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BANKING-INSURANCE & HUMANITIES**

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## **PREFACE**

The volatile dynamics of economics has sent signals to the Indian economy relating to new trends, technologies, ideas and methods for addressing India's growth story. This focuses on the challenge for the Indian economy in the current scenario to push India's economic growth rate to higher levels via development of various sectors like banking, services, tourism, empowerment along with the basic micro and macroeconomics which are tools emerging in the globalized market. There is a need for growing scientific thought not only by the government but also by academicians and researchers to push the government's ambitious programme from exclusion to inclusion.

INCEBS 2018 held on 16<sup>th</sup> and 17<sup>th</sup> February 2018 is an interdisciplinary attempt to link the new sectors available for India's economic growth story. The conference was successful in publishing 64 papers by academicians, research scholars and activists from all over India.

This volume of proceedings from the conference provides an opportunity for readers to engage with a selection of research papers that were presented during the conference, categorized into four major themes. The proceedings will be a valuable reference for researchers, professionals, and policy experts, and a useful resource for educators in economics, banking, insurance, finance and humanities.

**NANDINI KATTI**

*Conference Secretary*

*Department of Business Economics*



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## NON PERFORMING ASSETS: A DEADLOCK FOR INDIAN BANKING SYSTEM

**Dainik N. Sanghvi**, *Student, KES Shroff College of Arts and Commerce*

### **Abstract**

*Non-performing assets are the asset which do not give any returns or are not able to give any returns. Banks give loans to individuals, institutions and corporate houses and if those loans are not recoverable or they are doubtful they become non-performing assets for the banks. NPAs have become a big block in the way of Indian banking system to progress and the pile is increasing quarter by quarter. The NPA problem which our banks are facing today is the result of careless lending, mismanagement, lack of legal protection to bank, no proper monitoring of funds, etc. At present NPAs have crossed the mark of 8 lakh cr rupees. The problem of NPA is more chronic in the public sector banks as compared to private banks. It is a time when this issue should be handled with utmost diligence and efficiency by any measure, qualitative or quantitative, to restore the credibility of banks. This paper focuses on the depth of the problem, its reasons, impact and possible solutions.*

**Keywords:** *Non Performing Assets, PSBs, Bad Loans, Indian Banking System, Private Banks .*

**Introduction:** As per the definition given by Investopedia “A nonperforming asset (NPA) refers to a classification for loans on the book of financial institutions that are in default or are in arrears on scheduled payments of principal or interest. In most cases, debt is classified as nonperforming when loan payments have not been made for a period of 90 days.”

Banks are required to classify their assets in three categories viz,

Substandard assets are the assets which are not performing for less than or equal to one year.

Doubtful assets are those which are not performing for more than one year.

Loss assets are defined by RBI as “... considered uncollectible and of such a little value that its continuance as a bankable asset is not warranted, although there maybe some salvage or recovery value.”

NPAs have become the biggest obstacle in progress of Indian banking system. Finance ministry citing RBI data released on 24<sup>th</sup> December 2017 says that as on 30<sup>th</sup> September 2017 the gross nonperforming assets of PSBs and private sector banks were Rs 7,33,974 cr and 1,02,808 cr respectively. According to the government sources 77% of the Gross NPAs arises from the domestic operations of the banks.

This paper focuses on current scenario of NPA in India, its reasons, implications and possible steps taken or to be taken.

### **Objectives:**

- To understand the depth of the problem of NPAs in India.
- To know the current figures of NPAs in Indian banks.
- To know the reasons and impacts of NPAs on our banking system.
- To know the steps taken to tackle the crisis.

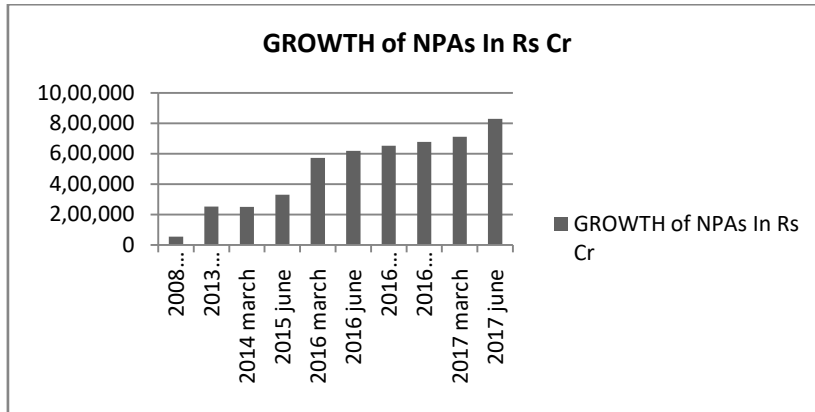
**Methodology:** Secondary data has been used in the paper sourced from various newspapers, magazines, articles, etc. In addition to this, data are collected from various online articles, websites, research papers and other referred sources. Facts and figures from various online journals are being used to show the depth of the problem.

**NPA in India:** NPA is the major issue faced by Indian banking system which is affecting its growth, profitability, lending capacity and overall functioning of the banking sector in India. Many measures

have been taken to resolve this problem but none have showed the results yet. From 2008 financial crisis to December 2017 the situation is continuously deteriorating.

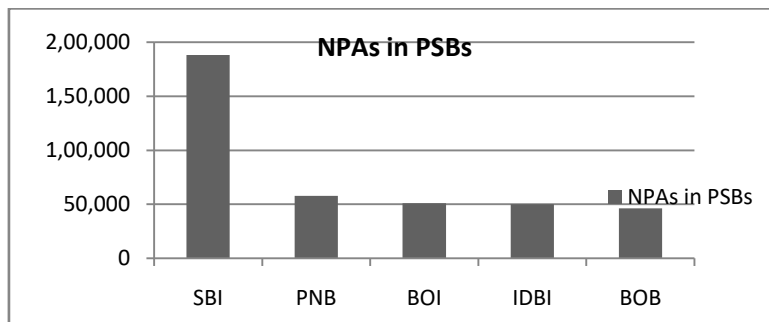
According to the data released by the CARE Ratings on 17<sup>th</sup> August 2017 the NPAs of 38 sample banks for Q1 of FY18 NPAs rose by 34.2% on y-o-y basis and NPA ratio increased to 10.21% as of June 2017 from 8.42% in June 2016.

As of June 2017 the total amount of NPAs in bank was 829,336 cr.



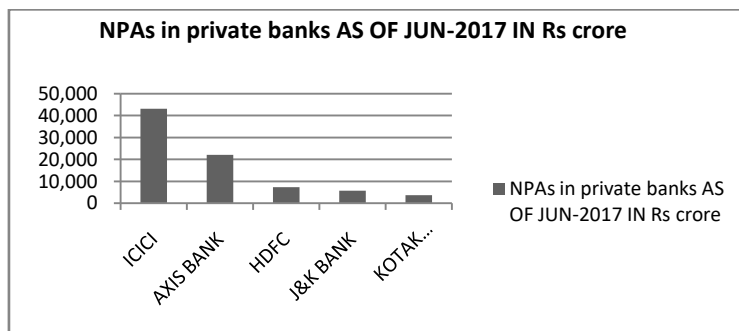
In September 2008 the total NPA was 53,917 cr rupees which is just before the global financial crisis and from then on the NPAs went on increasing. The total NPAs were as follows 252,275 cr in December 2013, 250,643 cr in March 2014, 331,127 cr in June 2015, 654,227 cr in June 2016 and 829,336 cr in June 2017. Further public sector banks account for the 90% of the gross NPAs that is total 733,136 cr as of June 2017. Whereas, on the other hand, the total gross NPAs of private sector banks is 96,201 cr as of June 2017.

**NPAs in PSBs**



As per the CARE ratings, public sector banks are more stressed as compared to private sector banks. As on June 2017 SBI had the highest amount of NPAs which is 188,068 cr which is 22% of the total NPAs in the sector. Out off the top 12 banks with highest NPA, 11 banks are PSBs. Top 5 PSBs with highest NPAs are SBI (188,068 CR), Punjab National Bank (57,721 cr), Bank of India (51,019 cr), IDBI Bank Ltd (50,173 cr), and Bank Of Baroda (46,173cr).

**NPAs in Private Sector Banks:**



As on June 2017 the total gross NPAs in private sector banks was 96,201 cr rupees. The condition of stressed loans in private sector banks is much better than public sector banks. Among the private sector banks ICICI bank has the highest amount of NPAs which is 43,148 cr rupees. The top 5 private banks with highest NPAs are ICICI BANK (43,148 cr), Axis bank (22,031 cr), HDFC bank (7,243 cr), J&K bank (5,641 cr), and Kotak Mahindra Bank (3,727 cr).

**NPA in India and other countries:** India is not the only country in the world facing the problem of stressed loans in the banks though India ranks 5<sup>th</sup> in list of countries with highest NPA levels. According to the data of CARE ratings in December 2017, the only countries ranked higher than India on the list are Greece, Italy, Portugal, and Ireland. Australia, Canada, Hong Kong, Republic of Korea and UK are the countries with less than 1% of NPAs and were classified in the first category. The second category was made up of major economies like China, Germany, Japan, and the USA with NPA of less than 2%. And the third category was made up of countries like Brazil, Indonesia, Thailand, South Africa and turkey.

#### Findings:

- There is a sharp rise in the amount of NPAs between 2015-2017.
- Public sector banks account for more than 70% of the total NPAs.
- SBI has the maximum amount of NPAs which is 22% of the total NPAs.
- The NPA crisis is more acute in PSBs as compared to private banks.
- In private sector banks ICICI bank has the highest amount of NPAs.
- India ranks 5<sup>th</sup> in the list of countries with highest NPAs.

**Reasons for increasing NPAs:** NPAs did not increase in few months or in last 2-3 years this was the aftermath of complete chaos and mismanagement in the banking sector. There are number of reasons which led banking sector to this situation.

- Global or national financial crisis which led to the closure of many firms or sharp fall in their profits which led to stressed balance sheet of the firm which resulted into non-payment of dues to the banks. The NPAs which are faced today is said to be the after effect of 2008 financial crisis.
- Major slowdown in Indian economy in the year 2011 led to growth in NPAs
- Passing of loan applications without proper follow-ups.
- Increase in number of business in boom period and loans taken at low interest which later being serviced at high rates, therefore resulting into NPAs
- Increase in corruption and misgovernance which affected the timeline of the projects, this led to increase in NPAs.
- Natural calamities like flood and droughts which cause loss to the firms.
- PSBs provided large amount of loans to the ineligible firms and very relaxed lending norms were the biggest reason behind the increase in NPAs.



**Impact of NPA:** There are huge implications of NPA on economy which affects lenders, borrowers and overall functioning of the economy.

- Lenders suffer by less profits by not recovering advance given with interest.
- It affects the lending capacity of the bank due to unavailability of funds which affects overall economy as new borrowers does not get funds to produce and takeover projects.
- NPA leads to increase in interest rates as banks tend to increase the profits and lower returns to account holders.
- In case of PSBs the bad health of the banks results in low returns to shareholders.
- It leads to Balance sheet syndrome which means both borrower and the lender have stressed balance sheet which creates an obstacle in investment led projects.
- NPA impacts the banking morale and credit worthiness of the people resulting in defaults even by the honest borrowers.
- The domestic business cannot survive in an environment where they have to pay higher interest rates for their borrowings while their global counterparts are furnishing the loans at low interest rates.
- This results in negative balance of trade and large unemployment and social unrest.

**Steps taken and to be taken to resolve this problem:**

**The three Rs of debt recovery:** There must be proper implementation of 3 Rs of debt recovery which are Recognition, Recapitalization and Resolution. Under recognition of assets, the Asset Quality Review (AQR) by RBI has done a good job in recognizing the correct amount of NPAs in the banks, but still there are many assets left to be recognized under AQR. Next step is to provide banks with proper funds to increase the credit flow which is done by recapitalization of banks. Problem is more acute in PSBs as compared to private banks also public sector banks cannot raise funds through market to maintain the 51% stake of the government in this banks so either government has to reduce its stake or they have to infuse tax payers money to strengthen the banks to give credits. Thirdly for quick resolution of stressed assets of banks government has passed Insolvency and Bankruptcy Act (2016) which will enable banks to recover debts faster than before in a proper legal framework. (Sengupta., Vardhan, sept 2017.)

**SARFAESI ACT (2002):** Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 is an Indian law.

Under section 13 of SARFAESI Act, 2002. If borrower of financial assistance makes any default in repayment of loan or any installment and his account is classified as nonperforming asset by secured creditor, then secured creditor may require before expiry of period of limitation by written notice to the borrower for repayment of due in full within 60 days by clearly stating amount due and intention for enforcement. Where he does not discharge dues in full within 60 days, THEN WITHOUT INTERVENTION OF ANY COURT OR TRIBUNAL Secured creditor may take possession (including sales, lease, assignment) of secured asset, or take over management of business of borrower or appoint manager for secured asset or without taking any of these action may also proceed against guarantor or sell the pledge asset, if any. (Wikipedia 2017)

Between 2012-13 the amount involved under SARFAESI ACT was 68,100 Cr and amount recovered was 18,500 Cr making the act the most effective way to recover stressed loans.

**Assets Reconstruction Companies (ARCs):** ARCs are in the business of buying badloans from the banks and financial institutions. ARCs were formed under the SARFAESI ACT 2002. ARCs allow banks to focus on core activities rather than dealing with stressed loans. ARCs clean ups the balance sheet of the banks. ARCIL was the first company to be established under SARFAESI ACT.

Around 20,000 Cr of badloans were sold to ARCs in the year 2015-16 which gradually dipped to around 15,000 Cr in the year 2016-2017. Currently there are 21 ARCs in India.

**Scheme for sustainable structuring of stressed assets (S4A):**This scheme was introduced by RBI in 2016 to address large stressed assets. Under this scheme banks are allowed to convert big debted projects to equity. It is introduced to ensure flow of credits in the sectors like infrastructure.

**5:25 scheme of RBI:**This scheme allows bank to extend long term loans of 20-25 years to match the cash flow of projects, while refinancing them every 5-7 years. As a result, cash flows of firms were stretched as they tried to meet shorter repayment schedules. With this change in rules, cash flows will match the repayment schedule and long term projects will become viable.

**Joint Lenders Forum (JLF):**It is a body comprised of banks who have given loans to the concerned borrower entity. It is a dedicated grouping of lender banks that is formed to take decision when a loan of more than 100 Cr turns out to be stressed. The main purpose of JLFs is to revive stressed accounts. It takes corrective actions when an account has the potential of being an NPA.

#### **RECENT MEASURES:**

**Re-capitalization of public sector banks:**In October 2017 finance ministry announce to infuse 2.11 lakh Cr rupees to strengthen the public sector banks which are facing high NPA crisis over the course of two years to increase the credit issuing capacity of banks. Out of this 1.35 lakh Cr will come from the sale recapitalization bonds and remaining 76000 Cr will be through budget allocation and fund raising from the market.

**Insolvency and bankruptcy code (2016):** The bankruptcy code will decrease the time frame in resolving the insolvencies which was a long time consuming process and also not an economically viable arrangement. A strong legal framework to resolve insolvencies in an economic and time bound manner was a long overdue in India. The first insolvency resolution order under the code was passed by the National this Company Law Tribunal (NCLT) in the case of Synergies Dooray Automotive Ltd on 14<sup>th</sup> August 2017. The plea was filed on 23 January 2017. (Wikipedia. 2017)Also RBI is considering the **Consolidation** of public sector banks from 21-22 PSBs in the country to only 10-12 major PSBs to strengthen the management of the PSBs and bring in more efficiency to make them more competitive with their counterparts. But government has to make sure that they do not merge a weaker bank with strong banks as that can further increase the inefficiency and pile of bad loans which may disturb the functioning of stronger bank. The merger of SBI with five other PSBs is seen as a successful example.

**Conclusion:** There is huge mismanagement in the PSBs which is increasing the pile of NPAs in these banks. There is policy paralysis in the banks which is hindering proper functioning of the banks. After AQR the real face of the problem has come out which clearly states that NPAs are presently the biggest issue faced by the banks in India. The numbers shown by the various sources are frightening to the banking sector which must be handled with utmost diligence and proper policy framing. 2.11 trillion rupees Recapitalization of PSBs and IBC 2016 are seen as a bold move to deal with NPAs but there must be proper execution and co-ordination between banks and the government to resolve the problem in a time framed and unbiased manner. Care must be taken to see that this kind of situation do not arise in future. For that banking system must be well equipped and strengthened with proper legal framework and as such that public money must be well protected. Banks are the synonym to trust in the finance sector and this trust should not be broken to maintain the credibility of banking. Sengupta and Vardhan (2017) stated that “Unless NPAs are dealt quickly and efficiently, profitability and liquidity of banks can get severely affected and resource allocation in the economy becomes

inefficient. Given the predominance of government owned banks in India, any banking crisis invariably ends up affecting the public finances, which is far from desirable” (pp.22).

**Suggestions:**As NPAs have become a big problem in the banking sector of country there must be proper steps taken by bankers as well as government. There must be proper execution of policies framed, there are many cases which shows that the rules and norms formed by RBI were not followed properly while issuing credits to the borrowers. There was delay in taking actions against the defaulters like in the case of Vijay Mallya hence; there must be quick response by the side of banks against defaulters. Collateral mortgaged or the income of the borrower against the loan sanctioned was not in compliance hence defaulter did not care to pay the installments of loans so, there must be proper background check of the borrower before loan is sanctioned. Banks sanctions loan after proper analysis of the purpose for which the loan is required but later on those funds were not utilized for the purpose it was taken which affected payments of installments hence, banks must monitor the funds to check where they are being used. In all, there must be high standard of efficiency in the banks. NPAs are the part of banking business which cannot be avoided but there must proper management of NPAs.

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## APPENDIX

Table 1 : Bank wise NPAs As of June 2017

<b>BANKS</b>	<b>NPAs (in Cr Rs)</b>
State bank of India	<b>188,068</b>
Punjab National Bank	<b>57,721</b>
Bank of India	<b>51,019</b>
IDBI Bank	<b>50,173</b>
Bank of Baroda	<b>46,173</b>
ICICI Bank	<b>43,148</b>
Canara Bank	<b>37,658</b>
Union Bank of India	<b>37,286</b>
Indian Overseas Bank	<b>35,453</b>
Central Bank Of India	<b>31,398</b>
UCO Bank	<b>25,054</b>
Oriental Bank Of Commerce	<b>24,409</b>
Axis Bank	<b>22,031</b>
Corporation Bank	<b>21,713</b>
Allahabad Bank	<b>21,032</b>
Syndicate Bank	<b>20,184</b>
Andhra Bank	<b>19,428</b>
Bank of Maharashtra	<b>18,049</b>
Dena Bank	<b>12,994</b>
United Bank of India	<b>12,165</b>
Indian Bank	<b>9,653</b>
HDFC Bank	<b>7,243</b>
Vijaya Bank	<b>6,812</b>
Punjab & Sindh Bank	<b>6,693</b>
The Jammu & Kashmir Bank	<b>5,641</b>
Kotak Mahindra Bank	<b>3,727</b>
IDFC Bank	<b>2,004</b>
The Federal Bank	<b>1,868</b>
Karur Vysya Bank	<b>1,807</b>
The South Indian Bank	<b>1,696</b>
Karnataka Bank	<b>1,691</b>
Yes Bank	<b>1,364</b>
IndusInd Bank	<b>1,272</b>
The Lakshmi Vilas Bank	<b>878</b>
City Union Bank	<b>735</b>
RBL Bank	<b>458</b>
Dhanlaxmi Bank	<b>354</b>
DCB Bank	<b>285</b>

Source: AceEquity (CARE ratings)

Table 2 : Bank wise NPA ratio as of June 2017

<b>BANKS</b>	<b>NPA ratio (%)</b>
IDBI Bank	24.11
Indian Overseas Bank	23.60
UCO Bank	19.87
Bank of Maharashtra	18.59
Central Bank Of India	18.23
Dena Bank	17.37
Union Bank of India	17.17
Corporation Bank	15.49
Oriental Bank Of Commerce	14.83
Allahabad Bank	13.85
Punjab National Bank	13.66
Andhra Bank	13.33
Bank of India	13.05
United Bank of India	12.63
Bank of Baroda	11.40
Punjab & Sindh Bank	11.33
The Jammu & Kashmir Bank	10.79
Canara Bank	10.56
State Bank Of India	9.97
Syndicate Bank	9.96
ICICI Bank	7.99
Vijaya Bank	7.30
Indian Bank	7.21
Dhanlakshmi Bank	5.62
Axis Bank	5.03
Karnataka Bank	4.34
Karur Vysya Bank	4.27
IDFC Bank	4.13
The Lakshmi Vilas Bank	3.78
The South Indian Bank	3.61
City Union Bank	3.05
Kotak Mahindra Bank	2.58
The Federal Bank	2.42
DCB Bank	1.74
RBL Bank	1.46
HDFC Bank	1.24
IndusInd Bank	1.09
Yes Bank	0.97

Source: AceEquity (Care Ratings)

## ISLAMIC BANKING – AWARENESS AND FEASIBILITY IN INDIAN FINANCIAL STRUCTURE

**Jaisinghani Reshma, Jai Hind College**  
**Shreyas Kamath**

### **Abstract**

*Islamic banking is a form of modern banking based on Islamic legal concepts using risk-sharing as its main method excluding financing based on fixed pre-determined return. The purpose of the Islamic financial system is, as with conventional finance, to mobilize global resources to promote and sustain global and regional development. Islamic finance taps the vast pool of savings held by Muslims, and puts these savings to productive use for the benefit of Islamic and other societies. This study highlights the challenges that are involved in Islamic Banking and suggest remedies to overcome it. The main objective of the study was to bring awareness about a different type of Banking system which if included will be beneficial to the community at large and the basic objective of inclusive growth can be achieved. India has the potential of emerging a significant market for Islamic Banking provided there is a favourable change in the regulatory environment and increased awareness among Muslims and India as a whole. It is pertinent to highlight that investing in shariat compliant projects through Islamic Banking windows is something that is mandatory in nature for Muslims. For everyone else it will just be an additional financial investment opportunity.*

**Keywords:** *Islamic, Shariah, Conventional*

**INTRODUCTION:** Islamic Banking refers to a method of banking that is based on Islamic Law (Shariah) which prohibits `interest based banking and permits only profit sharing based banking`. The concept is based on a verse of the Holy Quran that says —Allah has allowed only legitimate trade and prohibits interest. It is against the interest, as interest is believed to lead to exploitation and unproductive income.<sup>3</sup> Islamic banking has the same purpose as conventional banking except that it operates in accordance with the rules of the Shariah, known as Fiqh al-Muamalat (Islamic rules on transactions). So, today, by Islamic Banking one does not mean a mere lending institution extending interest-free loans, but a package of Shariah-compliant (strict adherence to Islamic economic norms) financial services like Islamic mutual funds, Islamic bonds (sukuk), Islamic insurance (takaful), Islamic credit cards and other technology-driven services like ATMs and online banking, all of which have a tremendous market in India. Incidentally, the Dow Jones Islamic Index has, after suitable vetting, declared 60-70 percent of Indian companies on the BSE and NSE as Shariah compliant for equity investment.

### **OBJECTIVES OF THE STUDY:**

1. To develop a better understanding of Islamic Banking
2. To analyse its feasibility in India and how it could be included in the Indian Financial structure.
3. To gauge the awareness of people regarding Islamic Banks
4. To draw attention to the sections of The Banking Regulation Act – 1949 that do not support Islamic Banking.

### **METHODOLOGY:**

1. To collect the primary data from the nationalized and private banks by way of Interviews and Questionnaire method.
2. To collect the data via google forms and personal interviews regarding the awareness of Islamic banks.

3. Collecting Secondary information on Islamic Banking and Finance with the help of reference books and internet.

**ISLAMIC BANKING IN INDIA:** Introduction of Islamic Banking was mooted by Raghuram Rajan in his report on the Financial Sector in the year 2008 where he recommended that interest-free banking techniques should be operated on a larger scale so as to give access to those who are unable to access banking services, including those belong to economically disadvantaged section of the society. There are many advantages in introducing an Islamic window in the banks. For instance, majority of companies in the Stock Exchange are *shariat* compliant (this number is more than the *shariat* complaint companies on the Stock Exchange in Malaysia), thus this would result in attracting huge funds in the domestic market alone. An Islamic Banking window will encourage many from the Muslim community to come forward and invest in projects thereby mobilizing huge amount of capital which they may not be willing to put in the banks. This also means that India will be able to attract huge investments from West Asia and from those who invest only in *shariat* compliant projects. However, the Indian banking laws will have to be amended so as to incorporate the provisions relating to Islamic banking. For example, the Banking Regulation Act requires payment of interest which is against the principles of Islamic Banking. The Act also specifies “banking” to mean accepting deposits of money from public for lending or investment, thus excluding within its ambit the instruments of Islamic banking that promote profit and loss. It is pertinent to highlight that investing in *shariat* compliant projects through Islamic Banking windows is something that is mandatory in nature for Muslims, unlike personal laws. For everyone, it will just be an additional financial investment opportunity. It is important to remember that using banking services of one kind need not interfere with the use of another. Kerala is the only state in India that dared to experiment with the Islamic Finance route, way back in 2000. The AICL (Alternative Investments and Credits Limited) which started operation in Kochi then, is defunct now. The company functioned until April 23, 2012, when the RBI cancelled its certificate of registration. In August 2013, in another attempt at interest-free banking, the Cheraman Financial Services promoted by the KSIDC (Kerala State Industrial Development Corporation) and NRIs started operation in Kochi. Though the RBI has not specified any time frame for the launch of the products, Kerala state will clearly have an ‘early-bird’ advantage in the sector. Experts point out that lease finance, Murabaha (in which an intermediary buys property with free and clear title), infrastructure development fund and venture capital are the products that would be floated under the Islamic arm of conventional banks. “The RBI will undertake further work to put in place the operational and regulatory framework to facilitate introduction of Islamic banking products through banks in India,” said the central bank in an RTI reply. In 2013, the Ministry of Finance had requested the RBI to give its opinion on the feasibility of introducing Islamic Banking in India. Accordingly, an Inter-Departmental Group (IDG) on Islamic Banking was constituted in the RBI, and the report prepared by the IDG was submitted before the government in February 2016. Welcoming the RBI’s move to allow Islamic financial products through existing banks, AICL former chairman Mohammed Ali termed it a ‘path-breaking’ initiative by the RBI. “There is space for a parallel banking system in the country, based on the concept of ‘interest-free banking.’ World-over, only one per cent of the total assets is managed by Islamic banks. In India, the products would provide an alternative route to customers to avail of finance,” he said. The case pertaining to cancellation of the AICL’s registration of is currently pending before the Mumbai High Court, with the status ‘admitted’.

as on June 30, 2016, the total number of applications pending before the RBI for starting NBFCs in India is 66. Of all the applications, 38 are pending at the central office, while the remaining 28



are pending at regional offices. However, the Reserve Bank of India has not received any application to start Islamic NBFCs. (Non-Banking Financial Companies) In 2015, a report by RBI committee on 'Medium-term path on financial inclusion' – led by Deepak Mohanty – had noted that "One area that has not been adequately addressed is the role of interest-free banking in financial inclusion. Globally, interest-free banking, also known as Islamic banking, has witnessed a significant increase, especially in the wake of the financial crisis. According to Lagarde (2015), total Islamic finance assets are estimated at around \$2 trillion, practically a ten-fold increase from a decade ago, and outperforming the growth of conventional finance in many places." The committee had recommended that "commercial banks in India may be enabled to open specialised interest-free windows with simple products like demand deposits, agency and participation securities on their liability side and to offer products based on cost-plus financing and deferred payment, deferred delivery contracts on the asset side." The first Islamic banking service has started functioning in the country in Sholapur city of Maharashtra, where Bashri branch of its LokMangal Bank has started this service. Muslims depositing money in this branch would neither be paid interest, nor those who obtain loan from it, would be charged any interest. Prime Minister Narendra Modi had hinted at starting Islamic Banking during his 'Mann ki Baat' programme. In this connection, the Reserve Bank of India had earlier submitted a proposal to the Central Government, which was finally accepted on 11 September, 2016. The decision to give practical shape to this concept was taken by Subhash Deshmukh, the Maharashtra Minister for Cooperative, Marketing and Industry, who is also the chairman of the LokMangal Bank. He inaugurated a branch of his bank at Bashri, from where Islamic Banking Service started. During this short period, 12 Muslims have been granted interest-free loans of Rs. 1,50,000. The recommendation to advance loans to these people was made by the same people who had deposited the money. The same policy would be adhered to in future also, which would make it easier for the Muslim community to get interest-free loans. The profit obtained by these banks is distributed among the account-holders. It is also a principle of this bank that its money cannot be invested in any anti-Islamic activity. Such banks neither allow opening of accounts of people who are involved in illegal activities like gambling, wine-trade, terrorism etc., nor do they extend any credit to such people. During prime minister Narendra Modi's visit to UAE in April, 2017 India's EXIM Bank had signed a memorandum of understanding with IDB (Islamic Development Bank) for a \$100 million line-of-credit to facilitate exports to IDB's member countries. "IDB and its private sector arm, the Islamic Corporation for the Development of the Private Sector (ICD), have already met with top officials of the Reserve Bank of India, EXIM Bank and other nationalized banks. They are likely to start their India operations from Gujarat with a branch in Ahmedabad," said Zafar Sareshwala, chancellor, Maulana Azad National Urdu University (MANUU), who had accompanied the PM in Saudi Arabia. "IDB's entry into Gujarat and India is likely to boost long-term private finance from its member countries on a large scale. IDB has also shown keen interest in the SME sector of Gujarat," Sareshwala added.<sup>28</sup> *On 12<sup>th</sup> November, 2017 the central bank has refused to go on with the idea saying the decision was taken after considering "the wider and equal opportunities" available to all citizens to access banking and financial services.*

#### **CHALLENGES INVOLVED IN ISLAMIC BANKING:**

- 1) **Lack of Shari'a Board:** Islamic banks are essentially governed by their Shari'a boards – the religious scholars that deem a product Shari'a-compliant. But the challenge is that there is no central authority promulgating Shari'a law, and the understanding of what is hence permissible and what is not varies among Islamic scholars and jurisdictions.

- 2) **No approved Regulatory Standards:** While conventional banks have harmonized and approved regulatory standards that banks around the world follow, making it easier for them to expand and conduct operations in different countries, there are no approved standards per se for Islamic banks; they follow the conventional banking regulations. But because Islamic banking differs from conventional banking, it is difficult for Islamic banks to completely follow these global conventional standards.
- 3) **Overburdened Shari'a Boards:** Due to the limited number of scholars who are well versed in both finance and religion, the Shariah boards tend to be overburdened and the approval process becomes difficult and unpredictable. As on June 30, 2016, the total number of applications pending before the RBI for starting NBFCs in India is 66. Of all the applications, 38 are pending at the central office, while the remaining 28 are pending at regional offices.
- 4) **Liquidity Risk:** This liquidity risk is especially serious for the Islamic finance industry as the Shariah compliant repo market is virtually non-existent and Islamic banks may face numerous restrictions when tapping interbank instruments. In addition, this challenge causes banks to run an overly liquid balance sheet, thereby sacrificing profitability and ultimately destroying shareholder value. Sheikh (2006) suggested in his article that Islamic banks often face two types of liquidity problems. Some have excess liquidity which they don't have any clue where to park for short periods as the investment opportunities are few. This results in high cost of carry in the form of foregone opportunities on excessive liquidity funds. On the other hand, there are banks that run into liquidity shortage when depositors withdraw money and do not have access to funds for short periods.
- 5) **Auditing:** Shariah Auditing is another challenge faced by the Islamic finance industry. This subject is still largely underdeveloped and its importance is not fully recognized by industry players whether Islamic banks, Islamic finance professionals or Islamic investors. All the institutions involved in the Islamic Financial Industry are required to conduct Shariah Audit at least once a year according to their by-laws and AAOIFI standards. However as the subject is still not fully developed, the problem arises when trying to see what Shariah Auditing entails.<sup>14</sup>
- 6) **Lack of Awareness and confidence in Depositors:** Among the most crucial challenges before an Islamic bank is to create confidence in its depositors as well as all the other operators in the market about the harmony of its operations with the Shariah. Many non-muslim depositors are even unaware of the term Islamic Banking and the Shariah Principles.
- 7) **Regulations:** The need for transparency and accountability in the global financial markets has led to a wide range of new regulations. For Islamic Banks, in addition to meeting international regulations such as IAS 39 and Basel II, additional regulations such as those defined by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) must also be met.<sup>14</sup> Equally, every Bank must be able to meet local regulatory reporting and operational requirements. This can be a challenge in itself, especially in non-Islamic countries where central Banks and other regulatory bodies may impose requirements which conflict with Shariah standards and principles.

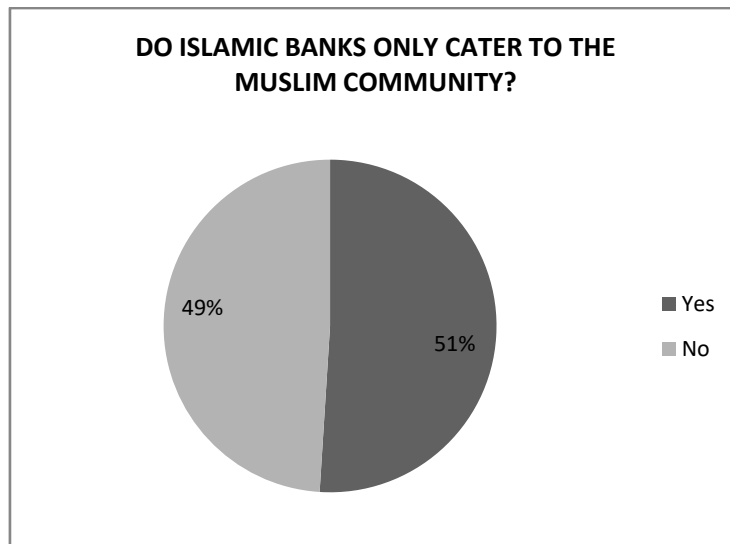
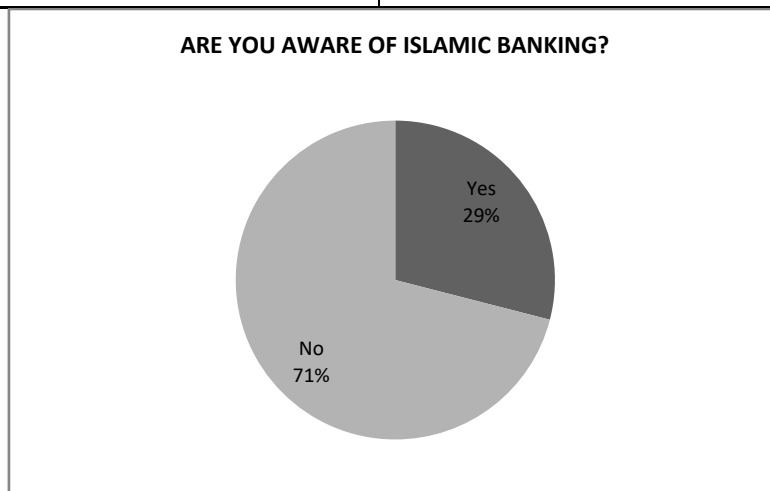
#### **RESULTS & REPORT ON EMPIRICAL FINDINGS:**

The Primary data was collected for two reasons:

- 1) To find out whether people are aware of Islamic Banks.
- 2) To find out what Muslims do with the interest and what do they think about financial inclusion of Islamic banks with conventional banks.

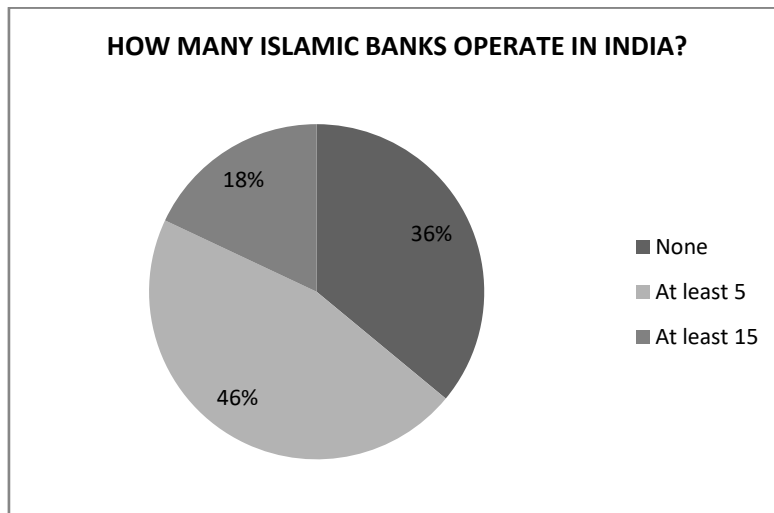
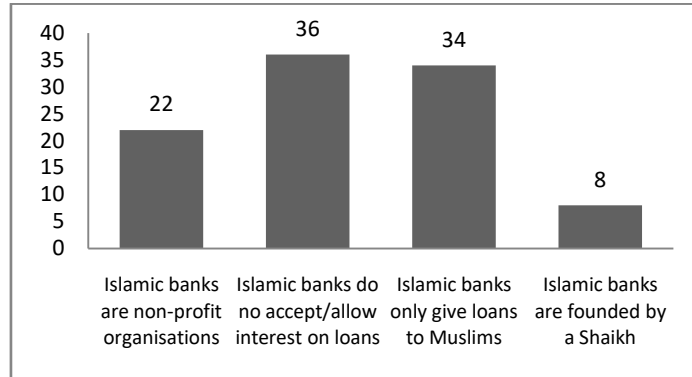
**AWARENESS SURVEY:**An awareness survey was conducted via google forms and personal interview from 200 people regarding Islamic Banking in the city of Mumbai and following things have been observed. All the responses have been converted into percentages. The survey was done between the population in the age group of 20 to 40.

<b>RESPONDENTS' SUMMARY</b>	
AVERAGE AGE GROUP	20-25
<b>RELIGIOUS DISTRIBUTION</b>	
HINDU	74%
MUSLIM	10%
SIKH	2%
CHRISTIAN	6%
OTHER	8%
TOTAL	100



<b>Difference Islamic Banks Vs. Conventional Banks</b>	
Response	%
Islamic Banks Are Non-Profit Organisations	22

<b>Islamic Banks Do No Accept/Allow Interest On Loans</b>	<b>36</b>
<b>Islamic Banks Only Give Loans To Muslims</b>	<b>34</b>
<b>Islamic Banks Are Founded By Shaikhs</b>	<b>8</b>
<b>Total</b>	<b>100</b>

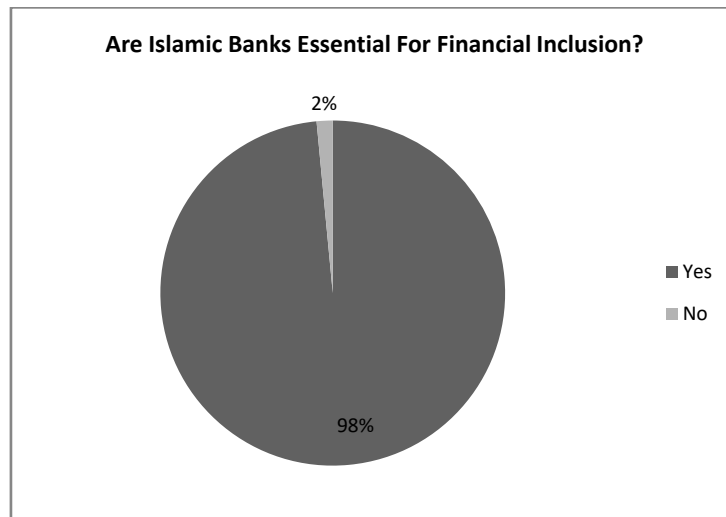


A separate survey was conducted only from the Muslim population, regarding financial inclusion of Islamic Banking and the following things have been observed:

<b>DO YOU HAVE SAVINGS ACCOUNT?</b>	
<b>YES</b>	<b>87%</b>
<b>NO</b>	<b>13%</b>

**WHAT DO YOU DO WITH THE INTEREST RECEIVED FROM BANK?**

<b>NOT APPLICABLE. (NO SAVINGS ACCOUNT)</b>	<b>DONATE IT TO CHARITY</b>	<b>OTHER</b>
<b>14.50%</b>	<b>62.50%</b>	<b>23.00%</b>



**Findings of the Survey :**“The current banking system **doesn't support our religious beliefs**. It is **highly difficult to calculate the interest amount & separate it from the total amount**, living in a non-Islamic government.”

“According to Islam, current banking system is **not in favour of our religion.**”

“If a particular person is in need of loan it **must be given without charging such high rate of interest ... as it is not in the favour of humanity ...Islamic banks will promote the welfare of the needy people.**”

“Islamic Banking is **definitely needed.**”

**Findings of the Survey from Bankers:**

Apart from doing the awareness survey from muslim and non-muslim people the one to one interview was also done with the Bank Executives at Bombay Mercantile Bank, Union Bank of India and following points have been noted:

1. Banks are following the conventional banking method as per Banking Regulation Act,1949.
2. Banks were not ready to share the information about their customers, but the officials mentioned that they transfer interest to the accounts of Muslim customers and then what they do with interest is purely their discretion.
3. Muslims are not investing in mutual funds with a debt component.
4. Muslims are using a zero-interest current account instead of a saving account. Many muslims do not open Saving account in the Bank.
5. Donating the interest on their salary savings account to charity. As per the Bank officials they said, that they credit the interest amount to their accounts, they withdraw it and then give it to charity.
6. Even Bank executives who themselves were Muslims, said that they take the interest and then they donate it to charity during the month of Ramzan.
7. Many Muslims told that they take the interest from the Bank and sometimes they are using it and sometimes they donate it. But they were pretty sure that necessarily they are not giving the full amount as charity.
8. Some Bank officials were of the opinion, that it would be good on the part of the Government if the Muslims are allowed to follow Shariah Principles and no interest is given to them, then may be more number of Muslim people will be willing to open the savings account.

9. Government can also start a window following Shariah principles in all the nationalized banks.

**DISCUSSION AND RECOMMENDATIONS:** After the survey it was found that most of the non-muslim population have no idea about Islamic Banking. Those who have heard the term have a misconception that it is only for Muslim people. Most of the respondents had a view that there are less than 5 Islamic Banks in India, but actually till now there are no proper Islamic Banks, there are few NBFCs in Kerala and some conventional banks have a separate Islamic Window. Muslims who are involved in any kind of trade open current account, so the question of interest does not arise and salaried Muslim people open savings account, wherein they receive interest, which they use it or they donate it to charity. Muslims in India strongly recommend that Islamic banking should be introduced and their community should also be the part of financial inclusion of the country.

Hence **Islamic banks should be treated on a different footing. Some of these factors are listed below:**

1) Islamic banks, like all other commercial banks, are required to keep some of their deposits with central banks. Central banks usually pay interest on those deposits which Islamic banks cannot accept. An alternative is needed to ensure that Islamic banks get a fair return on their deposits with the central banks.<sup>16</sup>

2) Central banks function as lenders of last resort to commercial banks, providing loans at times of a liquidity crunch. Although most Islamic banks function under the supervision of the central bank, they cannot legitimately benefit from such a facility because such funds are usually provided on the basis of interest. It is understandable that such assistance cannot be free of cost. However, there is a need to devise and implement an interest-free framework for such assistance. The Pakistan Council of Islamic Ideology suggested a profit-sharing mechanism whereby profit can be calculated on a 'daily-product' basis. Another suggestion is for Islamic banks to build a 'common pool' under the supervision of central banks to provide relief to one another in case of liquidity problems on a cooperative basis.<sup>16</sup>

3) Legal reserves imposed on deposits with conventional banks are meant to meet possible withdrawals, whose rates vary between demand, saving and time deposits. This may apply to the same extent only in case of Islamic banks' demand deposits. However, the *mudarabah* deposits are like *bankequity*, so Islamic banks should not be required to maintain reserves against them just as equity capital is not subject to those reserves.<sup>16</sup>

4) In countries where the central bank conducts open market operations, Islamic banks are not able to participate in these operations because of the interest-based nature of the securities bought and sold. Thus Islamic banks are constrained by the fact that financial assets which could be liquidated quickly are not available to them. This introduces some rigidity in the asset structure of Islamic banks.<sup>16</sup>

5) Lack of understanding of the correct nature of Islamic financing techniques may also be partially responsible for rather inappropriate policies of the central banks towards Islamic banks. This is particularly true of *musharakah* and *mudarabah*. In debt financing, a loan being granted by a bank is a one-off activity, no matter what the size of the loan. But *musharakah* and *mudarabah* are on-going activities and the participation of an Islamic bank in these activities continues as long as the project financed is in operation. This may have important implications for reporting as well as control and regulation of Islamic banks by the central banks.

6) Central bank regulators are sometimes unclear about the exact role of the *Shariah* Boards. It is sometimes felt that these Boards may interfere in the banks' decisions with regard to monetary policy tools such as reserve requirements, open market operations, and so on. It would be desirable to determine the exact role of the *Sharijah* Boards and take the central bankers into confidence.<sup>16</sup>

**WHAT IS FINANCIAL INCLUSION<sup>10</sup>:**Financial inclusion is the process of ensuring access to appropriate financial products and services needed by vulnerable groups such as weaker sections and low-income groups, at an affordable cost in a fair and transparent manner by mainstream institutional players.

- K.C. Chakarbarthy, Deputy Governor, RBI

**INDIAN MUSLIMS AND FINANCIAL INCLUSION:<sup>10</sup>**

1. As per latest census done in 2011, Muslim Population in India is 14.2% of the total population of India.
2. Sachar committee report revealed that on many indicators Muslims are behind even the SC/ST community, especially in terms of Financial inclusion.
3. In urban India, close to half the Muslims (46%) depend on self-employment for livelihood.
4. Muslim dominated areas are not adequately serviced by Banks (Red Zones)
5. Motto for the 12<sup>th</sup> Five year plan: Faster, sustainable and more inclusive growth.

**WHY INDIA NEEDS ISLAMIC FINANCE<sup>10</sup>:**To have true financial inclusion in India and meet the goals set out by the government, it is imperative that the Indian Muslim community be considered from their actual needs and aspirations perspective, a growing number of Muslims will increasingly exclude themselves from the conventional banking and financial system due to their religious sensitivities and not because of poverty or illiteracy thus further marginalizing their already backward status. Thus it is imperative that Islamic Finance be introduced in the country and Muslims be allowed to conduct financial activities as per their preferences.

-Saif Ahmed at 29<sup>th</sup> Skoch Summit of Financial Inclusion, Mumbai 2012

**HOW WILL ISLAMIC FINANCE HELP INDIA?<sup>10</sup>**

1. Islamic finance is not just interest free: it is for profit, sustainable and scalable.
2. It will provide for more competition: Better pricing and more choices to the end user.
3. Ethical investments: universal acceptance – precludes harmful sectors.
4. Emphasis on real assets – will curb inflation, speculation.
5. Equitable distribution of wealth: Risk sharing prevents a one sided relationship and Better returns for all parties.
6. Livelihood financing possible through Islamic microfinance.
7. Islamic finance will enable broad-based venture capital: entrepreneurs, run of the mill enterprises, SMEs- thereby boosting entrepreneurship.
8. Islamic insurance (Takaful) can make insurance affordable to the poor.
9. It may be the solution to the farmers suicide crisis.

**CONCLUSION:**An irony of Islamic Banking is that on one side Prime minister signed an MOU with IDB to start its first Islamic Bank operations in Gujarat and on other hand the central bank has refused to go on with the idea saying the decision was taken after considering “the wider and equal opportunities” available to all citizens to access banking and financial services. Islamic banking is an economic system based on Risk sharing. It is not a religious system, its open for all people Muslim and Non-Muslim. It is a system of making money ethically. India has a potential of emerging significant market for Islamic banking provided there is a favorable change in the regulatory environment and increased awareness among Muslims and India as a whole. Muslim population is the second largest population in India, and handsome bulk of money is lying idle, which if invested in profit sharing basis and utilized properly, can have a major impact on the Indian economy. Islamic banking may not be a substitute to the conventional banking in India but having it side by side with

the conventional banking may at least give an option to the borrowers to choose the Banking system of their choice.

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## DIGITAL BANKING AND FINANCIAL INCLUSION

Syed Saleha Javed, H.R. College of Commerce and Arts

### **Abstract**

*Broadly, concept of financial inclusion envisages social cohesion by improving the welfare of its citizen. It includes among others, governmental action which enables minimum levels of income and decent housing for every household in the country. National unity and social cohesion are mere words unless it is backed by government action which ensures minimum level of wellbeing to its citizenry. In pursuance of its stated objective of 'financial inclusion', the Narendra Modi led NDA government embarked on a policy of 'Digital India', wherein Digital Banking formed the cornerstone of its stated policy. The policy envisaged access to basic financial services and social security outreach to all including the most marginalized section of the society.. Worldwide, it is observed that countries with lower levels of development and higher levels of income inequalities, experience higher levels of financial exclusion. Developing countries in particular have faced the problem of financial exclusion to greater levels, wherein, on account of high levels of income inequalities and an ever increasing population, a substantial proportion of populace is 'financially deprived'. The paper aims to study the initiatives aimed at financial inclusion in world with special emphasis on India through digital banking and examine its outcomes.*

**Keywords:** Digital Banking, Financial Inclusion, Public Policy

**Introduction:** The 2014 Indian general election is considered a 'watershed' by many political pundits. It propelled the right-wing BJP into power with an outright parliament majority-the first by any political party in three decades. Significantly, the war cry of the Narendra Modi led BJP election campaign was not based on development and that to an inclusive one. 'Sabka Saath, Sabka Vikas' or 'everybody's development' caught the voters imagination which in turn handed over the NDA a landslide electoral victory. Prime Minister Modi and his government have been expressing their commitment to Sab ka Vikas (everybody's development) and one of the major policies through which they think 'development' is "financial inclusion"<sup>8</sup>. Broadly, concept of financial inclusion envisages social cohesion by improving the welfare of its citizen. It includes among others, governmental action which enables minimum levels of income and decent housing for every household in the country. National unity and social cohesion are mere words unless it is backed by government action which ensures minimum level of wellbeing to its citizenry.<sup>2</sup>The Committee on Financial Inclusion (CFI) (constituted by the erstwhile UPA government, in June 2006) under the Chairmanship of Dr C. Rangarajan observes "Financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost." Among the key recommendations of CFI was setting up of a National Rural Financial Inclusion Plan which would target provision of access to comprehensive financial services including credit through commercial banks and rural banks<sup>1</sup>. The Reserve bank of India defines Financial Inclusion as provision of 'wide range of financial services at a reasonable cost'. In pursuance of its stated objective of 'financial inclusion', the Narendra Modi led NDA government embarked on a policy of 'Digital India', wherein Digital Banking formed the cornerstone of its stated policy. The policy envisaged access to basic financial services and social security outreach to all including the most marginalized section of the society. It was touted as a platform which would ensure transparency, initially reduce and ultimately eradicate leakages in social security delivery machinery in India. Worldwide, it is observed that countries with lower levels of development

and higher levels of income inequalities, experience higher levels of financial exclusion. Developing countries in particular have faced the problem of financial exclusion to greater levels, wherein, on account of high levels of income inequalities and an ever increasing population, a substantial proportion of populace is 'financially deprived'. The paper aims to study the initiatives aimed at financial inclusion in world with special emphasis on India through digital banking and examine its outcomes. The study would be based on authentic secondary data sourced from reliable sources.

**Financial Inclusion as core of economic policy making:** Eradication of poverty and reduction of socio-economic inequality have been at the core of public policy planning since time immemorial. However, it is only recently that the concept of financial inclusion as a pathway to achieving economic welfare has gained traction. The invention of internet and the subsequent growth in information technology aided low cost banking has opened new vistas for policy makers and planners in quest of a more humane, inclusive and equitable society. Financial inclusion means making affordable the banking services to the vast segment of the society whether they are poor or excluded<sup>3</sup>. It helps to eliminate the problem of leakages from subsidy and welfare distribution, boosts saving, increases credit availability, and breaks the vicious circle of poverty of a nation<sup>5</sup>. This in turn is believed to increase the flow of money in the economy and acts as a catalyst for increase investment and growth. When people become a part of the financial structure of a nation and participate in its financial system, they gain access to variety of services such as education, health, low cost housing and other government subsidies. At the same time they are also become eligible to access the credit through banking sector which helps in enriching them financially and productively. Over the past decades, researchers have found active linkages between financial exclusion and socio-economic backwardness of poorest and the most marginalized of the societies in the present world. It is estimated that around two billion people worldwide have zero access to formal financial services and as much as half the adults in the poorest households are unbanked<sup>9</sup>. The World Bank President Kim has set an ambitious mission for Universal financial Access (UFA) by the year 2020. Experts and policy planners the world over are unanimous in the potential of 'financial inclusion' as an instrument of inclusive growth and prosperity. According to noted Indonesian economist and present Finance Minister of Indonesia Sri Mulyani Indrawati "Financial inclusion matters not only because it promotes growth, but because it helps ensure prosperity is widely shared. Access to financial services plays a critical role in lifting people out of poverty, in empowering women, and in helping governments deliver services to their people." Nobel Laureate noted Indian Economist Dr. Prof. Amartya Sen advocates a holistic approach to the concept of poverty and the resultant exclusions. According to him poverty does not merely indicate low level of incomes. Prof. Amartya Sen famously quotes "Poverty is not just a lack of money; it is not having the capability to realize one's full potential as a human being". On the ground level, the data reveals a picture that enforces the optimism exhibited by experts such as Ms. Mulyani. As per the World Bank statistics, between 2011 to 2014, the number of people with access to bank accounts either directly or via mobile enabled services grew by as much as 700 million worldwide. The same study estimated the reduction of 'unbanked' from 2.5 billion to 2 billion or from 49% to 38%.<sup>4</sup>

**Financial Inclusion Initiatives:** As stated earlier, initiatives aimed at financial inclusion have been at the forefront of all governments in the modern era. In India, the Indira Gandhi led nationalization of 14 large private sector banks on 19<sup>th</sup> July, 1969 is legendary. In a single stroke (later described as a masterstroke) the then Union government of India brought in as much as 70% of the total deposits under public control. What followed was a concentrated and deliberate effort to expand and enhance credit to agricultural and small and medium scale enterprises (MSME's). Public sector banks were

required to reserve as much 40% of the total funds for lending to ‘priority sector’ i.e. the agriculture and MSME’s. The following table shows the progress made by banks post nationalization in India.

**Table I: Progress Made By Commercial Banks In India (June 1969 –March,2003)**

<i>Indicators</i>	<i>June 1969</i>	<i>June 1980</i>	<i>March 1991</i>	<i>March 1995</i>	<i>March 2000</i>	<i>March 2003</i>
1 No of commercial banks	73	154	272	284	298	292
2 No of bank offices	8,262	34,594	60,570	64,234	67,868	68561
<i>Of which</i>						
Rural and semi-urban bank offices	5,172	23,227	46,550	46,602	47,693	47496
3 Population per office ('000s)	64	16	14	15	15	16
4 Per capita deposit (₹)	88	738	2,368	4,242	8,5423	12253
5 Per capita credit (₹)	68	457	1,434	2,320	4,555	7,275
6 Priority sector advances @ (per cent)	15.0	37.0	39.2	33.7	35.4	33.7
7 Deposits (per cent of national income)	15.5	36.0	48.1	48.0	53.5	51.8

However, application of digital technology to banking has been a game changer. In pursuit of his dream project titled ‘Digital India’ the current Indian Prime Minister spells out his priorities in the following words “I dream of a Digital India where mobile and e-Banking ensures Financial Inclusion”. As stated earlier, only 38% of world adults remained unbanked. Nonetheless, based on survey respondents without an account, only 4 percent said that the only reason for not having one is that they do not need one. By providing a regulatory framework conducive to expanding account ownership—such as licensing bank agents, introducing tiered documentation requirements, requiring banks to provide basic or low-fee accounts, and allowing the evolution of new technologies such as mobile money—policy makers can lower or even remove barriers to financial inclusion( Allen et al 2011). Statistics from around the world reveal that digital banking enabled services have been experiencing amazing growth in undeveloped and developing world. For instance, in the African nation of Kenya, the mobile payment service brand M-Pesa is being credited for the social value it has created by offering small business an easy and affordable option in wireless money transfer. It is estimated to have lifted 2% of Kenyans out of extreme poverty through access to its mobile payments services(Vodafone,Safaricom,MIT).<sup>2</sup>

**Digital Banking Initiatives in India:** In keeping with its stated objective of ensuring of ensuring financial inclusion the NDA led government has launched a number of initiatives on a war footing. In fact the Modi led government seems to have relied heavily on the capacities of digital technology enabled banking to ensure delivery of social security schemes.

1. **Digital India:** The government of India launched its flagship programme on 1<sup>st</sup> July, 2015 aimed at inclusive growth through
  - a. provision of infrastructure as a utility to every citizen
  - b. governance and services on demand and
  - c. digital empowerment of the masses.

Coupled with universal payments infrastructure (UPI) that would be simultaneously rolled out, the programme has been marketed as a game changer in provision of basic services to the poorest of the poor in India.

2. **Jan Dhan Yojna:** Pradhan Mantri Jan-Dhan Yojana (PMJDY) is National Mission for Financial Inclusion to ensure access to financial services, namely, Banking/ Savings & Deposit Accounts, Remittance, Credit, Insurance, Pension in an affordable manner<sup>6</sup>. The highlight of the scheme is that accounts under PMJDY was designed to operate by default to be a ‘No frills Bank account’ with zero balance operations and could be opened in any bank in India. However, to access the full range of banking services the account holder needs to adhere to additional operational norms of the participating bank.

The special features of the scheme were

- i. Interest on deposit
  - ii. Accidental insurance cover of Rs. 1 lac
  - iii. No minimum balance required.
  - iv. The scheme provide life cover of Rs. 30,000/- payable on death of the beneficiary, subject to fulfillment of the eligibility condition.
  - v. Easy Transfer of money across India
  - vi. Beneficiaries of Government Schemes will get Direct Benefit Transfer in these accounts.
  - vii. After satisfactory operation of the account for 6 months, an overdraft facility will be permitted
  - viii. Access to Pension, insurance products.<sup>6</sup>
3. **Unified Payments Interface(UPI):** In keeping its stated objective of providing affordable access to banking and payment services under its Digital India programme, the National Payments Corporation of India(NPCI)(a body tasked with creation of a robust payment and settlement infrastructure in India under the provisions of the Payment and Settlement Systems Act, 2007,) developed an instant real time payment system regulated by the nation’s Central Bank ie Reserve Bank of India facilitating interbank transactions by instantly transferring funds between two bank accounts using the mobile phone platform.
4. **BHIM(Bharat Interface for Money) App:** In furtherance of its financial inclusion agenda using digital banking platform, the NPCI launched the BHIM app on 30<sup>th</sup> December, 2016. Table II below shows a massive surge in usage of the BHIM app during the period under study.

Table II  
BANKWISE VOLUMES IN ECS/NEFT/RTGS/MOBILE TRANSACTIONS

	March,2017	December,2017	Increase	Percentage
Total number of Transactions (in billions)	0.92	169.05	168.13	18,275%
Total Volume of Transactions (Rs in billions)	9.69	15779.20	15,769.51	1,62,740%

Source: Reserve Bank of India(rbi.org.in)<sup>7</sup>

5. **Financial Inclusion Plans through Banks:** The Reserve bank of India continuing on its financial inclusion agenda has taken a number of steps in expanding the banking base in the country especially amongst the unbanked populace of both rural and urban India. Table III provides a

bird's eye view of the progress made in getting excluded section of the society access to banking services

<b>Table III-Financial Inclusion Plan : A Progress Report</b>			
<b>Particulars</b>	<b>March,2010</b>	<b>March,2016</b>	<b>March,2017</b>
1	2	3	4
Banking Outlets in Villages – Branches	33,378	51,830	50,860
Banking Outlets in Villages>2000-BCs	8,390	98,958	105,402
Banking Outlets in Villages<2000- BCs	25,784	432,271	438,070
Total Banking Outlets in Villages – BCs	34,174	531,229	543,472
Banking Outlets in Villages- Other Modes	142	3,248	3,761
Banking Outlets in Villages -Total	67,694	5,86,307	5,98,093
Urban Locations covered through BCs	447	1,02,552	1,02,865

Source: RBI Annual Report, 30<sup>th</sup> August,2017<sup>7</sup>

**Conclusion:** Successive governments at the centre have based the idea of Financial Inclusion at the core of their public policy programmes. The UPA I and II through its flagship NREGA and Aadhaar programme. The present NDA government through its flagship Digital India programme and renewed thrust on Aadhaar took the initiatives further. This augurs well for the nation aimed at inclusive growth. The various initiatives of the present government, as reflected in the statistics in the paper, seem to be eliciting response. Nonetheless, in tune with the ambitious World Bank UFA2020 which envisions that adults worldwide -- women and men alike -- will be able to have access to a transaction account or an electronic instrument to store money, send payments and receive deposits as a basic building block to manage their financial lives, the government of India and other agencies in the country need to work with vigour and co-ordination to achieve any tangible sustainable difference to the lives of the 'excluded in India.

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## **PRADHAN MANTRI JAN DHAN YOJANA: A TOOL FOR FINANCIAL INCLUSION IN INDIA**

**Dr. Ambili. M. Thampi**, *Assistant Professor, Department of Economics, K.P.B.Hinduja College of Commerce*

### **Abstract**

*Financial inclusion is significant to achieve inclusive balanced development. Exclusion of large sections of population from financial services affects the overall economic growth of a country. Therefore Financial Inclusion is a global concern. The Government has taken several policy measures to bring excluded sections of people within the structure of financial institutions and to encourage them to have access to the banking system through various policy measures. Among the several policy measures adopted by the Government, one of the recent policy measure- Pradhan Mantri Jan Dhan Yojana (PMJDY) require special mention. The present research paper tries to point out the importance of financial inclusion and highlights various policies that have been adopted in India to achieve the same. It also examines the progress made by the PMJDY in terms of selected indicators and also attempt to find out the challenges faced by the programme in achieving financial inclusion and suggestions to overcome them.*

**Keywords:** *Financial Inclusion, Pradhan Mantri Jan Dhan Yojana, Excluded Sections.*

**Introduction:** Financial inclusion has been the slogan for policymakers and governments for a long period of time. They have made strenuous efforts to bring large sections of the rural population within the banking system having recognised the significance of financial inclusion. It is the core of sustainable economic growth and development for a country like India. Economic development is not possible without Financial Inclusion because a large chunk of total population remains outside the growth process. Though our country's economy is growing at a faster rate, still the growth is not inclusive with the economic condition of the people in rural areas worsening further. One of the major reasons for poverty is financial exclusion. To overcome poverty and to achieve sustained growth, financial inclusion is highly essential.

**Statement of the Problem:** Financial Inclusion is considered to be one of the underlying objectives of many developing nations from last decade as several research findings correlate the direct link between financial exclusion and poverty prevailing in developing nations. The development of a country depends upon growth with stability and equitable development with respect to region, gender, class, caste etc. Regardless of a well-developed banking system in India, a large segment of people remain excluded from the basic facilities and services provided by the financial sector for a range of supply and demand side reasons. Developing country like India should give thrust to financial inclusion so as to deal with poverty and to bring about inclusion. World Bank report 2014 has defined financial inclusion as the absence of price or non-price barriers while using financial services. The term 'Financial Inclusion' needs to be interpreted in a relative dimension. Financial inclusion differs among countries depending upon the stage of development. India ranks second in the world next to China in terms of financially excluded households after China.

### **Objectives of the Study**

1. To understand the classification and status of Financial inclusion in India.
2. To have an overview of Prime Minister's Jan Dhan Yojana .
3. To analyse the importance and effectiveness of PMJDY in bringing about financial inclusion.

**Hypothesis**

1. Jan Dhan Yojana has a significant role in promoting financial inclusion.
2. It has significant impact on opening up new bank accounts thereby helping financial inclusion.

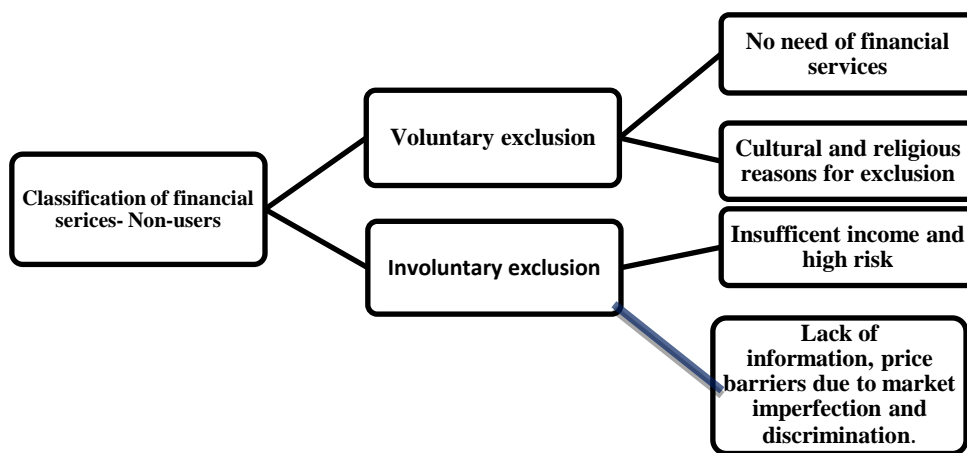
**Research Methodology:** The research work consists of descriptive and analytical study, based on the collection of data from secondary sources. It is an attempt to understand and differentiate the significance of Pradhan Mantri Jan Dhan Yojana in contributing to Financial Inclusion in the context of our country wherein a large division of population is denied of financial services which is crucial for overall economic and inclusive growth. The study is based on secondary data collected through reports and statistics from Reserve Bank and Ministry of Finance. Data and information available on various websites has been used extensively. Simple statistical methods like percentage, simple growth rates etc. has been used to analyse data and arrive at the conclusion.

**Limitations of the Study:** The study is not faultless and it duly admits the same. The findings are based on the available secondary data. Limitations of study based on secondary data apply to the present study also which might restrict the generalization of the outcome of the research.

**Concept of Financial Inclusion:** Financial inclusion (FI) may be defined as the process of ensuring access to financial services and timely and adequate credit needed by vulnerable groups such as weaker sections and low income groups at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products.<sup>1</sup> The above two definitions of Financial Inclusion, as explained in the RBI report, tell us about its changing approach. Earlier, there was quite narrow approach towards Financial Inclusion as it was about to provide only banking services to weaker sections and low income groups of our country. But as per second definition wider approach was taken and it also includes providing other financial services such as insurance and equity products. To achieve financial inclusion, exclusion of people from accessing various financial services should be dealt with for which reasons of exclusion should be identified.

**FIGURE: 1**

**Classification of Financial Exclusion by World Bank**



*Source: World Bank (2014)*

The above chart shows classification of nonusers of financial services. Both types of exclusion exist depending upon the spatial, regional and religious factors associated with the people concerned.

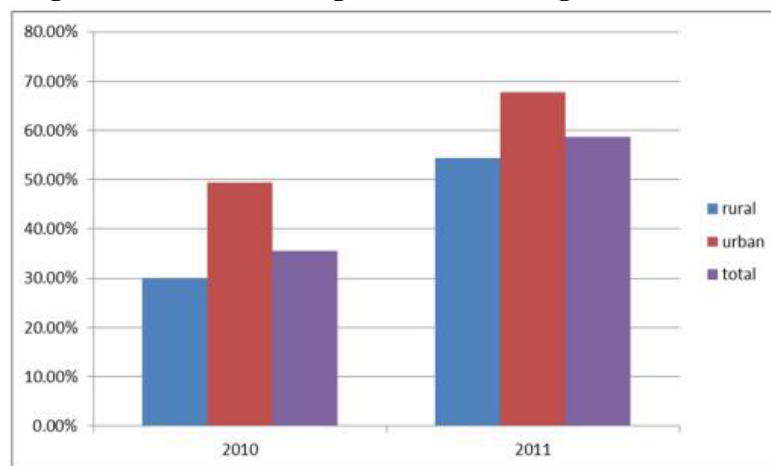
<sup>1</sup>The Committee on Financial Inclusion, Chairman: Dr. C. Rangarajan.

Exclusion can be addressed mainly by educating the people and making them aware of the significance and benefits of using financial services.

**Status of Financial Inclusion in India:** In spite of various financial inclusion measures adopted, poverty and exclusion still continue to dominate the socio-economic and political arena of India even after six decades of post economic independence era. Though economy has shown impressive growth during post liberalization era of 1991, impact is yet to trickle down to all sections of the society and therefore, India is still home for 1/3<sup>rd</sup> of world's poor.

Only 35.5 per cent of the households had access to banking services of which 30.1 per cent and 49.5 per cent are from rural and urban households respectively. 2011 data shows that banking services increased by 58.7 per cent of which rural households and urban households constitute 54.4 and 67.3 share respectively (Figure: 2).

**FIGURE: 2** Percentage of households having access to banking services



*Source: Department of Financial Services, Govt. of India*

The above graph shows that still large sections of the population in rural areas especially have inadequate access to banking services which is an obstacle to achieve inclusive growth. One of the recent reforms to catalyse financial inclusion was JanDhan Yojana introduced by Prime Minister Narendra Modi. Objective of Pradhan Mantri Jan Dhan Yojana (PMJDY) is to provide access to various financial services like basic savings bank account, requirement based credit, remittance facility, insurance and pensions to the excluded sections. Deep penetration of financial services at affordable cost is possible only with effective use of technology.

#### **Overview of Pradhan Mantri Jan-Dhan Yojana (PMJDY)**

**PMJDY** is a National Mission on Financial Inclusion to ensure access to financial services, namely, banking/ savings & deposit accounts, remittance, credit, insurance, pension in an affordable manner to all households in the country. This programme was launched by the Prime Minister on 28<sup>th</sup> August 2014. Complete financial inclusion under the programme is based on six pillars which were recommended to be achieved in two phases.

##### **Phase I (August 15, 2014 to August 14, 2015)**

- Offering widespread access to banking services.
- Providing Basic Bank Accounts with overdraft facility and RuPay Debit card to all households.
- Financial Literacy Programme- To create awareness and to fully utilise the financial services made available to them.

##### **Phase II (August 15, 2015 to August 15, 2018)**

- Formation of Credit Guarantee Fund-To cover the non-payment in overdraft accounts.

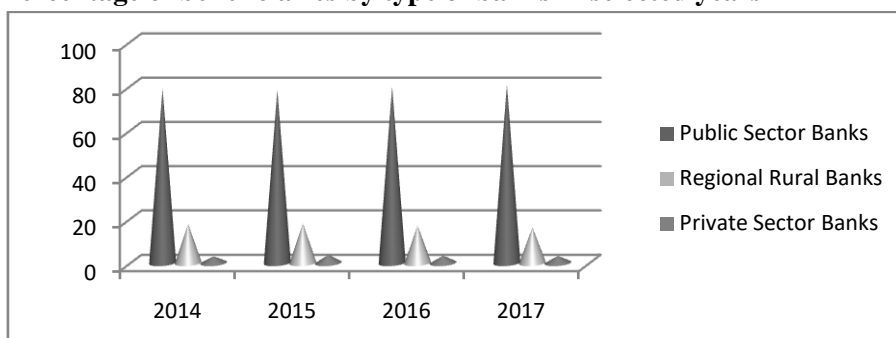


- Micro-Insurance- To provide micro- insurance to all willing and eligible persons
- Unorganized sector Pension schemes like Swavalamban.

The plan envisages universal access to banking facilities with at least one basic banking account for every household. Account can be opened in any bank branch or Business Correspondent outlet with zero balance. However, cheque book can be obtained if the account-holder fulfills minimum balance criteria. In the absence of officially valid documents, people can open “small accounts” valid for twelve months, with banks on the basis of a self-attested photograph and putting his/her signatures or thumb print in the presence of officials of the bank. Such accounts would be allowed to continue for twelve more months, if the account-holder provides document showing that he/she has applied for any of the officially valid document.

The following table gives us bank wise details of beneficiaries having Jan Dhan account during the period 2014 to 2017.

**FIGURE: 3**Percentage of beneficiaries by type of banks in selected years



*Source: Department of Financial Services, Govt. of India*

Percentage of beneficiaries by type of bank visibly shows that Public Sector Banks have been preferred by majority of the people. Three fourth of the people have selected Public Sector Banks for opening their accounts whereas less percentage have opened their accounts with Private Sector Banks. It can be because people rely more on Public Sector Banks as they are under the direct control of RBI and Government and another reason can be in interior rural areas Private Sector Banks shy away from opening its branches making it less available to people. Rural and Urban areas differ in terms of access and knowledge regarding banking and related activities. Table: 1 enable us to have a better idea of the beneficiaries in rural and urban areas.

**TABLE: 1**Percentage of beneficiaries having Jan Dhan account from 2014-2017 at various types of bank branches

Bank Name / Type	01-12-2014		30-12-2015		28-12-2016		20-12-2017	
	Rural/Se mi-urban bank branches	Urban , metro bank branches	Rural/Se mi-urban bank branches	Urban , metro bank branches	Rural/Se mi-urban bank branches	Urban , metro bank branches	Rural/Se mi-urban bank branches	Urban , metro bank branches
Public Sector Banks	54.30	45.70	55.38	44.62	55.53	44.47	53.60	46.40
Regional Rural Banks	84.92	15.08	85.78	14.22	86.27	13.73	84.55	15.45
Private Sector	52.45	47.55	59.84	40.16	60.80	39.20	60.97	39.03

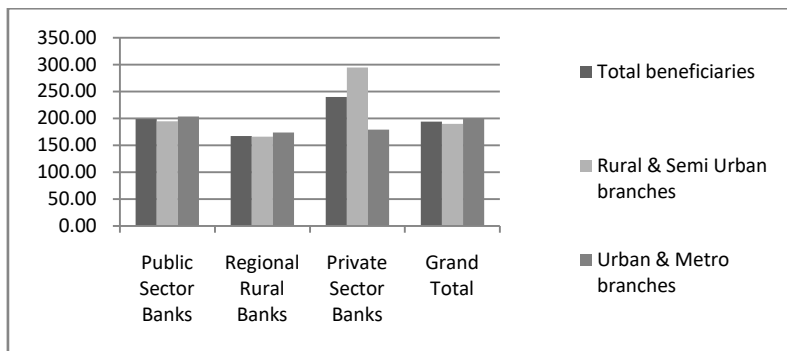
Banks								
Grand Total	59.67	40.33	61.01	38.99	60.92	39.08	58.81	41.19

Source: Department of Financial Services, Govt. of India

The above table clearly indicates that the percentage of beneficiaries increased continuously over the years in rural and semi urban branches of all three types of banks. An important thing to be noted is that in 2017, rural, semi-urban branches of Public Sector and Regional Rural Banks showed a reduction in percentage of beneficiaries while it is the opposite in the case of urban, metro-bank branches of the same. Conversely in the case of Private Banks, urban, metro-bank branches showed a decline in 2017 whereas rural, semi-urban branches showed an increase in terms of percentage of Jan Dhan account holders. The reason for the decline in the beneficiaries having Jan Dhan account can be because many account holders who have multiple accounts might have closed some of their accounts or those who failed to submit the official identification for opening the account after a year might have to close their accounts.

Growth rate will give us a better idea regarding the growth of beneficiaries during the selected years of study.

FIGURE: 4 Growth rate of beneficiaries from 31.12.2014 to 20.12.2017 by types of bank branches



Source: Department of Financial Services, Govt. of India

Growth rate of beneficiaries in Public Sector Banks, RRBs and Private Sector Banks have been shown in the following graph as it gives a better idea regarding the beneficiary growth by type of bank. Growth rate of beneficiaries in both rural, semi-urban and urban, metro branches was very high during 2014 to 2015. Later the growth rate has reduced. The reason can be majority of people already opened their accounts with the banks in the initial year itself or the cancellation of multiple accounts under PMJDY. But if we consider the overall growth rate, urban metro branches of Public Sector Banks and rural and semi urban branches of Private Sector Banks clearly have grown by more than 200 percentages. This can be because Public Sector Banks has been widely spread and available to rural people who are considered to be the excluded sections and Private Sector Banks has to expand their branches in rural areas to provide more access to the rural people. Bank wise growth rate of beneficiaries of Public Sector Banks and Regional Rural Banks during 2014-2017 December is shown in Tables: 2 and 3 respectively. Beneficiary growth rates of selected banks like State Bank of India, United Bank of India, Bank of India and Bank of Baroda is very high in the case of both Public Sector and Regional Rural Banks. Growth rate gives an indirect idea as per the involvement of bank in carrying out the objective of financial inclusion.

Table: 2 Growth rate of Bank wise beneficiaries at Rural, Semi urban and urban, metro branches in Public Sector Banks between 2014 and 2017

Bank Name / Type	Rural, Urban Branches	Semi-Bank	Urban, Metro branches	Total
Allahabad Bank	290.37		122.21	238.17
Andhra Bank	52.65		41.62	48.35
Bank of Baroda	265.25		312.54	292.95
Bank of India	359.84		248.33	293.75
Bank of Maharashtra	230.60		112.51	193.10
Canara Bank	31.41		26.37	29.77
Central Bank of India	147.80		99.18	136.36
Corporation Bank	69.15		68.98	69.07
Dena Bank	173.84		36.51	125.64
IDBI Bank Ltd.	17.41		-2.31	7.82
Indian Bank	56.47		33.79	48.11
Indian Overseas Bank	21.12		112.79	82.07
Oriental Bank of Commerce	119.58		141.99	128.76
Punjab & Sind Bank	-5.13		10.82	0.57
Punjab National Bank	218.70		144.75	204.49
State Bank of India	431.78		398.71	412.17
Syndicate Bank	61.11		39.30	53.61
UCO Bank	120.42		73.51	96.35
Union Bank of India	112.04		84.47	105.38
United Bank of India	365.65		319.88	346.40
Vijaya Bank	43.08		52.27	46.94
Public Sector Banks Sub Total	194.83		203.32	198.71

Source: Department of Financial Services, Govt. of India

Table: 3Growth rate of Bank wise beneficiaries at Rural, Semi Urban and Urban, metro branches in Regional Rural Banks between 2014 and 2017

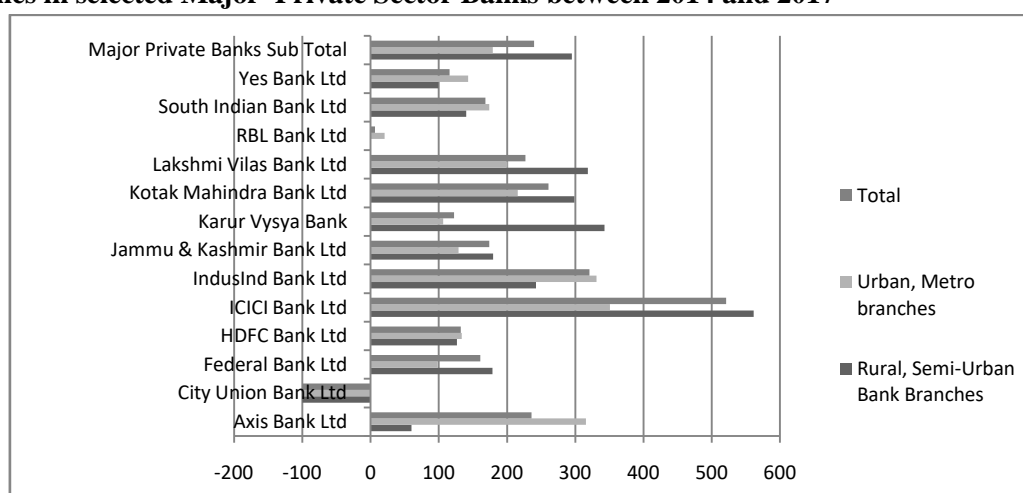
Bank Name / Type	Rural, Urban Branches	Semi-Bank	Urban, Metro branches	Total
Allahabad Bank	86.04		59.64	81.38
Andhra Bank	50.55		100.02	54.14
Bank of Baroda	252.68		218.88	244.74
Bank of India	165.72		231.64	179.44
Bank of Maharashtra	149.62		131.48	147.00
Canara Bank	75.94		124.01	92.71
Central Bank of India	101.63		133.02	106.79
Dena Bank	139.14		48.24	134.48
Indian Bank	62.18		244.58	85.50
Indian Overseas Bank	161.45		228.89	163.04
Punjab & Sind Bank	106.74		-44.01	80.63
Punjab National Bank	118.27		64.54	109.43
State Bank of India	287.05		358.52	297.51

Syndicate Bank	134.19	114.43	129.69
UCO Bank	236.50	475.48	241.40
Union Bank of India	133.30	205.47	148.02
United Bank of India	286.16	180.23	284.30
Regional Rural Banks Sub Total	166.35	173.92	167.49

Source: Department of Financial Services, Govt. of India

Among the Private Banks, ICICI bank has shown the highest growth rate of beneficiaries at both rural and urban branches. One reason can be the widespread branches it has got in urban and rural areas. IndusInd and Axis bank have got a fairly large growth rate of beneficiaries in their urban and metro branches.

FIGURE: 5 Growth rate of bank wise beneficiaries at rural, semi urban and urban, metro branches in selected Major Private Sector Banks between 2014 and 2017



Source: Department of Financial Services, Govt. of India

People who are having JDY account as on December 2017 in various states give us a detailed idea regarding state wise beneficiaries. The number varies with respect to the total population of each state. Higher number coincides with high population rate.

TABLE: 4 State wise Jan Dhan account opening report as on 13<sup>th</sup> December 2017.

Sl. No	State Name	Beneficiaries at rural/semi-urban centre bank branches	Beneficiaries at urban/metro centre bank branches	Total Beneficiaries	Balance in beneficiary accounts (in crore)
1	Andaman & Nicobar Islands	36,855	14,588	51,443	19.46
2	Andhra Pradesh	44,34,053	45,35,001	89,69,054	1,335.39
3	Arunachal Pradesh	1,50,554	1,02,836	2,53,390	68
4	Assam	95,26,868	30,34,560	125,61,428	2,759.44
5	Bihar	202,25,526	121,85,074	324,10,600	6,325.83
6	Chandigarh	38,096	2,06,477	2,44,573	94.17
7	Chhattisgarh	82,34,410	46,04,941	128,39,351	1,927.02
8	Dadra & Nagar Haveli	74,594	13,626	88,220	32.66
9	Daman & Diu	20,532	20,832	41,364	14.33

10	Delhi	4,70,655	34,64,000	39,34,655	1,475.80
11	Goa	1,07,557	42,811	1,50,368	76.75
12	Gujarat	60,49,802	55,48,840	115,98,642	2,914.00
13	Haryana	34,04,399	30,32,120	64,36,519	2,382.13
14	Himachal Pradesh	8,49,294	1,27,416	9,76,710	427.23
15	Jammu & Kashmir	16,74,622	2,65,067	19,39,689	713.04
16	Jharkhand	78,41,872	30,97,826	109,39,698	2,185.91
17	Karnataka	65,39,299	50,25,706	115,65,005	2,456.06
18	Kerala	15,36,818	19,45,081	34,81,899	874.26
19	Lakshadweep	4,520	642	5,162	6.45
20	Madhya Pradesh	128,16,469	138,48,196	266,64,665	3,099.47
21	Maharashtra	104,37,189	112,76,786	217,13,975	3,957.56
22	Manipur	3,55,531	4,23,290	7,78,821	190.29
23	Meghalaya	3,46,485	66,624	4,13,109	183.07
24	Mizoram	98,264	1,66,664	2,64,928	44.49
25	Nagaland	1,01,265	1,15,285	2,16,550	34.84
26	Odisha	88,24,479	33,42,482	121,66,961	3,116.41
27	Pondicherry	69,120	90,501	1,59,621	34.85
28	Punjab	33,69,397	26,29,552	59,98,949	2,173.43
29	Rajasthan	143,34,534	95,66,065	239,00,599	4,971.08
30	Sikkim	73,545	20,973	94,518	30.36
31	Tamil Nadu	40,75,079	48,20,559	88,95,638	1,409.52
32	Telangana	45,77,390	43,68,720	89,46,110	1,191.26
33	Tripura	5,80,752	2,30,816	8,11,568	691.3
34	Uttar Pradesh	277,55,302	185,36,927	462,92,229	11,540.36
35	Uttarakhand	13,34,637	7,93,011	21,27,648	790.9
36	West Bengal	203,08,625	90,95,416	294,04,041	10,853.14
	<b>Total</b>	<b>1806,78,389</b>	<b>1266,59,311</b>	<b>3073,37,700</b>	<b>70,400.24</b>

Source: Department of Financial Services, Govt. of India

**Challenges to Financial Inclusion through PMJDY<sup>2</sup>:** Various studies have already been done on the ground realities of Financial Inclusion Scheme and the following challenges have been identified:

**1. Inoperative bank accounts**– Most of the bank accounts are not operated by the account holder. The reason can be financial illiteracy, lack of adequate funds with account holder, working hours clashing with banking hours etc.

