does not allow scrutinizing the cream candidates with best soft- and life-skills which are necessary for becoming successful managers.

## QUALITY FACULTY MEMBERS-

For any B-school to impart meaningful business education, the quality of faculty members is paramount. The b-schools across the globe are facing a big challenge of attracting and retaining the quality talent with the right blend of desired pre-requisites. An important challenge faced by Indian B-schools is hiring trained and high-quality, experienced faculty members. In India, ironically, a B-school is known by the kind of students it attracts and the placements it provides. Also most of the highly qualified people are not considering teaching as an option. The need of the hour is to bring boardroom battles in the classroom. The most intriguing aspect is the retention of quality faculty members who are the right blend of academics, research and consulting. The teachers who can give the best of the academic inputs to the budding business professionals, impart professional values, can inspire the students/participants to be the business leaders of tomorrow is a rare species. The turnover rate of faculty members across the globe is an area of immense concern to the top echelons of the various b-schools.

## MUSHROOMING B-SCHOOLS –

Seeing the popularity of MBA programmes among Indian youth, many small and unrecognized B-schools have mushroomed all over the country. These institutes do not offer quality education and make fake promises to lure students. Most of these courses are not even of two- years as offered by some of the management education institutes. However, most companies are smartening up and not hiring students from these shoddy institutes.

## INDUSTRY INTERFACE –

In this era of tight financial conditions, the industry is compelled to spend extra resources to reeducate every new entrant. The creative talent is

on the wane. Industry has to contend with graduates who have sound theoretical background but lack practical competencies for communication and interpersonal skills. There is no linkage of what is taught in institutes and what is required in the actual field of employment. Thus the students fail to appreciate real challenges which companies and industries are facing. To overcome this serious lacuna, management education requires the incorporation of a massive experimentation in terms of extended summer internship for four to six months or in terms of experiential learning which involves several live projects of shorter duration. The incorporation of such a concept of experiential learning will help students to get a hands-on experience with companies and industry and will enable them to connect with the programmes in a more meaningful way.

#### PLACEMENTS –

Another major area of concern is managing the best placements for the students. Only a minor fraction of the management graduates find themselves in a comfortable position as far as placements are concerned. A majority of the second rung b-Schools are finding it difficult to manage the best of the placements for all the students studying on campus. The problems of inviting the corporate HR Managers to the campus, the HR Managers being skeptical of getting the right kind of skills, coupled with problems with communication, presentation skills and lack of academic rigor together enhances the severity of the problem. On the other hand, the bulk supply of MBAs has made the competition keen at the entry level. Even the scenario at the walk-in-interview level is horrible. For a few positions a large number of candidates turn up, and the jobs are offered at the one sided terms that the employers dictate.

#### ORGANIZING INTERNATIONAL CONFERENCES AND SEMINARS-

Organizing International Conferences and seminars are also a big challenge in front of the leading B-Schools. The International Conferences and seminars provide a special platform to the researchers, academicians and the corporate doyens to share a common platform to leverage the knowledge acquired in the world of academics and the practical world. The process of organizing International Conferences and Seminars requires a good allocation of funds to make it successful. But Indian B-Schools are yet to catch the foreign B-Schools in terms of their expertise in organizing the

International Conferences and Seminars. Though there are various bodies that are funding and sponsoring such conferences and seminars, but what is pathetically lacking in various Indian b-Schools is a dedicated team of Faculty Members committed to such causes and having a strong entrepreneurial zeal duly supported by the students body to supplement them.

#### MANAGING LIBRARY-

Managing Digital libraries and collaborative access of library resources is becoming a big challenge in the current scenario. Most of the b-schools are not in a condition to afford the various costly digital resources and the required international journals, digital resources, databases and other high-end resources for the library. The libraries of the b-schools of the various developing economies and the under developed economies are facing an acute problem in managing the most updated digital resources to keep their students and faculty members updated. The b-schools must enter into a collaborative set-up to maximize the use of digital resources at their discretion and to minimize the cost of access and overall affordability to the students.

#### CORPORATE CONSULTANCY ASSIGNMENTS –

The most important challenge to the different b-Schools of India is in terms of bagging Corporate Consultancy assignments and to deliver them successfully with the highest degree of customer ecstasy. The majority of the Indian b-Schools are involved in run-of-the mill teaching process and the faculty members devoting maximum time in teaching, teaching and teaching having left with little or no time to bag and deliver corporate consultancy assignments. The challenge is on various frontiers including gaining the confidence level of the corporate world to an extent that they can trust them and deliver a consulting assignment which can add value to both the faculty member and the corporate world.

#### MDP & EDP-

Management development programmes and Executive Development programmes are also a big challenge in front of the B-Schools. More than 90 % of the Indian B-Schools are neither conducting Management Development Programmes nor Executive Development Programmes. The b-Schools which conduct MDP and EDP programmes get consistent enrichment of knowledge by the

experience sharing process during the MDP programme and EDP programme. The process of conducting MDP and EDP programmes is a win-win one for both the Faculty Members as well as the participants coming from the corporate world.

#### CURRICULUM REVISION-

Many institutes have not changed their curriculum for a long time. It is still the same and has not been updated with changing time and needs of the industry. According to a report in Financial Chronicle, the MBA courses focus on three things: knowing, doing and being. Since most professors are from research and academics, the scale is heavily tilted towards knowing. Institutes must continuously upgrade themselves by comparing their courses with those of their counterparts in other parts of the world. The issue has to be tackled right from the time of student intake.

#### CONCLUSION

The present state of affairs of our management education demands immediate attention. The increasing rate of competition in India and other B-schools in the Asia-Pacific region has brought the b-schools on their toes to perform or

perish. The need of the hour is for greater introspection on innovative methodologies of teaching and research in our institutes. The emphasis should be on improving the quality in all aspects-right from the intake of students till they are placed. Also the B-schools need to re-engineer the systems, processes and the procedures to catch up with the international competition so as to remain in the globalized world of educational services in the light of the fact that the students and the corporate world are gradually becoming more and more demanding.

#### REFERENCES-

- D. Panduranga Rao(2001),Challenges for Indian Business and Management Education, EXCEL books, New Delhi
- K.S Srinivasa Rao, (2010), Journal of Commerce & Management thought, ABEED.
- Rahul Mishra( 2010), Business Standard
- [www.MBAUniverse.com](http://www.MBAUniverse.com)
- [www.businessstandard.com](http://www.businessstandard.com)
- [www.managementparadise.com](http://www.managementparadise.com)
- [www.scribd.com](http://www.scribd.com)

# SICKNESS IN SMALL ENTERPRISES-THE CAPSULES FOR REVITALIZATION

Prof.K.Rama Krishna Reddy\*, Dr.M.Thyagaraju\*\*, O.Sailaja\*\*\*

## INDUSTRIAL SICKNESS

**D**efinition of a sick unit is given by Sick Industrial companies act, 1985. According to the act “ A sick industrial company is a company which has at the end of any financial year accumulated losses equal to or exceeding its entire net worth and has also suffered cash losses in that financial year and in the financial year immediately preceding it.”