**2. Financial Illiteracy**– People especially in rural areas don't have adequate knowledge and awareness regarding the various financial services available to them.

**3. Managing Large number of accounts**– Additional infrastructure and new technology should be made available to all banks to enable smooth service to large number of new customers.

**4. Manpower Training**– Banking staff and business correspondents should be trained adequately to deal with rural people who are financially illiterate.

**5. Security**– Adequate security should be ensured to prevent any leakage of sensitive information to the public.

<sup>2</sup>Charan Singh, "20-Year Financial Inclusion Plan - Milestones, Field Feedback and Monitoring". Available at: <http://www.iimb.ernet.in/research/sites/default/files/WP%20No.%20474.pdf>. Website Last visited: 28th June'15

**6. Malpractices**– Measures should be taken to prevent malpractices of opening bank accounts under PMJDY with certain amount of money when these accounts are supposed to be opened with zero account balance and free of cost.

**7. Lack of Trust**– Rural people with financial illiteracy due to their lack of trust in banking correspondents, still borrow from moneylenders rather than approaching the bank.

**Other Challenges**

**1. Inadequate Banking Penetration in Rural Areas**– Few bank branches are opened in interior rural areas which need to be addressed to deliver better access.

**2. Disinterest on the part of banks to provide credit to rural people**–Banks are unsure of the repayment capability of rural people and due to political interference banks have to write off their loans

**3. Low diffusion of Technology and its scanty use**– Telecom and debit card penetration in rural areas is very less. Further the insecurity, theft and risk associated with card transactions is a factor leading to its less usage in spite of the government providing RuPay cards.

**Findings of the study:** Majority of the PMJDY accounts have been opened in rural areas which shows that many of the rural people had no bank accounts and this programme has provided them access to financial services and thereby financial inclusion objective could be met to some extent. During the study period, majority of the PMJDY account holders had their bank account with Public Sector Banks followed by RRBs and Private Sector Banks which clearly indicates that people still rely and believe in Government owned and controlled financial institutions. Growth rate of beneficiaries with selected private banks showed a higher growth rate which can be an indication that people have started accepting private banks. But compared to Public Sector and Regional Rural banks, percentage of beneficiaries holding accounts with Private Sector Banks is very less which is a matter of concern.

**Suggestions:** Since majority of beneficiaries of PMJDY are from rural areas, stress should be given to attract more participation of people from urban areas. Along with Public Sector Banks, Private Sector Banks should also formulate policies to attract more beneficiaries under this scheme. They should concentrate more in rural areas and should attract the people by providing quality services. Government and the authorities concerned should make the people aware of the benefits of the scheme. People should be financially educated to handle accounts on their own. People having multiple accounts under PMJDY should be discouraged and measures should be initiated to identify such people. Beneficiaries should be encouraged to actively operate their accounts rather than keeping it dormant.

**Conclusion:** The main intention of PMJDY scheme was to augment the goal of inclusive growth for which financial support through financial system like access to banking facilities for all household is necessary. It will enable all rural and urban households to have universal access to financial system and enjoy the benefits of modern developed banking system. The present study has tried to explore the current status of the PMJDY in India. Public Sector Banks performed in a better manner compared to the Regional Rural Banks and Private Sector Banks in terms of the beneficiaries with JDY account. Growth rate of beneficiaries have shown a commendable progress with respect to Private Sector Banks also. But the main concern here is growth rate of beneficiaries simply cannot prove that JDY has been successful. For that people having the said account should be operating it rather than keeping it inactive. But if the beneficiaries instead of keeping a non-operative account operate it continuously then the progress of the scheme and financial inclusion can undoubtedly been achieved. More people can be attracted leading to financial inclusion and there by economic growth and development of the country.

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**STRESSED ASSETS OF BANKS IN INDIA- A REVIEW OF THE MEASURES TAKEN BY RESERVE BANK OF INDIA AND GOVERNMENT OF INDIA TO TACKLE THE CHALLENGE**

**Sindhu Menon**, *Assistant Professor, KES Shroff College of Arts & Commerce*

**Abstract**

*The Indian Banking sector is under tremendous stress due to increasing bad loans and mounting cases of bank frauds. Stressed assets of banks have come under the scanner as one of the biggest risks facing the banking sector in India. Stressed assets include not just non-performing assets (NPAs) but also restructured assets, thus bringing within the fold of its definition, even standard assets that are under pressure currently and could turn into NPAs in the near future. According to the latest Financial Stability Report of the Reserve Bank of India (RBI) released in December 2017, between March and September 2017, the gross NPAs of scheduled commercial banks (SCBs) have increased from 9.6% to 10.2% and the stressed advances ratio has increased to 12.2%. The Reserve Bank of India has initiated several measures over the past few years, most noticeably in the last one year, to tackle the problem of rising stressed assets on a war footing. The focus of the banking regulator has been on ensuring that banks have proper processes in place to recognise early signs of non-performance and to take prompt steps towards restructuring and recovery of stressed assets. What is noteworthy is that RBI has also been taking into consideration the practical challenges faced by the banks while implementing these schemes and has introduced revisions in the guidelines to ease out the implementation. The present paper reviews the various steps taken by RBI and Government of India (GOI) towards tackling the menace of stressed assets and recommends further measures to be taken towards this end.*

**Keywords:** *stressed assets, non-performing assets, restructured loans, corporate debt restructuring scheme, strategic debt restructuring scheme, scheme for sustainable structuring of stressed assets*

**Introduction:** The Indian banking system is facing perhaps one of its worst crises with stagnant credit growth and growing stressed assets. Stressed assets are now getting increased attention as the trend of deteriorating asset quality has emerged as a big economic risk for the Indian banking sector. Stressed assets in India are estimated to have crossed Rs.11.5 lakh crore, an alarming figure indeed. The ratio of stressed assets to gross advances of the Indian banking system is increasing from 2013 onwards. It has risen from around 6 per cent at the end of March 2011 to 12.2 per cent by September 2017. The high stressed asset ratio is more prominent in public sector banks at around 16.2 per cent of total advances as of September 2017, as compared to around 5.7 per cent in the case of private sector banks. The huge pile-up of bad loans have led to a cascading effect on the lending process, since banks have been hesitant in giving out fresh loans which is important to revive the economy. This has resulted in credit growth to industry at a 60-year low. The Reserve Bank of India has initiated several measures over the past few years, most noticeably in the last one year, to tackle the problem of rising stressed assets on a war footing. The guidelines on Joint Lender's Forum, Strategic Debt Restructuring Scheme, Scheme for Sustainable Structuring of Stressed Assets, etc. are all directed towards early recognition and resolution of stressed assets. The Ministry of Finance too has stepped in by introducing the Banking Regulation (Amendment) Bill, 2017 which seeks to amend the Banking Regulation Act, 1949 to insert provisions for handling cases related to stressed assets. It remains to be seen whether these measures would prove to be enough to tackle the menace of the stressed assets situation in India.



### **Objectives of the paper**

The objectives of the Research Paper are as follows:

- To outline the current status of stressed assets in India, particularly with reference to commercial banks
- To review the various measures taken by the Reserve Bank of India and the Government of India to tackle the problem of stressed assets plaguing the Indian economy

**Research methodology:** The study is descriptive and analytical in nature, based on secondary data. Secondary data is sourced from the internet, journals, articles and media reports. RBI reports have been accessed from the RBI website.

### **Limitations of the study**

- The study is completely based on secondary data. Primary data, if collected from the parties directly affected by the stressed assets/restructuring processes, may throw a better light on the situation.
- Secondary data sources may not be accurate.
- The study focuses on the initiatives taken by RBI/GOI only with respect to scheduled commercial banks. Financial institutions, co-operative banks, NBFCs and other participants of the financial system are beyond the scope of the study.
- A more in-depth study of the stressed assets scenario in public sector banks vis-à-vis private sector banks is required to understand the differences, if any, in the treatment of potential NPAs in the two.

**What are stressed assets?** Assets of the banking system comprise of loans given and investments made by banks. Quality of the asset indicates how much of the loans taken by the borrowers are repaid in the form of interest and principal. The most important scale of measurement of asset quality is Non Performing Assets (NPA). An NPA is any loan whose interest and/or instalment of principal have remained 'overdue' (not paid) for a period of 90 days. NPAs are further classified into substandard asset, doubtful asset and loss assets depending upon how long a loan remains as an NPA. However, NPAs alone do not reflect the true situation of bad asset quality of loans given by banks. Another key component to be taken into account while measuring asset quality is Restructured loans i.e. loans for which banks have relaxed the terms and conditions in the hope of recovery. The relaxation can be in the form of extended repayment period, reduced interest rate, converting part of the loan into equity, etc. Hence the concept of stressed assets includes gross NPAs and restructured loans. Thus, even standard assets that are under pressure currently and could turn into NPAs in the near future are included in the definition of stressed assets.

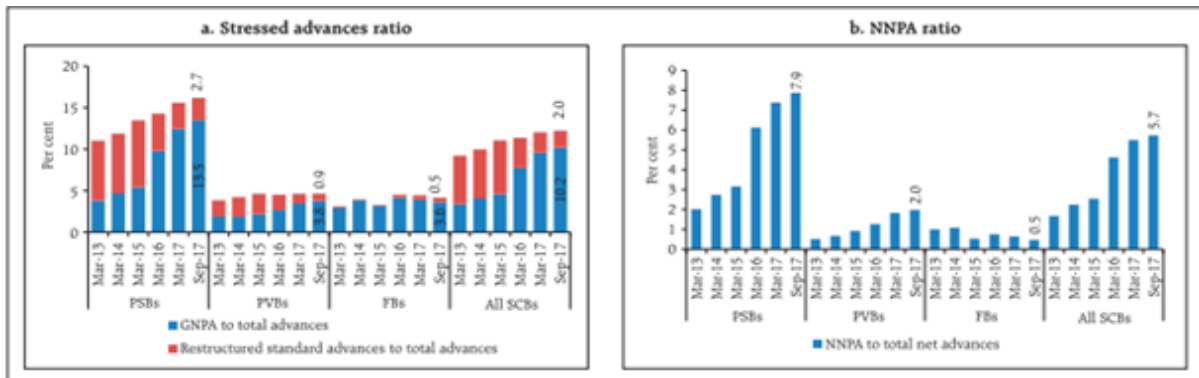
### **Reasons for high volume of stressed assets**

- Poor credit appraisal by banks prior to sanctioning has weakened the ability of banks to manage the quality of their asset portfolio. This is especially true in case of public sector banks.
- Failure to detect early signs of deterioration of asset quality prevents banks from taking preventive measures well in advance.
- Financial irregularities by the promoters mainly through diversion of funds remains undetected by banks in the absence of proper fraud detection practices.
- The Corporate Debt Restructuring process (discussed in some detail later) is a time consuming affair due to failure by consortium lenders to arrive at a consensus regarding the terms of restructuring and also due to impractical financial projections provided by the management.

- Stressed asset funds are averse to investing in Asset Reconstruction Companies due to lack of credibility of promoters, financial irregularities and the tedious negotiations involved with multiple lenders.

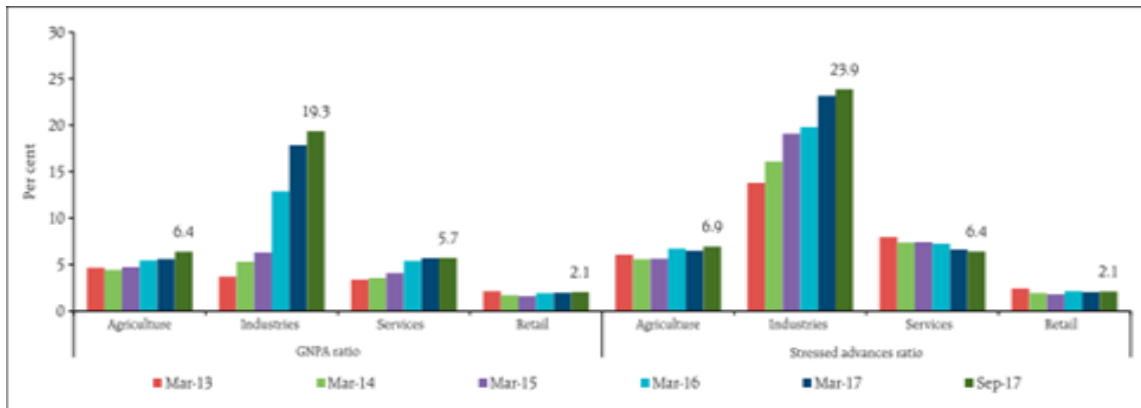
**Stressed asset situation in India:** As per the latest Financial Stability Report released by RBI on December 2017, the gross non-performing advances (GNPA) of SCBs increased from 9.6 per cent to 10.2 per cent between March and September 2017, whereas, their restructured standard advances (RSA) ratio declined from 2.5 per cent to 2.0 per cent. The stressed advances (SA) rose marginally from 12.1 per cent to 12.2 per cent during the same period. GNPA ratio of PSBs increased from 12.5 per cent to 13.5 per cent between March and September 2017. Stressed advances ratio of PSBs rose from 15.6 per cent to 16.2 per cent during the period. The net non-performing advances (NNPA) as a percentage of total net advances increased from 5.5 per cent to 5.7 per cent between March and September 2017. PSBs recorded distinctly higher NNPA ratio of 7.9%

**GRAPH 1 - STRESSED ADVANCES RATIO AND NNPA RATIO FOR LAST 5 YEARS**



Source: Reserve Bank of India Financial Stability Report, Issue No. 16, December 2017

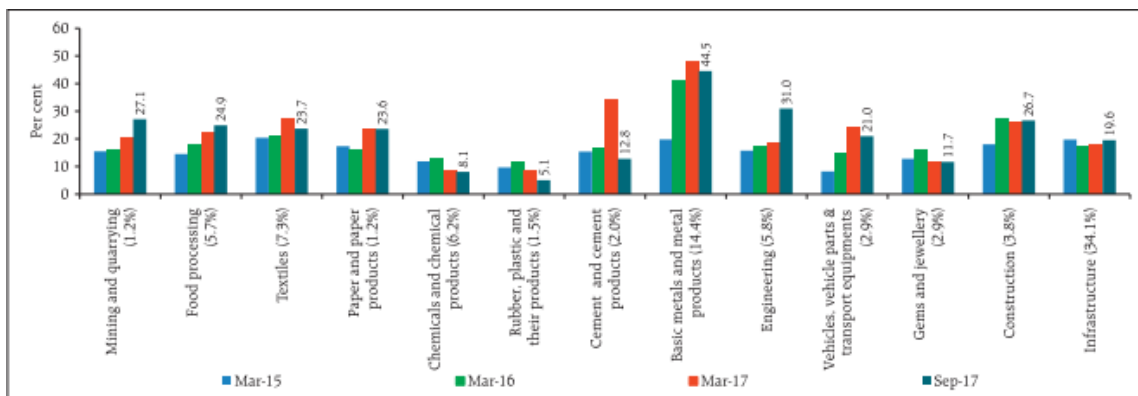
**GRAPH 2– SECTOR-WISE BREAK UP OF STRESSED ASSETS**



Source: Reserve Bank of India Financial Stability Report, Issue No. 16, December 2017

Among the major industry sub-sectors, mining and quarrying, food processing, engineering, construction and infrastructure registered increase in their stressed advances ratios between March and September 2017. The asset quality of sub-sectors such as textiles, rubber, cement, basic metals and vehicles, however, improved during the same period

**GRAPH 3– SUB-SECTOR-WISE BREAK UP OF STRESSED ASSETS**



Source: Reserve Bank of India Financial Stability Report, Issue No. 16, December 2017

### Earlier measures taken by RBI/GOI to tackle stressed assets

- The **Corporate Debt Restructuring (CDR) Scheme** was introduced by RBI in August 2001 to ensure a timely and transparent mechanism for restructuring the corporate debts of viable entities facing problems in debt servicing. Its aim was to minimise the losses to the creditors and other stakeholders through an orderly and co-ordinated restructuring programme. However, the CDR scheme didn't achieve the desired results. Easy accessibility to CDR encouraged postponement of core issues by extending repayment schedules, while conducting fewer checks at the beginning and during the restructuring process. While this helped them to pretend that the problem didn't exist, it did little to help the company streamline its operations.
- The **SARFAESI (Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest) Act, 2002** was framed to address the problem of NPAs through setting up of Asset Reconstruction Companies (ARCs) and Asset Securitisation Companies (ASCs). If restructuring and one-time settlement of stressed assets are considered unviable by banks, then recovery can be made through sale of the asset to ARCs in return for Security Receipts. However, in the past few years, this method has not been popular with banks because of poor performance of Security Receipts. Also, lenders found it difficult to enforce the SARFAESI Act due to legal loopholes and delays in the process.

**Measures taken in the last 3 years (i.e. since 2014):** The last three years have seen a surge of measures taken by RBI and Govt. of India for early recognition and resolution of stressed assets. What is noteworthy is that RBI has also been taking into consideration the practical challenges faced by the banks while implementing these schemes and has introduced revisions in the guidelines to ease out the implementation. Following is a brief account of the various schemes introduced by RBI as well as the revisions made in the schemes to tackle the implementation issues raised by banks:

#### 1. Guidelines on Joint Lenders' Forum (JLF) and Corrective Action Plan (CAP) – Earlier guidelines -February 26, 2014:

The Joint Lenders' Forum is a dedicated group of lender banks that is formed to speed up decisions when a loan of Rs.100 crore or more turns out to be a stressed asset (i.e. reported as SMA 2 to the Central Repository of Information on Large Credits (CRILC)). A loan account is categorised as SMA 2 if principal or interest payment remains overdue for between 61-90 days. CRILC is a database created and maintained by the RBI to collect credit data of loans of Rs.50 crore and more. As part of the Corrective Action Plan (CAP), the JLF has to explore various options to resolve the problems in the loan account such as rectification, restructuring and recovery. The JLF and CAP work on the principle of identifying the stress in a borrower and curing it at an earlier stage.

**Problems:** Earlier, the decisions of the JLF had to be agreed upon by a minimum of 75% of creditors by value and 60% of creditors by number. The member banks of JLF often found it difficult to arrive at a consensus because of the large composition of the committees, thus resulting in delays in finalising corrective action plans. Often, because of differences between banks over the recovery procedures, the problem would remain unresolved.

**Revised guidelines- May 5, 2017:** On May 5, 2017, RBI slashed the minimum votes required in a JLF to reach a decision to 60% of creditors by value and 50% by number. This was done so that decisions regarding resolution of stressed assets could be taken faster. RBI also warned that any bank which does not support the majority decision could exit the exposure within a stipulated timeline, failing which it would have to go along with the majority decision. In an attempt to avoid delay by the banks, RBI has directed lenders to adhere to the given timelines, failing which, in addition to the disincentives in the form of asset classification and accelerated provisioning, monetary penalties have to be paid by the lender as per the Banking Regulation Act.

## 2. Flexible structuring of long term project loans to infrastructure and core industries

**Earlier guidelines - July 15, 2014:** Taking into consideration the problems faced by banks in providing long term financing to projects in infrastructure and core industries due to asset-liability mismatch issues, RBI permitted banks to fix longer amortisation period for loans to projects in these sectors, based on the economic life or concession period of the project, subject to prescribed conditions. Initially, this facility was provided only for new loans to these sectors, but in December 2014, RBI permitted this flexible structuring to existing loans also.

**Problems:** The main idea behind allowing flexible structuring to projects in infrastructure and core industries was so that repayment schedules of loans would match with the cash flows from the underlying assets created out of such loans, thus ensuring long term feasibility of these projects. However, banks were still facing issues of asset-liability mismatches in loans to other sectors.

**Revised guidelines – December 15, 2014:** RBI has now permitted banks to apply flexible structuring to new project loans in all sectors and also to existing project loans, in which the aggregate exposure of all institutional lenders exceeds Rs. 250 crore.

## 3. Strategic Debt Restructuring Scheme

**Earlier guidelines- June 8, 2015:** In order to ensure more stake of promoters in reviving stressed loans and enable banks to initiate change of ownership in accounts which fail to achieve the projected viability milestones, RBI introduced the 'Strategic Debt Restructuring (SDR)' whereby banks could, at their discretion, convert the whole or part of the loan and interest outstanding into equity shares in the borrower company, so as to acquire majority shareholding in the company. The new promoter was required to acquire at least 51 percent of the paid up equity capital within a period of 18 months.

**Problems:** Banks found it difficult to find ready buyers for the 51% equity stake they had to divest within the stipulated period of 18 months.

**Revised guidelines – February 25, 2016:** The revised RBI guidelines allowed banks to upgrade an asset to the standard asset category if they divest at least 26% of the stake to the new promoter within the specified period of 18 months. This was seen to be a more realistic and implementable target. However, it is felt that the SDR route will allow banks to only defer the recognition of stressed loans as NPAs without solving the core bad asset problem.

## 4. Scheme for Sustainable Structuring of Stressed Assets

**Earlier guidelines – June 13, 2016:** In order to enable banks to undertake deep financial restructuring to give projects a chance of revival, the Reserve Bank of India introduced the Scheme for Sustainable Structuring of Stressed Assets (known as S4A). The S4A Scheme aims to strengthen the lenders'

ability to deal with large stressed assets facing genuine hardship. The scheme is applicable for accounts where the total exposure of all institutional lenders is more than Rs.500 crores and where the project has started commercial operations. Under this scheme, the loan will be segregated into sustainable and unsustainable portions. The banks could then convert the unsustainable debt into equity and sell it to a new owner who would have the advantage of running the business with only sustainable debts.

**Problem:** The circular provided a standstill clause wherein the asset classification for the loan as on the date of lenders' decision to resolve the account would continue for a period of 90 days. If the banks were unable to formulate the above resolution plan and implement it within 90 days, the asset classification of the loan would be as per usual classification norms as if there was no standstill. However, the period of 90 days was found to be impractical by banks to finalise the entire structuring scheme.

**Revised guidelines – November 10, 2016:** The period of 90 days was extended to 180 days to enable the JLF/consortium/bank to formulate the resolution plan, submit the same to the overseeing committee formed under the guidelines and implement it.

#### 5. **Large Exposures Framework- December 01, 2016**

Currently, as per RBI's prudential exposure norms, a bank's exposure to a single borrower and a borrower group is restricted to 15 percent and 40 percent of its net worth respectively, in order to avoid concentration of a bank's assets to a single borrower or a borrower group. In December 2016, RBI introduced a Large Exposures Framework to be effective from April 1, 2019, wherein a bank's exposure to a single borrower and a borrower group were capped at 20 percent and 25 percent of Tier I capital respectively. These guidelines are intended to reduce concentration risk of banks as well as reduce dependence of large corporates on banks for their funding needs.

#### 6. **Disclosure in the "Notes to Accounts" to the Financial Statements- Divergence in the asset classification and provisioning - April 18, 2017**

In order to curb instances of material divergences in banks' asset classification and provisioning from the RBI norms, thereby leading to the published financial statements not depicting a true and fair view of the financial position of the bank, RBI has asked banks to make suitable disclosures where either (a) the additional provisioning requirements assessed by RBI exceed 15 percent of the published net profits after tax for the reference period or (b) the additional Gross NPAs identified by RBI exceed 15 percent of the published incremental Gross NPAs for the reference period, or both. The disclosures are to be made in the Notes to Accounts in the ensuing Annual Financial Statements published immediately following communication of such divergence by RBI to the bank. SEBI, in July 2017, gave a helping hand to RBI by asking banks to disclose divergence in asset classification along with annual financial results filed immediately following communication of such divergence by RBI to the bank.

#### 7. **Additional Provisions for Standard Advances at higher than the prescribed rates - April 18, 2017:** RBI has asked banks to make provisions at higher rates even in respect of standard advances to stressed sectors of the economy, to ensure that banks have adequate provisions for loans and advances at all times. The circular mentioned the telecom sector in particular as having reported stressed financial conditions and asked bank boards to review the telecom sector and consider making provisions for standard assets in this sector at higher rates.

#### 8. **The Banking Regulation (Amendment) Bill, 2017:** The Bill was introduced in Lok Sabha by the Minister of Finance, Mr. Arun Jaitley, on July 24, 2017. It seeks to amend the Banking Regulation Act, 1949 to insert provisions for handling cases related to stressed assets. The Bill

basically empowers RBI to give directions to banks to act against loan defaulters. The Central Government can authorise the RBI to issue directions to banks for initiating proceedings in case of a default in loan repayment. These proceedings would be under the Insolvency and Bankruptcy Code, 2016. The RBI may also form committees to advise banks on the resolution of stressed assets.

9. **The Insolvency and Bankruptcy Code, 2016 (IBC):** Recognising the fact that the legal and institutional framework in our country does not help lenders in effective and timely recovery or restructuring of defaulted asset, the Government introduced the Insolvency and Bankruptcy Code Bill in November 2015, drafted by a specially constituted 'Bankruptcy Law Reforms Committee' (BLRC) under the Ministry of Finance. The Code offers a uniform, comprehensive insolvency legislation covering all companies, partnerships and individuals. Companies have to complete the entire insolvency exercise within 180 days under IBC. The deadline may be extended if the creditors do not raise objections on the extension. The Code creates a new institutional framework, consisting of a regulator and insolvency professional that will facilitate a time bound insolvency resolution process.
10. **Constitution of Internal Advisory Committee (IAC):** RBI constituted an Internal Advisory Committee (IAC), comprised majorly of its independent Board Members, to advise it in the matter of resolution of stressed assets. The IAC recommended for IBC reference, all accounts with fund and non-fund based outstanding amount greater than Rs.5000 crore, with 60% or more classified as non-performing by banks as of March 31, 2016. The IAC noted that 12 accounts totalling about 25 per cent of the current gross NPAs of the banking system would qualify for immediate reference under IBC. As regards the other non-performing accounts which do not qualify under the above criteria, the IAC recommended that banks should finalise a resolution plan within six months. In cases where a viable resolution plan is not agreed upon within six months, banks should be required to file for insolvency proceedings under the IBC.

#### **Status of some schemes**

**Strategic Debt Restructuring (SDR) Scheme:** A lot of valuable time has been spent by banks in negotiating with promoters on possible restructuring options, using SDR as a scare tactic. This actually delayed the process of resolution as promoters would talk about bringing in new investors that would never materialise. In cases where the bankers did implement SDR, there was little impact as it was difficult to find buyers for stressed companies at a high price.

**Scheme for Sustainable Structuring of Stressed Assets (S4A):** S4A required six-month cash flows to service at least half of the sustainable debt. As companies had been in stress for more than three years, by the time S4A was introduced, it was difficult for companies to have a six-month cash flow that could justify the increased level of debt. Bankers tried to approach the RBI multiple times, hoping to lower the minimum sustainable debt limit, so that they may implement it in a higher number of cases. But the RBI has not allowed it.

#### **Future outlook**

- Stress tests conducted by RBI have suggested that GNPA of the banking sector may rise from 10.2 per cent of gross advances in September 2017 to 10.8 percent in March 2018 and further to 11.1 per cent by September 2018.
- Ratings agency Crisil has estimated stressed assets in the banking system to be around Rs 11.5 lakh crore, or nearly 14 per cent of the total advances and does not expect this number to increase significantly over the medium term. That's because of gradual recovery in the credit quality of corporates driven by higher commodity prices, lower interest rates and improved capital structures.

- Crisil expects gross NPAs in the banking system to be around 10.5 per cent of advances as of March 2018, up from 9.5 per cent as of March 2017. Faster resolution of stressed accounts through the Insolvency and Bankruptcy Code and various structuring schemes, therefore, is critical to improving the asset quality of banks.
- Mr. Viral Acharya, deputy governor of the Reserve Bank of India, has suggested that the only real way of removing the stress off bank books is to effect a recovery and resolution in the stressed firm. He has suggested creation of a private asset management company (PAMC), which will handle the creation, selection and implementation of a feasible resolution plan for quick turnaround. And in case of companies which are in need of a more long-term solution, Acharya suggests the creation of a national asset management company (NAMC) with a minority government stake, which would raise debt and manage the asset reconstruction companies (ARCs) and private equity firms that would actually turnaround the underlying company.
- There are fears of increase of more than Rs.40,000 crore of NPAs in the bank books following recent classification of eight consortium accounts of Axis Bank as non-performing assets by the RBI. The Reserve Bank has directed certain reclassifications in the private sector lender's asset classification and provisioning as on March 2017, subsequent to the annual Risk Based Supervision (RBS) exercise conducted for 2016-17.
- On October 24, 2017, the Govt. of India announced a Rs.2.11 trillion recapitalization plan for its state-owned banks over the next two years, in an attempt to clean banks' books and revive investment in a slowing economy. These funds will help in efficiently managing risk and credit capital related requirements of the banks.

**Conclusion:** There is an urgent need for early recognition and management of stressed assets, transparent credit appraisals, post disbursement monitoring and sound evaluation of restructuring cases. The banking system needs to put proper processes in place to recognise early signs of non-performance and to take prompt steps towards restructuring and recovery of stressed assets. Borrowers who do not co-operate with lenders in the restructuring process should be penalised by higher interest cost for subsequent borrowings, declaration as willful defaulter and inability to file civil suits, which are generally used as delay tactics by borrowers. Any restructuring process should have specific targets designed to test whether the restructuring is a success or not, for example: regularity in debt servicing, cash flow targets etc. Banks should be given complete freedom to change the ownership and management of the borrower company if any restructuring plan fails. Establishment of a secondary market for Security Receipts will attract institutional investors towards this market. The Reserve Bank of India and Govt. of India need to monitor the situation of stressed assets and take appropriate policy decisions to tackle the problem of stressed assets on a war footing.

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## RE-CAPITALIZATION OF INDIAN BANKS

**Shivali Thakar**, Visiting faculty – Economics, Chetana H S College of Commerce & Economics

### Abstract

A well-capitalized banking system is needed to ensure a sustained flow of credit in the economy, meet regulatory requirements under the Basel-III norms and provide for stressed assets. Recapitalization is need of the hour for Indian public banks. The question is will this recapitalization help Bank in cleaning up of balance sheets and boost private investment in the economy or raise the issue of breaching the fiscal deficit target where the government may itself turn into the largest borrower and crowd out private borrowing as well as the bond market? The solution lies in time, also it is said that the recapitalization of banks may turn out to be a temporary relief rather than a solution. Thus, it is required that all resolution measures be taken together promptly for an improvement in the Indian banking system. This research paper will be helpful to understand the practicality and concerns of recapitalization, RBI and government initiatives specially Indradhanush Scheme and recapitalisation Bond and critical evaluation and analysis of these initiatives.

**Keywords:** Recapitalization, Public sector, Banks, Indradhanush Scheme, Basel, NPA.

I. **Introduction:** Recapitalization is a strategy of enhancing the financial base of an entity to overcome a rough financial situation or to enhance its financial health. In other words, capital is the money put by the owners for the running of the enterprise. Hence, recapitalization is the venture of the owner/shareholders to make the firm financially strong. In the case of Public Sector banks, recapitalization is injection of capital mainly through equity investment by the government to financially strengthen them. Recapitalization is necessary phenomena because the PSBs are facing financial problems and they need money in the context of rising bad debts (NPA). Similarly, they need funds to meet the higher capital requirements under Basel III norms. Altogether, there are following three sound reasons for recapitalization of PSBs.

1. Rising volume of bad assets (NPA) has led to erosion of capital.
2. The Basel III capital norms require higher capital in banks.
3. Expanding credit needs in the economy can be made only with higher capital.

The compelling need for large scale recapitalization is the first factor i.e. rising volume of bad debts. Higher NPAs and very low asset quality including the problem of loss asset requires replacing such funds by using money from the capital base. As per the 2017-18 trend, PSBs account for nearly 90 per cent of Gross Non-Performing Assets (GNPAs) of the entire banking sector.

### II. Objective

The objective of this paper is to understand Re-capitalization concept in Indian Public Sector Banks, Strategies adopted by RBI and Government (Specially Indradhanush Scheme) and Issues and Challenges Faced.

III. **Scope:** The research paper covers Re-capitalization strategy with respect to Indradhanush scheme and various aspect of raising funds from market only.

IV. **Methodology:** The research study is descriptive in nature and is based on secondary data. The data are collected from various reports, journals, articles, various bank portals, and RBI portal.

### V. Analysis and Interpretation

#### 5.1 Challenges faced by Public sector banks

- **Asset quality:** The biggest risk to India's banks is the rise in bad loans. The slowdown in the economy in the last few years led to a rise in bad loans or non-performing assets (NPAs). These are loans which are not repaid back by the borrower. They are, thus, a loss for the bank. Net NPAs amount to only 2.36% of the total loans in the banking system. This may not seem like an alarming figure. However, it does not take into restructured assets - when a borrower is unable to pay back and the bank makes the loan more flexible to be paid back over a longer period of time. Restructured assets too put pressure on a bank's profitability. Together, such stressed assets

account for 10.9% of the total loans in the system. And these are just loans which are identified as stressed assets. 36.9% of the total debt in India is at risk. Yet, banks have capacity to absorb only 7.9% loss. So, if these debts turn bad too, banks will face major losses.

- **Capital adequacy:** One way a bank tries to ensure it is protected from bad loans is by setting aside money as a 'provision'. This money cannot be used for any other purposes including lending. As a result, banks have lower capital available to use for its various operations. The Capital Adequacy Ratio measures how much capital a bank has. When this falls, the bank has to borrow money or use depositors' money to lend. This money, however, is riskier and costlier than the bank's own capital. For example, a depositor can withdraw his/her money any time they want. So, a fall in CAR (often called as CRAR or Capital to Risk Assets Ratio) is worrisome. In the last few years, CRAR has declined steadily for Indian banks, especially for public-sector banks. Moreover, banks are not able to raise money easily, especially public-sector banks which have higher number of bad loans. If banks do not shore up their capital soon, some could fail to meet the minimum capital requirement set by the RBI. In such a case, they could face severe issues.
- **Balance Sheet management:** In the past few years, many banks have tried to delay setting aside money as provisions (for future bad loans). One reason for this is that a bank's chief executives have a short tenure, during which time they want to post higher net profits and cheer investors. Deferring provisioning is harmful in the long term. It reduces the bank's ability to withstand financial pressures. This is even more problematic considering the poor capital adequacy in Indian banks. In fact, investors would be happier if the management addresses and sorts out problems rather than posting high net profits that cannot be sustained in the long term.

### 5.2 Four R's: Recognition, Recapitalization, Resolution, and Reform.

Banks must value their assets as far as possible close to true value (recognition) as the RBI has been emphasizing; once they do so, their capital position must be safeguarded via infusions of equity (recapitalisation) as the banks have been demanding and must be need based. The underlying stressed assets in the corporate sector must be sold or rehabilitated (resolution) as the government has desired, and future incentives for the Private Sector and corporates must be set-right (reform) to avoid a repetition of the problem. Other features of 4 R's are:

*Recognition* - The RBI's asset quality review has made a considerable progress in this regard. It has revealed the numbers on gross non-performing asset (NPA) in general apart from those in the PSU alone to be 12%. However, this does not show the true picture as it does not include assets that are "stressed" but not yet NPAs. The market assessment is that when these stressed assets take the form of NPAs, the NPA percentage may increase by up to 6%.

Thus, identifying the right proportion of the stressed assets is the first step to resolving them.

*Resolution* - The Insolvency and Bankruptcy Code (IBC) is a major reform in appropriately addressing the bad loans problem. The process under IBC will certainly clean up the books of the banks over the coming months. Nevertheless, the challenge is to find new investors who are willing to take over defaulted projects. The banks will have to face huge losses so as to attract new investors and this is sure to have an impact with a corresponding erosion of capital.

*Recapitalization* - In 2015, the finance ministry had estimated that the PSU banks needed Rs.2.4 trillion of capital from market, retained profits and the budget. The Fitch Ratings estimate the need to be Rs.4 trillion by end of March 2019, to meet the capital requirements under Basel III. Hence, infusion of capital through various channels.

*Reforms* - 1) Reforms in PSU banks are essential to make them more efficient, and this is needed irrespective of whether or not to recapitalize them. Merging public sector banks cannot be considered a

reform to address the problems at present. Instead, there is a need for reforms that improve governance, upgrade the skill set, and improve the quality of risk assessment within the PSU banks. Government should think of reducing its equity to 33% in selected PSU banks, as recommended by Narasimham II Committee in 1998. The government could still have a controlling position in the board, but the banks could become board-managed companies. This would allow the stronger PSU banks to raise additional capital from the market, possibly from strategic investors who are offered seats on the board. Inclusion of strategic investor may make it easier to raise capital without burdening the budget. In all, the scale of the bad loans problem is much larger than was thought and the downturn in the economy necessitates more urgent corrective measures.

**5.3 Process of recapitalization**

The department of financial services (DFS) of the finance ministry is the administrative authority for PSBs. Every year, DFS reviews the performance of each PSB on the basis of a number of parameters. It has also been reviewing their capital requirements. Taking into account the credit growth and risk profile of the assets, and assessment of internal accruals and other sources of capital generation, PSBs seek capital from the government. The DFS verifies and determines the capital requirement on a “need-based approach” in consultation with the finance ministry and recommends them to the cabinet committee on economic affairs (CCEA). In the context of Basel II norms, the need-based approach needs to be understood in the broader perspective of helping the PSBs achieve minimum capital requirements (of both Tier I and Tier II) as per the regulatory framework, including maintaining 2.5% additional capital buffer, and planning and strategizing for future growth as well. Keeping in view the budgetary constraints, the cabinet considers the overall budgetary support required; it also decides on apportioning capital support to various PSBs. After this, it sends its approval to the ministry of finance for timely and appropriate rollout. Ideally, such a process of capitalization should have been based on a long-term plan and a well thought-out policy and strategy. However, in reality, between 2008-09 and 2014-15, all decisions to infuse various amounts of capital into PSBs seemed to be based on ad hoc considerations, varying from year to year. These were decided only through the annual budgetary process by the finance ministry. The issue was never taken up through a comprehensive planning process, backed by due diligence. The government has estimated in Indradhanush that the PSBs will require extra capital to the tune of Rs. 1, 80,000 crores in next four years up to FY 2019 assuming a credit growth rate of 12 per cent for the current year and 12 to 15 per cent for the next three years. Out of this, the Government will infuse Rs. 70, 000 crores out of budgetary allocations in next four years as shown in Table below. PSBs will raise the remaining Rs 1,10,000 crore from the market to meet capital adequacy according to Basel III norm. The government will also make extra budgetary provisions in last two years, if needed, to ensure that PSBs remain adequately capitalized to support economic growth.

Year	Rs Crore
FY 2015-16	25,000
FY 2016-17	25,000
FY 2017-18	10,000
FY 2018-19	10,000
<b>Total</b>	<b>70,000</b>

*Source: Government press release, CPR research*  
**Statements of Intent (SoI) and Memorandum of Understanding (MoU)**

For ensuring “efficiency” in management of PSBs, two sets of tools were used by the administrative department, the department of financial services (DFS): the statements of intent (SoI) and memorandum of understanding (MoU). Both were supposed to play a critical role in monitoring capital infusion in PSBs.

The mechanism of SoI on annual goals to monitor the performance of PSBs was introduced on the directions of the finance ministry in June 2005. A set of performance parameters was defined and targets were set for PSBs against these parameters. The SoI parameters have been revisited and redrafted on several occasions with amendments on 23 April 2010, 21 October 2011 and 20 May 2012. Under May 2012 amendment, there were 44 SoI parameters which were to be monitored by DFS. Besides being a tool for monitoring the performance of PSBs, the SOIs were also used to incentivize their top management when the SoI targets were achieved. Some of the Parameters are: Return on Asset, cost to income ration, net Profit per employee, ratio of staff in branches to total staff etc.

In February-March 2012, DFS introduced the system of MoU with PSBs to ensure that they lay down a firm plan for long-term business development and performance enhancement, and relate the same to their capital requirement. The MoU, signed by the PSBs and DFS, consists of a set of agreed targets that the PSBs are expected to achieve, which would form the basis for future capital infusion by the government. The aim of the MoU was to achieve optimum utilization of scarce capital funds, with PSBs focusing on improving their efficiency simultaneously with the infusion of capital.

#### **VI. Recent Initiatives and its practicality**

On Oct 2017, Government announced Rs2.11 trillion PSU bank recapitalisation plans, wherein Rs1.35 trillion will come from the sale of recapitalisation bonds and the rest through the Indradhanush plan and fundraising from the markets.

#### **Recapitalisation Bond**

Recapitalisation bonds are dedicated bonds to be issued at the directives of the government for recapitalizing the trouble hit Public Sector Banks (PSBs). Bonds worth of Rs 1.35 trillion is to be issued to inject capital into PSBs who are affected by high level of NPAs. Money obtained from the sale of the bonds will be injected into the PSBs as government equity funding. Procedures for the issue of the bonds and the working mechanisms are yet to be decided by the government. It is likely that RCBs will be issued by a holding company that is specifically created to hold government equities in PSBs. If such a company issues the bonds, the bond issue will not come under government debt and thus the debt will not add to fiscal deficit.

The bonds though may be issued by a separate entity, will have sovereign (government) guarantee. The bond, once issued by the holding company, will be subscribed by public sector banks themselves. Fund from the issue of bonds will be used to subscribe shares of PSBs and will be treated as additional government equity or capital. In this way, capital of PSBs will be enhanced thereby helping them to tackle the present NPA problems.

The impact of Recapitalisation Bonds on government’s fiscal deficit will be that the funds mobilized from the sale of the bonds will not come as part of the fiscal deficit. But the interest payment for it will be a part of the fiscal deficit. According to the estimate of Chief Economic Advisor, the annual interest payments expense will come at around Rs 9000 crores. This interest payments expense will be covered from the profits of capital receiving PSBs.

#### **Mission Indradhanush for Banks**

Mission Indradhanush is a comprehensive plan for recapitalisation of public sector lenders, with a view to make sure they remain solvent and fully comply with the global capital adequacy norms,

Basel-III.

Components of Mission Indradhanush: Mission Indradhanush is a 7-pronged plan to address the challenges faced by public sector banks (PSBs). The 7 parts include appointments; Banks board bureau, capitalisation, de-stressing, empowerment, framework of accountability and governance reforms (ABCDEFGH)

- **Appointments** - separation of posts of CEO and MD to check excess concentration of power and smoothen the functioning of banks; also induction of talent from private sector
- **Bank Boards Bureau** - will replace the appointments board of PSBs.
  - ✓ It will advise the banks on how to raise funds and how to go ahead with mergers and acquisitions.
  - ✓ It will also hold bad assets of public sector banks.
  - ✓ It will be a step into eventual transition of the bureau into a bank holding company. It will separate the functioning of the banks from the government by acting as a middle link.
  - ✓ The bureau will have three ex-officio members and three expert members, in addition to the Chairman.
- **Capitalisation**-
  - ✓ Capitalisation of the banks by inducing Rs 70,000 crore into the banks in the next 4 years
  - ✓ Banks are in need of capitalisation due to high NPAs and due to need to meet the new BASEL- III norms
- **De-stressing** -
  - ✓ Solve issues in the infrastructure sector to check the problem of stressed assets in banks
- **Empowerment** -
  - ✓ Greater autonomy for banks; more flexibility for hiring manpower
- **Framework of accountability** -
  - ✓ The banks will be assessed on the basis of new key performance indicators. These quantitative parameters such as NPA management return on capital, growth and diversification of business and financial inclusion as well as qualitative parameters such as human resource initiatives and strategic steps to improve assets quality.
- **Governance Reforms** -
  - ✓ GyanSangam conferences between government officials and bankers for resolving issues in banking sector and chalking out future policy.

## VII. Evaluations and Analysis

- The recapitalisation will help in accounting improvement in the balance sheet of PSU banks but certainly not solve structural problems. Therefore, the promise that fresh capital injection will result in immediate credit creation is not the complete truth again. Banks are only the suppliers of credit. The cost of credit and delivery of credit are important from the angle of demand for credit. Currently, the demand for credit by the corporates is also not encouraging as they are faced with the problem of addressing the non-repayment of loans. Thus, it is important to revive the weak balance sheet of corporates also. To what extent the implementation of the Insolvency and Bankruptcy Code is helping the corporates resolve their stress remains in darkness.
- Some questions stand out. First, whether a strong capital base after recapitalisation will check the willful defaults by the big borrowers? If yes, what is the monitoring mechanism which will be put in place for this? In the absence of strong punitive measures for those who violate the rules

and prudent lending norms, both from the side of banks and the borrowers, this is likely to be seen as the license to loot once again.

- The problems of weak balance sheet and weak capital base are the result of inefficiency and mismanagement of the PSU banks. It also is a typical case of lack of governance. In that sense, recapitalisation offers moral hazard problems and its celebration as a “decisive package” makes a bad situation worse.
- Effective monetary policy transmission is the key, as the bonds issued as recapitalisation process are not eligible for SLR (statutory Liquidity Ratio) Therefore, appetite depends on the maturity and interest rate, eventually impacting the interest rate in the entire system, given the huge borrowing that will happen. The bonds have to be eventually repaid. So when they mature, funds need to be arranged either by borrowing or from government revenues (both tax and non-tax). Since the latter is difficult, the government will take recourse to borrowing to repay and the fiscal deficit will go up the year this happens.

### VIII. Conclusion

The success of recapitalization eventually depends on financial prudence shown by bankers while allocating proceeds for provisioning, write offs or fresh credit disbursal. Transparent decision making accompanied by lower turnaround time would be key. Further, recapitalization must accompany a stream of other measures such as consolidation, governance changes and eventual creation of a bad bank.

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## STRENGTHENING THE INDIAN BANKING SYSTEM - BASEL III

Neelam Jha, MBA, CAIIB, Certified Bank Trainer, Faculty (Central Bank of India) SPBT College

**Abstract**

*Basel I & II were devised by BIS (Bank for International Settlements) as an endeavor to set international norms for prudential risk management in banks. However the crisis of 2007-08 raised questions on the efficacy of Basel II and incidents like failure of Lehman Brothers shook the entire financial world. Against the background of the global banking crisis of 2008, which sent the financial markets in a tizzy, Basel III norms were formulated in 2010 under which banks had to increase capital, liquidity and also reduce leverage. Basel III predominantly focuses to boost bank's capital and get them to move away from short-term funding. The timeline given by Reserve Bank of India to Indian Banks to implement Basel III guidelines is March 2019. Banks have gargantuan impact on economy. Collapse of a big bank is one of the most alarming shocks for any economy. BASEL III has a methodology for identifying G SIB's (Global Systemically Important Banks) & D SIB's (Domestic Systemically Important Banks) and assessing a Higher Loss Absorbing (HLA) requirement, i.e. G-SIB's & D SIB's to hold more CET1 Capital. It has a mechanism to incentivize D-SIBs with higher scores not to increase their systemic importance in future. But in the Indian context is this requirement in conformity with the idea of mergers and creating four or five big banks? It assumes greater significance for Indian banks particularly PSB's who are grappling with inadequate capital, deteriorating asset quality & swelling NPA's. Already RBI has placed twelve PSB's under PCA (Prompt Corrective Action) due to breaching of risk threshold indicators viz High NPA, Insufficient CET 1 Capital & negative ROA.*

**Key words:** Basel III, capital adequacy, Indian banks, Risk management, PCA

**Introduction:** Risks are innate to banking. A bank often strives to mitigate the risks on one hand & earn rewards in form of profits for risk bearing. Hence the need of risk management & supervision is imperative for banking sector. When we look at the banking scenario of the seventies, we observe that the reverberations of failure of Bankhaus Herstatt in West Germany and serious disturbances in international currency and banking markets steered the establishment of Basel Committee. Committee of Banking Regulations and Supervisory Practices by the Central Bank Governors of the Group of Ten countries at the end of 1974. The primary focus of the committee was supervision of banks. However Latin American debt crisis and its implication for the world economy necessitated the formation of BASEL I (1988) which accorded top priority to Capital adequacy and stability in banking system. In wake of rising international risks the accord called for minimum ratio of capital to risk-weighted assets at 8%. CRAR ensured minimum capital to cover depositor's money from risky assets. But it failed to take into account operational, strategic & other types of risks. It also lacked diversified recognition for loans to diverse sectors of the economy.

Due to these reasons it was replaced with BASEL II to enhance quality of risk management along with supervision by eliminating regulatory arbitrage and put in place three important pillars:

- Minimum Capital Requirements
- Supervisory review
- Market discipline

Banks act as the substratum for economic growth of the country as they provide credit to various sectors of the economy. During the crisis of 2008, it was observed that many of the big international banks had inadequate capital on one hand and excessive on and off-balance sheet leverage on the other. Many banks engaged in a short term funding regime that was exceedingly volatile and there were various instances when wholesale liabilities were invested in non liquid assets. This caused the banks health to deteriorate and there was panic in the economy. The confidence in the banking sector was further hit by subprime mortgage crisis. One size fit all approach of BASEL was criticized due to inefficient handling of the global crisis of 2007- 2009.

This called for a more resilient banking system and led to BASEL III: A global regulatory framework for banking systems in December 2010.

Basel III reforms aim to strengthen the banking system at micro as well as macro levels. It charts a roadmap for individual banks to become more resilient in face of distress scenario. At the macro level it prioritizes addressing of system generated risks, which can build up and aggravate the banking sector. It focuses on improving the quantity and quality of bank capital so as to have a vigorous liquidity buffer to withstand phases of financial market stress. As per BASEL III, the global regulatory and supervisory standards mainly seek to ensure the following:

- (i) Banks should be in a better position to absorb losses on both a going concern and a gone concern basis.
- (ii) Improving the risk coverage of the capital framework
- (iii) Introducing leverage ratio to serve as a backstop to the risk-based capital measure
- (iv) Raise the standards for the supervisory review process (Pillar 2) and public disclosures (Pillar 3) etc.
- (v) There is also provision of the capital conservation buffer and the countercyclical buffer to protect the banking sector from periods of excess credit growth.

**Scope & Objective:** The scope & objective of this research paper is to critically examine the implications of BASEL III vis a vis the fact that Indian banking sector is facing crises other than Capital & Leverage issues which form the crux of BASEL.

**Research Methodology:** The study is inherently descriptive with intent to diagnose the problems ailing the Indian Banks. It also aids in establishing procedures of strengthening the banking system along with BASEL 3. Source of data collection is secondary in nature.

**Analysis & Interpretation:** The provisions of BASEL norms are comparatively less suited to Indian banking conditions, which is seemingly well regulated by RBI. A quick glance at the history of Indian banking since nationalization, shows that there have been ups and downs, but no bank has failed in Independent India. RBI stipulates tougher standards than BASEL norms (as shown in table below) and has introduced its various approaches gradually in phases.

The following table shows RBI's Transitional Arrangements-Scheduled Commercial Banks (excluding LABs and RRBs) in black whereas BASEL III phase in arrangements as BASEL norms are shown in red (% of RWAs)

	2014		2015		2016		2017		2018		2019	
Minimum capital ratios	31 Mar	01 Jan	31 Mar	01 Jan	31 Mar	01 Jan	31 Mar	01 Jan	31 Mar	01 Jan	31 Mar	01 Jan
Min CET 1	5.0	4.5	5.5	4.5	5.5	4.5	5.5	4.5	5.5	4.5	5.5	4.5
CCF	0.0	0.0	0.0	0.0	0.625	0.625	1.25	1.25	1.875	1.875	2.5	2.5
Min common equity + CCF	5.0	4.5	5.5	4.5	6.125	5.125	6.75	5.75	7.375	6.375	8.0	7.0
Min Tier 1 Capital	6.5	6.0	7.0	6.0	7.0	6.0	7.0	6.0	7.0	6.0	7.0	6.0
Min Total Capital	9.0	8.0	9.0	8.0	9.0	8.0	9.0	8.0	9.0	8.0	9.0	8.0
Min Total Capital + CCF	9.0	8.0	9.0	8.0	9.625	8.625	10.25	9.25	10.875	9.875	11.5	10.5

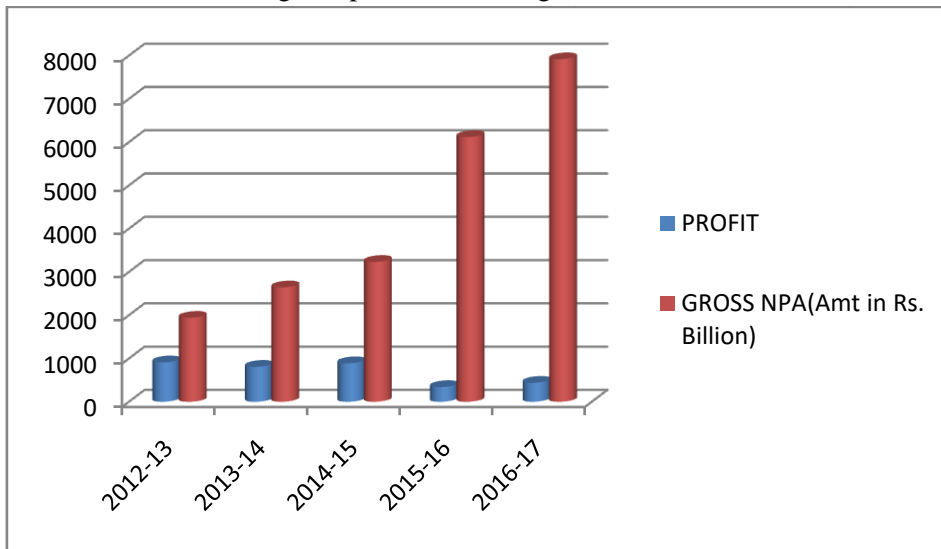


Phase-in of all deductions from CET 1(in %)	40	40	60	40	80	60	100	80	100	100	100	100
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CET: Common Equity Capital

CCF: Capital Conservation Buffer

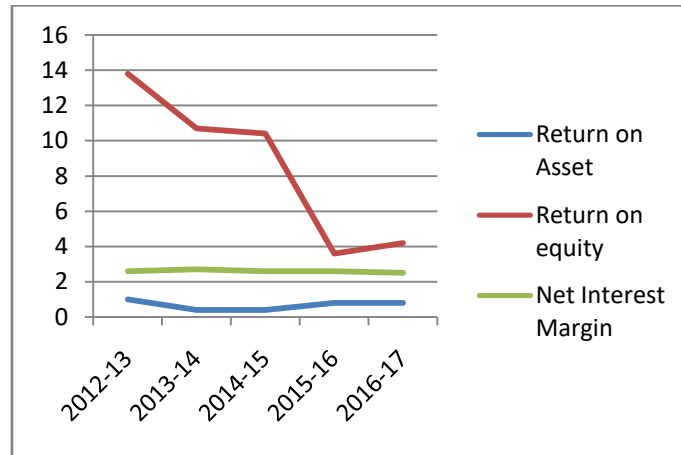
One of the important foundations of BASEL III is capital adequacy. **But is having more capital a guarantee that bank would not fail?** In words of Walter Bagehot (the former editor of The Economist) , “A well run bank needs no capital and no amount of capital can rescue a badly run bank.” Taking it further lets analyze the current banking scenario in India. Since 2015, when Asset Quality Review exercise was initiated by RBI for six quarters for cleansing of balance sheets by banks , NPA’s have been mounting and profits dwindling (as shown in chart below):



(Amt in Rs. Billion)

(Source: Indian Banking Sector at a glance: RBI)

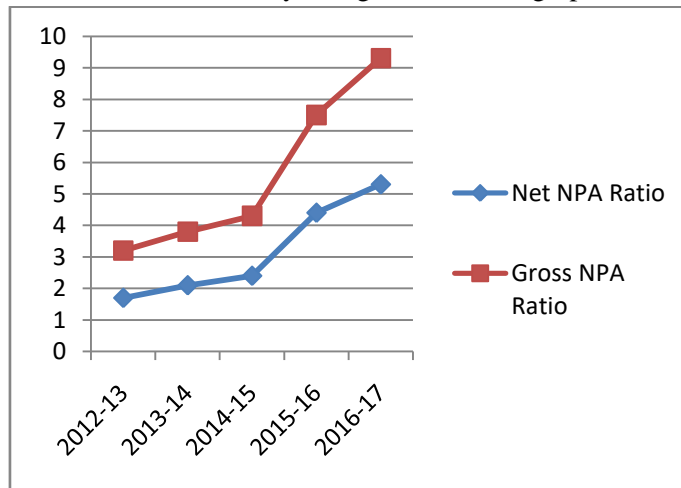
Since RBI mandated AQR was put into action, the GNPA of banks in India has risen 2.5 times. For an economy like ours this was quite tough. Provisioning for these bad loans was another big challenge that banks faced. And to add to their woes the credit growth in last few years is on decline. It is only the retail loans which have been the saving grace. It is generally observed that to sustain a GDP, the credit growth of banks has to be 2.5 times of GDP. However the reducing credit growth of banks coupled with deteriorating asset quality is causing serious trouble for banking sector. Since last four years the credit growth rate of banks has slowed down. The GDP figures are also declining. Although Indian economy is still growing faster than most economies of the world, yet the reversal of growth rate of GDP does not augur well for the economy. What is more worrying is that the credit off take has stagnated. Scheduled Commercial Bank’s are going through a critical phase (their return on equity has nosedived) when we look at the data for Return on Asset & Return on Equity & Net Interest Margin (as shown in chart below) for the last five years.



(In % of all banks in India)

(Indian Banking Sector at a glance: RBI)

To add to their distress the Treasury gains have also dipped in Q3 of this financial year. In the past six quarters (up to September 2017) banks made treasury benefits of around Rs.1 lac Crore ,much higher than the total profit before tax (PBT) of Rs.51,105 Crore of entire banking sector during this period. (Economic Times 8<sup>th</sup> Jan '18).Bank’s profits are already under pressure due to increase in provisioning for bad loans and with avenues like treasury receding, it is going to be tougher for banks. As per Basel III norms, there is massive requirement of capital by Indian banks. Now banks need additional capital for doing the same level of business. Already the banks are under immense pressure due to increase in NPA.Gross non-performing assets of state-owned banks stood at Rs 7.34 lac crore by the end of second quarter this fiscal. As per finance ministry data, there are 1,463 accounts of bad loans having Rs 100 crore or more in banks. These big loan accounts are bleeding the banks. Many of these accounts have been referred under Insolvency & Bankruptcy Code to NCLT and the process is underway for recovery.The only graph which is showing upward trend in banking sector is NPA. The Gross NPA & Net NPA ratios are steadily rising, as shown in graph below.



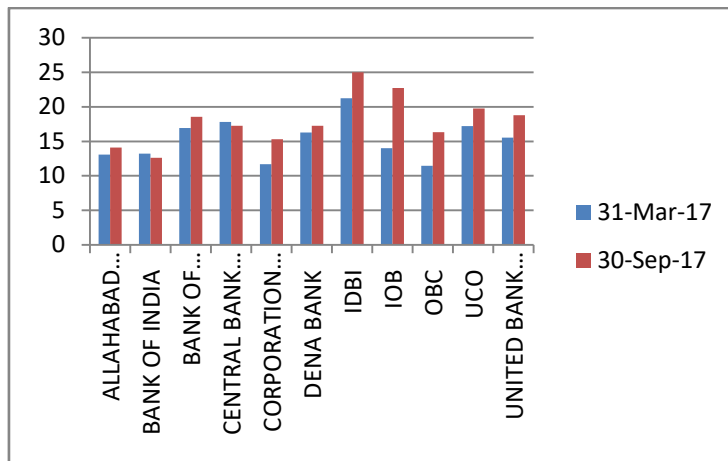
Figures are in %

(Indian Banking Sector at a glance: RBI)

In these conditions when banks are struggling with stockpile of NPA’s, the conditionality of adhering to Capital Adequacy Norms is a big task. In March 2017, few banks (e.g. Central Bank of India’s sale of loan assets of Rs. 22991.22 crore through IBPC participation) resorted to sale of loan assets to comply with BASEL III Capital requirements. Analysts could argue that for a State owned bank the

conditionality of capital appeared harsh, but in a way it sent signals to banks to pull up their socks and WALK THE TALK.

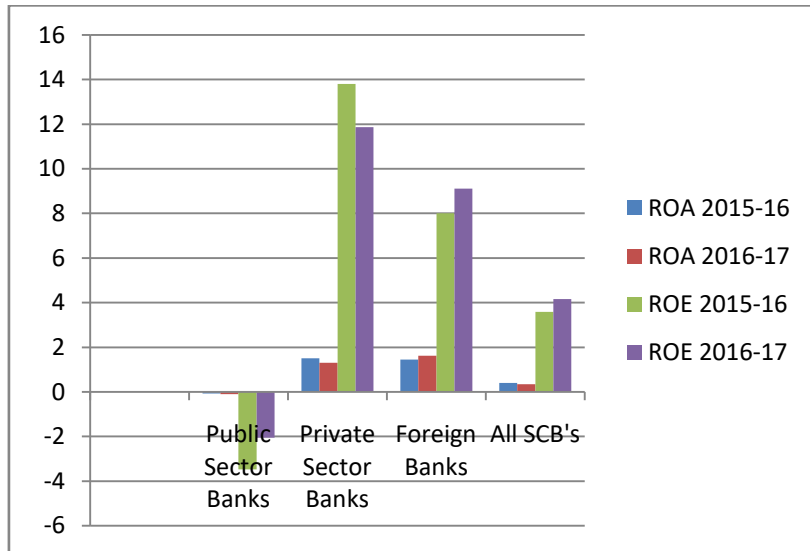
In keeping with attempts to perpetuate sound financial health of banks, RBI also adopts various measures/tools. PCA framework is one of such supervisory tool, which involves monitoring of certain performance indicators of the banks as an early warning exercise and is initiated once such thresholds levels are breached. The framework also provides an opportunity to the Reserve Bank to pay focused attention on such banks by engaging with the management more closely in those areas. The Reserve Bank of India invokes PCA in respect of the banks which have hit the Trigger Points in terms of **CRAR**, **NPA** and **RoA**. Eleven public sector banks in India have already been placed under PCA: IDBI Bank, Allahabad Bank, Bank of India, Bank of Maharashtra, Central Bank of India, Dena Bank, Indian Overseas Bank, United Bank of India, Oriental Bank of Commerce, Corporation Bank and UCO Bank.



**GNPA as % of total advances of Banks Under Prompt Corrective Action**

As is evident from this graph, only two banks (Bank Of India, Central Bank of India) have been able to marginally reduce their GNPA from Mar 17 to Sep 17.

The Public Sector Banks were ruling the market till nineties. But that is not the case now. Their market share has been steadily taken over by Private & Foreign Banks. Be it CASA or CREDIT growth, these so called new entrants are galloping faster than the Public Sector Banks. The performance of PSB’s vs Pvt /Foreign Banks for last two years on the parameters of Return on Asset & Return on Equity as depicted in the graph given below tells the real state of affairs of these banks. The contribution of PSBs in Indian economy and financial system is invaluable; however they are lagging behind their private sector counterparts on performance and efficiency indicators. Further PSBs having a predominantly high share in infrastructure financing are observed to be facing the highest amount of stress in their asset quality and profitability.



(Figures are in %)

**(Indian Banking Sector at a glance: RBI)**

State Bank of India, ICICI Bank & HDFC Bank has been designated by RBI as D SIB (Domestic Systemically Important Banks). D SIBs are perceived as banks that are ‘Too Big to Fail (TBTF) and are required to hold higher Capital requirements. The phasing-in of additional common equity (CET 1) requirement as mandated by RBI is as follows:

Bucket	April 1, 2016	April 1, 2017	April 1, 2018	April 1, 2019
5 (Empty)				
4	0.20%	0.40%	0.60%	0.80%
3	0.15%	0.30%	0.45%	0.60%
2	0.10%	0.20%	0.30%	0.40%
1	0.05%	0.10%	0.15%	0.20%

The bucketing system (as evident in the table above) provides disincentive for adding to the systemic importance scores and incentives for banks to avoid becoming systemically more important. However this is in conflict with the concept of mergers (being contemplated by India) and having four or five large banks. **So on one hand we are pushing the concept of fewer number of larger banks in India and on the other hand we are discouraging big banks to grow farther by putting higher capital requirements.**

**Discussion:** BASEL III is a global standard and hence any dilution in it would put us at a disadvantage in global competition. And hence India is implementing the norms. However the demographic demands and economic conditions are not similar in all countries. Hence India should take a balanced approach. For example, when banks are trying hard to resolve NPA crisis through Insolvency & Bankruptcy Code (2016) and other measures, should they not be given an extended timeline for implementation of Basel III?

**I. BASEL III guidelines need to be complemented with major banking reforms** .Deteriorating asset quality is the biggest concern of banks today. Reserve Bank of India has directed banks to initiate insolvency proceedings against twelve big companies under the Insolvency and Bankruptcy Code (IBC) that have funded/non funded exposure of above Rs 5,000 crore (of which 60 % or more has turned bad).These accounts constitute a quarter of the total NPAs of the banking system. But there are problems galore on IBC’s implementation .There is already pendency of cases in NCLT. Further cases in Company Law Board & BIFR regarding the corporate are also expected to move to NCLT.

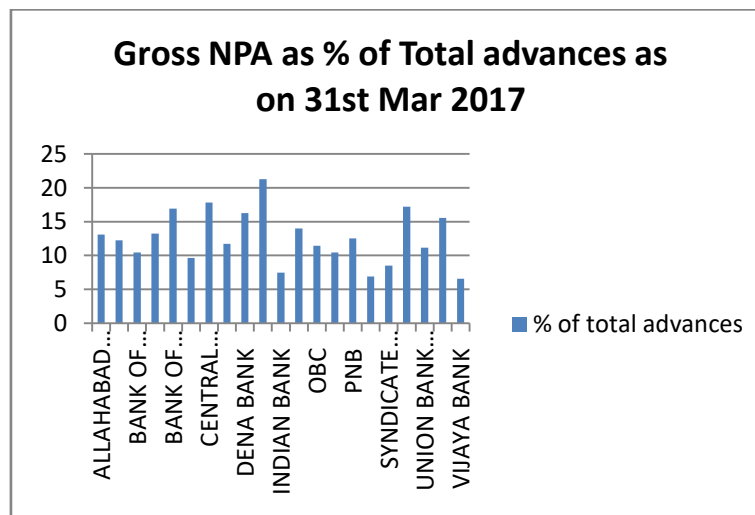
Also bankers are not supposed to be masters in the area in which they have financed, and hence resolution time of nine months may be too less of a time.

II. On paper, the gross NPA's of Indian banks are a little over Rs 7 lakh crore but in reality the impaired assets might be far higher given the fact that there is a big chunk of restructured loans. Then there are loans that technically remain standard on the books of banks but are actually NPA. **Indian Bank's NPA ratio (excluding restructured assets) is one of the highest in the group of High – NPA nations. It has now reached the vicinity of PIIG (Portugal, Italy, Ireland, and Greece) nations.**

The NPA figure of PSB's as on 31.03.2017 is given below:

<b>NPA level of Public Sector Banks as on 31/03/2017</b>		
<b>Bank name</b>	<b>Gross NPA(in Rs. Crore)</b>	<b>% of Total Advances</b>
ALLAHABAD BANK	20688	13.09
ANDHRA BANK	17670	12.25
BANK OF BARODA	42719	10.46
BANK OF INDIA	52045	13.22
BANK OF MAHARASHTRA	17189	16.93
CANARA BANK	34202	9.63
CENTRAL BANK OF INDIA	27251	17.81
CORPORATION BANK	14544	11.7
DENA BANK	12619	16.27
IDBI	44753	21.25
INDIAN BANK	9865	7.47
IOB	35098	13.99
OBC	17209	11.45
PUNJAB & SIND BANK	6298	10.45
PNB	55370	12.53
SBI	112343	6.9
SYNDICATE BANK	17609	8.5
UCO	22181	17.18
UNION BANK OF INDIA	33712	11.17
UNITED BANK OF INDIA	10952	15.53
VIJAYA BANK	6382	6.59
<b>TOTAL</b>	<b>610699</b>	

(Source : Vinimaya Vol XXXVIII Oct-Dec 2017)



Hence it is not a surmise alone that NPA is the biggest worry for Indian Banks. There is an imperative need for bank reforms. The formation of Bank Board Bureau is a right step in this direction. However since its inception in 2016, there have been few cosmetic changes but professionalism and better governance need much improvement. Banking sector in India is going through a tough phase and weak capital, rising bad loans, falling demand and intensified competition are serious concerns facing the banking industry.

III. As per RBI norms regarding the liquidity issue banks have to maintain SLR @ 19.5% ,and as per Liquidity Coverage Ratio under BASEL III ,they have to maintain it additionally .(Although a portion of SLR is available for LCR also). **But this parallel need to maintain both ratios places an additional burden on banks.** When we compare our liquidity norms (SLR + LCR) with other nations, we observe that ours is on the higher side. There is a need to reduce our SLR so that banks can optimize their credit functionalities.

IV. Further when Capital requirement increases, it adversely affects growth. The Capital requirements of Public Sector Banks which have more than 50% ownership by Government of India and other banks can't be the same. As regards the capital requirement it should be different. BASEL III is silent on this aspect and it has to be appropriately addressed locally.

V. **Banking reforms are a must.** The NPA problem encompassing the banks has its roots in discriminatory lending decisions, where due diligence was not properly done. Until this problem is fixed up, there is a possibility of NPA crisis coming again. The system of checks & balances needs to be strengthened so that the sanctioning of big loans can be done in a more transparent manner. To have financial stability there has to be strong regulations complemented by effective supervision.

#### **OUTCOME:**

- BASEL III fails to account for short term funding surcharges and excludes too many banks from current surcharges.
- In the Indian context, for raising fresh equity without diluting the government share, huge budgetary allocations will have to be made. This is easier said than done as Fiscal Deficit target for FY18 has already been breached , exceeding it by 12% at the end of November 2017.
- The issue of Capital Adequacy which forms the core of BASEL III has also to be tackled by Government of the day (which is the majority stake holder in PSB's). There is a strong need to reduce Government's stake in PSB's to just above 51%.Or else the Government could also mull the idea of recapitalization bonds (which have been previously also used) if it wants to maintain fiscal discipline.

- There is a possibility of unreliable risk assessment. If the banks risk exposures are under estimated, the required capital to cover these risks would be quite higher than what is being stipulated. Hence there is a need for accuracy in assigning risks. Dynamic risk mitigation strategy is of foremost concern for Indian banks.
- It would be a fallacy to assume that risk management is an activity to comply with regulatory requirements alone. It is one of the most important pillars for a vibrant banking sector.
- Monetary policies of RBI, Cash Reserve Ratio, and Statutory Liquidity Ratio have enough safeguards for Indian Banking System. Imposition of PCA is another step undertaken by RBI wherein capital, asset quality and profitability continue to be the key areas for monitoring in the revised framework.
- Basel III is a good framework but it needs tweaking so as to it addresses our problems also. This paper does not make a case against the regulatory approaches of BASEL III, but cautions against complacency. There is an urgent need for bank reforms with particular focus on Prudent Credit Decision making and effective follow up.

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**CORPORATE MERGERS: AN ANALYSIS OF SELECT CASES****Riya Jain**, *Amity School Of Economics, Amity University, Noida***Dr. Kalpana Singh**, *Amity school of economics, Amity University, Noida***Abstract**

*Business opts for various strategies to expand and overcome the losing current position; Corporate Merger is one of such strategy. This paper deals with two corporate mergers having different financial background, opts to merge for fulfillment of their respective objectives. The purpose of this paper is to study whether the strategy of merging companies is actually beneficial or not and what all scenario of business lead to merger. The annual reports of companies are used along with some statistical tools to analyze and interpret their business performance. Though there are exceptions but still mergers not only improve market current position but also give a way to have innovations and develop opportunities for future. First merger (P&G and Gillette) is an example of firm formed after two successfully running companies combine. Analysing their merger reveals, the myth that two successfully running company's merger can't exist because of their strategically different perspectives, is not actually true. Second merger (Ranbaxy and Sun Pharma) explains that not just the financial position of company defines its abilities. Thus, the capabilities of the company describe its value, so the decision of mergers should be economically rational considering all aspects.*

**Keywords:** *Merger, Management, Expectations, R&D, Performance*

**Introduction:** In today's fast changing competitive world no business can afford to survive alone and thus a profitable growth needs internal and external growth. Internally this process of growth could be done by introduction of new product or by improving efficiency level of current product. Externally, Mergers is the source of expanding business globally. However Mergers is often confused with the term Acquisition. Though they both look similar but there is difference in meaning. Acquisition is takeover of entity by other i.e. smaller company ceased and acquired by other big entity while merger is a mutual decision of combining two or more entities to form one. Interesting factor here is why would an entity want to merge and lose its individual identity? When it comes to exploring benefits of merger, increased market share and capability to function, itself serves as a key point to consider for survival of entity. Reduction of competition is not the only benefit of mergers instead it improves technology and hence creates opportunities for new R&D thus enhancing chances of profit. Apart from it, economies of scale, accelerating growth and benefit on account of tax shield are some of the other points due to which entity prefer to merge.

**Background Scenario:** Observation by M&A specialists and historians identified 5 merger patterns in U.S.A which is represented as 5 prominent waves. First Merger wave was after depression of 1883 i.e. between 1897 and 1907 where most activities are concentrated on petroleum, mining, metals, food products and transportation. Monopoly became issue in this period. Second Merger wave was between 1916 and 1929. It was based on increasing government scrutiny and main issue was oligopolistic nature. Third Merger Wave lasted from 1965 to 1969. It was period of positive economic growth and development. Fourth Merger wave was in first half of 1980's. This period had friendly mergers and also greater number of hostile takeovers. Finally the fifth merger wave lasted from 1993 to 2000. In this there is decrease in number of hostile takeovers; however mergers rate was same as fourth merger wave. In India mergers concept emerged after LPG.

**Literature Review:** Study of Indian and international research papers show works on different aspects of merger. Simkowitz and Monroe (1971) studied conglomerate target firms merged in 1968. They studied 24 non merged firms and 23 merged firms to test discriminate function and analyse growth, size, profitability, leverage, dividend policy, and liquidity and stock market characteristics. Weston and Mansinghka (1971) analysed "Tests of the Efficiency Performance of Conglomerate Firms" i.e. pre and post-merger and on different time period. In initial time period earnings

underperformed but after 10 years there was no significant difference among the 2 observed sample groups. Raphael Amit, Joshua Livnat and Paul Zarowin (1989) published an article on “A classification of mergers and acquisitions by motives: Analyses of market responses” in September 1989. They classified M&A in 3 target groups: (i) those choosing M&A alternative for bankruptcy, (ii) highly liquid target firms and (iii) remainder of M&A. Each target group had different market response on basis of stockholders. Pradeep Kumar Gupta (2012) wrote an article on “Mergers and Acquisitions (M&A): The strategic concepts for the nuptials of Corporate sector” about how merger and acquisitions have become strategic concept to show quick growth in becoming leading company world over. Rajesh Kumar Nigah (2014) journal was on “Post Merger Post-mortem: A Corporate CBA and strategic outlook” highlighting rationale behind merger and strategies involved in financial area while working with mergers. Meloria M. Meschi wrote a research paper on “Analytical Perspectives on Mergers and Acquisitions: A survey” focusing on causes and consequences of M&A. Her study reveals economic welfare aspect and the fact that shareholders are the one who get benefited from mergers. Apart from these there were many more like Shick and Jen (1974), Johnson and Meinster (1975), Katsuhiko and Noriyuki (1983), Goyal (2002), Kithinji and Waweru (2007), Fan and Santos, Errunza and Miller (2008), Sorin Adrian Achim (2015) studied various aspects of mergers following different methodologies. M&A lead not only to have operational performance based benefits but also improve efficiency gains and financial position of company. However many studies also conclude the negative effect of merger such as Becker, Goldberg and Kaen (2008) study found underperformance after merger in operational activities and stock price or Adavikolanu and Korrapati (2009) stated that returns of acquirers were marginally negative to that of serial acquisition of technology firms.

**Objectives** Mergers are very popular in current scenario and hence numerous researches were done to study and analyse their perspectives. This paper is different in such a way that purpose of this research paper is-

- To study in depth expectations from Mergers
- To make a comparative analysis of firms' Business scenario before and after Merger
- To analyse whether merger open up growth and success aspects or hamper the current status.

**Methodology and Data Source:** This study is based on Secondary Data. So far as 1<sup>st</sup> objective is concerned, we study in depth the motives of each company to opt for merger and what all things they expect would be possible after merger. However 2<sup>nd</sup> and 3<sup>rd</sup> objectives are concerned with comparing their business position before merger took place and after it. At the same time, analysis is there to examine whether their expectations were fulfilled and their decision of merging was actually beneficial or they have to pay a heavy price for their decision. For fulfilling these objectives case study method is opted and 2 mergers are taken (i.e. of P&G and Gillette and of Sun Pharma and Ranbaxy) on base of having more than 1 year running time after merger. Analysis is done to study their business condition for which variables like sales, income, and R&D expenditure are taken. To study this, data has been collected from variety of sources including company websites.

**Data Analysis and Discussion** This section presents the data analysis in respect of 3 objectives of study stated above.

- 1) **Expectations from Merger** The reason for a company to opt for merger could be diversification of service offerings, increase plant capacity, for R&D capacity improvement and reduce financial risk. However each company has different expectations from merger.

**P&G and Gillette** Procter and Gamble (P&G), an American multinational headquartered in downtown Cincinnati, was nation's largest consumer goods company dealing with 300 brands including products

like baby care, daily need and so on. Gillette was global supplier of personal care products and other necessary items like razor, Braun and oral B dental care products, etc

The merger of P&G and Gillette held in 2005.

Each company expected to take advantage of each other's strengths i.e. P&G excel at innovation and marketing while Gillette strength was technology and market speed. P&G Customers accounted about 80% females while Gillette's had a masculine dimension. Merger would help both companies to target both genders and each other expertise. Another expectation was geographical area expansion. Gillette growth in Brazil and India while P&G in China, Philippines and eastern European markets. Thus Merger would help them in growing their business in each other's area too.

**Sun Pharma and Ranbaxy** Ranbaxy established in 1961 as largest Indian MNC but in 1973 Daiichi group acquired controlling share. It was an integrated research based industry focusing on affordability and quality of medicines. Despite successful business, in 2011 company suffered huge losses due to issues like misrepresentation of data, quality issues and so on. Sun Pharma, largest pharmaceutical company in Indian market, has expertise in complex and niche therapy area.

Sun Pharma and Ranbaxy officially announced their merger on April, 2014. Main reason for Ranbaxy to opt for merger was continuous losses, falling market image and share value. This merger would provide Ranbaxy a platform to work with financially well settled and reputed company and thus would lead to discard the faulty image created and recover from all losses. Sun Pharma despite knowing financial status of Ranbaxy opted for merger to improve R&D capabilities and expand its market. Though Sun Pharma had hold on US market but India and rest of the world has small proportion in its sales. Ranbaxy sales have comparatively more proportion in India and much more in rest of the world. Thus Sun Pharma wanted to expand its market and thus agreed for this merger. Other possible reason could be to improve strategic flexibilities and have timely compliance of manufacturing.

**2) Scenario of Business before and after Merger** Scenario of Business explains the working status, functioning and value of Company in market and among Consumers. The thing that matter is condition before and after merger. If you are on the benefit side after merger than it's like you picked the right opportunity but a worse scenario after merger could destroy you like badly.

Here this part deals with studying the scenario of both cases before and after merger.

**P&G and Gillette** Gillette deals with men's grooming products mainly and women's products in small proportion. Main focus of company was consumer satisfaction. The annual sales and profit rate was increasing and showing growth in financial status and value of company and also investment in new products was done. The company had strong position globally before merger and was highly demanded among consumers.

**TABLE 1: FINANCIAL STATEMENT OF GILLETTE BEFORE MERGER**

(Value in million \$'s)

	2001	2002	2003	2004
<b>Net Sales</b>	8084	8453	9300	10500
<b>Net Income</b>	910	1216	1350	1700
<b>Total Assets</b>	9969	9863	10041	10731
<b>Current Assets</b>	4455	3797	3672	4068
<b>Current Liabilities</b>	4838	3488	3706	4023
<b>R&amp;D Expenses</b>	187	185	201	209

Source: Annual Report of Gillette (2001 to 2004)

P&G main focus is on successful implementation of strategies and mainly focuses on Beauty Health Care, Baby Care and Family Care, Fabric Care and Home Care, and Snacks and Coffee. Annual revenue of P&G is in billions and mostly shows increasing trend in sales and profit margin. P&G

was also investing in development by inventing new products and satisfying basic wants of consumers. There was continuous increase in value of company.

**TABLE 2: FINANCIAL STATEMENT OF P&G BEFORE MERGER**

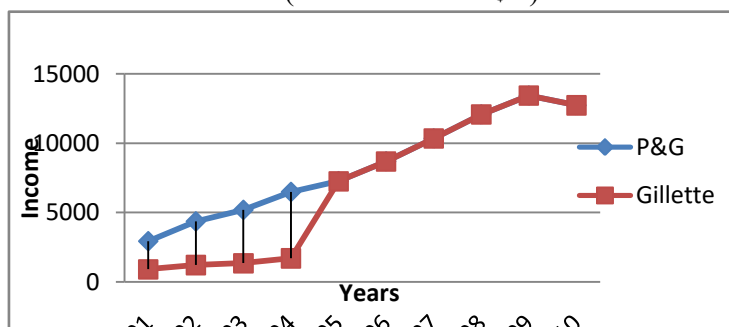
(Value in million \$'s)

	2001	2002	2003	2004
<b>Net Sales</b>	39244	40238	43377	51407
<b>Net Income</b>	2922	4352	5186	6481
<b>Total Assets</b>	34387	40776	43706	57048
<b>Current Assets</b>	10889	12166	15220	17115
<b>Current Liabilities</b>	9846	12704	12358	22147
<b>R&amp;D Expenses</b>	1769	1601	1665	1802

Source: Annual Report of P&G (2001 to 2004)

**FIGURE 1 TREND OF INCOME OF P&G AND GILLETTE FROM 2001 TO 2010**

(Value in million \$'s)



Source: Author's own Compilation using data from Table 1, 2 and 3

However after merger both companies benefited and there was sharp increase in sales and in value of company. Company continues to focus on inventing new products and emphasizing on consumer satisfaction. This could be clear by viewing the R&D expenditure that is growing. With settlement of merger the profit rate was increasing and showed that how this big merger of 2 well established companies served as a means to increase profit and have a financially sound environment that is well explained by total assets value.

**TABLE 3: FINANCIAL STATEMENT OF P&G AND GILLETTE AFTER MERGER**

(Value in million \$'s)

	2005	2006	2007	2008	2009	2010
<b>Net Sales</b>	56741	6822	7647	8350	7669	7893
<b>Net Income</b>	7257	8684	1034	1207	1343	1273
<b>Total Assets</b>	61527	1356	1380	1439	1348	1281
<b>Current Assets</b>	20329	2432	2403	2451	2190	1878
<b>Current Liabilities</b>	25039	1998	3071	3095	3090	2428
<b>R&amp;D Expenses</b>	1940	2075	2112	2226	1864	1950

Source: Annual Report of P&G and Gillette after merger(2005 to 2010)

**Sun Pharma and Ranbaxy** Sun Pharma was the 5<sup>th</sup> largest pharmacy at global level and 1<sup>st</sup> largest in India. Though its market covered entire world but mainly its sale constituent was US. The annual revenue was almost increasing in nature. The company was running successfully and was earning ample profits. The value of company was increasing as shown by total assets, though the current

position was running little low due to fall in current assets value and increases in current liabilities, but still the new inventions and customer’s trust and demand still increased Company’s Value.

**TABLE 4: FINANCIAL STATEMENT OF SUN PHARMA BEFORE MERGER**

(Value in million \$’s)

	2011	2012	2013
<b>Total Revenue</b>	33017	43584.1	26683.1
<b>Net Profit</b>	18161	26567	29831
<b>Current Assets</b>	46938.9	39708.6	38872.5
<b>Current Liabilities</b>	7866.9	10185.2	11550.6
<b>Total Assets</b>	76066	91312	92464.9
<b>R&amp;D Expenditure</b>	3313	4449	7042

Source: Annual Report of Sun Pharma (2011 to 2013)

Ranbaxy was 9<sup>th</sup> largest pharmacy at global level and 5<sup>th</sup> largest in India. Ranbaxy has rest of the world as main sale constituent and also has large share in India. Though the total revenue of company was increasing but due to quality related issues and controversies, no R&D expenditure for further invention was done. The consumers trust on Ranbaxy was lost and so the liabilities of company were increasing showing the financial status of company i.e. under debts.