## EXTENT OF SICKNESS

Industrial sickness is growing at an annual rate of about 28% and 13% respectively in terms of number of units and outstanding number of bank credit. It is reckoned that as of today there are more than 2 lakh. sick units with an outstanding bank credit of over Rs7000crore. Nearly 29000 units are added to the sick list every year. Industrial sickness especially in Small-scale Industry has been always a demerit for the Indian economy, because more and more industries like – Cotton, Jute, Sugar Textile, Small steel and Engineering industries are being affected by this sickness problem.

## CAUSES OF SICKNESS OF SSIS

Most of the Indian authors and researchers have classified the different types of industrial sickness under two important categories. They are:

### 1) Internal Cause for sickness:

Pertaining to the factors which are within the control of management, one can say that this sickness arises due to an internal disorder in the areas identified as the following:

- a) **Lack of Finance:** This includes weak equity base, poor utilization of assets, inefficient working capital management, absence of costing & pricing, absence of planning and budgeting and inappropriate utilization or diversion of funds.
- b) **Bad Production Policies :** Another very important reason for sickness is wrong

selection of site which is related to production, inappropriate plant & machinery, bad maintenance of plant & machinery, lack of quality control, lack of standard research & development and so on.

- c) **Marketing and Sickness:** This is another part which always affects the health of any sector as well as SSI. This includes wrong demand forecasting, selection of inappropriate product mix, absence of product planning, wrong market research methods, and bad sales promotions.
- d) **Inappropriate Personnel Management:** Another internal reason for the sickness of SSIs is inappropriate personnel management policies which include bad wages and salary administration, bad labour relations and lack of behavioral approach. This causes dissatisfaction among the employees and workers.
- e) **Ineffective Corporate Management:** Another reason for the sickness of SSIs is ineffective or bad corporate management which includes improper corporate planning, lack of integrity in top management, lack of coordination and control etc.

### 2) External causes for sickness:

- a) **Personnel Constraint:** The most important reasons for the sickness of small scale industries are the non availability of skilled labour or manpower, wages disparity in wages in similar industries and general labour invested in the area.
- b) **Marketing Constraints:** The second cause for the sickness is related to marketing. The sickness arrives due to liberal licensing policies, restraint of purchase by bulk purchasers, changes in global marketing scenario, excessive tax policies by govt. and market recession.



- c) **Production Constraints:** This is yet another reason for the sickness. This arises due to shortage of raw material, shortage of power, fuel, high prices and import-export restrictions.
- d) **Finance Constraints:** another external cause for the sickness of SSIs is lack of finance. This arises due to credit restrains policy, delay in disbursement of loan by govt., unfavorable investments, fear of nationalization.

## REASONS FOR SICKNESS IN SSI's

### Production Related Reasons:

- 1. Faulty Product Mix
- 2. Backlog of Production
- 3. Poor Quality of end product
- 4. Delayed delivery schedule

### Financial Reasons:

- 1. Low Profitability
- 2. Low fund generation
- 3. Poor liquidity
- 4. Step Cost structure
- 5. Lack of financial resources
- 6. Lack of credit facility
- 7. Faulty credit utilization
- 8. Low share value

### Market Reasons:

- 1. Poor marketing strategy
- 2. Imbalance between production & marketing
- 3. Wild market shifts
- 4. Lack of awareness of consumer's preferences
- 5. Lack of specific market segmentation
- 6. Poor distribution network
- 7. Poor market performance

### Signals of sickness

The following actions of the unit indicate that the unit is sick or going to be sick:

- 1. Continuous irregularity in cash credit accounts;
- 2. Low capacity utilization;
- 3. Profit fluctuations, downward sales and fall in profits followed by contraction in the share market;
- 4. Failure to pay statutory liabilities;
- 5. Larger and longer outstanding in the bills

accounts;

- 6. Non submission of periodical financial data /stock statement etc. in time;
- 7. Financing capital expenditure out of funds provided for working capital purposes;
- 8. Rapid turnover of key personnel;
- 9. Existence of large no. of law suits against a company;
- 10. Rapid expansion and too much diversification within a short time;
- 11. Any major change in the share holdings.

### Effect of sickness

- 1. Industrial Sickness contributes to high cost economy. This in turn, will affect the competitiveness of the economy at home and abroad.
- 2. Dead investment is a burden on both banks and budgets and ultimately consumers have to pay the high cost.
- 3. Money locked up in sick units gives no returns and affects the availability of resources to the other viable units

## REMEDIES

Majority of sick units is retrievable. In order to tackle the problem of sickness , the role of the following three agencies assumes significance: a) Government b) Financial institutions and c) Industry associations

- a) **The Role of Government:** the number of units in the country has increased nearly 10 times since independence and we now .have diversified industrial structure with wide spread entrepreneurship. The credit for this largely belongs to the government. This means that the government has a big role to play.

The other area where the government can be helpful is Vis-à-vis industrial licensing. The very existence of licensing and monopoly regulation legislation implies that there is a stampede to “to get in” whenever licensing is liberalized for an industry or an economy as a whole

- b) **The Role Of Financial Institutions:** The following are the ways by which sickness can be prevented by financial institutions:

- a) Continuous monitoring of unit
- b) Careful project appraisal

- c) Professional institutional response to unit's problems
- d) Required systems at client units
- e) Incentives to units to remain healthy
- c) The Role Of Industry Associations : Industrial associations can review the industries on the basis of installed and usable capacity in the industry, capacity utilization, growth trends and other problems, and decide whether new entrants have the potential to enter the industry or not. The industry can have some sort of an assistance cell consisting of professionals who could offer managerial and technical help to units that are beginning to fall.

### CURATIVE MEASURES

These measures include how to cure the sickness after it has crept in. There are lots of agencies which help cure Industrial sickness.

There is the Industries (Development and Regulation) Act, 1951, which provides for the takeover of a sick unit by the Government of India. Before resorting to a takeover, other alternatives like rehabilitation through the concerned state government and financial institutions or the merger of a sick unit with a healthy unit could be explored.

Then there is the Sick Industrial Companies (special provisions) Act, 1985, which was passed by the parliament and received the assent of the president in January 1986. It was amended in December 1991 so as to bring government companies within the preview of the Act.

Further, there is the Industrial Reconstruction Bank of India (IRBI) which came into being on March 20th 1985 by converting the erstwhile Industrial Reconstruction Corporation of

India. It provides assistance for reconstructions and rehabilitation of the sick industrial units by granting them loans and advances, underwriting shares and debentures etc.

For the sick units in the small scale sector, separate facilities are available. State Finance Corporations and commercial banks may be asked to devise a scheme for the rehabilitation of sick units in the small scale sector, and the assistance given by them for the revival of such units would be eligible for refinancing by the IRBI at concessionary rates of interest.

### CONCLUSION

1. Government should hike its spending to create more jobs and boost the manufacturing sectors in the country.
2. Government should try to increase the export against the initial export.
3. Builders can reduce unrealistic prices of property to bring back the buyers into the market and thus raise finances for the incomplete projects that they have in hands.
4. The falling rupee against the dollar will bring a boost in the export industry, though the buyers in the West might become scarce.
5. The decline in the oil prices will also have a positive impact on the importers.

### REFERENCES:

1. entrepreneurial development potential beyond boundaries - Vasant Desai- HPH
2. siliconindia news bureau
3. [www.hinduonnet.com/businessline](http://www.hinduonnet.com/businessline)
4. [www.managementparadise.com](http://www.managementparadise.com)
5. Industrial sickness,- A Health monitoring approach, edited by Nagaiya

# LOOSING GRIP OF REGIONAL STOCK EXCHANGES TO NATIONAL STOCK EXCHANGES – A CASE OF LUDHIANA STOCK EXCHANGE

DR. AMISHA GUPTA

## Abstract

*Establishment of National Stock Exchange of India Ltd. (NSE) in 1994 with an all India spread and expansion of operations of Bombay Stock Exchange (BSE) throughout the country, both of which have their trader work stations at over 400 centers in the country today, have led to the virtual extinction of all the 19 Regional Stock Exchanges (RSEs) spread across the length and breadth of the country (Mayya and Gerela, 2003).*

*This paper studies the causes of the decline of RSEs, enunciating the case of Ludhiana Stock Exchange (LSE) and examines the survival strategies adopted by LSE.*

---

Key Words: - *Regional Stock Exchanges, National Stock Exchange, Decline, Survival Strategies.*

---

## INTRODUCTION

A stock exchange in India is recognized as an institution for the purpose of assisting, regulating or controlling the business of buying, selling or dealing in securities, after it is satisfied that it would be in the interest of the trade and also in the public interest to grant such recognition (Sec. 4, Securities Contracts (Regulation) Act, 1956).

Over a period of time, stock exchanges came to be set up almost in every State. These stock exchanges set up regionally were known as the Regional Stock Exchanges (RSEs). The objective of establishing the RSEs was to enable regional companies in the respective geographical locations to raise capital and to help spread the equity cult amongst investors across the length and breadth of the country. However, with the various changes in the capital market microstructure, the scope of operations of the RSEs became limited. The trading in these RSEs has also dwindled over the past several years (Mayya, & Gerela, 2003).

## OBJECTIVES OF THE STUDY

This paper, based on secondary data, aims to analyze the causes of decline of LSE and also to study the revival strategies adopted by LSE to survive in face of 'threat' from the expansion of BSE/NSE VSAT counters.

## CURRENT REGIONAL STOCK EXCHANGES SCENARIO

A host of factors have cumulatively been responsible for the present state of illiquidity in the RSEs. Abolition of badla with effect from July 2, 2001, which acted as the backbone of trading at the Calcutta, Delhi, Ahmedabad and Ludhiana Stock Exchanges, dealt a serious blow to trading at these RSEs ([www.bseindia.com](http://www.bseindia.com)).

Introduction of uniform trading cycles at all the stock exchanges, also effective from July 2, 2001, reduced further the volume of trading at the RSEs due to diminished opportunities for arbitrage transactions. Introduction of compulsory rolling settlement, initially in a few securities and subsequently in all securities effective from December 31, 2001 on a T+ 5 basis accelerated the reduction in turnover at the RSEs. The switch over of the rolling settlement to T+ 3 effective from April 1, 2002 and to T+ 2 with effect from April 1, 2003 sealed the fate of the RSEs (Mayya and Gerela, 2003).

Yet another major reason for the absence of trading at the RSEs is that all the major operators at all these exchanges acquired memberships of either NSE or BSE or both, while most others acquired the sub-brokerships of members of NSE/BSE and all of them switched over their operations completely to NSE and BSE ([www.bseindia.com](http://www.bseindia.com)).

In a study on stock exchange versus over-the-counter markets in Japan and Korea, it was found that although stock exchanges are larger than OTCs in many countries in terms of both market capitalization and total trading volume, the OTCs

have already become larger and they have played a crucial role in financial markets. The reason attributed for the decline of trade in RSEs is that the stock exchange indices contain information on relatively old technology sectors, while OTC index contains information on relatively new technology sectors (Wada, 2004). Another study corroborating this result suggests that transaction costs in the form of the cost of gathering and processing information in new technological fields is a significant factor for stock trade (Pierdzioch and Schertler, 2007).

In another survey designed to explore the concept of Internet-based stock exchanges by measuring investor's opinions on issues in using Internet-based stock exchange, it was found that while security of transaction remains a major concern, respondents also voiced a strong belief that Internet stock exchanges offer a number of advantages over their conventional counterparts, with 88.1% of the respondents listing the several possible benefits primarily; lower costs, access to a broader market, ease of marketing and information provision. Not a single respondent said that Internet stock exchange would not have any advantage over a conventional exchange; the remaining 11.9% were undecided (Majer, 1996).

Taking cue from this finding, the establishment of National Stock Exchange of India Ltd. (NSE) in 1994 with an all India spread and expansion of operations of Bombay Stock Exchange (BSE) throughout the country, both of which have their trader work stations at over 400 centers in the country today, have led to the virtual extinction of all the 19 Regional Stock Exchanges (RSEs) spread across the length and breadth of the country. The share of 19 RSEs which was as much as 45.6% of the total all India turn over of Rs. 2.39 lack crore in 1995-96 declined progressively year after year and in 2001-02, it was just 8.4% of the total volume of Rs. 8.96 lack crore. At present there is virtually no trading at any of the RSEs, except CSE and UPSE (www.sebi.gov.in).

In another survey, conducted by a Committee formed by SEBI under the Chairmanship of Shri. G. Anantharaman, it was reported that three factors have been primarily responsible for the plight of RSEs: a) the advent of automated trading and extension of nationwide reach of BSE and NSE which offered a large and liquid market to investors across the country; b) the introduction of uniform rolling settlement from June 2001 in place of account period settlement with varying settlement

cycles and, c) the abolition of the concept of regional listing (SEBI Report, 2006).