**TABLE 5: FINANCIAL STATEMENT OF RANBAXY BEFORE MERGER**

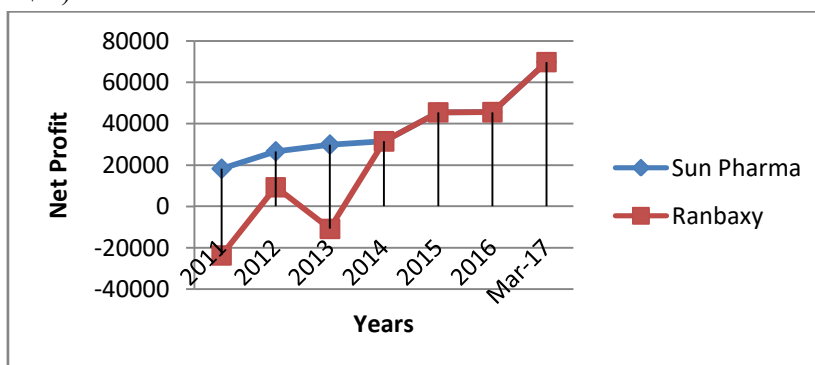
(Value in million \$’s)

	2011	2012	2013 - March 2014
<b>Total Revenue</b>	80363.82	127504.63	134513.16
<b>Net Profit/(Loss)</b>	(23689.31)	9227.64	(10852.52)
<b>Current Assets</b>	88213.81	100123.33	70356.72
<b>Current Liabilities</b>	51576.79	89654.48	75759.62
<b>Total Assets</b>	143267.96	164651.99	139901.18
<b>R&amp;D Expenditure</b>	-	-	-

Source: Annual Reports of Ranbaxy (2011 to Mar 2014)

**FIGURE 2: TREND OF PROFIT OF SUN PHARMA AND RANBAXY FROM 2011 TO MAR 2017**

(Value in million \$’s)



Source: Author’s own Compilation using data from Table 4, 5 and 6

Huge losses suffered by Ranbaxy lead it to shift towards Sun Pharma and merge with it. Other than just loss recovery, a wide area of market was also open for Ranbaxy. For Sun Pharma though it seemed to be a risky investment but actually this merger opened new sale constituents and lead to tremendous increase in profits just after merger. Day by Day financial status of Company was

growing and giving a financial effective environment of company. Though debts were rising but with these debts the profit level and value of company was increasing tremendously that it itself explains the basic reason of debts were to develop the status of company.

**Table 6: FINANCIAL STATEMENT OF SUN PHARMA AND RANBAXY AFTER MERGER**  
(Value in million \$'s)

	2014	2015	2016	Mar 2017
<b>Total Revenue</b>	30065.5	82287.7	291452.8	322015.9
<b>Net Profit</b>	31415	45394	45457.1	69643.7
<b>Current Assets</b>	56994.4	54502.8	299413	329536.5
<b>Current Liabilities</b>	42334.7	110520.8	131439.6	178870.2
<b>Total Assets</b>	143644	374455.5	555302.7	614102.4
<b>R&amp;D Expenditure</b>	10418	19550	23000	23100

Source: Annual Reports of Sun Pharma and Ranbaxy (2014 to Mar 2017)

**3) View whether merger opens up growth and success aspects or Hamper Current Status**

Though Mergers are done with a viewpoint of having benefit but there are very limited cases were actually this is possible. Due to lack of Coordination, disputes, technological clashes, difference in strategies and cultural background of company and management competency, unsuccessful merger could take place. For understanding the status of companies after merger we study the different indicators of corporate success and check the variability before and after merger.

**P&G and Gillette** The descriptive analysis of Gillette Company gives following information

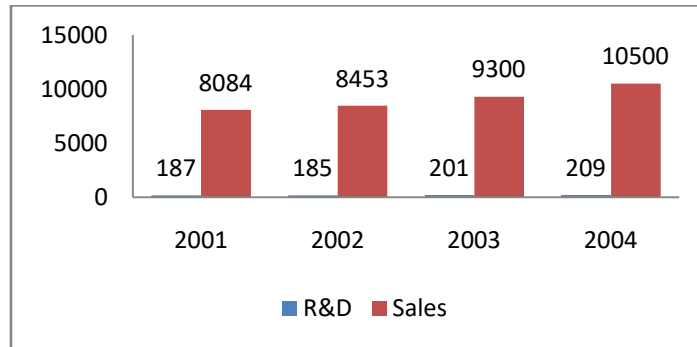
Average Sales	9084.25	Average Income	1294
Standard deviation in sales	1072.360752	Standard Deviation in Income	327.3693123
Coefficient of Variation	11.80461516	Coefficient of Variation	25.2990195
Correlation between R&D and Sales	0.959765064		

Source: Author's own calculation using data of Table 1

This shows high degree or almost perfect correlation between R&D expenditure and sales of Gillette. Thus as sale of company increases, their expenditure on R&D also increases showing the growing perspective of company. As the sales increases company try to do new innovations and improvements in their products so as to satisfy their consumers. Continuous use of same product lead a company lose its customers due to diminishing marginal utility and prevailing competition. Graphical representation of sales shows variation and the growing pattern of company. This variation in sales and income could be due to R&D, customer satisfaction, improvement in product quality, more demand, etc. which would have lead increasing sales and hence income.

**FIGURE 3: RELATIONS BETWEEN SALES AND R&D OF GILLETTE FROM 2001 TO 2004**

(Value in million \$'s)



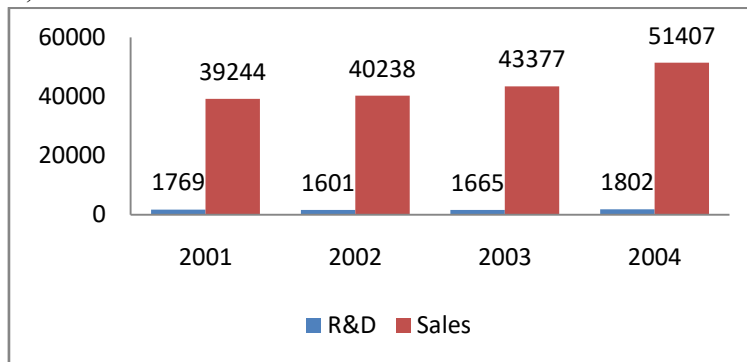
Source: Author’s own Compilation using data from Table 1  
 The Descriptive analysis of P&G Company gives following information

Average Sales	43566.5	Average Income	4735.25
Standard deviation in sales	5515.803628	Standard Deviation in Income	1492.824476
Coefficient of Variation in Sales	12.66065355	Coefficient of Variation in Income	31.52577955
Correlation between R&D and Sales	0.545336194		

Source: Author’s own calculation using data of Table 2

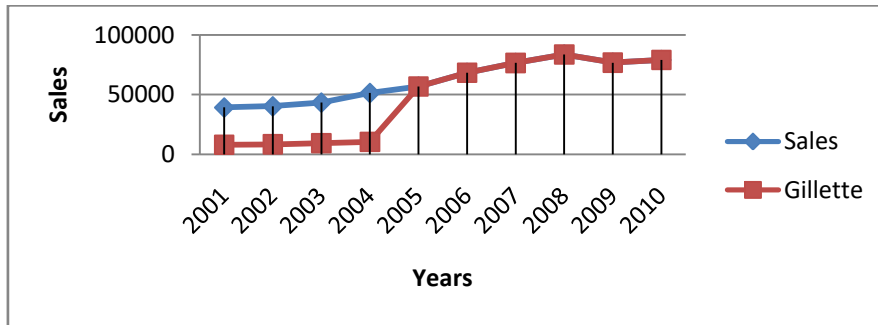
The data shows moderate rate of correlation between R&D and sales and hence though company invests money in R&D with increase in sale but the proportion is less. Due to dealing with wide no. of varieties they focus less on innovation and more on increasing sales. However the rate of variation in sales is comparatively less than in income thus showing high degree of possible fluctuations in income. The changing demand pattern or increasing investment in market strategies, could influence consumers and thus lead to increase in sales and much higher level of income.

**FIGURE 4: RELATIONS BETWEEN SALES AND R&D OF P&G FROM 2001 TO 2004**  
 (Value in million \$’s)



Source: Author’s own Compilation using data from Table 2

**FIGURE 5: SALES TRENDS OF P&G AND GILLETTE FROM 2001 TO 2010**  
 (Value in million \$’s)



Source: Author’s own Compilation using data from Table 1, 2 and 3

The Descriptive analysis of P&G and Gillette after merger gives following information

Average Sales	73429	Average Income	10754.66667
Standard deviation in sales	9564.321032	Standard Deviation in Income	2431.122841
Coefficient of Variation in Sales	13.0252639	Coefficient of Variation in Income	22.60528305
Correlation between R&D and Sales	0.392862273		
Ratio of Average sale after merger to Gillette average Sale			8.083110879
Ratio of Average sale after merger to P&G average Sale			1.685446387
Ratio of Average income after merger to Gillette average income			8.311179804
Ratio of Average income after merger to P&G average income			2.271193003
Ratio of CV after merger and Gillette For sales			1.103404366
Ratio of CV after merger and Gillette For income			0.893524077
Ratio of CV after merger and P&G For Sales			1.028798699
Ratio of CV after merger and P&G For income			0.717041208

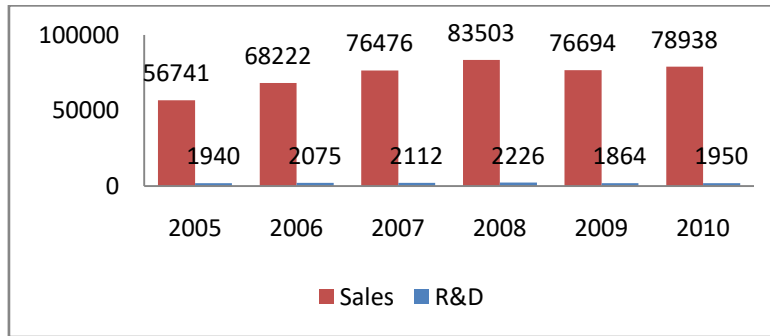
Source: Author’s own calculation using data of Table 3

After merger we can see total revenue by selling of products increased as sales increases and hence merger led to improvement in average scale. Average income also increased for both companies. This shows that merger didn’t curb our market and instead for Gillette there is large share than compared to earlier. Variability rate is low as there is less variability in income and sales even after merger and thus providing a less risky and growth focused environment to companies. As after merger there is no as such loss due to merger thus it’s a growth focused decision and proved to be successful. Though correlation between R&D and sales fell after merger but this could be due to availability of wide variety of goods currently which need proper management in production and supply of adequate product as per need of consumer.

**FIGURE 6: RELATION BETWEEN SALES AND R&D AFTER MERGER FROM 2005 TO 2010**

(Value in million \$’s)





Source: Author’s own Compilation using data from Table 3

**Sun Pharma and Ranbaxy**

The Descriptive analysis of Sun Pharma gives following details

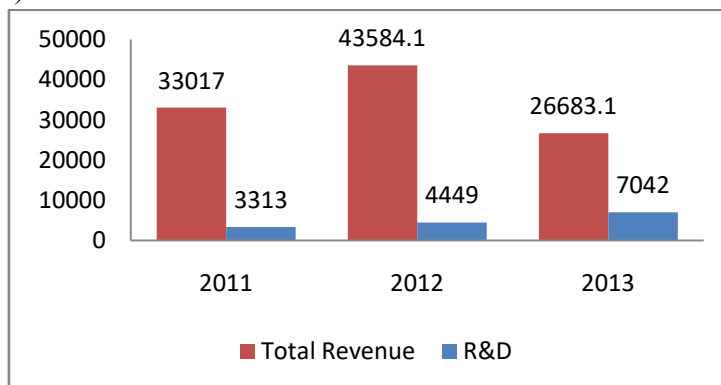
Average Total Revenue	34428.0667	Average net profit	24853
Standard deviation in Total Revenue	8538.40044	Standard Deviation in Net Profit	6020.844791
Coefficient of Variation in Total Revenue	24.8006968	Coefficient of Variation in Net Profit	24.22582703
Correlation between R&D and Total Revenue	-0.56617213		

Source: Author’s own calculation using data of Table 4

This shows that there exists negative moderate correlation between Sun Pharma total Revenue and R&D i.e. despite the fact that total revenue was decreasing but still R&D expenditure was increasing. It could be due to more focused attitude of company on new innovations, as fall in sale is a temporary effect and new research work of company could be an incentive for future. The variability in total revenue and net profit is high and thus shows that there is high degree of fluctuations in Sun Pharma. However more variability creates a dicey kind of risky environment.

**FIGURE 7: RELATIONSHIP BETWEEN TOTAL REVENUE AND R&D OF SUN PHARMA FROM 2011 TO 2013**

(Value in million \$’s)



Source: Author’s own Compilation using data from Table 4

The Descriptive analysis of Ranbaxy gives following details.

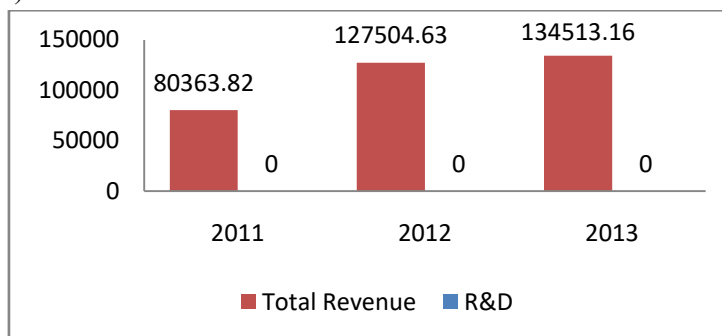
Average Total Revenue	114127.203	Average net profit	-8438.063333
Standard deviation in Total Revenue	29449.1836	Standard Deviation in Net Profit	16590.76852
Coefficient of Variation in Total Revenue	25.8038248	Coefficient of Variation in Net Profit	-196.6182033
Correlation between R&D and Total Revenue	0		

Source: Author’s own calculation using data of Table 5

Above analysis shows that company was suffering from huge losses, even the average of past 3 years shows a negative value. There was high rate of variability in Total Revenue and extremely high in profits. These analyses draw an outlook of poor financial position of Ranbaxy. This shows that there is no correlation between R&D and Total Revenue in Ranbaxy. They have stopped spending in R&D and no new research and inventions were taking place even with increase in Total Revenue. As company was going through rough patch during which it was suffering losses and sales were also not happening thus it prevented extra spending on research and improvements work.

**FIGURE 8: RELATIONSHIP BETWEEN TOTAL REVENUE AND R&D OF RANBAXY FROM 2011 TO 2013**

(Value in million \$’s)



Source: Author’s own Compilation using data from Table 5

**The Descriptive analysis of study after merger of Ranbaxy and Sun Pharma**

Average Total Revenue	181455.475	Average net profit	47977.45
Standard deviation in Total Revenue	146753.5539	Standard Deviation in Net Profit	15882.56399
Coefficient of Variation in Total Revenue	80.87579273	Coefficient of Variation in Net Profit	33.10422708
Correlation between R&D and Total Revenue	0.86087032		
Ratio of Average total revenue after merger to sun Pharma average total revenue	5.270568248		
Ratio of Average total revenue after merger to Ranbaxy average total revenue	1.589940607		
Ratio of Average net profit after merger to Sun Pharma average net profit	1.93044904		
Ratio of Average net profit after merger to Ranbaxy average net profit	-5.68583668		
Ratio of CV after merger and Sun Pharma For total revenues	3.261029045		
Ratio of CV after merger and Ranbaxy For total revenues	3.134256013		
Ratio of CV after merger and Sun Pharma For net profit	1.366484911		
Ratio of CV after merger and Ranbaxy For net profit	-0.16836807		

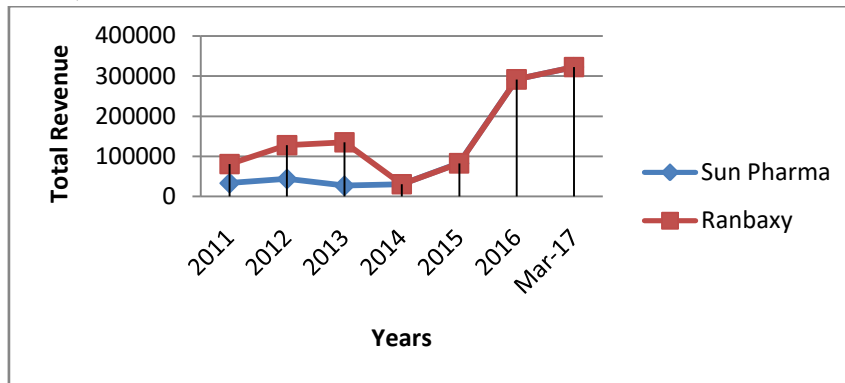
Source: Author’s own calculation using data of Table 6

Even after merger the production didn’t fell and there was sound management of all activities which lead to further increase in total revenue. Sun Pharma merger with Ranbaxy increased profits of Sun Pharma but as Ranbaxy was having losses thus it had negative average ratio. There exists little variability for total revenue and net profits showing that merger didn’t hamper the environment of both companies and in fact provided a way to gain adequate amount of sale and timely management of work for which R&D expenditure are incurred. After merger the environment shows perfect

correlation between total revenue and R&D. Merged companies are basically trying to attract more and more customers and provide appropriate quality to consumer’s in order to win their trust and satisfy them with their need by having proper R&D.

**FIGURE 9: TOTAL REVENUE TRENDS OF SUN PHARMA AND RANBAXY FROM 2011 TO MAR 2017**

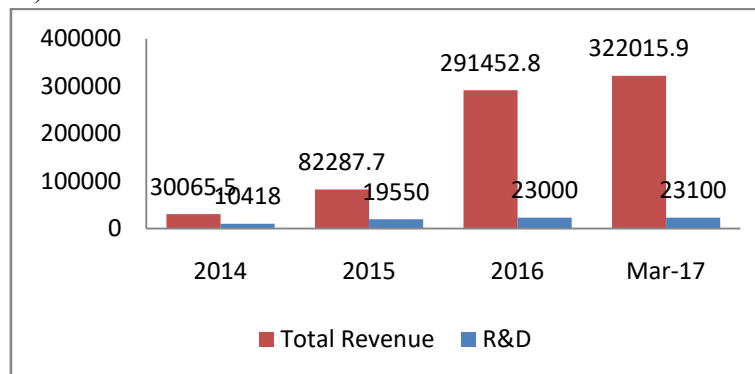
(Value in million \$’s)



Source: Author’s own Compilation using data from Table 4, 5 and 6

**FIGURE 10: RELATIONSHIP BETWEEN TOTAL REVENUE AND R&D AFTER MERGER FROM 2014 TO MAR 2017**

(Value in million \$’s)



Source: Author’s own Compilation using data from Table 6

**Findings**A well planned management is the key to success. Though it’s believed that merger of 2 successfully running companies lead to strategic conflicts due to their different perspectives hampering capabilities of company and hence downfall in business position or De-merger. But P&G and Gillette proves that it’s not actually true in all cases. Proper Management, agreements and earlier specification of goals can clear all disputes. Another case of Ranbaxy and Sun Pharma clears that financial position is not just the measure to evaluate company’s progress. Though financial position is important but still capabilities, technology, innovation and so on defines the strength of company. Hence focus should be on determining the strength of the company.

**Discussion**Corporate Mergers if considered are assumed to be the best way to earn profit, have ruling position in market, diversification in operational activities, easy source of financing the business, help in R&D activities and give opportunity of working with latest technology. However other than benefits there are many drawbacks which make that decision of merger a worse scenario for company. It could be loss of individual identity, dispute regarding leadership, lack of coordination which could hamper even the functioning of the department and thus could lead both companies to suffer huge losses. Thus decision of merger need to be well planned considering each other’s working

environment, management and leadership criteria and basic strategies and goals. We studied P&G and Gillette, successfully running companies, opts for merger to take benefit of each other's strength. It could be possible to have disputes among them because of their different perspectives but actual scenario was different. They managed their activities and hence gained market share and even more customer satisfaction was derived. In Sun Pharma and Ranbaxy case we see that due to quality disputes Ranbaxy was running with losses. Despite this Sun Pharma considered strengths of Ranbaxy and opted to merge with it. Initially Sun Pharma business faced backlog but after a year these effects were ruled out and merged companies started deriving the profits of their decision. Above case study approach lead us to breaking myths i.e. firstly of having individualistic outlook among successfully running companies even after merger and secondly financial position of a company defines its value.

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**STRENGTHENING THE BANKING SYSTEM- BASEL III**

**Surabhi Mishra**, Student- TY.BBI, Thakur College of Science and Commerce

**Nirav Goda**, Co-ordinator BBI, Thakur College of Science and Commerce

**Abstract**

*Indian Banking System has seen boom since its inception due to various factors and reforms. The objective of Basel Committee is to enhance understanding of key supervisory worldwide. The Basel I and Basel II accords have their own presented Capital Requirements, Pillars and Advantages. For India, RBI had accepted the Basel norms. Further Basel III is an evolution rather than a revolution in the area of Banking Regulation. Drawing largely from the already existing Basel II framework, Basel III aims to build robust base for banks and ensure sound liquidity and leverage ratios in order to weather away any banking crises in the future and thereby ensure financial stability. Although India doesn't complete the capital requirement of Basel III by \$65 billion, but if implemented can prove to be super helpful in the further modernization, growth and stability of the Indian Economy. Basel due to its feature, reflects the Per Capita as well as the National Income needs and thus supervisory requirements. In this research paper we have considered various factors and need to uplift the banking standard by the Basel III norms. We have used Secondary Data to make this paper more legit. A case study is also been considered. The implementation of Basel III norms will definitely help Indian Banking System thus Indian Economy to experience growth.*

**Keywords:** *Basel, Indian Economy, Banking, RBI, Supervision, etc.*

**Introduction:** The Basel III framework is a central element of the Basel Committee's response to the global financial crisis. It addresses shortcomings of the pre-crisis regulatory framework and provides a regulatory foundation for a resilient banking system that supports the real economy. Like all Basel Committee standards, Basel III standards are minimum requirements which apply to internationally active banks. Members are committed to implementing and applying standards in their jurisdictions within the time frame established by the Committee. After the 2008 financial crisis, there was a need to update the Basel norms to reduce the risk in the banking system further. Until Basel III, the norms had only considered some of the risks related to credit, the market, and operations. To meet these risks, banks were asked to maintain a certain minimum level of capital and not lend all the money they receive from deposits. This acts as a buffer during hard times. The Basel III norms also consider liquidity risks. Here in this research paper we have gone through all the aspects of Basel III and bring in its importance.

**BASEL I AND BASEL II:**

Historically, in 1973, the sudden failure of the Bretton Woods System resulted in the occurrence of casualties in 1974 such as withdrawal of banking license of Bankhaus Herstatt in Germany, and shut down of Franklin National Bank in New York. In 1975, three months after the closing of Franklin National Bank and other similar disruptions, the central bank governors of the G-10 countries took the initiative to establish a committee on Banking Regulations and Supervisory Practices in order to address such issues. This committee was later renamed as Basel Committee on Banking Supervision. The Committee aims at improving supervisory knowhow and the quality of banking supervision quality worldwide. Currently there are 27 member countries in the Committee since 2009. Apart from banking regulations and supervisory practices, the Committee also focuses on closing the gaps in international supervisory coverage. The first set of Basel Accords, known as Basel I, was issued in 1988 with the primary focus on credit risk. Basel II, the second set of Basel Accords, was published in June 2004 – in order to control misuse of the Basel I norms, most notably through regulatory arbitrage. The Basel II norms were intended to create a uniform international standard on the amount of capital that banks need to guard themselves against financial and operational risks. The third installment of the Basel Accords (Basel III)

was introduced in response to the global financial crisis, and is scheduled to be implemented by 2018. The Indian banking system has remained largely unscathed in the global financial crisis. This is mainly amongst others, on account of the relatively robust capitalization of Indian banks. The Reserve Bank of India (RBI) had scheduled the start date for implementation of Basel III norms over a 6-year period starting April 2013. The recent requirement of infusion of additional equity in view of the low economic growth and increasing non-performing assets of Indian banks paint a gloomy picture.

#### Basel I: The Capital Accord

In 1987, the Committee introduced capital measurement system which focused on the credit risk and risk-weighting of assets. This system is commonly known as the Basel Capital Accord or the Basel I norms as approved by the Governors of G-10 countries which were released to the banks in July 1988. The Committee, by the end of 1992, had implemented the minimum requirement ratio of capital to be fixed at 8 percent of risk-weighted assets not only in the G-10 countries but also other non-member countries with active international banks. Apart from focusing on the credit risk, the committee also issued Market Risk Amendment to the capital accord in January 1996 which came into effect at the end of 1997. The reason for such an amendment arose from banks' market risk exposures to foreign exchange, debt securities, equities, commodities and options. An important characteristic of this amendment was banks' convenience of measuring their market risk capital requirement with the help of internal value-at-risk models, which were subject to strict quantitative and qualitative standar

Features of Basel I

The Basel I Accord attempted to create a cushion against credit risk. The norm comprised of four pillars, namely Constituents of Capital, Risk Weighting, Target Standard Ratio, and Transitional and implementing arrangements.

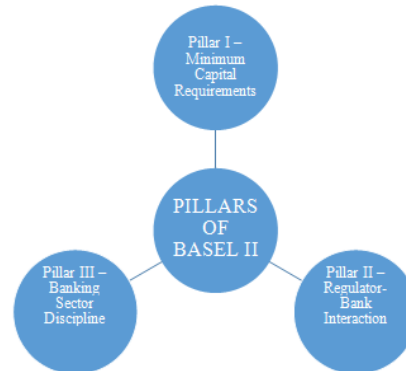
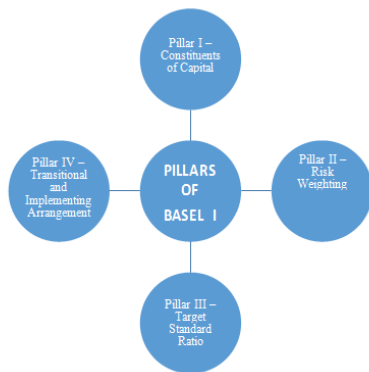


FIGURE 1: PILLARS OF BASEL I FIGURE 2: PILLARS OF BASEL II

Transition to Basel II

Basel II was fundamentally conceived as a result of two triggers – the banking crises of the 1990s on the one hand, and the criticisms of Basel I itself on the other. In the year 1999, the Basel Committee proposed a new, far more thorough capital adequacy accord. Formally, the accord was known as A Revised Framework on International Convergence of Capital Measurement and Capital Standards (hereinafter referred to as Basel II). The new framework was designed to improve the way regulatory capital requirements reflect the underlying risks for addressing the recent financial innovation. Also, this framework focuses on the continuous improvements in risk measurement and control. For successful implementation of the new capital framework across borders, the committee’s Supervision and Implementation Group (SIG) communicates with the supervisors outside the committee’s membership through its contacts with regional associations. The new framework neatly retained the ‘pillar’ framework of Basel I, yet crucially expanded the scope and specifics of Basel I.

**EMERGENCE OF BASEL III:**

Basel II indeed had its share of criticism. To begin with, the Basel Committee declared that the committee’s recommendations were for G-10 member states. This leaves out emerging economies, and actually implied potential unfavorable impact on these economies. To begin with, the scope of responsibilities for regulators (in emerging economies) may be too much for them to handle. Central banks might not be stringent enough in regulating private banks, thus letting them raise their risk exposure – defeating the entire purpose. Banks in emerging economies were at a disadvantage in terms of receiving loans from global banks. This was so because rating agencies<sup>9</sup> might either be unaffordable, or prone to assigning lower ratings anyway to such banks. The consequence here was that global banks would need to maintain more capital for a loan to an emerging market bank. The inclusion of internal risk measurements when calculating the capital reserves of bank gives rise to another drawback. Since risk weights are fundamentally a factor of expected economic performance, banks would call back credit prior to and during recessionary times, and pump in credit in favorable periods or recovery periods. This effectively means that recessions would be made worse, and growth periods could be accompanied by even higher inflation. The issues surrounding Basel II together contributed to the emergence of the Basel III accord. The essence of Basel III revolves around two sets of compliance:



i. Capital ii. Liquidity

While good quality of capital will ensure stable long term sustenance, compliance with liquidity covers will increase ability to withstand short term economic and financial stress.

**BASEL III FRAMEWORK:**

Basel III is an evolution rather than a revolution in the area of banking regulation. Drawing largely from the already existing Basel II framework, Basel III aims to build robust capital base for banks and ensure sound liquidity and leverage ratios in order to weather away any banking crises in the future and thereby ensure financial stability.

**CAPITAL STANDARDS**

Firstly, objective of the standard: Raising Capital Base is ensuring quality, consistency in definition across jurisdictions and transparency in disclosure of capital base. Measures suggested in this regard include: (a) Tier 1 capital predominantly held as common shares and retained earnings; (b) Remainder of Tier 1 capital comprising of subordinated instruments with fully discretionary non-cumulative dividends and with no maturity date or incentive to redeem; (c) Innovative hybrid instruments with an incentive to redeem would be phased out. Secondly, the objective of the capital standard: Enhancing Risk Coverage is aimed at strengthening risk coverage of capital framework especially for on- and off-balance sheet items and derivative exposures. Measures proposed towards this objective include: (i) Introduction of stressed Value-at-Risk (VaR) capital requirement based on a continuous 12-month period of significant financial stress; (ii) Higher capital requirements for re-securitisation in banking and trading book; (iii) Introduction of capital charge for potential mark-to-market losses related to credit valuation adjustment risks associated with deterioration in creditworthiness of counterparty (iv) Strengthening standards for collateral management. Banks with large illiquid derivative position to a counterparty would have to apply longer margining periods for determining regulatory capital requirements.

**LEVERAGE RATIO**

Basel III recommends supplementing the risk-based capital of Basel II with a bank leverage ratio<sup>35</sup>. This leverage ratio is based on banks' total exposure and is expected to protect against their model risks and measurement errors<sup>36</sup>. While the numerator of the leverage ratio consists of high quality capital, the denominator includes both the on-balance sheet and off-balance sheet assets<sup>37</sup>. The aim of the leverage ratio is to limit the bank's leverage and discourage rapid deleveraging that may destabilize the overall economy. The overall economy can be destabilized by loss spiral

**COUNTER-CYCLICAL CAPITAL BUFFERS**

Basel III proposes the maintenance of capital buffers during the stable periods to absorb losses during the periods of stress. A capital buffer is a range of defined above the regulatory minimum capital requirement to insure against losses. Counter-cyclical capital buffers entail banks to hold capital greater than the regulatory minimum during the periods of stability to sufficiently maintain themselves during a sudden downward spiral. Regulators would enact constraints when capital levels fall within a range. For example a bank could maintain a capital buffer of 3 percent above the minimum capital requirement of 8 percent during the stable periods. Regulators would interfere when banks' capital ratio fell below 11 percent. Banks would then replenish capital by limiting dividends, share buybacks, and bonuses as bank's capital ratios approach the minimum regulatory requirement. Thus, the aim of the counter-cyclical buffers is to respond to excessive leverage and unwarranted lending during expansionary periods. Central Banks (Supervisors) can also release buffer during periods of stress to increase credit supply during economic downswings.

## **INDIAN BANKING SYSTEM:**

India opened up its banking sector in 1991-92 as a part of globalisation of Indian economy. The financial sector reforms<sup>47</sup> initiated by the government could bring in tectonic changes in the structure and functioning of the commercial banks. Indian Banking structure is broadly made up of Scheduled and unscheduled banks. Scheduled banks contribute to more than 95 percent of the banking in India. Scheduled commercial banks include 26 public sector banks (State Bank of India and its five associates, 19 nationalized banks and IDBI Bank Ltd.), 7 new private sector banks, 14 old private sector banks and 36 foreign banks. The number of SCBs increased to 83 in 2010-11 from 81 in 2009-10.

### **Financial Soundness in Indian Banking**

Banking sector is by far the most central part of the financial system in most of the emerging economies and is, therefore, also the main source of risk for financial stability. Undoubtedly, financial soundness of banks has a significant sway on the stability of the financial system as a whole as the banking system constitutes more than 75% of the financial markets in India. The Indian banking system endured the onslaught of the global financial crisis and a factor that bolstered the normal functioning of the banking system even in the face of one of the largest global financial crisis was its robust capital adequacy. Further, the core banking sector indicators for India like; Capital Adequacy Ratio (CAR), Capital Adequacy Ratio–Tier-1, Gross Non- Performing Assets (GNPAs) to total loans, Net Not- Performing Assets (NNPAs) to total loans and Return on Equity (ROE) have experienced downward pressure during the recent recession period (Figure-5.4). On the contrary, liquid assets to total assets ratio has moved upwards indicating the tendency of the banks to hold cash during the times of recession instead of investing in loans or investment products.

### **Prudential Regulation in Indian Banking**

Prudential regulation mostly characterizes the adoption. However, in devising the regulatory framework for banks, RBI has always kept in focus the financial stability objective. Some of the counter-cyclical regulatory measures that are now attracting attention worldwide were already in place in India even before the looming of the crisis. In terms of capital requirements, even though, as per Basel norms the minimum capital adequacy ratio (CAR) for banks is 8%, the Indian banks are asked by RBI to maintain the Ratio at 9%. Further, the banks are also stipulated to ensure a minimum Tier I capital ratio of 6 % from April 1, 2010. The current average CAR for the SCBs in India is over 13% while the Tier I capital ratio is about nine percent. Further, Tier I capital is stated as the one that does not include items such as intangible assets and deferred tax assets that are now sought to be deducted internationally. In the terms of liquidity buffers, Indian banks are found to have substantial holding of liquid assets as they are required to maintain cash reserve ratio (CRR) which is currently 4.75% and statutory liquidity ratio (SLR) currently 24% - both ratios as a proportion to their 'net liabilities'. As such, in case of maintenance of excess of SLR requirements is always available as a source of liquidity buffer. Moreover, in order to mitigate liquidity risks at short end, RBI had already issued detailed Asset- Liability Management (ALM) guidelines encompassing liquidity risk measurement, reporting framework and prudential limits<sup>56</sup>. In terms of managing the leverage by banks, RBI has been keeping a watch through the prudential focus on credit-deposit ratio (CD ratio or CDR) and SLR. Moreover, a prudent focus on CDR encourages the banks to raise deposits for funding credit flow thus minimising the use of purchased funds. Further, as the requirement for SLR is to hold unencumbered securities, banks cannot leverage the minimum SLR portfolio to take on more assets.

**BASEL III IN INDIA:**

The reform package concerning to capital regulation, together with the enhancements to Basel II framework and amendments to market risk framework is aimed at improving the quality, consistency, and transparency of the capital base. With the disclosure of all the elements of capital required to be disclosed along with a detailed reconciliation to the published accounts, it is expected that the transparency of capital base would be improved. This would in turn also improve the market discipline under Pillar 3 of the Basel II framework.

**Basel III Capital Requirements**

As a response to the aftermath of global financial crisis (GFC), with a view to improving the quality and quantity of regulatory capital, RBI has stated that the predominant form of Tier I capital must be common equity; as it is critical that banks’ risk exposures are backed by high quality capital base. As a result, under Basel III guidelines, total regulatory capital will consist of the sum of the following categories:

1. Tier 1 Capital (going-concern capital)
  - a. Common Equity Tier 1
  - b. Additional Tier 1
2. Tier 2 Capital (gone-concern capital)

Sl.RegulatoryCapitalAs%to No.RWAs	
(i)	Minimum common equity Tier I ratio 5.5
(ii)	Capital conservation buffer (comprised of common equity) 2.5
(iii)	Minimum common equity Tier I ratio plus capital conservation buffer [(i)+(ii)] 8.0
(iv)	Additional Tier 1 capital 1.5
(v)	Minimum Tier 1 capital ratio [(i) +(iv)] 7.0
(vi)	Tier 2 capital 2.064
	[(v)+(vi)] 9.0
(viii)	Minimum total capital ratio plus capital conservation buffer [(vii)+(ii)] 11.5

**TABLE 1 : Regulatory Capital requirements in India as per Basel III**

**IMPACT ANALYSIS OF BASEL-III ON INDIAN BANKING**

Basel III guidelines attempt to enhance the ability of banks to withstand periods of economic and financial stress by prescribing more stringent capital and liquidity requirements for them. The new Basel III capital requirement would be a positive impact for banks as it raises the minimum core capital stipulation, introduces counter-cyclical measures, and enhances banks’ ability to conserve core capital in the event of stress through a conservation capital buffer. The prescribed liquidity requirements, on the other hand, would bring in uniformity in the

liquidity standards followed by the banks globally. This liquidity standard requirement, would benefit the Indian banks manage pressures on liquidity in a stress scenario more effectively.

#### Impact of Basel III on Loan Spreads

The purpose of this section is to map the capital and liquidity requirements as per Basel III<sup>74</sup> to bank lending spreads<sup>75</sup>. This estimation supposes that the return on equity (ROE) and the cost of debt are unaffected, with no change in other sources of income and on the same line of thought it is further assumed that there is no reduction in operating expenses. Such a mapping endows researchers with a useful instrument to analyse the impact of regulatory changes on the cost of credit and the real economy. A raise in the interest rate charged on bank loans is believed to reduce loan demand, all else equal, leading to a drop in investment and output.

#### Modelling the requirement of higher capital to lending spreads

II OECD Approach Here, the impact of Basel III on bank lending spreads is estimated by employing the OECD approach, wherein it is based on accounting identities applied to stylized banking sector balance sheets. Two categories of bank assets are considered for the purpose of the assessment: (i) lending assets of the banks (LA) that comprise bank's loans and advances to households and non-financial corporations held on banking books, and (ii) Investments and Other assets of the banks (IOA), which represent a residual category that comprises assets held on trading books, interbank assets, government bonds and other remaining assets. Further, one of the significant assumptions is that a bank can directly affect the pricing of LA by adjusting its lending spread. The pricing of IOA is mainly market driven and it is therefore assumed that a bank cannot directly affect the pricing of these assets.

#### Impact on Bank Capital

Post crisis, on the global there have been sincere efforts towards improving the capital adequacy of the banks. Capital adequacy levels across banks in most advanced economies were on a rise between 2008 and 2010 (Table-7.4.1). For instance, by 2010, in the US, UK, Germany, and Japan, Capital to Assets Ratio (CAR) was found to be above 15 per cent. The ratio showed a further increase for US and German banks in the first quarter of 2011. However, among the major emerging economies, the level of capital adequacy exhibited a moderate decline between 2009 and 2010, with the exceptions of China, India, and Mexico. However, Chinese banks experience a modest decline in their capital positions by March 2011.

#### Basel-III Capital Requirement Projections for Indian Banks

In the wake of the new Basel III regime in the Indian context, it is attempted in this section of the study to estimate the required additional minimum Tier-1 capital for the banks. This would enable the banks to plan their capital raising activity in tune with regulatory requirements. This exercise is carried out based on the data sourced from Capitalize plus database. As such, these estimates at the best can be termed as approximations as these have data limitations with regard to details required in the estimation process

#### **CROSS COUNTRY ANALYSIS (CASESTUDY):**

##### A Global View of the Basel Accords – Cross Country Analysis

##### Global Overview:

The recent global financial meltdown brought to fore the limitations of Basel II accord. The norms failed to capture losses on off-balance sheet items leading to decline in return on equity, in spite of meeting capital adequacy ratios. A cross-country analysis (done by the IMF) reveals that while the net cost of raising equity to achieve 1.3 percent increase in equity-to-asset ratio is estimated to be 26 basis points for Japan, the same for Canada is estimated at 0 basis points. Similarly, the USA experienced an estimated elasticity of loan demand of 0.92 percent, while Denmark is more sensitive to interest rates, with elasticity of 6.6 percent. Thus, for a country in crisis, it is estimated that, on an

average, the impact of increasing equity-to-asset ratio by 1.3 percent is 4.9 percent, while the estimates are substantially higher for non-crisis countries. Given the impact that regulations on capital adequacy can potentially have on a country, it is imperative for policy makers to recognize reasons for high elasticity and high cost of equity. An important feature of the Basel III norms is the introduction of the countercyclical capital. Hence, it is prudent for central bank of a country to consider the capital adequacy norms and requirement of additional capital as an important tool to regulate monetary policy.

Select Country Examples:

#### **Australia**

As mentioned earlier, the 2008 global financial crisis exposed the gaps in the Basel II accord. While it resulted in widespread institutional failure across geographies, there was no Australian financial crisis as such. Two measures probably saved Australia in this regard the preventive actions taken prior to 2008, and the extraordinary public sector intervention since 2008. The 2008 global crisis affected liquidity in the Australian banking system and monetary and fiscal measures were undertaken to aid the economy. In this context, public sector interventions were made during the crisis, such as Reserve Bank of Australia (RBA) liquidity support and certain government guarantee programs.

#### **Brazil**

The Central Bank of Brazil (Banco Central do Brasil, BCB) adopted Basel III norms in October 2013. Of the fourteen components of assessment, Brazil was already compliant with eleven. The requirement of additional capital to comply with Basel III norms is quite low in Brazil, and hence, is unlikely to have a negative impact on economic growth. Except 3 banks, most of the banks comply with the capital requirement of 11 percent. The capital adequacy shall be raised to 13 percent under Basel III norms, in which case, 9 bank shall have a shortfall, while 18 banks shall be uncomfortably close to the regulation.

However, banks shall have until 2019 to comply with this regulation.

#### **United Kingdom**

Across the EU, the Basel norms are implemented under the legal name of Capital Requirements Directives (CRD). In UK, the responsibility of convergence to CRD is equally shared between Financial Services Authority (FSA) and HM Treasury. Following the 2008 financial turmoil gripping UK, the Prudential Regulation Authority (PRA) was formed as a successor to Financial Services Authority (FSA), the banking regulator, in April 2013, as a part of restructuring efforts for more effective supervision and governance. CDR IV, which directs implementation of Basel III, has been approved by the EU parliament, with implementation commencing from January 2014. This creates an obligation for adoption of Basel III norms on all the member countries including the United Kingdom.

#### **United States**

Banking regulation is highly fragmented in U.S., with multiple regulatory bodies having interest in the same issue. For e.g. Board of Governors of the Federal Reserve System, Federal Reserve Bank of New York, Office of the Comptroller of the Currency and Federal Deposit Insurance Corporation together are the institutions that represent the United States on the Basel Committee on Banking Supervision. Policy making and implementation thus tends to be a time consuming process.

The financial crisis of 2008 called for sweeping changes in banking supervision and regulation standards in the country. The Dodd Frank Act was enacted in 2010, in the middle of the consultative process of Basel III. The Act is largely consistent with Basel III requirements in terms of capital and leverage ratios and liquidity ratios. The Board of Governors of Federal Reserve System announced implementation of Basel norms in July 2013. Basel III is being

implemented in the US in a phased manner starting from January 1, 2013 to January 1, 2019. Implementation of Basel III norms in USA will require an additional Core Tier I Capital to the extent of \$700 billion, and total Tier I capital of \$870 billion, with the gap in long term funding estimated at \$3.2 trillion. These shortfalls are expected to bring down Return on Equity (ROE) of banks by 3 percent<sup>13</sup>.

**FINDINGS**

1)

Requirements Under Basel II Under Basel III		
Minimum Ratio of Total Capital To RWAs	8%	10.50%
Minimum Ratio of Common Equity to RWAs	2%	4.50% to 7.00%
Tier I capital to RWAs	4%	6.00%
Core Tier I capital to RWAs	2%	5.00%
Capital Conservation Buffers to RWAs	None	2.50%
Leverage Ratio	None	3.00%
Countercyclical Buffer	None	0% to 2.50%
Minimum Liquidity Coverage Ratio	None	From 2015
Minimum Net Stable Funding Ratio	None	From 2018
Systemically Important Financial Institutions Charge	None	From 2018

**TABLE 2: Comparison of Capital Requirements under Basel II and Basel III**

2) RESEARCH HOUSE AND ESTIMATIONS

- 1) *Ernst & Young study:* Ernst & Young study anticipates that by 2019, the Indian banking system is projected to require additional capital of INR 4,31,517 crores of which 70% will be required in the form of common equity.
- 2) *ICRA study:* ICRA study pegs this figure at INR 6,00,000 crores of which 70-75% will be the requirement of public sector banks.

- 3) *PWC study*: PWC study estimates that Indian banks would have to raise Rs. 600,000 crore in external capital over next 8-9 years, out of which 70%-75% would be required for the public sector banks and rest for the private sector banks. Further, the study observed that one percentage point rise in bank's actual ratio of tangible common equity to risk-weighted assets (CAR) could lead to a 0.20 per cent drop in GDP.
- 4) *Fitch Ratings* : Fitch estimates the additional capital requirements at about INR 2.5 lakh crores to 2.75 lakh crores for Indian banks
- 5) *Macquarie*: Indian banks would have to go on a massive capital raising to the extent of over USD 30 billion (INR 1.67 lakh crores) over the next five years to cater to their growth requirements and Basel-III implementation charges
- 6) *CRISIL*: Indian banks may have to raise a total of about Rs 2.4 trillion to meet growth needs in compliance with the Reserve Bank of India's final guidelines on capital adequacy requirements under the new Basel III norms by March 2018.

**Summary of findings of different studies on capital requirement of Indian banks**

**SUGGESTION AND CONCLUSION**

It is more relevant at an economy's macro level to address issues such as systemic risk, market discipline, liquidity and transparency in the risk-management framework. It is interesting to note that though risk capital may be the necessary safety cushion for banks, capital alone may not be sufficient to protect them from any extreme unexpected loss events. In reality, risk capital will remain only a number and may not be effective if banks do not assess their risk periodically and take timely corrective action when the risk exceeds the threshold limit. Thus, whether it is Basel II or Basel III, it is crucial that a bank does not depend solely on "regulatory capital". What is needed is a dynamic risk mitigation strategy, where all employees act as risk managers in their own area.

A proper risk culture needs to be developed across the organisation and "risk" should be an input for future business decision-making. Risk management should not merely be an activity to comply with regulatory requirements,

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## GOVERNANCE & BUSINESS ETHICS FOR FINANCIAL PRUDENCE IN INDIAN BANKS - A CASE STUDY OF SBI vs. ICICI BANK

**Subhasish Roy Chowdhury**, Ph.D. Research Scholar – AIAMS,  
(Affiliated to University of Mumbai)

### **Abstract**

Indian banking system has been confronting with severe dilemma with proliferating “Non-Performing Assets – NPAs” which is defined as loan or advance for which the principal or interest payment remained overdue for a period of 90 days due to bad lending arising out of various processes and systems which failed drastically. Rising NPAs are not only deterrent to banks profitability but it also restricts the bank from fresh lending as banks need to make higher provisioning for bad debts. It also poses enormous threat to asset quality and survival possibility of the banks. Corporate governance philosophy of Indian banks is the pursuit as well as the warp and weft of sound business ethics and strong governance tied up with utmost professionalism which aligns the interest of stakeholders and the society at large. Recommendations made by Narasimhan Committee and Verma Committee have led to taking some steps to resolve the problem of old NPAs in the balance sheets of the banks however, it still continues to be regretfully expressed from every nook and corner of the economy and society about acute dearth of systematic, well planned and stringent governance practices in this regard. The paper seeks to conduct a comparative study of overall financial performance, NPAs of State Bank of India (SBI) and ICICI Bank Ltd. (ICICI), the two largest banks in public and private sectors and the corporate governance and ethical measures applied therein by the banks to better their positions in terms of their respective NPAs over years. According to the report of Reserve Bank of India, gross NPAs have increased by Rs. 1799 billion in 2017 over 2016 (2017 : Rs. 7918 billion vs. 2016 : Rs. 6119 billion) and the percentage of net NPA to net advances from 4.40% in 2016 to 5.30% in 2017 respectively.

**Keywords:** Corporate governance, NPAs, Non-performing assets, Public sector banks, Private sector banks

**Indian Banking System – An overview :** The word of Bank is derived from French word “Bancus” or Banque” i.e., a bench. The modern banking system started with the opening of Bank of England in 1694. Bank of Hindustan was the first bank to establish in India, in 1770. The prosperity and success of any nation depends on several factors which may be in the category of externalities or internalities where banking industry being one of the major internality has tremendous role in ensuring a stable economy. Indian banking system consist of commercial as well as co-operative banks which plays a very significant role in providing credit finance for agriculture, business and industries. The industry, governed by the Banking Regulation Act of India, 1949 primarily categorizes banks into scheduled and non-scheduled banks. Scheduled banks are the commercial and co-operative banks. Commercial banks are further categorized into nationalized (public) and non-nationalized (private) banks. Public sector banks are the backbone of Indian Banking system which account for more than 80% of the total banking industry assets. These banks have been mostly cowed down due to massive non-performing assets (NPAs), excessive manpower, lack of qualitative human resource and lack of modern technology. On the other hand, private sector banks are progressing at a tremendous pace in the space of internet / mobile / phone banking, ATMs etc.

**Non-Performing Assets (NPAs) :** Banks are normally prone to high financial risks as it deals with funds of depositors on one side and do not have a generalized as well as specific optimal corporate governance model in place. NPAs are defaulting / bad loans impacting profitability and ultimate survival and existence of a bank. NPAs originate from an asset pool formed by the lending done by banks which the borrowers’ defaults in repaying as per agreed payment schedule. NPA is a contamination and toxicity of loan portfolio which should be eradicated for ensuring financial health of banking system as well as economy at large. Committee on the Financial System led by Mr. M. Narasimhan as the Chairman has made certain recommendations for improving operating efficiency of financial institutions. The Committee was first set up in 1991 under the chairmanship of Mr. M. Narasimham who was 13th governor of RBI. Only a few of its recommendations became banking



reforms of India and others were not at all considered. Because of this a second committee was again set up in 1998.

In line with the recommendations made by Narasimhan Committee, the Reserve Bank of India (RBI) has issued Master Circular-Prudential norms on income recognition, asset classification and provisioning pertaining to advances on July 1, 2013. The guiding factor is Income Recognition and Asset Classification (IRAC) norms prescribed by RBI wherein NPA means ,

1. An asset becomes non-performing when it ends to make revenues for the bank.
2. A NPA is a loan or an advance where;
  - i) interest and/ or installment of principal remain overdue for a period of more than 90 days in respect of a term loan,
  - ii) the account remains 'out of order' in respect of an Overdraft/Cash Credit (OD/CC),
  - iii) the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,
  - iv) the installment of principal or interest thereon remains overdue for two crop seasons for short duration crops,
  - v) the installment of principal or interest thereon remains overdue for one crop season for long duration crops,
  - vi) the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of guidelines on securitisation dated February 1, 2006.
  - vii) in respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

3. In case of interest payments, banks should, classify an account as NPA only if the interest due and charged during any quarter is not serviced fully within 90 days from the end of the quarter.

Narasimham Committee made it obligatory in its recommendation for identifying and reducing NPAs as it creates credit risk which a bank faces whereby losing its capability in resource allocating efficiency. In the year 1995 the NPAs were Rs. 38385 Crs. and reached to Rs. 71047 crore in 2011 in Public sector banks and comparatively in the year 2001 the NPAs were Rs. 6410 crore and reached to Rs. 17972 crore in 2011 in Private sector banks.

NPAs of Indian banks mirrors the health of industry and trade thereby demonstrating the greed of industrialists who are duping the bank's financial condition followed by consequential failure of governance quality which failed to book defaulting industrialists and ensure that the bank management and processes doesn't get the opportunity to absolve themselves from the responsibility of creating the NPAs.

#### **Few NPA related terminologies**

- **Gross NPA** :As per RBI guidelines the total amount of all loan assets that are classified as NPAs as at Balance Sheet date are called as Gross NPAs. Gross NPA replicates the quality of the loans made by banks which includes all the non-standard assets like as sub-standard, doubtful, and loss assets. (  $\text{Gross NPA ratio} = \frac{\text{Gross NPAs}}{\text{Gross Advances}}$  )
- **Net NPAs**:When bank deducts the provision concerning NPAs, it is called as Net NPAs. Net NPA illustrates the real burden of banks. The balance sheets of banks in India have a huge amount of NPAs. Even the process of recovery and write off of NPAs is to much time consuming. According the central bank guidelines, to make the provisions against NPAs are fairly noteworthy. (  $\text{Net NPAs} = \frac{\text{Gross NPAs} - \text{Provisions}}{\text{Gross Advances} - \text{Provisions}}$  ) . Net NPAs are further classified as below .

- **Substandard Assets :** With effect from March 31, 2005, the asset which has remained NPA for a period not less than or equal to 12 months is termed as a substandard asset. Such an asset will have well defined credit weaknesses that put at risk the liquidation of the debt and are symbolised by the different options that the banks will maintain some loss, if insufficiencies are not corrected.
- **Doubtful Assets :** With effect from March 31, 2005, an asset would be classified as doubtful if it has remained in the substandard category for a period of 12 months. A doubtful loan has all the weaknesses in sub-standard assets, with the added characteristic that the weaknesses make collection or liquidation in full, - on the basis of currently known facts, conditions and values- highly uncertain and implausible.
- **Loss Assets :** When an internal or external auditor or bank or RBI identifies loss, it is called loss assets. However, the amount has not completely been written off. Loss asset is considered uncollectible. Such small amount is not permitted even though there may be some recovery value.

### **1. Corporate Governance in perspective of NPA in Indian banking industry**

“Corporate Governance” is connoted as a system with the help of which corporate entities are directed and controlled and having a direct or indirect influence on the financial health of the corporate entities . It may also be defined as a set of standards , ethical codes and rules which governs the company and its stakeholders . Ethics and transparency are cardinal of corporate governance. Corporate governance has become a dynamic concept and is now recognized as a paradigm for improving competitiveness and enhancing efficiency and thus, improving investors’ confidence and accessing capital, both domestic as well as foreign. Corporate governance philosophy of Indian banks is the pursuit as well as the warp and weft of sound business ethics and strong governance tied up with utmost professionalism which aligns the interest of stakeholders and the society at large . Functioning of the banking sector like any other industry has a paramount dependence on effectivity of its governance model. Corporate governance from a banking perspective involves the manner in which their board of directors and senior management govern affairs of individual banks with respect to how banks set their corporate objectives, run day-to-day operations, consider the interests of various stakeholders, align corporate activities with the safety measures of the banks, and comply with applicable laws and regulations to protect the interests of the depositors. Basel Committee’s principles provide a framework within which banks are expected to operate for achieving a robust and transparent risk management and decision-making thereby promote public confidence hence, uphold the safety and sanctity of the banking system. It emphasises on the importance of risk governance as part of a bank’s overall corporate governance framework by promoting the value of strong boards and committees together with effective control functions. It makes the board responsible for driving effective risk management systems, ensures board’s collective competence and obligation for activating necessary risk mandates and at the same time keeping abreast of developments in banking , strengthen risk governance through minute monitoring of roles demonstrated by various risk managers of units, teams etc. As an aid to enhancing governance in banking sector , the Union Cabinet has passed the FRDI bill 2017, which is to be introduced in the Parliament. This is something similar to the Bankruptcy Code 2016, which was passed last year and deals specially with the companies in the financial sector (viz Banking and Insurance). This bill is introduced to fill the gap that exists in respect of bankruptcy of financial firms and expected to protect customers of financial service providers during financial difficulties. The bill is expected to bring a financial stability, in the country’s economy, through various preventive steps to be taken during any catastrophe.

**SBI** is committed to the best practices in the area of corporate governance. The sound corporate governance practice in SBI would lead to effective and more meaningful supervision and could contribute to a collaborative working relationship between bank management and bank supervisors.

**ICICI** has a corporate governance philosophy which covers regulatory, legal requirements and also multiple voluntary practices aiming at a higher level of business ethics for safeguarding interest of all stakeholders, both internal and external. The bank also has a Whistle blower policy where employees are free to raise any concern about the corporation which is further investigated thoroughly and outcome reported to the Board and Audit Committee.

**Statement of Problem :** Banks are rigorously threatened by increasing level of NPAs which will challenge the survival and existence of the bank. Higher NPA will jeopardise goodwill and confidence about the bank amongst its customers. According to the report of Reserve Bank of India, gross NPAs have increased by Rs. 1799 billion in 2017 over 2016 ( 2017 : Rs. 7918 billion vs. 2016 : Rs. 6119 billion ) and the percentage of net NPA to net advances from 4.40% in 2016 to 5.30% in 2017 respectively .In case of SBI, net NPA has increased by Rs. 2470 Crs. in 2017 over 2016 ( 2017 : Rs. 58277 Crs. vs. 2016 : Rs. 55807 Crs. ) whereas, in case of ICICI net NPA has increased by Rs. 12,254 Crs. in 2017 over 2016 ( 2017 : Rs. 25,217 Crs. vs. 2016 : Rs. 12,963 Crs. ) respectively .

### **Objective**

The study is directed towards understanding and analysing the NPA of State Bank of India as a public sector bank and ICICI Bank as a private sector bank and attempt in suggesting remedies to overcome the problem as well as avoid its recurrence.

### **Literature Review**

**Sharma M , Chaudhary K (2011)**<sup>1</sup>-studied the performance and managing of NPAs by private and public sector banks by sampling few banks from the industry falling under the two categories of banks . Study depicted performance of sample banks for each sectors and provided recommendations for improving and managing NPAs.

**Prasad B GV , Veena D (2011)**<sup>2</sup> – this paper examines how an account turns into NPA and suggested some measures to manage such NPA . It examined the reason behind falling revenue from traditional sources which is 78% of total NPAs accounted in public sector banks.

**Gupta S , Kumar S ( 2004 )**<sup>3</sup> – concluded that redeeming features of banking reforms is the continuous downfall in NPAs as a proportion of total assets in the banking sector . NPAs need proper and adequate resolution else may disrupt the economical and financial backbone of the country .

**Banerjee,B , Dan A.K (2006)**<sup>4</sup> – examined and concluded that NPAs are one of the most crucial problems faced by bank which require attention and improvement of management which is increasing at a rapid pace due to the fact that government has got to bail out banks with monetary fund provisions sporadically and ultimately with taxpayers money , cash borrowed for investment is not utilized properly hence affects the creation of quality assets thus, making economic growth vulnerable . Many strategic remedies has been suggested to combat the negativity of NPAs .

**Swarup (2011)**<sup>5</sup> – examined the fact as how corporate governance has at its backbone a set of transparent relationships between an institution's management, its board, shareholders and other stakeholders. It also deliberates on the nature and purpose of corporate governance with special emphasis on the problems of banks in the field of corporate governance.

**Samir , Kamra D (2013)**<sup>6</sup> - compared the NPAs in selected commercial banks namely State Bank of India, Punjab National Bank and Central Bank of India. They highlighted that the incidence of NPAs is affecting the performance of credit institutions both financially and psychologically.

**Khanna P (2012)**<sup>7</sup> - examined the trends in the NPAs of commercial banks in India in different sectors. The author concluded that utmost care must be taken by the branch managers before sanctioning the loans to the clients and specially in case of lending to priority sector.

**Kumar M , Singh G (2012)**<sup>8</sup> - opined that NPA is a double-edged weapon. On the one side bank cannot recognize interest on NPAs accounts and on the other, it is a drain of the banks' profitability

due to high funding cost. According to them the problem of NPAs in India has not yet reached in the critical stage that has reached in most countries.

**Research Gap :** Review of various related literature available in the domain, the researcher concluded that most of the studies are based on analysing financial performance and NPAs of banks as well as bringing about a correlation with external factors like market conditions, inflation, provision for losses etc. This study deeply analyses the financial performance, NPAs of SBI and ICICI along with in-depth analysis of the status of corporate governance in these banks and share some remedial suggestions for the research problem.

**Sampling:** The study is based on Corporate Governance of 2 stalwart banks in the industry viz. State Bank Of India (SBI) and ICICI Bank Ltd. (ICICI) with emphasis on the status of NPAs and remedial measures adopted therein.

**State Bank of India (SBI)** is an Indian public sector government-owned owned with its headquarters in Mumbai. SBI will enter the league of top 50 global banks with a balance sheet size of Rs. 33 trillion, 278,000 employees, 420 million customers, and more than 24,000 branches and 59,000 ATMs. SBI's market share will increase to 22 percent from 17 per cent. It has 198 offices in 37 countries; 301 correspondents in 72 countries.

**ICICI Bank Ltd. (ICICI)** is an Indian multinational banking and financial services company headquartered in Mumbai with its registered office in Vadodara. In 2017, it is the second largest bank in India in terms of assets. The bank has a vast network of 4,850 branches and 14,404 ATMs in India, and has a presence in 19 countries including India.

**Period :** The paper is based on in-depth study of various related literatures available on internet and references and inferences drawn from annual reports of SBI and ICICI for 5 years viz. March 2013 till March 2017.

**Hypothesis :** Hypothesis of the study are as follows:

➤ *Hypothesis No. 1 : Relationship between NPA and Net profit*

- $H^1_{0-SBI}$  : There is no significant relationship between NPA and Net profit of SBI
- $H^1_{A-SBI}$  : There is a significant relationship between NPA and Net profit of SBI
- $H^1_{0-ICICI}$  : There is no significant relationship between NPA and Net profit of ICICI
- $H^1_{A-ICICI}$  : There is a significant relationship between NPA and Net profit of ICICI

➤ *Hypothesis No. 2 : Relationship between NPA and Corporate Governance (CG)*

- $H^2_{0-SBI}$  : There is no significant relationship between NPA and CG of SBI
- $H^2_{A-SBI}$  : There is a significant relationship between NPA and CG of SBI
- $H^2_{0-ICICI}$  : There is no significant relationship between NPA and CG of ICICI
- $H^2_{A-ICICI}$  : There is a significant relationship between NPA and CG of ICICI

0 = Null Hypothesis

A = Alternative Hypothesis

**Analytical Procedure ~Findings & Commentaries**

***Hypothesis No. 1 : Relationship between NPA and Net profit***

**SBI:** ( $H^1_{0-SBI}$  Or,  $H^1_{A-SBI}$ ) ; **ICICI:** ( $H^1_{0-ICICI}$  Or,  $H^1_{A-ICICI}$ )

Key metrics summary w.r.t Net Profit and NPAs for 5 years tabulated below:

Key Metrics		Mar-17	Mar-16	Mar-15	Mar-14	Mar-13	Mar-12	CAGR : Mar-13 to Mar-17
<b>SBI</b>	Total Income (Rs./Cr.)	2,10,979	1,91,844	1,74,973	1,54,904	1,35,692		12%
	Total Expenditure (Rs./Cr.)	2,00,495	1,81,893	1,61,871	1,44,013	1,21,587		13%
	Net Profit / Loss for The Year (Rs./Cr.)	10,484	9,951	13,102	10,891	14,105	11,707	-7%
	Gross NPA (Rs./Cr.)	1,12,343	98,173	56,725	61,605	51,189	39,676	22%
	Net NPA (Rs./Cr.)	58,277	55,807	0	0	21,956	15,819	28%
	Advances	15,71,078	14,63,700	13,00,026	12,09,829	10,45,617	8,67,579	11%
	Net Profit / Loss for The Year (Rs./Cr.) (+/-)	533	-3,151	2,210	-3,214	2,398		
	Gross NPA (Rs./Cr.) (+/-)	14,170	41,448	-4,880	10,416	11,513		
	Net NPA (Rs./Cr.) (+/-)	2,470	0	0	0	6,137		
	Net Profit / Loss for The Year (+/-) (%)	5.36	-24.05	20.30	-22.78	20.48		
	Net Profit / Loss for The Year to Total Income	4.97	5.19	7.49	7.03	10.39		-17%
	Gross NPA (+/-) (%)	14.43	73.07	-7.92	20.35	29.02		-16%
	Net NPA (+/-) (%)	4.43	0.00	0.00	0.00	38.80		-42%
	Net NPA To Advances (%)	4.00	4.00	2.00	3.00	2.00	2.00	19%
<b>ICICI</b>	Total Income (Rs./Cr.)	73,661	68,062	61,267	54,606	48,421		11%
	Total Expenditure (Rs./Cr.)	63,860	58,336	50,092	44,796	40,096		12%
	Net Profit / Loss for The Year (Rs./Cr.)	9,801	9,726	11,175	9,810	8,325	6,465	4%
	Gross NPA (Rs./Cr.)	42,159	26,221	15,095	10,506	9,608	9,475	45%
	Net NPA (Rs./Cr.)	25,217	12,963	6,256	3,298	2,231	1,861	83%
	Advances	4,64,232	4,35,264	3,87,522	3,38,703	2,90,249	2,53,738	12%
	Net Profit / Loss for The Year (Rs./Cr.) (+/-)	75	-1,449	1,365	1,485	1,860		
	Gross NPA (Rs./Cr.) (+/-)	15,938	11,127	4,589	898	133		
	Net NPA (Rs./Cr.) (+/-)	12,254	0	2,958	0	370		
	Net Profit / Loss for The Year (+/-) (%)	0.77	-12.97	13.91	17.84	28.78		
	Net Profit / Loss for The Year to Total Income	13.31	14.29	18.24	17.97	17.19		-6%
	Gross NPA (+/-) (%)	60.78	73.71	43.68	9.35	1.40		157%
	Net NPA (+/-) (%)	94.53	0.00	0.00	0.00	19.86		48%
	Net NPA To Advances (%)	5.00	3.00	2.00	1.00	1.00	1.00	50%

### Findings & Commentaries

Between Mar-13 and Mar-17,

- **CAGR of total income vs. total expenditure**

- ✓ **SBI** : CAGR of total income (+) 12% ( Rs. 135692 Crs. in Mar-13 vs. Rs. 210979 Crs. in Mar-17 ) vs. total expenditure is (+) 13% ( Rs. 121587 Crs. in Mar-13 vs. Rs. 200495 Crs. in Mar-17 )
- ✓ **ICICI** :CAGR of total income is (+) 11% ( Rs. 48421 Crs. in Mar-13 vs. Rs. 73661 Crs. in Mar-17 ) vs. total expenditure is (+) 12% ( Rs. 40096 Crs. in Mar-13 vs. Rs. 63860 Crs. in Mar-17 )

- **Ratio between Net Profit / Loss & Total Income**

- ✓ **SBI** : Annual net profit of a financial year over preceding financial has declined from Rs. 2398 Crs. in Mar-13 to Rs. 533 Crs. in Mar-17 with loss incurrence in Mar-14 for (-) Rs. 3214 Crs. and Mar-16 (-) Rs. 3151 Crs. respectively . It is also indicated that , ratio between net profit to total income has declined from (+) 10.39% in Mar-13 to (+) 4.97%, registering a CAGR of (-) 17% .
- ✓ **ICICI** : Annual net profit of a financial year over preceding financial has declined from Rs. 1860 Crs. in Mar-13 to Rs. 75 Crs. in Mar-17 with loss incurrence in Mar-16 for (-) Rs. 1449 Crs. . It is also indicated that , ratio between net profit to total income has declined from (+) 17.19 % in Mar-13 to (+) 13.31 % , registering a CAGR of (-) 6% .

- **Net Profit vs. NPA**

- ✓ **SBI** :Net Profit/Loss has declined at a CAGR of (-) 7% ( Rs. 14105 Crs. in Mar-13 vs. Rs. 10484 Crs. in Mar-17 ) however, CAGR of Gross NPA is (+) 22% (Rs. 51189 Crs. in Mar-13 vs. Rs. 112343 Crs. in Mar-17) and of Net NPA is (+) 28% (Rs. 21956 Crs. in Mar-13 vs. Rs. 58277 Crs. in Mar17)
- ✓ **ICICI** : Net Profit/Loss has grown at a CAGR of (+) 4% ( Rs. 96089 Crs. in Mar-13 vs. Rs. 9801 Crs. in Mar-17 ) however, CAGR of Gross NPA is (+) 45% (Rs. 9608 Crs. in Mar-13 vs. Rs. 42159 Crs. in Mar-17) and of Net NPA is (+) 83% (Rs. 2231 Crs. in Mar-13 vs. Rs. 25217 Crs. in Mar17)

- **Ratio between Advance & NPA**

- ✓ **SBI** : Ratio between NPA to Advance has increased at a CAGR of (+) 19% ( 2% in Mar-13 vs. 4% in Mar-17 ) with a CAGR increase in Advances by (+) 11% ( Rs,1045617 Crs. in Mar-13 vs. Rs.1571078 Crs. in Mar-17 )

- ✓ **ICICI** : Ratio between NPA to Advance has increased at a CAGR of (+) 50% ( 1% in Mar-13 vs. 5% in Mar-17 ) with a CAGR increase in Advances by (+) 12% ( Rs.290249 Crs. in Mar-13 vs. Rs.464232 Crs. in Mar-17 )

**Hypothesis No. 2 :Relationship between NPA and Corporate Governance (CG)**

Hypothesis 2 of the study aims at understanding the gravity of corporate governance in both the banks by above mentioned 8 key board / committees based on following four parameters only related with corporate governance i.e. (i) No. of Meetings held by the board / committees, (ii) No. of Members in the board / committees and (iii) No. of Independent Directors/ Whole Time Directors in the committee for sample period. Results (average of 5 yrs.) w.r.t above three parameters noted from annual reports of the two banks as tabulated below:

Parameters considered for examining Corporate Governance of SBI & ICICI	Banks	Board of Directors	Audit Committee	Remuneration Committee	Customer Service Committee	Fraud Monitoring Committee	Information Technology Strategy	Enterprise Risk Management	Investor's Grievance Committee
Average - No. of Independent Directors / Ex-Officio Directors in the committee	ICICI	9	3	3	2	4	2	4	2
Average - No. of Independent Directors / Ex-Officio Directors in the committee	SBI	4	2	2	2	1	2	2	2
Average - No. of Meetings held	ICICI	7	7	6	6	6	4	7	4
Average - No. of Meetings held	SBI	12	11	2	4	4	5	4	4
Average - No. of Members	ICICI	12	4	3	4	6	4	6	3
Average - No. of Members	SBI	14	8	4	7	8	6	8	6

- 1. Board of Directors:** ICICI Bank has a Board which was constituted as per the Banking Regulation Act - 1949 , Companies Act -1956 and listing agreements of stock exchanges in line with good governance practices . Board mostly functions through 10 board committees. All the committees have Independent Directors except Executive Director’s Committee. SBI was formed in 1955 by an act of Parliament called The State Bank of India Act , 1955. A Board was formed in 1955 according to the Act. And carries out its functions in compliance with the provisions of SBI Act & Regulations 1955. *On an average of 5 sample years , ICICI has no. of independent directors ( 9 nos. ) vs. SBI ( 4 nos. ). ICICI has held 7 meetings vs. SBI held 12 meetings. Also, ICICI has 12 members vs. SBI 14 members on the board .*
- 2. Audit Committee:** Audit Committee of ICICI Bank was constituted by the Board of Directors at its Meeting held on May 5, 1997 and comprises three non-executive Directors. The Committee is chaired by an independent Director .SBI formed its Audit Committee of the Board (ACB) on 27th July 1994 and re-constituted on the 31st January 2014. The ACB functions as per RBI guidelines and complies with the provisions of Clause 49 of the Listing Agreement to the extent that they do not violate the directives/guidelines issued by RBI. *On an average of 5 sample years, ICICI has no. of independent directors ( 9 nos. ) vs. SBI ( 4 nos. ). ICICI has held 7 meetings vs. SBI held 11 meetings . Also , ICICI has 4 members vs. SBI 8 members in audit committee .*
- 3. Remuneration Committee:** ICICI has a Remuneration Committee containing three members from the board. Functions of the Committee include recommending appointments of Directors to the Board, identifying persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down and recommending to the Board

their appointment and removal, formulate a criteria for the evaluation of the performance of the Whole-time , independent Directors and the Board and to extend or continue the term of appointment of independent Director on the basis of the report of performance evaluation of independent Directors, recommending to the Board a policy relating to the remuneration for the Directors, key managerial personnel and other employees . *On an average of 5 sample years, ICICI has no. of independent directors ( 3 nos. ) vs. SBI ( 2 nos. ).ICICI has held 6 meetings vs. SBI held 2 meetings . Also , ICICI has 3 members vs. SBI 4 members in remuneration committee .*

4. **Customer Service Committee:** Customer Service Committee aims at review of service initiatives for the customers , oversee the functioning of Customer Service Council and evolve innovative ideas and measures for quality enhancement of customer services thereby increase customer satisfaction . In SBI , the Customer Service Committee of the Board (CSCB) was constituted on the 26th August 2004, to bring about ongoing improvements on a continuous basis in the quality of customer service provided by the Bank. The Committee was last reconstituted on the 1<sup>st</sup> July 2011. The Senior Managing Director on the Committee is the Chairman.*On an average of 5 sample years, ICICI has no. of independent directors ( 2 nos. ) vs. SBI ( 2 nos. ).ICICI has held 6 meetings vs. SBI held 4 meetings . Also , ICICI has 4 members vs. SBI 7 members in remuneration committee .*
5. **Fraud Monitoring Committee:**Vide Circular no. RBI/2004.15/DBS/FGV(F) / 1004/23.04.01A/2003-04 dated 14<sup>th</sup>. January , 2004 , the Reserve Bank of India (RBI) has instructed all banks to form a Special Committee constituting five members from the Board of Directors for monitoring and reviewing large value fraud by the Board of Directors, valuing Rs. 1 Cr. and above exclusively, while Audit Committee may continue to monitor all the cases of frauds in general. Report of the committee is submitted to top management of the respective bank as well as to RBI. *On an average of 5 sample years, ICICI has no. of independent directors ( 4 nos. ) vs. SBI ( 1 nos. ).ICICI has held 6 meetings vs. SBI held 4 meetings . Also , ICICI has 6 members vs. SBI 8 members in remuneration committee .*
6. **Information Technology (IT) Strategy Committee:**Board of ICICI at its meeting on 15<sup>th</sup>. September , 2011 constituted Information Technology Strategy Committee effective 31<sup>st</sup>. October , 2011 which is authorised to review and approve IT strategy and policy documents to ensure that IT strategies are aligned with business requirements . Board of SBI Board constituted Information Technology Strategy Committee on 26<sup>th</sup> August , 2004. *On an average of 5 sample years, ICICI has no. of independent directors ( 2 nos. ) vs. SBI ( 2 nos. ).ICICI has held 4 meetings vs. SBI held 5 meetings . Also , ICICI has 4 members vs. SBI 6 members in remuneration committee .*
7. **Enterprise Risk Committee:**Risk Committee of ICICI Bank's board of directors reviews risk management policies in relation to various risks including portfolio, liquidity, interest rate, off-balance sheet and operational risks, investment policies and strategy, and regulatory and compliance issues in relation thereto. In SBI , An independent Risk Governance structure is in place for Integrated Risk Management covering Credit, Market, Operational and Group Risks. This framework visualises empowerment of Business Units at the operating level, with technology being the key driver, enabling identification and management of risk at the place of origination. The Business Intelligence Department in the Bank constantly assesses, upgrades and fine tunes the growing information requirements of various user departments and business units.*On an average of 5 sample years, ICICI has no. of independent directors( 4 nos. ) vs. SBI ( 2 nos. ).ICICI has held 7 meetings vs. SBI held 4 meetings . Also , ICICI has 6 members vs. SBI 8 members in remuneration committee .*

**8. Investor's Grievance Committee:** ICICI Bank disseminates information on its operations and initiatives on a regular basis. The ICICI Bank website serves as a key investor awareness facility, allowing stakeholders to access information on ICICI Bank at their convenience. ICICI Bank's dedicated investor relations personnel play a proactive role in disseminating information to both analysts and investors and respond to specific queries. The Shareholders' Grievance Committee comprised four Directors including three non-whole-time Directors. In case of SBI, w.r.t. Clause 49 of the Listing Agreement with the Stock Exchanges, Shareholders'/Investors' Grievance Committee of the Board (SIGCB) was formed on the 30th January 2001, to look into the redressal of Shareholders' and Investors' complaints regarding transfer of shares, non-receipt of annual report, non-receipt of interest on bonds/declared dividends, etc. The Committee was last reconstituted on the 31st January 2014 and has, six members and is chaired by a Non-Executive Director. *On an average of 5 sample years, ICICI has no. of independent directors ( 2 nos. ) vs. SBI ( 2 nos. ). ICICI has held 4 meetings vs. SBI held 4 meetings . Also , ICICI has 3 members vs. SBI 6 members in remuneration committee .*

Both the banks have strong board practices duly supported by key board committees containing requisite members and independent directors who meet duly to discuss business matters and affairs for which they are responsible. Moreover, the study also examined the overall health of governance in both the banks as presented below,

**SBI** is committed to the best practices in the area of Corporate Governance, in letter and in spirit. The Bank has complied with the provisions of Corporate Governance as per SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 with the Stock Exchanges except where the provisions of these regulations are not in conformity with The State Bank of India Act, 1955 and the directives issued by RBI/GOI. The Whistle Blower Policy of the Bank is based on the norms of Government of India resolution on Public Interest Disclosure & Protection of Informer (PIDPI). PIDPI complaint as applicable to customers are dealt with in line with Government of India guidelines 2004, which designated Central Vigilance Commission for dealing with complaints. The Bank has complied with the Corporate Governance requirements specified in Regulation 17 to 27 and clauses (b) to (i) of Regulation 46(2) and para C, D and E of Schedule V to the extent that the requirements of the Clause do not violate the provisions of State Bank of India act 1955, the rules and regulations made there under and guidelines or directives issued by the Reserve Bank of India. All Group entities adhere to good Corporate Governance practices and have a good disclosure practices. All Intra-Group transactions within the State Bank Group have been effected on Arm's Length basis, both as to their commercial terms and as to matters such as provision of security. No Group entity has made use of SBI symbol in a manner that may indicate to public that common marketing, branding implies implicit support of SBI to the Group entity. All covenants of the Group Risk Management Policy have meticulously been complied with by the Group entities. In accordance with SEBI guidelines, the bank is issuing Annual Report in electronic form to those shareholders whose e-mail addresses are available. The composition of the Board complies with provisions laid down in Regulation 17(1) of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015. There is no inter-se relationship between Directors. In terms of the provisions of SBI Act and General Regulations, 1955 and Govt./RBI/SEBI guidelines, the Central Board has constituted ten Board Level Committees. The Audit Committee functions as per RBI guidelines and complies with the provisions of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 to the extent that they do not violate the directives/guidelines issued by RBI.

**ICICI Bank** has obtained a certificate from the statutory auditors regarding compliance of conditions of Corporate Governance as stipulated in Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. Moreover, in line with the 'Green Initiative' since



the last five years, the Bank has effected electronic delivery of Notice of Annual General Meeting and Annual Report to those Members whose e-mail IDs were registered with the respective Depository Participants and downloaded from the depositories viz. National Securities Depository Limited/Central Depository Services (India) Limited. The Companies Act, 2013 and the underlying rules as well as Regulation 36 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, permit the dissemination of financial statements and annual report in electronic mode to the Members. The Bank has an Anti Bribery & Anti Corruption Policy, Group Code of Business Conduct and Ethics and Whistle Blower Policy. The Anti-Bribery & Anti-Corruption Policy broadly conforms to the requirements of anti-bribery statutes and the regulatory guidance issued in relation to the same.. The corporate governance framework adopted by the Bank already encompasses significant portion of the recommendations contained in the ‘Corporate Governance Voluntary Guidelines 2009’ issued by the Ministry of Corporate Affairs, Government of India. Bank has in place a Whistle Blower Policy In compliance with the requirements of Vigil mechanism as stipulated under Section 177 of the Companies Act, 2013. It also has in place Code of Conduct as prescribed under Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 , Group Code of Business Conduct and Ethics , Familiarisation Programme for independent Directors, CEO/CFO Certification In terms of Securities and Exchange Board , a broad-based Board of Directors, constituted in compliance with the Banking Regulation Act, 1949, the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in accordance with good corporate governance practices.

**Conclusion:** Both the banks have a reasonably adequate and sound mechanism of corporate governance as reflected in their annual reports. **Ratio of total income to total expenditure** for both the banks during the sample period are nearly similar ( *SBI : CAGR of total income (+) 12% vs. total expenditure is (+) 13% whereas, ICICI : CAGR of total income is (+) 11% vs. total expenditure is (+) 12% between Mar-13 and Mar-17* ) , though **ratio of net profit to total income** has declined between Mar-13 and Mar-17 for both the banks on a year on year basis ( *SBI : declined from Rs. 2398 Crs. in Mar-13 to Rs. 533 Crs. in Mar-17 - ratio between net profit to total income declined from (+) 10.39% in Mar-13 to (+) 4.97% in Mar-17, registering a CAGR of (-) 17% whereas, ICICI: declined from Rs. 1860 Crs. in Mar-13 to Rs. 75 Crs. in Mar-17 - ratio between net profit to total income declined from (+) 17.19 % in Mar-13 to (+) 13.31 % , registering a CAGR of (-) 6%.*). On the other hand, **CAGR of Gross and Net NPAs** has increased at 22% and 28% for SBI and 45% and 83% for ICICI respectively between Mar-13 and Mar-17 Also, **ratio of Net NPA to Advance** has increased by 19% and 50% with an increase in advances by 11% and 12% respectively for SBI and ICICI banks between Mar-13 and Mar-17. It is indicative that , prevailing environment of corporate governance in the banks hasn’t been able to favourably influence the NPA scenario in both the banks . Banks need to bring in more of financial governance in addition to compliance related governance which will aid in reducing accumulating NPAs progressively.

#### **Recommendations**

- i) Precise and stringent Credit Appraisal Policy should be formulated by the bank for an effective credit control mechanism based on in-depth root cause analysis of NPAs which got generated and the policy should be implemented along with continuous monitoring of adherence ,
- ii) Realistic , economic and functioning capabilities and deliveries of the project should be clearly analysed and evaluated before sanctioning loan to the borrower ,
- iii) Stressed loan should be detected much earlier by banks to increase recovery momentum of the same in order to avoid deterioration of asset quality ,

- iv) Fund diversion by the borrowers without paying off the loan should be closely monitored by the banks ,
- v) Banks may attempt in resorting to Compromise Settlement or One Time Settlement. Lok Adalat and DRT are other ways for the recovery of dues ,
- vi) Issue of NPA should be addressed more at a preventive stage than allowing it to move to a state where it is required to take curative measures ,
- vii) Borrowers should be advised to restructure the stressed loan in order to arrive at a loan repaying situation ( however, Asset Restructuring Companies are not finding it feasible to purchase the loan due to the pricing factor of the loan not being correctly determined and agreed ) ,
- viii) RBI has taken number of measures to reduce the level of NPA however, the result is much behind expectations. Inspecting officials of RBI must be sophisticated and knowledgeable enough to ferret out such stressed loans much before it becomes actually stressed ,
- ix) It was revealed about a couple of years back that senior bank management is much responsible for the NPA mess as is the strategic behaviour of the borrowers. NPA situation is far more gloomy and grimy than what the banks have revealed in their accounting reports . Bank Boards and Committees is required to be far more alert and responsible for such egregious accounting manipulation through distorted incentivisation of senior bank management by the large borrowers.

#### **Limitations of the study**

- i) Only two stalwart banks from private and public sectors have been chosen for the study – other banks in the sector of banks and financial institutions may provide more insight in the current aspect of study.
- ii) Four parameters have been considered for assessing corporate governance however , it is a vast domain of study which is not restricted to only these four parameters - there can be many more parameters of corporate governance which can effect bank's NPAs.
- iii) Primary data collection based on a well-articulated questionnaire and responses therein received from adequately experienced and knowledgeable respondents about the current study may provide more clarity on the research conclusion.

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## A STUDY OF SHARE HOLDERS' VALUE CREATION OF SELECTED PRIVATE SECTOR BANKS IN INDIA USING CONTEMPORARY TOOLS

**Hardik B. Bhadeshiya**, M.Com (Marketing), MBA (Finance), M.A. (Economics)  
UGC-NET (Commerce), UGC-NET (Management), SLET (Commerce)  
Ph. D (Pursuing) RAJKOT

### Abstract

In current arena the decision of investor is very wise to invest their hard earned money. When Government securities and instruments of money market are providing mere return on the investment of investors, the share market is only a source through investors can maximize their wealth (but subject to market risk as if we always read as the precaution mark). While doing the investment in stock market one can do two types of analysis i.e. fundamental analysis and technical analysis. The current research paper is related more with fundamental analysis, where the researcher has made an attempt to analyse the real value of the company by applying contemporary tools. In contemporary tools researcher has selected Economic Value Added (EVA) and Market Value Added (MVA) and in traditional tool Dividend paid is adapted. The calculation of EVA and MVA is done with the formulas given by stern steward & co. and further more to establish the relationship in between of EVA, MVA and Dividend paid the statistical tools like ANOVA and T-Test is applied. In addition to analyse the relationship in between of EVA, MVA and Dividend paid by the companies selected under study correlation analysis technique is also used.

**Keywords:** HDFC, ICICI, AXIS, Kotak Mahindra, EVA, MVA, Dividend Paid.

**Introduction:** Creating shareholder value is the key to success in today's marketplace. There is increasing pressure on corporate executives to measure, manage and report the creation of shareholder value on a regular basis. In the emerging field of shareholder value analysis, various measures have been developed that claim to quantify the creation of shareholder's value and wealth.

More than ever, corporate executives are under increasing pressure to demonstrate on a regular basis that they are creating shareholder value. This pressure has led to an emergence of a variety of measures that claim to quantify value-creating performance. Creating value for shareholders is now a widely accepted corporate objective. The interest in value creation has been stimulated by several developments.

**Banking: An Industry:** After Demonetization and Digital India move of government importance of Banking sector has been enhanced. However the statistical figures of NPA is a matter of worry for the RBI and in order to make it correct RBI is working out. But, from the perspective of shareholder's wealth creation banking industry has been registered remarkable growth in past decades and created opportunities for investors for wealth creation. As the Indian economy does well economic growth in recent times, banking sector has got the highest benefit of it due to increasing requirement of credit and make over of RBI policy. The stocks like HDFC and State Bank of India has increased the wealth of investors by 24% and 21 % on compound basis, respectively. On the contrary if we see the dark side of the coin of banking sector than increasing level of NPA has created has put the investor's capital on risk.