Another reason attributed to the decline of regional stock exchanges is that Indian S.E.s in general were laggards in adopting communication technology that was transforming bourses in the US and Europe. RSEs could still conduct trade in isolation from one another and from BSE. This had several undesirable consequences; illiquidity of stocks, possibilities of manipulations and arbitrage were some of them (The Hindu, 2005).

## LUDHIANA STOCK EXCHANGE ASSOCIATION LIMITED (LSE)

LSE was established in the year 1983. By 1999-2000, the exchange had a total of 284 brokers, out of which 79 were corporate brokers (www.wikipedia.com). LSE was established with the objectives to develop healthy capital market, support the interests of investors, regulate and control trade in securities, and to discourage and suppress malpractices detrimental to the interest of investors at large.

The downfall of LSE was triggered with the recommendations of Pherwani Committee for the formation of a National Stock Exchange to provide the investors a common screen based trading platform at their doorstep. The preference of investors to trade at common market across the country and the desire of MNCs of multiple listing for trading across the globe aggravated the plight of LSE. Low resources for development and maintenance and high cost of operations further led to low depth in this market and resulted in lack of liquidity and transparency. Innovations in trading through VSATs and Internet was the final blow as trading through NSE had the advantages of complete transparency in operations, faster settlement of trades and state-of-the-art technology for efficient trading, settlement and clearing system (www.nseindia.com). In a T.O. comparison between NSE and other S.E.s it was found that in 2002-03, NSE had a T.O. of Rs. 2,12,65,445 million as compared to Rs. 31,65,516 million in BSE and Rs. 3,68,982 million in other S.E.s (www.sebi.gov.in).

In spite of the fact that trading at LSE had ground to a halt, it managed to survive so far because of the annual listing fees being received from the listed companies. However, the circulars issued by the Ministry of Finance on April 23, 2003 withdrawing its earlier circulars which required all companies including existing listed companies, to be

listed on the regional stock exchanges, has driven the last nail into the coffin of RSEs as companies have started lining up one after the other to get themselves delisted from the LSE (Mayya and Gerela, 2003).

## REVIVAL OF RSES

The pioneer initiative taken to revive the regional stock exchanges was the establishment of the Inter-Connected Stock Exchange of India Ltd. (ICSE) promoted by 14 RSEs with the laudable objective of converting small, fragmented and illiquid markets into a large, efficient and liquid nation-level market (Sebi Report, 2006). However, LSE was not a member of ICSE as also Calcutta, Delhi, Ahmedabad and Pune S.Es. Unfortunately, the ICSE experiment did not succeed as the big brokers of the participating RSEs failed to evince any interest in trading on ICSE and also because markets continued to be fragmented as the participating RSEs did not close down their regional segments (Mayya and Gerela, 2003).

With a view to revive RSEs, SEBI permitted these exchanges in 1999 to float subsidiary companies to acquire membership rights of other exchanges to provide the members of these exchanges access to the wider market for improving the trading volume (Sebi Report, 2006). Pursuant to this, LSE became the first in India to start LSE Securities Ltd. in 2000, a 100% owned subsidiary of the exchange. The LSE Securities got the ticket as sub-broker of the BSE on 13-09-2000 and NSE on 12-12-2000. Members of LSE can trade on BSE/NSE as sub-brokers of LSE Securities Ltd., which is responsible for collection of margins and pay-in of securities. For the settlement of dematerialized securities, the LSE has also been linked up with National Securities Depository Ltd. (NSDL) in the year 2000(www.wikipedia.com).

Looking at the global scenario, mergers of smaller stock exchanges with the bigger national exchanges are taking place all across the globe. The USA witnessed the merger of 250 local stock exchanges existing during the 19<sup>th</sup> century into the formation of a National Stock Exchange in 1975. In Australia, 6 RSEs amalgamated into National Stock Exchange in 1987. Germany saw the linkage of 8 RSEs to National Stock Market in 1989(www.nseindia.com).

Threatened by the growing concentration of business on London Stock Exchange and Deutsche Bourse, the Paris Bourse, Amsterdam Exchange and

Brussels Exchange established in 1999, Euronext by creating a single Euronext cash market for equities and bonds, a single Euronext derivatives market and a single Euronext commodity market with a single set of trading rules (Mayya and Gerela, 2003).

On the same lines, the Hon'ble Finance Minister announced setting up of BSE's IndoNext Trading platform on July 8, 2004. Accordingly, the BSE Indonext was set up with the joint initiative of the BSE and the Federation of India Stock Exchanges (FISE) of which 18 RSEs are members, including LSE, and which began its first phase of operations on January 7, 2005(Sebi Report, 2006), thus shutting down completely local trading platforms, LSE amongst other RSEs became a Participating Stock Exchange (PSE) of the Indonext, and provides opportunities for smaller companies having paid up capital up to 20 crores i.e. small and medium enterprises (SMEs) and helps develop the entrepreneurial back bone of the country.

LSE also became the second bourse in India to introduce modified carry forward system after BSE on April 6, 1998. On the same date, LSE also introduced a Settlement Guarantee Fund (SGF), which guarantees settlement of transactions, and the carry forward facility provides liquidity to the market. In 1998, the exchange also got permission to start derivative trading (www.wikipedia.com)

Another laudable initiative taken up by LSE is the education of the investors as well as member brokers. Through various investor education programs LSE attempts to provide an opportunity for investor awareness and protection, which would further promote and inculcate honorable practices and just and equitable principle of trade and business. Such programmes serve the dual purpose of spreading the equity cult amongst investors and also provide a source of revenue to the dwindling resources of LSE.

## CONCLUSION

Although a number of initiatives have been proposed and implemented by the Government and SEBI for the revival and growth of RSEs, there is still a long way to go.

The ICSE failed to create any worthwhile liquidity in its markets in competition with the breadth and depth of NSE and BSE. While subsidiaries of RSEs like the LSE securities Ltd. have no doubt provided an avenue to its members to survive for the present, there is a lurking fear of even

this avenue grinding to a halt as it is likely that the subsidiaries may not be allowed to continue to function, if they incur losses. With the incomes drying up almost completely, RSEs will soon wear a totally deserted look with no activity whatever.

However, the advent of Indonext opens up many possibilities for survival by coming together and trading through a new platform specially designed for the stocks of SMEs. The hope is that the new platform will pool the resources of its 18 members and overcome the deficiencies of trading in illiquid stocks and small exchanges. There have been some tall claims of Indonext paving the way for a strong all-India exchange that would eventually be up in competition with the BSE and NSE. A more realistic view is that the new platform will give regional exchanges a new lease of life (The Hindu, 2005).

## REFERENCES

- (1) Majer, Alan, 'Internet Stock Exchange Survey', October 1996.
- (2) Mayya, M.R. and Gerela, S.T., 'Regional Stock Exchanges', BSE Annual Capital Market Review, 2003.
- (3) Pierdzioch, Christian and Schertler, Andrea, 'Sources of Predictability of European Stock Markets for High-technology Firms', The European Journal of Finance, Vol. 13 No.1,1-27, January 2007.
- (4) Sebi Report of the Committee to study the future of RSEs – Post De-mutualisation, May 08, 2006.
- (5) The Hindu-Editorials, 'Regional Stock Exchanges Prospects', Jan.17, 2005.
- (6) Wada, Kenji, 'Informational content of Stock Exchanges versus over-the-counter markets: the behaviour of stock indices around the Asian financial crisis in Japan and Korea', Applied Economics Letters, 2004, 11, 949-955.
- (7) [www.bseindia.com](http://www.bseindia.com)
- (8) [www.nseindia.com](http://www.nseindia.com)
- (9) [www.sebi.gov.in](http://www.sebi.gov.in)
- (10) [www.wikipedia.com](http://www.wikipedia.com)

# “THE PRESENT LEGAL POSITION OF BUSINESS COMPETITION IN INDIA”

BHEEMABAI S. MULAGE,

## Abstract:

*This article studies, whether the Competition Law is able to protect the interest of consumers and new entrants in the market as participants in competition. Due to the system of Liberalization, privatization & globalization, Indian market should face competition from within the country and outside. For ensuring free and fair competition there is a need to prohibit trade practices, which causes appreciable adverse effect on competition in markets, for this a quasi-judicial body called competition commission of India (CCI) has been established under the competition Act 2002 . This article studies that ,in what extent the CCI is empowered to exercise the given power and what kinds of functions and duties were there on the shoulders of the CCI to ensure fair competition promote and sustain competition in markets and to protect the interest of consumers.*

*It also studies, whether the commission is able to work in a new commercial environment by keeping in view the economic development of the country to prevent practices having adverse effects on competition.*

*It examines the relationship between the companies, where agreements have taken place for the purpose of unfair disadvantages and creating a hurdle to the new competitors.*

*It also examines that the size of a firm or its dominant position as such is not prohibited but, abuse of dominance/misuse of market power/monopoly or the attempt to monopolize are considered bad under competition law.*

---

Key words: competition, competition commission of India, Consumer, Anti-Competitive agreements, dominant position, combination

---

## INTRODUCTION:

In the pursuit of globalization India has responded to opening up its economy, removing controls and resorting to liberation. The natural corollary of this is that the India market should be geared to face competition from within the country & outside. The MRTP Act has become obsolete in certain respects as it failed to fulfill the needs of a competition, Law in an age of growing liberalization & globalization. Thus, keeping in view the economic developments of the country, to prevent practices having adverse effect on competition and there is a need to shift the focus from curbing monopolies to promoting & sustaining competition in markets, to protect the interest of consumers & to ensure freedom of trade carried on by participants in markets. In India, a new competition regime has been enacted which has made a historic shift bringing Indian, competition Laws & policies in the line of competition prevailing in the global market.

In order to control the Anti-competitive agreements & abuse of dominant position the competition Act, 2002, now provides a regulatory mechanism. Because the competition is the foundation of an efficiency working market system, & it is also accepted as the life blood of the market economy. It spurs innovation & higher productivity leading to accelerated economic growth; to the consumers it brings the benefit of lower prices, wider choices & better services.

## MEANING OF COMPETITION:

The term competition carried mixed meanings when the term was first translated into Japanese; the term became “fighting with each other to succeed”. This meaning was immediately greeted with a belief that actually you succeed by co-operating.

Competition has also been defined as “a situation in a market in which firms and sellers

---

Lecturer, Karnataka State Law University's Law School, Navanagar, Hubli-580025, Contact number: 9964739066 Email address- Bheemu.mulage@rediffmail.com

K.S. Anantharaman, 'Lectures on Company Law & Competition Act', 10<sup>th</sup> Edn, ( Lexis Nexus Butter worths wadhwa, Nagpur 2009., ) P.No-377.  
[http:// www. Compaylawonline.com/search/articles/?95196249-3868-4b5b-90e3-694c77c11b92.](http://www.Compaylawonline.com/search/articles/?95196249-3868-4b5b-90e3-694c77c11b92)

Supra Note 1., P.No.377. Supra Note No.2.

Ibid [http://www. Competition commission-nic.in/speeches-articles-presentation](http://www.Competitioncommission-nic.in/speeches-articles-presentation)

independently strive for buyer's patronage in order to achieve a particular business of objective, or example, profits, sales or market share”.

#### Aims and objects of the competition Act-2002:

The Act aims at curbing negative aspects of competition through the medium of CCI. The CCI shall have a principal bench and additional benches including merger benches.

The preamble states the following objects:

- 1) To prevent practices having adverse effect on competition,
- 2) To promote and sustain competition in the market,
- 3) To protect the interest of consumers,
- 4) To ensure freedom of trade carried on by other participants in market, in India.

The competition Act-2002 has essentially four compartments.

- 1) Anti-Competition agreements
- 2) Abuse of dominance
- 3) Combinations regulations
- 4) Competition advocacy

Most competition Laws across the globe primarily deal with three areas namely, anti-competitive agreements, the abuse of dominant position & mergers / combinations.

#### ANTI – COMPETITIVE AGREEMENTS

Section 3 of the Indian Competition Act, 2002 deals with the economic regulation of the market power intended to constrain an enterprise from exercising it, to promote & sustain competition in markets. It is designed to prevent, along with conspiracies & monopolies against consuming public, such unfair practices against smaller competitors, & also such other practices, which unfairly disadvantage competitors, & also such other practices, that unfairly disadvantage competitors or injure consumers as tying arrangements, exclusive supply or distribution agreement refusal to deal. It, therefore provides for

prohibition of entering into agreement in respect of goods or services which causes or is likely to cause an appreciable adverse effect on competition within India (Section 3(1) such agreement is void (Section 3(2)). Section 3(3) deals with “horizontal” agreements. It also defines activities which could be taken “Vertical” agreements. Exceptions are given in Section 3(5).

#### Prohibition of Anti-Competitive Agreement:

The Act prohibits an enterprise or person or their associations from entering into an agreement in respect of production, supply, distribution, storage, acquisition or control of goods or provision of services which causes or is likely to cause an appreciable adverse effect on competition within India. Any agreement entered into in contravention of this provision is void (Section 3(2)). Contravention is prima facie established in respect of agreements of the nature asset given under section 3(3) which are presumed to have a appreciable adverse effect on competition. No investigation is necessary. There is no such presumption in respect of some others, as in section 3(4). Investigation is necessary whether the agreement has that effect as is made clear by the use of the expression “if” in section 3(4), instead of “which” used in section 3(1) with the words “causes or is likely to cause an appreciable adverse effect on competition”. Thus, there are two types of agreements; those which are “per se” void & those which are void “if” found on investigation by applying the rule of reason, as affecting the competition in the manner as provided in section 3(1).