### Review of Literature

Various articles dealing with the theory and applications of EVA have been published over the years, but the concept is still under development.

**Stewart (1991)** examined the relationship between EVA and MVA of US companies and found a stronger correlation between EVA and MVA.

**Kramer and Pushner (1997)** studied the strength of relationship between EVA and MVA. They found that MVA and NOPAT were positive on average but the average EVA over the period was negative.

**Fernandez (2001)** examined the correlation between EVA and MVA of 582 American companies for the period 1983-97. It was shown that for 296 firms in the sample the changes in the NOPAT had

higher correlation with changes in MVA than the EVA, while for 210 sample firms the correlation between EVA and MVA was negative.

**Worthington and West (2001)** reviewed the literature on EVA and provided a synoptic survey of EVA's conceptual underpinnings. They concluded that empirical evidences concerning EVA have been mixed.

**Wet (2005)** conducted a study on EVA–MVA relationship of 89 Industrial firms of South Africa and found that EVA did not show the strongest correlation with MVA.

**Ghanbari and More (2007)** analyzed the relationship between EVA and MVA of automobile industry in India and results indicate that there are strong evidences to support Stern- Stewart's claim.

**Pal and Sura (2007)** reviewed 25 empirical studies published in various journals related to relationship of EVA and stock returns. They have only reviewed the results of the studies and have not considered other issues prevalent in EVA research such as EVA-MVA relationship.

### **Research Methodology**

The study is carried out to do quantitative and qualitative analysis of selected private banks of India. For this purpose descriptive and diagnostic research design has been adopted and it is based on the secondary data.

### **Objectives of the study**

- To analyze EVA of Selected Private Sector Banks in India
- To analyze MVA of Selected Private Sector Banks in India
- To analyze Dividend Paid of Selected Private Sector Banks in India
- To analyze a relationship between EVA, MVA & Dividend paid of selected private sectors banks in India

### **Hypothesis of the study**

A study would be consisting of the following hypothesis and to carry out a further analysis suitable test will be applied on the same.

### **Null Hypothesis**

- There is no significant difference in the EVA among the companies of the Industry under study.
- There is no significant difference in the MVA among the companies of the Industry under study.
- There is no significant difference in the dividend paid among the companies of the Industry under study.

### **Alternate Hypothesis**

- There is a significant difference in the EVA among the companies of the Industry under study.
- There is a significant difference in the MVA among the companies of the Industry under study.
- There is a significant difference in the dividend paid among the companies of the Industry under study.

**Scope of the study:** The study will define a relationship between EVA, MVA and Dividend Paid policy. EVA & MVA will be representing as modern tools of performance measurement, whereas Dividend paid will become a representative of traditional tools of performance measurement.

**Sample selection procedure:** The samples are drawn from the population on the basis of its average market capitalization of last four years. While analyzing the facts HDFC Bank, ICICI Bank, AXIS Bank and Kotak Mahindra having highest market capitalization in last four years i.e. from 2014 to 2017 and due to that it is drawn as samples.

**Data Collection Method:** In this study secondary data collection method is applied and data is collected through various resources like [www.moneycontrol.com](http://www.moneycontrol.com) & annual report of the companies.

### Contemporary Tools to Measure the Shareholders' value creation

The shareholder value creation approach helps to strengthen the competitive position of the firm by focusing on wealth creation. It provides an objective and consistent framework of evaluation and decision-making across all functions, departments and units of the firm.

### Economic Value Added (EVA)

The concept of Economic Value Added (EVA) is a revolutionary way to measure the value of a business. In its simplest form, EVA is a system that determines companies' worth and performance based on their economic reality, not numbers produced according to traditional accounting rules. It is calculated as,

$$EVA^i = \text{Net Operating Profit after Tax (NOPAT)} - \text{Capital Charge}$$

Where, Capital Charge = Weightage average Cost of Capital (WACC) \* Capital Employed

**Table 1: Economic Value Added**

( ₹ In Crores)

Year	2017	2016	2015	2014
<b>HDFC</b>	8522.98	5436.01	4927.14	2516.85
<b>ICICI</b>	2417.97	-4683.97	-2372.64	-3329.69
<b>AXIS</b>	-4903.51	565.15	1626.59	879.97
<b>KOTAK MAHINDRA</b>	881.86	-1226.77	-233.28	-647.70
<b>AVG</b>	1729.82	22.61	986.95	-145.14
<b>STD DEV</b>	5517.87	4215.53	3093.54	2485.35
<b>CV</b>	318.98	18646.76	313.44	-1712.39
<b>MAX</b>	8522.98	5436.01	4927.14	2516.85
<b>MIN</b>	-4903.51	-4683.97	-2372.64	-3329.69

### Net Operating Profit After Tax (NOPAT)

Net Operating Profit after Tax is calculated by following way.

$$NOPAT^{ii} = \text{Profit after Tax as per P \& L account (+) Interest on Long term borrowing adjusted for tax}$$

**Table 2: Net Operating Profit After Tax**

( ₹ In Crores)

Year	2017	2016	2015	2014
<b>HDFC</b>	14,549.64	12,296.21	10,215.92	8,478.38
<b>ICICI</b>	9,801.09	9,726.29	11,175.35	9,810.48
<b>AXIS</b>	3,967.03	8,357.58	7,448.48	6,309.17
<b>KOTAK MAHINDRA</b>	4,949.08	3,431.12	3,065.08	2,511.54

### 1. Weighted Average Cost of Capital (WACC)

Weighted Average Cost of Capital is calculated by following formula.

$$WACC^{ii} = (\text{Equity Capital} * \text{Cost of Equity} / \text{Capital Employed}) + (\text{Preference Capital} * \text{Cost of Preference} / \text{Capital Employed}) + (\text{Long Term Borrowing} * \text{Cost of Debt} / \text{Capital Employed})$$

**Table 3: Weightage Average Cost of Capital (WACC)**

Year	2017	2016	2015	2014
HDFC	3.17%	4.70%	4.31%	6.36%
ICICI	2.52%	4.58%	4.58%	5.05%
AXIS	5.25%	4.93%	4.50%	5.96%
KOTAK MAHINDRA	4.61%	6.04%	6.16%	6.57%

**(a) Cost of Equity**

Cost of Equity can be calculated by following formula.

$$\text{Cost of Equity (K}_e\text{)}^{\text{ii}} = R_f + \beta (R_m - R_f)$$

Risk Free Rate of Return ( $R_f$ ) is that Percentage of return which any individual can get on his investment in government securities.

Market Rate of Return ( $R_m$ ) is calculated by following formula.

$$R_m = \text{Sum of change in nifty} / \text{Number of months.}$$

Beta is calculated by following formula.

$$\beta = \frac{(\text{Number of months} * \text{Total of xy}) - (\text{Total of x} * \text{Total of y})}{(\text{Number of months} * \text{total of } x^2) - (\text{Total of } x)^2}$$

Where, X = Deviation in nifty Y = Deviation in selected script

**Table 4: Cost of Equity**

Year	2017	2016	2015	2014
HDFC	1.97%	5.15%	4.81%	6.28%
ICICI	1.73%	5.83%	5.60%	5.44%
AXIS	4.52%	4.85%	4.58%	6.61%
KOTAK MAHINDRA	2.85%	4.53%	4.70%	4.13%

**(b) Cost of Debt**

Cost of Debt can be calculated by following formula.

$$K_d = \text{Interest on Long Term Borrowing} * (1 - \text{Tax Rate}) * 100 / \text{Long Term Borrowing}$$

**Table : 5 Cost of Debt**

Year	2017	2016	2015	2014
HDFC	4.28%	4.23%	3.79%	6.43%
ICICI	4.88%	4.05%	4.17%	4.89%
AXIS	5.62%	4.97%	4.46%	5.48%
KOTAK MAHINDRA	5.98%	7.20%	7.18%	8.18%

**Market Value Added (MVA)**

Stewart (1991) defines MVA as the excess of market value of capital (both debt and equity) over the bookvalue of capital. If the MVA is positive, the company has created wealth for its shareholders. According to Stern and Shiely (2001), to determine the market value, equity is taken at the market price on the date the calculation is made, and debt at book value. The total investment in the company since day one is then calculated as interest-bearing debt and equity, including retained earnings. Present market value is then compared with total investment. If the former amount is greater than the former, the company has created wealth.

$$\text{MVA}_i = \text{Market Capitalization} - \text{Net Worth}$$

**Table : 6 Market Capitalization**

(` In crores)

Year	2017	2016	2015	2014
<b>HDFC</b>	369661	270808	257192	179641
<b>ICICI</b>	146617	125122	166307	130733
<b>AXIS</b>	117549	105834	132795	68620
<b>KOTAK MAHINDRA</b>	160563	124857	50715	30083

**Table : 7 Net Worth**

(` In crores)

Year	2017	2016	2015	2014
<b>HDFC</b>	91,793.95	74,304.13	63,154.07	44,166.63
<b>ICICI</b>	104,625.74	94,104.02	84,697.10	76,423.27
<b>AXIS</b>	56380.35	53558.76	44949.59	38396.04
<b>KOTAK MAHINDRA</b>	38,490.84	33,360.64	22,153.32	19,076.01

**Table : 8 Market Value Added (MVA)**

(` In Crores)

Year	2017	2016	2015	2014
HDFC	277,866.70	196,504.01	194,037.90	135,474.23
ICICI	41,991.70	31,018.18	81,609.74	54,309.93
AXIS	61,168.70	52,275.52	87,845.82	30,224.09
KOTAK MAHINDRA	122,072.46	91,496.43	28,562.15	11,007.30
<b>AVG</b>	125,774.89	92,823.54	98,013.90	57,753.89
<b>STD DEV</b>	106987.8631	73519.71686	69322.04758	54758.398
<b>CV</b>	85.06297409	79.2037444	70.72674973	94.81335214
<b>MAX</b>	277,866.70	196,504.01	194,037.90	135,474.23
<b>MIN</b>	41,991.70	31,018.18	28,562.15	11,007.30

**Dividend**

Dividend is part of profits of a company which is distributed by the company among its shareholders. Dividend paid represents a cash outflow which depletes the cash resources. It is the reward of the shareholders for investments made by them in the shares of the company. The investors are interested in earning the maximum return on their investment and to maximization their wealth.

**Table : 9 Dividend Paid**

(` In Crores)

Year	2017	2016	2015	2014
<b>HDFC</b>	0	2,401.78	2,005.20	1,643.35
<b>ICICI</b>	0	2,907.52	2,898.81	2,656.28
<b>AXIS</b>	1,444.26	31.26	1,092.80	939.69
<b>KOTAK MAHINDRA</b>	0.07	91.84	82.07	63.08



### Analysis & Interpretation of Data

The data is processed by applying various tests like ANOVA and T-test.

#### Hypothesis Testing of Economic Value Added (ANOVA Test)

**Ho:** There is no significant difference in the value of Economic Value Added among the selected private sector banks under study

**Ha:** There is a significant difference in the value of Economic Value Added among the selected private sector banks under study

Level of Significance: 5%

Degree of Freedom: 3

Critical value: 2.12

**Table : 10 Hypothesis Testing EVA (ANOVA TEST)**

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	9221667.14	3.00	3073889.05	0.19	0.90	3.49
Within Groups	191893773	12.00	15991147.75			
Total	201115440.1	15.00				

Single factor ANOVA is applied in order to find whether there is any significant difference in the value of EVA among the selected private sector banks. It can be observed from Table 10 that calculated F ratio is 0.19 which is less than critical value or tabulated value of F i.e. 3.49. Decision rule in statistics states that if calculated value is less than tabulated value then null hypothesis should be accepted. Here in this case calculated F ratio 0.19 is less than tabulated value 3.49. Hence, **Null hypothesis is accepted.** It can be inferred that there is no significant difference in the value of Economic Value Added among the selected private sector banks under study.

#### 5.1 Hypothesis Testing of Market Value Added (ANOVA Test)

**Ho:** There is no significant difference in the value of Market Value Added among the selected private sector banks under study

**Ha:** There is a significant difference in the value of Market Value Added among the selected private sector banks under study

Level of Significance: 5%

Degree of Freedom: 3

Critical value: 2.12

**Table : 11 Hypothesis Testing MVA (ANOVA TEST)**

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	9361009809	3	3120336603	0.51	0.69	3.49
Within Groups	73966740137	12	6163895011			
Total	83327749946	15				

Single factor ANOVA is applied in order to find whether there is any significant difference in the value of MVA among the selected private sector banks. It can be observed from Table 11 that calculated F ratio is 0.51 which is less than critical value or tabulated value of F i.e. 3.49. Decision rule in statistics states that if calculated value is less than tabulated value then null hypothesis should be accepted. Here in this case calculated F ratio 0.51 is less than tabulated value 3.49. Hence, **Null hypothesis is accepted.** It can be inferred that there is no significant difference in the value of Market Value Added among the selected private sector banks under study.

### 5.2 Hypothesis Testing of Dividend Paid (ANOVA Test)

**H<sub>0</sub>:** There is no significant difference in the value of Dividend paid among the selected private sector banks under study

**H<sub>a</sub>:** There is a significant difference in the value of Paid among the selected private sector banks under study

Level of Significance: 5%                      Degree of Freedom: 3                      Critical value: 2.12

**Table : 12 Hypothesis Testing Dividend Paid (ANOVA TEST)**

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	3331638.608	3	1110546	0.81	0.51	3.49
Within Groups	16419489.59	12	1368291			
Total	19751128.2	15				

Single factor ANOVA is applied in order to find whether there is any significant difference in the value of Dividend paid among the selected private sector banks. It can be observed from Table 12 that calculated F ratio is 0.81 which is less than critical value or tabulated value of F i.e. 3.49. Decision rule in statistics states that if calculated value is less than tabulated value then null hypothesis should be accepted. Here in this case calculated F ratio 0.81 is less than tabulated value 3.49. Hence, **Null hypothesis is accepted.** It can be inferred that there is no significant difference in the value of Market Value Added among the selected private sector banks under study.

### 5.3 Analysis of Relationship between EVA and MVA

**H<sub>0</sub>:** There is no significant relationship between EVA and MVA

**H<sub>1</sub>:** There is a significant relationship between EVA and MVA

**Table : 13 T-Test on EVA and MVA**

Name of the Company	EVA	MVA
HDFC	5338.37	200970.71
ICICI	-2015.25	52232.39
AXIS	-462.18	57878.53
KOTAK MAHINDRA	-310.87	63284.59
Mean	637.52	93591.55
Variance	10414670.55	5144931974.23
Observations	4	4
Pearson Correlation	0.98	
Hypothesized Mean Difference	0.00	
df	3.00	
t Stat	-2.71	
P(T<=t) one-tail	0.04	
t Critical one-tail	2.35	
P(T<=t) two-tail	0.07	
t Critical two-tail	3.18	

T-Test result shows that the calculated value of 't' is -2.71, where degree of freedom is 3 and level of significance is 5% and this calculated value is less than table value i.e. 3.18. Thus, the **null hypothesis will be accepted** which states that there is no significant relationship between EVA and MVA in selected private sector banks.

#### 5.4 Analysis of Relationship between EVA and Dividend Paid

**H<sub>0</sub>:** There is no significant relationship between EVA and Dividend Paid

**H<sub>1</sub>:** There is a significant relationship between EVA and Dividend Paid

**Table : 14 T-Test on EVA and Dividend Paid**

Name of the Company	EVA	Dividend Paid
<b>HDFC</b>	5338.37	1512.58
<b>ICICI</b>	-2015.25	2115.65
<b>AXIS</b>	-462.18	877.00
<b>KOTAK MAHINDRA</b>	-310.87	59.27
Mean	637.52	1141.13
Variance	10414670.55	775955.43
Observations	4.00	4.00
Pearson Correlation	0.06	
Hypothesized Mean Difference	0.00	
df	3.00	
t Stat	-0.31	
P(T<=t) one-tail	0.39	
t Critical one-tail	2.35	
P(T<=t) two-tail	0.78	
t Critical two-tail	3.18	

T-Test result shows that the calculated value of 't' is -0.31, where degree of freedom is 3 and level of significance is 5% and this calculated value is less than table value i.e. 3.18. Thus, the **null hypothesis will be accepted** which states that there is no significant relationship between EVA and Dividend Paid in selected private sector banks.

#### 5.5 Analysis of Relationship between MVA and Dividend Paid

**H<sub>0</sub>:** There is no significant relationship between MVA and Dividend Paid

**H<sub>1</sub>:** There is a significant relationship between MVA and Dividend Paid

**Table : 15 T-Test on MVA and Dividend Paid**

Name of the Company	MVA	Dividend Paid
<b>HDFC</b>	15328.87	155.79
<b>ICICI</b>	2408.61	41.60
<b>AXIS</b>	19482.48	337.26
<b>KOTAK MAHINDRA</b>	30959.76	308.03
Mean	93591.55	1141.13
Variance	5144931974.23	775955.43
Observations	4.00	4.00
Pearson Correlation	0.22	
Hypothesized Mean Difference	0.00	
df	3.00	
t Stat	2.58	

P(T<=t) one-tail	0.04	
t Critical one-tail	2.35	
P(T<=t) two-tail	0.08	
t Critical two-tail	3.18	

T-Test result shows that the calculated value of 't' is 2.58, where degree of freedom is 3 and level of significance is 5% and this calculated value is less than table value i.e. 3.18. Thus, the **null hypothesis will be accepted** which states that there is no significant relationship between EVA and Dividend Paid in selected private sector banks.

**Company wise Correlation Analysis:** The company wise correlation analyses the correlation of coefficient exists in between of different financial parameters like EVA & MVA, MVA & Dividend Paid and EVA and Dividend Paid among the companies selected under study.

Company	EVA & MVA	MVA & Dividend Paid	EVA & Dividend Paid
HDFC	1.00	-0.71	-0.67
ICICI	-0.01	0.31	-0.95
AXIS	0.02	0.26	-0.53
KOTAK MAHINDRA	0.42	-0.55	-0.91

From the above table it can be observed that in case of HDFC Bank EVA and MVA is having perfect positive relationship and MVA and Dividend Paid has negative relationship likewise EVA & Dividend paid has negative relationship. ICICI Bank has negative relationship for EVA and MVA and MVA and Dividend paid is partially positively related for EVA and Dividend paid is negatively related with each other. In AXIS Bank EVA and MVA has almost no relation and MVA & Dividend paid has positive relationship while EVA & Dividend paid has partial negative relationship. In Kotak Mahindra EVA & MVA has partial positive relationship and MVA & Dividend paid is partially negatively related with each other while EVA & Dividend paid is negatively related with each other.

**Conclusion:** When SENSEX inches closer to mount 35000, the banking sector stocks have provided maximum return to the shareholders and its market capitalization is increased remarkably. This research was an attempt to ensure that the stocks which are creating wealth of its share holder is successfully to maximize its Economic value added and Market Value Added or not and to analyse the fact the contemporary tools of analysis have been adapted. EVA & MVA are contemporary tools which analyse the real value added of the company. From the research it can be concluded the company disclosing crores of profit in their balance sheet is even fail to secure positive EVA like ICICI Bank in 2016 (₹ 4683.97 Crore), 2015 (₹ 2372.64 Crore) and in 2014 (₹ 3329.69 Crore), while AXIS Bank has created negative EVA in 2017 (₹ 4903.51 Crore) and Kotak Mahindra has is having negative EVA in 2016 (₹ 1226.77 Crore), 2015 (₹ 233.28 Crore) and (₹ 647.70 Crore).

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## STUDY OF RECENT MERGERS AND ACQUISITIONS IN INDIAN BANKING

Dr. D. S. Borkar, Asst. Prof. Shri Shahu Mandir Mahavidyalay, Pune 411009

**Abstract**

After the globalization when Indian Govt. initiated banking sector reforms and opened up its economy to the world at large, it introduced a stiff competition amongst the different banks. With the liberalization foreign banks also came to India and the competition became still stiff. This competitive environment paved the way for mergers and acquisitions (M&A). The introduction of the Basel committee norms for strengthening the banks and to have full transparency also added the need for M & A. Narsimhan Committee (both) and even the **Raghuram Rajan Committee** recommended for consolidation of the banks in India in order to strengthen them to compete with the foreign banks. This paper takes a review of the mergers and acquisition that took in the Indian banking sector and its impact on the same. The author is of the considered view that the mergers have definitely helped the various stakeholders in banking i.e. banks, customers, Reserve Bank, depositors.

**Key Words** :Mergers & Acquisitions, Strengthening, Stiff competition, Basel Committee Recommendations.Stakeholders.

**Introduction:-** The mergers and acquisition have the objective of reducing the competition, to reduce the competition in the market, to pull the resources to meet the increased demand for credit, to increase the number of customers, to improve and achieve the pace for modernization and latest technology adoption. It also helped the weak banks to merge with a strong bank so that the interest of their shareholders and customers were protected. Since 1991 in India, there were 24 banks from various regions and of various sizes either merged or acquisitioned. Undoubtedly the mergers and acquisition has helped the banks to perform better and to book increased business.

**Indian Banking Scenario 2017:**The Indian financial markets are undergoing major transformation. Several policy initiatives have been taken by the govt. to bring about more transparency in financial transactions. The business community in India has expressed its confidence and this will give push to the economic growth of the country. In this gigantic task the Indian Banking sector is playing a key role. The Indian banking sector is capable of meeting the credit demand from this business sector

**As of 31.3.2017 the Indian banking sector comprises of:**

Sr. No.	Type of Banks	Numbers
1	Public Sector Banks	27
2	Private sector Banks	26
3	Foreign Banks	46
4	Regional Rural Banks	56
5	Urban Cooperative Banks	1574
6	Rural Cooperative Banks	93,913

The nationalized banks have greater penetration and also command more than 70 per cent of the banking system assets. The entire banking sector is encouraging the customers to use mobile banking and to put it cashless transactions. The **Narsimhan Committee**, was constituted in December 1997 to give a report regarding the reforms in the Indian Banking Sector. The committee submitted its report in 1998 and made far reaching suggestions, prominent of which are given hereunder:

- ❖ It stressed on the use of merger of banks, to enhance size as well as operational strength for each of the banks.
- ❖ It made a recommendation for the merger of the large banks in India, with an attempt to make them stronger, so they stand mighty fine in international trade.
- ❖ It recommended speeding up of computerization in the Public Sector Banks.
- ❖ It established that the legal framework must be strengthened, in order to aim for credit recovery.
- ❖ It suggested that there be 2 to 3 banks in India that be oriented internationally, 8-10 national banks and a vast network of local banks to help the system reach the remote corners of India.

- ❖ It lay stressed that bank mergers must take place among entities of similar size. This implies that weak banks merge with the weak ones while large banks with the larger and competitive ones.
- ❖ It also suggested the confinement of local banking network to the boundaries of states or a few districts.
- ❖ Evaluation of the manner of staffing, training process and the remuneration policy of PSU Banks.
- ❖ It stated that the enhancement in banking risk can be directed and equated to increase in capital adequacy.
- ❖ Suggested the review of the RBI Act, the Nationalization Act, Banking Regulation Act, as well as the SBI Act.
- ❖ It stressed on professionalization of banking boards.

**Raghuram Rajan Committee** in April 2009 also suggested an open-minded outlook towards merger of banks and takeovers. The present era is known as the era of competition. Every sector tries to be the best and each unit of every sector tries to be the best. In the Banking system, the banks come under the umbrella of Merger and Amalgamation when they need to avoid competition and survive in the market. Liberalization and other upcoming policies are pushing the banking sector towards innovation and globalization. Operational flexibility of the banks needs to be improved and it helps in enhancing it.

**Objective of the Study:** The objective of this paper is to study the impact of the recent mergers and acquisitions on the Indian banking.

**Methodology** This research is based on the secondary data available through articles in journals and periodicals and newspapers as well as surfing of few websites.

**Data Collection:** For the purpose of this paper the author has taken a case study of the merger of Ganesh Bank of Kurundwad Ltd. with the Kerala based Federal Bank Ltd. The data has been collected by interacting 1) The 5 staff members of the then Ganesh Bank based in Pune, 5 customers of the then Ganesh Bank who are continuing with Federal Bank. The present managers of 3 branches of earlier Ganesh Bank's branches in Pune.

**Hypotheses:**

The mergers of some weak banks into financially sound banks have safeguarded the interest of the depositors of the weak banks.

Banks in which the weak banks have been merged have been immensely benefitted in their business development because of the readymade branch network.

**Scope & Limitations :** The scope of this paper covers the banks which have been merged up till 31<sup>st</sup> March 2017 and mainly restricts to the commercial banks. There were mergers of cooperative banks on the same line that of the commercial banks but those are not covered by this paper. The inferences are drawn on the basis of the published data relating to the merged banks. To that extent it can be said to be a limitation. So far as the data for comparison and interpretation is concerned banks were reluctant to pass on the data of individual branches which has turned out to be a limitation.

**Review of literature:**

**John Mylonakis:** In his book entitled "The Impact of Banks' Mergers & Acquisitions on their Staff Employment & Effectiveness" the author has lucidly explained the impact of mergers and acquisitions on the employment and the employees effectiveness. The beginning of an M&A process increases the odds for an individual bank to become an acquisition target. The wave of M&A is rising without there being any reasons of economic performance to justify such action. Most bank employees regard M&A as a threat to their jobs, since shareholders often demand limitations in the number of employed staff. The scope of this paper is examine is the impact of this phenomenon on employment and on the



efficiency of human resources. M&A results in the Hellenic bank market have been negative in terms of employment, since 3,627 jobs have been cancelled during the 1998-2003 period. These jobs belonged to banks that were either merged or acquired. Regarding a more efficient distribution of staff in the merged banks, data confirm that the large Greek banks that chose to grow through mergers have so far been justified in their choice.

**Shri P. N. Joshi** – An economist and an eminent banker in his article published in Loksatta on the 8<sup>th</sup> February 2010 titled as “Bank Mergers – Stories, Problems and Remedies” has very nicely brought out the grass root reality so far as recent mergers and acquisitions of banks in India. He observed that on the one hand the government makes it clear that they will not force the banks to merge but at the same time the high level officials are making such statements in public / media that they want to encourage the mergers of the banks. He has pointed out that On the 28<sup>th</sup> August 2004 while addressing the Indian Banks’ Association’s Annual Meeting the then Finance Minister Mr. P. Chidambaram as stated the Indian banks should prepare themselves for aggressive role to be played in the International Banking for which they should attain financial soundness, skills and also increase their size to suit global requirement. Immediately on getting such a signal naturally the banks move in that direction and as a result there were few mergers and acquisitions of banks immediately thereafter. (Ganesh Bank of Kurundwad Ltd. United Western Bank Ltd. etc.)

Shri Joshi has advocated that there is in real sense no need for such mergers and acquisitions of Indian Banks. He stated that In the United States whose population is 30 crores there are more than 8000 banks, whereas in case of India the population is 115 crores and there are hardly 84 commercial banks of which 32 are Foreign banks and the rest 52 are Indian Banks. By no scale this number is high.

Shri Joshi has further observed that as a result of mergers the employees of transferor banks are put to difficulties. They get step motherly treatment. They are transferred out of region. Their seniority also adversely affects. They are also under fear of retrenchment. The mergers and acquisitions also the disturbs the established customers of the transferor banks. Their confidence gets shocked. They are put to great inconvenience as they have to develop rapport with the transferee bank officials. The personal touch in its service gets lost.

According to Shri P.N. Joshi the basic assumption of large size bank will be capable of meeting international competition is wrong and baseless. He has quoted Dr. C. Rangranjan’s thoughts expressed in the Bank Economists Conference in 1994 that large bank does not necessarily mean a healthy bank. For creating a healthy bank the leader of the bank should have a vision, creativity, sound study of the international banking practices, dashing nature and above all supporting board of directors. He has further pointed out that Citybank in US has not grown to this size by merging small banks but because of the attributes cited earlier.

#### **The Objectives of the Merger and Acquisition of Banks:**

Usually the Merger and Amalgamation helps the banks and the economy to function more efficiently because it helps in the increase of the resources and thus the profits. It is done to reduce the competition and for survival in the market but it is good only when the economy does not gets affected due to competition issues. Therefore, it will be appropriate to understand the objectives of the M & A. The main objectives of the Mergers and Acquisition of Banks in India are stated herein below:

- ❖ To reduce the competition in the market.
- ❖ To maintain the crowd of industries in the market.
- ❖ To expand the market without expanding the competition.
- ❖ To gain more by putting the resources together.
- ❖ To reduce the amount of investment but in actual having more access.

- ❖ To increase the no. of customers.
- ❖ To compete in the global market.

**Advantages of Mergers And Acquisition in Indian Banking Sector :**

Merger is generally accepted to promote synergies i.e. the interaction or cooperation of two or more organizations, substances, or other agents to produce a combined effect greater than the sum of their separate effects. The basic idea is that the combined entity will create more value than the individual banks operating independently.

- (i) Economies of Scale & Scope.
- (ii) Greater efficiency.
- (iii) Leveraging technology.
- (iv) Managerial efficiency.
- (v) Changing / Liberal Laws.
- (vi) Diversification.
- (vii) Improved market reach and Industry visibility.
- (viii) Increase Revenue.

**List of Banks Merged Since Liberalization**

<b>Year</b>	<b>Target Bank</b>	<b>Acquirer Bank</b>
1990	Bank of Thanjaur Ltd.	Indian Bank
1990	Parur Central Bank Ld.	Bank of India
1990	Purbanchal Bank Ltd.	Central Bank of India
1993	New Bank of India	Punjab National bank
1993	Bank of Karad Ltd.	Bank of India
1996	Kash Nath seth Bank	State Bank of India
1997	Bari Doab Bank Ltd.	Oriental Bank of Commerce
1999	Sikkim Bank Ltd.	Union Bank of India
2000	Times Bank India	HDFC Bank Ltd.
2001	ICICI Bank	ICICI
2002	Benaras State Bank Ltd.	Bank of Baroda
2003	Nedugadi Bank Ltd.	Punjab National Bank
2004	Bank of Madura	ICICI Bank
2004	Global Trust Bank Ltd.	Oriental Bank of Commerce
2005	Bank of Punjab	Centurian Bank
2005	IDBI Bank	IDBI
2006	Federal Bank	Ganesh Bank of Kurundwad
2006	Centurion Bank of Punjab Ltd.	Lord Krishna Bank Ltd.
2006	United Western Bank	IDBI
2007	Sangli Bank Ltd.	ICICI Bank
2007	Bharat Overseas Bank	Indian Overseas Bank
2008	Centurion Bank of Punjab	HDFC Bank
2010	Bank of Rajasthan ltd.	ICICI Bank
2014	ING Vysa Bank	Kotak Mahindra Bank

Mergers and acquisitions (M & A) have become a global phenomenon in today's free market economies wherein banks need to constantly evolve to remain competitive. Banking has become an increasingly global industry, which knows no geographic and territorial boundaries. The failure of a bank has more widespread implications than a failure of a manufacturing company. Moreover, the government and policy makers have adopted various policies and measures out of which consolidation of banks emerged as one of the most preferable strategy. There are diverse ways to consolidate the banking industry. The most commonly adopted method by banks is merger. Merger of two weaker banks or merger of one healthy bank with one weak bank can be treated as the faster and less costly way to improve profitability than spurring internal growth. One of the major motives behind the mergers and acquisition in the banking industry is to achieve economies of scale and

scope. It also helps in the diversifications of the products, which help to reduce the risk as well. Therefore boost to bank consolidations and mergers in many countries like India, has come through regulatory and governmental actions in public interest. In this backdrop of emerging global and Indian trends in the banking sector, this article illuminates the key issues surrounding M&As in India. It seeks to analyse some M&A operations on some selected Indian banks that have occurred in India post-2000. The analysis have been made on some parameters related to banks like assets, profits, revenue, deposits, and number of employees etc. which ought to think that they would have very significant impacts on the performance of the banks on post-merger. The issue of impact of mergers on the efficiency of banks has been well studied in the literature. Most of the literature related with the impact of mergers on the efficiency of banks is found in European Countries and US. In India, literature on bank merger is very scarce. Very few studies have been conducted with the motive to examine the impact of mergers on the performance of Indian commercial banks. The present study will make notable contribution to the existing literature on banking efficiency in India.

#### **Data Analysis & Interpretation:**

**Case of Federal Bank Ltd.:** This is a Kerala based bank and at the time of merger of the erstwhile Ganesh Bank of Kurundwad Ltd. there was no much presence of this Federal Bank Ltd. in the State of Maharashtra. The Ganesh Bank of Kurundwad had major presence in the Western Maharashtra which is relatively financially sound area. Federal Bank Ltd. has been benefited to the extent that it could get the organized network of branches. The Ganesh Bank of Kurundwad Ltd. had limitation of his size for the development but that is not the case with Federal Bank Ltd. Therefore, after the merger of Ganesh Bank their branches have recorded rapid overall development. On the human relations front, as per the merger agreement the staff had to continue on the same emoluments which they were drawing on the date of merger, but they were given other benefits like house rent allowance, transfer allowance etc. In due course these bank employees have been benefitted as they were absorbed in the Federal Bank's pay scales which were much higher than their earlier bank. Only those inefficient employees who were not conforming to the Federal Bank's qualifications requirement have left their jobs. Some of the staff members were initially transferred to distant branches but in the short run they have been brought back to in the state of Maharashtra. Now the Ganesh Bank deserving employees have also been promoted in the Officer cadre of Federal Bank at various scales including the management grade. The customers of the Ganesh Bank have also been benefitted as their credit requirements are being met by the Federal Bank liberally as the said bank has higher per party exposure limits. Same were the experiences of the various stake holders of the other banks.

Many stakeholders have derived benefits due to Merger and Amalgamation of the banks, such as:

- 1) **Banks:** It has reduced the burden over the banks and also lowered the unhealthy competition amongst them. It has strengthened the financial base of the banks. It has increased the profits, improved the working because of the use of modern technology, increased the coverage and base is broadened.
- 2) **Customers:** The customer service is improved. They have now access to new technology, speedier service; Number of new products is available in the market. Now the customer can avail of the banking services even on the mobile phone. Lot of time has saved and accuracy has increased.
- 3) **Reserve Bank of India:** This could improve the monitoring over the banks. Number of man days are saved as the number of meetings is reduced. It can implement its policies with greater degree of efficiency.
- 4) **Depositors:** It has improved the number of products to suit their requirement. Quality service is now available, e.g. quick and neatly type written statements/bank books are available. Decisions are now faster. Now the transparency has increased the customers' confidence.

**Conclusion:** The mergers and acquisitions in the Indian Banking sector have proved that it has strengthened the banking industry. Therefore mergers and acquisitions have received general acceptance for growth and stability in the banking sector. As economic boundaries between countries disappear with the forces of globalization we are beginning to see a common financial market in the world. A large number of vulnerable old private sector banks whose financial health is causing a lot of concern, are grabbed by the more healthy ones and there are more such mergers on cards. The financial sector would be open to international competition once the tone for the rules of the game is set under the World Trade Organization (WTO). Banks will have to gear up to meet stringent prudential capital adequacy norms under Basel II as they compete with banks with greater financial strength. So consolidation in the banking sector in India is inevitable. They have their own benefits as well as disadvantages accordingly. Merger and Amalgamation increases the efficiency of the banks but it leads to loss of their own identities. It also helps in strengthening the base of the new unit and also helps in saving of taxes. Domestic mergers are beneficial in case of competition in the market and Cross-Border mergers are beneficial for increasing the revenue and profits and attracting the customers. Thus pre-determined priorities need to be established to achieve the targets. Banks should merge with their competitive banks only to maintain the same status and share the management. It also helps in expanding of the reach and also geographical operation. But from the point of view of the society, too many mergers should not be there because it reduces the options. CCI's regulation of Merger and Amalgamation therefore intends to keep an eye on the banks that they should not merge for the only motive of gaining profits at the cost of the customers through illegal or unauthorized practices.

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## FINANCIAL INCLUSION IN INDIA: A STUDY

**Khushboo Goyal**, *Amity School of Economics, Amity University, Noida*  
**Dr. Kalpana Singh**, *Amity school of economics, Amity University, Noida*

**Abstract**

*Financial inclusion is a very important aspect for the economic growth of the country. Financial inclusion involves the timely availability of financial services to the individual especially to the rural and the unbanked sector of the population at an affordable cost. The main aim of the paper is to study the status of Financial Inclusion in India and to know about the relationship between the indicators of financial inclusion and the economic growth. The paper also focuses on the role of government, initiatives taken by Reserve bank of India towards the financial inclusion. The financial growth is studied through the analysis of indicators contributing towards its growth. Statistical method of multiple regression has been used to analyze the relationship between indicators of Financial Inclusion and GDP. The study make use of secondary data for the year 2011-2016, which has been collected from the journals, websites, reports, economic surveys, reserve bank published data. In study Gross domestic product at constant prices is taken as dependent variable and independent variables are banking outlet in village total, urban locations covered through branches, banking outlet in villages-branches and ICT (Information Communication Technology) accounts business correspondent transactions. The results showed that there has been improvement and progress in the different growth indicators of financial inclusion. Improved banking services and opening of bank accounts in both urban and rural has increased in recent years. Secondly there exists positive relationship between the indicators of financial inclusion and the economic growth. ICT accounts business correspondent transactions has a greater impact on economic growth. And further various measures are being taken by government of India and Reserve bank of India to improve the financial inclusion level in the country. Further it talks about the challenges faced while inculcating the financial inclusion. All the institutions and regulatory bodies should integrate and then should work towards the accomplishment of financial inclusion goals. Such inclusion should include all the sectors of society.*

**Keywords:** *Financial inclusion, Economic growth, Financial product and services, Financial growth*

**Introduction:** Financial Inclusion includes the financial services which are available for the individuals and how effectively these services are used by them for improving their well being. It involves the timely availability of financial services to the individuals especially the rural and the unbanked sector of the population at an affordable cost. The level of financial inclusion and its rate of growth affect the economic development and growth. So to foster the growth it's very important to adopt a holistic approach while implementing and penetrating the financial services. Access to such services should reach to masses and should improve the overall condition. Financial inclusion aims to reach the mass population of the society and to provide them with wide range of financial products and services at affordable cost. Not only banking products are included in this but other financial services like insurance and equity products are also included in this. The main concern of financial inclusion is how to provide access to banking services, affordable credit and financial advices to all especially the weaker section and the low income individuals. Over the years various measures are being taken by government, Reserve Bank of India and various other corporate bodies. Initially when this concept gained the importance it was seen that the large section of the population was excluded from the access of the financial system. Then gradually "no-frills" accounts were introduced so that individual could easily open their banking accounts. Further Banks tied up with the intermediaries like Non-Governmental Organizations, Micro-Finance Units etc which were used by banks as their business facilitators for providing banking and financial services. Even many startups are working towards the growth of this. Still there exists financial exclusion in the country. Many sectors (especially rural sector) are still not able to get the financial services due the lack of awareness and reach. There are various geographical, financial, economic and other factors which are responsible for this. People generally lack in the financial knowledge and literacy. They are unaware about the financial products, services which are available to them. Still the illiteracy, low income savings and

absence of bank branches in rural area act as a barrier to financial inclusion in many states of the country.

**Definitions:** “Financial Inclusion is the process of ensuring access to appropriate financial products and services needed by vulnerable groups such as weaker sections and low income groups at an affordable cost in a fair and transparent manner by mainstream Institutional players.” (Reserve Bank of India) “Financial inclusion as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost. The meaning of financial inclusion is delivery of financial services to the low income groups especially the excluded sections of the population with the provision of equal opportunities. The main target is the access of financial services for better standard of living and income.” (Government of India 2008)

### **Literature Review**

A study by **Vipin Kumar Aggarwal (2014)** entitled “Financial Inclusion in India: An Analytical Study” aims at studying or exploring the various dimensions of financial inclusion. Focused on examine the financial inclusion level with other countries and the role played by the Reserve Bank of India and other banks to strengthen the financial inclusion. Secondary data is being used for comparing the financial inclusion of different countries. Variables like no of bank branches, Atms, bank deposits and credits are being used in the study. The results showed that the financial inclusion level in India is moderate as compared to other countries. And for achieving inclusive growth is important to allocate all resources properly from top to bottom.

A study by **Akansha Mittal(2014)** entitled “Financial Inclusion in India: Select Issues” aims to focus on utilizing the current resources like mobile phones, banking technologies etc by making them more efficient, so that it could be effectively utilized by both rural and formal sector. The study considered the measures taken by Reserve Bank of India, Government of India and National Bank For Agriculture & Rural Development. Also cover the role of business correspondents, fair price shops, technology for improving the financial inclusion. The results showed that the majority of rural sector is still unbanked. And to improve the status of financial inclusion in such areas the government and Reserve Bank of India are making constant efforts.

A study by **Abheek Bharua(2016)** entitled “The Status of Financial Inclusion, Regulation, and Education in India” aims at studying the current state of financial inclusion. It also tells about the modes of delivery and the regulatory structure. Various parameters are used to compare the financial inclusion level in both rural and urban area. It is measured on the basis of variables like credits, deposits, bank branches, atms for both rural and urban area. Other institutions like small banks , micro finance institutions etc are also introduced to improve the financial literacy. Further the improved technology has also helped in better delivery of financial services.

A study by **Dr. Anurag. B Singh (2012)** entitled “Financial Inclusion in India: An Analysis” focus on discussing about how to tackle the disparity between people by the ways of financial inclusion through micro finance model. And also analyze how it contributes towards the economic development. Secondary data which includes websites (RBI), journals etc. is being used for the research. The study talks about the need for the inclusive growth, factors affecting financial services, initiatives taken by banks and government for financial inclusion. The results showed that to achieve financial inclusion in totality the policymakers, banks, -regulators have to integrate and work together.

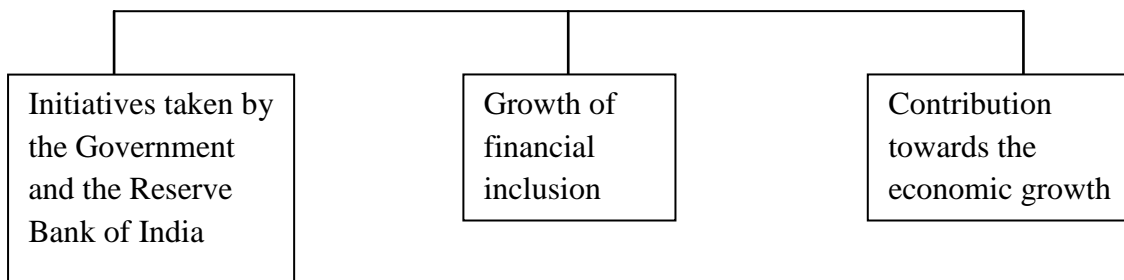
A study by **Jyoti Gahlawat(2016)** entitled “An Analytical Evaluation of Financial Inclusion in India” aims at analyzing the financial inclusion in India and its comparison with other countries. Secondary data is being collected from various sources like journals, industry reports, company websites etc. The study includes government initiatives, banking services availed by households, credit flow to agriculture and financial inclusion level (as compared to other countries). The results

showed that India is having moderate level of financial inclusion as compared to other countries. In the recent past years initiatives like mobile banking, ultra small branches etc are being taken to improve the financial inclusion but still the level is not that adequate.

A study by **Shelly Oberoi(2013)** entitled “Reaching the unreached: Financial Inclusion in India” aims to know aims to know the present situation of financial inclusion in India and what are the steps taken by the Financial Institutions to provide and promote the financial inclusion in India. Secondary data like reports, journals, census 2011 etc has been used. The results showed that the Southern area of India is more familiar with the financial services and has more financial inclusion as compared to the North-East region. The North-East region has low level of financial inclusion and even the individuals are less aware about the financial products and services.

A study by **Dr. N. Sundaram (2016)** entitled “Financial Inclusion in India: A Review”. The study was done to know how financial inclusion helps in household and economic growth. The data has been collected from the secondary sources. It was found that only financial inclusion is the tool for financial development in India. These days technology is available and it helps the people to know about the product and services that are provided by financial institutions in India. It was also found that many people still lack the basic knowledge of financial products. They are still not familiar with the access and use of ATMs machines.

**Objectives**



- To analyze the initiatives and policies taken by the government for enhancing and improving financial services in the country.
- To know the contribution of Reserve Bank of India towards the growth of financial inclusion.
- To analyze the status of Financial Inclusion in India.
- To analyze the contribution of financial inclusion towards the economic growth (2011-2016).

**Methodology:** The study is based on secondary data collected from a variety of sources including relevant websites and reports like RBI, Economic Survey etc. To know the initiatives taken by the Government and Reserve Bank of India, an in depth study has been done of the available literature To analyze the status of Financial Inclusion in India during 2011-2016, various Financial Inclusion indicators have been used .The multiple regression method has been used to find out the relationship between financial inclusion and the economic growth of the country.Gross domestic product at constant price is taken as dependent variable and independent variables are banking outlet in village total, urban locations covered through branches, banking outlet in villages- branches and ICT (Information Communication Technology) accounts business correspondent transactions.

**Data Analysis and Findings :** Initiatives of government and reserve bank of India towards financial inclusion

**Initiatives of government:** Government is playing a very important role in spreading the financial inclusion by providing financial services to the households, especially the poor.They are targeting towards the integrated approach by bringing integrity in the financial system and by providing the financial products and services to all. With the help of Reserve Bank of India and other regulatory bodies the government is trying to increase the financial access to all.Various schemes and

programmes like the self help group-bank linkage programme, Rashtriya Swashtya Bima Yojna, Kisan credit card, Jan Dhan Yojna, extending credits especially to rural clients are some of the examples of the government initiatives to improve the financial access.

Pradhan Mantri Jan Dhan Yojna is a very important initiative of the government. It had helped in spreading the financial services and products to the unbanked sector of the society. Initially it helped those individuals to open their saving accounts who were not having it. The main advantage of this is that the holder of the account is not required to maintain any minimum balance. This initiative has helped the people, especially the rural population to have an easy access to banking services and products. It also provided with the overdraft facility and inbuilt insurance cover to its customer.

NPCI (National Payment Corporation of India) It provides a platform where all the banks and telephones operators could connect to each other. With the help and use of mobile the customer could easily access his account and could get the details about bank balance, transfers etc. so with the improvement in the technology the bank services could be easily by using mobiles. Aadhaar enabled payment systems. With the introduction of this system banking transactions which includes withdrawals and deposits and even the fund transfer could be easily done between the Aadhaar enabled card holders. Payment banks are being introduced so as to enhance and improve the digital payments and financial inclusion. BHIM application was also introduced by NPCI. To improve the overall situation the government has taken various initiatives and also have introduced programmes. It has contributed towards the improvement of financial inclusion and financial literacy by mainly focusing on the priority sector. And further the advancement in technology helped to develop the digital products like Aadhaar pay, Bhim etc.

**Initiatives of Reserve Bank of India:** Over the years the Reserve Bank of India has played a crucial in the development of financial system and in the improvement of financial inclusion of the country. It mainly focuses on directing and penetrating the financial product and services in priority sectors. It has taken many steps so as to make the financial services available to the masses like linkage of self help groups with bank programmes, then giving lending requirements to banks for priority sector etc. Availability of technology and business correspondents has helped to make the access to banking services easy. It has taken implemented and initiated various policies.

Policies

- KCC (Kisan credits cards) and GCC (General credits cards) were issued.
- BSBDAS (Basic saving bank deposits accounts)
- Relaxation to KYC (Know your customer) requirements was given especially to the priority sector for opening bank account.

Initiatives

- According to Reserve Bank of India norms it was mandatory to open 25% of new branches in the priority sector. Then the bank accounts were linked with the Aadhaar cards to make the ease of doing transactions.
- “Small Finance Banks” and “Payments Banks” were set up so as to provide the easy supply of credits to small and micro businesses, industries, farmers etc.
- It encouraged the use of mobile banking, mobile wallets, Aadhaar enabled payment systems. Even various camps and training institutes were there to improve the financial literacy of the individuals.
- “No-frill accounts” were open by the individuals without any minimum balance. Now these are called “Basic Saving Bank Deposit Accounts”. No amount is charged on the deposits made and even the overdraft facility is provided to the account holder.
- ICT (Information and Communication Technology) has made the delivery of financial products and services easy. Customer could easily handle their accounts transactions



through the online system of banking.FIP’s (Financial Inclusion Plans) these were set up especially to measure and evaluate the performance of various banks. This ensures the working of all banks with accordance to the norms of Reserve Bank of India.

Reserve bank of India has always adopted the integrated approach for the growth of financial inclusion in the country. And continuously has taken measures to improve the level.

**Growth of financial Inclusion**

**TABLE 1- INDICATORS OF FINANCIAL INCLUSION**

Particulars	2011	2012	2013	2014	2015	2016	Growth Rate(2011-2016)
Banking outlet in villages- branches	34811	37471	40837	46126	49571	51,830	48.88
Banking outlet in village- total	1,16,208	1,81,753	268454	383,804	553713	586,307	404.53
Urban locations covered through BCs	3,771	5891	27143	60730	96,847	102,552	2619.4
Basic savings bank deposit a/c through branches (no. in ₹millions)	73.13	81.20	100.80	126.0	210.3	238	225.44
Basic savings bank deposit a/c through branches(amount in ₹ billion)	57.89	109.87	164.69	273.3	365.0	474	718.79
Basic savings bank deposit a/c through BCs (no. in millions)	31.63	57.30	81.27	116.9	187.8	231	543.79
Basic savings bank deposit through BCs (amount in ₹ billion)	18.23	10.54	18.22	39.0	74.6	164	799.61
BSBDAs total (no. in millions)	104.76	138.50	182.06	243.0	398.1	469	347.68
BSBDAs total (amount in ₹ billion)	76.12	120.14	182.92	312.3	439.5	638	738.15
ICT A/Cs BC transaction (no. in millions)	84.16	155.87	250.46	328.6	477.0	826.8	882.41
ICT A/Cs BC transaction (amount in ₹ billion)	58.00	97.09	233.88	524.4	859.8	1686.9	2808.44

Source: Reserve bank of India official website

Financial Inclusion is type of various financial services provided by regulated financial institutions for the betterment and upliftment in the living standards of people.

Talking About Financial Inclusion as of India, Pradhan Mantri JanDhan Yojna aims in creating the wider aspect of financial inclusion through making compulsory for every Indian citizen to have a bank

account providing several benefits like zero bank account may help for insurance and Rupay cards to withdraw money, and the accounts will also be used to make Aadhar based direct benefit transfers. Now, talking about Indian banks taking initiatives for financial inclusion, So, RBI has given directions to the banks to develop structured and efficient plan for financial inclusion for the rapid growth and betterment of our country. The table above shows various indicators and on the basis of these indicators financial inclusion and its growth is compared. Number of banking outlets were 34,811 in the year 2011 and it gradually increased to 51,830 in the year 2016 which shows the great performance of bank in settling the branches in villages and the growth rate measured to be from year 2011 to 2016 is 48.88. Total Banking outlets have also increased from 1,16,208 to 5,86,307 as per from 2011 to 2016 which again shows the growth of financial inclusion and better performance of banks. In the same way, on different indicators we can see the uplifting performance of the banks with the increase in financial services, as of 2011 the urban location covered by banks were 3,771 which increased to 1,02,552 as on 2016, which states that in urban areas we have access to banks easily and any financial service can be made avail to us as our requirements be it of opening of any accounts or granting loans or transferring account from one branch to another, and various inclined growth can be seen from 2011 to 2016 for Basic Savings bank deposit account through branches or basic savings bank account through BCs. BSBDA i.e. Basic Savings Bank Deposit Account which is advisable for all banks to open it for customers with common basic facilities, these account openings also increased from 104.76 Million to 469 Millions from year 2011 to the year 2016. And, with BSBDA the increased rate of opening of ICT i.e. Information and communication technology accounts can also be seen which increased from 84.16 Million to 826.8 Millions as per 2011 and 2016 Years respectively. Through the analysis of below table it can be observed that there has been reasonable progress in the changing of banking services and opening of banking accounts, and if the financial inclusions are followed in the same rapid rate then No person in India shall be deprived if financial services and to maintain a safe financial future.

**Contribution of Financial Inclusion towards the economic growth**

**TABLE 2 – GROSS DOMESTIC PRODUCT AT CONSTANT PRICE**

<b>Year</b>	<b>Gross Domestic Product</b>
2011-2012	8736329
2012-2013	9213017
2013-2014	9801370
2014-2015	10536984
2015-2016	11381002

Source: Economic Survey 2016-2017 (statistical appendix)

Table 1 shows the details related to the indicators of financial inclusion from 2011-2016.

Whereas Table 2 shows the Gross domestic product at constant price from 2011-2016.

Both the data are being collected from secondary sources of the data. Now to know the contribution of financial inclusion on the growth of the country the Multiple Regression Analysis has been done. In this Gross Domestic Product is considered as a dependent variable and the independent variables are the indicators of financial inclusion.

Standard Equation:

$$Y = b_0 + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4 + \dots + b_kx_k$$

Y= Gross Domestic Product at constant price

X1= Banking outlet in village total

X2= banking outlet in villages- branches

X3= Information and Communication technology accounts Business Correspondents transactions

X4= Urban location covered by Business Correspondents

Value of multiple regression= 0.99

The result shows that financial inclusion has a positive impact on the growth of the country. The indicators of financial inclusion have a strong impact on the gross domestic product of the country. The value should fall between 0 to 1 and the closer the value is to 1, the better would be the relationship between the variables. So we could say that the financial inclusion plays a important role in the economic growth and has a significant impact on the gross domestic product.

**Challenges of Financial Inclusion:**

- Banks generally confront with the problem of reaching to the customers in the rural areas. Various factors are there which prevents the banks to expand their branches in rural sector. And these are low returns, customer behaviour, operating expenses of the banks.
- With the advancement in the technology there is automation in the banking services and products. Internet banking and even other online transactions options are available. But people lack in the knowledge to use these products. They are still not that literate to use these products and services effectively.
- Other challenges like unsuitable products, lack of infrastructure, and finances, weak delivery models etc are some more problems which have to be look upon.

**Conclusion:** Financial Inclusion includes various financial services provided by regulated financial institutions for the betterment and upliftment in the living standards of people. Financial inclusion aims to reach the mass population of the society and to provide them with wide range of financial products and services at affordable cost. The main concern of financial inclusion is how to provide access to banking services, affordable credit and financial advices to all especially the weaker section and the low income individuals. Over the years various measures are being taken by government, Reserve Bank of India and various other corporate bodies. Initially when this concept gained the importance it was seen that the large section of the population was excluded from the access of the financial system. Then gradually “no-frills” accounts were introduced so that individual could easily open their banking accounts. Further Banks tied up with the intermediaries like Non-Governmental Organizations, Micro-Finance Units etc which were used by banks as their business facilitators for providing banking and financial services. Even many startups are working towards the growth of this. Talking About Financial Inclusion as of India, Pradhan Mantri JanDhan Yojna aims in creating the wider aspect of financial inclusion through making compulsory for every Indian citizen to have a bank account providing several benefits like zero bank account may help for insurance and Rupay cards to withdraw money, and the accounts will also be used to make Aadhar based direct benefit transfers. Now, talking about Indian banks taking initiatives for financial inclusion, So, RBI has given directions to the banks to develop structured and efficient plan for financial inclusion for the rapid growth and betterment of our country. RBI has introduced no frills accounts, aadhar enabled payment system, ICT (Information and communication technology) for the delivery of financial services, FIP’s (Financial inclusion plans) to evaluate the performances of banks and so on. Through the analysis of growth indicators of financial inclusion it can be observed that there has been reasonable progress in the changing of banking services and opening of banking accounts, and if the financial inclusions are followed in the same rapid rate then no person in India shall be deprived of financial services and to maintain a safe financial future. It could also be noticed that financial inclusion has a positive impact on the growth of the country. The indicators of financial inclusion have a strong impact on the gross domestic product of the country. So we could say that the financial inclusion plays a important role in the economic growth and has a significant impact on the gross domestic product. Still there exists financial exclusion in the country and many challenges are faced by the country. Many sectors (especially rural sector) are still not able to get the financial services due the lack of awareness and reach. There are various

geographical, financial, economic and other factors which are responsible for this. People generally lack in the financial knowledge and literacy. They are unaware about the financial products, services which are available to them. Still the illiteracy, low income savings and absence of bank branches in rural area act as a barrier to financial inclusion in many states of the country. Further to improve the level of financial inclusion in the country more measures should be taken. All the institutions and regulatory bodies should integrate and then should work towards the accomplishment of financial inclusion goals.

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## THE CHALLENGE OF CRYPTOCURRENCIES

**Dr. Kashmira P. Mody**, Associate Professor, Department of Economics, St. Andrew's College of Arts, Science and Commerce

### **Abstract**

Nearly a decade after the global the financial crisis, the collapse in trust in banks and the credit crunch that followed has helped to enable a parallel universe of alternative financial service providers to emerge and flourish. In fact, the birth of the Bitcoin is generally attributed to the financial crisis in 2008. Cryptocurrencies such as the Bitcoin have heralded a new period expansive growth in transactions, above and beyond the limits of national borders. This has raised questions about the role of central banks and the conduct of monetary policy. Establishing the right regulatory template for the advent of digital money is crucial. This paper considers the challenge of cryptocurrencies to central banks, monetary policy and the road ahead.

*Keywords:* Cryptocurrencies – Central banks – Monetary policy

**Introduction:** Modern economies are typically based on “fiat” money which is traditionally associated with three different functions: medium of exchange, unit of account, and store of value. Fiat money is any legal tender designated and issued by a central authority. People are willing to accept it in exchange for goods and services simply because they trust this central authority. Trust is therefore a crucial element of any fiat money system. Over the years the concept of money has been widened to include various forms of money, from commodity money to plastic money to the now almost disruptive version – internet money! Money has changed from moved from being the physical representation of a valuable commodity to an intangible symbol of trust. The distinction between money and data is increasingly getting blurred and the financial services industry is being transformed by a wave of digital disruption. The opinion of whether the new cryptocurrencies can be considered as forms of money is divided with opinions ranging from it is money, to it is a technology; and further on whether cryptocurrencies can or do perform the basic functions of money. Nearly a decade after the global the financial crisis, the collapse in trust in banks and the credit crunch that followed has helped enable a parallel universe of alternative financial service providers to emerge and flourish. The birth of the Bitcoin is generally attributed to the financial crisis in 2008, which followed after a long term inflation policy that resulted in the burst of the subprime loan bubbles. In fact the stated objective of Satoshi Nakamoto, the inventor of Bitcoin, is to knock central banks off from their current core position. Posts by him have revealed his deep distrust in central banks especially after the financial meltdown in 2008<sup>3</sup>. The technological infrastructure of financial transactions is changing fast, due in part to innovations such as peer-to-peer lending<sup>4</sup>, crowdfunding<sup>5</sup> and cryptocurrencies. Cryptocurrencies such as Bitcoin are virtual and digital currencies protected by cryptography. They allow the transfer of money without having to use banks. Cryptocurrencies use a technology that allows every single transaction that ever happened within each specific currency network to be recorded on a distributed ledger called the block chain<sup>6</sup>. The integrity and chronological order of the

<sup>3</sup> Of course, this idea is not new. In the book *Denationalization of Money – the Argument Refined* (1976), Hayek proposed the abolition of the government's monopoly over the issue of fiat money in order to prevent price instability. In fact, his defense of a complete privatization of money supply stemmed from his disappointment with central banks' management, which, in his opinion, had been highly influenced by politics. He believed that free market competition will pursue the currency with the most stable value as the common currency for mass circulation, so that the market can be immune to the negative impact of a central bank.

<sup>4</sup> Peer-to-peer lending is the large-scale lending of money between people online.

<sup>5</sup> Crowdfunding, instead, is the recent practice of soliciting financial contributions from the online community to fund a new business venture.

<sup>6</sup> Blockchain is simply a cloud-based ledger or shared database. It is the technology that supports Bitcoin. With no central authority, blockchain enables any user on the network to make and verify a transaction that is permanently recorded on the ledger. All confirmed transactions are included in the blockchain, which is enforced with cryptography.

block chain are made secure with cryptography. Thus cryptocurrencies are both money and a technology at the same time. Though often used synonymously one must note the differences between digital, virtual and cryptocurrencies. Digital currency is any currency stored and transferred electronically (e.g., PayPal); a virtual currency, as defined in ECB (2015), is a digital representation of value, not issued by a central bank, credit institution or e-money institution, which in some circumstances can be used as an alternative to money; a cryptocurrency, is a digital and virtual currency protected by cryptography. In this paper we confine ourselves to cryptocurrencies.

**Cryptocurrencies:** According to the Financial Action Task Force, Cryptocurrency refers to a math-based, decentralized convertible virtual currency that is protected by cryptography—i.e., it incorporates principles of cryptography to implement a distributed, decentralized, secure information economy. Cryptocurrency relies on public and private keys to transfer value from one person (individual or entity) to another, and must be cryptographically signed each time it is transferred. The safety, integrity and balance of cryptocurrency ledgers is ensured by a network of mutually distrustful parties (in Bitcoin, referred to as miners) who protect the network in exchange for the opportunity to obtain a randomly distributed fee (in Bitcoin, a small number of newly created bitcoins, called the “block reward” and in some cases, also transaction fees paid by users as an incentive for miners to include their transactions in the next block). Hundreds of cryptocurrency specifications have been defined, mostly derived from Bitcoin, which uses a proof-of-work system to validate transactions and maintain the block chain. While Bitcoin provided the first fully implemented cryptocurrency protocol, there is growing interest in developing alternative potentially more efficient proof methods. (FATF, 2015) The first of the now many hundreds of cryptocurrencies—Bitcoin—was presented as an algorithmic currency with a deterministic supply and growth rate that are tied to the rigour of mathematics. No government or other central authority can manipulate the supply of Bitcoin. It is governed by cryptographic rules that are enforced by a transparent computer code in a decentralized manner. The algorithm has fixed the rate at which new coins can be created and there is an ultimate limit of 21 million Bitcoins that will be reached in 2140. (Yermack, 2013)

**Advantages of cryptocurrencies :** The reported advantages or the positive points have been discussed in official documents of banking institutions and authorities besides in the popular press and several online sources of information. They include the following:

- *Prevents counterfeiting*—Cryptocurrencies cannot be counterfeited due to strong cryptography techniques and hence remove the problem of counterfeit money.
- *Speed*—Cryptocurrencies work 24/7 and have the potential to clear and settle transactions faster than traditional systems. They can be exchanged without any banking intervention improving the speed of the exchange and also security of transfer.
- *High acceptance*—Amongst those who have no faith in the traditional banking system and those who do not like their transactions monitored by the government
- *Security*—A central database is bound to be hacked but with schemes such as Bitcoin which use the Distributed Ledger Technology each user’s wallet has to be hacked and funds siphoned off which is difficult as there are public and private keys in the system.
- *Low cost*—It has been argued that cryptocurrencies based on distributed ledgers may offer lower transactions fees than other payment methods
- *More needs met*—Regulators, governments and businesses alike have much to gain as the internet of money gets under way. Leveraging low-cost, open-source technologies — such as cryptocurrencies blockchain or other distributed ledgers — opens the door to reaching poorer or excluded customers and serving needs that are not met by the existing financial services infrastructure.

- *Cross border reach*-Cryptocurrencies are based on distributed ledgers which are basically open networks with a global scope. These do not distinguish between users based on location and therefore allow value to be transferred between users across borders.
- *Digital commerce*-It could expand digital commerce above and beyond national lines.
- *Permissionless*-At the base of cryptocurrencies is the core idea of permissionless innovation where you do not need anyone's permission to transfer value.
- *Anonymity*-There are no governance or KYC requirements.
- *Decentralized*-No banking or other infrastructure required.
- *Data privacy*-Some digital currency schemes based on distributed ledgers allow transactions to be made without disclosing personal details.

As the internet enables machine-to-machine transaction growth in the years ahead, payment virtualization will intensify, with the potential for a proliferation of new stores of value to escape the cost, complexity and regulatory rigidity of traditional money.

**Disadvantages of cryptocurrencies:**The opportunities are limitless, but the obstacles to creating, managing and regulating a proliferating array of digital forms of money are substantial. These challenges raise questions whose answers will reshape the role of monetary authorities. The nature, size and duration of the risks (in next section) associated with cryptocurrencies depends much on the design of the system or its degree of liquidity. However, it can be assumed that these risks are very difficult to avoid or control in virtual currency scheme since the settlement asset is the virtual currency, and therefore the finality and irrevocability of payments cannot be ensured. Virtual currencies cannot therefore be considered to be safe money, since the likelihood of the asset retaining its value for the holder, and hence its acceptability to others as a means of payment cannot be ensured. The level of safety is clearly below that of commercial bank money, as commercial banks are subject to prudential requirements and are supervised in order to reduce the likelihood of default. Some of the other concerns include volatility and risk of loss as the value of a virtual currency can fluctuate wildly. The value is largely based on its popularity at a given time which is influenced by factors such as the number of people using the currency and ease with which it can be traded or used. If users choose to hold the digital currency asset received as payment then they may face costs and losses associated with price and liquidity risks. These risks are not insubstantial given the volatility and market dislocations that have been recently witnessed in the case of Bitcoins. Among the technical and security concerns which arise includes the operations of malicious entities who may seek to profit by introducing fraudulent transactions into the ledger and inducing other participants to verify the falsified ledger. The contents of a digital wallet can be stolen by a computer hacker. If so the individual has little hope of getting it back as they have no protection against unauthorized or incorrect debits from their digital wallet. As already stated virtual currency schemes, in contrast to traditional payment systems, are not regulated. This means that if the platform fails or is hacked the individual is not protected and has no statutory recourse.

**The challenge to central banking** Cryptocurrencies have heralded a new period of expansive growth in transactions, above and beyond the limits of national borders. This has raised questions about the role of central banks and the conduct of monetary policy. If the adoption and use of digital currencies were to increase significantly, the demand for existing monetary aggregates and the conduct of monetary policy could be affected, although at present, the use of private digital currencies appears too low for these risks to materialize.

The effect of digital currencies on the implementation of monetary policy will depend on the change in demand for bank reserves (e.g., a substitution away from the existing banking system for deposits and payments, towards digital currencies) and the degree of economic and financial interconnection

between the users of sovereign currency and the users of the digital currency. If the substitution is large and the interconnection is weak, then monetary policy may lose efficacy. (As discussed by BIS 1996 in the context of e-money) The nearly fixed supply of many cryptocurrencies—could result in structural deflation in the same way as the gold standard. Typically, money demand grows in line with the growth of the economy. When the supply of money is nearly fixed, continued money demand growth leads to structural deflation. (IMF, 2016) The cryptocurrency innovations thus have potentially serious implications for the traditional business model of commercial banks and for the ability of central banks to shape monetary policy. There would be a number of technical issues such as the definition of monetary aggregates given that cryptocurrencies are not denominated in the sovereign currency. A monetary policy regime fixated on the growth of monetary aggregates would find itself ineffective in the face of such measurement difficulties. Also if lending were to take place outside the traditional banking system, the role that traditional commercial banks play in the standard money multiplier process, by which changes in open market operations and the quantity of reserves directly affect the amount of lending in an economy, could be severely diminished. This may in turn hamper central banks' ability to control liquidity in the economy through standard monetary policy operations. The emergence of the distributed ledger technology could present a challenge to central banks in terms of reducing their functions. e.g., settlement might no longer require a central ledger held by a central body if banks (or other entities) could agree on changes to a common ledger in a way that does not require a central record-keeper and allows each bank to hold a copy of the (distributed) common ledger. Similarly, in some extreme scenarios, the role of a central body that issues a sovereign currency could be diminished by protocols for issuing non-sovereign currencies that are not the liability of any central institution. (BIS 2015) According to the European Central Bank (2012), cryptocurrencies are a challenge to central banks in performing three tasks: (1) price stability, (2) financial stability, and (3) payment system stability.

(1) *Price stability*: Conceptually, virtual currency schemes/cryptocurrencies could have an impact on price stability and monetary policy if they affect the demand for the central bank's liabilities and interfere with the control of the supply of money through open market operations. Thus, these schemes could affect price stability if: they substantially modify the quantity of money; they have an impact on the velocity of money, the use of cash, and/or influence the measurement of monetary aggregates; and if there is an interaction between the virtual currencies and the real economy.

(2) *Financial stability*<sup>7</sup>: The safeguarding of financial stability requires an identification of the main sources of risk and vulnerability, such as inefficiencies in the allocation of financial resources from savers to investors and the mispricing or mismanagement of financial risks.

Virtual currency schemes, work outside the banking system, and therefore the main source of potential financial instability would be the link between virtual currencies and the real economy. Also virtual currency schemes may tend to be inherently unstable for reasons, such as the scheme's lack of maturity, a lack of confidence on the part of users of an emerging system, low volumes traded, lack of legal certainty, speculation, cyberattacks, etc.

(3) *Payment system stability*: A payment made within a virtual currency scheme is handled "in-house." They are usually low value payments and are settled on a gross and real-time basis. The settlement institution (i.e., the issuer) is a non-regulated institution. However, virtual currency payment arrangements have evolved into "real" payment systems within the

<sup>7</sup>Financial stability may be defined as the condition in which the financial system – comprising financial intermediaries, markets and market infrastructures – is capable of withstanding shocks, thereby mitigating the likelihood of disruptions in the financial intermediation process which are severe enough to significantly impair the allocation of savings to profitable investment opportunities.



specific virtual community. As a consequence, they face the typical risks linked to payment systems namely credit risk, liquidity risk, operational risk and legal risk. To these risks one can add a challenge to central banks in the form of reputational risk. If the use of virtual currency schemes grows considerably, incidents which attract press coverage could have negative impacts on the reputations of central banks, if the public perceives the incidents as being caused, in part, by central banks not doing their jobs properly. As a consequence, this risk should be considered when assessing the overall risk situation of central banks.

**Response of central banks to the cryptocurrency challenge:** Establishing the right regulatory template for the advent of digital money is crucial. Regulators everywhere are concerned about the systemic impact of cryptocurrencies which are run by non-regulated entities that operate parallel to established banks, particularly for retail financial services customers. With blockchain technology and cryptocurrencies turning value into just one more type of data, enabling money to flow as freely as data in the process, it is difficult to figure out which parts of the existing financial services industry should be protected and what is the territory of the regulators. While regulators understand their place in and the process of regulating fiat currency, it is not clear what skills are required and how much regulation is needed for these new forms of money, and the proliferation of them in the future. The current approach of many central banks around the world including Sweden, Estonia, Dubai, Russia, and India<sup>8</sup>, is exploring the use of blockchain for creating their own digital currency, - a National Cryptocurrency<sup>9</sup>. The use of distributed ledgers in payment systems may induce changes in clearing and settling transactions. This would become even more revolutionary if banks were to adopt distributed ledgers such as the block chain, as that could have implications for supervision and regulation, and thus for the safety and soundness of payments systems.

**Cryptocurrencies cannot be ignored:** Owing to the small size of virtual currency schemes, the risks as detailed in the section above do not affect anyone other than the users of the schemes. However, given that the growth of virtual currencies will most likely continue, triggered by factors such as the growing access to and use of the internet; the growing number of virtual community users; the increase of e-commerce; the higher degree of anonymity compared to other electronic payment instruments; the lower transaction costs, compared with traditional payment systems; and the more direct and faster clearing and settlement of transactions; a periodic assessment of developments is required to reassess the risks.

Also given that cryptocurrencies do share at least some of the characteristics of payment systems regulation of these currencies could be rightfully assumed to be responsibility of central banks. Thus their very existence could have a negative impact on the reputation of central banks, assuming the use of such systems grows considerably and in the event that an incident attracts press coverage, since the public may perceive the incident as being caused, in part, by a central bank not doing its job properly. Besides they could represent a challenge for public authorities, given the legal uncertainty surrounding these – schemes, as they can be used by fraudsters and money launderers to perform their illegal activities. (BIS, 2015)

<sup>8</sup> In November 2017 RBI Executive director Sudarshan Sen stated, “Right now, we have a group of people who are looking at fiat cryptocurrencies.” India is working on a national cryptocurrency called Lakshmi.

<sup>9</sup> As explained by Bech and Garratt (2017) a national cryptocurrency is one that is launched by a central bank on the Distributed Ledger Technology. DLT allows for a distributed set of third parties to arrive at a consensus on the contents of the ledger. Central banks are considering this technology and creating a central bank digital currency where the differences are: (i) Issuer—The cryptocurrencies are issued by Central Banks. Hence, they will dictate the price of the cryptocurrency and the value of the cryptocurrency is backed by the sovereignty of the nation. As against cryptocurrencies such as Bitcoin, whose price is determined by the market through demand/supply and the issue happens through miners earning Bitcoin as a reward for validating transactions. (ii) Transfer Mechanism— A centralized currency requires the presence of a centralized party validating all transactions such as RBI being the central point of authority for all banks. Bitcoin is a decentralized currency where there is no necessity of a third party validating your transaction.

**The road ahead:** At this point in time it may be valid to state that cryptocurrencies pose very little challenge to existing fiat currencies and central banks as their use is not widespread and thus their impact on the mainstream financial system is negligible. This is because they are volatile, risky and energy intensive. Also, because the underlying technologies are not scalable.<sup>10</sup> Besides many are too opaque for regulators and; and many have been hacked. Having said that; the International Monetary Fund (IMF) chief, Christine Lagarde believes that cryptocurrencies may give traditional government-issued ones a "... run for their money..... the best response by central bankers is to continue running effective monetary policy, while being open to fresh ideas and new demands, as economies evolve." At a conference in London in 2017 she said that, "it may not be wise to dismiss virtual currencies." (De, 2017; Hackett, 2017)As central banks and governments around the world experiment with new money, and businesses innovate in the face of the rigid existing financial architecture, questions arise about how, and by whom, should cryptocurrencies be regulated. What would be their supervisory responsibilities for institutions that may provide cryptocurrencies? To what extent should they provide clearing services to firms that provide cryptocurrencies? How would they conduct monetary policy in the face of other non-sovereign currency issuing institutions? Building the right regulatory template offers a good chance to harness this generation's greatest driver of growth and productivity. Creating trust in digital money as a safe store of value, while encouraging creative destruction of the existing system, will require governments and regulators to work more closely with a wider range of stakeholders — including technology start-ups — than would previously have been thinkable.(EYGM, 2017)The IMF in its 2016 discussion paper has suggested the following guiding principles for national central banks/authorities for developing their regulatory responses to cryptocurrencies.

- Regulatory responses should be commensurate to the risks without stifling innovation
- Regulatory responses should adapt to the changes in the cryptocurrency landscape.
- Regulators should remain flexible in their approach so that challenges can be addressed as they arise.
- Regulation may need to address not only market conduct issues but also the financial soundness of cryptocurrency intermediaries.
- Regulators may need to consider imposing prudential regulatory requirements on intermediaries as New York has already done.
- Due consideration should be given to the degree of integration between the conventional financial system and the cryptocurrency market.
- Regulators should consider the potential implications of financial institutions; (i) having cryptocurrencies intermediaries as clients; (ii) holding cryptocurrencies as an investment; and (iii) performing the functions of cryptocurrencies intermediaries. In this context, regulators should consider whether to: a) Prohibit any interaction between the financial institutions and the cryptocurrencies market; b) Allow a certain degree of integration; or c) Allow full integration. here is also the concern that central banks will have an enhanced job of regulation of the old fiat style money and the new cryptocurrencies. Central bankers have the unenviable task of being innovative in their thinking and tread a careful line to avoid the creation of a parallel financial system that might later pose a risk to consumers, at the same time making sure they don't stifle innovation just as the digital age reaches its height.

<sup>10</sup> It may be noted that these are technological challenges which would be addressed over time. It is also a matter of more people becoming confident and accepting of virtual currencies rather than physical currencies. The latter is also a matter of time.

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## EVALUATION OF PERFORMANCE OF URBAN CO-OPERATIVE BANKS IN BASEL FRAMEWORK

**Dr. (Mrs.) Vaidehi Daptardar**, *Principal, Adarsh College of Arts and Commerce,  
Kulgaon- Badlapur*

**M. Guruprasad**, *Research Scholar, Adarsh College of Arts and Commerce,  
Kulgaon- Badlapur*

### **Abstract**

*A strong banking sector is important for flourishing economy. The failure of the banking sector may have an adverse impact on other sectors. In India banking as an institution originated in the late 18<sup>th</sup> century, primarily to cater to the needs of the British. In the post independence, the nationalisation of major private banks in 1969 – an important milestone in the Indian banking system made banking accessible to the unbanked population. The reforms in the financial sector during the early 90s aimed at increasing the professionalism, productivity and profitability of the banking sector, reflecting a paradigm shift towards increased market orientation. With the commencement of reforms of the economy in 1991, banks were to follow the Basel Accord. Capital enhancement became the core policy of many new financial sector regulation measures including Basel I, II, III. The RBI uses various measures to track whether a bank is meeting its statutory requirements and is capable of absorbing a reasonable amount of loss. Some of the key indicators include CRAR, NPA, ROA and profitability among others. A bank is said to be financially sound if it has a higher CRAR, lower NPA and better profitability. In this study, we have made an attempt to understand the trend in these key parameters with respect to Urban Cooperative Banks in recent times in general and a few selected in particular in post economic reform period after initiation of Basel norms. Our analysis revealed that many UCBs at the National level and the selected UCBs have kept up with the proposed national and the Basel norms; however, an urgent policy is needed for improving financial health of Grade III and IV UCBs.*

**Key terms:** BASEL accord, Basel I, II, III; UCBs, CRAR, ROA, NPA.

### **Background:**

**Indian Banking Sector:** A strong banking sector is important for flourishing economy. The failure of the banking sector may have an adverse impact on other sectors. In post independent India, the nationalisation of major private banks in 1969 was an important milestone in the Indian banking system which made banking accessible to the unbanked population. Thereafter, the reforms in the financial sector during the early 90s were aimed at increasing the Professionalism, Productivity and Profitability of the banking sector reflecting a paradigm shift towards increased market orientation.

With the commencement of reforms of the economy in 1991, banks were to follow the Basel Accord. Financial Sector reforms, which are primarily aimed at aligning the Indian banking system to the international best practices, are having lasting effects on the entire fabric of the Indian financial system, which is presently undergoing a major phase of metamorphosis. Given the rapid growth of Urban Co-operative Banks (UCB's) and increasing concern about their financial soundness, the Reserve Bank initiated the process of voluntary consolidation of these institutions in 2005. This process was aimed at encouraging the growth of financially stronger UCBs and non-disruptive exit of the weaker ones. Consequently, the issuance of fresh licenses to the UCBs was also put on hold. On this background, it would be interesting to know the performance of UCBs in Basel framework.

**BASEL:** The BASEL committee of the Bank for International Settlements (BIS) has been focusing on defining roles of regulators in cross-jurisdictional situations and to promote uniform capital requirements; so that banks from different countries may compete with one another on a level playing field. As the Banks and the regulators all over the world have been concerned about various risks, the formal framework for banks' capital structure was evolved in 1988 with the introduction of the "International Convergence of Capital Measurement and Capital Standards", popularly known as Basel I, issued by the Basel Committee.

In **Basel I** (1988) the committee set minimum capital requirements for banks' credit risk and added capital charges for market risk in an amendment on 1996. The Basel Committee developed Basel II which is an overhaul of Basel I in the year 2000. The post 1990 scenario world over saw banks increasing their trading activity by investing in securities which exposed banks to price risks, and responding to this in 1996, the Basel Committee suggested that banks maintain capital funds against market risk by following either the standardised measurement approach (SMA) or internal measurement approach (IMA) to meet the unforeseen losses arising out of market risks. **Basel II** was built up on three mutually reinforcing pillars of minimum capital requirements, supervisory review process and market discipline. When Implementation of Basel II was nearing its completion, a financial crisis hit and showed the inadequacy of Basel Accords. The failure to prevent financial crises in the twenty first century raised concerns. The obvious question was whether Basel Committee is fine tuning an approach that may be fundamentally inadequate? The Basel Committee responded with a longer-term overhaul of bank capital requirements, which is called Basel III (2010). In response to the 2007- 09 global financial crisis BCBS issued Basel II.5, which was designed to estimate capital requirements for credit risk in the trading book of a bank. Basel II.5 was intended to prevent inappropriate placement of securities in the book that would provide the most favourable accounting treatment of securities at a particular point in time. In that order, the Basel Committee issued a series of documents to address specifically counterparty risk in derivative transactions, strengthening of liquidity standards, and market risk framework. Consolidating all these, the BCBS released the Basel III framework entitled "Basel III: A Global Regulatory Framework for more Resilient Banks and Banking systems" in December 2010 (revised in June 2011). According to the BCBS, the Basel III proposals have two main objectives: 1. To strengthen global capital and liquidity regulations with the goal of promoting a more resilient banking sector. 2. To improve the banking sector's ability to absorb shocks arising from financial and economic stress. The enhancements of Basel III over Basel II come primarily in four areas: (i) augmentation in the level and quality of capital; (ii) introduction of liquidity standards; (iii) modifications in provisioning norms; and (iv) introduction of leverage ratio. To this, Reserve Bank of India responded by releasing a series of guidelines on the implementation of BASEL III Capital Regulations on May 2, 2012 with an intention of implementing it in phased manner commencing from January 1, 2013 to March 31, 2018 for Indian Scheduled Commercial Banks.

**Objectives of the Paper:**

- To understand the banking sector regulations in India with respect to Basel norms
- To know the trends in key financial indicators of Urban Cooperative Banks (UCBs) in India over a period of time
- To analyse the performance of selected UCBs in Mumbai region for the selected parameters
- To evaluate the level of attainment of selected UCBs with respect to the current financial benchmarks of the Reserve Bank of India (RBI).

**Research Methodology:** The Indian banking Industry has been studied with special reference to the Urban Cooperative sector banks on the basis of secondary data available. The relevant data have been collected from the RBI publications like 'Annual Report on Trends and Progress of Banking in India', 'Annual Report of RBI', various publications of RBI websites and research papers. The various key financial indicators were sourced from the official documents available in the selected Urban Cooperative sector Banks websites. The trend in the performance of UCBs was based on time-series data for the UCBs in India since the economic reforms and was analysed for three years since 2015. Graphs and Ratio analysis have been used for analyzing the trend of key financial indicators of the UCBs.

**Literature Review:** According to the study by Sayuri Shirai on 'Assessment of India's Banking Sector reforms from the perspective of the governance of the Banking system' (2001), allowing banks to engage in non-traditional activities has contributed to improved profitability, cost and earnings efficiency of the whole banking sector, including public-sector banks. However, lending to priority sectors and the public-sector had no negative effect on profitability and cost efficiency, contrary to the expectations.

Deolalkar G. H., (2008), conducted a study on 'The Indian Banking Sector, On the Road to Progress' revealed that cooperative banks emulated the changing structure and practices of the commercial banking sector in revamping their internal systems, ensuring in the process timely completion of audit and upgrading their financial architecture. Further it stated that, in various regions there is a differing pattern of cooperative banking, determined according to the strength of the cooperative movement.

A study by Neelam Dhanda and Shalu Rani (2010) on Basel I and Basel II Norms found empirical evidence for the Banks in India; based on a comparative analysis of Capital Adequacy Ratio (CAR) for the financial year 2008-09 of the selected banks under different categories. It indicated improved CAR with Basel II as compared to Basel I.

According to 'Proposed Basel III Guidelines (2010): A Credit Positive for Indian Banks' Report, Indian banks would find it easier to make the transition to a stricter capital requirement regime than some of their international counterparts since the regulatory norms on capital adequacy in India are already more stringent, and also because most Indian banks have historically maintained their core and overall capital well in excess of the regulatory minimum.

Guruprasad M., (2011) in the paper "Indian Banking Industry – Basics to Basel" referred that the main perspective of Basel norms is to improve the risk management systems of the banks as the banks aim for adequate capitalisation to meet the underlying credit risks and strengthen the overall financial system of the country. The prescribed liquidity requirements would help banks better manage pressures on liquidity in a stress scenario, he opined.

A study by Dr.K.V.S.N Jawahar Babu(2012), "Performance Evaluation of Urban Cooperative Banks In India" discussed the growth and the problems faced by the urban cooperative banks. According to the study, Urban Cooperative Banking is a key sector in the Indian Banking scene, which in the recent years has gone through a lot of turmoil. In their opinion despite credible performance by UCBs in the recent years, a large number of banks have shown discernible signs of weakness. The operational efficiency is unsatisfactory and characterized by low profitability, ever growing non-performing assets (NPA) and relatively low capital base.

According to the RBI Report (2009) on the "Working Group on Umbrella Organization and Constitution of Revival Fund for Primary (Urban) Co-operative Banks", internationally cooperative banks, operate in networks and have an entity which provides a wide range of services to them such as- fund management services, lines of credit, asset management, payment and settlement system gateway, ATM networks, credit card, investment, securitisation, capital raising and other financial services.

#### **Analysis:**

#### **Banking Sector policy regulations in India and Basel norms**

In India, the Reserve Bank of India (RBI) implemented Basel I norms from 1992 onwards and subsequently, in 2004 comprehensive framework of capital regulation popularly known as Basel II. India responded to the 1996 amendment to the Basel I framework, which required banks to maintain capital for market risk exposures, by initially prescribing various surrogate capital charges for these risks between 2000 and 2002. These were replaced with the capital charges as required under the Basel I framework in June 2004, which became effective from March 2005. In its mid-term review of Monetary and Credit Policy in October 1998, the RBI raised the minimum regulatory CRAR

requirement to 9 per cent, and banks were advised to attain this level by March 31, 2009. The RBI responded to the market risk amendment of Basel I in 1996 by initially prescribing various surrogate capital charges such as investment fluctuation reserve of 5 per cent of the bank's portfolio and a 2.5 per cent risk weight on the entire portfolio for these risks between 2000 and 2002.

**CRAR measurement**

Capital Accord in 1988 of Basel focused on reducing credit risk, prescribing a minimum capital risk adjusted ratio (CRAR) of 8 percent of the risk weighted assets. Although it was originally meant for banks in G10 countries, the RBI also issued similar capital adequacy norms for the Indian banks. According to these guidelines, the banks were required to identify their Tier- I and Tier-II capital and assign risk weights to the assets. Having done this, banks had to assess the Capital to Risk Weighted Assets Ratio (CRAR). While Tier-I Capital comprises Paid-up capital, Statutory Reserves, Disclosed free reserves, Capital reserves representing surplus arising out of sale proceeds of assets, Equity investments in subsidiaries, intangible assets and losses in the current period and those brought forward from previous periods to be deducted, Tier-II Capital comprises of Undisclosed Reserves and Cumulative Perpetual Preference Shares, Revaluation Reserves, General Provisions and Loss Reserves. Consistent with this approach, for Basel II also, all commercial banks in India are implementing Basel II with effect from March 31, 2007. It now aims to get all commercial banks BASEL III-compliant by March 2019. So far, Indian banks are compliant with the capital needs.

The calculation of Minimum Regulatory Capital is extension of 1988 Basel Accord. Basel II also considers Operational Risk apart from Credit & Market Risk. Another major difference between Basel I and Basel II is inclusion of flexibility in approaches for Risk Weighted Assets Calculation. For calculation of Capital to Risk weighted Asset Ratio (CRAR), the formulae are similar to BASEL I accord.

**Total CRAR** = [Eligible total capital funds] / [Credit RWA + Market RWA + Operational RWA]

**Tier I CRAR** = [Eligible Tier I capital funds] / [Credit RWA\* + Market RWA + Operational RWA] where RWA = Risk weighted Assets. Basel II recommended at least 8% CRAR and 4% Tier 1 CRAR, whereas RBI has given guidelines for at least 9% CRAR and 6% Tier 1 CRAR. So calculation of CRAR is dependent on two major factors (1) Eligible Total Capital Funds (2) Risk Weighted Assets

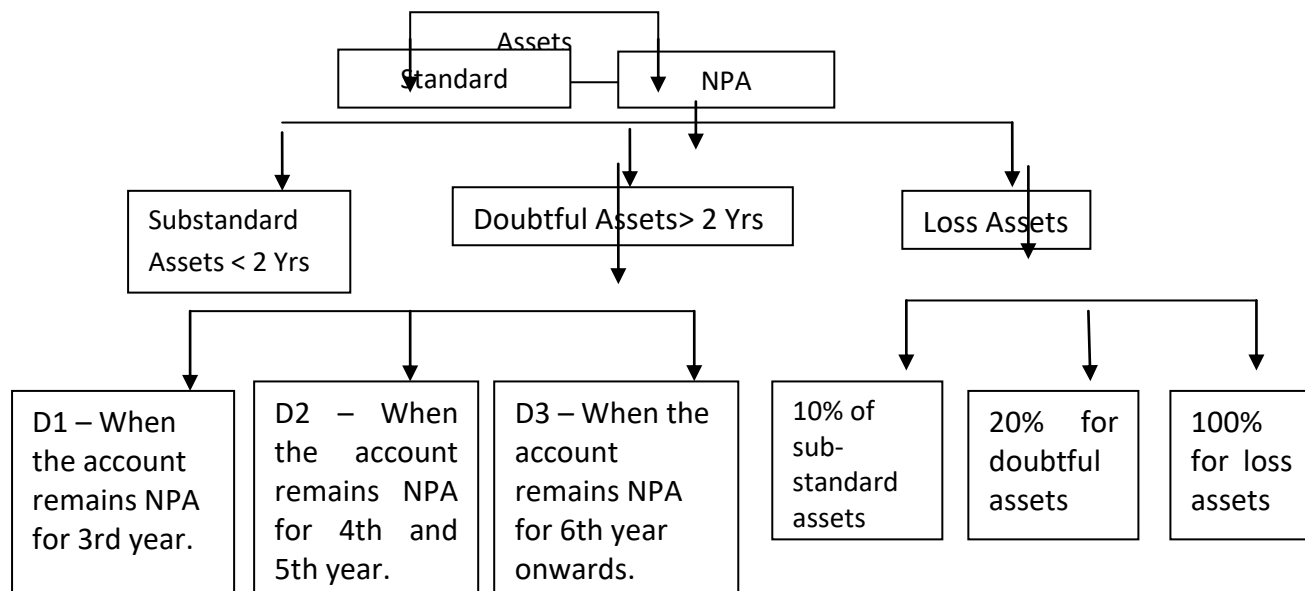
**A Capital Conservation Buffer** The Capital Conservation Buffer is an additional reserve buffer of 2.5% to "withstand future periods of stress", bringing the total Tier 1 Capital reserves required to 7%. This buffer is introduced to meet one of the four key objectives identified by the Committee in the December 2009 Consultative Document "*Strengthening the resilience of the banking sector*"; conserve enough capital to build buffers at individual banks and the entire banking sector which can then be used in times of stress. If a bank has complied with the minimum Common Equity Tier 1 and Tier 2 capital ratios, then the excess Additional Tier 1 capital can be admitted for compliance with the minimum CRAR of 9% of RWAs. In addition to the minimum Common Equity Tier 1 capital of 5.5% of RWAs, banks are also required to maintain a capital conservation buffer (CCB) of 2.5% of RWAs in the form of Common Equity Tier 1 capital.

**BASEL Norms and Performance of UCBs in India** As per the recommendations of the High Power Committee (Madhavrao Committee) 1999, Reserve Bank introduced CRAR norms to urban cooperative banks in a phased manner with effect from 31 March 2002. UCBs were required to maintain capital charge for credit risk based on 1988 capital accord. At present banks are required to maintain capital fund (Tier I and II) to the tune of 9 % of the total risk weighted assets. Further, surrogate capital charge on market risk has been introduced through an additional risk weight of 2.5 %. This is in line with the similar regulatory requirement for the other commercial banks in India by the RBI.

RBI introduced a risk based capital standard in the year 2001 for Urban Co-operative banks. Compliance with the prescribed capital ratio is monitored, on a quarterly basis by UBD through OSS (Off Site Surveillance Division requirements of RBI)

**Classification of NPA**

The classification of NPAs is shown in the figure.



**Performance of UCBs: A Macro View**

- Deposits and Advances

**Table 1 Performance of UCBs – Deposits and Advances**

Growth of Urban Cooperative Banks (UCBs)						
(Amounts in crores)						
Year ended March 31,	Number of UCBs	Deposits	percent growth	Advances	percent growth	
1991	1307	10157		8003		
1992	1311	11108	9.4	8713	8.9	
1993	1306	13531	21.8	10132	16.3	
1994	1305	16769	23.9	12172	20.1	
1995	1300	20101	19.9	14795	21.5	
1996	1327	24165	20.2	17908	21.1	
1997	1355	30714	27.1	21550	20.3	
1998	1502	40692	32.5	27807	29.0	
1999	1590	52681	29.5	34214	23.0	
2000	1645	71189	35.1	45995	34.4	
2001	1618	80840	13.6	54389	18.2	
2002	1854	93069	15.1	62060	14.1	
2003	1941	101546	9.1	64880	4.5	
2004	1926	110256	8.6	67930	4.7	
2005	1872	105021	-4.7	66874	-1.6	
2006	1853	114060	8.6	71641	7.1	
2007	1813	121391	6.4	79733	11.3	
2008	1770	138496	14.1	88981	11.6	
2009 *	1721	158733	14.6	97918	10.0	

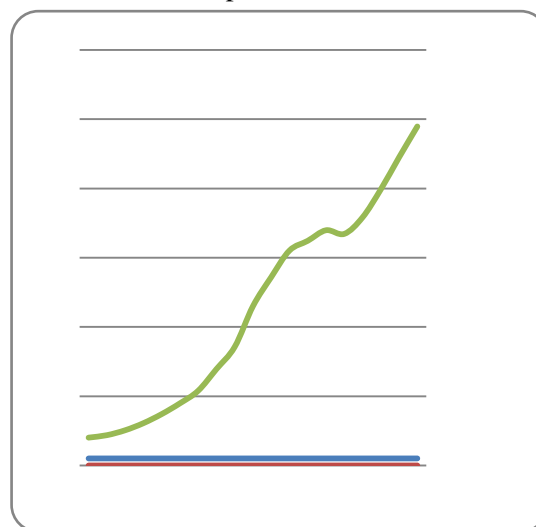
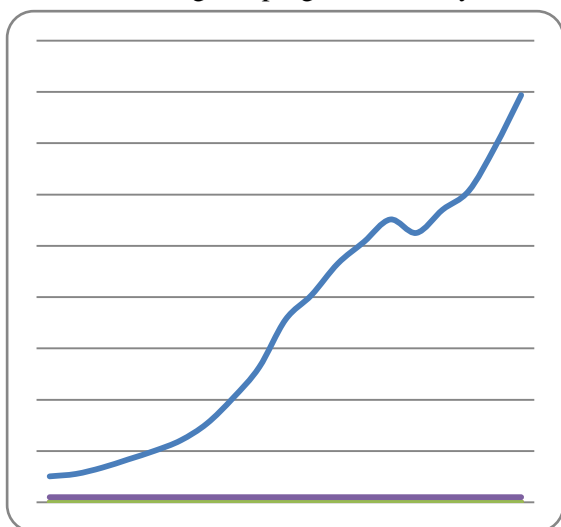
Source: Report on trend and progress of Banking in India .RBI.



**Graph 1 :Trends in Deposits Growth**

**Graph 2 :Trends in Advances Growth**

While reviewing the progress made by the UCBs in terms of their deposits and advances during the



last 10 years, it was observed that there has been continuous growth in their deposits and advances. The deposits have grown by an average of 16.93 % and the advances by 15.25% during the reference period. (Graph 1 and 2). Though there has been reduction in the number of UCBs from 2004 onwards, the total banking business (deposits plus advances) of UCBs has shown continuous increase signifying that the banks have been able to garner more business.

**Financial health of banks – Grading system**As a part of on-site inspection, Reserve Bank has adopted a system of categorizing banks into four grades (since April 2003) based on objective parameters relating to capital adequacy, asset quality, earnings, compliance with CRR / SLR requirements and adherence to RBI guidelines and / directives. On the basis of the inspection, all banks (scheduled and non scheduled) are classified into four grades to enable the Reserve Bank to initiate prompt corrective action. While Grade I and II are considered as financially strong banks, under Grade III and IV banks are considered weak and sick banks requiring supervisory intervention by the regulator. After finalization of the inspection report on individual banks, the Regional Offices of Reserve Bank may initiate action as per the framework of graded supervisory actions. The measures for strengthening the financial position of the banks include formulation of an action plan for recovery of NPAs, strengthening of capital base through larger accretion of reserves, limiting dividend pay outs, etc.

The Grade-wise and centre -wise position of UCBs is given below:

**Table 2 : Grade wise Distribution of UCBs as on end-March 2009**

Grade	Number of banks	Number of banks (percent to total)	Deposits (percent total) to	Advances (percent to total)
I	845	49.1	65.2	64.2
II	484	28.1	19.5	19.7
III	219	12.7	5.1	5.6
IV	173	10.1	10.3	10.5
Total	1721	100.0	100.0	100.0

Source: Report on trend and progress of Banking in India, RBI.

It can be observed from the above table (Table 2), a good portion of UCBs fall under Grade I with around 50% constituting two third of the deposits and advances.

**CRAR Distribution** Basel I norms have been made applicable to UCBs in so far as it relates to credit risk. As per the existing norms, UCBs are required to maintain capital charge for credit risk based on 1988 capital accord and surrogate capital charge on risk through an additional risk weight of 2.5 percent.

**Table 3: CRAR Wise Distribution of UCBs as at end March 2009**

CRAR - Range	0 - < 3	3 - < 6	6 - < 9	< 9	Total
Scheduled	9	1	1	42	53
Non-Scheduled	136	24	66	1442	1668
Total	145	25	67	1484	1721
(percent share)	8.4	1.5	3.9	86.2	100

Source: Report on trend and progress of Banking in India .RBI.

It is observed from Table 3 that out of 1721 UCBs as of March 31, 2009, 237 (13.7 percent) UCBs have CRAR lower than the prescribed CRAR of 9 percent. Out of these banks 145 (8.4 percent) UCBs have CRAR less than 3 percent.

- Trends in NPA of UCBs**

**Table 4: Gross NPAs a % of Total Advance of UCBs**

Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
% of NPA	11.7	12.2	16.1	21.9	19.0	22.7	23.2	18.9	NA	15.5

The analysis of Table 4 shows that there is a fluctuation in the gross NPAs of Scheduled UCBs. In 1999 the level of gross NPA was 11.7% and subsequently in 2002 it increased to 21.9% and in 2003 it reduced to 19% and again in 2004 it rose to 22.7% and in 2005 it increased to 23.2%. This shows a fluctuating trend of Gross NPAs, besides the percentage being quite high in the cooperative banking sector.

**Table 5 : Net NPAs a % of Total Advance of UCBs**

Year	2003	2004	2005	2006	2007	2008
% of NPA	13.0	12.1	12.5	12.3	8.8	7.7

It can be noted that in 2003, the net NPA was 13.0 % which declined to 7.7% in 2008.

Comparing Table 4 with Table 5 we find that Net NPA is much lesser than the gross NPA. Further, it is found that while overall Gross NPA ratio of the UCBs are fluctuating, the Net NPAs are slowly coming down, which is a healthy direction.

### 5.2.2 Performance of selected UCBs on Key Indicators

To understand the performance of UCBs in particular, we have selected the following two banks viz.: 1.Dombivli Nagari Sahakari Bank Ltd (DNS Bank) and 2.The Kalyan Janata Sahakari Bank Ltd (KJS Bank), both being Scheduled Cooperative Bankshaving existence for over three decades and more. We analysed their performance on three key parameters such as NPA,CRAR and Return on Assets (ROA) which are the key indicators reflecting financial health, risk factor and profitability of any bank in the world.

**Table 6: Comparative Analysis of DNSB and KJSB on Selected Parameters**

Years → Parameters ↓	31.03.2016		31.03.2015		31.03.2014	
	DNSB	KJSB	DNSB	KJSB	DNSB	KJSB
GROSS NPA	3.21	3.76%	2.66	2.58%	3.86	2.72%
NET NPA	1.71	1.93%	1.39	0.49%	1.60	0.00%
CRAR	12.48	12.95%	13.08	12.32%	13.48	13.01%
ROA	0.89	0.94	0.95	1.03	1.14	1.00

Source: RBI Statistics

**Capital Adequacy:**The above data for the DNSB& KJSB show that both the Banks are consistently complying with the capital adequacy norms prescribed by RBI, maintaining its CRAR between 12% to 14 % for the last three years; against the minimum level of 9% prescribed by RBI. Infact, this rate is ahead of the time to satisfy even the proposed Basel III norms. It is pertinent to note that many PSU banks and Private banks are maintaining a lower level of ratio than this.

**NPA's :**For DNSB, performance in containing NPA level may be considered as satisfactory, as both the figures are well within the norms for NPA level prescribed by RBI for financially sound and well managed bank; despite both gross NPA and net NPA have shown fluctuations during the years under analysis. As against DNSB, KJSB's gross NPA as well as net NPA increased during the years under analysis. However, both the figures are well within the norms for NPA level prescribed by RBI.

**ROA:**The Table also shows that both the banks maintained a good profitability ratio between 0.89% to 1.14 %.

**Conclusion & Suggestions:**Globalization has resulted into the rapid transformation of the financial system all over the world. As a result financial markets are getting widened and deepened. The growth of financial markets demand introduction of innovative instruments for rising funds through high quality and low risk securities.

- A good portion of UCBs fall under Grade I considered as financially strong banks by RBI with around 50% constituting two third of the deposits and advances.
- Only 13.17% of UCBs have CRAR lower than the prescribed CRAR of 9 percent, Out of which 8.4 percent UCBs have CRAR less than 3 percent; a positive feature.
- Net NPA is comparatively lesser than the gross NPA. Overall Gross and the NPA ratio of the UCBs are fluctuating but slowly coming down over a period of time, which is a healthy direction.
- For selected banks viz.; DNSB and KJSB, there is a considerable progress in containing the problem of NPAs and both maintained a good CRAR even satisfying the Basel III norms and achieving reasonable profitability.
- There are a large number of UCBs in the country forming a heterogeneous group in terms of size and spread. Many of these banks are very small in size and reach. They compete with larger participants in the same banking space. The macro analysis clearly showed that bringing 83.2% banks in Grade 1 is the real challenging task, so that overall financial strength of UCBs is found to be stronger.
- At the same time, there are a number of UCBs in the sector that are financially strong and viable. Appropriate policy and strategy of cooperative bonding and mutual support system could make the sector strong and vibrant, for conversion into commercial banks.
- There is a significant part of the UCB sector that lacks professionalism and is unable to keep pace with rapid advancements in IT, modern banking systems and financial products. The sector also has significant number of banks which are weak and need financial support. There have been occasions when due to contagion effect banks have encountered liquidity problems.

Hence, an urgent policy framework is needed for improving the working of UCBs and strengthening their financial health. The powers of RBI need to be strengthened by amending laws to bring about change in the structure of UCBs. The concept of Umbrella organization mooted by the Malegaon Committee needs to be deliberated upon stringently. The policy of converting UCBs into Commercial banks is also to be considered urgently.

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## **TERM INSURANCE PLAN: A BOON(A STUDY ON PERCEPTION OF SALARIED EMPLOYEES TOWARDS TERM INSURANCE POLICIES)**

**Vikas Mishra**, *Asst.Professor, K.E.S. Shroff College of Arts and Commerce*

### **Abstract**

*Term insurance is a type of life insurance in which insured pays premium for specific term. The main purpose of term insurance plan is to provide protection to insured. In term insurance plan amount of premium is less but the amount of compensation is more as compare to the other life insurance plan. Most of the salaried employees between the age group of 35 to 50 years had purchased term insurance plan. Term insurance plan is purchased more by males as compared to females. Employees having income more than 10 lakhs have purchased both term insurance as well as other life insurance.*

*Keywords: Term insurance insured, insurer, life insurance policies.*

**Introduction:**Life is full of risks. At every step of life the door of death is open. Life is also filled with emotions, relations, responsibilities, goals, dreams, expectations etc. All of us know that future is uncertain but then also today we are at all levels striving hard to secure our future, to make our future bright. Mostly the earning member of the family is most worried about what will happen to his family if something which is unexpected and unfortunate happens with him. So to ensure the financial stability of his family after his death or after his disability, he takes the insurance policy. An individual takes the insurance policy in the hope that it will financially support his family after him. Insurance is a contract between two persons known as insured and insurer. Insured is a person who takes insurance policy and insurer is the person who provides insurance policy. In insurance contract insurer is ready to compensate the insured after an occurrence of loss and insured is ready to pay premium for the services provided by the insurer. Insurance is of two types - life insurance and non-life insurance. Life insurance is further divided into two types- term insurance and other life insurance. In term insurance policy insurer provides insurance only for a particular term. Till the term of insurance contract, insured has to pay premium to insurer. Once the term of insurance expires the insurer is not liable to compensate to the insured. Term insurance plan is life insurance plan which provides maximum cover at minimum cost. Term insurance plans are not attached with any saving and investment product. In term insurance plan a person pays the premium for a particular period of time and if the insured dies during that time then the compensation amounts are paid to the nominee of the policy known as beneficiary. Term life insurance policy provides the matured value of policy only after the death of the insured. If nothing happens to the life of insured during the term of the policy then the insured cannot get any amount from the insurance company. Other than Life insurance Corporation of India, private insurance companies also provide term insurance plans. Entry of private sector in insurance industry has increased the competition among insurer. Due to it now customers are getting better policies at low cost. In spite of many private insurance companies term insurance plan is not popular between middle class or lower middle class as it is not marketed by insurance agents at desired level. Lower rate of commission on term insurance is the reason for low marketing of term insurance policies.

### **Objectives:**

- To know the level of awareness about term insurance among people.
- To explore the various factors influencing customer decision in life insurance policy.
- To know whether level of education, income and occupation have any effect on choice of term insurance policy.
- To find out whether people give more preference to term insurance than other life insurance policies.

**RESEARCH METHODOLOGY:**The required data for the above research is collected from primary source. For collecting the information through primary data researcher has adopted the random sampling method and collected data from different people residing between Andheri to Dahisar area. Data is collected from the salaried class as well from self-employed people. To collect data researcher has selected 75 respondents on convenience basis.

**REVIEW OF LITERATURE:**

**MS. BABITA YADAV & DR. ANSHUJA TIWARI (2012)** in their study on ‘A Study On Factors Affecting Customers Investment Towards Life Insurance Policies’ found that the consumers’ decision to purchase insurance product from different insurance companies can be affected by several factors like age, gender and income level. From the analysis, it is inferred that respondents belonging to the age group between 30 to 40 years and company reputation, money back guarantee, risk coverage, low premium and easy access to agents are some factors which determine their insurance policy buying decision.

**Dr. Sonal Nena (2013)** in her study on ‘Performance Evaluation of Life Insurance Corporation (LIC) of India’ concluded that LIC business is increasing but due to the entry of private sector, competition increased therefore LIC needs to control its operating expenses.

**Dr. Praveen Sahu, Gaurav Jaiswal & Vijay Kumar Pandey (2009)** in their study on ‘A Study Of Buying Behaviour Of Consumers Towards Life Insurance Policies’ concluded that Consumer Loyalty, Service Quality, Ease of Procedures, Satisfaction Level, Company Image, and Company-Client relationship are the factors playing role towards the development of customers perception towards the life insurance policy.

**Prof.Sanjaykumar Jagannath Patil (2012)** in his study on ‘A Study On Consumer Satisfaction Towards Life Insurance Corporation Of India’ observed that 95% of the customers are satisfied with the product and services provided by the Life insurance corporation of India. Most of the investors are investing in life insurance Corporation due to their trust in the company.

**Harnam Singh & Dr Madhurima Lall (2011)** in their research paper titled ‘An Empirical Study of Life Insurance Product and Services in Rural Areas’ observed that level of education has an impact on purchasing insurance policy. After globalization more nuclear families started to do investment in insurance product.

**HYPOTHESIS:**

**H<sub>0</sub>:** Choice of term insurance is not affected by, level of education, income, occupation and age.

**H<sub>1</sub>:** Level of education, income and occupation are affecting the choice of term insurance.

**H<sub>0</sub>:** Customers do not prefer term insurance plan over other life insurance plan.

**H<sub>1</sub>:** Customers give more preference to term insurance plan as compare to other life insurance plan.

**TESTING OF HYPOTHESIS:**

**OBSERVED VALUE**

	<b>Below 35 years</b>	<b>35-50 years</b>	<b>50 years &amp; above</b>	<b>Total</b>
<b>Have term insurance</b>	17	31	0	48
<b>Do not have term insurance</b>	12	13	02	27
<b>Total</b>	29	44	02	75

**EXPECTED VALUE:**

	<b>Below 35 years</b>	<b>35-50 years</b>	<b>50 years &amp; above</b>	<b>Total</b>
<b>Have term insurance</b>	18.56	28.16	1.28	48
<b>Do not have term insurance</b>	10.44	15.84	0.72	27
<b>Total</b>	29	44	02	75

**Test statistic calculation:**  $\chi^2 = \sum \frac{(f_o - f_e)^2}{f_e}$   
 = 0.13+0.29++1.28+0.23+0.51+2.28  
 = 4.72

**$\chi^2$  table value at**  
**Df= (r-1) (c-1) = 1\*2=2**  
**LOS = 10%**  
 **$\chi^2$  (2, 10%) = 4.605**

$\chi^2$  calculated value (4.72) is greater than that of  $\chi^2$  table value (4.605)  
 So we have sufficient evidence to reject our null hypothesis that choice of term insurance is affected by age.

**OBSERVED VALUE**

		5 lakhs- 10 lakhs	10 lakhs & above	Total
Have term insurance	21	21	06	48
Do not have term insurance	16	09	02	27
<b>Total</b>	37	30	08	75

**EXPECTED VALUE:**

	Below 5 lakhs	5 lakhs- 10 lakhs	10 lakhs & above	Total
Have term insurance	23.68	19.20	5.12	48
Do not have term insurance	13.32	10.80	2.88	27
<b>Total</b>	37	30	08	75

**Test statistic calculation:**  $\chi^2 = \sum \frac{(f_o - f_e)^2}{f_e}$   
 = 0.30+0.16875+0.15125+0.54+0.3+0.27  
 = 1.73

**$\chi^2$  table value at**  
**Df= (r-1) (c-1) = 1\*2=2**  
**LOS = 10%**  
 **$\chi^2$  (2, 10%) = 4.605**

$\chi^2$  calculated value (1.73) is less than that of  $\chi^2$  table value (4.605)  
 So we don't have sufficient evidence to reject our null hypothesis that choice of term insurance is affected by income of an individual.

**OBSERVED VALUE**

	Undergraduates	graduates	Post graduates	Total
Have term insurance	05	18	25	48
Do not have term insurance	06	12	09	27
<b>Total</b>	11	30	34	75

**EXPECTED VALUE:**

	Undergraduates	graduates	Post graduates	Total
Have term insurance	7.04	19.20	21.76	48
Do not have term insurance	3.96	10.80	12.24	27
<b>Total</b>	11	30	34	75

**Test statistic calculation:**  $\chi^2 = \sum \frac{(f_o - f_e)^2}{f_e}$   
 = 0.59+0.075+0.48+1.05+0.13+0.86  
 =3.185

**$\chi^2$  table value at**  
**Df= (r-1) (c-1) = 1\*2=2**  
**LOS = 10%**

$\chi^2$  (2, 10%) =

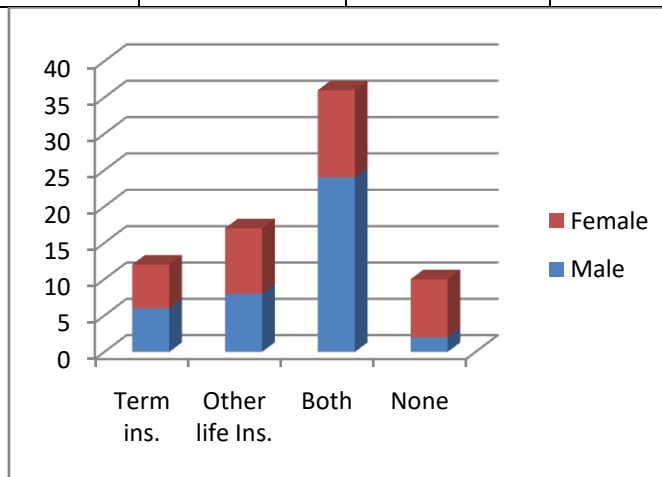
$\chi^2$  calculated value (3.185) is less than that of  $\chi^2$  table value (4.605)

So we don't have sufficient evidence to reject our null hypothesis that choice of insurance policy is affected by level of education of an individual.

**FINDINGS AND OBSERVATIONS:**

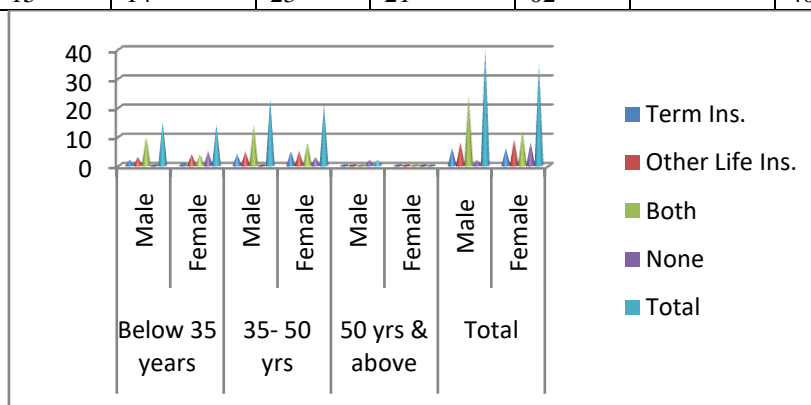
**1- GENDERWISE SELECTION OF INSURANCE POLICY**

	TERM INSURANCE	OTHER LIFE INSURANCE	BOTH	NONE	TOTAL
<b>MALE</b>	06	08	24	02	40
<b>FEMALE</b>	06	09	12	08	35
<b>TOTAL</b>	12	17	36	10	75



**2- AGEWISE SELECTION OF INSURANCE POLICY**

	BELOW 35 YEARS		35-50 YEARS		ABOVE 50 YEARS		TOTAL	
	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE
TERM INSURANCE	02	01	04	05	-	-	06	06
OTHER LIFE INSURANCE	03	04	05	05	-	-	08	09
BOTH	10	04	14	08	-	-	24	12
NONE	-	05	-	03	02	-	02	08
<b>TOTAL</b>	<b>15</b>	<b>14</b>	<b>23</b>	<b>21</b>	<b>02</b>	<b>-</b>	<b>40</b>	<b>35</b>



**3- INCOMEWISE SELECTION OF LIFE INSURANCE POLICY**

	BELOW 5 LAKHS		5LAKHS-10 LAKHS		ABOVE 10 LAKHS		TOTAL	
	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE
TERM INSURANCE	-	-	02	04	04	02	06	06
OTHER LIFE	01	01	05	03	02	05	08	09



INSURANCE								
BOTH	03	02	08	04	13	06	24	12
NONE	01	03	01	03	-	02	02	08
TOTAL	05	06	16	14	19	15	40	35

**4- EDUCATIONWISE SELECTION OF LIFE INSURANCE POLICY**

	UNDER GRADUATE		GRADUATES		POST GRADUATE		TOTAL	
	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE
TERM INSURANCE	-	-	02	04	04	02	06	06
OTHER LIFE INSURANCE	01	01	05	03	02	05	08	09
BOTH	03	02	08	04	13	06	24	12
NONE	01	03	01	03	-	02	02	08
TOTAL	05	06	16	14	19	15	40	35

- 5- 80% of the respondents agreed that term insurance plan is better than other life insurance plan.
- 6- 95% of the respondents agreed that insurance agents do not promote term insurance plan.
- 7- 100% of the respondents agreed that term insurance plan is essential for earning member of the family.
- 8- 93% of the respondents agreed that term insurance policy is cheaper than other life insurance policy.

**Conclusion:**As per the above findings and observation it can be concluded that though term insurance plans do not provide any money back after the expiry of term then too it should be purchased by working member of the family. Term insurance plan gives more risk cover at minimum premium as compare to other life insurance plan. Choice of term insurance plan is much more affected by age, income and education of the people.

**References**

*Ms. Babita Yadav & Dr. Anshuja Tiwari (2012)A Study On Factors Affecting Customers Investment Towards Life Insurance Policies.*

*Dr. Sonal Nena (2013), Performance Evaluation of Life Insurance Corporation (LIC) of India.*

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*Harnam Singh & Dr Madhurima Lall (2011),An Empirical Study of Life Insurance Product and Services in Rural Areas.’*

**ELECTRONIC PAYMENTS IN INDIA -A STEP AHEAD TOWARDS CASHLESS SOCIETY**

**Manoj Singh**, Assistant Professor, KES Shroff College of Arts and Commerce

**Abstract**

*The Research paper focuses on different types of cashless payments in India. According to Government of India the cashless policy will increase employment, reduce cash related problem thereby reducing risk of carrying cash. Cashless policy will also reduce cash related corruption and attract more foreign investors to the country. In many countries introduction of cashless economy can be seen as steps in the right direction. It is expected that its impact will be felt in modernization of payment system, reduction in the cost of banking service, reduction in high security and safety risk and also curb banking related corruption. Electronic banking has made banking transactions easier by bringing services closer to its customers hence improving banking industry performance. Major challenges that can hinder the implementation of the policy are cyber fraud, high illiteracy rate, attitude of people, lack of transparency & inefficiency in digital payment system. The study shows that the introduction of cashless economy in India can be seen as a step in right direction. It helps in growth and development of economy in India.*

**Keywords:** cashless economy, corruption, Black money, India, Digital Payments.

**Introduction:** The government has implemented a major change in economic environment by demonetizing the high value currency notes of – Rs 500 and Rs 1000 from 8th November 2016 and pushing India towards cashless future.

**What is cashless economy:** A cashless economy is one in which all the transactions are done through electronic channels such as debit/credit cards, Immediate Payment Service (IMPS), National Electronic Funds Transfer (NEFT) and Real Time Gross Settlement (RTGS). The circulation of physical currency is minimum. The Indian economy continues to be driven by the use of cash less than 5% of all payments happen electronically. Electronic based transaction seeks to drive the development and modernization of India's payment system. The essence of the policy is to shift the economy from a cash based economy to a cashless one. Cashless transactions have gone up in recent times, a meaningful transition will depend on a number of things such as awareness, technological developments and government intervention. For instance, mobile wallets have seen notable traction, and it is possible that a large number of Indians will move straight from cash to mobile wallets. The availability and quality of telecom network will play an important role. People face difficulties in making electronic payments even in metro cities because of poor network. Service providers will have to constantly invest in technology in order to improve security and ease of transaction. People will only shift when it's easier, certain and safe to make cashless transactions. The government will also need to play its part. It will have to find ways to incentivize cashless transactions and discourage cash payments. There are difficulties in changing attitudes and perception of people towards moving digital payments. India is dominated by small retailers. They don't have enough resources to invest in electronic payment infrastructure.

**Review of Literature:** Review of literature paves way for a clear understanding of the areas of research already undertaken and throws a light on the potential areas which are yet to be covered. Keeping this in mind, an attempt has been made to make a brief survey of the work undertaken on the field of Cashless economy. The reviews of some of the important studies are presented below. Cashless economy is not the complete absence of cash, it is an economic setting in which goods and services are bought and paid for through electronic media. According to Woodford (2003), Cashless economy is defined as one in which there are assumed to be no transactions frictions that can be reduced through the use of money and

that accordingly provide a reason for holding such balances even when they earn rate of return. In a cashless economy, how much cash in your wallet is practically irrelevant. You can pay for your purchases by any one of a plethora of credit cards or bank transfer (Roth, 2010) observed that developed countries of the world, to a large extent, are moving away from paper payment instruments toward electronic ones, especially payment cards.

**Jain, P.M (2006)** in the article —E-payments and e-banking opined that e- payments will be able to check black —An Analysis of Growth Pattern of Cashless Transaction System. Taking fullest advantage of technology, quick payments and remittances will ensure optimal use of available funds for banks, financial institutions, business houses and common citizen of India. He also pointed out the need for e-payments and modes of e-payments and communication networks.

### **OBJECTIVES OF THE STUDY**

The aim behind this Research is

- To know what a Cashless Transaction means.
- Types of cashless transaction

**What is Cashless Transaction:-**"A cashless economy is one in which all the transactions are done using cards or digital means. The circulation of physical currency is minimal."A Cashless Society describes an economic state whereby financial transactions are not conducted with money in the form of physical banknotes or coins, but rather through the transfer of digital information (usually an electronic representation of money) between the transacting parties.

**Digital Payment Methods:** The Digital India programme is a flagship programme of the Government of India with a vision to transform India into a digitally empowered society and knowledge economy. “Paperless, Faceless, Cashless” is one of professed role of Digital India. As part of promoting cashless transactions and converting India into less-cash society, various modes of digital payments are available.

**Cards:** Cards are provided by banks to their account holders. These have been the most used digital payment modes till now. Many of us use cards for transferring funds and making digital payments. Credit cards, debit cards and prepaid cards are the main types of cards. You can also use Rupay debit card for digital payments.

**Credit cards** are issued by banks and some other entities authorized by RBI. These cards give you the ability to withdraw or use extra money. Credit cards are used for domestic as well as international payments.

**Debit cards** are issued by the bank where you have your account. You can use these cards for the money in your account. The payments you make with these cards debited from your account and credit immediately to the payee’s account. You can use these cards to make payments to one bank account to another.

**USSD:** USSD banking or \*99# Banking is a mobile banking based digital payment mode. You do not need to have a smartphone or internet connection to use USSD banking. You can easily use it with any normal feature phone. USSD banking is as easy as checking your mobile balance. You can use this service for many financial and non-financial operations such as checking balance, sending money, changing MPIN and getting MMID.

The \*99# code works as a bridge between your telecom operator's server and your bank's server. It uses your registered mobile number to connect with your bank account. Hence, dial \*99# with your registered number only. USSD banking has a transaction limit of Rs. 5000 per day per customer. RBI has also set a maximum charge of Rs. 2.5 per operation.

**AEPS:** AEPS is an Aadhaar based digital payment mode. The term AEPS stands for Aadhaar Enabled Payment Service. Customer needs only his or her Aadhaar number to pay to any merchant. AEPS allows bank to bank transactions. It means the money you pay will be deducted from your account and credited to the payee's account directly. You need to link your Aadhaar number to your bank account to use AEPS. Unlike Debit cards and USSD, AEPS does not have any charges on transactions. You can use AEPS with the help of PoS (Point of sale) machines. You can withdraw or deposit cash, send money to another Aadhaar linked account with it. The good thing about AEPS is that it doesn't need your signature, bank account details or any password. It uses your fingerprint as a password. No one can forge your fingerprints, thus it is the most secure digital payment mode.

**UPI apps:** UPI or unified payment interface is a payment mode which is used to make fund transfers through the mobile app. You can transfer funds between two accounts using UPI apps. You will have to register for mobile banking to use UPI apps. Currently, this service is only available for android phone users. Hence you can use UPI only when you have an android phone. You need to download a UPI app and create a VPA or UPI ID. There are too many good UPI apps available such as BHIM, SBI UPI app, HDFC UPI app, iMobile, PhonePe app etc. It is not mandatory to use the UPI app from your bank to enjoy UPI service. You can download and use any UPI app. UPI apps are a faster solution to send money using VPA or even IFSC and account number. But they have some limitations also. If you do not have an android phone you cannot use UPI app, It is not for you. Lack of stable internet connection can also cause trouble for these apps.

**E-Wallets:** E-wallet or mobile wallet is the digital version of your physical wallet with more functionality. You can keep your money in an E-wallet and use it when needed. Use the E-wallets to recharge your phone, pay at various places and send money to your friends. If you have a smartphone and a stable internet connection, you can use E-wallets to make payments. These E-Wallets also give additional cashback offers. Some of the most used E-wallets are State bank buddy, ICICI Pockets, Freecharge, Paytm etc. E-Wallets are an easy and faster way to make payments but have some limitations. These apps are good if you send money to a wallet to another. But if you want to send money to a bank account these apps are not suitable. Also, you have to be extra careful with these apps. These apps do not ask for any PIN or password when you perform a transaction using your wallet money. If you do not lock your phone, anyone can use the money in your wallet. I suggest you must lock your phone if you want to use E-Wallet apps.

#### **Prepaid cards :**

**Prepaid cards** are another type of cards which you use to pay digitally. You must have to recharge these cards before using just like prepaid SIM cards.

Cards are one of the best modes when you pay at portals or E-commerce sites. But if we talk about paying to merchants it is not the most suitable way. It charges 0.75% – 2.0% on

transactions. Also, you cannot use cards to pay if the merchant does not have a PoS (swipe) machine.

**Mobile Banking:** Mobile phones as a medium for providing banking services have been attaining increased importance. Reserve Bank brought out a set of operating guidelines on mobile banking for banks in October 2008, according to which only banks which are licensed and supervised in India and have a physical presence in India are permitted to offer mobile banking after obtaining necessary permission from Reserve Bank. The guidelines focus on systems for security and inter-bank transfer arrangements through Reserve Bank's authorized systems. On the technology front the objective is to enable the development of inter-operable standards so as to facilitate funds transfer from one account to any other account in the same or any other bank on a real time basis irrespective of the mobile network a customer has subscribed to.

**Point of Sale (POS) Terminals / Online Transactions:** Presently, there are over 61,000 ATMs in India. Savings Bank customers can withdraw cash from any bank terminal up to 5 times in a month without being charged for the same. To address the customer service issues arising out of failed ATM transactions where the customer's account gets debited without actual disbursement of cash, the Reserve Bank has mandated re-crediting of such failed transactions within 12 working day and mandated compensation for delays beyond the stipulated period. Furthermore, a standardized template has been prescribed for displaying at all ATM locations to facilitate lodging of complaints by customers.

There are over five lakh POS terminals in the country, which enable customers to make payments for purchases of goods and services by means of credit/debit cards. To facilitate customer convenience the Bank has also permitted cash withdrawal using debit cards issued by the banks at PoS terminals.

The PoS for accepting card payments also include online payment gateways. This facility is used for enabling online payments for goods and services. The online payment are enabled through own payment gateways or third party service providers called intermediaries. In payment transactions involving intermediaries, these intermediaries act as the initial recipient of payments and distribute the payment to merchants. In such transactions, the customers are exposed to the uncertainty of payment as most merchants treat the payments as final on receipt from the intermediaries. In this regard safeguard the interests of customers and to ensure that the payments made by them using Electronic/Online Payment modes are duly accounted for by intermediaries receiving such payments, directions were issued in November 2009. Directions require that the funds received from customers for such transactions need to be maintained in an internal account of a bank and the intermediary should not have access to the same.

**Internet banking:** Internet banking refers to banking services and products provided by any bank online. These include making transfers, payments, checking one's balance, etc. via a bank's website.

There are different types of internet banking transactions:

**National Electronic Fund Transfer (NEFT):** This is a country- wide payment system that facilitates the transfer of funds from one entity to the other. Under this Scheme, individuals, firms and corporates can electronically transfer funds from any bank branch to any

individual, firm or corporate that has an account with any other bank within the country. NEFT payments are capped at Rs. 50,000 per transaction.

**Real Time Gross Settlement (RTGS):** RTGS is meant to be used for high-value transactions with the minimum amount that can be transferred being set at Rs. 1 lakh. Transactions made through this are monitored by the Reserve Bank of India and cannot be reversed.

**Electronic Clearing System (ECS):** This service facilitates the payment of utility bills in particular. Transaction charges levied on using these services vary from bank to bank.

**Immediate Payment Service (IMPS):** IMPS offers an instant, 24X7, interbank electronic fund transfer service through mobile phones. IMPS is an emphatic tool to transfer money instantly within banks across India through mobile, internet and ATM which is not only safe but also economical both in financial and non-financial perspectives.

**MICRO ATMS:** Micro ATM meant to be a device that is used by a million Business Correspondents (BC) to deliver basic banking services. The platform will enable Business Correspondents (who could be a local kirana shop owner and will act as ‘micro ATM’) to conduct instant transactions.

The micro platform will enable function through low cost devices (micro ATMs) that will be connected to banks across the country. This would enable a person to instantly deposit or withdraw funds regardless of the bank associated with a particular BC. This device will be based on a mobile phone connection and would be made available at every BC. Customers would just have to get their identity authenticated and withdraw or put money into their bank accounts. This money will come from the cash drawer of the BC. Essentially, BCs will act as bank for the customers and all they need to do is verify the authenticity of customer using customers’ UID. The basic transaction types, to be supported by micro ATM, are Deposit, Withdrawal, Fund transfer and Balance enquiry.

The study is conducted to obtain data on introduction of Cashless economy in India. The study is conducted in Kandivali and Borivali (Mumbai). A sample size of 75 was selected using the convenience sampling procedure out of which 72 copies were retrieved in usable form. This represents a response rate of 96 %.The sample includes both literate and illiterate population since they are the ones who give their views on introduction of cashless economy and use of digital payment methods, their response determine the reliability of survey. Survey method is used for collecting data with the help of questionnaire .The responses from the respondents were collected and analyzed using the simple percentage method.

**Data Analysis & Interpretation: Table 1:** Knowledge of Cashless Policy to users

Question		Frequency	Percent
I have heard about India’s Cashless Economy	Yes	65	90.3
	No	7	9.7
Cashless Economy should be introduced in India.	Yes	67	93.1
	No	5	6.9

Above Table shows that there is a high degree of awareness among the population about 96% of the respondents are aware of cashless economy in India. The study considered academic community which means, by all standards they are expected to be fairly aware of the happenings in the society.

Few respondents however show a strong dislike for the cashless economy. While 93.1 % of the respondents prefer that cashless economy should be introduced in India. The following reasons might have accounted for the low enthusiasm about its immediate introduction, the lack of preparedness for the system, the nation having other problems to solve now, freedom to use cash to any amount, inadequate technology, and that the flow of money will be hampered.

**Table 2:** Below presents the Perceived Benefits of the cashless economy.

Question		Frequency	Percent
Are cashless modes of payment benefiting you?	Yes	64	88.9
	No	8	11.1
What are the modes of payments you use?			
Paytm/ Freecharge		25	34
Internet banking		7	9.7
Cards		30	41.7
Mobile banking		1	1.4
ATM		8	11.1
POS		1	1.4
Are you finding it easier to make payments?	Yes	62	86.2
	No	10	13.8
Do you feel reliable about the transactions?	Yes	59	81.9
	No	13	18.1
Do you think this can solve the problem of corruption?	Yes	54	75
	No	18	25
Do you think the uneducated population find it difficult to access the digital payments?	Yes	60	83.3
	No	12	16.7
Finally, Do you think India can achieve a cashless society?	Yes	54	75
	No	18	25

**Findings and Policy Implication:** From the above analysis it also appears that many people actually agree with the government on the usefulness of cashless economy as it helps in easy transactions, payments, less corruption and more reliable mode of transactions but one biggest problem in the working of cashless economy in India is uneducated population find it difficult to access. Therefore it's important to strengthen Internet Security from protection against online fraud. Large number of population is still below literacy rate living in rural areas. For smooth implementation of cash less society in India, the following measures are recommended Government has to bring transparency and efficiency in e-payment system, strategies used by government and RBI to encourage cashless transactions by licensing payment banks, promoting mobile wallets and withdrawing service charge on cards and digital payments. A financial literacy campaign should be conducted by government time to time to make population aware of benefits of electronic payments.

**Advantages of Digital Payments**

**Easy and convenient:** Digital payments are easy and convenient. You do not need to take loads of cash with you. All you need is your mobile phone or Aadhaar number or a card to pay. UPI apps and E-Wallets have made digital payments easier.

**Pay or send money from anywhere:** With digital payment modes, you can pay from anywhere anytime. Suppose your close friend's mother fell ill at night. He called you at midnight and asked for some money. Don't worry, you can send money to your friend using digital payment modes such as UPI apps, USSD or E-Wallets.

**Discounts from taxes:** Government has announced many discounts to encourage digital payments. If you use digital modes to make a payment up to Rs. 2000, you get full exemption from service tax. You also get 0.75% discounts on fuels and 10% discount on insurance premiums of government insurers.

**Written record:** You often forget to note down your cash spending. Or even if you note, it takes a lot of time. But you do not need to note your spending every time with digital payments. These are automatically recorded in your passbook or inside your E-Wallet app. This helps to maintain your record, track your spendings and budget planning.

**Less Risk:** Digital payments have less risk if you use them wisely. If you lose your mobile phone or debit/credit card or Aadhar card you don't have to worry a lot. No one can use your money without MPIN, PIN or your fingerprint in the case of Aadhar. But it is advised that you should get your card blocked if you lose it. Also call the helpline of your E-wallet to suspend the wallet account to prevent anyone from using your wallet money.

**Drawbacks of Digital Payments:** Every coin has two sides so as the digital payments. Despite many advantages, digital payments have a few drawbacks also.

**Difficult for a non-technical person:** As most of the digital payment modes are based on mobile phone, the internet and cards, these modes are somewhat difficult for non-technical persons such as farmers, workers etc.

**The risk of data theft:** There is a big risk of data theft associated with the digital payment. Hackers can hack the servers of the bank or the E-Wallet you are using and easily get your personal information. They can use this information to steal money from your account.

**Overspending:** You keep limited cash in your physical wallet. Hence, you think twice before buying anything. But if you use digital payment modes, you have all your money with you always. This can result in overspending.

**Future of Digital Payments:** The future of digital payments is very bright. India is experiencing a remarkable growth in digital payments. In 2015-16, a total of Rs. 4018 billion transacted through mobile banking as compared to Rs. 60 billion in 2012-13. The percentage of the digital payments through other modes is also increasing in a significant speed.

There are many factors which are affecting the future of digital payments.

**Digital revolution:** Digital revolution has provided an easy way to go for digital payments. India has more than 100 crores active mobile connections and more than 22 crores smartphone users as of March 2016. This number is going to increase further with a faster internet speed. The reach of mobile network, Internet and electricity is also expanding digital payments to remote areas. This will surely increase the number of digital payments.

**Government's support:** The government is supporting digital payments a lot. It has reduced some taxes and announced incentives for digital payments. It has launched Lucky Grahak Yojna for customers and DigiDhanVyaparYojna for shopkeepers. You can get cash prizes up to 1 crore if you pay digitally. Due to these incentives and waivers, more people are showing interest in digital payments.

**Convenient way to pay:** Digital payments are more convenient than cash payments. You do not need to carry a lot of cash with you all the time. You can make digital payments in seconds. The change is not a concern with digital payments when you can pay the exact amount. You will also have all your payments recorded automatically. We all love simplicity



and ease. Hence, we can say that Digital payments is the future of fund transfer and money transactions.

**CONCLUSION:** However, the benefits of this move have now started trickling in with more and more peopleswitching to digital modes of receiving and making payment. India is gradually transitioning from acash-centric to cashless economy. Digital transactions are traceable, therefore easily taxable, leavingno room for the circulation of black money. The whole country is undergoing the process ofmodernization in money transactions, with e-payment services gaining unprecedented momentum. Alarge number of businesses, even street vendors, are now accepting electronic payments, promptingthe people to learn to transact the cashless way at a faster pace than ever before.

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## **RECAPITALIZATION: A WISE DECISION OR A QUICK FIX SOLUTION**

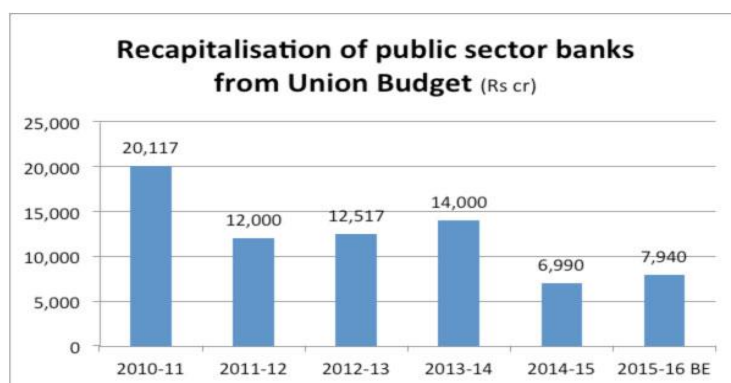
**Jaanvi Joshi**, *Assistant Professor, KES Shroff College of Arts and Commerce*

**INTRODUCTION:** Before understanding the increasing pressure on individual banks to survive, perform and succeed, the early days of banking system need a mention. The banking system in India initiated in the 18<sup>th</sup> century with the first bank i.e. Bank of Hindustan in year 1770. Then amongst others was General bank of India which was a start to the structural development of banks in India. Later, famous Imperial Bank of India was renamed State Bank of India with SBI Act of 1955. It is one of the oldest and largest banks in India. The banks played a very important role in economic growth of our country by catering to the credit requirements of people. But, with nationalization, the quality of credit assets degraded because the process of sanctioning loans became a mechanical process. As the branches of various banks increased, the borrowers also increased and lesser appraisal was done in the process of giving away loans. Then came liberalization that brought much improvement in the banking sector by lowering entry barriers by which participation of foreign banks and private banks initiated. It made banking sector more competitive. The interest rates were deregulated and many regulations were lowered allowing banks to revive their organizational structure. But with continuous growth and modernization, several challenges confronted our banking sector. Banks have faced a lot of risks like liquidity risk, interest rate risk etc. But the biggest amongst them is the credit risk which arises due to default in the payment of loans by borrowers. It erodes the profitability of Public sector banks in India. It leads to the problem of NPAs i.e. NonPerforming Assets.

The problems that banks face due to rising NPAs are as follows:

- Lenders suffer the lowering of profit margins.
- Stress arises in banking sector that causes less money available to fund other projects, which results in negative impact on the larger national economy.
- Higher interest rates are charged by the banks to maintain the profit margin.
- Funds get redirected from the good projects to the bad ones.
- As investments get stuck, it may result in unemployment.
- In the case of public sector banks, the bad health of banks means a bad return for a shareholder which means that government of India gets less money as a dividend. Therefore it may impact easy deployment of money for social and infrastructure development which results in social and political cost.
- Due to such problems, investors do not get rightful returns.
- Balance sheet syndrome of Indian characteristics that is both the banks and the corporate sector have stressed balance sheet which causes halting of the investment-led development process.

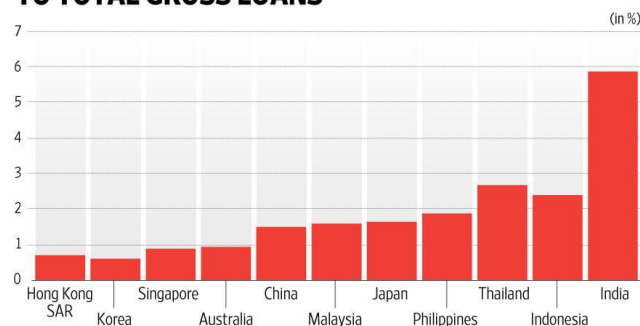
One technique that government adopts to improve this situation is recapitalization of banks. Government has several times contributed capital to few weak nationalized banks to improve their capital base.



Currently, the government has announced a plan to inject Rs.2.1 lac crore worth of capital into public sector banks through a combination of budgetary support, market borrowings and bank recapitalization bonds.

**THE NEED** It is very important to understand the backdrop against which such a massive recapitalization move was announced by Indian government. There are few reasons that warrant a massive capital support to PSBs. One, the banking system is currently saddled with stressed assets, both non-performing and restructured loans, to the quantum of over `10 trillion or 12% of system loans. Out of which, 80% of the total systemic stress reside with the PSBs. Accelerated provisioning for toxic assets has actually led to rapid erosion of net worth. Capitalization ratios have also dropped. Banks shield away from writing off their assets and discontinued their lending businesses due to the insufficient capital. Infact the problem of bad debt mess over the past few years has only worsened. Even regulatory dispensation and many other efforts taken by RBI and various reforms by the government have failed to fix the bad debt issue. It had become difficult to gauge the true health of our banking sector. Hence it was needed to clean up the banking sector. Banks then needed the capital to provide for or book losses for bad loans for cleaning up their books. The need for banks to kick-start the credit cycle in the economy also became important. The credit off-take had touched a multi-decadal low of 5% in April. Though the credit demand is low from big private players, the demand is till robust from small and medium companies. Capital is needed for continuous lending and any meaningful economic recovery would need the banks' support. Banks also require adhering to the Basel III norms applicable from 2019. Under Basel III norms, Indian banks will need a capital adequacy requirement of 10.5% by 2019. Basel III is actually an international banking norm that Indian banks will have to abide by for a prudent banking system. Ratings agencies have also criticized India's weak banking sector .

**RATIO OF NONPERFORMING LOANS TO TOTAL GROSS LOANS**



Note: Data are as of 2015 for Hong Kong SAR, India, Indonesia, Japan, Malaysia, the Philippines, Singapore, and Thailand; as of 2015:Q3 for Australia; as of 2015:Q2 for China; as of 2014:Q2 for Korea. Source: IMF, Financial Soundness Indicators database

For all the above reasons, fixing India's banking sector had become vital.

**But isn't the use of public money for improving the weakness of public sector banks leading government towards budgetary deficit?**

**Shouldn't the government find other ways to revive the public sector banks?**

These questions form the base for the study done through the research.

**OBJECTIVES OF THE STUDY:**

- The paper examines the views of the intellectuals about the current recapitalization move
- It also takes a look at the preferable use of the taxpayers money

**METHODOLOGY:** Data was collected through primary survey covering intellectuals from various disciplines through questionnaire and interview method. Some 100 professionals were surveyed. The sample covered banking sector employees, academicians and many other intellectual taxpayers of our country like CAs, Doctors etc.

**RESEARCH ANALYSIS:**The questionnaire was circulated to around 100 people from various disciplines out of which 85 responses were received. The survey interviewees were from private banks, public sector banks, multischeduled cooperative banks, e-governance consulting and risk management employees, financial services analyst, mutual fund employees, tax consultants .Valuable response were received from financial service managers, senior consultants, chartered accountants and many more.The survey initiated by inquiring people about their opinion on the frequent recapitalization moves by the government for banks. Around 63% of the respondents were of the opinion that it is a much needed step to revive the public sector banks. Around 37% of the respondents feel it was a quick fix solution that will have a negative impact on the economy in the long run.Another important aspect related to this subject is that should these moves continue in future. Hence this was also included in the survey questionnaire. Surprisingly around 68% of the interviewees felt that such moves should not continue in future and around 32% of the respondents said it should be a part of government future plans.

**REVIVING WEAKER BANKS IN INDIA:** The study also wanted to know what as per the intellectual taxpayers, is another preferable method to revive these weak banks in India. The weak banks can actually be revived through many other methods which were studied under this research

- **IMPROVING STRATEGIC DECISION MAKING:**Around 45% of the respondents emphasized on improving strategic decision making to recover the non performing assets .It is an important method as it will also help in reducing NPAs in future. More efficient the banks will become, better it will be for them in the long run. Strategic decision making can be achieved in combination with making the top management more accountable and responsible for their decisions and for the financial performance and health of their bank.
- **MERGING WEAKER BANKS WITH STRONGER ONES:**Around 26% of the interviewees emphasized on the need to merge weaker banks with the stronger ones. It will help in building more shareholder value than what could be there if the banks are kept separate. It will also help them in achieving economies of scale. It can further help in transferring the know-how and also in extending the range of products and services. If the efficiency will improve, at the end, the customers will be benefitted as the advantages will be passed on to them by lowering the interest rates or improved services.
- **INTRODUCING BETTER BANKING REFORMS:**Around 24 % of respondents found introducing better banking reforms as a better method to revive the weaker banks. The reform introduced should be equally competent to those introduced in the foreign countries that have ideal banking performance. Government can also introduce some legal and accounting reforms that can then be succeeded by banking sector reforms.
- **REDUCING COST OF OPERATIONS:**Around 4 % of respondents were of the opinion that cost of operations in the banks should be controlled. The higher cost also affects the

profitability of the banks. They should try to achieve higher labour productivity. The banks should also focus on upgrading their technology. They can also focus on restructuring their remunerating branches. Another way of improving cost is to spend more on human resource development which in long run will lead to more efficient and effective performance of the banks.

Another important aspect to be studied was to know what could be the alternate use of the taxpayer's money or how this recapitalization amount could have been spent.

#### ALTERNATE WAYS TO SPEND THE RECAPITLIZATION AMOUNT

- **INFRASTRUCTURAL DEVELOPMENT:**36 % of the respondents believed that infrastructural development is very crucial for economic development. It has a domino effect on the other sectors of the economy because it helps in improving productivity by removing infrastructural bottlenecks, which impede economic growth. A developing country like India has to invest in the infrastructure sector for future growth. Infrastructural development is really essential at rural level also. Apart from mobilising farmers, infrastructure is also necessary to organize their input supply, finance, post production processing and marketing of their agricultural produce. Inadequate marketing network is another major bottleneck in agriculture which needs the attention of the government.
- **LOWERING THE EXISTING TAX RATES:**23% of respondents believed that government could utilize this money to lower existing tax rates on the citizens. This will lead to a direct transfer of benefit to the citizens. If consumers are made to pay less for products due to a lowering of the tax, they will be encouraged to spend more money. If income taxes are lowered, people may be encouraged to work harder, thereby increasing their productivity. And, if corporate tax rates are lowered, businesses will be encouraged to produce more products and offer more services.
- **HELPING THE DEBT BURDENED FARMERS:**19% of the respondents said that the money should have been used to help the debt burdened farmers. What we actually need is a deep-seated solution to the problem of farmers' indebtedness. Indian government must go beyond loan waivers to free farmers from debt. Hence the government should focus on this and take it as a major area for spending. It is essential because if the farmer of our country is prosperous then only the real development of the country is possible.
- **ENVIRONMENTAL MANAGEMENT:**7 % of the respondents believe that environment management and sustainability should be the focus of our government today and they should divert their spending in this direction. Climate change has become the most urgent issue affecting the whole planet. It is been described as one of the most defining human development issue of our generation. Climate change and global poverty should be combated together. And so the recapitalization amount could have been wisely utilized in this regard.
- **EDUCATION:**13 % of respondents believe that the recapitalization amount should have been spent in the direction of education of the children

Many respondents also shared their views on the recapitalization move.

**DIRECT FROM THE INTERVIEWEES.....** “The recapitalization move is to use public money to bail banks and to hide their incompetency. Banks use all means to extract loan amount from poor or middle class people. When it comes to it comes to big corporate loans, they are sanctioned without much documentation and only on the basis of political connections and bribe...” Senior Consultant “In long run these measures will have an ill effect on the economy....” Employee, E governance (NPS Operation). “This was much needed step carried out by GOI...” Employee, BPO ITES “Good move to make banking sector stronger...” Private sector employee

“Recapitalization should be properly carried out as it will certainly impact the fiscal deficit. It should be accompanied by aggressive recovery of loans so that moral hazard doesn’t set in....” Manager, Private sector “Currently no major changes but can be seen in next few years as the impact can’t be reviewed in short period. But in long run it is definitely a good move....” Private sector employee “A much needed step to revive the public sector banks....” Doctor, “It is necessary to strengthen the economy and in addressing the poor performance of the banks. It also helps to rejuvenate the economy of our country and supports the new age technological projects related to banking system and will in turn help in job creation as well....” Employee, financial services “Good step towards banking industry....” Employee, Mutual funds “It is a wrong move. Also the bank defaulter names should be published and they should be punished....” Private bank employee “It will have negative impact in long run. NPA numbers (%) gets covered due to which true picture is not reflected....” Manager, Financial services “A totally negative decision of government to reduce NPA as it will show a rosy picture of PSU Banks....” Consultant, Financial services “This policy will provide a quick solution currently. However, this quick fix for reducing NPAs will lead to extra burden on government. There should be stricter policies in place to avoid large NPAs....” Senior Consultant “Yes, a good decision, but the funds should be properly allocated by the government in their budget. The funds should be utilized properly....” Employee, cooperative bank “More capital may eventually be needed, which is why it is imperative that recapitalization be accompanied by banking reform to prevent moral hazard. They should also find ways to recover NPAs....” Analyst, Financial Services “It is hard on the taxpayers as government is using public fund to revive banks that make losses due to frauds by borrowers; without any strict recovery procedure. Funds are used by few handful of people while hard working taxpayers compensate for the same....” Consultant, Assurance “A much needed step however the mind boggling figure of recapitalization should not be a trade-off to other social sector expenditure....” Manager, Mutual Funds “It is a good move and should continue....” Banker “Recapitalization should be planned in an effective manner so as to reduce financial burden on the government and stringent monitoring of banks....” Employee, telecom industry “Recapitalization is only a temporary solution. There should be proper assessment of the financials while processing the loan to curb the future NPA chances. Also there should not be any interference from the politicians....” Chartered Accountant “Its better to bet your money to save a sinking ship rather than to let it down....” Businessman (Air conditioning firm) “Its much needed to help improve the banking system....” Employee, Mutual Funds “Yes, it’s a necessary and a great step to strengthen the banks to run smoothly....” Employee, Multi scheduled cooperative bank “Recapitalization is one of the best moves by the government....” Private sector bank employee “Good for the public sector banks but in the long run, other methods should be evolved for the survival of the banks....” Public sector bank employee “Recapitalization will only lead to more stress and burden on the government in the long run. Instead the stressed banks and financial institutions should be merged with the bigger and stronger players or by having them to follow more stringent banking norms. Recapitalization is digging another grave by covering one....” Branch Manager, Private Sector Bank “Since the government is the major shareholder in the public sector banks, it has to provide equity capital if the banks are struggling. It will also help the banks to recover the NPAs as they have not increased much in 2017....” Tax consultant “It was much needed in the present scenario as the bank were trying hard to come out of the impact created by the rising NPAs.....” Public sector employee “Financially engineered way to solve bad loans....” Employee, Financial services “Banks get the benefit to settle their stressed loans....” Employee, Multi Scheduled Cooperative Bank “A good step taken by government as much needed to control the economy....” Employee, Financial Services

CONCLUSION: Banking sector has crippled due to the problem of NPA. The productivity that was affected is actually proving more dangerous as the final burden gets transferred to the customers with

higher interest rates. The conclusion that can be drawn by the survey analysis is that the recent recapitalization move is a much needed step taken, taking into account the gravity of the situation but government should make sure that the banks don't get habitual to this handy solution of recapitalization to the problem of NPAs. Instead, government should try to introduce other methods mergers, introducing reforms, improved strategic decision making and flawless procedures. A stricter and stringent attitude is must towards loan repayment o that they don't convert into NPAs in future. Te money that the government keeps on spending on such issues can alternatively be used on more important issues like education, helping farmers, environment sustainability and infrastructural development so that the nation can progress towards development and prosperity by wise use of tax payer's money.

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## MERGER & ACQUISITION IN INDIAN BANKING SECTOR- SPECIAL REFERENCE TO HDFC BANK AND CENTURION BANK OF PUNJAB

**Dr. Hemant H.Bhatti** , M.Com, UGC- NET, M.Phil, B.Ed .PhD  
(Asst. Prof. In Accountancy, K.P.B..Hinduja College of Commerce)

### **Abstract**

A large number of International and domestic banks all over the world are looking for opportunities in merger and acquisition . Mergers and acquisitions in India with Banking sector are on the rise. (M&As) activities of Indian companies slowed down in 2013 to a total of nearly 500 deals worth \$27 billion, but the momentum is set to pick up in 2014 especially after the elections. Important merger was between Centurion Bank and Bank of Punjab in 2005 this merger led to the creation of the Centurion Bank of Punjab and later on 25 Feb,2008 HDFC Bank acquired the Centurion Bank of Punjab (CBoP) for Rs 9,510 crore is one of the largest merger in the financial sector in India. The objective of the project was to find out if the merger and acquisition deal between the two banks was profitable or not.

### **OBJECTIVES OF STUDY**

To study the merger and acquisition of HDFC Bank with Centurion Bank of Punjab was profitable or not.

**RESEARCH METHODOLOGY** Research paper is based on Secondary Data collected from various published sources like reports from Magazines, Journals , Newspapers , Bank Annual reports etc

**Tools and Techniques :** Comparative Analysis, Ratio Analysis – Gross profit margin ,Net profit margin, Operating profit margin , Return on Capital Employed, Return on Equity , Debt Equity.

**Merger and Acquisition** A merger is the combination of two similarly sized companies combined to form a new company. The combining of two or more companies, by offering the stockholders of one company securities in the acquiring company in exchange for the surrender of their stock is called a merger. A fundamental characteristic of merger is that the acquiring company (existing or new) takes over the ownership of other companies and combines their operations with its own operations. Acquisition occurs when one company clearly purchases another and becomes the new owner. Mergers and acquisitions are strategic decisions taken for maximisation of a company's growth by enhancing its production and marketing operations. They are being used in a wide array of fields such as information technology, telecommunications, and Banking sector in order to gain strength, expand the customer base, cut competition or enter into a new market .

### **Types of Mergers:**

1. Horizontal merger:- This kind of merger exists between two companies who compete in the same industry segment. For example, combining of two mobile firms to gain dominant market share.
2. Vertical merger:- Vertical merger is a merger in which two or more companies in the same industry but in different fields combine together in business. For example, joining of an Auto manufacturing company with another Auto marketing company . Vertical merger may take the form of forward or backward merger. When a company combines with the supplier of material, it is called backward merger and when it combines with the customer, it is known as forward merger.
3. Conglomerate merger:- It is a kind of venture in which two or more companies belonging to different industrial sectors combine their operations. For example, merging of pharmaceutical firm with the cement manufacturer or merging of Software Company with mobile firm.

**The Indian Banking Sector** The history of Indian banking can be divided into three main phases <sup>1</sup> :

1. Phase I (1786- 1969) - Initial phase of banking in India when many small banks were set up.
2. Phase II (1969- 1991) - Nationalisation, regularisation and growth



3. Phase III (1991 onwards) - Liberalisation and its aftermath

With the reforms in Phase III the Indian banking sector, as it stands today, is mature in supply, product range and reach, with banks having clean, strong and transparent balance sheets. The major growth drivers are increase in retail credit demand, proliferation of ATMs and debit-cards, decreasing NPAs due to Securitisation, improved macroeconomic conditions, diversification, interest rate spreads, and regulatory and policy changes like Amendments to the Banking Regulation Act. Certain trends like growing competition, product innovation and branding, focus on strengthening risk management systems, emphasis on technology have emerged in the recent past. In addition, the impact of the Basel II norms is going to be expensive for Indian banks, with the need for additional capital requirement and costly database creation and maintenance processes. Larger banks would have a relative advantage with the incorporation of the norms. This paves the way for Merger and acquisition in Indian Banking sector.

**Merger of CBoP and HDFC Bank** On May 23, 2008, the merger of Centurion Bank of Punjab with HDFC Bank which is considered as one of the biggest merger in domestic banking was formally approved by Reserve Bank of India to complete the statutory and regulatory approval process. The shareholders of Centurion Bank of Punjab received 1 share of HDFC Bank for every 29 shares of CBoP. The merger has been advantageous to HDFC Bank in terms of increased branch network, geographic reach, and customer base, and a bigger pool of skilled manpower. The deal created an entity with an asset size of Rs 1,09,718 crore -7th largest in India, providing massive scale economies and improved distribution with 1,148 branches and 2,358 ATMs, the largest in terms of branches in the private sector.

**Table-1: Financial Performance Of Hdfc Bank Ltd And Centurion Bank Of Punjab For The Last Three Financial Years Is Ending Before The Merger Financial Ratios (In Percentage)**

Ratio	HDFC Bank Ltd (Bidder Bank)			Centurion Bank of Punjab (Target Bank)		
	As on 31/3/2005	As on 31/3/2006	As on 31/3/2007	As on 31/3/2005	As on 31/3/2006	As on 31/3/2007
Gross Profit Margin	74.1719	71.1233	69.9408	55.8583	53.4151	69.5703
Net Profit Margin	21.5119	19.4573	16.5691	8.7116	15.2490	9.5683
Operating Profit Margin	53.1167	46.0083	47.9309	37.2331	22.4315	37.6088
Return on Capital Employed	1.2941	1.18463	1.2511	0.6538	1.0810	0.6567
Return on Equity	214.7799	278.0801	357.3844	29.7572	86.9701	77.4651
Debt Equity Ratio	134.3883	192.7486	222.6536	35.2757	67.1107	100.8016

Source: Financial Statements of Banks

<http://www.moneycontrol.com/stocmarketsindia/>

Table-2: Financial Performance Of HDFC Bank Ltd For The Next Three Financial Year As Was Ending After The Merger Announcement  
Financial Ratios (In Percentage)

Ratio	HDFC Bank Ltd (Bidder Bank)		
	As on 31-03-2009	As on 31-03-2010	As on 31-03-2011
Gross Profit Margin	74.76217	74.66454	76.2925
Net Profit Margin	13.74548	18.23227	19.70267
Operating Profit Margin	54.61426	51.12141	54.53866
Return on Capital Employed	1.22493	1.3255	1.41566
Return on Equity	527.75165	644.18447	843.96749
Debt Equity Ratio	342.04104	393.9357	479.29082

Source: Financial statements of Banks

<http://www.moneycontrol.com/stockmarketsindia/>

Table-3: Comparison Of Average Profit Of Last Three Years Of HDFC Bank Ltd Of Pre And Post Merger

Ratio	MEAN		Increase /Decrease
	PRE	POST	
Gross Profit Margin	70.2136	75.2397	5.0261
Net Profit Margin	18.8413	17.2268	(1.6145)
Operating Profit Margin	46.7550	53.4248	6.6698
Return on Capital Employed	1.1877	1.3220	0.1343
Return on Equity	2.1775	6.7197	4.5422
Debt Equity Ratio	1.4876	4.0509	2.5633

#### ANALYSIS AND INTERPRETATION

**Gross Profit Margin :** Mean value of Gross Profit margin has increased 5.0261% which shows significant improvement in the Gross Profit margin after the merger .

**Net Profit margin :** Net Profit margin shows decline (1.6145) in the Mean that indicates that there is consolidation of profit .

**Operating Profit Margin :** Mean value of Operating Profit Margin as increase to 6.6698 % which indicates proper Utilization of Assets .

**Return on Capital Employed:** The mean of Return on Capital Employed (1.1877% Vs 1.3220%) which is also not significant shows that no change in terms of Return on Investment after the merger.

**Return on Equity :** The mean of Return on Equity shows significant improvement value - 4.5422 (2.1775% vs 6.7197%) . It indicates, Return to Shareholders have enormously increased after merger.

**Debt Equity Ratio :** Debt Equity ratio has also improved after the merger to 2.5663 which indicates proper use of Debt Equity Fund.

From the above Analysis , Most of the ratios shows positive effect and indicate increased performance of Bank after Merger announcement.

**CONCLUSION:** Merger is useful for revival of weak bank in to strong Bank, which improves performance in terms of profit, shareholder return etc. Merger of Centurion Bank of Punjab in to HDFC Bank is greatly successful which has made Indian Banking Sector very strong and boosted shareholder confidence .

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## SOCIAL IDENTITY AND SOCIAL CONTROL A CONSTRAINT FOR WOMEN EMPOWERMENT: A CASE STUDY ANALYSIS.

**Bhadravathi Nagaraja Rahul M.A, M.Phil, Assistant Professor, REVA University Bangalore**

### **Abstract**

*Society is a collection of individuals with a unique form of identity and control within it. On one hand social identity gives recognition to an individual and on the other social control acts as a mechanism which enforces and discloses the identity of the individual based on the social setting of the society. Social Identity and Social control plays a very crucial role in determining the role, status, position, and power of an individual within the society. Women on the other hand have always been a victim of these two factors in large, as their identity, and determination is totally fatalised under men. India being a male dominated society, the social identity and social control mechanism are totally under the hand of men. Women identity in Indian society is socially controlled and executed by men, for which women become a source of victimisation and subjugation. The current paper highlights the issues of social control measures that are enforced on women, throughout birth to death, the challenges for women empowerment and Right to Equality and also the cultural constraints that are enforced on women.*

**Keywords:** Empowerment, Equality, Identity, Control, & Challenges.

*Girls are supposed to be in the custody of their father when they are children, women must be under the custody of their husband, when married and under the custody of her son as widows. In no circumstances is she allowed to assert herself independently.*

*Balye pitorvashay.....” – 5/151(versus)*

*Manusmriti*

The above assertion in Manusmriti<sup>1</sup> gives a clear picture about the position and status of Indian women. In India, women have always been subjected to various discriminations throughout their life. Though women have been given special preference and importance as goddess in Hinduism, women have been denied from getting such preference and importance. Speier says that Manu’s code portrayed transforms position of women which is characteristic as “obedience to her husband is the beginning, and the middle, and end of female duty”. Speicer added that the women’s rights “were wholly ignored by the Brahmanical Code<sup>2</sup>” because daughters and wives are often too happy to require rights (Myneni, 2017). Indian women have also been victimized and marginalised at all level of the society whether it is societal involvement, political participation, economic participation, admittance to schooling and reproductive healthcare. She has always been a victim of violence, abuse, trafficking, prostitution, dowry harassment in greater extent in the Indian society. (Hazarika, 2011) For epochs it has been assumed that different description, role and status accorded to women and men in the society are determined by sex, that they are changeable. Right from when a child is born; the dance of gender begins, with the birth of son being celebrated and that of girl being a reason to be

<sup>1</sup> Manusmrti, also spelled as Manusmruti or Manusmriti, is an Legal Text among the many Dharmasastrasof Hinduism. It was used to formulate the Hindu Law by the Colonial Government

<sup>2</sup>The religious and social system of the Brahmans and orthodox Hindus, characterized by the caste system and diversified pantheism.

morose<sup>3</sup>. There are jobs that are women-centric and some that are men centric, in the Hindu religious text, there is a place way a widow should lead their life, No such laws for widowers Existed. (Sinha, 2013)

It is predicted that around fifty thousand Dalit girls were sold to Hindu organisations that drawn in the Devadasi System as a female menailof "God" and were sexually exploited<sup>4</sup>. The birth rate of children from 1991 showed the sex ratio of 947 girls for 1000 boys, ten years later it had fallen to 927 girls for 1000 boys.<sup>5</sup>In addition, ever since 1991 in 80 percent of all districts in India had recorded a deteriorating sex ratio with the state of Punjab being the most awful in the record. States like Maharashtra, Gujarat, Himachal Pradesh and Haryana have recorded more than 50 point decline in the sex ratio in the same period<sup>6</sup>. The reason for such discriminatory practises against women can be highlighted with two specific social categories. They are Social Identity and Social Control which are discussed in detail below.

### Objectives of the Study

- To understand the impact of the Social Identity and Social Control.
- To evaluate the status and constrains of Women in the India Society.
- To evaluate the problem and issues that women go through the society.

**Methodology:** The research design adopted for the present study is descriptive design. Primary and secondary data are used in the study. The primary data for the study will be collected using an interview schedule which is been prepared in tune with the objectives. The Secondary data is been collected from various articles, journals and books.

**Social Identity and Social Control:** Social identity and social control play a very crucial role in shaping and controlling an individual. Though both have a distinctive function, still they go hand in hand in the society. Social Identity relates to how individuals recognize individually in relative to other according to what they have in common. Social identity can provide people with a sense of sense of confidence and scaffold for socializing, and it can persuade their behaviour. (Social Identity) Social control on one side refers to a broad way of adjusting the behaviour of folks in a society in the course of recognized societal norms. On the other hand, it is a way to channelize the conduct of the folks in society so that they confirm to the established code of conduct within the society at large. The aim of social control is to bring about conformity in a particular group or a society. Through socialization societies aim to control the behaviour of its members. Societies depend heavily upon effective socialization to internalise social norms and values to guide individuals. Social control is a unifying factor in the study of human behaviour. It acts as an effective mechanism to check on the identity behaviour and to ensure that individuals have internalised the social norms and values of the society. It also ensures that the individuals do not divert from the enforced norms and values of the society. Social identities can be stigmatised, this stigmatization creates an inferiority complex among the individuals of the society which most of the time is deviated. In order to maintain this deviance in

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<sup>3</sup> The same situation existed in the Western Era especially in the ancient Greek and Roman Empire, the philosophical changes in the Roman Civilisation brought about liberation of women at a later stage.

<sup>4</sup> Human Right Watch Report in 1992; The Status of Dalit Women in India's Caste Based System, Sonia Mahey, University of Alberta

<sup>5</sup> United Nations Children's Fund India's Report on Child Sex Ratio, 1991

<sup>6</sup> Munich Personal RePEc Archive Data on Sex Ratio, March 2008

the society social control acts as a mechanism by which society enforces conformity to its norms. Social Identity and Social Control, in India are predominately influenced by the patriarchal nature of society. The identity and control of women within society can be understood by patriarchal system that is prevalent in the society at a point.

“.....family is a dominant ideology, through which a particular set of household and gender relationship are universalized and naturalised....and through which unequal power relations are observed and legitimised (Patricia Oberai, 2004)<sup>7</sup>

Traditional Indian families are neatly structured. Some women presume the central role with superior authority above others. The multifaceted structure is deeply entrenched and has risen to innumerable narratives of personal tragedy of unequally placed women. Their unequal position creates great desolation, sufferings, and destitutions in their lives forcing them to admit the oppressive structure in a spirit of identity and personal renunciation. (Neelima, 2016) In the view of the Supreme court of India<sup>8</sup>, women have forever been shown prejudice against men and undergo discrimination in silence. Self sacrifice and self denial are their aristocracy fortitude and they have been subjected to all kinds of inequalities humiliations, uneasiness and favouritism. (Tripathi, 2015) Women acquire the identity of ideas and values, which shape their image of womanhood and become capable to subordinate. The requirements of the specific societal identity is fulfilled through envisaging definite norms and values. Through the process of constructing ‘femininity’, women prepared their body and mind completely to become “invisible”. Women’s activity is defined through the society at large and by the culture of social action of a particular society. Social Identity through the socialization process prepares her ‘wifeness’ as well as ‘motherhood’ where they find her representative identity. The only qualities are femaleness, motherhood and wifeness, where the ideals of auspiciousness (Sexual purity) are related with a woman’s appearances and character or in other words “Femininity”. The idea of womanhood that is constructed through social and psychological processes makes her an active performer in the domestic world and gives her a reproductive function. (Patriarchy, 2010) Indeed, some culture proffer an mature woman no possibility at all of venturing beyond the confines of the home. Under the fortification pattern a women can move about in the world, but she does so sheathed, as it were in the defensive and restrictive shell of her escorts’ vigilant observation and examination of her behaviour. Thus she may go into the world but she does not go alone. (Fox, 1977)

**Social Legitimation:** Social Legitimation is an integral part of the society; that functions in maintaining order and just in the society. It is socially constructed in the society based on the social setting and need of the society. Legitimation plays a vital role in the society, especially in functioning of a society. It determines the characteristic and social setting of the society. Social Legitimations refer to the process whereby an act or an ideology becomes legitimate by its attachment to norms and values with a given society. It also refers to the norms, values, beliefs, practices and procedures accepted by a group. It can also be understood as an indivisible condition, as an internal part of the political system associated mainly with issue of power that enjoys a greater support of the individuals in the society. (Kaplanova, 2017) It can also be understood as the belief that a rule, institution, or leader has the right to govern. It is a judgment by an individual about the rightfulness of a hierarchy between rule and ruler (Hurd) In this scenario the social legitimization in

<sup>7</sup> Patricia Oberai ,Qtd in the The God of Small Things. A critical Study, 2004)

<sup>8</sup>Madhu Krishnan v. State of Bihar (1956) 5 SCC 148

the Indian society is the Indian Patriarchal system. The status is mostly affected by her relationships in the family and the the social group to which she belongs. It is inherited through culture and tradition. The social relations of gender as well as class relations are part of a historical inheritance. Patriarchy is the legitimising process in our inheritance. 'Patriarchy' a term in which inequality and hierarchy are implicit and is discussed in sociological and feminist fiction in a variety of ways. Literally 'power of the father' and indicating male supremacy- "Kartha", understood as 'a symbolic male oriented principle' governing social and gender relations, an institutional structure of male domination, or an ideology based on the power of men. (Kasturi, 0995)For instance in a patriarchal culture individually son and daughter take their identity from the kin. But while the son recognise as a stable member of the kin, the girls are more viewed as a transfer element of this entity to a new predominantly husband's family. This also influences inheritance and resource distribution inside family. The properties are usually inherited by male successors and transmitted through them to the next generation. According to the customary legal practice a daughter has only rights of maintenance of the property during her life in family. As soon as she gets married her rights of property use are dismissed and taken back to family unit. Also social discrimination has a huge impact on the women right to land. Norms of female dependence on males are justified through a range of social mechanisms. About one third of the household have been run by women alone as their husbands have left in search of jobs outside agriculture. Still women get less paid than men for the same work done<sup>9</sup>. Many of women in joint families are unable to take any independent decisions in respect to their own daily activities. The wife has to live by her husband's family and often his family wishes the daughter has to live by father and family arrangements<sup>11</sup>. According to studies made by R C Mishra nearly 90 percent of women in Uttar Pradesh, and over 80 percent in Bihar, Madhya Pradesh, Haryana and Andhra Pradesh need permission before they can leave the house<sup>12</sup>. These three institutionalised systems of the society have posed a greater challenge to the women empowerment in the Indian society. Social identity channelizes<sup>13</sup> women to be weaker and she is too supported by the male counterpart, whereas the social control assure that women in the society do not deviate from the identity that the society has structured them till date. In order to ensure that these authorities are functioning in a proper manner Social legitimization acts as an assessor to certify that all the societal norms and values are inflicted in a proper manner, thus posing a challenge for uplift and empowerment of the women position in the society. Hence it becomes necessary to analyse the position of women who have been posing the challenges and issues of social identity, control and legitimisation in today's senario. The current paper highlights the issues of Social control measures that are enforced on women throughout her from birth to death, the challenges for Women Empowerment and Right to Equality and also the cultural constraints that are enforced on women and which have possessed a question to Women Empowerment and Right to equality. Hence it becomes essential to understand the concept of women empowerment through the social identity and social control. It helps us to understand the different parameters of identities linked to women and the

<sup>9</sup> (pg1-11) Status of Rural Women in India, Dr S C Shama, 2009

<sup>10</sup> (pg 40-44) Gender Discrimination in Indian Society, L Packiam, Allied Publishing Pvt Ltd, 2006, New Delhi

<sup>11</sup> Indian Journal of Gender Studies, Bilkas Vissandjee2006

<sup>12</sup> Women in India towards gender equality, by R C Mishra, 2006, Authorspress (pg94-97)

<sup>13</sup> Refer to the Institutions such as Religion, education, marriage and family

constraints that are associated within those identities. On the other hand understanding the social control will enable to understand hurdles of empowerment encountered by women in her daily life.