The main purpose of section 3 of the Act is to regulate competition. It prohibits all types of agreements which causes or is likely to cause an appreciable adverse effect on competition within India.

Anti-Competitive agreements are divided into two broad categories;

- 1) Horizontal agreements: - between competitors operating at the same level in the economic process i.e., enterprises engaged in broadly the same activity. These are the agreements between producers or between wholesalers or

---

Cuts, challenges in implementing a competition policy and Law: an agenda for action, (Jaipur Printers P.Ltd., 2001,.) P.No.29

D.P.Mittal., 'Competition Law' (Taxmann's Publication Pvt. Ltd. New Delhi.2003,.) P.No-83.

K.S. Anantharaman, 'Lectures on Company Law & Competition Act', 10<sup>th</sup> Edn, ( Lexis Nexis Butterworths wadhwa, Nagpur 2009, ) P.No-377-378  
Competition Act., 2002., (BARE ACT)



between retailers, dealing in similar kinds of products (specified in section 3(3))

Vertical Agreements: Between non –competing undertakings operating at different levels of manufacturing & distribution process. These are agreements between manufacturers of components & manufacturers of products, between producers and wholesalers, or between producers, wholesalers and retailers (Specified in Section 3(4))

Anti – Competitive Agreements - Examples:

- a) Horizontal agreements, including cartels, which ;
  - Fix (Determine) prices,
  - Limit or control production, supply, technical development, etc.
  - Allocate area of customers.
  - Bid rigging or collusive bidding presumed to have “AAEC”.
- b) Vertical agreements such as ;
  - Tie in
  - Exclusive supply / distribution
  - Refusal to deal
  - Resale price maintenance subject to “rule of reason”
- a) “Tie-in agreement,” this includes any agreement requiring the purchaser of goods, as a condition of such purchase such goods. This is an arrangement by which to purchase a seller agrees to sell a product known as the tying item only on condition that buyer agrees to buy a second product known as the tied product from the seller.

A tying arrangement reduces or eliminates competition. It also removes the buyer's resistance to the tied product. Requiring the buyers of cars to pay towards the servicing of cars with the sale price. *In Re Hindustan Motors Ltd*

Requiring a stabilizer to be bought along with the refrigerator. *In Re Northern India Refrigeration Co.*

Collection of service charges along with the sale of TV set even during the service period under warranty. *In Re R.P. Electronics.*

To buy tyre-lock, petrol tank and helmet along with a scooter. *In Re Sikand & Co.*

- a) Exclusive supply agreement: includes any agreement restricting in any manner the purchaser in the course of his trade from acquiring or otherwise dealing in any goods other than those of the seller or any other person.
- b) Exclusive distribution agreement : this includes any agreement to limit, restrict or withhold the output or supply of any goods, or allocate any area or market for the disposal or sale of the goods;
- c) Refusal to deal: refusal to deal includes any agreement which restricts or is likely to restrict, by any method the persons or classes of persons to whom goods are sold or from whom goods are bought.

*In Re Pieco Electronics & Electricals Ltd :*

A dealer of the company complained to the commission that the company was withholding supply of goods to him. In the course of enquiry, it was found that the supplies were withhold on account of delayed payments and failure to furnish declarations In Form E for exemption in the payment of sales-tax inspite of remainders by the company. The commission held that this did not amount to RTP.

Bata : restraining the small scale producers with whom it entered into arrangement for buying footwear, from purchasing raw material from parties other than those approved by Bata & prohibiting them from selling additional production to any other party, or at prices without Bata's approval amounted to RTP.

- e) Resale Price maintenance : this includes any agreement to sell goods on condition that the prices to be charged on the resale by the purchaser shall be the prices stipulated by the seller unless it is clearly stated that prices lower than those prices may be charged.

The section 3(5) protects the right of any person to restrain any infringement of this rights which have been or may be conferred upon him under:-

- The copy right Act, 1957;
- The patent Act, 1970;
- The Trade & Merchandise marks Act 1958 or

---

D.P.Mittal, 'Competition Law', (Taxmann's Publication Pvt. Ltd. New Delhi.2003..) P.No.78-79  
Ibid., P.No.79.  
[http://www/ competition.commission.gov.in](http://www/competition.commission.gov.in).

the Trade Marks Act 1999;

- The Geographical Indication of goods (Registration & Protection) Act, 1999;
- The Designs Act, 2000;
- The semi - conductor Integrated circuit Layout Design Act, 2000;

The section also allows a person to impose reasonable conditions to protect above rights; It also protects the right of any person to export goods from India to the extent to which an agreement relates exclusively to the production, supply and etc of goods or the provision of services for such export.

Under section 19(3) the CCI shall have regard to the following factors in determining whether an agreement has an appreciable adverse effect on competition.

- 1) Creation of barriers to new entrants in the market
- 2) Driving existing competitors out of the market
- 3) Foreclosure of competition by hindering entry into the market.
- 4) Accrual of benefits to consumers.
- 5) Improvements in production or distribution of goods or provision of services ; or
- 6) Promotion of technical, scientific and economic developments by means of production; or distribution of goods; or provision of services.

#### Duty of Commission:

Section 19 empowers the commission to inquire into any alleged contravention of the prohibition of anti-competitive agreements under Sec 3(1) this can be do on its own motion or on...

- a) Receipt of a complaint from any person, consumer or their association or trade association.
- b) A reference made to it by the central Government or a state Government or a statutory authority.

The Commission, if it is of the opinion, that there

exists a *prima facie* case, it shall direct the Director General to cause an investigation made in to the matter.

The Director General shall, on receipt of such direction from the commission, submit a report of his findings within such period as may be specified by the commission.

On the other had, on receipt of a complaint, if the commission is of the opinion that there exists no prima- facie case, it shall dismiss the complaint and may pass such orders as it deems fit, including imposition of costs, if necessary.

If the report of the Director General relates to a complaint & such report recommends that there is no contravention of section 3(1), the commission shall give the complainant an opportunity to rebut the findings of the Director General.

In after hearing the complainant, the commission agrees with the recommendations of the DG, it shall dismiss the complaint. If after hearing the complainant the commission is of the opinion that further inquiry is called for, it shall direct the complainant to proceed with the complaint.

If the report of the DG relates to a reference made by a Government or statutory authority & recommends that there is no contravention of the prohibition under section 3(1), the commission shall invite comments of the Government concerned or of the statutory authority on the report. On receipt of such comments, the commission shall return the reference if there is no prima facie case or proceed with the reference as a complaint if there is a prima facie case.

If the report of the DG recommends that there is a contravention of section 3(1), and also if the commission is of the opinion that further inquiry is called for, it shall inquire into such contravention.