**Social Identity and Control: Women Empowerment:** Empowerment can be understood as the process of developing a sense of autonomy and self-confidence, and performing independently and communally to change the social associations and the institutions and discourses that prohibit a part of the society and keep them in poverty. It is practice of consciousness and ability to greater participation, decision making power and control and to transformative action. (Karl, 1995) Women empowerment means equipping women to be economically independent, self-reliant, have a positive esteem to enable them to face any difficult situation and they should be able to participate in the development activities. Women empowerment also refers to increasing the religious, political, societal, educational, sex or monetary strength of individuals and communities of women. Empowerment involves the building up of a society, a political environment, wherein women can breathe without fear of domination, mistreatment, dread, prejudice and the universal feeling of harassment which goes with being a woman in a traditionally male dominated structure. Women literacy rate stands less than 50 percent for whole of India. United Nation had estimated that 245 million Indian women cannot read or write and furthermore this number covers all state, religious groups and caste. The average Indian female has only 1.2 years of schooling while the Indian male spends 3.5 years of schooling<sup>14</sup>. About 70 percent of graduate Indian women were unemployed taking under consideration women represent 90 percent of the total minor workers of the country<sup>15</sup>. Women's empowerment in India is heavily dependent on many different variables that include geographical location, social and educational status, and age. (Shettar, 2015) Therefore it is essential to oversee the aspect of empowerment in these criteria through the mirror of the case studies in order to obtain a clear view and also to check if social identity and control have laid any impact on Women empowerment. The constitution of India declared equality of status and opportunity. Article 16<sup>16</sup>, Articles 15<sup>17</sup>, and Article 14<sup>18</sup> help to stop gender based discrimination in the country, but the issue of the gender discrimination and exploitation is still pervasive (Batra, 2017). The paper further has been analysed in two criteria on in terms of Identity and control that the women have confronted in the society. The case studies were chosen from a Private University in Bangalore, the sample consisted of three girls pursuing Under-graduation, three girls pursuing Post-graduation, two female teaching faculties and two female non-teaching faculties. From the data collected it could be observed that the role of social control and social identity had a very strong impact on women. Women were directly and indirectly affected in the process of identity and control that is socially legitimized in the society. Social identity and social control mechanisms were experienced by the respondents from the birth, to selection of courses and making a decision on employment opportunities and salary. All the respondents had been discriminated in one or the other form through the social identity and social control system.

<sup>14</sup> United Nations Statistic Division, 2002

<sup>15</sup> UNFPA State of World Population report on India, Published in 2005

<sup>16</sup> The constitution states that no citizen shall on grounds only of religion, race, caste, sex descent, sex or place of birth, residence or any of them, be eligible for, or discriminated against in respect of any employment of office under the State.

<sup>17</sup> Prohibits discrimination on ground of religion, race, caste, sex, or place of birth.

<sup>18</sup> State shall not deny to any person equality before law or the equal protection of the laws within the Territory of India



**Social Identity and Control: Education Empowerment:** Social Identity and control play a very vital role in the girls education. It implied that the education obtained by a girl is merely based on her identity that she has obtained from the society. Among the eight case-studies only one was successful to obtain the education of her will and choice. This was accessible to the respondents mainly due to the fact that the parents hailed from a highly qualified and economically well off family. Even then these respondents were still restricted or controlled in pursuing the education in other states or regions. This was mainly seen due to the fact of identity and control mechanism meant that women are not suppose to be independent and self-relevant. Even after selecting the courses of their own choice, the gender discrimination persists because the identity of women as weak restricted them from carrying out huge project that are defined to be male dominated or male centric works. It was also observed that the respondents were not given equal opportunities within the course attainment. There were some or the other discriminating factors existing within the class based on the identity which was very evident in the form of assignments, lab works, and projects. Social Identity and Control restricts women in the selection of education, gender bias plays a very important in Education especially in selection of the course. She cannot opt engineering courses like Mechanical, Civil, and Architecture as these courses are linked with the identity of boys and they are highly skill and labour intensive and high mobility oriented which girls cannot possess these were the main reasons as to why six respondents couldn't opt those course. Rather they were force to opt engineering courses such as Computer Science, and Information Technology. The reason as to why these course were opted by the respondents parents was mainly due to the fact that these course have less mobility<sup>19</sup> and are less labour intensive courses. Among eight case-studies one of them had to accept the proposal of marriage in order to pursue her post-graduation. This was seen as one of the challenges faced by one the respondents. Due to the lack of proper education facilities within her locality, she was forced to marry in order avail higher education in other region of the state. This is could also be seen as a social control on women in order to ensure that she doesn't deviate in latent function in the educational institution.

**Social Identity and Control: Economic Empowerment:** Empowerment cannot be determined by level of education alone, as the effectiveness of the education can only be determined by the employment opportunities and employability skills that the individual gains. The data obtained through the case studies showcase that there is a great amount of disparity in term of economic position among the working women irrespective of whether the woman is working as professor, teaching profession or non teaching position. It was observed that four of the case studies never had a total control over earning. All the financial decision of their earning was either decided by their father or husband or even brother to some extent. The women were not completely free to spend the earning that they earned. Though they were employed and earning women still the control over the earnings were under the supervision of the male counterpart, restricting them completely from the financial control and limiting them only to household expenses. It was also evident that they were variation in the salary of the men and women doing the same work. The men were given higher wages than the women in the institution. The other problem that the women especially from the non teaching staff

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<sup>19</sup> Mobility- Plays an important role in the selection of the course as the parents are concerned about the security as the girl child will be less exposed to violence and her mobility will be restricted only to college and house .

member was lack of female supervisors this as been creating a problem within the women staff as they are not able to explain the physical problems to the male supervisors, even if they try to inform about the health issues the men fail to understand the issues and its implications. The other problem that was faced by the non teaching staff was verbal abuse from the male supervisors, if the women fall to complete that day to day task given or be absent for the work without intimation they were verbally abused in front on every workers. The role of social control and identity restricts them from mobility and look for new employment opportunities. The identity of motherhood has restricted two of the respondents to be satisfied within the available opportunities. Social control system on the other hand restricts women to avail the greater employment opportunities, as women the first and foremost duty is to be within the household boundaries and nurture the family. They have been denied the economic freedom and are subjugated economically within the family. Though they are earning they are totally restricted from enjoying their own earnings. It was also noticed that one of the respondent husband's was unemployed and she was forced to work by her husband and also she was paying a debt that was taken by the husband, still she never had the control over the finance rather it was control by the husband.

### **Findings**

- The construction of social identity and social control is structured by social legitimisation.
- Social legitimisation monitors the individual identity and ensures that each and every members are performing according to the norms and values of the society
- Social identity and social control are executed according to the society which is sanctioned with the approval of the social legitimisation.
- Social identity and control have blurred the image of women in the Indian society.
- Social identity and control have restricted women in the social and economic setting.
- Women's education is primarily determined by the social identity that she holds in the society.
- Social Identity has led to gender based education system in the India society.
- Social identity of wife and motherhood has restricted women employment opportunities and economic mobility.
- Social identity has also weakened the women's economic position within the household restricting her to only domestic expenses.
- Social control has muted the voices of Indian women in voicing their discriminations and violence.
- Social control also restricts women in economic participation and also choice of employment.
- Social control forces women to be a subordinate to man throughout her life.

**Conclusion:** Empowerment of women is a protracted and complex process, since it requires a change in the attitude of the people. The state of mind is often reinforced by poverty, illiteracy, and lack of social and gender awareness. Social Identity and social control have imposed a greater challenge for women empowerment in the Indian society. Social norms and family structure of India, reinforce the inferior status of women. Empowerment of women socially, economically, educationally, and politically is going to be a herculean task. The best way of empowerment is perhaps through inducting women into the mainstream of development. Women empowerment will be real and effective when society takes the initiative and to create a climate in which there is no gender discrimination based identity and social constraints and women have full opportunity of self decision

making and participation in social, political and economical life of the country with the a sense of equality.

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## MUSLIM WOMEN IN INDIA: FROM FATWAS TO FEMINISM

Mushtaq Ul Haq Ahmad Sikander

### **Abstract**

*The Indian Muslims are numerically largest among the South Asian nations. They constitute the largest minority in India. Since the partition of the Indian subcontinent in 1947 that ended British colonialism and resulted in freedom of India and creation of Pakistan, those Muslims that remained in India have been suffering immensely at the hands of Indian State. A few of them, the elites have 'progressed' but the majority of them have remained backward and downtrodden in every sphere of life. A disliking for Islam and Muslims was prevalent among the Hindu elite of Indian subcontinent, since the days of British colonialism. The feeling got further strengthened with the partition of Indian subcontinent. The Muslims of India since 1947 have been counted among the marginalized communities of India. This marginalization is institutional as revealed by various government reports, commissions and studies. This institutional marginalization is further reinforced by the communal atmosphere prevalent in the Indian society resulting in the communal riots that take place from time to time in which minorities (read Muslims) become victims who are killed, raped and their properties destroyed. The communal riots and the institutional denial of justice to Muslim victims has been a factual reality of the Indian state. The Indian Muslims were also alleged by the Hindu communalists to be responsible for the partition of India, thus rendering their 'loyalties' suspect. The Muslim women suffer double marginalization, first on account of being Muslim and secondly because they are women. My paper deals with the issue of marginalization of Indian Muslim women. During the communal riots Muslim women have to bear the brunt of being raped, killed and dishonored. The status of Muslim women though better than the past due to the spread of modern education and economic independence of women, but despite the literacy rate showing an upward trend with each passing year crimes against women in the form of feticide, dowry deaths, domestic violence, bride burning, rapes and molestations is also growing voraciously. My paper tries to deliberate about the reasons of such crimes. The institutional and patriarchal marginalization has been reinforced through Fatwas too. My paper tries to analyze the impact of Fatwas on women and its subsequent impact on the family. It deals with the misogyny as professed in the fatwas, whether be it related to employment or driving cars by women. The paper also deals with the positive use of fatwas whether dealing with female feticide or dowry, that are ultimately related to the family. The paper also analyzes the future of Fatwa and its impact on women and Muslim family. The paper also deliberates on the strand of violent exclusivist interpretation of Islam, regarding women. The Fatwa and their cults are vibrant, they try to impose their own sanctions on the morals of women, how she should dress, who she should meet and how the punishment regarding adultery and fornication are to be imposed on her. Thus the womenfolk became degraded, debased and demoralized over a period of time and stopped to contribute through its participation whether at grass root levels in family or collective level in Decision Making Bodies. The special multi dimensional focus of the paper would be on the role of women in the social space, which is marred by the political and patriarchal interpretation of Islam. Thus the paper also deals with the ramifications of exclusivist fundamentalist threat to the women rights and approaches this problem from various dimensions like Social, Political, Economic, Cultural, Educational and Religious. The women have also now started to organize themselves against the patriarchal interpretation of Islam. The paper will also analyze the work and activism of one such movement known as Bhartiya Muslim Mahila Aandolan (Indian Muslim Women Movement). The paper ends with inferences from the research and case studies about the lived realities of Indian Muslim Women, who are legally entitled to be equal citizens of free India. The methodology implemented in this research paper is both textual and empirical*

**Keywords:** Fatwa, Muslim women, Feminism, India, Darul Uloom, Education, South Asia.

The 18<sup>th</sup> and 19<sup>th</sup> century brought in its wake Colonialism and Imperialism in its worst ever form. The subcontinent was ruled by the Mughal Empire those days, though after the death of Aurangzeb (d 1707), a number of weak kings adorned the throne. Many new small kingdoms began to emerge ruled by weak kings. Ultimately the British East India Company conquered the Indian subcontinent and with the demise of Mughal Empire the Muslim rule in India came to an end.<sup>20</sup> The change in power

<sup>20</sup>William Dalrymple, *The Last Mughal: The Fall of a Dynasty*, Delhi, 1857, Penguin Books- 2007

and government resulted in drastic and variant changes in polity, economy and education of the Indian society. The colonizers brought with them new system of polity, economy, educational and cultural values that were different from the Muslim belief system and cultural norms. In most Muslim countries it divided the society along the lines of those who collaborated with the Imperialists and those who opposed them. The collaborators became a minority, while vast majority of Muslims opposed their colonizers particularly in their individual capacity and when it came to social values and norms. The colonized Muslim masses could not overthrow through force and power the political, economic and judicial system of the colonizer; hence the masses opposed their educational, cultural and social system. This confrontation and opposition gave birth to a miniscule minority among Muslim masses who were for the collaboration and adoption of the educational and cultural system of the colonizer in order to progress and stand shoulder to shoulder with the progressive and developed nations of that time, who were also their colonizers. But the vast majority of masses particularly represented by the Ulama were opposed to it.<sup>21</sup> Women in the Indian subcontinent led a subservient, skewed and sub human existence as compared to men. The Indian society is deeply patriarchal and misogynistic in nature that continues to subjugate women. Patriarchy was further reinforced through religion that rendered it with a divine sanctity. Some elite women did rule few kingdoms or parts of the subcontinent but overall the conditions of the women remained miserable as the patriarchy was systematic, hierarchal and institutional in nature.<sup>22</sup> The dawn of new educational system played some role in social and educational mobility of women. Women did play some role in the anti-colonial and anti-imperial movement against British Empire. Some anti-women practices like Sati<sup>23</sup> were banned. The caste, class and above all patriarchy had so deep roots that educational revolution could do little to improve the lives of women during colonialism.

**British Colonialism: Birth of Deoband Madrasa and Fatwas:** The use of Fatwas<sup>24</sup> against East India Company reached its Zenith during the year 1857 when the First War of Indian Independence against the British East India Company started, and most of the Ulama declared Jihad as *Farz e Ain* (obligatory on every Muslim) on Muslims and in 1857 Muslims fought alongside with Hindus but were ultimately defeated by the soldiers of the Company, and the wrath of the Company fell on

<sup>21</sup> In the case of the Indian subcontinent when British defeated the Last Mughal Emperor, Bahadur Shah Zafar during the India's First War of Independence in 1857, two reactions among Muslims emerged in its aftermath. One was that of Sir Syed Ahmad Khan and his Aligarh Movement that urged Muslims to opt for the British educational and cultural system and the other was represented by the Ulama of Deoband who opposed the same, and continued Islamic education on traditional pattern.

<sup>22</sup> Sunita Zaidi, *Women or Muslim Women in Medieval India*, in Hajira Kumar (ed), *Status of Muslim Women in India*, Aakar Books, Delhi, 2002.

<sup>23</sup> According to this practice a married woman would immolate herself in the funeral pyre of her husband if he died before her. It was banned by Lord William Bentinck in 1829, after a vigorous social campaign by Raja Ram Mohan Roy, founder of Brahma Samaj.

<sup>24</sup> Fatwa means opinion of a learned religious scholar. Over the centuries Fatwa came to have a negative connotation that rendered it synonymous to a legal religious decree that is binding on people. For more about Fatwas see Muhammad Khalid Masud, Brinkley Messick, David S. Powers (eds), *Legal interpretation: Muftis and their fatwas*, Harvard University Press, 1996.

Muslims especially the Ulama as they were considered to be the real trouble makers and war mongers. Also the subcontinent was usurped by the Company from Muslims hence they were declared as the primary enemies. The aftermath of 1857 gave birth to revivalist movements among Muslims. The Aligarh Movement headed by Sir Syed Ahmad Khan which owed allegiance of loyalty to British and Deoband which was anti British but as a matter of policy concentrated only on religious education rarely entering into Politics actively as its founders had borne the brunt of failure of 1857 uprising. The *madrasa* (seminary) at Deoband, a place in United Provinces those days (now modern Uttar Pradesh) was thus formed as a result of failure of 1857.<sup>25</sup> What began as a madrasa slowly began to grow spreading its offshoots to various regions of the subcontinent through a chain of small madrasas which were patronized by Deoband and Muslims began to look for religious leadership towards Deoband and it adorned the mantle of religious leadership for Muslims of subcontinent. Issuing Fatwas was one job to which the ulama of Deoband adhered strictly. "In 1893, when the burden of dealing with fatwa from all over Hindustan had become very heavy, the school moved to establish a separate darul ifta, initially under the direction of Mufti Azizur Rahman Naqshbandi Mujaddidi. Setting as their goal the creation of a collection of fatwa as definitive as the famous compilation of the Emperor Aurangzeb<sup>26</sup>, the school maintained from 1911 a register of all its fatawa<sup>27</sup> and regularly published volumes of decisions. At the conclusion of this century, the school counted a total of 269,215 fatawa that had been issued, and prided itself on having replied to the bulk of the questions on the very day they were received".<sup>28</sup> Since 1962 the Darul Uloom Deoband began publishing the fatwas in volumes organized around subjects. The issues of women formulated an important corpus of the Fatwa literature. The education level of masses was minimal and seeking fatwas was cumbersome process too during colonial era. The lives of masses were not so complicated due to the issues of modernity, technology and globalization. The issues related to modern secular education of women, employment, travel, participation were quite rare. Further the fatwas during colonial period mostly related to the theological and political issues.

**Fatwas and Muslim Women In Independent India:** The partition of the Indian subcontinent brought in its wake untold human miseries. The women were the most vulnerable victims of partition. As the partition happened on the basis of religion, so Hindu and Muslim women both had to bear the brunt, which included abduction, rape, forced marriages, proselytization and killings.<sup>29</sup> After the

<sup>25</sup> For a study of Deoband Movement, see Barbara Daly Metcalf, *Islamic Revival in British India: Deoband, 1860-1900*, Royal Book Company, Karachi, Pakistan, 1989.

<sup>26</sup> The Fatwas compiled on the insistence of Aurangzeb are known as *Fatawa e Alamgiri*.

<sup>27</sup> Plural of fatwa.

<sup>28</sup> Muhammad Rafi, *Darul Uloom Deoband Ki Sair aur uski Mukhtasar Tarikh* (Delhi, 1916), P-6. Quoted in Barbara Daly Metcalf, *Islamic Revival in British India: Deoband, 1860-1900*, Royal Book Company, Karachi, Pakistan, 1989, P-146.

<sup>29</sup> Urvashi Butalia, *The Other Side of Silence: Voices from the Partition of India*, Penguin Books, New Delhi, 1998. Sadat Hasan Manto and others depicted the violence played over the bodies of women in his numerous short stories including Khol Do, See Manto: Selected Stories, Translated by Aatish Taseer, Random House, New Delhi, 2008.

partition became a reality millions of Muslim were left behind in Hindu majority India. The Muslims who chose not to migrate to the newly created Pakistan were subjected to institutional marginalization because they and their subsequent generations were held responsible for the partition of India. These Muslims were made to bear the brunt of institutional marginalization by the state and its institutions.<sup>30</sup> The hate and violence is reflected through the frequent communal riots that take place from time to time. A systematic and periodic cycle of communal riots were initiated in the aftermath of partition against Indian Muslims.<sup>31</sup> The majority victims in these riots are Muslims as Hindu communal rioters are helped by police to oppress Muslims.<sup>32</sup> The Hindu communalists have been decrying and alleging that Muslims are the initial instigators triggering the communal violence and what follows in the aftermath is just the Hindu reaction to Muslim instigation. The religious seminaries *madrasas* that impart education to millions of poor Muslims are being described as the 'dens of terrorism' in the vernacular Hindi press as a part of propaganda run against Muslims.<sup>33</sup> The practice of polygamy, *purdah* (veil) and *talaq* (divorce) has also been used to construct a negative image of Muslims in India.<sup>34</sup> The ill founded allegations against all Muslims being stereotyped as potential terrorists became more strong in the aftermath of 9/11 attacks. Any untoward terrorist attack is always blamed on Indian Muslims unless proved otherwise. The partition happened and in the aftermath of partition and newly independent India, Deoband madrasa found itself misfit as it could not understand what the changing times demanded. The deobandi Ulama were unaware of the challenges of modern times as still the 18<sup>th</sup> century curriculum and syllabus known as *Dars e Nizami* is still prevalent in all madrasas run by Darul Uloom Deoband. The access to Social Science, technical knowhow and even English language is still unheard of, plus the gates of *Ijtihad*<sup>35</sup> are ever closed by them as were in the days of Rashid Ahmad Gangohi, founder of Deoband madrasa. The fatwas are also issued in the light of Hanafi jurisprudence hence fail to address the modern day problems as they are situated in medieval times, thus making a laughing stock of Islam and helping reinforce the stereotypical image of Islam in media and among Non Muslims as being exclusivist, backward and misogynist. The Indian Muslim women had to suffer doubly, first because of being women and second because they belong to a minority. The problems of the women in the subcontinent are similar in many instances because they share the same past, history, colonial legacy and social milieu. The patriarchy is prevalent in all countries of south asia, particularly India, Pakistan and Bangladesh, who share the same baggage of partition. The Muslim women of these countries share a lot of similar problems but they are surely not a monolith and vague generalizations cannot be made about them.

<sup>30</sup> Omar Khalidi, *Muslims in Indian Economy*, Three essays Collective, New Delhi, 2006.

<sup>31</sup> Asghar Ali Engineer, *Lifting the Veil: Communal violence and Communal harmony in Contemporary India*, Sangam Books, Hyderabad, 1995.

<sup>32</sup> Omar Khalidi, *Khaki and the Ethnic Violence in India*, Three essays Collective, New Delhi, 2003.

<sup>33</sup> Yoginder Sikand, *Bastions of the Believers: Madrasas and Islamic Education in India*, Penguin, New Delhi, India, 2005.

<sup>34</sup> Ram Puniyani- *Communal Politics Facts Versus Myths*, Sage Publication, New Delhi, 2005.

<sup>35</sup> Ijtihad refers to creative application of Holy Scriptures in the changing times as every age demands different responses.

Indian Muslim women even as a minority are not a monolith. There are huge differences among them that include educational, regional, class and caste differences. Each section of women will need distinct, ethnographic, contextual and textual study in order to arrive at concrete inferences about their problems and status.<sup>36</sup> In this paper I am analyzing both the positive and negative impact of Fatwas on Indian women. Why Fatwas have been chosen as a tool to understand the issues of Muslim women and not any other marker like education, gross domestic product, employment and presence in government jobs. The answer is quite simple because Muslims and particularly Indian Muslims as a minority take religion (read religious identity) and religious scholars, theologians very seriously. Religion as an identity marker became quite prominent among Muslims in the aftermath of 9/11.<sup>37</sup> Islam as the dominant identity marker for Muslim minorities is an interesting topic that needs separate deliberation. The Indian Muslims are the most marginalized among the different minorities and groups present in India.<sup>38</sup> Among Muslims women continue to be the marginalized other. The education has not percolated among the Muslims on mass level due to various reasons that include the inhibition that they would be discriminated in the jobs even if they attain highest academic degrees. The other reason is the educational duality among Muslims. Muslims since colonialism divided the education in secular and religious streams. Both of them are antagonistic towards each other and none of the attempts to bridge this divide has yet been successful. Actually not more than five percent of Muslim children attend the madrasas but their pass outs include theologians, Ulama, scholars and doctors of divinity who exercise a huge influence over the Muslim community. Also the curriculum is different for boys and girls madrasas. Most of them are obscurantist in their outlook, ignorant about the progress around them, blind imitators of the past and deeply patriarchal when it comes to the question of women. For them the basic duty of women is to be home makers, help in procreation and look after the children.<sup>39</sup> The Quranic approach is rights based for women and duty based for men but they have retrograded and reinterpreted it to suit male interests.<sup>40</sup> These Ulama and mullahs are direly against what they term as Western education. The siege mentality still exists among them that terms English education as Western and alien to the injunctions of Islam. Thus they are direly opposed to it. They vehemently oppose any step towards the introduction of English language or social sciences in madrasas.<sup>41</sup> The masses even the educated ones take their decrees, Fatwas and opinions seriously as they have monopolized the job of interpreting the religious texts whereas in reality there is no clergy in Islam. The masses follow them blindly, even seeking their opinions about political decisions like

<sup>36</sup> Imtiaz Ahmad, *Some Reflections on the study of Muslim women in India*, in Hajira Kumar (ed), *Status of Muslim Women in India*, Aakar Books, Delhi, 2002.

<sup>37</sup> Akbar S Ahmad, *Islam Under Siege*, Vistaar Publications, New Delhi, 2003.

<sup>38</sup> The seven-member High Level Committee, chaired by Justice Rajindar Sachar, submitted its final report to the Prime Minister on November 17, 2006. The Sachar report made it evident that Indian Muslims are among the most marginalized sections of Indian society. The complete report titled *Social, Economic and Educational Status of the Muslim community in India*, also known as the Sachar committee report can be accessed at [http://mhrd.gov.in/sites/upload\\_files/mhrd/files/sachar\\_comm.pdf](http://mhrd.gov.in/sites/upload_files/mhrd/files/sachar_comm.pdf) (As accessed on February, 02, 2018).

<sup>39</sup> Barbara Daly Metcalf, *Perfecting women: Maulana Ashraf Ali Thanwi's Bihishti Zewar*, University of California Press, 1992.

<sup>40</sup> Asghar Ali Engineer, *The Rights of Women in Islam*, New Dawn Press Group, New Delhi, 2004.

<sup>41</sup> Mushtaq Ul Haq Ahmad Sikander, *Bridging the Divide: Call of a New Dawn*, Centre for Promotion of Educational and Cultural Advancement of Muslims of India (CEPECAMI), Aligarh Muslim University, Aligarh, 2017.



voting. The opinions of this class of patriarchal mullahs still has influence over the masses who take them seriously, one because of the identity reasons, second because of the inferiority complex that they cannot interpret the holy texts or do not have the expertise or authority to do so. Lastly the threat perception of ‘Islam being in danger’ that is reinforced by these mullahs, that describe any new interpretation as heresy. Any new change particularly regarding women is being misconstrued as western ploy to destroy the citadel of Islam. Thus liberals and progressives even among Ulama are branded as Trojan horses of enemies. The power of Fatwas in the Independent India came to fore during the Shah Bano Case,<sup>42</sup> in which a divorced Muslim lady demanded alimony from her ex-husband and Supreme Court of India ruled in her favor, but the Ulama threatened the government with dire consequences and launched a virulent struggle which resulted in the repeal of the Supreme Court ruling, thus allowing the Muslim Personal Board full authority to look into the issues of Muslim family laws. The All India Muslim Personal Law Board (AIMPLB) owes its birth to Shah Bano controversy. A look at some of the fatwas issued by Darul Uloom Deoband<sup>43</sup> which are available on their website;<sup>44</sup> which has a separate section devoted to Fatwas, are enough to depict their misogyny and patriarchy that is far from the spirit of Islam. I have only concentrated on the English section of Fatwas which time and again fuel controversies and are in news for all the wrong reasons. There has been demand for taking off these fatwas from the website by certain sections of Progressive Muslim voices, but till now Deoband has not budged to their demands and its keeps issuing ridiculous fatwas. The Deoband is too much concerned with the outlook, attire, identity, feminine body, and tries to answer every question related to the same. The English of both the *mustafi* (the person who asks a question) and *mufti* (who issues a fatwa) is quite bad in every case, but a relationship of authority exists between them, in the eyes of many mustafis the mufti speaks in the name of God, hence his opinion is Gospel truth. The stance of Deobandi Muftis against women’s dress, feminism, education and employment is even more harsh and worse, which occasionally invites wrath of feminists and Progressive Muslims on Deobandi Ulama. Deoband has been under severe criticism for its rulings on *Talaq*(divorce), and the most famous case has been that of Imrana aged 32 of Charathwal village, Muzzaffarnagar, India who lived with her husband Noor Elahi and five children. In 2005 her father in law, Ali Mohammad raped her in the first week of June while her husband was away from the village, working. When he returned, she complained to him but he said that he could not do anything against his father. Then she complained to her brother and other family members. Her brother approached some members of their *biradari*(Caste) and a meeting of the caste panchayat was called. A local Maulana also attended. While the panchayat said that Ali Mohammad should be punished by law and that Imrana could file a police complaint against him, it also decreed that Imrana and her husband could no longer live together because their relationship had changed to that of a ‘mother and son’. Imrana and her husband both refused to accept this and continued to live together at her natal home in

<sup>42</sup> Asghar Ali Engineer(ed), *The Shah Bano Controversy*, Sangam Books limited, Delhi, 1986

<sup>43</sup> Deoband was chosen as a representative madrasa because it has a wide influence in South Asia as compared to madrasas of other schools of thought. The reality must also be acknowledged that when it comes to the question of women most mullahs have similar patriarchal views and opinions that they regularly express through Fatwas.

<sup>44</sup> [www.darulifta-deoband.org](http://www.darulifta-deoband.org) (Accessed on 02/02/2018).

village Kukar Mandi, while Ali Mohammad was arrested and sent to jail. On 25<sup>th</sup> June, Darul Uloom Deoband, whose decisions regarding the interpretation of *Shariat* law and jurisprudence are accepted by a very large number of Indian Muslims-gave a fatwa saying that Noor Elahi's relationship with his wife was now an illicit one and he should immediately stop living with her. As a result, Ali Mohammad left Imrana and returned to his own village. This fatwa came under huge flak from different quarters and ultimately AIMPLB and Darul Uloom Deoband gave fatwas that declared the earlier fatwa as incorrect, but the stance of Deoband regarding Talaq remains as rigid as ever and is evident from this fatwa, "Assalamoalaikum, I jokingly typed talak talak talak to my wife on skype chat assuming that she was going to give me divorce the next day of which I was very sure but it not happen and she extended the date. I don't understand Islam very much and did not know nothing about how talaq works. We love each other very much and want to be together but right now caught in this thing. Want to know a way out of this other than *halalah*?" The non serious attitude of the questioner is evident from the question itself but the learned Mufti doesn't leave any space for further comment and responds as "When you gave three talaqs, all the three took place. No matter whether the woman gives talaq or not. Your wife became haram for you whether you are aware from the commandment of Islam more or less. Neither you have the right to take her back nor solemnize new *nikah* without a valid *halalah*. After the completion of *iddah* period, the woman can marry where she wishes except you. It is proved from *Bukhari* (Vol. 2, P. 791) and *Fatawa al-Hindiyah* etc". Further another questioner asks "over 2 years ago my husband pronounced talaq two times (talaq...talaq) in one go over the phone and i heard him.....what does this mean". If the husband concedes to have given two divorces over the phone, then both the *talaqs* took place. In future, he has the right to give only one divorce i.e. if he unfortunately pronounces one more divorce any time, then she will be *haram* for him and will absolutely come out of his *nikah*. You may marry him second time after passing *Iddah* (waiting period).<sup>45</sup> The issue of Triple Talaq has been a contentious one. There were voices against the abuse of Triple Talaq.<sup>46</sup> The voices for the abolition of Triple Talaq that is contrary to the Quranic principles was in air for long but the mullahs and ulama were completely against its abrogation. Most Ulama stood against Quranic teachings to support tradition and sects. Now due to the advocacy of progressive groups like Bhartiya Muslim Mahila Aandolan, a law has been brought to ban triple talaq. Although the law is in its preliminary stage and needs further amendments that will render it into a viable gender just law. The patriarchy has been reinforced by the mullahs thus violating the rights of women that Islam has bestowed on them. The misogynist attitude of Deobandis can be understood from this Fatwa too, asking "In the Hanafi madhhab can women be appointed as judges or Qadi's?" Male Mufti chauvinist responds

"Yes, she can be appointed as judge, but it is *makrooh tahrimi*, i.e. doing so is near *haram*. It is mentioned in hadith: It means that a nation that makes a woman their ruler will never succeed, hence woman should not be appointed as judge".

**Fatwas Versus Feminism:** Feminism is a very loaded term for Muslims. Most muslims and Ulama are open and embracing to terms like Islamic science, Islamic banking, Islamic education, Islamic

<sup>45</sup>(Fatwa: 911/H=185/TH)

<sup>46</sup> Noor Zaheer, *Denied by Allah: Angst against Archaic laws of Halala, Triple Talaq, Mutah and Khula*, Vitasta Publishing House, New Delhi, 2015.

politics but when it comes to the term like Islamic feminism which is used to describe Gender Justice in Islam, they get uncomfortable. They brand and tag feminism as the basic reason that led to the destruction of family life in the west. Although it must be acknowledged that Islamic feminism is quite different from its western counterpart.<sup>47</sup> While Islamic Feminism stands for more participation of Muslim women in public life, Fatwas have debarred them from almost everything including their attendance at local mosques, co educational schools, being employed, participating in social and political life and that is certainly in contrast with early Islam and role of women.<sup>48</sup> Without emphasizing on the term Islamic feminism or gender just Islam, women can utilize their complete potential without Islam being an obstacle in their realization of dreams. Fatwas and Feminism do clash frequently. More and more women are now claiming Islam with the tagline that your fatwa does not apply.<sup>49</sup> Fatwas are sought genuinely sometimes and on other occasions they are just issued to create ruckus. Fatwa means a religious opinion of a scholar on a certain issue. It is not binding on Muslims, but the fatwa culture and abuse of fatwas has given it a stereotypical image among the masses, media and Muslims<sup>50</sup>. Media rakes up unnecessary controversies by creating misunderstanding about fatwas thus reinforcing Islamophobia in India. The fatwas issued by the Muslim Muftis in most cases are misogynist in nature, outdated, non feasible and illogical<sup>51</sup>. An example can illustrate this issue. The fatwas have been rarely used in Kashmir to undermine or control the women. They have been uttered rarely and used mostly for political purposes. The State backed 'Grand Mufti' of Kashmir, Mufti Bashiruddin Ahmad, uttered a fatwa against the first completely girl music band of Kashmir namely Pragaash (Light of Dawn)<sup>52</sup>. This fatwa was met with a strong opposition from people and civil society<sup>53</sup>, but it prompted the young girls to give up music and disband Pragaash. Instead of using Fatwas against Female Infanticide, Dowry, Prostitution, Domestic Violence and other such crimes perpetuated against women, this abuse of Fatwa in curbing the genuine desires and talents of girl artists and musicians is a grave misuse and exploitation of Islam. If the music is unlawful in Islam then the boy musical bands must be declared unlawful too. This selective misuse of Islam points that certain vested interests are behind the conspiracy of issuing these anti feminist and misogynist fatwa. Fatwas can help Islamic feminism

<sup>47</sup> Asghar Ali Engineer, *Islam: Gender Justice-Muslim Gender Discrimination*, Gyan Publishing House, New Delhi, 2013, P-12.

<sup>48</sup> Shayan Afzal Khan, *Unveiling the Ideal: A New look at Early Muslim Women*, Sisters in Islam, Malaysia, 2007.

I. <sup>49</sup> KARIMA BENNOUNE, *YOUR FATWA DOES NOT APPLY HERE – UNTOLD STORIES FROM THE FIGHT AGAINST MUSLIM FUNDAMENTALISM*, W. W NORTON AND COMPANY, U.S.A, 2013.

<sup>50</sup> For more about the Fatwas and Women, See Juhi Gupta, *The Future of Indian Muslim Women: Fatwa Versus Feminism*, Readworthy Publications, New Delhi, India, 2012.

A. <sup>51</sup> Mushtaq Ul Haq Ahmad Sikander, *Futility of Fatwas*, [Constellations - Vol. 2, No. 1, April - June 2011](http://www.imase.org/constellations/issues/161-constellations-vol-2-no-1-april-june-2011-jumada-al-ula-rajab-1432). <http://www.imase.org/constellations/issues/161-constellations-vol-2-no-1-april-june-2011-jumada-al-ula-rajab-1432>. Accessed on 2nd February, 2018.

II. <sup>52</sup> GRAND MUFTI ISSUES FATWA AGAINST PRAGAASH, THE DAILY RISING KASHMIR, SUNDAY, 3<sup>RD</sup> FEBRUARY, 2013

A. <sup>53</sup> JKCCS to file case against Mufti Bashir over 'fatwas demonizing Kashmiris, Daily Kashmir Reader, 8 February, 2013

like female feticide, dowry and domestic violence but such positive fatwas will help only when a strong social movement is accompanies them, which can help in transforming the lot of women and lead to their empowerment.<sup>54</sup> Fatwas that did work against British colonialism can work today too if Muftis and Ulama are made to understand the true Quranic spirit of gender justice. If the Ulama are not ready to change then the changing circumstances and times will coerce them to resist or even rebut their patriarchal and misogynist attitude towards women. Further due caution should be taken before issuing a fatwa. It may not be legally binding opinion, but it still relates to the interpretation of Holy Scriptures that most muslims take up very seriously. It is for these reasons and because of this exclusivist, misogynist and patriarchal mindset that Muftis and Ulama have been able to do negligible service when it comes to removing misconceptions about Islam or status of women in Islam. Instead of promoting gender just understanding of Islam, the Fatwas have tried to place more curbs on the freedom of women, while snatching their rights that Islam and Prophet Muhammad bestowed on them.<sup>55</sup> Also these fatwas have a tendency for male chauvinism and retrograding the rights of women. This masculinity of fatwas many times justifies the violence in the name of Islam that initiates with the legitimacy of domestic violence, by providing the right to a husband to beat his wife. In the long run such fatwas also justify curbs on women, giving rise to extremism.<sup>56</sup> So a lot of caution and preventive measures need to be undertaken while issuing Fatwas.

**Conclusion:** From the above discussion it can very well be inferred that despite the fact that Indian Muslims hold religion very dear, the revolutionary teachings of Islam have not penetrated deep into the lives of the people and influenced their outlook regarding women. Islam and its egalitarian teachings have been interpreted by mullahs that instead of helping women achieve equal status with men actually have retrograded their position in society. Islam that was supposed to play a revolutionary, role of liberation and salvation failed to play the same because of the apathy of Muslim Ulama, scholars, organizations and revivalist movements. They all failed to usher a new dawn for the bruised and battered souls of women. Instead in certain cases Islam was made an impediment and obstacle for women to attain an equal and just status in Indian society. The study of the fatwas related to women makes us to arrive at a conclusion where we begin to doubt the credentials and scholarly acumen of the Muftis as nothing is divulged about the academic qualifications and theological understanding of these Muftis who issue the fatwas within no time. They remain shrouded in mystery, apparently invisible and hiding in oblivion. Unlike the European Council for Fatwa and Research which lays down five conditions that a European Mufti must fulfill, Indian Muftis have no such bindings or eligibilities that they need to religiously uphold:

1. Possess the appropriate legal(shari) qualifications at university level, or have been committed to the meetings and circles of scholars and subsequently licensed by them, and have a good command of the Arabic language.

<sup>54</sup> Justice Sujata V Manohar, *Judiciary and Gender Justice* in Murlidhar C Bhandare (ed), *Struggle for Gender Justice: Justice Sunanda Bhandare Memorial Lectures*, penguin books, 2010, P-23.

<sup>55</sup> Obaidullah Fahad and Muhammad Salahuddin Umari, *Empowerment of Women under the Prophet of Islam: Seminar Papers*, Seerat Committee, Aligarh Muslim University, Aligarh, 2015.

<sup>56</sup> Norani Othman (ed), *Muslim Women and the Challenge of Islamic Extremism*, Sisters in Islam, Malaysia, 2005.

2. Be of good conduct and committed to the regulations and manners of Islamic sharia.
3. Be a resident of the European continent
4. Be knowledgeable in Islamic jurisprudence(fiqh) as well as being aware of the current social surroundings
5. Be approved by the majority of (the Council's) members.<sup>57</sup>

Unless and until certain concrete steps are taken towards rectifying the mistakes and adhering to a pluralistic, inclusive and tolerant interpretation of Islam which is not misogynist, backward and rigid in its esoteric and exoteric form till then Fatwas will continue to be a stagnant pool of absurd answers to present day problems. Also the bad habit of excessive questioning needs to be discouraged among Muslims as Quran abhors excessive questioning (2:67-71) and demanding legitimacy for every act from Islam will make Islam a scapegoat in the hands of the Ulama. The questions which if ever asked need to be answered individually and there is no need to put them on web. Some people question that nobody listens to the Fatwas or adheres to them, but the real burning issue is why then the Muslims not only from India but whole South Asia seek answers from Muftis which they issue in the name of Islam rather than as personal opinions. The counterparts of Indian madrasas who exist in Pakistan and Bangladesh and owe allegiance to different schools of thought are more rigid, violent and exclusivists in their fatwas as these countries are Muslim majority. In case of Pakistan many Terrorist organizations use fatwas in order to justify their armed battles as Jihad and the killing of their rivals as truly Islamic, but these trends need to be curbed and discouraged in order to save Islam and Muslims from a bleak and catastrophic future. The future of Fatwa would remain dark and quite bleak if the same trend of issuing Fatwas would continue; as yet Fatwa has been put to no constructive use in South Asia. The resentment against Fatwas is growing among conscious and progressive sections of Muslims who are now attempting to build an alternative interpretation and discourse of Islam which is Just, Humane, Plural, Inclusive and addresses the challenges baffling modern man. This resentment and resistance has given rise to women movements like of BHARATIYA MUSLIM MAHILA ANDOLAN (BMMA) which threatened Muftis of Deoband even with imprisonment in the interests of Muslim women welfare. It is a knowledge building movement and is indulging in *Ijtihad* to reinterpret various patriarchal laws in a gender just manner.<sup>58</sup> The women's movements like BMMA are the silver lining that in the coming decades will rendered Muftis to tone down their anti women and patriarchal venom. They will lose popularity and social standing as more and more women and gender just men will start questioning their authority. Further the empowerment of women is a tricky plane and every precaution needs to be undertaken that empowerment of Muslim women can be a reality only when a gender just reading and interpretation of the Holy Scriptures is undertaken by muslim women themselves.<sup>59</sup> Also the new educated middle class of muslims are not so serious about

<sup>57</sup>Alexandre Caeiro, *Transnational Ulama, European fatwas, and Islamic authority A case study of the European Council for Fatwa and Research*, in Martin van Bruinessen and Stefano Allievi (eds), *Producing Islamic Knowledge: Transmission and dissemination in Western Europe*, Routledge, USA, 2011, P-124.

<sup>58</sup> Dr Noorjehan Safia Niaz and Zakia Soman, *Seeking Justice Within Family: A National Study on Muslim Women's views on Reforms in Muslim Personal Law*, Bhartiya Muslim Mahila Aandolan, 2015.

<sup>59</sup> Asghar Ali Engineer, *Islam: Restructing Theology*, Vitasta Publishing House, New Delhi, 2012, P-4.

the fatwas and muftis as compared to their careers and daily lives.<sup>60</sup> But this lackadaisical approach should not be read as antagonism towards Ulama or Islam, as identity politics is still very strong among Indian Muslims. In the end I would like to suggest the Muftis of different sects to follow Maulana Abdul Haq Haqqani(d 1831), author of the famed exegesis of the Quran known as *Tafsir Haqqani*, advise while issuing Fatwas. During his times British Government replaced the Gold and Silver currency with a Paper one. These paper notes apparently from the traditional jurisprudence rulings were anti Islamic in nature. Maulana was asked to issue a Fatwa regarding the permissibility or impermissibility of using this Paper Currency from Islamic Perspective? He declined to issue a fatwa and said “*Mera Fatwa Nahi Chelega, Note Chaljayega*”(My Fatwa will not work and currency will).

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<sup>60</sup> Hasan Suroor, *India's Muslim Spring: Why is Nobody Talking about it?*, Rupa Publications, New Delhi, 2014.

## NUTRITIONAL STRATEGY FOR WOMEN: A TOOL FOR HUMAN CAPITAL DEVELOPMENT IN INDIA

**Dr. Susan Alex, K.P.B. Hinduja College of Commerce** Assistant Professor, Department of Economics

### **Abstract**

*Women are certainly the foundation of the essential component of society – the family. Women empowerment is essentially the process of upliftment of political, economic, educational, gender, social and political status of women, the traditionally underprivileged ones, in the society. Globally, educating and empowerment of women have proved to be the catalyst for fast socio-economic growth. Conversely, underdeveloped societies where women are repressed are among the most backward. Denying social, educational and economic opportunities to women to realize their potential is just a waste of human capital and impediment to economic progress. Even in traditional roles women reveal immense levels of innovation, skill, intelligence, hard work and commitment and if these attributes are harnessed effectively, India's growth can be more inclusive and equitable. The key to this is providing equal access to health and education to women in India. Health is both human capital itself and an input to producing other forms of human capital. Health is also a normal good: when people get richer, they invest more in their own health, and exhort their governments to spend more on public health. Apart from training and jobs, investing in long-term human capital for women in India requires investments in their health. Women, throughout most of the world, have the major responsibility for their families' nutrition and in many cases, their own nutrition is often impaired, under the social and biological stresses they face. Developments that improve women's position in society are likely to improve nutrition overall, and are essential for this. Programmes intended to improve nutritional conditions for women and their families can be more successfully designed and implemented if there is a greater understanding and awareness of the specific roles that women play.*

**Keywords:** Women Empowerment, Health, Nutrition, Socio-Economic Status, Policy Implications

### **'As women rise, malnutrition falls'**

**Introduction:** Human capital is a key factor for growth, development and competitiveness. Especially in recent times, within the modern framework of development, human capital forms the foundation for economic growth and this connection works through numerous pathways at the individual, firm and national level. A skilled talent pool only can help to build significant technological and corporate innovation and consequently this puts an onus on many developing countries that, at the various levels, equality of opportunity in education and employment is necessary. Human capital development is mandatory for not just economic development but also for ensuring positive social and political outcomes. That is why developing human capital is often vital to develop countries with increasing working population. Health is considered both as human capital itself and also as an input necessary for creating other forms of human capital. Lack of health or being unhealthy can discourage the ability to work productively as well as the ability and incentives to invest in human capital. Health affects growth by augmenting worker productivity, by increasing average life expectancy and subsequent human capital accumulation, and by reducing the burden of disease. Health is also a normal good: when people get richer, they invest more in their own health, and exhort their governments to spend more on public health. Policies to promote health in the non-public health sphere focus on improving health care management and service quality, and methods to improve the delivery and affordability of care. In the Indian context, the main source of increases in worker productivity has come from improving nutrition. Studies on policies to promote health in the public health sphere includes research that improves nutrition, increases sanitation infrastructure and access to clean drinking water, identifies effective means to detect diseases and health hazards, and devises ways to combat the debilitating effects of air and water pollution. India's long-term growth strategy must be pegged to its labour force, and this in effect requires the effective participation of women, who constitute half the

country's population. The availability of opportunities is of little value if women are unable to effectively participate in such gainful employment. Apart from training and jobs, investing in long-term human capital for women in India requires investments in their health. Health is a driver of economic growth and poverty alleviation, and thus broader economic benefits are to be derived by investing in women's health.

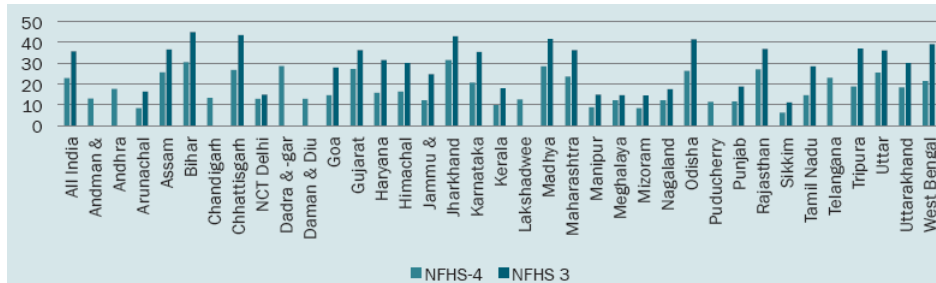
**Background and Context:** Globally, the status of women's health falls short of its potential. The existing literature indicates that healthier women and their children contribute to more productive and better-educated societies. Prior studies show that women's health is linked with long-term productivity: the development and economic performance of nations depend, in part, upon how each country protects and promotes the health of women. The *raison d'être* for investing in nutrition is globally well recognized as it is a critical development imperative especially for the most vulnerable sections of the society that is, women young girls and children. Nutrition is recognized as one of the most efficient entry points for human development, poverty reduction and economic development along with high economic returns. Good nutrition is linked to health and is considered as the basis for human development, as it helps in fighting infections, reduces morbidity, disability and mortality burden, as well as enhances cumulative lifelong learning capacities and productivity. However, in India despite strong Constitutional, legislative policy, plan and programme commitments, high levels of maternal and child under-nutrition in India still persist. A number of legislations like the National Food Security Act 2013, ordering food and nutrition entitlements for pregnant and breastfeeding mothers with maternity support, children along with the Infant Milk Substitutes, Feeding Bottles and Infant Foods (Regulation of Production, Supply and Distribution) Act 1992, and Amendment Act 2003 present a strong policy framework to protect, support and promote nutrition interventions – particularly in periods of utmost vulnerability for women and children. The National Nutrition Policy 1993, complemented by other policies such as the National Health Policy 2002, the National Policy for Children, 2013 provides a strong basis for tackling the immediate and the underlying determinants of undernutrition through both direct and indirect interventions.

**Health of Women in India:** Health is complex and dependent on a host of factors. The active interplay of social and environmental factors have profound and multifaceted implications on health. The conditions of women's lives shape their health in more ways than one. The health of Indian women is intrinsically linked to their status in society. Indian society which has deeply ingrained patriarchal norms and values where the preference for a male child often leads to low levels of education, nutrition and formal labor force participation for women. They typically have little autonomy, living under the control of male members of their family usually their father, husband and later even sons. All of these factors have a negative impact on the health status of Indian women. Poor health has repercussions not only for women but also their families, as women with poor health are more likely to give birth to low weight infants, and also are less likely to be able to provide food and adequate care for their children. Finally, a woman's health affects the household economic well-being, as a woman in poor health will be less productive in the labor force. Nearly half of Indian population at 48.5% is women but account for less than a quarter of its paid workforce. India's overall female labor force participation (FLFP) rate has remains low in fact, and dropped from 35% in 1991 to 27% in 2014 as per World Bank Data. Hence, apart from training and jobs, investing in long-term human capital for women in India requires investments in their health.



**Women with Low BMI:** In chronically undernourished women, pregnancy and lactation have an adverse effect on maternal nutritional status. Low pre pregnancy weight and low pregnancy weight gain are associated with low birth weight and all its attendant adverse consequences.

**FIGURE: 1 PERCENTAGE OF WOMEN WITH LOW BMI**

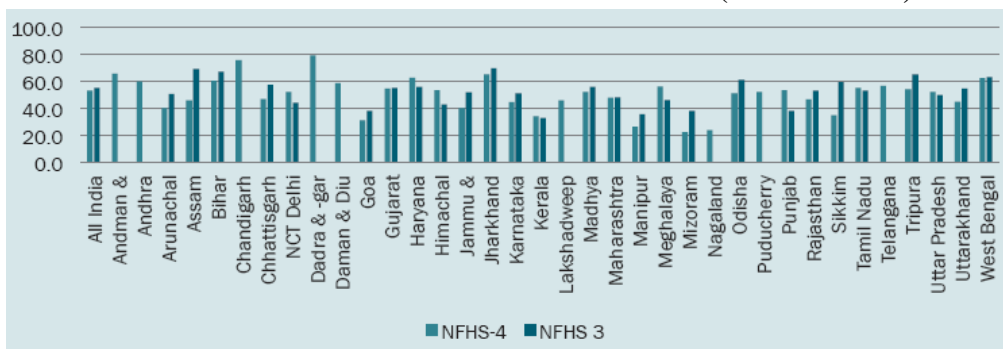


Source: NFHS Data

As per NFHS 3, every third woman in India was undernourished (35.5 % with low Body Mass Index) and every second woman (15-49 years) was anemic (55.3%). About 15.8 % were moderately to severely thin, with BMI less than 17. Bihar (45%), Chhattisgarh (43%), Madhya Pradesh (42%) and Odisha (41%) were the states with the highest proportion of undernourished women.<sup>61</sup>

**Anemia in Women:** India is among the countries with the highest prevalence of anemia in the world which needs to be addressed in a life cycle approach. Anemia is a major health problem affecting 53% of women (15-49 years) and 22.7% of men in India as per NFHS-4. 50.3% of pregnant women were found to be anemic, as per NFHS-4. Anemia was found to be considerably higher in rural areas than urban areas, for disadvantaged groups (particularly scheduled tribes) and for children and women in households in the lower wealth quintiles. The figure given below presents the status of anemia among women and girls between 15-49 years of age. It is seen that overall, the levels of anemia among women and girls has stagnated over the last decade from 55.3% in NFHS-3 to 53% in NFHS-4. In terms of percentage points, States which have witnessed maximum decrease in the levels of anemia are- Sikkim (24.6), Assam (23.3), Mizoram (15.6), J&K (11.7), Tripura (10.6) and Chhattisgarh by 24.6 (10.5). Alternatively, 8 States/ UTs (Punjab, Himachal Pradesh, Meghalaya, Delhi, Haryana, Uttar Pradesh, Tamil Nadu and Kerala) have seen an increase in the prevalence of anemia.

**FIGURE: 2 ANEMIA IN WOMEN AND GIRLS (15-49 YEARS)**



Source: NFHS Data

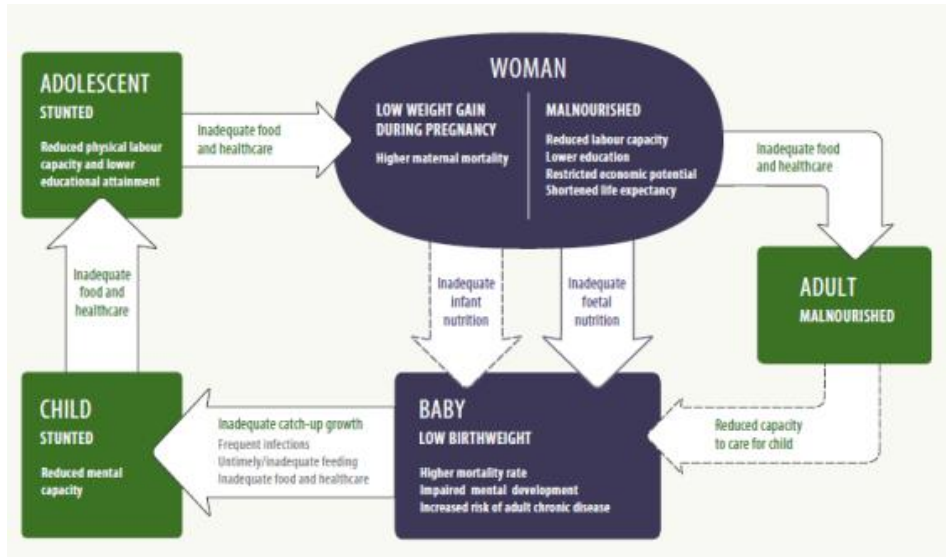
**Safe Drinking Water, Sanitation & Hygiene**

<sup>61</sup><http://niti.gov.in/content/nutrition-strategy-booklet>

World Health Organization (WHO) estimates that 50% of malnutrition is associated with repeated diarrhea or intestinal worm infections as a result of unsafe water, inadequate sanitation or insufficient hygiene. While there has been considerable progress in ensuring safe drinking water, ensuring universal access to sanitation and improving hygiene practices remain key challenges.

**Intergenerational Cycle of Undernutrition among Women:** The girl child goes on to become an undernourished and anemic adolescent girl, often deprived of adequate health care and nutritional support, educational opportunities, denied her right to be a child married too early, with early child bearing and inadequate inter pregnancy recoupment. This perpetuates a vicious cycle of under-nutrition and morbidity that erodes human capital through irreversible and intergenerational effects on cognitive and physical development. An intergenerational cycle of under-nutrition is often perpetuated, with a high incidence of babies born with low birth weight, more susceptible to infections, more likely to experience growth failure, reflected in high levels of child under-nutrition and anemia. This intergenerational cycle of under-nutrition is accentuated by multiple deprivations related to poverty, social exclusion and gender discrimination.

**FIGURE: 3 INTERGENERATIONAL EFFECTS OF UNDERNUTRITION AMONG WOMEN**



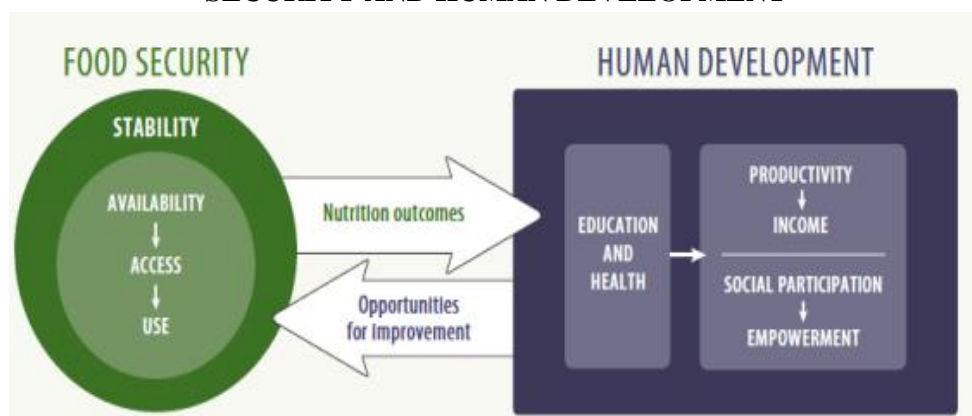
*Source: UNDP Africa Human Development Report 2012a*

**Determinants of Undernutrition:** A well balanced nutritious diet increases the body’s resistance to infection, and helps to fight a host of infections. Therefore, nutrition is a determinant of health and improper nutritional intake can manifest in a range of disorders like malnutrition, night blindness, iodine deficiency, anemia, stunting, low Body Mass Index and low birth weight etc. In fact, under the Millennium Development Goals (MDGs) being underweight has been adopted as a key indicator of poverty and hunger. Under-nutrition is the outcome of a complex interaction between insufficient dietary intake, absorption and inadequate prevention and management of disease/infections. The various determinants of under-nutrition include the lack of access to health and child care services, safe drinking water, sanitation and hygienic environments, lack of access to household food security and livelihoods, and inadequate caring and feeding practices for children and women. Other key determinants include factors such as poverty, livelihoods, social protection safety nets, agriculture, public distribution systems, education and communication - especially female literacy and girls’

education, women’s empowerment and autonomy in decision making, control and use of resources like economic, natural etc., shaped by the macro socio- economic and political environments and the potential resource base. Policies to prevent under-nutrition should be indirect and/ or nutrition sensitive interventions mostly address these determinants, through multi-sectoral action and policy instruments with longer term impact.

**Measures to Attain Optimal Nutritional Status:** Adequate nutrition is a fundamental right for every human being, as it is needed to attain normal physical growth (in children) and for a healthy life. If people fail to consume sufficient quality and quantity of nutrients, they will suffer from hunger or malnutrition. Childhood malnutrition can increase the risk of life-style diseases in the future as well as immediate risks of morbidity/mortality. Finally, it is becoming increasingly clear that protecting women's nutrition, notably during pregnancy and lactation but in fact throughout the life-cycle, is necessary to safeguard the nutrition of infants, children and indeed future generations.

**FIGURE: 2 NUTRITION OUTCOMES ARE AT THE INTERSECTION OF FOOD SECURITY AND HUMAN DEVELOPMENT**



**Source: UNDP Africa Human Development Report 2012a**

Studies have shown that when there is an increase in women’s incomes they invest more in the familial nutrition, health and education, creating a ripple effect that can ultimately benefit the entire society. Thus, it is seen that higher the level of female earnings and bargaining power greater is the investment in children’s education, health and nutrition, which leads to economic growth in the long term.<sup>62</sup> Often it seen that higher levels of gender-wise discrimination is linked with higher levels of undernutrition both acute and chronic. Nutrition justice will only be achieved when women are empowered through gender responsive policies and programmes. Empowered women become more productive, as studies have shown, and as the main source of food for their children, they give future generations a better start in life. Hunger, nutrition and climate justice are development challenges that cannot be effectively addressed without explicitly dealing with their interconnectedness. The National Nutrition Strategy is committed to ensuring that every child, adolescent girl and woman attains optimal nutritional status- especially those from the most vulnerable communities. The focus is on preventing and reducing undernutrition across the life cycle- as early as possible, especially in the first three years of life. This commitment also builds on the recognition that the first few years of life are

<sup>62</sup> Department for International Development (DFID) (2010), Agenda 2010 – The Turning Point On Poverty: background paper on gender, DFID, London

forever - the foundation for ensuring optimum physical growth, development, cognition and cumulative lifelong learning. The National Nutrition Strategy will therefore contribute to key national development goals for more inclusive growth, such as the reduction of maternal, infant and young child mortality, through its focus on the following monitorable targets:

- To create awareness relating to malnutrition among pregnant women, lactating mothers, as well as encourage healthy lactating practices and importance of balanced nutrition;
- To improve maternal and child nutrition in 200 high burdened districts and to prevent and reduce undernutrition (underweight prevalence) in children (0- 3 years) by 3 percentage points per annum from NFHS 4 levels by 2022.
- To reduce the prevalence of anemia among young children, adolescent girls and women in the reproductive age group (15- 49 years) by one third of NFHS 4 levels by 2022.

The achievement of the above monitorable targets will contribute to improved learning outcomes in elementary education, improved adult productivity, women's empowerment and gender equality and the National Development Agenda. When women have more control over household resources, families are healthier, better educated, and have more access to more nutritious foods. While the determinants of good nutrition and health are complex, there are several areas where changes to policy, legislation and planning can play a critical role in empowering women to act as key agents of change for improved nutrition. These include:

- protecting girl children from early marriage and pregnancy
- safeguarding and increasing women's access to, and control over, incomes and other resources
- exploring innovative approaches to reducing women's time constraints
- enhancing women's understanding of good nutrition
- increasing women's involvement in decision making at all levels

**Women Empowerment as Key to Develop Human Capital:** Globally, educating and empowerment of women have proved to be the catalyst for fast socio-economic growth. Denying social, educational and economic opportunities to women to realize their potential is just a waste of human capital and impediment to economic progress. The key to India's growth is providing equal access to health and education to women in India. Women empowerment is essentially the process of upliftment of political, economic, educational, gender, social and political status of women, the traditionally underprivileged ones, in the society. Women's economic empowerment defined it as 'the process which increases women's real power over economic decisions that influence their lives and priorities in society. Empowerment can be described as the process through which an individual gains access to the ability to make more choices.<sup>63</sup> Women's empowerment is often associated with increased access to education, income-earning opportunities, health care, legal rights, etc and some of the main correlates of empowerment include the following:

- education (female literacy, enrollment of girls in secondary school)
- labor market status (labor laws, gender wage differentials, female labor force participation,)
- legal frameworks (property rights law, inheritance law, labor laws)
- marriage and kinship (age difference between spouses, family structure, number of children)

<sup>63</sup>Kabeer, N. 1999. "Resources, Agency, Achievements: Reflections on the Measurement of Women's Empowerment." *Development and Change* 30(3): 435-64.

- land ownership (proportion of women who own land, control over income generated from land)
- social norms (women's physical mobility)
- political representation (proportion of seats in parliament held by women)

Women's empowerment also relates to increases in participation in household decision-making processes and thus the allocation of resources within the household. Since women are often primary caregivers, women's empowerment is considered crucial for improving nutrition outcomes for their family. Women indirectly can influence their children's nutrition through their own nutritional status as well as directly through proper childcare practices. As result of social empowerment of women along with investments in women's human capital there are increased benefits of nutritional improvements and this has greater positive implications in human capital development at least in rural communities and developing nations.

**Conclusion:** Globally, women and young girls face many inequities and restrictions. Traditional rules and practices often have restraining consequences for women, which in turn limit their access to vital resources like land, education and credit, and thereby affecting household food security and nutrition. it is not just the women and girls who are affected directly by such traditional rules and constraints, but also other household members and communities are also affected inter- and intra-generationally. Women's inferior status thus has harmful effects on their health and limits their access to healthcare. Women's widespread ignorance about matters related to their health poses a serious impediment to their well-being. This research looks at the role of women empowerment in promoting nutrition and thereby the increasing the level of human capital development in the country. Proper nutritional policies can help to provide nutritional conditions for women and their families. Improvements in women's human capital have positive intergenerational implications for their children. Reduction in gender inequalities and women empowerment along with positive investments women's human capital can have greater positive implications for the long-term development of developing countries.

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## IMPACT OF RELIGION & EDUCATION LEVEL ON FINANCIAL AUTONOMY OF WORKING WOMEN

Dr. Dilip M. Patil, Asso. Prof., College: Jashbhai Maganbhai Patel College, Mumbai

### Abstract

It is generally observed that, irrespective of the religion women follow, religious belief, social norms, family structure and traditions hold them back from getting an access to education, employment and participation in decision making process at par with men. Education helps women to gain independence from the social & family constraints of patriarchal traditions. Many of the researchers have proved the direct link of education level with the status of women in the family. Women's autonomy over **Financial-decision** making process and their autonomy are equally important components of women empowerment along with access to resources. The present study has tried to analyze the women's autonomy over 'Financial Decision Making' w.r.t. their religion & education. The study included information from 348 randomly selected working women from western part of Mumbai suburb. The data collected the information on respondent's 'Education level' 'Family type (Joint/Nuclear)', 'Religion' they follow and 'No of Financial decisions' taken on stated indicators. Chi-square test of independence & ANOVA techniques were applied to analyze the data collected. The study finds that, mean number of decisions taken across the religions are significantly different. This indicates that, religion the working women follow has significant impact on their financial decision power. However, the study did not show such result when it is tested w.r.t. 'Education level' & 'Family type' they live. Hence, it can be concluded from the study that, if the religion influence is reduced, access to economic resources and education can play a supportive role in the overall development of women.

**Keywords:** 'Religion', 'Education level', 'Financial decision-making', 'Women's autonomy', 'Self-decision

**INTRODUCTION:** The empowerment of women and improvement of their status are essential ingredients for realizing the full potential of economic, political and social development and ensuring sustainable development. Equal participation of men & women in resource allocation & decision making is essential for the smooth running of the family and society in large. Most of the researchers highlighted the significance of religion and education in the women's participation in the decision making at the family as well as the society level. It is in general observed that, irrespective of the religion women follow, religious belief, social norms, family structure and traditions hold back them from getting an access to education, employment and participation in decision making process at par with men. With the spread of girls' education and low fertility rates more and more women are taking higher education and joining the workforce. They are contributing to family income and to national GDP. At the same time they also deserve due representation in the decision making process. Working women demand for the control of their earnings and autonomy over spending this money. With the increase in Nuclear families women started getting involved in the financial decision making about investments and purchase of assets. The present study is an attempt to bring out the significance of education, family type and religion on women's participation in **Financial Decision Making** at household level. The study is conducted for the 348 working women in Mumbai suburb selected by simple random sampling method.

### REVIEW OF LITURATURE:

**Browne (2012)** studied the role of religion in women's decision-making, both broadly and with a special focus on reproductive decisions. The study is based on DHS surveys conducted in two countries Cameroon and Senegal. The study finds that, religion continues to mediate women's relative control in different arenas of household decision-making, including family planning. The quantitative analysis on household decision-making suggested that being Muslim has a significant effect on women's involvement in household decision-making in both Senegal and Cameroon. In both

countries, Muslim women were significantly less likely than their non-Muslim counterparts to have a say in their own health, large purchases, daily purchases, and visits.

**Nagaraja B. (2013)** discussed the 'agency approach' to measure women empowerment. The study identified educational attainment, economic participation and opportunities in employment, access to resources, freedom of movement, control over own earnings, participation in Household decision making, spousal violence, and autonomy of women as the determinants of gender inequality. The study concludes that,

- In Indian culture empowerment and autonomy do not reflect each other.
- There is still not sufficient autonomy regarding to value choices of their personal life.

Author ends with the note that, women empowerment has to be looked beyond access to resources and material well-being.

**Desai & Temsah (2014)** discussed the analysis of public and Hindu and Muslim religion. The study is based on national survey on 30000 Hindu and Muslim women. The study finds that, Muslim women are more likely to engage in veiling (burkha) and less likely to venture outside the home for recreation and employment. On the other girl child health is more likely to be neglected in Hindu families than Muslims. However, religious differences are absent when attention is directed at private behaviors such as household decision making power, gender segregation within households, and discrimination against daughters.

**Mehta and Saraswat (2014)** carried out a study to find the decision making pattern of working and non-working women in Vadodara city of Gujrat, India. The study revealed that education level of respondent plays a very little role when it comes to participation in decision making. This finding is inconsistent with the general perception of education level increases women decision making power.

**Neha E. (2015)** argues that, economic growth of any country depends on women power. In the study based on 2011 census data on women literacy and Gender-gap in higher education in India, author states that, education to women not only contributes to the development of human resources but also assures them a quality life. The study also pointed out the positive consequences of women education in terms of Improved Economic Growth and Lower Population growth.

**Kamil and Kalule(2015)** found that, effect of religion on women's autonomy is non-existent. The results based on 1424 women show that, Muslim women are as autonomous as Christian women once region and other socio-demographic factors are controlled.

According to **Azuh, D., Fayomi, O. and Ajayi, L. (2015)**, Socio-cultural factors are threat to women's health and well-being. The study based on 266 respondents in Ado-Odo/Ota local government area of Nigeria found that, cultural perspectives affect the health care facilities of women and child.

### 3. OBJECTIVES, HYPOTEHSIS AND METHODOLOGY

#### 3.1. Operational definitions:

- Women: Since the study is based on working women, 'women' referred to working women if not stated.
- Joint family: The family which includes the respondent with husband, children & in-laws
- Nuclear family: Family that includes the respondent & her husband with children
- Women Autonomy: It is the ability of women to take control over financial resources (economic autonomy) earned by the family as well as her own. It is also referred as the level of participation in the financial decision making in the family.

- Self-decision: Decision taken by women alone without consulting her husband other family members.
- Financial Decision Making: Self-decision of working women on six stated indicators.

### 3.2. OBJECTIVES & RESEARCH QUESTION:

**Objectives:** The present study has following objectives.

- To study the respondent's socio-economic characteristics.
- To evaluate the level of *Financial Decision Making* of working women w.r.t. the '*Religion they follow*' & '*Education level*'.
- To identify the factors affecting the decision making of working women on financial matters
- To list out the suggestions & recommendations for further study in this area

**Research question:** The study raises the question on,

- What is the impact of Education level & Religion of working women on their '*Financial-decision*' making?
- Does '*Family type*' Joint or Nuclear they live has any influence on their decision making?

### 3.3. Hypothesis:

The hypothesis is evolved around to examine the influence of educational attainment, religion and Family type on '*Financial Decision Making*' of working women in Mumbai city. The null & alternate hypotheses are stated to;

- Test the significant relationship of religion with Education level of working women
- Test the significant difference in the mean no of decisions taken by the women in different religions as well as at different Education levels

**Characteristics included:** Religion, Education level, Family structure,

**Indicators of Financial Decision Making-**

- Purchase of your own needs
- Investments (purchase of shares & FD)
- Big household purchases (TV, Fridge etc.)
- Purchasing of Assets for own (House, Car etc.)
- Support to parents by money
- Spending husband's income

3.4. **Methodology:** The present study is based on the primary data collected in western suburb of Mumbai. A simple random sampling method is applied for the collection of primary data. The well-documented questionnaire collected the information on the socio-economic characteristics of 348 working women from different religion. The decision-making of working women on financial matters is studied using different statistical techniques.

**Statistical techniques used:**

- Tabulation, Charts,
- Chi-square test of Independence
- ANOVA

4. **SCOPE AND LIMITATIONS OF THE STUDY:** The study is carried out for working women in Mumbai (Suburb) of state Maharashtra. The main focus of the study is to discuss the impact of religion and Education level on '*Financial Decision Making*' pattern of working women. The main objective of the study is to assess the level of autonomy available to working women w.r.t. their financial independence and participation in decision making in different religions. The



present study included only working women in Mumbai suburb. The data on monthly income, expenditure is subject to error as it is not verified. The information on decision making freedom available to respondent is subject to self-perception and belief and hence should not be generalize for other population, however the study will draw a line of reference for other researchers to carry out study in the same area or different part of India.

**5. DATA ANALYSIS, RESULTS AND DISCUSSION:**

**5.1. Socio-economic Characteristics of respondents**

From the table below (Table: 5.1) we can note that,

- The sample includes 185 respondents from ‘Joint’ families in which maximum 113(61.08%) are ‘Hindu’ followed by 36(19.45%) are Muslim. Whereas, 101(61.95%) Hindu women are from Nuclear families followed by 33(20.24%) are Buddhists.
- ‘Hindu’ working women have highest percentage of Graduates (33.17%) and Post-graduates (16.35%). At the same time Buddhists have together 40% of women with education level SSC & below. This shows that, this religion has still long way to go on girls education, however they also have 28% of Graduates & Post-graduates together. This shows that, education is getting due importance in this religion.
- Muslim religion has 31.94% of working women having higher education level (Graduation +PG). This indicates that community is opening up to give women access to higher education. However, there is a large number of proportion of women (38.28%) are with education level S.S.C and below.

**Table No.1: Working Women By Religion, Education Level & Family Type They Live**

Education Level	FAMILY/RELIGION	HINDU	MUSLIM	BUDDHIST	OTHERS	Total
NONE	JOINT	12	6	3	0	21
	NUCLEAR	8	3	7	1	19
	<b>TOTAL</b>	<b>20</b>	<b>9</b>	<b>10</b>	<b>1</b>	<b>40</b>
SSC	JOINT	16	6	8	2	32
	NUCLEAR	13	3	6	3	25
	<b>TOTAL</b>	<b>29</b>	<b>9</b>	<b>14</b>	<b>5</b>	<b>57</b>
HSC	JOINT	26	11	8	2	47
	NUCLEAR	33	3	11	4	51
	<b>TOTAL</b>	<b>59</b>	<b>14</b>	<b>19</b>	<b>6</b>	<b>98</b>
GRADUATE	JOINT	37	9	5	2	53
	NUCLEAR	34	1	7	6	48
	<b>TOTAL</b>	<b>71</b>	<b>10</b>	<b>12</b>	<b>8</b>	<b>101</b>
PG	JOINT	22	4	3	3	32
	NUCLEAR	13	1	2	4	20
	<b>TOTAL</b>	<b>35</b>	<b>5</b>	<b>5</b>	<b>7</b>	<b>52</b>
TOTAL	JOINT	113	36	27	9	185
	NUCLEAR	101	11	33	18	163
	<b>TOTAL</b>	<b>214</b>	<b>47</b>	<b>60</b>	<b>27</b>	<b>348</b>

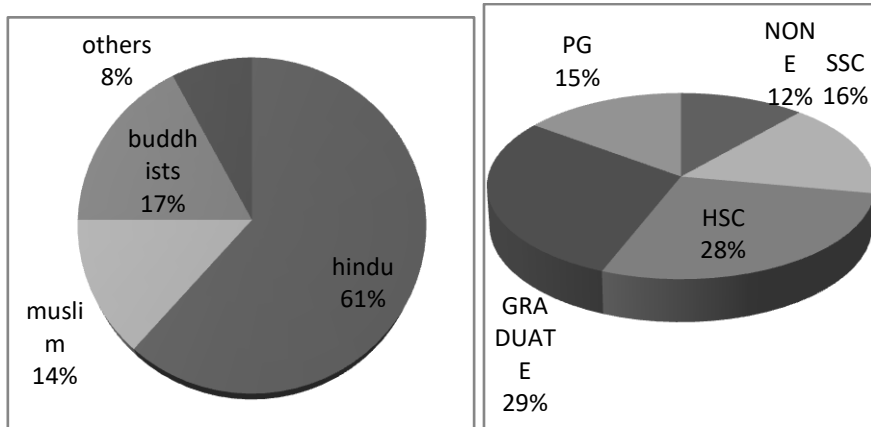


Fig No.1. **WORKING WOMEN BY RELIGION** Figure No.2. **WORKING WOMEN BY EDUCATION LEVEL**

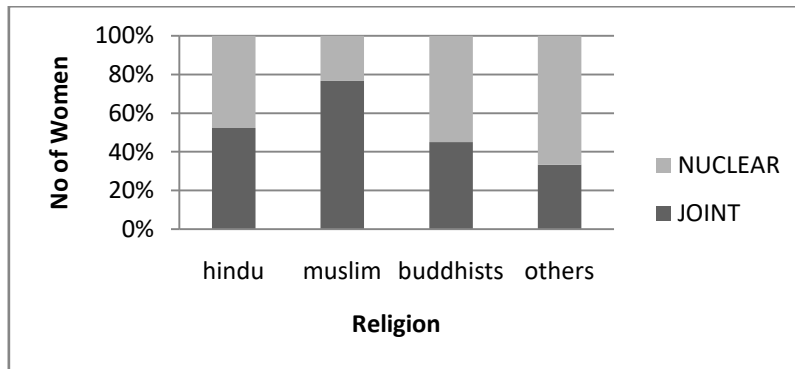


Fig No.3. **WORKING WOMEN BY 'RELIGION' & 'FAMILY TYPE'**

Test of Independence:

Relationship between Religion and Education level is tested using Chi-square test (Ref. Table No. 3.1). The hypothesis of no significant relationship is tested as below.

$H_{01}$ : Education level of working women has no significant relation with the religion they follow

$H_{11}$ : Education level of working women is significantly related with the religion they follow

Test Statistics- Chi-square statistic

Chi-square value = 18.59 < 21.02 with 12 d.f. at 5% l.o.s

p-value = 0.09 > 0.05

Decision: Accept  $H_{01}$

**Conclusion:** The sample shows that, *Education level* of working women has no significant relation with the Religion they follow. This shows that with the advancement of time Girl's education getting importance across all the religions. In other words, irrespective of the religion, Girl's education is getting importance.

**5.2. DECISION MAKING ACROSS THE RELIGION:-**

From the above table (Table:5.2) it can be seen that,

- In proportion there are more women taking less no of decisions 2 or less.
- Maximum 137 women are taking 3 decisions including 89 (64.96%) from Hindu religion

- Only 7.18% (25) of the total women are taking 5 or 6 decisions this includes only 1 woman from Muslim religion taking all 6 decisions and 2 Buddhists women taking 5 decisions by Self-decision.

**Table No.2: Working women by no of decisions taken in ‘Religion’ & ‘Family type’**

Financial Decisions Making by Self-decision										Average no of decisions taken
Religion & Family type	No of decisions taken	0	1	2	3	4	5	6	Total	
Hindu	Joint	1	31	47	14	11	5	4	112	2.2
	Nuclear	13	15	42	18	5	4	4	102	
	Total	14	46	89	32	16	9	8	214	
Muslim	Joint	3	10	13	8	1	0	1	36	1.9
	Nuclear	0	4	5	1	1	0	0	11	
	Total	3	14	18	9	2	0	1	47	
Buddhist	Joint	1	4	13	8	1	0	0	27	2.0
	Nuclear	6	7	9	8	1	2	0	33	
	Total	7	11	22	16	2	2	0	60	
Others	Joint	0	0	3	3	2	1	0	9	3.1
	Nuclear	1	2	5	3	3	1	3	18	
	Total	1	2	8	6	5	2	3	27	
Total	Joint	5	45	75	33	15	6	5	184	
	Nuclear	20	28	62	30	10	7	7	164	
	Total	25	73	137	63	25	13	12	348	

TEST OF SIGNIFICANT DIFFERENCE IN MEANS : ANVOA technique:

The ANOVA (Analysis of Variance) technique is applied to above data (Table:5.2) to test the significance of difference in Means (Average no of *Financial decisions* taken) in all the four Religions. The Null & Alternate hypotheses are stated as below.

Ho<sub>2</sub>: Group (Religion) mean differences are insignificant across the four religions Or There is no significant difference in the Mean no of decisions taken by working women in the all the four Religions

H<sub>12</sub>: The decision-making of working women (in terms of average no of decisions taken) significantly differs over the four religions

Two-factor ANOVA with repetition (Religion & Family type) is applied.

**Table No.3: ANOVA: Two factor with repetition (Religion & Family type)**

ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Sample	1575.571	3	525.1905	42.37848	1.54E-10 Reject Ho	2.946685
Columns	1541.179	6	256.8631	20.72671	4.13E-09 Reject Ho	2.445259
Interaction	1387.679	18	77.09325	6.220781	1.01E-05 Reject Ho	1.986785
Within	347	28	12.39286			
Total	4851.429	55				

Hence we can say that, Financial Decision making of working women is significantly affected by their Religion as well as Family type they live.

**5.3. DECISION MAKING ACROSS THE EDUCATION LEVEL:-**

**Table No.4: Working women by no of decisions taken in ‘Education level’ & ‘Family type’**

Education Level & Family type	No of decisions taken	0	1	2	3	4	5	6	Total	Average no of decisions taken
NONE	Joint	0	3	7	6	2	1	2	21	2.5
	Nuclear	2	4	8	2	1	2	0	19	
	Total	2	7	15	8	3	3	2	40	
SSC	Joint	1	11	13	3	4	0	0	32	2.21
	Nuclear	2	2	11	3	5	1	1	25	
	Total	3	13	24	6	9	1	1	57	
H.S.C.	Joint	1	8	23	9	4	2	0	47	2.132
	Nuclear	5	12	21	9	1	1	2	51	
	Total	6	20	44	18	5	3	2	98	
GRADUATE	Joint	3	13	20	11	3	1	2	53	2.14
	Nuclear	9	9	15	7	2	2	4	48	
	Total	12	22	35	18	5	3	6	101	
POST-GRADUATE	Joint	0	10	13	4	2	2	1	32	2.32
	Nuclear	2	1	6	9	1	1	0	20	
	Total	2	11	19	13	3	3	1	52	
Total	Joint	5	45	75	33	15	6	5	184	2.22
	Nuclear	20	28	62	30	10	7	7	164	
	Total	25	73	137	63	25	13	12	348	

From the above table (Table:5.3) it can be seen that,

- In proportion there are more women taking less no of decisions 2 or less.
- Maximum 44 women with Education level H.S.C. are taking only 2 decisions
- There are 12 Graduate women who do not take any decisions

ANVOA technique:

The ANOVA technique is applied to above data (Table:5.3) to test the significance of difference in Mean no of *Financial decisions* taken in all the five Education level. The Null & Alternate hypotheses are stated as below.

Ho<sub>3</sub>: Group Mean differences across the five Education levels are insignificant Or  
 There is no significant difference in the Mean no of decisions taken by working women in the five Education levels

H<sub>13</sub>: The decision-making of working women significantly differ over the five Education levels.

**Table No.5: ANOVA: Two factor with repetition (Education level & Family type)**

ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Sample	224.0857	4	56.02143	9.162383	3.57E-05	2.641465
Columns	1232.943	6	205.4905	33.60826	3.98E-13	2.371781
Interaction	258.9143	24	10.7881	1.764408	0.06152	1.833184
Within	214	35	6.114286			
Total	1929.943	69				

The analysis shows that,

- Sample variations are significant. It means, women’s decision making across the five *Education level* are significantly different. Hence we can say that, education level improve the decision-making power of the women.
- The Mean differences along the columns are also significant. This shows that, there is significant difference in mean no of working women taking decisions
- Whereas, the interaction differences are insignificant. It means the decision making by *Family type* is insignificantly different. In other words women’s decision on ‘*Financial matters*’ is almost same irrespective of the *Family type* in the given *Education level*.

**CONCLUSION:**The present study is based on the ransom sample of 348 working women selected from western suburb of Mumbai city. The socio-economic analysis of the sample shows that, highest proportion (63%) of women is from Hindu religion with about 72% have education level H.S.C and above. The proportion of women in Joint & Nuclear families is 55: 45. The Chi-square test of independence shows no significant relationship between Religion & Education level of working women. This shows that with the advancement of time Girl’s education getting importance in all the religions.

In decision making by Religion, the ANOVA technique reveals that,

- **Women’s decision making across the four religions is significantly different. It is also differs by their education level.**
- **By ‘Interaction effect’ i.e. decision making by *Family Type* is also significantly different in four Religions but not in different *Education Level*. In other words, we can say that, religion & family structure plays a significant role in Financial decision-making of working women though they have an access to economic resources.**

On the other hand, ANOVA applied to decision by *Education level* shows that,

- Women’s decision making (in terms of mean no of decisions taken) across the five *Education level* is also significantly different.
- Whereas, the interaction differences are insignificant. It means the decision making by *Family type* is insignificantly different. In other words women’s decision on ‘*Financial matters*’ is almost same irrespective of the *Family type* and *Education level*.

Hence we can conclude with a note that, for women to get an autonomy over Financial decisions their paid employment is not enough. The society should get open to change their social belief and perceptions.

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## ROLE OF ICT and DIGITAL MEDIA EDUCATION FOR WOMEN: A CASE STUDY OF WOMEN OF MIDDLE SOCIO ECONOMIC SECTOR IN SOUTH MUMBAI

**Prof. Sangeeta Makkad**, *HOD BMM Lala Lajpatrai College of Commerce & Economics, Mumbai University.*

### **Abstract**

*Information Technology and Digital Media are immensely popular in today's market scenario for social and market driven functionality. It is key element for new world progress and inclusion in global economy. However the division of Indian society in which women are segregated as means of nurturing the family than being the economists allows a feeling of low inclusion and participation in national growth goals. ICT and Digital media reach and access is limited in women because of limiting societal and self-belief pattern of thinking. The present paper is an attempt to view the knowledge, use and access of digital media by middle socio economic women sector. Improvement of life style, education and self-growth through means of ICT & Digital media has become the mainstream means of communication. Information access and social lives are embedded with profusion of digital media growth. The attempt towards sustainable development can be targeted with empowerment of women at all levels of growth with help of ICT and digital media. Educating and inclusion of women would open vistas of knowledge of their rights and obligations with better life style.*

**Keywords:** *Women, ICT, Digital, Education, Skills, Empowerment*

**Introduction:** The Important aspect in Digital divide in context to ICT (Information and Communication Technology) is Internet. Initially Digital divide had the manifesto of rate by which technology penetrated and was adopted by various nations and people. However now the strong impetus of it boils down to Internet Access and Usage of the communication technology i.e. having the required skill set for it and through its impact the growth and development of the people and nation. In India there is strong economical divide which causes a breakdown of reach and access to resources. This further implicates the need of lesser access and availability of skills set required to be in the notch of using the new Information and Communication Technological progress in the nation. Education further impinges on this concern and thus leading to lack of awareness of new growth horizons and new frontiers to achieve and conquer in one's evolvement of self. Yet another aspect is of culture and language. English being the core common language of ICT it becomes an impediment for these low socio economic sector of women to challenge themselves. Cultural limitations embedded with the social belief and mindset of Indian society reinforces the stereotyped role of woman being the home caretaker and nurturer to family whilst sacrificing all their personal growth goals and dreams. Thus the rich, powerful and educated are getting stronger economically and socially prevailing over the lower socio economic sector of women.

**ICT & Digital Divide Prevalence Reasons:** Various factors contribute to the existence of Digital Divide in society. The big divide and rift is caused by cumulative effect of many factors in society. Some of them contribute to slow means of progress and poor realizing of goals and objectives and many are responsible for overall non sustainable growth of the nation. This paper attempts to explore and understand the concerns and need to empower the lower socio economic sector of women and allow them to be alleviated and be in the mainstream of current global affairs and evolvement. It attempts to understand and analyse the issues which prevent and inhibit the lower economic section women from gaining the benefits of ICTs and be a participant in moving towards global explosion of growth via Digital and Information Technology usage. The access to information, skills and education via the new information and communication Technologies will bring about a sea change in their self-perception and economic alleviation of status. Knowing their rights and having means to access the various schemes of Government for their upliftment will also be another step in direction possible

through ICT access. This indeed would be a step in direction of sustainable development with the broader goals of nation being realized.

### **LITERATURE REVIEW**

**Patel Hardik (2014)** The teaching learning phase has been changed now a days. The women prefer global learning system where various tools for E-Learning help learning easier for them E-Learning has changed our world of learning for the women. Nowdays women have started using social networking websites to learn and share day to day activity, it provides features like uploading and sharing photo, sending and receiving messages and searching and connecting friends and communities for learning new skills and using them proficiently.

**Roy Kumar Neeraj(2012)** Right to Education is the primary right of every citizen of India, whether a child resides in a high profile society or in a faraway not so developed secluded village, according to the Article 45 of Indian Constitution the basic elementary education must be provided to all the children up to the age of fourteen years. Even after 64 years of independence some States in India are still struggling to achieve Universal enrolment, retention and quality education. ICTs and Digital media can indeed be of great tool to impart skills and education to children and women for moving to be literate and better employed.

**Panda Ipsita (2013)** elaborates on the gap between developed and underdeveloped nations in accessing technology and utilizing for better growth and development of the nation. This gap resonating amongst the rich and poor makes the divide very wide and the paper discusses this in context to India.

**Suwana Fiona (2017)** discusses in her paper that Indonesian women to enable their literacy skills to be able to use Internet which will help them raise their life quality extensively. However the paper also pointed out due to lack of education and lesser opportunities and a patriarchal system prevailing in Indonesia the digital ICTs penetration is less. Yet it was suggested that education and training with Digital ICTs can lead the path way to success and women empowerment.

**Singh Neena (2010)** comments about the role of various schemes and initiatives towards ensuring the narrowing of the gap and divide created via access through digitization of the information and communication technology. The paper also discusses the barriers and challenges towards narrowing this rift and measures that the government and authorities need to take to ensure the Digital Divide is mitigated for women and nation has lesser gender discrimination and disparity.

**Statement of the problem:** The penetration of the New Information Technology and Digital wave in the Lower economic section of the society in respect to women is the key concern of their being evolved in the current scenario of National goal of prime minister Modi and the Global frontier evolving progress in economic , social and cultural and political aspects. Margilisation of women is further impacted by this Digital divide in the society. The economic growth and social development is strongly linked to the access and use of these technologies. And it is a known fact that if a woman of the family is educated and in sync with the evolving world then her children and thereby the whole family progresses. Unifying hand with mainstream will enable this section of women too to increase their productivity and enable her to be more confident and alleviate from their current situation of poverty and subjugation of self. ICTs can be game changing for women in giving them a new identity and aligning them with being the productive human capital of digital India.

### **Objectives of the Study:**

To examine the socio economic characteristics of the respondents



To analyse the level of education in the low socio economic women respondents

To assess the women empowerment in the low socio economic women respondents

To gauge the capacity of women as agents of change

To examine the relationship of ICTs penetration and level of empowerment in the women respondent.

**Research Methodology:** The study was conducted in south Mumbai area of Mumbai to assess the level of ICT access and acquisition of skill education and thereby women empowerment indices for the lower economic section. The research study is conducted both with Primary and secondary data. Exploratory research design has been used and the techniques applied are survey with help of a Semi Structured Questionnaire. Non-Probability sampling technique has been utilized and the sample selected by using Purposive sampling technique for the respondent is primary data.

**Sampling plan:** This research paper is of an exploratory design and aims to find results by conducting a survey on 100 respondents. Sampling has been done from South Mumbai area, of low socio economic sector of women. The respondents have been sampled in age group 20-30, 30-40 and 40-50 years age of females. A semi structured Interview questionnaire schedule was served to respondents and it contained details collection of a) demographic, profile of the women, b) freedom to choose, c) decision making, d) women financial status.

Both Primary and Secondary data has been sourced to analyze, assess and understand the current and future impact of Acquiring skills and Literacy of this group of respondents. Post data collection, it was edited coded and computerized. Then SPSS version 16.0 was applied and percentage and statistical test was used to draw the conclusion.

#### **Limitations of study:**

- The research study has been limited to South Mumbai region only for reasons of logistics of the survey.
- The respondent's age group is a band width of 21years to 60 years and based on this the sampling has been conducted.

**Results and Discussion:** Table 1.1 shares the respondent's level of education. Majority of them 45% are in Matric pass category and very few i.e. 10% only are graduate. However a bigger number i.e. 30% are only at Middle level of education and 15% have studied only till primary level. Encouraging to know that that most of them have done their matric and 15% have done pre university level of education too. This scenario not only is an indicator of self-growth of women but ensures the family children to be motivated to study and get educated and the family progress. Majority of the respondents 49% were in age band of 21-30 and 38% were in age interval of 31-40 years while very few were 4% were 51 years and above. Table 1.2 Indeed the age parameter brought up the nature of interest of these women respondents in getting themselves educated with ICT and digital platforms to enhance their quality of life and be more righteous in their identity. Table 1.3 indicates that maximum number of children are only in 15% of the respondents and majority 47% have 3-4 children while 38% respondents have 2 children. Since number of children impacts the responsibility of the women to nurture them and give them a good upbringing, the question of getting integrated in mainstream with ICT appealed them to a good extent. Table 1.4 shares the details of the monthly income of the respondents family Majority 32% are in an width of 15,00/- to 20,000/- whole least 13% are in up to 5,000/- category. Only 6% are seen in higher category of 20,000/- and above while 29% are 10,000/to 15,000/- category indicating that a reasonable basic needs are well taken care of by the family.

#### Respondent's **Demographic profile**

**1.1 Education of Respondents**

Category	Frequency	Percent
Primary	15	15
Middle	30	30
Matric	45	45
Pre University	15	15
Graduation and above	10	10

**1.2 Age of Respondent 1.3 Numbers of Children of Respondents**

Category	Frequency	Percent
21-30	49	49
31-40	38	38
41-50	09	9
51 and above	04	4
Total	100	100

Category	Frequency	Percent
Up to 2	38	38
3-4	47	47
5 and above	15	15
Total	100	100

**1.4 Family Monthly Income**

Category	Frequency	Percent
Up to 5,000/-	13	13
5001- 10,000/-	20	20
10,00- 15,000/-	29	29
15,000/ --20,000/-	32	32
20,000 and above	06	06
Total	100	100

**Table 2 Women Empowerment on Home front**

**2.1 Freedom to Spend Money**

**2.2 Freedom to visit relatives**

Category	Frequency	Percent	Category	Frequency	Percent
Not at all	68	68	Not at all	45	45
To some extent	30	30	To some extent	38	38
To great extent	02	02	To great extent	17	17
Total	100	100	Total	100	100

**2.4 Decision Making**

**2.3 Freedom to Decide about Size of Family**

Category	Frequency	Percent
Not at all	68	68
To some extent	30	30
To great extent	02	02

Total	100	100
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Category	Frequency	Percent
Not at all	22	22
To some extent	44	44
To great extent	34	34
Total	100	100

Category	Frequency	Percent	Category	Frequency	Percent
Computer	10	10	Stitching	36	36
Smart Phone	90	90	Food	10	10
You Tube	60	60	Makeup	34	34
Whats app	87	87	Hair Style	10	10
Email	10	10	E Commerce	10	10
			Total	100	100

Now the whole concern of how these indices of demographic profile lead to understanding of Women Empowerment information is given through the Table 2 and its subparts. Table 2.1 reveals that 68% of the women respondents do not have the freedom to spend money at all and only 2% have liberty to do at great extent. While Table 2.2 reveals that 45% of respondent’s women do not have the freedom to visit their relatives while 38% to an extent meet and visit their relatives at their will. Table 2.3 informs about that 68% of the respondents do not have the freedom to decide about the size of their family while only 2% can express their views about it to a great extent. Table 2.4 express the information that only 34% of respondent women have to a great extent freedom in Decision making while 22% have no power of same. These all results lead to an understanding that Women Empowerment indices are not being met with these respondents and women of low socio economic profile of south Mumbai are oppressed and subjugated and do not have a marked progress in life .

Table 3 reveals the results of the interest expressed by women to be educated in ICTs and use that knowledge for indulging in improving their life style and quality of life for self and for attaining better growth opportunities fir their children and family development.90% respondents expressed their interest to learn smart phone working and be ICT enabled with 10% shared their interest to be trained in computer and desk top skills operations. 87% percent strongly expressed the need and interest to learn the most used messaging platform of digital media i.e. whatsapp.60% showed interest to learn the working of you tube since they believed it’s a good learning source of many forums for them. Table 3 also details on the women respondents choice of skills for the profession they would learn via ICT and digital platforms and it would allow them to start a new phase of life with that profession.36% of respondents chose stitching as their preferred mode of learning skills via the ICT and digital platforms on a virtual world and 34% of respondents said that they will learn skills of

makeup and 10% mentioned hair styling ,while category of Food had 10 % of women opting for it and Ecommerce too had 10 % of women respondents as a preferred choice and interest.

**Conclusion and Suggestions:** These results of the survey helped in understanding that low socio economic women are looking forward to be gainfully employed and use the access and education training of ICTs to join the mainstream of Digital India. These women are looking forward with the help of their educational background to indulge into improving their life style and thereby extend a better improved quality of life for their children and families. Sharing and surfing and getting trained through Digital ICTs to do business at home, so that while nurturing their families, they also can work out of home and gain income, experience or networking in their lives. This and similar learnings enable the women of these low socio economic sector to gain more training and opportunities and can also be part of small enterprises as an entrepreneur . This will further challenge their equation of being in subjugation and low priority and low decision-making in their families. Financial earnings via such mode of ICTs enabled enterprises can pave a for women to challenge Gender inequality, equal opportunities and better respect and freedom at home front too. Apart from this by digital ICTs training women can also be more aware of their rights and powers and women are empowered as active participants in social , political, domestic and economic ,decision making of their family and beyond .The main object and core of the study to make the woman economically and socially strong can further be achieved with help and support of NGOs and Self-help groups SHGs ,governmental agencies and private parties can be partners to facilitate to impart Digital ICTs trading to such sectors of women. The study and case study concludes with the suggestion that Digital ICTs training can indeed be a window for women to achieve and move towards indices of women empowerment which can have a ripple effect within the family and across generations for the progress and development of its family and there by the Nation overall .

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## WOMEN SOCIAL ENTREPRENEURS- AGENTS OF SOCIAL CHANGE

Dr.(Mrs.) Varsha Ganatra, Vivekanand Education Society's College of Arts, Science & Commerce

### Abstract

Our society is facing numerous social problems. Social Entrepreneurs are individuals who recognize a social problem and then create and manage a social venture to solve that problem. They are individuals who use entrepreneurial principles to organize, establish and manage an enterprise to achieve social change. Women have been leaders in various fronts in India and in also in the arena of Social Entrepreneurship. Right from historical times till today, women social entrepreneurs have established path-breaking social ventures across the country. There are some outstanding women social entrepreneurs who are driven by a desire to make difference in people's lives and thereby the society. They have played a pivotal role in bringing about transformation of the society. These women social entrepreneurs operate in various fields like education, healthcare, youth upliftment, environment and so on. This research paper highlights case studies of women social entrepreneurs who have been recognized for their exceptional contribution in social development and have been agents of social change.

**Keywords:** Women social entrepreneurs, social change

**Introduction:** In the current scenario, societies are facing diverse problems and enduring issues that remain unresolved by the institutions and the government sector. Therefore social entrepreneurs have stepped in to work on the existing infrastructure, fill up the gaps, provide timely and innovative solutions to alleviate social problems that exist at the grassroots level.

### Objectives of the study:

1. To understand the concept of Social Entrepreneurship.
2. To analyse the case studies of three successful women social entrepreneurs in Maharashtra.
3. To undertake a comparative qualitative analysis of the case studies.

**Research Methodology:** A case oriented approach allows for an in-depth analysis. Three well known successful cases of women social entrepreneurs of Maharashtra are selected for this study. A comparative qualitative analysis has been conducted to demonstrate how they apply entrepreneurial principles in their programmes to create social value. This study seeks to identify patterns and regularities among these successful initiatives. The cases were reviewed using the information collected from interviews with representatives of these organisations and also from their websites, annual reports and other relevant literature. The three cases were analysed with a focus on the following parameters:

1. Innovation displayed by the organisations to accomplish their goals and objectives.
2. Organizational operations of these organisations.
3. Social impact and social value generated by these organisations.

**Concept of Social Entrepreneurs:** Social Entrepreneurs are individuals who recognise a social problem and then create and manage a social venture to solve that problem. They use entrepreneurial principles to organise, establish and manage an enterprise to achieve social change. Just as business entrepreneurs change the face of business, social entrepreneurs act as the change agents for society, seizing opportunities others miss and improving systems, inventing new approaches and creating solutions to change society for the better. Social entrepreneurs are the agents and drivers of change. David Bornstein<sup>64</sup> (1998) defines social entrepreneur as : A Social entrepreneur is a path breaker with a powerful new idea who combines visionary and real world problem- solving creativity,

<sup>64</sup>Bornstein, D., & Davis, S. (2010). Social entrepreneurship: What everyone needs to know. New York: Oxford University Press.

has a strong ethical fibre and is totally possessed by his or her vision for change. Dees<sup>65</sup>(1998; 2002) defines social entrepreneurs by stating that they play the role of change by:

- a. Adopting a mission to create and sustain social value.
- b. Recognizing and relentlessly pursuing new opportunities to serve that mission.
- c. Engaging in a process of continuous innovation, adaptation and learning.
- d. Acting boldly without being limited by resources currently in hand.
- e. Exhibiting heightened accountability to the constituents served and for the outcomes created.

Bill Dryton founder of Ashoka: Innovators of the Public<sup>66</sup>(1980) defines "social entrepreneurs as individuals with the committed vision and inexhaustible determination to persist until they have transformed an entire system who go beyond the immediate problem to fundamentally change communities, societies, and the world. The Schwab Foundation<sup>67</sup> (1998) defines a social entrepreneur as a different kind of leader who "identifies and applies practical solutions to social problems by combining innovation, resourcefulness, and opportunities." In turn, The Skoll Foundation<sup>68</sup>(1999) defines social entrepreneurs as "the change agents for society, seizing opportunities others miss, and improving systems, inventing new approaches, and creating sustainable solutions to change society for the better." John Thompson, Geoff Alvy, and Ann Lees<sup>69</sup>(2000) define "Social entrepreneurs are people who realize where there is an opportunity to satisfy some unmet need that the state welfare system will not or cannot meet and who gather together the necessary resources (generally people often volunteers, money and premises) and use these to 'make a difference'."

**Women Social Entrepreneurs:**In the current scenario, women are equal participants in bringing about a direct impact in the society. Women have made a mark in being successful entrepreneurs or leading big organisations across the world. Many women have taken a lead role and accepted the challenge of bringing about social change by solving social problems. These women social entrepreneurs have been agents of social change as rightly said by Dalai Lama:"According to scientists, women have more sensitivity than men. Sometimes I really feel that more women should take responsibility in the leadership of our planet. It would mean less violence."Women social entrepreneurs are working to provide innovative, practical and sustainable solutions to social problems. They are vital agents of direct social transformation and change.

**Case Studies of successful Women Social Entrepreneurs:**The following three case studies are analysed and compared on qualitative basis using parameters relating to innovation, organisational operations and social impact created by these social enterprises.

#### **Case 1: Teach for India**

**Name of the Women Social Entrepreneur-Founder:** Shaheen Mistri

<sup>65</sup>Dees, J. G. (1998). The meaning of social entrepreneurship.

<sup>66</sup> <https://www.ashoka.org>

<sup>67</sup> <http://www.schwabfound.org>

<sup>68</sup> <http://skoll.org>

<sup>69</sup>Thompson, J., Alvy, G., & Lees, A. (2000). Social entrepreneurship—a new look at the people and the potential. *Management decision*, 38(5), 328-338.

**Year of establishment and area:** Set up in 2008 in Mumbai

**Activities:** It develops leadership through the Fellowship Programme to eliminate educational inequity. Through its Fellowship program, it provides an opportunity to the brightest and most promising individuals, from the nation's best universities and workplaces, to serve as full-time teachers to children from low-income communities in some of the country's most under-resourced schools. It also engages their Alumni who work in diverse roles as teachers, teacher-trainers, school principals, curriculum designers, and education policy researchers in the education sector. They also serve as journalists, lawyers, health experts, entrepreneurs and corporate leaders in the ecosystem surrounding and supporting this venture.

**1. Innovation:** Teach for India follows the innovative model of "Teach for America" developed by Wendy Kopp. The social entrepreneur Shaheen Mistri has taken lead to implement this model in India. The model aims at bridging the large education divide in India through provision of resources, training, and support to the young leaders who are recruited as Fellows so that they can employ innovative teaching strategies to improve effectiveness in classroom.

**2. Organizational Operations:**

**a. Size and Staff:** Organisation is large in size and has more than 200 employees and implements formal HR Practices.

**b. Annual Growth:** It's annual growth is consistent and upward rising in the last 5 years.

**c. Funding pattern:** Teach for India gets its 54% funding by Corporate partnerships. It is associated with companies like HDFC Bank Ltd., Bank of America, DHL Logistics Pvt., Ltd. Genpact ICICI Bank Ltd. and many more. 37% of its funding comes from foundations, 5% from Trusts, 2% from Individual donors and 1% from Government.

**d. Opportunities:** The provisions of Corporate Social Responsibility under Section 135 and Schedule VII of the Companies Act 2013, has been a good opportunity for Teach for India to build Corporate partnerships to help it in funding the financial resources. Another opportunity is perceived by it to meet needs of human society.

**e. Challenges:** It faces challenges in hiring and retaining staff, raising capital and measuring social impact.

**3. Social impact:**

**a. Reach:** The programmes reach to more than 50000 children of 6 to 14 years from low income families across 7 major cities of the country.

**b. Transformation:** Social transformation is seen through better education, upliftment, increase in social status, social awareness and social mobility among unprivileged communities.

**Case 2: Mann Deshi Foundation**

**Name of the Women Social Entrepreneur-Founder:** Chetna Gala Sinha

**Year of establishment and area:** Set up in 1996 in Satara

**Activities:** Mann Deshi Foundation develops entrepreneurial skills among rural women to empower them to build sustainable opportunities for livelihood. For achieving their objectives, they run various programmes like Business School for Rural Women (Mann Deshi Udyogini) to teach the women hisaab, hunnar and himmat (knowledge, courage and capital), Chamber of Commerce for Rural Women for connecting women to the business world, programs for the community, program for girls to provide them transportation (cycles) to school and programs for farmers.

**1. Innovation:** The programmes adopted by Mann Deshi foundation are truly innovative in nature as they combine imparting financial literacy skills through MBA course offered by their Business School and also setting up Mann Deshi Mahila Sahakari Bank to provide the required capital and empower rural women to become successful entrepreneurs. Thus, their model aims at empowering rural women by giving them access to both knowledge as well as capital.

**2. Organizational Operations:**

**a. Size and Staff:** Organisation is large in size and has more than 80 employees and does not implement formal HR Practices.

**b. Annual Growth:** The annual growth has been consistent, fast and upward rising in the last 5 years.

**c. Funding pattern:** Mann Deshi Foundation gets its maximum funding from Foundations like Global giving, Edel Give Foundation, UNICEF, Vitol Foundation, Cherie Blair Foundation for Women and many more. It also gets funding from Companies like HSBC, Accenture, HUL, Oracle and many more. Funding is also received by way of donations.

**d. Opportunities:** It perceived factors like wealth disparity among people and meeting needs of human society as opportunities to set up their enterprise.

**e. Challenges:** It faced challenge in incorporating the enterprise and also faces constant challenges in proving its scalability and developing and expanding its activities.

**3. Social impact:**

**a. Reach:** The benefits of the programmes is received by more than 2 lakhs rural women, girls and farmers in Maharashtra and Karnataka.

**Transformation:** Social transformation is seen through better education, upliftment, social inclusion, social status, social awareness and social mobility along with better income, employment, purchasing power, consumption, savings and better living conditions in rural communities.

**Case 3: Lend a hand India**

**Name of the Women Social Entrepreneur-Founder:** Sunanada Mane

**Year of establishment and area:** Set up in 2004 in Pune

**Activities:** It provides opportunities of better access to education, vocational training, career development, employment and entrepreneurial opportunities to poor young children. It has Projects like Project Swadheen (Vocational Education), Project Catalyst (Government Partnerships), Project SAAD (Counseling and Life Skills), Junior Rural Fellowship (Employability Skills Development), Micro Enterprise Development (Bridge Loan) It provides 4 to 5 hours training within school hours by instructors who are local trade practitioners recruited and trained for 1 day a week for 3 years. The training module consists of Basic Engineering, Energy and Environment, Agriculture and Animal Husbandry and Health and Hygiene.

**Beneficiaries:** Boys and girls age 14 to 16 and Youth from unprivileged communities.

**1. Innovation:** Lend a Hand India adopted the vocational training skills programs in India after their successful implementation in U.S.A and U.K Sunanda Mane is a Co-founder and the organisation has started vocational education, life skills training, counseling, Government partnerships and micro finance provision to youth to bridge the gap between education and career.

**2. Organizational Operations:**

**a. Size and Staff:** Organisation is large in size and has more than 90 employees and implements formal HR Practices.



**b. Annual Growth:** Its annual average growth was slow till the year 2014-15 but since the year 2015-16, it is consistently upward rising.

**c. Funding pattern:** Lend a Hand India gets its maximum funding from Foundations like Ashoka Foundation, Human Dignity Foundation, J.P. Morgan Chase Foundation, Ashmore Foundation and many more. It also gets good amount of financial resources from companies like Barclays, Eclerx, HDFC Bank, Mahindra and Mahindra and many more.

**d. Opportunities:** It perceived factors like wealth disparity among people, meeting needs of human society, market conditions and institutional and Government failures as opportunities to set up the enterprise.

**e. Challenges:** It faces challenges like hiring and retaining staff, proving its scalability, managing team, and developing its activities.

### 3. Social impact:

**a. Reach:** Its programmes reaches to around 30000 students between age of 14 to 16 years in rural as well as urban communities in Maharashtra, Karnataka and Goa.

**b. Transformation:** Social transformation is seen through better education, upliftment, and increase in social awareness.

### Findings:

From the above qualitative analysis of three case studies following findings can be drawn:

#### 1. Innovation:

Out of all three social enterprises, maximum Innovation is demonstrated by Mann Deshi foundation in their model which is developed through novel and original ideas. Teach for India and Lend a Hand India have emulated the models after their successful implementation in other countries.

#### 2. Organizational Operations:

**a. Size and staff:** All three organisations are large as their operations are at National level. As far as number of employees are concerned, Teach for India has more employees i.e., 200 and both Teach for India and Lend a Hand India implement formal HR Practices. Mann Deshi foundation, HR Practices are comparatively informal in nature due to its rural location in Mhaswad in Satara district where getting educated employees as staff is a challenge.

**b. Annual Growth:** Teach for India and Mann Deshi Foundation exhibit consistent and upward rising annual growth in the last 5 years. Lend a Hand India's annual growth was slow till 2014-15 and from the year 2015-16, it is consistently upward rising.

**c. Funding pattern:** All three organisations receive their maximum funding from Foundations and Corporate partnerships. Some amount of funding also comes through donations. Thus, there is a similarity in their funding pattern to a large extent.

**d. Opportunities:** Wealth disparity among people and meeting needs of human society are the similar perceived opportunities by all three social enterprises.

**e. Challenges:** Similar challenges faced by the three social enterprises are proving its scalability and developing and expanding its activities.

**3. Social impact:** All three enterprises have created social impact and social value. Social transformation is seen through better education, upliftment, increase in social status, social awareness among unprivileged communities. Mann Deshi Foundation has maximum reach and has brought about social transformation also through economic benefits provided to rural women which would give them an improved life.

**Conclusion:** Women Social entrepreneurs have successfully perceived the opportunities and faced the challenges to set up their social enterprises. A common set of characteristics like innovative thinking, risk taking ability, participative and collaborative approach, sustainability and social mission inherent to the social entrepreneurs are observed in all three women social entrepreneurs. There are a lot of similarities observed in their organisational operations. Their innovations have helped in overcoming many significant problems faced by the society at various levels in different spheres of development at national and community levels. Therefore we conclude that all three women social entrepreneurs have truly been agents of social change and social transformation. They are inspirational role models to young women who wish to undertake entrepreneurial activities with a noble cause.

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## INSIGHTS ON WOMEN LEADERSHIP AND WHAT HOLDS THEM BACK

**Bhakti Nandkishor Panchal**, Ramnarain Ruia Autonomous College, Mumbai

### **Abstract**

*Leadership is unlocking people's potential and one's own for the better. Leadership is considered to be a choice. However, for women, this choice is plagued by socially constructed roles and inequality confronted by them on a daily basis. Social norms and gender stereotypes of their role as mere caregivers along with that of absence of the capacity to accept a leadership role, limit their mobility. The case studies in this paper demonstrate the incredible courage of women who have taken up leadership roles despite of heightened risks and have encouraged the larger community to follow suit. My hypothesis stresses upon the fact that gender inequality is a worldwide issue that needs dire attention. Equality forms a cornerstone of theory of justice. Social and institutional constraints prevent them from taking the initiative. Biases against women and misrecognition are some of the factors that prevent women from taking up leadership roles. Their low participation indicates the failure of economic, political and social institutions. The study of gendered familism and ascriptive gender inequality could yield new understandings of the problem. It is for this reason I have chosen to illustrate how women are usually at the forefront of change by providing a case study of two such powerful women leaders from the political sphere— Indira Gandhi and Benazir Bhutto, and explore some of the conditions that facilitate such attention. This paper is an attempt from the vantage point of view of revisiting some of the important dimensions of women leadership. The various sections will traverse through the leadership traits in women and subsequent sections will contain careful examination of the before-mentioned women leaders. The goal of this thesis is to examine the correlation of possible catalysts that influence a woman's leadership abilities and find out affirmative remedies helping them be on the edge.*

**Keywords:** women, leadership, gender inequality, politics, society

**Insights on Women Leadership and What Holds Them Back:** In this study, the author has made an attempt to understand the various reasons why women are held back and explores evidences of many structural and social pressures. Gender stereotypes, discrimination in this heteropatriarchal society of India further aggravates problems of dependency of women. Lack of mobility and other constraints have contributed to the absence of women's voice. Unjust power relations are a big hindrance which repress the volcanic energy of women thereby making them vulnerable to socio-political and economic manipulations. However, the traditional Indian society seems to welcome the idea of women playing the roles of an advisor, influencer, a stimulator or even a Creator. Women show great commitments, show composure in adversity, communicate well. This can be contributed to the rigid social norms that compel women to adhere to these values which prevent them by taking the bull by the horns even in their worst times. Qualities of confidence and courage seem to have been lacking in the deprived sections of women. Lack of education and limited exposure beyond the four walls of the house in the male dominated setting sow the seeds of inferiority complex in the minds of women, making them and other believe they are not fit for taking up high ranks in the corporate sector or even a leader in general. Scepticism and mistrust of women's ability to lead adds fire to the fuel. Fighting the stereotypes and prejudices about their role in society and busting of the myth of their lack of suitability for leadership roles and decision-making, are some of other major challenges before women.

*“If a woman is tough, she's pushy; if a man is tough, he is a great leader.” – Benazir Bhutto.*

Women are most often mocked as disciplinarians or ladies with an 'iron fist' when they accept leadership roles. Long – established gender roles prohibit women to take up jobs that would let them outrun their spouses. Which is why, women are inhibited to step up the ladder and compete for advancement. Central to this is building women's confidence, and encouraging them to recognize that they have the right to challenge situations and unfair decisions, or which will have a negative impact on their life.

*A. Current Scenario – Analysis of the challenges*

Lack of Education not only limits their abilities but also leads to their exclusion from channels of information, they may not have any way of finding about rights for themselves. This gives rise to material deprivation and a complete neglect of their value. Accessibility continues to be a challenge to a majority of women. Women often approach the law when all the other modes of dispute resolution have been exhausted. They have to struggle against violence, abandonment, destitution, property rights and other forms of entitlement. Marriage is mostly seen as sacrament but it is merely an arrangement that provides men more control over social relations, with women obtaining the status of son-bearers. In the case of any breakdown, women are discarded from their natal home and are left to ' fend for themselves'. The literature bounds with discussions of the history and the emergence of personal laws revolving around women. The value of labour of women has been sorely neglected and undermined throughout the years. Primary role within marriage and family tends to relegate them to low value and hence they delve into insecure and unprotected forms of labor. Familial obligations bind them to not compromise. In order to understand what makes a good leader, I have examined the cases of two of the most influential female political leaders. The first female Prime Minister in their respective countries, Benazir Bhutto and Indira Gandhi.

*B. Case Study – Benazir Bhutto*

*“ You can imprison a man but not an idea.*

*You can exile a man but not an idea.*

*You can kill a man but not an idea. ”*

Benazir Bhutto was born into the family of the former Prime Minister of Independent Pakistan and the eldest child to Zulfikar Ali Bhutto on June 21, 1953, in Karachi, Pakistan. She created history by becoming the first elected female Prime Minister. She studied at Radcliffe College and then at Harvard University where she graduated with a Bachelor of Arts degree in comparative government. Furthermore, she completed her post graduate studies in Oxford University where she completed a course in international law and diplomacy.

Bhutto founded PPP- Pakistan People's Party and served the nation from 1971 – 1977. After returning to Pakistan in the year 1977, she was placed under a house arrest by then then autocratic leader General Zia ul – Haq. The United States called Zia a benevolent dictator. After her father was hanged under charges of murdering a political opponent, Benazir inherited the leadership of PPP. She was stripped off her power after two terms and was assassinated coldly but even after decades, her inspiring tale of dedication and courage in the face of adversity still encourages many women not only in the Middle East but also in the South Asian countries. We can see an immense pride in her cultural, religious heritage she had had. She introduced modernity in technology and communication in Pakistan. Her goals were centred at liberty and social justice. It was anything but easy for a woman in such a backward society to forge a forward-looking approach. During her pregnancy, army men like Zia believed that pregnant woman could not campaign, but to everyone's surprise she won elections despite the contrary predictions. She was a morale booster for women. Pakistan was on the verge of being declared as a terrorist state but this strong lady hid her anxieties and was hence elevated in the eyes of all Pakistan. While Benazir was kept behind the bars, she felt a pang in her heart when all the rest of her family members were moving on with their lives as if she didn't exist. Her marriage to Asif Ali – a rich landlord was a calculated move. As prominent in South Asian countries is a belief that unmarried women are looked down upon, she agreed to get married when it was nowhere in her

priorities. Her husband's imprisonment can be a great example of sexism that pervaded in the Pakistan society. While campaigning for women's rights, she brought about many reforms. She promoted the image of a modern interpretation during the decade of dictatorship. Being an inexperienced woman and only 35 years old, she believes she was elected the youngest Prime Minister due to love and loyalty of the countrymen. Several leaders read her story while they were in the prison wars or during uprisings. Bhutto, under her regime restored free press, opened uncensored print and electronic media. She thought that the separation of legislative, executive and Judiciary was necessary to establish a sustenance in democracy. She was first to privatize public units in South Asia and Middle East, and liberated the people from bureaucratic red tape. Surprisingly, the economic payback was dramatic and relatively quick. Women's Development Bank was established. Training Institutions for women which gave assistance in family planning, nutritional counselling, childcare and birth control were founded. Another impressive move that makes her a good leader is that she legalized women's participation in sports which was banned during Zia's regime.

Islam believes Justice is essential to the functioning of a civilized society. A society wherein Islam had been polluted, it did not spare a chance to repress the position of women in the society. For a bitter decade, democracy threatened their *raison d'être*. She quotes Kennedy, *"I do not shrink from that responsibility, I welcome it."*

Total isolation and a sense of abandonment were acutely felt by her when she was kept behind iron bars. She reminded herself, not to fall for Zia's strategies. Her will remained strong but body weakened. Her husband's endless support gave her more courage. Together they were strong and refused to capitulate. By overcoming all the possible difficulties, she was determined to live a legacy of peace. Such a trailblazer was Benazir Bhutto.

**a) Case Study – Indira Gandhi:**

Born in an aristocratic family, Indira Gandhi spent a lavish childhood and was raised as a princess. Her grandfather Motilal Nehru was already known all over the country for his lavish spending and hefty fees as a lawyer. After the Jallianwala Baug Massacre, both Motilal and Jawaharlal jumped into the fray of the Indian freedom struggle. Anand Bhawan was soon turned into a centre of Indian politics. A wave of resurgence was seen all over the country. Leadership was not something new to Indira. At the tender age of 10, she worked for the welfare of the lepers and soon travelled to Pune to help the underprivileged. As soon as she turned 12, she formed a children's section and named it Charkha Sangh. During the Non – Cooperation Movement and the Civil Disobedience Movement, women boldly picketed liquor shops and outlets selling foreign goods. She then moved on to organize 'Vanar Sena' ( Monkey Brigade ) to help in the movements. It did many odd jobs such as carrying messages, cooking, first aid, sewing and hoisting flags, etc. She also set up shops aimed to popularize 'Khadi' (hand spun) cloth and Indian made goods. She also admits that her public life began when she was merely 3 years old. After completing her matriculation from Pune, she went to study under the magnificent, Gurudev Rabindranath Tagore. It is said that she was 'painfully shy with strangers'. Gurudev once remarked "She is an asset to our place". Gandhi went to Switzerland for further studies at Bex and after her mother's tragic death, she pursued her education in History at Oxford University. After returning to India, she met Feroze Gandhi, a young journalist from Allahabad and a supporter of Indian National Congress. Both husband and wife jumped in the Quit India Movement initiated by Gandhiji. They faced the dire consequences together by being taken into custody. She was released in 13 months and soon after she gave birth to her sons Rajiv and Sanjay in 1944 and 1946 respectively.

After India achieved Independence, she took over the responsibility of being the hostess of the Prime Minister's house. Jawaharlal Nehru became the first Prime Minister of Independent India and she made her impressions everywhere she went, whether they were official visits or while meeting foreign leaders. In 1959, she was elected as the President of the Indian National Congress and under this Presidentship, she took vital decisions of creation of Gujarat and Maharashtra. Another important move was the dismissal of communist government in Kerala. Nehru suffered a stroke and soon after died on May 27, 1964. Lal Bahadur Shastri took over the reins and offered Indira the post of Minister of Information and Broadcasting in the cabinet. Later, tragedy hit again when Shastri died at Tashkent, this led to the elevation of her post to the Home Minister. Indira emerged as a compromised solution and this Prime Ministership of 1966 made history as she became the first female Prime Minister of India. The Congress won with a narrow margin on a national scale and the Opposition was strong like never before. She produced the 10 point programme which aimed at creating a stable national economy. It was approved in May 1967. Gandhi also faced challenges during her tenure. Her forward-looking approach was negated by the conservatives. Her ideas and desire for serious social change produced a discontentment among the other group. This group mainly consisted of Sanjiva Reddy, S. Nijalingappa, S. K. Patil and Atulya Ghosh. The members of the 'Syndicate' had an important means of political leverage in their hands, that being party apparatus. A scramble for influence started in Congress. The Old Guard began to stonewalling tactics against the Prime Minister. The 1969 elections led to the Prime Minister and her follower's success. It was ultimately expelled from the party. It ceased to exist altogether. Indira Gandhi did not budge even once while fighting against the then bosses of the Congress. In July 1969, the cabinet took a groundbreaking decision to nationalize 14 major private capitalist commercial banks. She stressed on the socialist pattern of the society and mentioned that it aimed at and of the dominance of individual capitalist groups which had controlled the banking system. Coupled with this was the depriving of the Indian Princes of their privileges. The public at large approved but the reactionary forces thwarted these measures by declaring them illegal and referred them to the Supreme Court. Gandhi also called Chief Ministers and urged them to complete the land reforms in their states respectively to ensure the passing on of the benefits of the Green Revolution to the landless laborers. She then began campaigning under the slogan of ending poverty and the Congress won in the Parliamentary elections for March 1971. In 1971, Pakistani aircraft bombed Indian military airfields in response to which India declared war on Pakistan and then officially recognized the Republic of Bangladesh. With their support, India could take down Pakistan and was forced to surrender. The ill effect gradually became more apparent during the 1971-1972 droughts. Unemployment and hunger aggravated the socio-economic problems. Back in 1971, Raj Narain the principal rival of Indira Gandhi accused her of violating electoral laws which led to aggravation of country's difficulties. The court authorities became involved in political scheming. Later, the Allahabad High Court accused her of corruption. Profiteering, theft and violence reached an unprecedented height. Hence, on June 26<sup>th</sup> of 1975, Indira Gandhi declared Emergency. Opposition was crushed. The government also announced a 20pt. programme providing for the improvement of living standards of the poor. Jai Prakash Narain and his principles of 'Total Revolution' brought the opposition under one banner of Janata Party. For the first time in 30 years after independence, the Congress party lost its power. The downfall of the government paved way for Mid-term elections and under the leadership of Indira Gandhi, the Congress won with a majority. Indira became the Prime Minister again.

During this turmoil, Punjab politics had turned sour. Terrorism under the leadership of J. S. Bhindranwale threatened the very unity and integrity of the country. Operation Blue Star was initiated by Gandhi and Bhindranwale along with his associates. But in turn, it also marked her end. Terrorism became much more widespread in Punjab. She was assassinated by her own Sikh bodyguards. She believed certain forces were bent upon eliminating her. She appealed in Lucknow a week before she was assassinated “Shed hatred, do not shed blood.” A day before she was assassinated, she mentioned in Orissa “Every drop of my blood will contribute to the growth of the nation and make it strong and dynamic”. The death of the iron lady marked an end an era in India politics. She embodied the Indian spirit of courage and sacrifice. Fearlessness and strong determination were her strengths. She wore the womanly values of fortitude, compassion and humanity as her armor and left behind a legacy.

**Final Remarks:** Adoption of local pacts or protocols needs to be strictly followed. A final important lesson concerns the need of empowering women with more rights or at the minimum ensuring the enjoyment of rights entitled by the law. Women need to speak against the atrocities they face and the accessibility needs to be streamlined. This is not a conservative state where women are expected to remain home and stared at in public. In fact, women should be provided with material compensation or basic childcare facilities. Amendments need to existing laws in consonance need to be initiated. The law should be keeping up with the changed realities of women’s lives. If the social leaders show a vision for gender justice and an effort in striving towards gender justice, things can fall back into place for many women. Accessibility continues to be a challenge to a majority of women. Several questions have been raised. A touchstone needs to be decided to ensure justice both to women and men, thereby promoting leadership. There is no denying in the fact that it is advantageous to women when they approach the law only when all other modes of dispute resolution have been exhausted. Mechanism or the laws have to fortified in order to ensure justice. There have been scant developments so far in the development of women’s rights. Marital rape still eludes justice. Heteropatriarchal structure of the family, the ideologies that support it make it tough for women to accept leadership roles. The understanding of the notion of family have to move beyond this. Single women headed households need to be looked at by the law. The vision envisaged is that in current juncture, marriage is mostly seen as sacrament but is an arrangement that gives men more control over social relations within it with women obtaining the status of son-bearers. Women should get an equal right to the matrimonial property and home, and decisions related to children and their future need to be taken seriously by the maternal side too. Lack of recognition in the domestic realm needs to be fixed by injecting equitable rights of ownerships. In a patriarchal society that we live in, men need to be subjected to strict conditions of respecting the terms of contract and fulfilling all commitments and obligations. Dependency in terms of livelihood and sustenance becomes the basis for discrimination within society. With more efficient laws and an open mindset it will be only then that gender justice will not just remain within the reach of heteronormative men alone.

**Women on the Edge** In this study, the author has made an attempt to understand the various reasons why women are held back and explores evidences of many structural and social pressures. Gender stereotypes, discrimination in this heteropatriarchal society of India further aggravates problems of dependency of women. Lack of mobility and other constraints have contributed to the absence of women’s voice. Unjust power relations are a big hindrance that repress the volcanic energy of women thereby making them vulnerable to socio-political and economic manipulations. However, the traditional Indian society seems to welcome the idea of women playing the roles of an advisor,

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- **Current Scenario – Analysis of the challenges:** Lack of Education not only limits their abilities but also leads to their exclusion from channels of information, they may not have any way of finding about rights for themselves. This gives rise to material deprivation and a complete neglect of their value. Accessibility continues to be a challenge to a majority of women. Women often approach the law when all the other modes of dispute resolution have been exhausted. They have to struggle against violence, abandonment, destitution, property rights and other forms of entitlement. Marriage is mostly seen as sacrament but it is merely an arrangement that provides men more control over social relations, with women obtaining the status of son-bearers. In the case of any breakdown, women are discarded from their natal home and are left to 'fend for themselves'. The literature bounds with discussions of the history and the emergence of personal laws revolving around women. The value of labour of women has been sorely neglected and undermined throughout the years. Primary role within marriage and family tends to relegate them to low value and hence they delve into insecure and unprotected forms of labor. Familial obligations bind them to not compromise. In order to understand what makes a good leader, I have examined the cases of two of the most influential female political leaders. The first female Prime Ministers in their respective countries, Benazir Bhutto and Indira Gandhi.
- **Case Study – Benazir Bhutto**

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*You can kill a man but not an idea. "*

Benazir Bhutto was born into the family of the former Prime Minister of Independent Pakistan and the eldest child to Zulfikar Ali Bhutto on June 21, 1953, in Karachi, Pakistan. She created history by becoming the first elected female Prime Minister. She studied at Radcliffe College and then at Harvard University where she graduated with a Bachelor of Arts degree in comparative government. Furthermore, she completed her post graduate studies in Oxford University where she completed a course in international law and diplomacy. Bhutto founded PPP- Pakistan People's Party



and served the nation from 1971 – 1977. After returning to Pakistan in the year 1977, she was placed under a house arrest by then then autocratic leader General Zia ul – Haq. The United States called Zia a benevolent dictator. After her father was hanged under charges of murdering a political opponent, Benazir inherited the leadership of PPP. She was stripped off her power after two terms and was assassinated coldly but even after decades, her inspiring tale of dedication and courage in the face of adversity still encourages many women not only in the Middle East but also in the South Asian countries. We can see an immense pride in her cultural, religious heritage she had had. She introduced modernity in technology and communication in Pakistan. Her goals were centred at liberty and social justice. It was anything but easy for a woman in such a backward society to forge a forward-looking approach. During her pregnancy, army men like Zia believed that pregnant woman could not campaign, but to everyone's surprise she won elections despite the contrary predictions. She was a morale booster for women. Pakistan was on the verge of being declared as a terrorist state but this strong lady hid her anxieties and was hence elevated in the eyes of all Pakistan. While Benazir was kept behind the bars, she felt a pang in her heart when all the rest of her family members were moving on with their lives as if she didn't exist. Her marriage to Asif Ali – a rich landlord was a calculated move. As prominent in South Asian countries is a belief that unmarried women are looked down upon, she agreed to get married when it was nowhere in her priorities. Her husband's imprisonment can be a great example of sexism that pervaded in the Pakistan society. While campaigning for women's rights, she brought about many reforms. She promoted the image of a modern interpretation during the decade of dictatorship. Being an inexperienced woman and only 35 years old, she believes she was elected the youngest Prime Minister due to love and loyalty of the countrymen. Several leaders read her story while they were in the prison wars or during uprisings. Bhutto, under her regime restored free press, opened uncensored print and electronic media. She thought that the separation of legislative, executive and Judiciary was necessary to establish a sustenance in democracy. She was first to privatize public units in South Asia and Middle East, and liberated the people from bureaucratic red tape. Surprisingly, the economic payback was dramatic and relatively quick. Women's Development Bank was established. Training Institutions for women which gave assistance in family planning, nutritional counselling, childcare and birth control were founded. Another impressive move that makes her a good leader is that she legalized women's participation in sports which was banned during Zia's regime. Islam believes Justice is essential to the functioning of a civilized society. A society wherein Islam had been polluted, it did not spare a chance to repress the position of women in the society. For a bitter decade, democracy threatened their *raison d'être*. She quotes Kennedy, "*I do not shrink from that responsibility, I welcome it.*" Total isolation and a sense of abandonment were acutely felt by her when she was kept behind iron bars. She reminded herself, not to fall for Zia's strategies. Her will remained strong but body weakened. Her husband's endless support gave her more courage. Together they were strong and refused to capitulate. By overcoming all the possible difficulties, she was determined to live a legacy of peace. Such a trailblazer was Benazir Bhutto.

- **Case Study – Indira Gandhi** Born in an aristocratic family, Indira Gandhi spent a lavish childhood and was raised as a princess. Her grandfather Motilal Nehru was already known all over the country for his lavish spending and hefty fees as a lawyer. After the Jallianwala Bagh Massacre, both Motilal and Jawaharlal jumped into the fray of the Indian freedom struggle. Anand Bhawan was soon turned into a centre of Indian politics. A wave of resurgence was seen all over the country. Leadership was not something new to Indira. At the tender age of 10, she worked for the welfare of the lepers and soon travelled to Pune to help the underprivileged. As soon as she turned 12, she formed a children's section and named it Charkha Sangh. During the Non – Cooperation Movement and the Civil Disobedience Movement, women boldly picketed liquor shops and outlets selling foreign goods. She then moved on to organize 'Vanar Sena' ( Monkey Brigade ) to help in the movements. It did many odd jobs such as carrying messages, cooking, first aid, sewing and hoisting flags, etc. She also set up shops aimed to popularize 'Khadi' (hand spun) cloth and Indian made goods. She also admits that her public life began when she was merely 3 years old. After completing her matriculation from Pune, she went to study under the magnificent, Gurudev Rabindranath Tagore. It is said that she was 'painfully shy with strangers'. Gurudev once remarked "She is an asset to our place". Gandhi went to Switzerland for further studies at Bex and after her mother's tragic death, she pursued her education in History at Oxford University. After returning to India, she met Feroze Gandhi, a young journalist from Allahabad and a supporter of Indian National Congress. Both husband and wife jumped in the Quit India Movement initiated by Gandhiji. They faced the dire consequences together by being taken into custody. She was released in 13 months and soon after she gave birth to her sons Rajiv and Sanjay in 1944 and 1946 respectively. After India achieved Independence, she took over the responsibility of being the hostess of the Prime Minister's house. Jawaharlal Nehru became the first Prime Minister of Independent India and she made her impressions everywhere she went, whether they were official visits or while meeting foreign leaders. In 1959, she was elected as the President of the Indian National Congress and under this Presidentship, she took vital decisions of creation of Gujarat and Maharashtra. Another important move was the dismissal of communist government in Kerala. Nehru suffered a stroke and soon after died on May 27, 1964. Lal Bahadur Shastri took over the reins and offered Indira the post of Minister of Information and Broadcasting in the cabinet. Later, tragedy hit again when Shastri died at Tashkent, this led to the elevation of her post to the Home Minister. Indira emerged as a compromised solution and this Prime Ministership of 1966 made history as she became the first female Prime Minister of India. The Congress won with a narrow margin on a national scale and the Opposition was strong like never before. She produced the 10 point programme which aimed at creating a stable national economy. It was approved in May 1967. Gandhi also faced challenges during her tenure. Her forward-looking approach was negated by the conservatives. Her ideas and desire for serious social change produced a discontentment among the other group. This group mainly consisted of Sanjiva Reddy, S. Nijalingappa, S. K. Patil and Atulya Ghosh. The members of the 'Syndicate' had an important means of political leverage in their hands, that being party apparatus. A scramble for influence started in Congress. The Old Guard began to stonewalling tactics against the Prime Minister. The 1969 elections led to the Prime Minister and her follower's success. It was ultimately expelled from the party. It ceased to exist altogether. Indira Gandhi did not budge even once while fighting against the then bosses of the Congress. In July 1969, the cabinet took a

groundbreaking decision to nationalize 14 major private capitalist commercial banks. She stressed on the socialist pattern of the society and mentioned that it aimed at and of the dominance of individual capitalist groups which had controlled the banking system. Coupled with this was the depriving of the Indian Princes of their privileges. The public at large approved but the reactionary forces thwarted these measures by declaring them illegal and referred them to the Supreme Court. Gandhi also called Chief Ministers and urged them to complete the land reforms in their states respectively to ensure the passing on of the benefits of the Green Revolution to the landless laborers. She then began campaigning under the slogan of ending poverty and the Congress won in the Parliamentary elections for March 1971. In 1971, Pakistani aircraft bombed Indian military airfields in response to which India declared war on Pakistan and then officially recognized the Republic of Bangladesh. With their support, India could take down Pakistan and was forced to surrender. The ill effect gradually became more apparent during the 1971-1972 droughts. Unemployment and hunger aggravated the socio-economic problems. Back in 1971, Raj Narain the principal rival of Indira Gandhi accused her of violating electoral laws which led to aggravation of country's difficulties. The court authorities became involved in political scheming. Later, the Allahabad High Court accused her of corruption. Profiteering, theft and violence reached an unprecedented height. Hence, on June 26<sup>th</sup> of 1975, Indira Gandhi declared Emergency. Opposition was crushed. The government also announced a 20pt. programme providing for the improvement of living standards of the poor. Jai Prakash Narain and his principles of 'Total Revolution' brought the opposition under one banner of Janata Party. For the first time in 30 years after independence, the Congress party lost its power. The downfall of the government paved way for Mid term elections and under the leadership of Indira Gandhi, the Congress won with a majority. Indira became the Prime Minister again.

During this turmoil, Punjab politics had turned sour. Terrorism under the leadership of J. S. Bhindranwale threatened the very unity and integrity of the country. Operation Blue Star was initiated by Gandhi and Bhindranwale. But in turn, it also marked her end. Terrorism became much more widespread in Punjab. She was assassinated by her own Sikh bodyguards. She believed certain forces were bent upon eliminating her. She appealed in Lucknow a week before she was assassinated "Shed hatred, do not shed blood." A day before she was assassinated, she mentioned in Orissa "Every drop of my blood will contribute to the growth of the nation and make it strong and dynamic". The death of the iron lady marked an end an era in India politics. She embodied the Indian spirit of courage and sacrifice. Fearlessness and strong determination were her strengths. She wore the womanly values of fortitude, compassion and humanity as her armor and left behind a legacy.

**Final Remarks:** Adoption of local pacts or protocols needs to be strictly followed. A final important lesson concerns the need of empowering women with more rights or at the minimum ensuring the enjoyment of rights entitled by the law. Women need to speak against the atrocities they face and the accessibility needs to be streamlined. This is not a conservative state where women are expected to remain home and stared at in public. In fact, women should be provided with material compensation or basic childcare facilities. Amendments need to existing laws in consonance need to be initiated. The law should be keeping up with the changed realities of women's lives. If the social leaders show a vision for gender justice and an effort in striving towards gender justice, things can fall back into place for many women. Accessibility continues to be a challenge to a majority of women. Several

questions have been raised. A touchstone needs to be decided to ensure justice both to women and men, thereby promoting leadership. There is no denying in the fact that it is advantageous to women when they approach the law only when all other modes of dispute resolution have been exhausted. Mechanism or the laws have to be fortified in order to ensure justice. There have been scant developments so far in the development of women's rights. Marital rape still eludes justice. Heteropatriarchal structure of the family, the ideologies that support it make it tough for women to accept leadership roles. The understanding of the notion of family has to move beyond this. Single women headed households need to be looked at by the law. The vision envisaged is that in current juncture, marriage is mostly seen as sacrament but is an arrangement that gives men more control over social relations within it with women obtaining the status of son-bearers. Women should get an equal right to the matrimonial property and home, and decisions related to children and their future need to be taken seriously by the maternal side too. Lack of recognition in the domestic realm needs to be fixed by injecting equitable rights of ownerships. In a patriarchal society that we live in, men need to be subjected to strict conditions of respecting the terms of contract and fulfilling all commitments and obligations. Dependency in terms of livelihood and sustenance becomes the basis for discrimination within society. With more efficient laws and an open mindset it will be only then that gender justice will not just remain within the reach of heteronormative cis men alone.

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## TRANSFORMATIVE FINANCE AND GENDER OUTCOME

**Dr. Mercia Selva Malar**, *Associate Professor, XIME Kochi, Kerala*

### **Abstract**

*Transformative Finance as the name suggests is the one that transforms the society. Transformative Finance is the one that can bring the best benefit to all who are part of the society. The paper views Triple I: Inclusion, Innovation and Integration in Financial Services as Transformative Finance that can bring about gender equity and women empowerment. Financial independence and financial literacy can give women the transformation that they need to be empowered and equipped to lead normal lives free from oppression or suppression. The paper is based on review of literature and secondary data that would support the view that Triple I of Financial Services empowers women and therefore is part of transformative finance. Transformative Finance need to be a careful and conscious effort of Financial Services institutions. Finance by its nature can be empowering. Through transformative financial efforts women empowerment can happen in societies where they are sidelined and oppressed. Transformative financial efforts can take three forms: Inclusion, Innovation and Integration. Across the globe from Africa to Asia there have been evidences to this effect. The paper would bring to light each of the three forms and their impact on women empowerment. India has recently seen a great financial inclusion initiative with PMJDY and it has started to show results for women empowerment. Financial innovations in many forms are prevalent today. Microfinance and its SHG model of saving and lending has helped women to graduate to better levels of financial freedom and empowerment. Integration of financial service which is often known as bundling up of products has also enabled women to access all required products from the same platform without going around and checking for various suitable finance products.*

**Keywords:** *Transformative Finance, Financial Inclusion, Financial Innovation, Financial Integration, Women Empowerment*

**Introduction:** Finance is the need of every individual for transactions on consumption and productivity needs. Finance by itself has the characteristic of transforming underdeveloped to developed status. Financial system according to Van Horne is defined as that which allocates savings efficiently in the economy to ultimate users either for investment in real assets or for consumption. Today financial system of any country especially developing and underdeveloped nations does not live up to the expectations of the purpose of it. Financial systems in these countries seems to be serving those who have been able to save and invest enough so that they can consume more, save more and invest more. The wealth creation opportunities for the economically sound people are supported by the financial systems and the basic survival financial requirements of the financially weak are forgotten. Unfortunately, finance and its transformative power are understood by corporate and the powerful of the society and finance is totally directed and diverted to their own self- service. As financial systems across the globe have imbalanced approach and operation, a wide gap between the have and have not, the economically powerful and the economically weak has been created. Transformative finance as is self-descriptive is the finance that transforms. Transformation in society can be brought about by finance and has been experienced in the past in different parts of the globe. Wherever finance has been made available to the all segments of the society, wherever finance has been made accessible and available in forms usable by the most neglected and most unfortunate parts of the society, there finance has transformed the societies. The first ever discussion on Transformative Financing happened during the third International Conference on Financing for Development, as a high level side event. It discussed the policies and guidelines for Transformative Financing. The idea of Transformative Financing has been thought about as recent as 2015. The target time frame to achieve the gender equity through transformative financing is 2030. Under Transformative Financing the entire financial system and the economy has to gear up to meet all the financial needs of the

marginalized and the downtrodden societies so that people under the category of have nots can be brought into the developed category. Addis Ababa Action Plan on Transformative Financing for gender equity and women empowerment is a voluntary commitment of three nations viz. Governments of Brazil, Sweden and Switzerland and by three organizations viz. OECD, UN Women and Women's Working Group on Financing For Development. The targets set are wide as 18 and the indicator is very clearly chalked out as significantly increased investments, in both scale and scope, to close the financing gaps that hinder progress towards gender equality and women's empowerment. Transformative finance is empowering the poor and the neglected sections of the society across the globe. Transformative finance need to be effectively engaged and employed to transform societies. Especially in the case of women, who are the welfare wishers and true benefit seekers for their households, transformative finance can do great deal of justice and empowerment. The paper is an attempt to examine how the Triple I of financial services can be a strong part of the transformative finance with a transformational outcome for women and transforming the economic life of women. The paper is based on secondary data a case based evidences. The author is exploring how Triple I of Financial Services can be empowering women and bring about gender equity through global and national experiences.

**'Triple I' of Financial Services:** Triple I of Financial Services refers Inclusion, Innovation and Integration of Financial Services for the target group. Financial Inclusion is a recent phenomenon in India which is claimed to have become successful in including the left out and marginalized into the main economic system through the financial system. Financial Inclusion is the process of. ensuring access to appropriate financial products and services needed by vulnerable groups such as weaker sections and low income groups at an affordable cost in a fair and transparent manner by mainstream Institutions, is the definition provided by OECD. According to Financial Times Lexicon, Financial innovation can be defined as the act of creating and then popularising new financial instruments as well as new financial technologies, institutions and markets. It includes institutional, product and process innovation. Financial innovation thus focuses on client suitable (meeting the needs of women) financial products, financial institutions and financial markets. Financial integration is used in the paper with the definition of integrating multiple-products that are required for women and making them available in one platform or at one institution at the most easily accessible form. Most of the developing economies find women excluded from the mainstream financial system not because the system wants to exclude but because of socio-cultural and economic reasons beyond the financial system. As women are a significant segment of the society in terms of population and in terms of their economic contribution the exclusion cannot and should not continue. To bring them into the main stream financial system some innovative steps are required in financial products, institutions and markets. For inclusion to materialize and innovation to be effective, integration of products becomes essential as women will be benefitted only when all the financial products – basically required for financial freedom and economic empowerment are made available to them integrated in a platform at easily accessible methods. Transformative Finance can be represented as a system that is constituted by three sub-systems which is constituted by the Triple I. The outer circle embraces every other aspect of Transformative Finance viz. Financial Inclusion. Financial Integration and Financial Innovation are part of Financial Inclusion. Financial Integration is a sub-set of Financial Innovation as Financial Integration of Financial Products leads to innovative financial instruments, innovative financial

institutions and innovative financial markets. Financial integration can give birth to financial inclusion, which in turn can transform products to be inclusive financial products.

**Gender Outcome:** The expected gender outcome is gender equity and women empowerment in case of Transformative Finance. There are other outcomes too possible with Transformative Finance as it in its holistic perspective focuses to transform the society. Naina Lal Kidwai in her blog on Financial Inclusion and women empowerment writes, access to credit is a critical link between economic opportunities and outcomes. By empowering women to cultivate economic opportunities, financial inclusion can be a powerful agent for strong and inclusive growth. With women constituting half the population, their equal participation in society is imperative for sustainable development and also the desirable gender outcome- gender equity and women empowerment.

**Objectives:**

The objectives of the paper are as follows:

1. To examine if Transformative Finance results in desirable gender outcome
2. To review the interplay of financial inclusion, financial innovation and financial integration for desirable gender outcome

**Methodology:**The paper is based on evidences and anecdotes from the secondary sources on Financial Inclusion, Financial Innovation and Financial Integration. The paper is descriptive in nature and does not make use of quantitative data.

**Financial Inclusion:** Christine Lagarde, Managing Director of the International Monetary Fund said “women often bear the brunt of poverty and limited access to economic opportunity, including unfavourable financial access.” On 21 October 2016, Nathaniel Kretchun wrote in The Wire that, More Women Are Financially Included in India Than Ever Before. In his write-up he writes as to how Pradhan Matri Jan Dhan Yojana has made an intervention in inclusion of the marginalized in an unparalleled manner. The initiative could increase adult financial inclusion in India between 2014 and 2015 to the extent of 20 percent, according to InterMedia’s Financial Inclusion Insights (FII). As PMJDY scheme is predominantly for women, FII data also confirms that women inclusion increased during the same period by 24 percent against 14 percent men. There have been various measures contributing to this increase in women inclusion – awareness generation campaigns have been seriously run by many banks and women understood their right to have and access to bank accounts. Inclusion intervention has been successful in terms of women opening accounts, but only 67 percent of them use it actively. Of the women account holder 86 percent are using it only for the basic operations of depositing and withdrawal, nothing more than that. Financial inclusion intervention through PMJDY has been successful in bringing women into the banking system, inclusion in one phase has been successful. The real success of inclusion intervention scheme can be successful only when women access the other products and services available with banks for their financial freedom and economic empowerment. Empowering Women through Financial Inclusion, (2015) is a narrative on a NGO named Alternative India Development (AID) Financial Inclusion intervention in India, The World Bank provides the highlight of the story that, despite Government initiative to provide food, shelter, education, pension, etc. women gets left out but access to bank accounts increases their bargaining power. In 2007 AID established the Mahila Bank to bridge the gap between gender through financial empowerment. Mahila Bank is an innovative approach to inclusion of women in the main financial stream, offering all basic financial products required for women. Triple I of Financial services was proved through this initiative of AID and therefore World Bank honored it with India

Development Marketplace Grant. In her blog on the title, 'Financial Inclusion Is A Prerequisite For Gender Inclusion', Vidya Shah, CEO, EdelGive Foundation, says that inequality is not just a moral issue—it is a macroeconomic issue. Chetna Gala Sinha of Mann Deshi, India's first rural co-operative bank for women, has blamed "poor solutions for the poor". Financial inclusion in its true sense will be possible only when innovative and integrated products and services aimed at women are made available through innovative financial institutions in an innovative financial market. Women need privacy, security and control over their financial lives, says Mary Ellen Iskenderian of Women's World Banking. Women across the globe face hurdles in financial inclusion said a Wall Street Journal article's title. The article speaks of how women get left behind as Micro Finance Lenders grow and become more commercially viable. Women's World Bank has observed that 90 percent of a woman's finance goes into the well-being of her household. The household enjoys better food, education, health and hygiene when women have access to finance. Access to finance for women means a larger transformation of the society. Inclusive growth is the sine qua non of India's economic development. Unless all sections of society enjoy the fruits of economic expansion, growth itself shall be short-lived. India is striving to improve financial inclusion as a nation. States are also doing their part as Government of Rajasthan's Bhamashah Yojana is an initiative in this direction.

**Financial Innovation:** Brookings Financial and Digital Inclusion Project report ranked India ninth among 21 countries in financial and digital inclusion efforts in 2015. This is a clear indicator how financial innovation drags or drives financial inclusion. India lags behind countries like Kenya and Brazil, where mobile banking has taken a huge role in financial inclusion. Mobile banking for poor rural women is a financial innovation these nations ahead of India have deployed. Financial innovation to offer services to women in India has to consider the digital divide between men and women. First and foremost the digital divide need to be addressed if women have to access digital based or technology based financial services. The observation by Women's World Banking says that digital divide comes as a barrier and to include women into innovative financial services, first women digital literacy need has to be met.

**Financial Integration:** Micro Finance Institutions (MFIs) were the first to address women's need for multiple financial products and incorporated an integrated approach to financial services offered to women. MFIs started with savings and then allowed women to have credit. The credit initially offered was both for personal consumption and micro-enterprise needs. Later business finance was granted to women through MFIs. There are MFIs bundling insurance products with the loans they offer. Further to the bundling Housing Credit has also been part of some of the MFIs. These MFIs have seen the need of women to be empowered financially for the society to be transformed. Unfortunately most of the MFIs have lost their focus of transforming women and transforming societies and economies. They are now focused on transforming themselves into Small banks, Payment Banks, listed companies, graduating themselves to a higher level.

**Conclusion:** Transformative Finance, in its form discussed in the paper Triple I – Inclusion, Innovation and Integration is required to transform societies with favorable gender outcome. The review of the practices in these three areas establish the fact that they have the potential to give favorable gender outcome. Unfortunately, these Triple I's have not been either holistically adapted or seriously practiced to bring about the transformation required out of Transformative Finance. The three have synergy to deliver the favorable gender outcome if tied-up together and holistically practiced.



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## A STUDY OF FACTORS THAT INFLUENCE WOMEN AND LEADERSHIP WITH REFERENCE TO WOMEN'S CAREER SUCCESS

**Ms. N.Sakthi Selva Rohini**, M.Com., M.Phil., M.B.A., M.Ed., M.Sc.,(Psy), PGDCA., Asst. Prof, Dept. of B.Com [CS], Bhaktavatsalam Memorial College for Women, Korattur

### **Abstract**

The idea of this paper is to examine women's potential to advance to leadership positions. This paper is based on the fact that there are less female leaders than male leaders, both globally and in Chennai. The paper aims to find the influential factors behind women's career and ways to increase the number of women in leadership positions. The theoretical part of the study consists of the following topics: what is meant by female leadership, female leadership in a global context and in Chennai, why it is important to promote female leadership and what are the underlying influential factors in women's careers. The information was gathered by literature and previous studies related to the topic. Also, the author's own knowledge and experience were used in creating the theory. In the empirical section of the paper, qualitative research methods were used. The data was collected by interviewing four women in leadership positions in known Chennai organizations. In addition to the interviews, an internet-based questionnaire was sent out to more women in top positions. The results of the study show there are many direct and underlying factors regarding women's underrepresentation in managerial positions. Three levels of influential factors were defined as societal, organizational and individual factors. By studying these levels, it was found that traditional gender roles, organizational culture and women's perceptions and competences all have a role in women's managerial career development. Organizations were seen to have the most power, as they make the direct decision on promoting female leadership by recruiting and offering career advancements. Also, it was found that women's possibilities to become leaders vary in different sectors and that the strong division of the Chennai labour market by gender slows down equality and women's career development.

**Key words:** Female Leadership, Career Development, Leadership Position, Influential Factors

**INTRODUCTION:** When talking about working women and women in leadership, the concept glass ceiling often comes up. In this context, glass ceiling refers to a barrier which women face, or have faced, in the business world. A glass ceiling comes across in an organization at the top of the hierarchy and prevents women from achieving the same positions as men. (The Glass Ceiling Effect 2001.) Some argue that the glass ceiling has been already shattered and others argue otherwise. Maybe instead of a glass ceiling, women are now facing a glass labyrinth. Women have the possibility to rise to higher positions but they face many obstacles on the way, instead of getting ahead straightforward as men often do. (Tanhua 2012, 69.) In Chennai, equality between men and women is considered far developed. Chennai was the first country in Europe to give women the right to vote in 1906. In 2011, according to research, Chennai was the third most gender equal country in the world, regarding health and education. Both men and women are well educated and women can choose to have both; a career and a family. However, there is still a salary gap between women and men's earnings and women who choose a career rather than home life, often face negative attitudes and discrimination. Also, the number of female leaders is surprisingly low. The right for women to work, get the same pay as men and be leaders is still a very current issue. Even though the situation has been getting better slowly, concepts as the glass ceiling and quotas for women still exist. The author decided to research this topic as she is a woman herself and has always been interested in the issues of equality. Also, the issue concerns the author herself as well as all other women wanting to get ahead in their careers.

### **Objectives of the study**

- The objective of the paper is to study the background factors of women's career success and women's position in leadership.

- The factors that influence women's careers will try to be identified to understand the low number of women in 8 leadership positions.
- The objective is also to examine the benefits that women can bring to organizations and what are the ways to promote female leadership. In order to reach these objectives, the following research questions were identified.

**The main research question is:**

1. What are the main factors that influence women's rise to leadership positions?

**The sub-questions are the following:**

2. Why are women underrepresented in senior management?
3. What are the ways to grow the number of women in leadership positions?
4. What benefits do female leaders bring to organizations?
5. Is leadership gender neutral?

**Research methods and data collection:** Qualitative research method was chosen as the research method to this paper. The nature of the research is explanatory. By using qualitative research methods the author is able to use interpretive practices when researching the topic. It also allows the use of multiple sources such as interviews, published data, documents, observations and so on. (Davies 2007, 10, 151.) Figure number one demonstrates the chosen research method, research approach and data collection. The researched data will be collected from both primary and secondary sources. For the empirical part of the paper, primary sources such as interviews and the author's observations will be used. Secondary sources such as literature, Internet sources and articles are used for the theoretical part.

**Scope and limitations**

- The research will focus on women in leadership positions in companies and organizations. The research will not regard the proportion of women in politics or in other governmental positions.
- The author does not research female entrepreneurship, even though it would be interesting to study female leadership in that context. However, the purpose of this paper is to examine women's possibilities to move up in different organizations, especially in organizations of larger-scale. This way, the author is able to examine career development related to promotions rather than self-employment.
- Some statistics are given about the situation globally in order to gain a baseline for the situation in Chennai. However, the paper handles the topic primarily in a Chennai context, thus looking at the situation in Chennai organizations, culture and society. As there are large and notable variations between countries, the subject would be too broad to handle in the paper. The author chose to concentrate on Chennai, as the topic is current in Chennai and there is a lot of updated information available.

**FEMALE LEADERSHIP - WHAT DOES IT REALLY MEAN?** Leadership itself is a very broad concept, and various theories and styles of leadership exist. Female leadership is just one branch of this concept and can also be defined in different ways. Some understand female leadership as the fact that women can be and are leaders, others may define it from a feminist point of view and as a matter of equality and the right to have the same opportunities. Some say, it refers to certain feminine characteristics which are valuable in today's organizations. (Palmu-Joronen 2009, 172). Others think that leadership should not be differentiated as female leadership at all.

**LEADERSHIP AND CAREER:** Leadership is culturally binding and changes over time, so it is hard to give one definition of it which applies to all leadership. However, to understand female leadership and what is meant by it, the fundamental nature of leadership will be explained next. The concept of leadership comprises of three aspects; people, goals and influence. Leadership is influential action and is used to achieve goals. Leadership is people-driven and the ability to inspire people helps to achieve the set goals of an organization. (Daft & Kendrick & Vershinina 2010, 565.) Leadership can be seen as a tool or a process of motivating people. The motivation aims to achieve particular goals by the action of those people. The different styles of leadership derive from different ways of motivating people, different kind of goals and the nature of the organizations. (Hannagan 2008, 40.) Hence, leaders set the direction for others to move forward to future and motivate them to reach the set goals by certain way of functioning or acting. Great leaders do not just lead and say where to go, they have to participate in it themselves as well. Leaders need to act on their visions, as they are easily judged by their action, not by what they say (Hannagan 2008, 40). Leaders should have responsibility and authority, and they must have vision for the future and be confident enough to lead everyone there.

**Is leadership gender neutral?** Female leadership is most commonly defined by the differences between femininity and masculinity. The characteristics that are considered to influence decision making, problem solving and achievements are often compared. The aim of this discussion is to emphasize the value and benefits of feminine characteristics in leadership today and the benefits diversity brings to organizations and businesses. Women and men are biologically different from each other, and usually culture and society shape and strengthen gender roles. The traditional role of men is to support their family and the role of women is to take care of children and home. Traditionally, men are considered to be more aggressive and women nurturing. Different stereotypes of women and men's characteristics and roles in the society still exist strongly. (Piha 2006, 89.) However, everyone has their individual characteristics and strengths and that is why stereotyping should be avoided. By stereotyping men as more efficient and achieving in work life, the important and valuable characteristics that women have remain undervalued (Piha 2006, 92). Stereotyping slows down change and can act as a major obstacle when it comes to women's career possibilities. There are certain characteristics of leadership that are described as feminine characteristics and masculine characteristics. Some of the characteristics often found in male leaders are competitiveness, focusing, goal orientation, inventiveness, performance orientation and having the desire to be the best. Feminine characteristics include social skills and social interaction, conversational style of communication, acceptance of differences, being multi-skilled and working well in groups. (Piha 2006, 94.) These characteristics do not imply the gender of the leader, they merely represent different kind of leadership behaviour which can be applied by both women and men. Ignoring all the details of stereotypical characteristics of women and men, it comes down to the differences between perception, according to Palmu-Joronen (2009, 174). Women and men think about things in different ways, emphasize different aspects and approach problems in certain ways, generally speaking. Course, women can think in a masculine way and men in a feminine way. Even though leaders do not consciously make decisions based on their gender, the different way of perceiving things is still present. Masculine way of thinking is focused on something specific and putting all efforts towards that specific aspect in a certain moment. Men have the quality to know about something specific very much and understand it clearly. The problem that might occur when things are perceived in a

masculine way, is that something else relevant to the situation is not noticed and the view on things is restricted. The progress is often very logical and moves forward step by step and the end result is achieved by following the process. Masculinity is also connected to planning and setting and reaching goals in many aspects of life. Tasks and the result are important. The pre-designs of a process to achieve goals are followed. (Palmu-Joronen 2009, 176.)The feminine way of perceiving entities is broader, and more aspects that might have an influence are taken into consideration. It is typical for women to see the relations between different things and hence have a clearer vision of the bigger picture. Intuition plays a part in this progress and the entity is discovered quicker. The feminine way of perceiving has its downside too. Because of the amount of information and different aspects that are identified, it can be easy to get stuck or slowed down. Achieving goals is important in femininity as well, but the way of achieving them is equally important. Experiences, creativity and intuition are important in the process of achieving goals. (Palmu-Joronen 2009, 176.)There are many other differences between the masculine and feminine behaviour such as communication, the way of understanding reality and authority. Feminine way of communicating is horizontal, which means that it strengthens the relationships between people, creates team spirit and equality. Masculine way of communicating is vertical, involving the idea hierarchical relationships and giving information from top downwards. This way of communicating accentuates authority. Masculinity is connected with an objective view of reality, which means that the general truth is more reliable than that of a person's own. Rules, science and agreements, for instance, are important as well as intellect. Mostly abstract things are trustworthy as well as things that can be clearly explained. Feminine view of reality is more subjective, so more emphasis is given to a person's own experience and views on truth. Intuition, feelings and life are important and base the foundation of perception. (Palmu-Joronen 2009, 177.)

**Table 1. Masculine And Feminine Perceptions.**

	<b>Masculinity</b>	<b>Femininity</b>
<b>Communication</b>	Vertical	Horizontal
<b>Perception of entities</b>	Detailed	Comprehensive
<b>Achievement of goals</b>	Goal-oriented	Process-oriented

Table one summarizes the common features of masculine and feminine behaviour which are related to leadership. As mentioned before, these characteristics and behavioural aspects can appear both in women and men. For example, Eva Nygren, who was chosen as Sweden's most influential woman in business in 2012, stated in an article that she has had experience on male leaders who act in a feminine way and vice versa. She thinks that gender is irrelevant and that it is more about the person and his or her style of leading (Rahkonen 2013). This argument is often heard when talking about leadership and gender neutrality. After all, every leader has his or her own way of leading that has been shaped by the persons on values, beliefs and character. Why leadership has traditionally been considered to be a man's job is because the nature and style of leadership has been very masculine. Leadership used to be vertical and more hierarchical. Emotions were not part of leadership and reaching of goals was the most important thing. In the traditional way of leading, there has not been room for feminine behaviour which has always been connected to women. However, leadership is changing and many feminine characteristics are becoming more appreciated. The situation is different now, because genders are not as bound by certain ways of behaviour as before. As male leaders are the majority they often emphasize the benefits of masculine ways of behaving as it is more natural to them and femininity is often seen as a weakness. Unfortunately, many female leaders also choose to

behave more like men to gain authority, credibility and be accepted. In Chennai, the characteristics of a good manager are usually matched by masculine characteristics and many women in high positions use a masculine style of leading (Palmu-Joronen 2009, 181; Heiskanen 2013, 38). In that sense, certain aspects of femininity are still seen as weaknesses or inappropriate in the business world.

**Female leadership without the word female:** There is leadership and there is female leadership. This specification of leadership is used often and it refers to women being leaders or sometimes to a specific style of leading. The use of the prefix divides opinions. The disbenefit of its usage derives from the question: why should it be specified as such? After all, most professional titles, such as dentists and lawyers, are left without the prefix that specifies the gender of the person. (Piha 2006, 131.) Arguments against the use of the words female leaders or female leadership are based on the idea that it does not make a difference whether it is a man or a woman who leads and that leadership is gender neutral. Many women think that the prefix enhances the belief that there is a huge difference between female leadership and male leadership, even though there might not be. It is considered, that being a woman does not affect the capability of executing certain tasks or what kind of jobs one can have. It is merely a characteristic among others and that is another reason why it should not be emphasized. (Piha 2006, 131.) Since the 1980's, the focus has been on emphasizing female leaders' traits and their benefits in organizations, rather than proving women's humanity and capability to work in higher positions (Tanhua 2012, 72). Those favouring the prefix or thinking it is harmless, say that it actually represents change. Specifically emphasizing femininity in leadership, means that it is recognized that there have been and still are less female than male leaders and that it is changing. In that sense, the word female is seen to work as sort of a reminder of the fact that there have not always been female leaders. According to Piha (2006, 132), some women want to use the words female leadership purposefully, to bring out the competitive advantage that different skills and capabilities can create, this way bringing up the advantages of femininity. Sometimes being a female leader and representing minority in some sense can be beneficial as some organizations may consider a woman as a more interesting choice or as a new asset. Especially in Chennai, the prefix is starting to be a bit out of date. The prefix female might derive from the fact that leadership is changing and the role of women as well. It also concentrates specifically on the growth of power and influence of women in business life which has not happened before, and that is why it is accentuated.. It indicates to us that it is still not a norm that women are leaders and that there are less of them. When the goal is reached and there is a sufficient number of women in leadership positions, there is no need for the differentiation anymore. (Piha 2006, 132.)

**It all starts from your first job:** As this paper concentrates strongly on leadership and career advancements, it is worthwhile to examine the meaning and importance of a career. After all, to become a leader experience is needed, which is usually gained from earlier working and life experiences. Career constitutes of different events and activities. Career is a lifelong process, on which education, different working experiences and positions, family and different activities happening outside of work all have an effect. (What is a career 2013.) As organizations change, also the structure of careers changes. Traditionally, career had a more straightforward structure, people being loyal to a company or a position and building a career inside an organization. Today, careers have a more flexible structure. Other activities, such as communal activities and different kind of life roles also contribute to the formation of a career. It is possible to move up to higher positions and then go back to a less demanding positions, and again later move up again. People do not only want a job

or a career for the sake of it, but also experiences and the possibility to fulfill themselves (Airo & Rantanen & Salmela 2008, 10). As life experience and different activities outside working life have an influence on one's career development, motherhood is especially important for women. Instead of only seeing motherhood as an obstacle on women's careers, the skills that women acquire through it should be emphasized positively. After all, motherhood develops many skills which are important in working life as well. Some those skills include patience and organizational skills, not forgetting multitasking. Educational choices are important, as they guide one's way to a certain working sector. Also, the amount and nature of education play a role. The first job after graduation is often coincidental as graduates tend to apply to many different kind of jobs. It might not match the education completed or the person's idea of an ideal job. People also have very different views on what they want to do after graduation and how they want to pursuit their careers. Some may aim high from early on, and some just want to gain working experience before pursuing more challenging positions. Career has different meanings to organizations and individuals. These two dimensions can be divided to have a subjective meaning and an objective meaning. The subjective meaning of a career refers to the individual's process in work life. An individual creates a professional identity for him or herself by moving from different levels of organizations to another, usually hierarchically. The meaning of a career is created by the individual him/herself. The objective meaning of a career refers to organizations' operational model regarding careers and what kind of structures careers might have in those organizations. (Aaltio-Marjosalo 2001, 188.)

**Women and leadership in a global context:** In global context, the number of women in senior management has risen, but only slowly. From 2004 to 2012, the percentage of women in senior management has risen five per cent at most. Between 2009 and 2011 the number fell from 24 per cent to 20 per cent, and in 2012 it stood at 21 per cent. In 2013, the number of women in senior management rose again to 24 per cent globally. (Women in senior management: Still not enough 2012, 2; Women in senior management: Setting the stage for growth 2013, 2.)

**The percentage of female senior managers globally 2013. (Women in senior management: Setting the stage for growth 2013):** From figure five, it can be seen that between 2004 and 2009 the number of women in senior management rose steadily until it started to fall back almost to the same level as it was in 2004. Country specific variations exist, but the global average level has not progressed much in the recent years. In 2013, the global average of women in senior management rose back to level it was in 2009.

Women apply more	<ul style="list-style-type: none"> <li>• People development</li> <li>• Expectations and rewards</li> <li>• Role model</li> </ul>
Women apply slightly more	<ul style="list-style-type: none"> <li>• Inspiration</li> <li>• Participative decision making</li> </ul>
Women and men apply equally	<ul style="list-style-type: none"> <li>• Intellectual stimulation</li> <li>• Efficient communication</li> </ul>
Men apply	<ul style="list-style-type: none"> <li>• Individualistics decision making</li> <li>• Control and corrective action</li> </ul>

**Nine dimensions of leadership behaviours. (Women matter 2 2008)** Shows the nine behaviours and how they generally used among women and men. As mentioned before, all these behaviours have been proved to enhance organizational performance. What is important to understand about the figure is that all of these behaviours enforce some of the organizational dimensions mentioned in chapter. This goes to prove that diversity in organization is highly important and that women and men bring

different ways of thinking and practices to the management of organizations. By using this information, organizations should aim to hire managers with different skills, regardless of gender. Every organization has its own culture and the skills expected from managers should match the organizations values and future aspirations, especially when wanting to improve organizational performance.

**Findings and conclusions:** To conclude the paper, the research questions are revised in order to find out whether they have been answered. The answers reflect the author's interpretation of the findings, hence there may be other alternatives as well. The table below shows the research questions formed in the beginning of the study and the answers the author has found.

**Suggestions for future research:** During this research, the author found plenty of information regarding the factors influencing women's careers and more specifically women's managerial careers. The main levels which have an impact on women's career building were identified and they gave some headway about how female leadership could be promoted and why it matters. Nonetheless, the issue has many underlying factors and needs further research.

**CONCLUSIONS:** This paper set out to study women's possibilities in management in Chennai and what makes a woman succeed in work life. The idea of the paper was based on the observation that women are still underrepresented in management, even though Chennai women are well-educated and equality is considered to be good in Chennai. The aim of the paper was also to find the best ways to promote female leadership and the importance of having women in management as well. The reasons behind women's low number in management and also the factors which influence women's careers were divided into three main factors: societal, organizational and individual factors. By identifying these, more specific factors were found and it was seen that women's careers are not affected only by one thing, but all these factors play a part in women's possibilities to move up. Societal factors have an indirect effect as underlying factors on women' career possibilities whereas organizational factors have a more direct effect. In the conclusions, the research questions were answered and the main influencing factors described shortly. There are many ways to promote female leadership, of which some are more time consuming and complex and others are more easily conducted. If societal factors are considered, attention should be paid on the raising of children by giving boys and girls more possibilities to get to know different fields and professions in order to balance the gender division in the Chennai labour market. Also, changing traditional gender roles by emphasizing equality in all matters would change attitudes towards female leadership and women's own doubts about their abilities. At an organizational level, companies can adapt equality plans and aim for diversity by hiring competent women and men equally. Networking, sponsoring and mentoring are all good ways to promote female leadership as well. All in all leadership is changing, likewise businesses and organizations will have to change accordingly. Female leaders can bring something new to organizations when, for example, social skills are becoming more important. The question should not concentrate on the differences between female and male leadership, but on what can be done together. Improving organizational diversity as well as gender equality benefits all. Many women themselves do not want to emphasize differences between leadership styles or femininity. They prefer emphasizing the skills and competence of the leader and ignore gender. The topic of the paper is complex and broad and thus further research is recommended. This paper only concentrates on the main issues which can be researched in more detail to find more ways to improve women's possibilities to become leaders. By studying other countries and comparing those, a broader theory



could be formed. In this chapter, the conclusions of the study will be discussed and the research questions will be answered according to the findings. The author will also give suggestions for future studies, as there are many things left unraveled about the topic. Also, the reliability and validity of the study will be examined.