*Aamir Khan Productions (p) Ltd. V/s Union of India*

#### *Fact of the case :*

Sec 19, read with section 3, of the competition Act, 2002- duties, powers & functions of commission inquiry into certain agreements and dominant position of enterprise - A show cause notice was issued by the commission against the petitioner on the basis of information received from FICCI where -

---

K.S. Anantharaman, 'Lectures on Company Law & Competition Act', 10<sup>th</sup> Edn, ( Lexis Nexis butterworths wadhwa, Nagpur 2009., ) P.No-386. Competition Act, 2002. (BARE ACT).

K.S. Anantharaman, 'Lectures on Company Law & Competition Act', 10<sup>th</sup> Edn, ( Lexis Nexis butterworths wadhwa, Nagpur 2009., ) P.No-387.

[http://www.icsi.edu/webmodules/programmes/31nc/adding global finesse to Indian competition law-BKK.](http://www.icsi.edu/webmodules/programmes/31nc/adding_global_finesse_to_indian_competition_law-BKK)

in it was stated that the petitioners were perpetrating cartel like activity which was violative of provisions of Sec 3(3). It had also been challenged that those associations / enterprises who jointly controlled, approximately 100 percent of market share for production & distribution of Hindi motion pictures exhibited in multiplexes, by organizing themselves under the umbrella of UPDF, took a collective decision not to release films to the multiplexes from 04.04.2009 onwards with the objectives to extract higher revenue sharing ration from the members of the informant and that cartel like activity had adverse effect on competition in India. The commission took cognizance of the matter under section 19 and on forming an opinion under section 26(1) that there existed a *Prima facie* case, it issued directions to the Director General (DG) to investigate into the matter. As per the findings of the DG in the reports the allegations made in the information had been found to be substantiated against the petitioners. After considering the reports of the DG, the commission had decided to proceed further in the matter and, accordingly, issued show-cause notice to the petitioner.

The petitioner filed the writ petition challenging the jurisdiction of the competent commission to initiate any proceedings under the act against the petitioners on the ground that the exhibition of a feature film, which is a subject-matter of copy right exploitation alone is specifically included under section 3(5) and, hence, the proceedings initiated against the petitioners were without jurisdiction.

In this case the apex court has dismissed the petitions. By saying that, though CCI consists of competent members but it cannot exercise its power in exception matters & apart from this even petitioner is not having any kind of rights to keep the CCI away from initiating its powers when Central Government empowers the CCI to do so.

#### Post inquiry Orders:

Where after inquiry the commission finds that any agreement is in contravention of sec 3, it may pass all or any of the following orders, namely.

- a) Direct any enterprise or association of enterprises or person or association of persons, as the case may be involved in such agreement to discontinue and not to re-enter

such agreement.

- b) Impose such penalty, as it may deem fit which shall not be more than ten percent of the average annual turnover of the last three preceding financial years, up on each such person or enterprises which are parties to such agreement.
- c) Award compensation to parties in accordance with the provisions of section 34;
- d) Direct that the agreements shall stand modified to the extent and in the manner as may be specified in the order of the commission.
- e) Direct the enterprises concerned to abide by such other orders as the commission may pass and comply with the directions, including payment of costs, if any;
- f) Pass such orders as it may deem fit

#### Prohibition of abuse of dominant position:

The act does not frown upon dominance, but upon abuse. Abuse of dominance by any enterprise is prohibited. Dominance is the position of strength enjoyed by an enterprise which enables it to operate independently of competitive pressure in the relevant market and also to appreciably affect the relevant market, competitors and consumers by its actions. It enjoys position of such economic strength that it can behave independently of its competitors & customers. The act prohibits the abuse of such dominant position which inter alia, includes imposition, either directly or indirectly of unfair or discriminatory purchase or selling prices or conditions, including predatory prices of goods or services, limiting production or restricting of goods or provision of service indulging in practices resulting in denial of market access, making the conclusion of contracts subject to acceptance by other parties of supplementary obligations and using dominant position in one market to enter into or protect other market.

#### Inquiry, orders passed and penalties

In case of a finding of abuse of dominance/misuse of market power/illegal monopoly or attempt to monopolize, the Competition Authorities or Courts as the case may be under various jurisdictions are empowered to

---

K.S. Anantharaman, 'Lectures on Company Law & Competition Act', 10<sup>th</sup> Edn, ( Lexis Nexis butterworths wadhwa, Nagpur 2009., ) P.No-387.  
[http://www.icsi.edu/webmodules/programmes/31nc/adding\\_global\\_finesse\\_to\\_indian\\_competition\\_law-BKK](http://www.icsi.edu/webmodules/programmes/31nc/adding_global_finesse_to_indian_competition_law-BKK)

pass a various orders ranging from fines and directions to cease the conduct complained against to more adverse remedies such as divestiture and even imprisonment.

According to Section 19(1) of the Indian Competition Act, the Competition Commission of India may inquire into any alleged contravention of Section 4(1) i.e., abuse of dominant position by an enterprise on

- a) its own motion or
- b) receipt of a complaint, accompanied by such fee as may be determined by regulations, from any person, consumer or their association or trade association; or
- c) a reference made to it by the Central Government, State Government or a Statutory Authority.

A finding of an abuse of dominance can lead to a number of consequences ranging from the imposition of fines as penalty on the erring undertakings, to orders directing the discontinuance of the conduct complaint against to extreme penalties such as divestiture of the monopoly.

Section 27 of the Act lays down the orders that can be passed by the Commission upon finding that the action of an enterprise in a dominant position is in contravention of Section 4. The Commission may pass all or any of the following orders.

- a) direct any enterprise or association of enterprises or person or association of persons, as the case may be, involved in such agreement, or abuse of dominant position, to discontinue and not to re-enter such agreement or discontinue such abuse of dominant position, as the case may be;
- b) impose such penalty, as it may deem fit which shall be not more than ten percent of the average of the turnover for the last three preceding financial years, upon each of such person or enterprises which are parties to such agreements or abuse:

Provided that in case any agreement referred to in Section 3 has been entered into by any Cartel, the Commission shall impose upon each producer, seller, distributor, trader or service provider included in that Cartel, a penalty equivalent to three

times of the amount of profits made out of such agreement by the Cartel or ten percent of the average of the turnover of the Cartel for the last preceding three financial years, whichever is higher.

- c) award compensation to parties in accordance with the provisions contained in Section 34;
- d) ....
- e) direct the enterprises concerned to abide by such other orders as the Commission may pass and comply with the directions, including payment of costs, if any;
- f) recommend to the Central Government for the division of an enterprise enjoying dominant position;
- g) pass such other order as it may deem fit.

The Indian Competition Act specifically enumerates seven orders that the Competition Commission may pass upon finding that an enterprise has committed an abuse of dominance while the UK Law only specifies two such orders. In the Indian Act, the Commission has been expressly empowered to give a recommendation for division of an enterprise, which is an adverse structural remedy. Also, the Commission has been empowered to pass an order for compensation to be recovered from an enterprise due to whose conduct loss or damage has been suffered (Section 34).

#### COMBINATION :

The combination is anti- competitive if it creates a dominant enterprise that subsequently abuses its dominance. To some extent, it is analogous to agreement among enterprises, and as in the case of agreements, the combination may also suffer with the same vice of enjoying dominant position in the market and abusing of the combining parties (some threshold requirement based on value of assets and turnover has been laid as a standard for holding the combination as enjoying dominant position). The law, however, accords separate treatment in order to pre-empt the potential abuse of dominance where it is probable. It is like nipping the evil in the bud, and there by preventing its monstrous growth. The law holds such combination void. For exemption, a combination is required to be notified to the competition commission of India for its approval. The law there has laid down the pre-notification requirement in terms of assets &

turnover of the enterprises combining.

#### REGULATION OF COMBINATION:

Section 6 deals with regulation of combinations. It contains a prohibition against a combination which causes or is likely to cause an appreciable adverse effect on competition and also provisions requiring pre-notification of combinations. Concentration of economic power occurs, inter alia, through takeovers and mergers. Section 5 defines combinations of enterprises as formed through acquisition, merger or amalgamation.

The test of the legality of merger is based on the size of assets and turnover and not the market share and is not derived from the provision of dominance but is phrased in terms of measures of the actual or potential effect on competition.

Certain combination creates a dominant enterprise that subsequently abuses its dominance. Such combinations are sought to be prevented from coming into existence.

#### COMBINATIONS - VOID:

Section 6(1) prohibits a person or an enterprise from entering into a combination which causes or is likely to cause an appreciable adverse effect on competition within the relevant market in India. Such a combination is void. Exceptions are; share subscription on financing facility or any acquisition pursuant to any covenant to loan agreement or investment agreement, by a public financial institution, foreign institution investor, bank or venture capital fund (Sec 6(4)). The definition is analogous to definition of anti-competitive agreements as contained in Sec 3(1). The issues involved in both are similar, i.e., prevention of adverse effect on competition.

#### DUTIES, POWER & FUNCTIONS OF CCI:

Chapter – IV (Section 18 – 40) deals with its duties, powers, and functions to administer the Competition Law.

#### DUTIES

- Section – 18 defines the duties of Commission (CCI) viz.
- Eliminate practices having adverse effect on

competitions;

- Promote and sustain competition
- Protect the interest of the consumers
- Ensure freedom of trade carried by other participants, in markets, in India.

#### POWERS AND FUNCTIONS:

The CCI has an adjudicatory Authority, CCI has a suo moto power to enquire any agreement which causes or likely to cause appreciable adverse effect on competition under Sec – 3(1) and abuse by an enterprise of its dominant position [Sec 4(1)]. And enquiry into combination by Commission (U/Sec –20).

U/Sec – 19(1) CCI may inquire into their contravention either on its own motion; or receipt of a complaint from any person or consumer or their association or trade association or of reference made by the Central Government, State Government or Statutory Authority.

#### POWERS OF CCI:

The CCI *inter alia*, has the following powers:

- 1) To pass “Cease and desist” order: to modify agreement
- 2) To grant such interim relief, as would be necessary in each case;
- 3) To award compensations;
- 4) To impose fine on the delinquent party;
- 5) To recommend to Government for division of enterprise, if it enjoys dominant position;
- 6) To order costs, for frivolous complaints

In addition to the adjudication function, the CCI will have the roles of advocacy, investigation and prosecution.<sup>47</sup>

Section – 49 of Indian competition Act, 2002 defines the competition advocacy. The main function of competition Act, is to provide competition advocacy, competition advocacy creates a culture of competition. There are many possible valuable roles for competition advocacy depending on a Countries legal and economic circumstance.

Function of CCI is promotion of competition

---

D.P.Mittal'Competition Law', (Taxmann's Publication Pvt. Ltd. New Delhi. 2003.,) P.No.–34.  
[http://www.competitioncommission.gov.in/advocacy/comparative study law-mallikaramachendran 09022007](http://www.competitioncommission.gov.in/advocacy/comparative%20study%20law-mallikaramachendran%2009022007).  
D.P.Mittal'Competition Law', (Taxmann's Publication Pvt. Ltd. New Delhi. 2003.,) P.No.–150.  
Ibid., P.No.150-151.

advocacy, creating awareness and imparting training about competition issues. From these all works competition advocacy will improve the existing law and wherever necessary legislatures may implement the law.

Apart from this CCI have also other functions viz., investigation which causes AAE, ADP and combination of regulation Commission may conduct inquiry under Sec - 26 and 29 of the Indian Competition Act. And another function of Commission is to conduct the prosecution proceeding whoever violates the Act.

There we shall look into the table No. 3 which shows time bound for investigation of combinations U/Sec - 29. The following procedure may be laid down.

#### PENALTY PROVISION UNDER COMPETITION ACT-2002:

The Indian Competition Act, 2002 under Section 42 to 48 deals with penalty provision Viz.

1. Contravention of orders of Commission (Sec. - 42)
2. Penalty for failure to comply with directions of Commission and Director - General (Sec. 43).
3. Penalty for making false statement or omission to furnish material information (Sec. 44).
4. Penalty for offences in relation to furnishing of information (Sec. 45).
5. Power to impose lesser penalty (Sec. 46).
6. Crediting sums realized by way of penalties to

Consolidated Fund of India (Sec. 47).

7. Contravention by companies (Sec. 48).

#### CONCLUSION

The competition commission acts like one man army. It is investigator, prosecutor, the jury & the judge; one can imagine that what type of justice it can dispense, from one angle; this does not look like an effective set up.

Along with the CCI the Central Government also enjoys enormous powers in the matter of policy farming and issues direction on questions of policy which shall be binding on CCI. The government also has the power to supersede the CCI, against which the CCI can make a representation to the government; such provisions seriously affect the independence and efficacy of the CCI. In fact consultation by the Central Government in evolving competition policy with the CCI should be made mandatory, instead of discretionary, as contemplated in the Act.

In the competition law of Indian jurisdictions studied. The size of a firm or its dominant position as such is not prohibited. However, abuse of dominance / misuse of market power / monopoly or the attempt to monopolize are considered bad under competition law. The development of Competition Law in India must not be a goal in itself, the Law must not become just a decorative tool, and its enforcement must aim to bring about increased economic efficiency and improved public welfare.

Until and unless people have a positive vision of a better world ahead, globalization will not get rid of its supposed ills.