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## EMPOWERMENT OF WOMEN “INDEPENDENT WORK OF LADY RICKSHAW DRIVER IN THANE CITY” A CASE STUDY

Dr. Arun Laxman Chandane, *KES Shroff College, Dept. Of Economics*

### **Abstract**

*Auto rickshaws driven by women are already plying in Indore, Ranchi, Bhubaneswar, Delhi, Noida and Gurgaon. In 2016, an announcement was made that women driven auto rickshaws would be introduced in Mumbai, Navi Mumbai, Thane, Palgarh, Kalyan, Pune, Nashik, Nagpur and Aurangabad auto rickshaw permits were issued for women. 548 auto rickshaw permits were issued for women drivers in Maharashtra, which included 465 from Mumbai. Five percent of auto permits in Maharashtra has been reserved for women.*

**Introduction:** A pulled rickshaw (or ricksha) is a mode of transport which is done by human as manually, by which a runner draws a two-wheeled cart which seats one or two people. In recent times the use of human-powered rickshaws has been discouraged or outlawed in many countries due to concern for the welfare of rickshaw workers. Pulled rickshaws have been replaced mainly by cycle rickshaw and rickshaws in countries like South Africa, India, Japan, Canada, Malaysia, and some parts of North America, Hong Kong. Since 2016 in Thane city the first lady rickshaw driver is financially supporting her family. She is independent and capable in decision making, responsive, having full authority etc. as an empower in present global era. The socio economic profile of women rickshaw driver in study region Thane Siddheshwar Talao and Wagale estate has been undertaken and 25 and 15 sample collected respectively from the region it is found that largely Marathi speaking, low income group, living in slum area belong to Hindu coming in to 25 to 40 age group at the time of starting the work passing class up to SSC in majority one has completed HSC and graduation respectively

**“Investing in women is not only the right thing to do but also the smart thing to do” by Hillary Clinton**

**Problems of the study:** It is very difficult for women along with their family members to support in financial issues under unfavourable circumstances. Day to day financial issues in the family of women rickshaw drivers increases their responsibilities as family members.

**Review of literature:** The project includes an interactive web site, which showcases the profiles of 30 Indian women who fit the criteria of “ordinary women doing extraordinary things.” The red rickshaw visited 10 of these women in their hometowns and shared their stories on Facebook, Twitter and YouTube. Among the notable women was Vijaylaxmi Sharma, 24, who works to end child marriage in her village, Jhodinda, in the state of Rajasthan, and Mittal Patel, who has secured identity cards for 60,000 people from nomadic tribal communities in Gujarat, marking the first time they have ever been officially recognized by their government.

**Ansa Naureen,** first female rickshaw driver I have ever seen in my entire life. She is one of the five rickshaw drivers currently on road, while 3 are under training. A mother of two, Naureen has bought this rickshaw on easy instalments from the NGO (The Pink Rickshaw Scheme) After deciding location and fare, I sat in the rickshaw (like a boss) and We had a good talk. It’s been a year since she is driving and gave me an advice “ kuch na honay se kuch hona behtar hai ” that’s why I don’t quit.



She further told me, male rickshaw drivers irritate her and constantly create hurdles (they don't let her stand at a place near them) but she is determined to work. I also observed this, while we were discussing fare, a male rickshaw driver came right by us and started listening to our conversation. Few more accompanied him, some even said, *baji kidher jana hai* ?It was in the 1980's when 18-year-old Shila Dawre,First decided on doing something that her peers would not dream of driving. Not many women were encouraged to take up a male-dominated profession then, but Dawre was adamant that she would do something out-of-the box. So in 1988, she left her home in Parbhani district and came to Pune to become India's first woman auto-rickshaw driver.



**Anamika Bhalerao from Kasheli Bhiwandi Thane**

Bellow image depict that there were 465 women in the Mumbai metropolitan region and 83 others are from other parts of the state.



**Objectives of the study:**

- To study socio economic profile of women driver in study region
- To study their financial growth after having rickshaw
- To study Government scheme and policy

**Methodology:**In this research paper researcher uses primary data from various sources like data from government office like RTO (Thane) as well as personal interview questionnaire like closed and open ended, schedule along with secondary data like newspaper, magazines, journals, websites, etc. For analysis and interpretation of data researcher uses simple average, mean and median tools to classify and present.

**Hypothesis:**

- Rickshaw has become a life line of their family
- Making decision to drive rickshaw is better option than any other business
- Being educated and skilled to make use of driving license is beneficial to support family financially

**Limitation:**

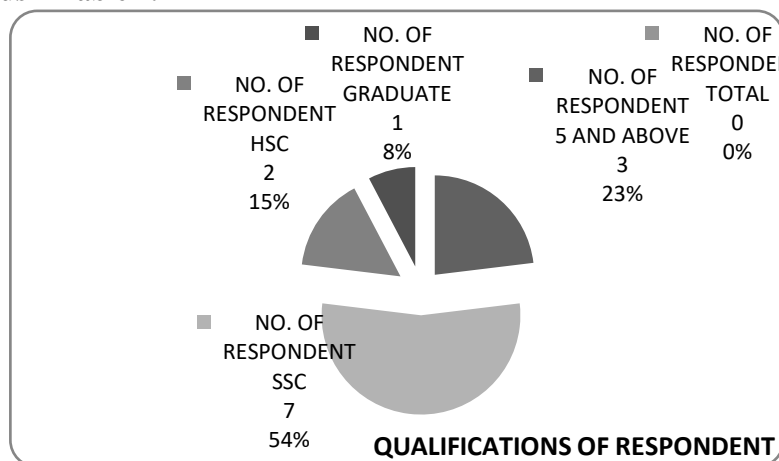
- Since the respondent is working as per their convenient time, it is difficult fir the investigator to approach them for filling questionnaire and take interviews regarding said objectives.
- To find out all the women rickshaw driver in the study region unable to get Complete data
- Availability of respondent

**Analysis of data:**We have studied a total of 40 women rickshaw driver in study region it is being observed that 100% were happy with the decision they have taken before to start this kind of business.

**Table – 1.1 showing the education of the women rickshaw driver**

QUALIFICATION	NO. OF RESPONDENT	PERCENTAGE
5 AND ABOVE	3	23.08
SSC	7	53.85
HSC	2	15.38
GRADUATE	1	7.69
<b>TOTAL</b>	<b>13</b>	<b>100</b>

**Educational status – Table 1.1**



**Figure 1SOURCE PRIMARY DATA**

**Educational status:**

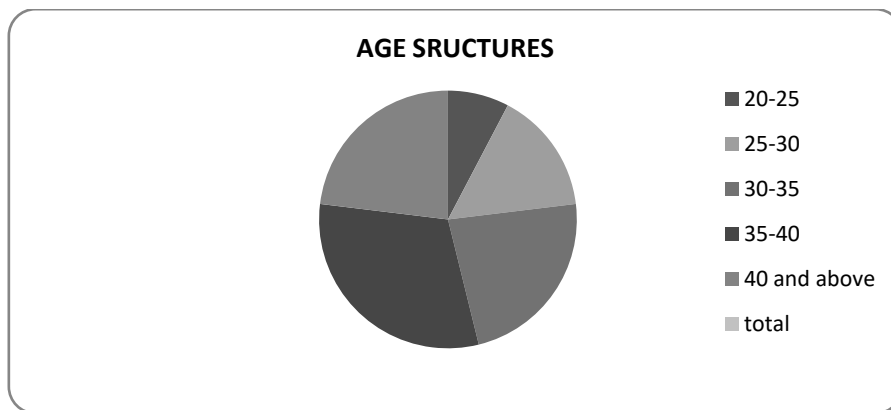
It is being observed by the study of women rickshaw driver among them were found that 13% women are passed above 5th standard major passing education is found that SSC 54% among them and HSC 15% respectively finally 8% were graduate

Family member and dependent

Overall observation shows 77% of the family members are above and dependent on them and very few that is one two and three members 8% respectively.

**Table No.1.2 Age structure of the respondent**

AGE GROUP	RESPONDENT	PERCENTAGE
20-25	1	7.69
25-30	2	15.38
30-35	3	23.08
35-40	4	30.77
40 and above	3	23.08
<b>TOTAL</b>	13	100

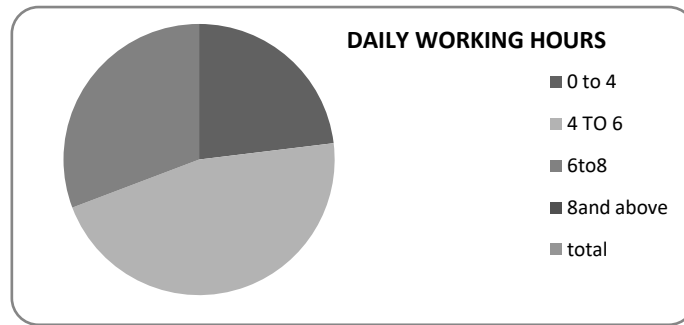


**SOURCE PRIMARY DATA (Figure 2)**

**Age structure:**31% were major found in the 35-40 age group followed by 30-35 and 40 above i.e. 23% and 15% under 25-30 finally are 8% found in 20-25 age group young and active women in this study

**Table No.1.3 Daily hours worked by the women rickshaw driver in percentage**

TIME	WORKING HOURS	PERCENTAGE
0 to 4	3	23.08
4 TO 6	6	46.15
6to8	4	30.77
8and above	0	0.00
<b>TOTAL</b>	13	100

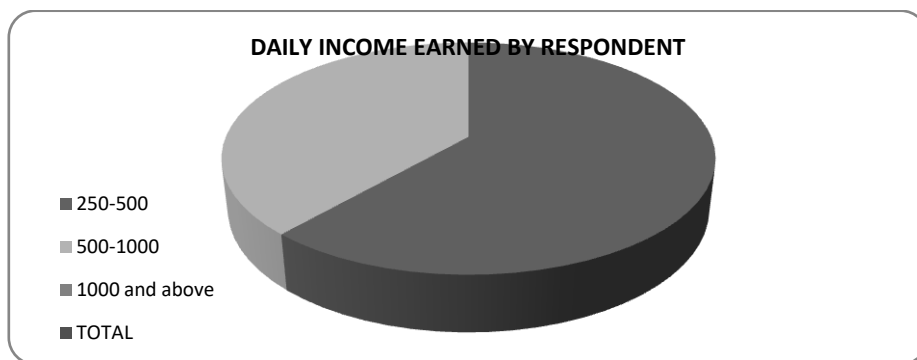


**SOURCE PRIMARY DATA Figure 3**

**Working hours:** It is found that by above table that 46% working in the group of 4-6 hours 31% were found in the group of 6-8 hours and 23% on the 0-4 hours' group respectively very rare in above 8 hours. Due to less children, family members to look after, often it is difficult and challenge to them less income as well. In the study we have not found any physical or verbal abuse by male members or public in day or night. The response is very good.

**Table No: 1.4 Daily income Rs. earned by the women rickshaw driver in percentage**

INCOME GROUP	DAILY INCOME	PERCENTAGE
250-500	8	61.54
500-1000	5	38.46
1000 and above	0	0.00
<b>TOTAL</b>	<b>13</b>	<b>100</b>

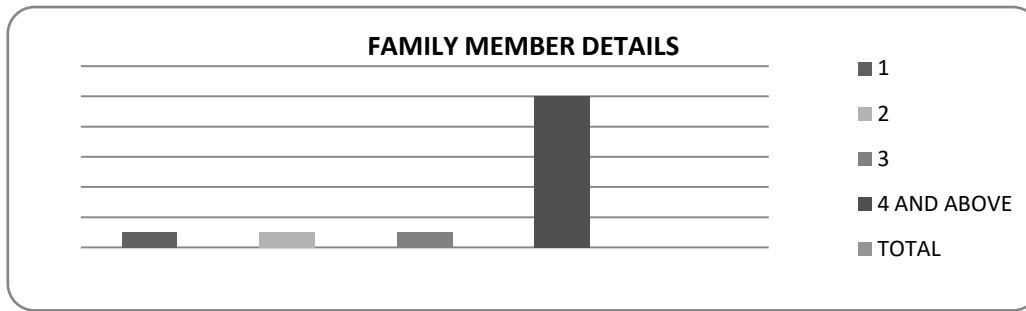


**Source Primary Data Figure 4**

Above figure reflects that 61.54 % respondents earn 250-500 income daily, and 38.46% respondent earn in range of 500-1000 as far as working hour concern. And as such no respondent was found who earns above 1000.

**Table No: 1.5 Table showing family members dependent on them**

FAMILY MEMBERS	RESPONDENT	PERCENTAGE
1	1	7.69
2	1	7.69
3	1	7.69
4 AND ABOVE	10	76.92
<b>TOTAL</b>	<b>13</b>	<b>100</b>



**Primary Source data figure 5**

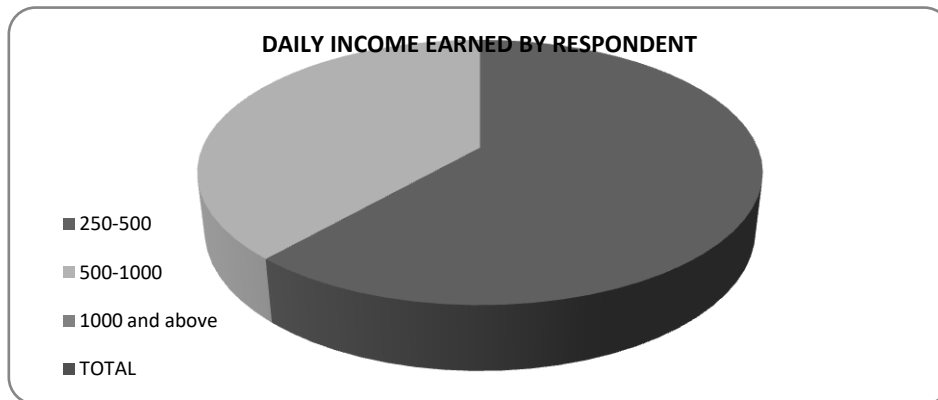
In above table all respondents have more than four members in their family and one member in rest of the respondent.

**Table no1.6 Daily saving done by the women rickshaw driver in percentage**

INCOME GROUP	DAILY INCOME	DAILY INCOME
250-500	13	100.00
500-1000	0	0.00
1000 and above	0	0.00

**Daily income:**We have made groups between 250-500 in this we found 62% were earning on daily by working in respective hour shown separately as per objectives concern and 38% were earning between 500-1000 respectively. Monthly expenses overall shows that is above 10,000Overall by study it shows 250-500 saving under in this group 100% less saving because daily expenses and EMI of the bank less business (working hours)

Study shows there were positive response from public as well as male members showed very good response.



**Figure 6 Source Primary Data**

Overall by study it shows 250-500 saving under in this group 100% less saving because daily expenses and EMI of the bank less business (working hours)

**Table No1.7 shows the Mudra loan scheme beneficiaries in study region**

Mudra loan mobilization till 07 April 2016 (In Rs.)

OBJECTIVES	INDIA	THANE
Shishu loan	Rs 2111 crore	NA
Kishore loan Beneficiaries	85,039 (1843cr)	5270000 (lakh)



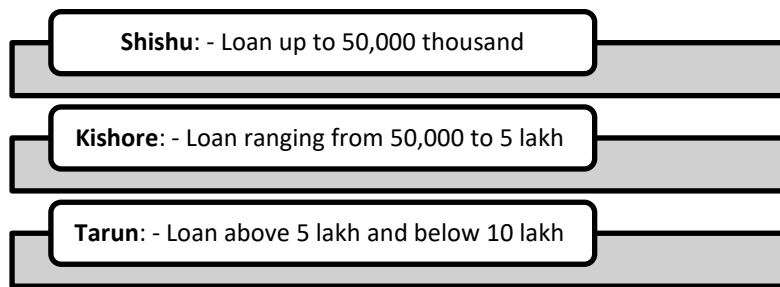
Tarun loans	25,852 (1875cr)	NA
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Till the date of 7 April 2016, the Mudra Yojana scheme in the state of Gujarat has served to 9.5 lakh beneficiaries under the ‘Shishu Loans’ category with a loans disbursement worth of Rs. 2111 crore, 85,039 beneficiaries under the ‘Kishore Loans’ category with a loan disbursement worth of Rs. 1,843 crore, and 25,852 beneficiaries have been served under the ‘Tarun Loans’ category with a loans disbursement worth of Rs 1,875 crore in the last 12 months. In study region it is found that under the objectives of mudra loan scheme 5270000 lakh has been disbursed in the year 2016. 40 women beneficiaries among 46 permit owner

**Pradhan Mantri Mudra Yojana:** Under the Micro Units Development and Refinance Agency (MUDRA) Bank is a new institution being set up by Government of India for development and refinancing activities relating to micro units. It was announced by the Finance Minister while presenting the Union Budget for FY 2016. The purpose of MUDRA is to provide funding to the non-corporate small business sector. Loans worth about Rs. 1 lakh have been sanctioned to small entrepreneurs under the Pradhan Mantri MUDRA Yojana, Prime Minister Narendra Modi said today, emphasising that the government wants youth to be job creators and not job seekers.

**Objectives of scheme:**

The objectives of the schemes are



These three categories will signify the growth; development and funding needs of the beneficiaries as well as it will assure the loan amount to be allotted by scheme.

**Table No:1.8** Government loan disbursement, beneficiaries in India (Rs.) Sept 2015 to Small Scale Industries.

Loan	India	
Disbursement	240 billion	
Beneficiaries	1, 65,000/-	
Government mobilization	157, 400,000/-	

Under this scheme, according nearly 1, 65,000 people avail the over-drafting facility where the government mobilized 157, 400,000 for this scheme by 1 September 2015. As of 26th of Sep 2015, Banks have already disbursed 240 billion to 27 lakh small entrepreneurs under this scheme.

**Finding:**

- It has been seen that women rickshaw driver prefers to drive for subsistence instead of working as maid in various houses
- It’s been observed that awareness created among the women to become owner of rickshaw as a source of livelihood

- In future there may be formation of women rickshaw driver union for other benefits from government
- Mudra loan scheme is very supportive and useful for upcoming talent shown by the early lady rickshaw driver.
- It has been seen that the standard of living of the women rickshaw drivers increases better than earlier.
- Women are better calculated risk takers
- Women are more ambitious than men
- Women have a tendency to take long term views

**Conclusion:** Research on women are more broad base for accelerating the pace of women in the areas and in many others areas where potential exists to enable them to become successful business women.

**Suggestion:**

- To have a separate queue for women rickshaw driver
- There should be a representative for them
- Family support
- Their work should be noted

**Challenges:** The overall study not only as far as this paper concern woman are facing family interface like children and other members belong to family.

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*Daily newspapers Indian express, Times of India, Thane Vaibhav*

## STRENGTHENING THE NATION THROUGH WOMEN EMPOWERMENT: USE OF ICTS AMONG WOMEN ENTREPRENEURS OF INDIA

**Dr. Rupal Shroff** (Assistant Professor) Thakur College.

**Sweta Mishra** (Coordinator, KES Shroff College of Commerce)

### **Abstract**

Women entrepreneurs in India, represent a dynamic group of literate women who have walked away from the traditional business track and are exploring new avenues for economic participation. Diversity, change and information are the main fundamentals of growth in today's world; the age of innovation in information and communication. The focus of businesses has shifted to earning more market visibility and enhancing social wealth in their society. New restructurings in the business environment give rise to technological innovations to combat the ever increasing competition. Women entrepreneurship has been recognized as an important source of economic growth. Women entrepreneurs have become important players in the entrepreneurial landscape. Although the number is still small as compared to businesses owned by men, this is encouraging as it shows that women no longer adhere to the stereotype that only men can be wage earners in the family. Women face a variety of traditional views and perception of clients, demands at home and other family oppositions leading to lack of support. Besides numerous obligations assigned to women including reproductive chores, such as childcare and doing house work, women can find success through their own businesses. Women Entrepreneurs in small businesses give a significant impulse to economic growth and development of each country. The aim of this study is to understand the role of ICT and social media as an emerging opportunity for women entrepreneurs. This research focuses on the crucial role of social media in terms of its capacity, financial economies and large scale outreach. The research details to show a strong impact of the convergence of ICT and Social Media tools as an effective success tool for women entrepreneurs of India. The study seeks to assess the various factors which affect the use of Information and Communication Technologies (ICTs) by urban women entrepreneurs in India. The study also attempts to analyze whether the level of education of women entrepreneur, type of enterprise (service/manufacturing), form of enterprise and the years of operation have any effect on these factors. The study concludes that urban and educated women entrepreneurs use ICTs on a regular basis and respondents perceived that it gave them exposure to new opportunities and boosted their confidence.

**Introduction:** Women Entrepreneurship plays major role in economic progress, business maturity, national augmentation, and employment creation relying on it. Woman constitutes the family, which leads to society and Nation. Social and economic development of women is necessary for overall economic development of any society or a country. Entrepreneurship is the state of mind which every woman has in her but has not been capitalized in India in way in which it should be. Due to change in environment, now people are more comfortable to accept leading role of women in our society, though there are some exceptions.

**Status of Women in India:** Since the turn of the economy, the status of women in India has been changing due to growing industrialization and urbanisation, spatial mobility and social legislation. Over the year, more and more of women are going in for higher education, technical and professional education. Their proportion in the labour force has also increased with the spread of education and awareness; women have shifted from the extended kitchen, handicrafts and traditional cottage industries to non-traditional higher levels of activities. The development of Indian society is not possible without empowerment of women.

**ICT, Social Media and Women Entrepreneurship:** Information and Communication Technologies have revolutionized the ways in which businesses are done. New avenues for business development has opened up for women entrepreneurs finding new markets through e-commerce. The use of ICT helps in value creation, decision-making and various resources through sharing of purposeful

communication, marketing to a larger audience-base and effective usage of various software tools to manage business related activities. According to Annual Report of MSME (2015-16), there are about 2.15 lakh women entrepreneurs in the registered MSME sector and 18.06 lakhs in the unregistered sector. As per Global Entrepreneurship Monitor (GEM) Report 2013, the total female population in “Entrepreneurial Activity” was 6.4% increasing it two fold in its 2016 report. Social Media also known as Web 2.0 has enabled modern entrepreneurs to be more in charge of the affairs as far as information is concerned. Web 2.0 or Social Media, has been recognised as the new tool in strategic marketing that offers a lot of different tactics for women entrepreneurs globally to advertise, market and attract clients, which leads ultimately to transactions taking place. Employing these tactics has allowed these women entrepreneurs to survive by creating economic advantages that enable them to prosper in this modern environment. Women, usually enter into entrepreneurship for financial issues. Thus financial success of the business is the ultimate goal of engaging social media platforms apart from other aspects of community building, reputation, knowledge and support management. ICT training in aspects of marketing, monitoring & controlling, communications, distribution, product development and visibility are the main core areas where women seek help and learning. There are various factors which affect the use of ICTs by women entrepreneurs like lack of education and training, lack of affordable finances, social & cultural disturbances and challenges from the male counter-parts. The study is an attempt to assess these factors through a structured questionnaire. It seeks to explore women entrepreneurs’ perception of these factors that stimulate the usage of ICTs for business development.

**Objectives of the Study:**

1. To explore and assess various factors that may facilitate the use of ICTs among women entrepreneurs in India.
2. To assess perceived benefits and uses of Social Media technology used by urban educated women entrepreneurs in India

**Data and Methodology**

- A structured survey questionnaire was designed after studying various reports about the relationship between usage of ICT and Social media to women entrepreneurs. The questionnaire was adapted from the model questions identified in UNCTAD’s guide on “Empowering Women Entrepreneurs through ICT’s” published in 2014. Around 100 women entrepreneurs from Mumbai (suburb- North Mumbai, Ward R) were contacted via internet, e-mail, telephone and field visits for the purpose of research. 58 responses were achieved.
- Snowball and Convenience Sampling design was utilized.
- Questionnaire consisted of 5-point Likert Scale questions measuring various factors affecting the use of ICTs and social media.
- Data was compiled through SPSS and analysed through frequency tabulation.

**Results and Discussions**

The descriptive analysis of totally 58 respondents surveyed is shown as below:

**Demographic Profile of the Enterprise & Women Entrepreneurs**

Demographic Factors	Categories	Percentage of Respondents
	20-40 years	74.1
	40-60 years	25.9
Level of Education	Upto 12 <sup>th</sup> std	10.3
	Graduate	43.1

	Postgraduate	46.6
Type of Enterprise	Manufacturing	32.8
	Service	67.2
Scale of Enterprise	Micro	37.9
	Small	46.6
	Medium	15.5

**Frequency of ICT Use:** 89.7% of the respondents use ICTs for business on a daily basis thus proving that urban and educated women entrepreneurs seems to be using ICTs

**Variety of ICTs Used:** Almost 89 % of respondents agreed that they use mobile phones, 90% use internet, 81% use a personal computer. 70% of respondents use social media tools like facebook, whatsapp, twitter and other communication apps to build customer relationship. This emphasises the modern usage of communication technology.

**Purpose of Using ICTs:** Almost 90% of respondents use ICTs for gathering information about products and markets, whereas only 27% use it for accessing financial services like taxes, registrations etc. 77.6% use it for advertisements, promotions and market development, while 84.5% use it for communication and networking.

**Perceived benefits of Using ICTs:** Respondents associated the use of ICTs with numerous benefits like better exposure and increased confidence. 58.6% of respondents agreed that ICTs enhanced productivity and 50% agreed that it boosted their confidence and help in better decision making. 50% agreed that use of ICTs help in increasing income, while 85% felt it opened new business opportunities for them. A majority of them owed landline and mobile number for their business purpose, 65.5% of them agreed that they had a website or webpage for their enterprises. The webpage seemed to be an added advantage for their business development.

**Factors Affecting ICT Use**

Result of Descriptive Analysis		
Statements		
	Yes	No
I access/use/own mobile phone for business purpose like gaining information.	89.7	10.3
I access/use/own internet for business purpose like gaining information.	91.4	8.6
I access/use/own PC/laptop for business purpose like gaining information.	81.0	19.0
I access/use/own television for business purpose like gaining information.	12.1	87.9
I use various forms of ICT for gathering information about products and market.	91.4	8.6
I use various forms of ICT for accessing financial services.	29.3	70.7
I use various forms of ICT for paying taxes.	13.8	86.2
I use various forms of ICT for registration and permits.	17.2	82.8
I use various forms of ICT for advertisement/market development.	77.6	22.4
I use various forms of ICT for communication and information sharing.	84.5	15.5
Use of ICT enhances productivity of my operations.	58.6	41.4
Use of ICT enhances my confidence.	50.0	50.0
Use of ICT helps in better decision making.	53.4	46.6
Use of ICT helps in increased income generation.	50.0	50.0
Use of ICT helps in having exposure to new opportunities.	89.7	10.3
Do you have a website/webpage for your business?	65.5	34.5

**Conclusion:** Women Entrepreneurs are linked to the development of the economic and social development of the country, yet they face considerable challenges. Competition from the male

counterparts in lieu of the advantages associated with the gender; mainly risk taking ability, mobility for business purposes and freedom from house-hold responsibilities are still some factors which limit the role of women entrepreneurship. ICTs play an integral role in facilitating entrepreneurship, making business functioning at a click. The development of ICT has created new infrastructure and opportunities for enhanced social inclusion. The study indicated that a majority of urban and educated Indian entrepreneurs are aware of various forms of ICTs and use them on a regular basis for business purpose. Most of respondents were interested in learning about ICT use but lacked any kind of formal training, they were unaware of the formal training institutes. Most of respondents were found to be unaware about various financial schemes through which they can expand or modernize their business using ICTs. The ICT industry must work with users, policy-makers and others to frame a set of opportunities that can be disseminated to those who would benefit most from it. The full range of implications for enterprise and entrepreneurship education needs to be considered Corporate, Government and NGOs must collaborate to train and equip women in using both traditional and modern forms of ICTs.

### Recommendations

1. Support the ICT infrastructure necessary for entrepreneurship education, arrangement of smart city network
2. Support the development of technology as both a tool and delivery method for entrepreneurship education and leadership.
3. Computers in schools and community centres, Development of online training materials relevant in the local context.

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## WOMEN AS AGENTS OF CHANGE

**Dr. Suresh M Surve, MA. (Pol.Sci) PHD, NET, MA. (Socio), MA. (Eco), B.Ed.** Assistant Professor in Political Science KES Law College, Kandivali West.

### **Abstract**

*Women are believed to be the largest untapped reservoir of talent in the world. With perseverance and determination, women around the world strive to prove themselves in order to reach the pinnacle of success. This paper studies women's participation in various fields of life. This paper mainly focuses on how women play an important role in today's time. This paper is mainly emphasized on women participation in politics and how well women manage it. Women's empowerment is most important. Women should get equal rights and opportunities as men get in society. Women's participation is required in every field be it politics, military, education or any other field women should be motivated and encouraged to participate. The study is based on secondary sources. The world today sees women excelling in a variety of fields, from exploring the universe as astronauts to even leading nations; there are few areas that are left uncharted. As women scale new heights and expand their horizons, they must constantly struggle to overcome the shackles of inequality and discrimination.*

**Keywords:** *Perservance, empowerment, participation, exploring, horizons, welfare, opportunities.*

**INTRODUCTION:** The empowerment of women is a multi-dimensional aspect which demands active participation of various stakeholders in a developing nation like India. Today the empowerment of women has become one of the most important concerns of 21st century. But practically women empowerment is still an illusion of reality. We observe in our day to day life how women become victimized by various social evils. Empowerment of women is essentially the process of upliftment of economic, social and political status of women, the traditionally underprivileged ones, in the society. It is the process of guarding them against all forms of violence. Women should be motivated to work in every field of life then there will be a change in economic, social and political welfare. In India, 33 percent of the seats in the local government level are reserved for women. After this women quota system was introduced in village councils across the nation, it is estimated that close to one million women have joined the elected local government bodies seeking reforms in the political structure and voicing their concerns regarding health, social security, livelihood, etc. Governments should take the initiative to make education compulsory for every woman and this must be strictly and effectively implemented. As women become more aware of their rights and entitlements, nations must also support their ascent towards liberation by following a zero-tolerance policy for sexual violence perpetrated against women and children. Women empowerment is very crucial in the entire world. Without the assistance and the cooperation of the women there cannot be any sort of fair politics in the world. Governments of many countries have reserved the seats especially for the women to contest the elections and make a presence in the movement of the politics. More and more women are getting active in the politics in order to make their presence more effective in the word of politics. Women politicians like Sonia Gandhi who is the president of the top political party in India hold a great command in the India politics and the rare so many women in the politics of the world who are really very dominating because of their individual humanity and social work Women in politics have done a lot in less time therefore this sir one of the biggest reasons of success for the women in the election of different kinds and all the levels. Women play a very important role in the development of the society. Women empowerment is very crucial in the entire world.

### **OBJECTIVES**

The main objectives of the paper are as follows:

- To understand whether women in rural as well as urban areas are given equal importance as that of men.
- To know whether every women has their own right to raise their voice against any injustice.
- To know whether women play an important role in today’s politics.

**NEED OF THE STUDY:** The scope of this study is wide and valuable. The study deals with women participation in various fields. Also, it deals with various problems about women’s participation. This study will help us to examine the role of women in today’s time.

**LIMITATIONS:** The survey is conducted among all class of people from various fields .The time, efforts used for conducting this research was limited and sample size was of 100 respondents. Primary data has been collected by conducting online survey and physical survey. The people targeted were the age of 20-40 years of age and received 76 responses through online survey and 24 responses through physical survey.

**RESEARCH DESIGN:** The main aim of this survey is to know women’s participation in every field and whether women’s are treated equally as that of men. Therefore descriptive research is being adopted to find out the women’s participation in various fields.

**RESEARCH METHODOLOGY:** This paper consists of both primary as well as secondary data.

**PRIMARY DATA:** Primary data has been collected by conducting physical survey as well as online survey. 76 respondents responded through online survey and 24 respondents responded through physical survey.

**SECONDARY DATA:** Secondary data has been collected by referring to various newspapers articles, research journals, etc.

**DATA FINDINGS**

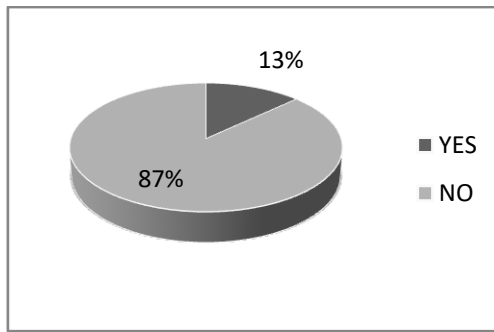
- 13% of the respondents feel that women gets equal rights as that of men while rest 87% of the respondents feel those women don’t get equal right as that to men get in the society.
- 97% of the respondents feel that women play an important role in every phase of life while rest 03% respondents feel that women don’t play an important role in every phase of life.
- 96% of the respondents feel that women should get equal opportunities in every field while rest 04% feel that women should not get equal opportunities as men getting society.
- 98% of the respondents feel that every woman should have a right to education.
- 83% of the respondents believe that women are not empowered in India while rest 10% of the respondents feels that women are empowered in India.
- 76% of the respondents feel that government should take steps for women empowerment in India.

**DATA INTERPRETATION**

1. Do you think women get equal rights as men get in society?

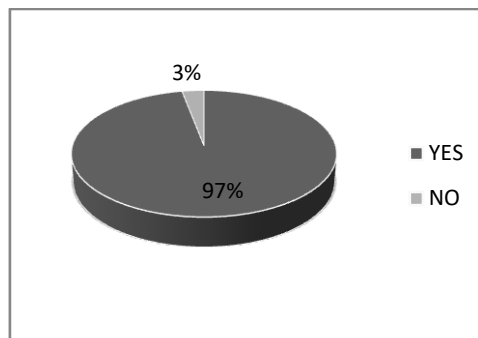
YES	NO
13%	87%





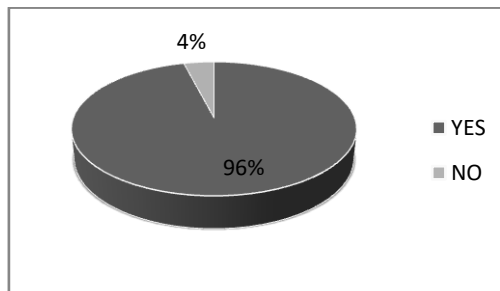
2. Do women play an important role in every phase of life?

YES	NO
97%	03%



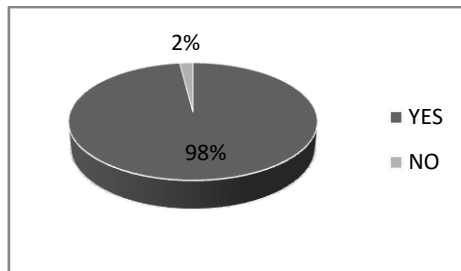
3. Do you think women in India should get equal opportunities in every field?

YES	NO
96%	04%



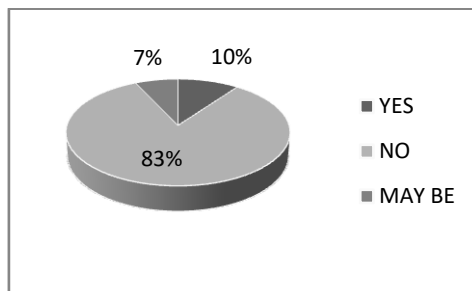
4. Whether every woman must have the right to education?

YES	NO
98%	02%



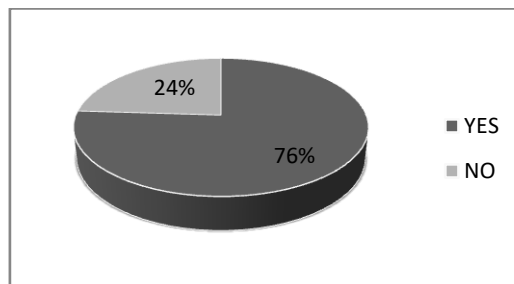
5. Whether all women in India are empowered?

YES	NO	MAY BE
10%	83%	07%



6. Does government take steps for women empowerment in India?

YES	NO
76%	24%



**HYPOTHESIS**

Ho: There are still many rural and urban area was women don't get equal rights as that to men get.

H1: Woman gets equal right as that to men in rural as well as urban area

**TESTING OF HYPOTHESIS:** According to the survey conducted, Ho hypothesis is accepted as there are still many rural as well as urban areas where women are not treated equally to men.

**HYPOTHESIS**

Ho: Every woman is empowered in India.

H1: Every woman in India is not empowered.

**TESTING OF HYPOTHESIS:** According to the survey conducted, Ho hypothesis is neglected as still there are many women's in India who are not empowered.

**ROLE OF WOMEN IN VARIOUS FIELDS**

**POLITICS:** India has one of the highest numbers of female politicians in the world. Women have held high offices in India including that of the President, Prime Minister, Speaker of the Lok

Sabha and Leader of the Opposition. The Indian states Madhya Pradesh, Bihar, Uttarakhand, Himachal Pradesh, Andhra Pradesh, Chhattisgarh, Jharkhand, Kerala, Karnataka, Maharashtra, Orissa, Rajasthan and Tripura have implemented 50% reservation for women in PRIs. Majority of candidates in these Panchayats are women. Currently 100% of elected members in Kodassery Panchayat in Kerala are women. There are currently 5 female chief ministers in India. The term 'political participation' has a very wide meaning. It is not only related to 'Right to Vote', but simultaneously relates to participation in various fields like decision making process, political activism, political consciousness, etc. Women in India participate in voting, run for public offices and political parties at lower levels more than men. Political activism and voting are the strongest areas of women's political participation. To combat gender inequality in politics, the Indian Government has instituted reservations for seats in local governments. Women turnout during India's 2014 parliamentary general elections was 65.63%, compared to 67.09% turnout for men. India ranks 20th from the bottom in terms of representation of women in Parliament. The Constitution of India attempts to remove gender inequalities by banning discrimination based on sex and class, prohibiting human trafficking and forced labor, and reserving elected positions for women. The Government of India directed state and local governments to promote equality by class and gender including equal pay and free legal aid, humane working conditions and maternity relief, rights to work and education, and raising the standard of living. Women were substantially involved in the Indian independence movement in the early 20th century and advocated for independence from Britain. Independence brought gender equality in the form of constitutional rights, but historically women's political participation has remained low.

**MILITARY:** The Indian Armed Forces began recruiting women to non-medical positions in 1992. The Indian Army began inducting women officers in 1992. The Border Security Force (BSF) began recruiting female officers in 2013. On 25 March 2017, Tanushree Pareek became the first female combat officer commissioned by the BSF. On 24 October 2015, the Indian government announced that women could serve as fighter pilots in the Indian Air Force (IAF), having previously only been permitted to fly transport aircraft and helicopters. The decision means that women are now eligible for induction in any role in the IAF. In 2016, India announced a decision to allow women to take up combat roles in all sections of its army and navy. As of 2014, women made up 3% of Indian Army personnel, 2.8% of Navy personnel, and 8.5% of Air Force personnel. As of 2016, women accounted for 5% of all active and reserve Indian Armed forces personnel.

**EDUCATION:** Though it is sharply increasing, the female literacy rate in India is less than the male literacy rate. Far fewer girls than boys are enrolled in school, and many girls drop out. In urban India, girls are nearly on a par with boys in terms of education. However, in rural India, girls continue to be less educated than boys. According to the National Sample Survey Data of 1997, only the states of Kerala and Mizoram have approached universal female literacy. According to scholars, the major factor behind improvements in the social and economic status of women in Kerala is literacy. Under the Non-Formal Education programme (NFE), about 40% of the NFE centers in states and 10% of the centers in UTs are exclusively reserved for females. As of 2000, about 300,000 NFE centers were catering to about 7.42 million children. About 120,000 NFE centers were exclusively for girls.

**SIGNIFICANCE OF WOMEN IN MILITARY:** If women are given importance in military then they will be able to show their skills and power in various ways. If women participate in military then they will develop their core strength on how to tackle difficult situation and how to overcome difficult

situations. Women should have their right to choose their own career and make a choice what they want to do in life. Women's participation in military is utmost important.

**SIGNIFICANCE OF WOMEN IN POLITICS:** Women represent half the population. It's just that a representative from every part of society is essential to represent the needs and bring the issue of welfare of that part forward in politics. India should work towards empowering women economically through microfinance programs and also encourage greater participation of women leaders in panchayats. If women are engaged in politics then they can put their views and opinions about some political leader and if women are in politics this will also help India to grow economically also.

**SIGNIFICANCE OF WOMEN IN EDUCATION:** Women play an important role in today's time. There is a need of women's participation in every phase of life. Everyone should have the basic right to education, be it men or women. If every woman is educated then there are less chances of something wrong to happen as women can raise their voice. Education plays an important role in everyone's life. Education is must for everyone.

**CONCLUSION:** Thus, I conclude that if women are educated and empowered in India then only there is a possibility of change in India. Women should be treated equally in every field and should also have equal opportunities as that to men have in society. If women are being empowered then there will be rise in economic welfare of the country also. If women are treated equally to men in the society then there is an agent of change in women. Women are the ones who are actively participating in politics also, so woman should also get chance. Media has been fruitful up to some extent in supporting the efforts and movements for women's emancipation and truly highlighting the status of women in society. It has the power of reinforcing the stereotyped images of women and their roles in society. A lot of work needs to be done for making women as equal partners in the political processes. There is a long association between media and politics. No country could be developed unless the women are politically empowered. Media should recognize women politicians, their voices, their contributions in decision making and highlight women's issues and also appreciate the work done by women in order. If women don't get opportunity to showcase their talent then India will not be developed country as women's participation in every field is necessary.

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## THE STORY OF AVANI: ANURADHA'S FIGHT FOR EMPOWERMENT- A CASE STUDY

**Ms. Shubha V. Chaubal, M.Sc. M. Phil, Assistant Professor, Tolani College of Commerce Andheri, Mumbai 400093**

### Abstract

Anuradha Bhosale is a Director of AVANI, an NGO in Kolhapur, Maharashtra, working for child rights. She is Founder of Women and Child Rights Campaign (WCRC), Kolhapur, India. Anuradha Bhosale is famous for her contribution in women's rights and anti-child labour activities. The Kolhapur district, Maharashtra, India where more than 35,000 children are involved in daily labour for local industries. Anuradha has spent the past 20 years fighting for the prevention of child exploitation, labour, trafficking, and female infanticide. As director of AVANI organization, she has facilitated the rescue of 541 child laborers, provided 5,604 migrant children the right to health care and education, organized the construction of schools inside the brickyards and established a residential home for migrant children. This paper is a case study of Anuradha Bhosale.

**Keywords:** Case study, Women's right, Child Exploitation, Rural Maharashtra

**INTRODUCTION:** Children are blooming flowers of the garden of society. It is therefore a duty on the part of the members of society to protect these flowers from the damaging effects of excessive exposure to heat, cold and rains and also not to pluck them to satisfy their momentary whims but the problem of child labour is a burning problem of Maharashtra. Child labour is generally speaking, work for children, which harms them or exploits them in some way, physically, mentally, morally or by blocking access to education. Maharashtra has the second highest number of child labourers in the country. The Child Labour (Prohibition and Regulation) Act, 1986, which is now being enforced, prohibits the employment of children below 14 years of age. It specifically prohibits the employment of all children under the age 14 in specified hazardous occupations and processes. It prohibits employment of children in 16 occupations and 65 processes considered hazardous to the health and psyche of the child. These include areas such as transport, domestic labour, slaughterhouses, automobile repair, construction work, handling of inflammable substances, eateries, beedi making and the cement industry.



Anuradha Bhosale



Anuradha Bhosale with members of AVANI

**THE STRUGGLE:** Anuradha Bhosale born on December 1971, in Shrirampur, 30 kilometres from the well-known town of Shirdi, Ahmednagar district in Maharashtra. The eleventh of 12 children, Anuradha had to work as a domestic help as the family faced a financial crunch. Her father was a pre-primary teacher and earned a salary of Rs. 150. Anuradha earned Rs. 10/- as a domestic help. Her paternal grandfather was converted first to Catholicism. He was a Hindu by birth, but he belonged to the lowest level in the caste hierarchy. He belonged to subhuman category. People of that category were denied entry into Hindu temples, they were segregated from main village and forced to live in

slum areas. They were denied entry into schools and had no independent source of livelihood. A converted Christian of any denomination technically at least becomes an outsider in Hindu society. Therefore, the taboos do not formally apply to him and he is formally liberated from the shackles of Hindu caste systems. The Christian missionaries treated these formerly outcaste people with sympathy and human warmth. Anuradha Bhosale grew up as a Catholic and had no inferiority complex. The Catholic mission in her area had established schools and hostels where she could be educated without difficulty. With her family in the desperate need of money, she became a child labourer. At the age of six she had slogged as a domestic help. She had to serve in four households. Her routine started from six in the morning and continued till 11 am and then rushed to her school. Sometimes on half – empty stomach. It was heavy manual work, like cleaning of pots and pans, washing of clothes, sweeping and rubbing of floors. Her employees however treated her sympathetically. He didn't mind if she worked and studied alongside, so young Anuradha saved money and enrolled into a nearby school, St Teresa Primary School, in the small village of Harigaon. After class seven, she was admitted into a boarding school run by missionaries. However, here again, she had to face humiliation as she could not afford to pay the monthly fee of Rs. 25/-. Later on, the church supported her higher education, because of which she could obtain a university degree in social work. Education has enabled her to get gainful employment. Anuradha married in 1996 and later gave birth to two children, Kadambari and Granth. Her marriage was an arranged marriage. It was one based on mutual understanding. Her friends and colleagues suggested to marry him. It was an inter-caste marriage. Her husband hailed from an underprivileged caste. She became a part of a joint family consisting of husband's mother, husband's grandmother, his elder sister and her three children. There were eight members in all throughout her marriage, neither her husband, nor in-laws supported Anuradha in her work. The family did not employ a domestic servant so her family duties began each morning 4:00 am cleaning the pots, washing the floors, clothes and preparing meals. Her marriage would later deteriorate to the degree in which her husband and in-laws forced her and her two young children out of the home with only the clothes on their back. Her mother-in-law and sister-in-law harassed her right from the beginning. She was used as a house maid by all of the in-laws. She was working at that time with Verala Development Society at Sangli town. She travelled every day 65 miles to and fro, office or field work from 11 to 6. Each day she reached home not earlier than 8.30 p.m. and then cooked the evening meal for the family. The in-laws were unhappy that she gave birth to a girl child. They blamed her as if it was her fault. Her second pregnancy happened after a gap of six years. Her daughter was six and her son only one when she was driven out of her home. However, she had learnt not to ever blame her destiny, only to script it. It made her resolve only stronger. .

**INSPIRATION AND SOCIAL WORK:** Her personal experience was enough to understand the vulnerability of women and children who hail from the economically weaker sections. Her life experience also proves the fact that given a fighting chance for self – improvement makes a world of difference for them. The experience of her married life became another school which gave her raw lessons about the vulnerability of women in a tradition – bound society like India. After graduating with a Master of Social Work from Nirmala Niketan College in Mumbai, she had broken-heartedly witnessed the plight of migrant children crushing rocks for road construction, and she had not forgotten the sight. Anuradha was well aware of the vicious cycle of child labour, beginning from the vulnerable position of women in a male-dominated society, and nearly always curving into children being exploited for manual labour and domestic work from sheer poverty. She took the first step of

introducing the families of these children to micro-finance by helping to organise self-help groups for women. In 1996, she joined Verala Development Society, whose mission was to provide homes to homeless, divorced and widowed women in Sangli and Kolhapur districts.

To address the root cause of child labour, she founded the Women and Child Rights Campaign (WCRC) to educate, empower and unite disadvantaged women who may be widowed, divorced and abandoned. Working at the grassroots level organizing meetings in rural villages, Anuradha drives change by providing marginalized rural women and children access to information regarding their legal civil rights. She motivates them to unite, do for themselves, pursue education and act on their own issues. As Project Holder in the Social Work Department of the Bajaj Auto Company in Pune, she managed environmental and sanitation projects in 124 villages in western Maharashtra, as part of their corporate social responsibility initiatives. In 2005, a group of migrant laborers requested Anuradha to create a special residential home just for migrant children who were at risk of child labour. She accepted and helped create AVANI Residential Home, initially run out of a hut made from mud and cow dung lacking electricity or running water. In 2007, the WCRC convinced the district and state governments of Maharashtra to form a task force to rescue child laborers under the age of 18. The WCRC provided the necessary training and education on the Juvenile Justice Act (J J Act) to the police departments and Labour Welfare Department. In 2007, Dr. Arun Gandhi, the acting president of the Gandhi Worldwide Education Institute (GWEI) began financially supporting the residential home that now houses thirty-seven children. They continue to work in partnership. GWEI has purchased some land outside of Kolhapur and is currently working towards building an institute for that will provide vocational and academic opportunities to migrant and underprivileged populations. In 2010, with the assistance of the WCRC trained village adults and children, 3,741 widows, divorced and abandoned women have started to receive their government entitlements reducing the need to send their children into the work force. The WCRC has a substantial presence in 15 rural villages in a 45-km radius around Kolhapur. 60 adults and children have been trained as leaders and now identify and act on their own issues.

In 2016, AVANI decided to run 12 'farm schools' for the children of the sugarcane cutters.

**AWARDS AND RECOGNITION:**

- The Global Exchange Human Rights Awards is to recognize the individuals and groups making a lasting difference, including those heroes whose efforts may have previously gone unrecognized. Anuradha Bhosale Nominated for Global Exchange Human Rights Award in 2012
- In 2013, Zee Marathi launched UNCH MAZA ZOKA PURSKAR, a platform to recognize the work of women across various fields and to bring out their outstanding stories that would enlighten and enrich the people of Maharashtra. Anuradha Bhosale was presented this award on national Indian television from the well-respected Indian Supreme Court Justice, Mrudula Bhatkar.
- Anuradha Bhosale was among the ten women chosen from across to receive the 2016 'Women Have Wings' award at Colorado in United States on December 2016.

**CONCLUSION:** While Anuradha Bhosale is visible at the helm of the women's right and anti-child labour cause in her region, her message will always be rooted in the belief that long-term change and growth can only be accomplished by encouraging people to educate and do for themselves. Now empowered and motivated to unite on their own, rural women have continued to hold regular village meetings relating their rights. Anuradha has always spoken of her work

as the building of a movement— instilling hope and courage for women to act on their own behalf is at the core of her life's work.

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## GENDERED BODIES IN PUBLIC SPACE: A STUDY OF GENDER SEGREGATION IN THE LADIES COACH OF DELHI METRO

**Ipsita Mitra**, Assistant Professor, Sociology, KES Shroff College of Arts and Commerce

### **Abstract**

*The paper aims to study the ways in which body and social space are inextricably intertwined in the performance of gender in everyday life. Public space is embedded with meanings and dispositions which are crucial for the constitution and presentation of gendered bodies. Based on an ethnographic study of gender segregation on Delhi Metro, the paper will highlight everyday negotiations of women commuters. Three case studies and one structured interview comprise the data of this paper which was collected in the month of September 2017. The findings of the paper indicate that 'fear' and 'freedom' are dichotomous realities in the life of a woman commuter and gender segregation as a strategy does not address the deeper issues of patriarchal control and invisibility of alternative gender systems.*

**Keywords:** Delhi Metro, gendered bodies, social space, gendered space, habitus

**Introduction:** This paper is an attempt to understand the location of women in public space by examining critically the notions of body and space within the framework of a larger gender power dynamics. The paper focuses on gender segregation in public space by looking specifically at the ladies coach in the Delhi Metro. The debate around gender and public space has been essentially one of segregation as opposed to non-segregation, both on public transport and in wider public space, and how the former promotes women's personal safety but engenders existing patriarchal norms, while the latter exposes women to greater risk but allows them increased opportunity to grapple with entrenched gender inequality. Urban public transport has witnessed an increase in the number of female commuters largely owing to women joining the labour force in large numbers. The urban landscape however has not changed in terms of making public space more accessible and safe for women. Women as part of their everyday routine navigate through complex webs of patriarchal norms in order to access work and education. This indicates the need for analysing commute from the point of view of women commuters and their understanding of public space in terms of safety, accessibility and mitigation of fear, that is in terms of its social properties. Thus it becomes imperative to recognise mobility as a key dimension of empowerment. This paper revolves around two concepts, body and space and thus will refer to Bourdieu's work which demonstrates how space enters into the very constitution of social life and identities and the location of habitus within it (Bourdieu 1977). From the point of view of social and human geography we will refer to Lefebvre's writings on the body-space relationship which include a conceptual as well as a historical and a political dimension. The gender relations will also be analysed from the point of micro-sociological analysis, informed by the works of Goffman and Butler. The aim of the paper is to look into some of the questions related to body and space by conducting an ethnographic study of the ladies coach in Delhi Metro.

**Research Objective:** To understand the relationship between patriarchy and space through a study of public transport.

### **Research Questions**

The main questions to be explored in the course of this paper are:

1. What is the notion of private space in public transport?
2. What are the contextual meanings behind the idea of 'safe space'?
3. How is space gendered?

**Methodology and Method:** Since the paper primarily deals with attitudes and meaning attached by actors to their movement in public space, a qualitative approach was followed to build three case studies of everyday female commuters. The case study methodology helped in arriving at a complete understanding of the cases, treating each respondent as a single unit of study embedded in a complex web of relations. An interview guide outlining the main themes was prepared and three narratives were collected through the course of the field work. The fieldwork along with the pilot study was conducted in September 2017. The three narratives were supported by a short structured interview conducted with a male Metro official. The information was collected over a period of three hours for each narrative which included both face to face interaction as well as telephonic conversations. It would be useful to outline the methodological issues here. One of the main challenges for the researcher was the dynamic nature of the field, which changed with every minute. The narratives used in this paper were all drawn from the field, in the sense that they were all frequent metro commuters but they were removed from the field for the purpose of these conversations. However, in each case, the researcher had observed them in the field and the questions and conversations revolved around their ideas of 'self' and 'space'. There was also an involvement of the self of the researcher as the topic was selected out of a basic concern regarding safety of women in Delhi. This was further enhanced by the position that was being taken by the authorities regarding their duty to provide women safe space by implementing sex segregation strategies. The self of the researcher was thus intimately involved.

**Literature Review** The orientation for this paper attempts to build the theoretical framework by proceeding from the theory of practice and habitus to field and space, towards gendered social interactions. Bourdieu's theory of practice or the mode of generation of practices which looks into the dialectics between internalisation of externality and externalisation of internality through the concept of habitus is our starting point. Bourdieu (1977) defined habitus as 'systems of durable, transposable dispositions, structured structures predisposed to functioning as structuring structures, principles of the generation and structuring of practices and representations which can be objectively "regulated"... collectively orchestrated without being the product of the orchestrating action of a conductor'.

The habitus is the source of strategies. Practice is never merely a mechanical reaction to roles or other mechanism. The cognitive structures which are a product of our habitus restructure the world outside in the same manner. He also related habitus to embodiment where the 'dialectical relationship between the body and a [socially structured] space' is important in the 'embodying of the structures of the world'. According to Kirsten (2005) Lefebvre's contribution to a geographical theory of the body, in particular when it came to the conception of a generative and creative social body, was an intrinsic part of social practice. It is also important to note that Lefebvre's conception of the body was developed in creative dialogue with other philosophers, such as Marx. Lefebvre's theorizing of the body inevitably involved a focus on space, on the body's implication in and constitution of a 'sensory-sensual space'. He established an indispensable connection between the history of the body and the history of space and, more particularly, comprehending the shift from 'the space of the body to the body-in-space'.<sup>70</sup> Lefebvre's interest in the body was founded on a conception of practice to everyday activities, and to overall social practice in the economic and political spheres. Theoretically, then, the

body serves both as point of departure and as destination. It is an intrinsic part of the 'lived experience' - an experience that in modernity, from Lefebvre's point of view, is exposed to a tendency to be drained of all content by mechanisms of language, signs and abstractions, but which cannot be totally erased. As part of the lived experience, the body constitutes a practico-sensory realm in which space is perceived through smells, tastes, touch and hearing as well as through sight. It produces a space which is both biomorphic and anthropological. Lefebvre discussed how the relationship between body and space are involved in the constitution of the self. Spatial practice embraces social production and reproduction. It would thus include the urban studies and the creation of zones for specific purposes. Through every day practices, space is dialectically created as a human and social space. This aspect of spatiality helps to ensure continuity and some degree of cohesion in social configurations. The spatial practice of a society at the same time propounds and presupposes its space in a dialectic interaction; it relies on a 'common-sense' understanding of space including both the taken-for-granted dimensions of everyday life and the rationalized institutions and urban networks that we pass through in our daily routines. Lefebvre characterizes this space as a perceived space, which embodies the interrelations between institutional practices and daily experiences and routines. Representations of space are connected with the dominant 'order' of any society and hence with its codes, signs and knowledge about space. These are the forms of knowledge of space in society, the ideological content and claims of truth of theories, and the conceptual imaginations of space linked to production relations. This is a conceived space, conceptualized and discursively constructed by professionals and technocrats - planners, developers, urbanists, social engineers and scientists - and mediated through systems of verbal signs. If we apply a Foucauldian term, it is the dominant discourses of space in a given society. These 'representations' are abstract, but have a substantial and decisive role in the production of space through social and political practices. Goffman's (1963) approach to the body, was characterized by three main features: (1) the body as a material property of individuals, as a resource which both requires and enables management of movements and appearances; (2) meanings attributed to the body as 'shared vocabularies of body idiom', and (3) the body as playing an important role in mediating the relationship between people's self-identity and their social identity. This analysis indicated that expressions, movements and communications of the body in social life are an important lens to understand the framework of body and space. Judith Butler's (1990, 1993) located gender as a performative identity which is enacted and embedded by dominant discourse of society. Sadana (2010) looked at the Delhi Metro as an important identity marker in the cultural geography of the city. She saw the ladies coach as a neutral space where new meanings can be forged and new identities can be performed. Further using a Foucauldian analysis, she stated that there is interplay of autonomy and surveillance in the space on the metro where gender is a negotiating category. Tara (2011) indicated that a gender specific coach in the Delhi Metro helped in creating a sense of safety. She also observed that the separation of male and female passengers starts even before boarding the train, that is, at the platform itself.

**Field:** Although the field was the ladies coach in the Delhi Metro, it was imperative to look at the social space of the Metro station as well. The first observation was at the platform itself. The ladies coach is the first coach at the platform. An interesting observation was that segregation would begin to take place at the staircase itself. The women usually walked on the right side of the staircase which would directly lead them to make a turn once they reached the platform towards the ladies coach. It seemed to be a case of direct avoidance of any contact with the men and the outside world. The second

observation was the way groups of mixed gender began segregating themselves at the platform. Single women hurriedly rushed to the pink marks on the platform. When it came to families, the mothers and daughters moved towards the pink coach while the men of the family remained in the adjoining general coach area. This raised the question of how far men were willing to give up the idea of 'protecting' their women. Further, if there was a belief that the women's coach is safe, why was there a need to still keep 'an eye' on the women by travelling in the nearest possible coach? The next group that could be observed were groups of friends comprising of both girls and boys. There were interesting dynamics at play in these groups. The men either ridiculed the idea of girls travelling separately or they were envious of the spacious pink coach with the empty seats. In both cases, however, the first reaction of the girls was to ask the boys if they could travel with them in the general coach. This observation gave a sense of some kind of agency that the women were trying to exercise which however, played out according to the influence of their male counterparts. The pink coach, in comparison to all other coaches were indeed less crowded, with more seating place and was spacious enough to enable an observer to look at the clean floors and the clean walls. The space itself is very easy to the eye and lends an almost soothing getaway from the chaotic platform world. There is a very clear distinction in the physical space. Secondly, women travelling alone almost immediately got involved in some personal activity demarcating their own personal space within the public space; the activities involved reading, listening to music, etc. And lastly, the striking thing about turning and looking at the general coach from the pink coach probed the question whether women are always at the receiving end of a male gaze?

**Narratives from the Field:** Ms. Priyanka Singh, 31 years hailed from Patna, Bihar. Her schooling and graduation were both from Patna where she studied in an all-girls environment. She came to Delhi to pursue MBA and was living in Delhi for the last 8 years. She shared that she met her husband about 8 years back at a coaching centre in Patna, which was also her first encounter with a mixed-gender class. She always preferred to travel by the pink coach. According to her, 'The men in the general coach are very uncomfortable to be around. I feel awkward with them standing around me, sometimes too close for comfort.' Her expressions and body language seemed to convey the same feeling of awkwardness and discomfort. Her hand gestures seemed to push away an imaginary crowd while she was conversing. She said that in absolutely 'necessary circumstances' she has boarded the general compartment and after boarding the train she has walked up to the ladies coach in the train itself. She talked about the 'mentality' of the men. She believed that Delhi men in particular have a mentality to view women as 'pleasure and enjoyment objects'. On asking her whether she felt the same about all men, she said that all men are not the same. Explaining this point further, she said that there are some cases where men do not touch women intentionally and that they invade the private space of women due to lack of space in the coach and the crowd (both of which may lead to a man accidentally brushing up against women). She also spoke of incidents where she asked men to vacate the reserved seats for women in the general coach and said that she found it 'empowering' to have a voice in the public space. Speaking specifically about the ladies coach, she said that she 'feels free'. 'Free' rather than 'safe' is an interesting choice of word. She also spoke of middle aged women who would often give disapproving looks to the young girls, especially those dressed in 'modern short clothes'. She again spoke in detail about male mentality, culture, values and mind-set of men and compared it with the Mumbai locals. She believed that although the condition of the public transport is almost the same in both cities, women feel much safer in Mumbai. She felt that the immigrant issue in Delhi had

shaped the 'city mentality'. According to her, 'Delhi has no culture of its own' and that over the years it had been taken over by men from U.P, Haryana and Punjab and that such traditionally male oriented societies cannot deal with modern life. She said that, 'A Bihari who keeps his wife in purdah in his village cannot all of a sudden adjust to girls in shorts.' Ankita Singh, 28 years lived alone in a rented accommodation in Safdurjang Enclave. She worked as a Business Analyst and had completed 3 years in Delhi. She hailed from Lucknow, Uttar Pradesh where she studied in a girls' school. She then studied engineering and got an MBA degree from Delhi. She believes that a separate coach for women is a very good option for travel since it helps in ensuring safety. According to her, 'women need to be protected'. She said that since she belonged to a small town, initially she was not able to adjust to the city and the freedom of movement in the city. She recounted the first time she felt uncomfortable in the metro was when she saw a couple travelling in the general coach and 'they got a little cozy in the presence of so many people.' She said, '*thodi toh sharam aani chahiye. Sab ke saath safar karna hai, sabko blue film nahi dikhana hai.*' On being asked if she was travelling with her partner on the metro, what she would prefer; the general coach or the ladies coach, she said, that she would travel in the general coach with her partner because it was his 'duty' to make her feel safe. Mrs. Subhadra Rao, holding an administrative position in Delhi University was in her mid-40s, said that travelling in the metro empowered her because her mobility was not dependent on anyone. The idea of going anywhere alone, without the driver, was never a possibility. It only changed with her husband being transferred and her son taking the family car. 'The metro became the only option I had' she said. 'You have to walk with a purpose. Not aimlessly. Within several days, riding it made me a different person.' Speaking specifically about the pink coach, she did not welcome the change at all. She said that Delhi is a city where women are not seen as 'people to deal with' which is ensured by giving them separate 'boxes' to travel. She said that even though the pink coach gave freedom to travel alone safely but the metro journey is never the final goal of travel. One has to travel for the platform, on to the road and it is here again that reality stares us back into the eye. The protection of twenty minutes is nothing in comparison to unending and long seconds of male stares and harassment one faces on the road. She also gave me an insight in to her childhood. She said that she grew up in a very protected home, but was always encouraged by her parents to go outside the school environment and mix with people. She very fondly seemed to remember her school days where she would, 'cycle around the colony with a group of friends' and had 'nothing to worry about. After marriage, and the birth of her children she wanted to create the same kind of free environment for her children too. Even though her husband wanted her daughter to study in a Girls' school, she ensured that her daughter would go to a mixed gender environment. The interview with Mr. Anil Singh\*, 35, Assistant Manager, Delhi Metro Rail Corporation, took place at his field office in Saket. I approached him with a structured questionnaire but due to paucity of time, only the key issues were spoken about. According to him, the responsibility of safety of women falls on Delhi Metro Rail Corporation authorities as they believe it is essential to create a 'safe' space for women so that they can travel 'without fear'. On asking him if the responsibility extended beyond the train, he had an interesting fact to share. He said that the officials in uniform, who are present at the entrance and exit of every Metro station, actually have no power and can act only on authorisation of a Delhi Metro Rail Corporation official. He said that deploying them enabled to create an illusion of safety and acted as a deterrent. He also spoke about maintaining the image of the metro as a world class travel and it was important that women featured in the image.

(\*changed name on request)

### **Analysis and Findings**

*'To think in terms of field is to think relationally'*

- Bourdieu, Outline of a Theory of Practice, 1977

*'Space reflects social organisation..people define space.. behaviour and space are mutually interdependent'*

- Shirley Ardener, Women and Space: Ground Rules and Social Maps,1981

The ethnographic study helped arrive at a deep understanding of public space and the creation of a safe space with respect to a gendered power dynamics. In recent time women's safety in the city streets has been an issue of growing concern. The debate on violence and fear of violence has been a constant theme in urban politics as well as within such academic disciplines of sociology and cultural geography. This paper seeks to examine these gendered bodies from a spatial perspective. This approach adds an interesting dimension to the study of ways in which women negotiate public space. Fear leads women to take precautions which are often spatial, such as avoiding certain parts of the city or not going out after dark. However, the spatiality of fear does not mean a simple identification and description of the most frightening places and areas, but rather a complex network of gendered spatiality. The objective was to discern patterns of spatial constraints which are inextricably intertwined with social constraints. The narratives are limited for arriving at a generalisation, however it would be significant to list out certain features that are prominent and would take this analysis forward. In all cases, there seem to be a similarity in the process of socialisation and the outlook that they have adopted later in life. This directs us to the implication of habitus of a person and how the structured structures of the mind lead to structuring structures outside the mind. For instance, it can be noted that the process of growing up in an all-girls' school, for one of the respondents, had an impact on the way the cognitive structures have restructured the social map as per space for men and space for women. The idea of patriarchy therefore needs to be reworked into a question of production and reproduction of space. Lefebvre discussed how the relationship between body and space are involved in the constitution of the self. In relation to the everyday practices of individuals-which are shaped by gendered power relations-space is not just a medium for interaction but is also produced by this interaction. Thus if the dominant ideology of patriarchy is taken into account, it continually impinges on production of men' and women's space even in public space. Lefebvre also emphasized his concern with examining the particular ways in which space has become 'the principal stake of goal-directed actions and struggles', and with the way in which 'space is assuming an increasingly important role in supposedly "modern" societies', highlighting the political dimension of the social field. However, if gender segregation is followed as a policy for public transport and mixed gender travel is not protected by the state and the people, public transport will never emerge as a site for resistance and protest. Such an approach implies that a growing malaise is contained in the ladies coach with an illusion of safety, while not treating the real issue at hand. It is also important to analyse the statement of the Delhi Metro Rail Corporation official separately. Sadana (2010) in 'On the Delhi Metro: An Ethnographic View', discussed about the image of modernity that the Delhi Metro Rail Corporation brings with it. Along the same lines, the promise of safe travel for a 'good image' as shared in the interview, is to ensure that women are shown in the image with big smiles. The authority's approach towards ensuring safety again restricts to two elements: fear of surveillance and space in the metro itself. What we mean by these two elements is that, surveillance is an empty fear as the security

guards in themselves have no power and the promise of safety in Metro finishes at the station and the wider world is again a struggle for the women to undertake.

**Conclusion:** The paper highlights the need for further research on body and space in a largely gendered public space. The research also brought forward many questions, such as, whether creating a separate space for women was in conformity to the larger patriarchal norms of the society? Is it the task of men, or authorities assuming the role of patriarchs to create a safe space for women? Is the creation of separate spaces restricting the emergence of these fields as sites of resistance and protest? And finally, what is the location of the third gender in a largely binary world of gender. Gender and invisible forms of patriarchy, as a social categories, thus need to be included in framing public policies at all levels in order to ensure a safe environment for women. Considering gender relations in public transport thus becomes imperative for an equitable transport system.

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## TO STUDY THE FACTORS RESPONSIBLE FOR WORK-LIFE PREFERENCES OF EDUCATED MARRIED WOMEN IN WESTERN SUBURBS OF MUMBAI

**Ms. Ganga Susheel Warriar**, Assistant Professor, Self Finance Department, KES Shroff College

**Ms. Vaishali Ojha**, Assistant Professor, Self Finance Department, KES Shroff College

### **Abstract**

**Women are the largest untapped reservoir of talent in the world. - Hillary Clinton**

The work culture, work preferences and many other factors affect the level of development, degree of prosperity and other growth factors of that particular country. Women are the integral part of any country. When we look toward a whole picture of our society we find that a woman compromises her work, profession and her passion to full fill her social and personal responsibilities by letting go her self-esteem needs. It is necessary to empower them and education is one of the main source to achieve it. This paper is an attempt to know the factors that motivates women for taking up employment and also the factors responsible towards refraining them to take up job despite being educated. According to this study the most important reason to work for women is 'To contribute towards family savings/expenditure' and the valuable reason for not preferring to work is 'To meet family demand w.r.t children, senior members etc'. Through this research we found that there are working women who are not happy with working status because of the stress that they experience at home probably due to their absence. Our research has proved that there is a relationship between number of dependents and work preference.

**Keywords:** Work, Preferences, Development, Empowerment and Family

**Introduction:** During early Vedic period women enjoyed high status in society. They were provided with equal opportunities to attain education and skills. There were many women rishis during this period who never married and illuminated others' lives with the knowledge of Vedas. But in later Vedic period women were discriminated in all aspects of life right from acquiring education, skill, decision making and other rights and facilities. Child marriages, widow burning and polygamy were some common degradable practices. Indian epics depicted women equivalent to their property. Arthashastra also contributed in dismissing women's liberation, they were not allowed to go anywhere without husband's consent. Today, women form an integral part of any system whether it at home or at work. But can we mention that their role stands upfront when it comes to house management? This study emphasizes on the preferences of work life made by them depending upon the various parameters like support from spouse, in-laws, etc. Females today outperform males in educational qualification throughout their school and college level. This research emphasizes on educated women as it is presumed that education will enable women to make right choices for their well-being, to get better jobs, to take right decision on their marriage and to take right decisions with regards to children. Researchers have felt that there is a need of family friendly policies at work place to enable women to take-up employment. In Maharashtra according to MH district level report 2015, In case of females, the Labour Force Participation Rate is almost half as compared to male counterpart. For male category of persons, the Labour Force Participation Rate (LFPR) is estimated to be 76.3 per cent whereas for females, the same is 35.4 per cent at State level based on Usual Principal Status Approach. In urban areas, the unemployment rate among females is significantly higher i.e. 5.5 per cent at State level based on Usual Principal Status Approach. The unemployment rates for different educational levels reveal that the rates are higher among the higher levels of education irrespective of area, age and gender. The highest unemployment rate is observed for well-educated females in urban areas in the age group 15-29 years. Misra Shuchi in her study has mentioned that women in rural areas actively participate in the economic activities for their livelihood as compared to their counterparts in



urban areas. Similarly Binoo Paul, professor at TISS, in his study based on analysis of the National Sample Survey from 2004-12 has found that for every 1,000 men who worked in formal sector, there were only 201 to 244 female employees, in the year 2011-12. According to him despite increase in urbanization and education facilities directed towards girls, there is not much change in women's participation in paid work.

### Objectives of the study

- a. To find factors responsible for taking up employment by educated married women: there are various reasons due to which women prefer to take up employment. It differs from person to person. Some of the factors responsible to prefer working are
  1. Economic necessity.
  2. Awareness of increased educational and economic opportunity for women.
  3. Husband's acceptance, approval and desire for the women to work.
  4. Competence to financially contribute towards household expenditure.
- b. To study factors responsible for not taking up employment by educated married women : there are many factors which hinder the path of employment for married women like unsupportive spouse or family members, additional responsibilities, lack of opportunity, and also there are some fixed factors like pregnancy, childbirth, nursing, etc which disrupt a woman's working life.

### Hypothesis

Ho - There is no relationship between family status and working preference.

Ho- There is no relationship between number of dependents and working preference.

### Research methodology

For sample collection convenience sampling method is used.

Sample size is limited to 100 respondents

**Limitations:** Because of paucity of time the study is limited to western suburbs of Mumbai, number of respondents is only 100, we have studied females whose educational qualification is graduation and above. This study emphasizes on married females, as they have to adjust after marriage with their male partner, in-laws and after motherhood, have to deal with parenting issues. They have to go through stress of balancing multiple roles that they are required to play at home and work front.

**Educated Women in this study** refers to women who have acquired a minimum qualification of graduation which can enable women to bring socio economic development. It will also enable them to make right choices with respect to their career and personal life.

The importance of education and employment for women are

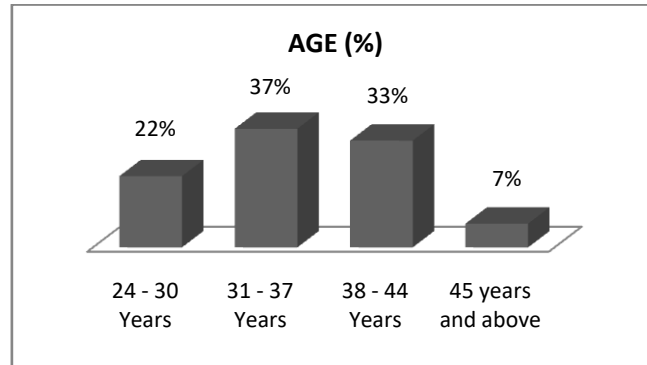
- 1. Empowerment:** Education and employment play a vital role in empowering women. It enables them to contribute towards the development of the country.
- 2. Economic independence:** Educated woman will be economically independent if she takes up employment and thereby she could share financial responsibilities in family life.
- 3. Better standard of living:** Education will enable women to acquire better employability attributes, which will enable them to get easy employment and to improve their standard of living. Standard of living has direct relation with the income level of the family.
- 4. Dignity and honor:** Education working women not only earn dignity for themselves and their family members but they can also act as role models for other women like in the case of Indra Nooyi, Chandra Kochhar, Kiran Bedi, Sushma Swaraj and the list goes on.

**5. Alleviate poverty from the society:** Women and men are the two wheels of a bicycle. They both jointly can contribute to a great extent towards uplifting backward section of the society. They have to ensure equitable economic development of our citizens. To ensure this woman has to participate in the socio – economic development of the nation.

**Interpretation**

From graph 1, majority of the respondents are from the age group 31-37 years i.e. 37 percent and least i.e. 7 percent is from age group 45 years and above.

Graph 1

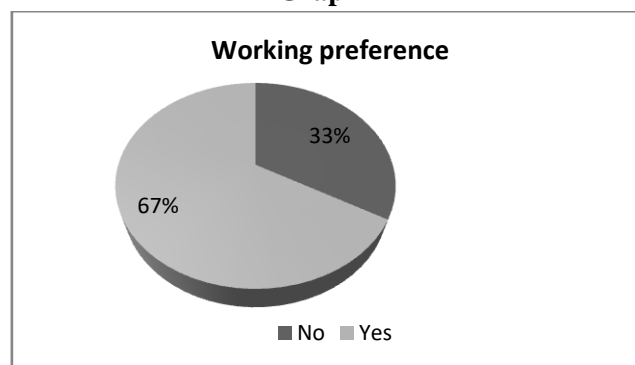


As far as qualification is concerned Table 1 below describes minimum qualification was graduation and 52 percent of the respondents were post graduate and 11 percent were professional degree holders such as CA, CS, Phd, etc.

**Table 1QUALIFICATION**

Profession and Education	Number of Respondent (%)
Graduation	37
Post Graduation	52
Professional Degree (CA, CS, ICWA ETC)	11

**Graph 2**



67 percent of total respondents were working and 33 percent were unemployed.

When asked for the reasons for their preference to work their responses were as follows :

**Table 2Reasons for working**

Reasons for working	Rank 5 – most important and 1 – least important	No of respondents (%)

To be Independent	1	45
To contribute towards family savings/expenditure	5	56
To learn	3	33
To have better standard of living	2	49
To explore the potential	4	35

According to table 2 the most important reason for working according to majority of respondents was ‘to contribute towards family savings/expenditure’, next most important reason for working was ‘to explore potential’, followed by ‘to learn’, ‘to have better standard of living’ and least importance was given for ‘to be independent’. As per graph 3 below, out of 67 working women, 72 percent were happy about their working status and rest 28 percent were unhappy being employed and the reasons for the same are as follows:

**Table 3**

<b>Reasons for not being happy being employed</b>	<b>Rank 5 – most important and 1 – least important</b>	<b>No of respondents (%)</b>
Stress at work	2	28
Stress at home	4	33
work life balance	3	22
Unable to give time to family	1	40

According to table 3 the most important reason for unhappiness being employed is ‘stress at home’, next important reason is ‘work life balance’, then ‘Stress at work’ and least important reason is ‘Unable to give time to family’.

According to graph 2, 33 percent of women were unemployed and the reasons behind not employed are as follows :

**Table 4**

<b>Reasons for not working</b>	<b>Rank 5 – most important and 1 – least important</b>	<b>No of respondents (%)</b>
No support from spouse	1	44
No support from family	3	28
Not interested	2	33
Family demand w.r.t children, senior members etc	5	25
No opportunity	4	48

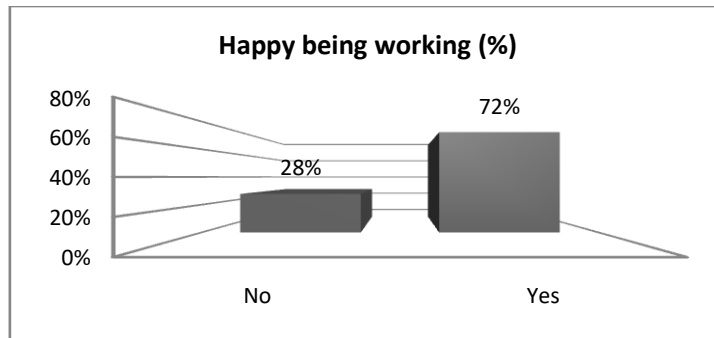
The most important reason for not working as per table 4 is ‘Family demand w.r.t. children, senior members etc’, next important reason is ‘No opportunity’, followed by ‘No support from family’, ‘Not interested’ and least important reason given was ‘No support from spouse’

Out of total unemployed (non working) women, 27 percent of them were happy about their work preferences and others were unhappy, so when asked for the reasons for being unhappy when unemployed the following were their responses :

**Table 5**

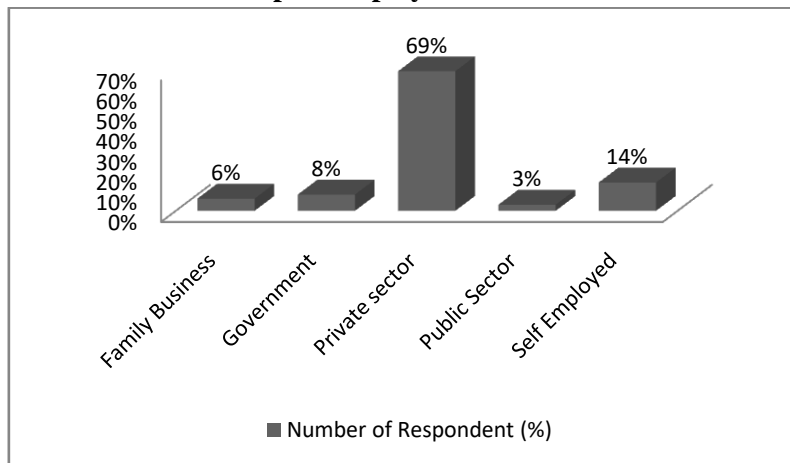
<b>Reasons for not being happy being unemployed</b>	
	<b>Number of Respondents (%)</b>
Not getting right job opportunity	42
Not able to work towards self development	25
Lack of financial resources	17
Not happy because still an amateur, so not earning as much as I expect	8
Would love to explore more opportunities to extract my potential	8
<b>Total</b>	<b>100</b>

**Graph 3**



Graph 3 above states that among the working women 72 percent of the respondents were happy with their working preference and 28 percent of respondents were unhappy with their working preference.

**Graph 4 Employment Sectors**



From Graph 4, it is clear that majority of working women were employed with private firms. Table 6 below conclude that out of total working respondents who were happy being working, 58 percent of them were working in private firms and it was also observed that all the 28 percent respondents who were not happy with working preference were from private sector.

If we consider women working in private sector 60 percent of them are happy with their preferences and 40 percent were unhappy with their choice.

**Table 6** Type of employment and happiness status

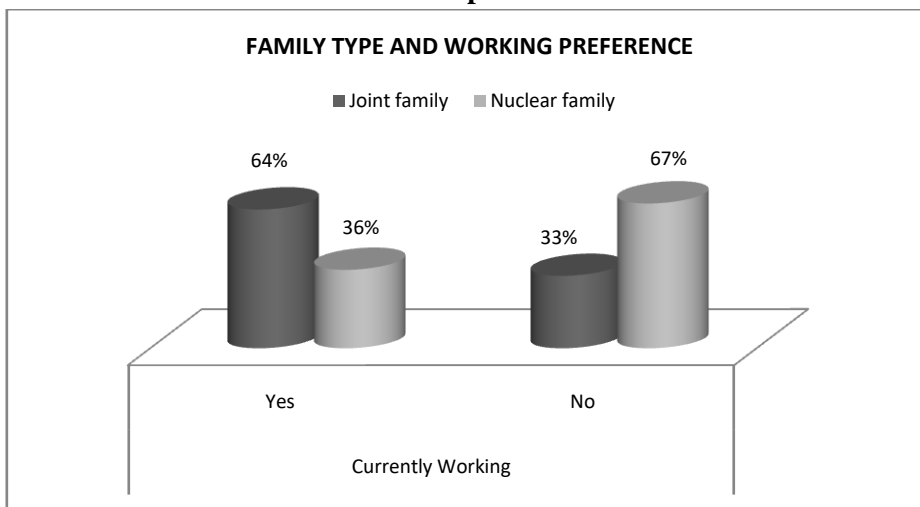
Type of Employment	Happy being Working	
	Yes (%)	No(%)
Family Business	8	
Government	12	
Private sector	58	100
Public Sector	3	
Self Employed	19	
<b>Total</b>	100	100

**Table 7** Education and working preference

Education	Working Preference in %	
	Yes	No
Graduation	60	40
Post Graduation	71	29
Professional Degree (CA, CS, ICWA ETC)	67	33

From the table 7 it is observed that around 30 percent of highly educated women i.e. those who are post graduate or having professional degree has no preference towards working.

**Graph 5**



From graph 4 above it is observed that 64 percent of working women were staying in joint family and 67 percent of non working women were staying in a nuclear family. Therefore researchers applied Chi square test to find if there is any relationship between these two variables or not. The results of the hypothesis testing are as follows:

**Ho – there is no relationship between family status and working preference.**

**H1 – there is a relationship between family sta**

**Table 8**

Family Status	Working Preference		fo	fe	fo-fe	(fo-fe) <sup>2</sup> /fe
	yes (x)	no (y)				
Nuclear	43	11	54	50	4	0.59
Joint	24	22	46	50	-4	0.32
<b>Total</b>	<b>67</b>	<b>33</b>	<b>100</b>			<b>Chi square value X<sup>2</sup> = 0.91</b>

Degree of freedom is 1 (2-1) and at 5 percent level of significance our calculated X<sup>2</sup> value is 0.91 which is less than table value 3.84. Hence our H<sub>0</sub> stands to be accepted, i.e. there is no relationship between family status and working preference and H<sub>1</sub> stands to be rejected.

Further the relationship between number of dependents and working preference were also tested using Chi square and results are as follows:

**Ho – there is no relationship between number of dependents and working preference.**

**H1 –there is a relationship between number of dependents and working preference.**

**Table 9**

Number of dependents	Working Preference		fo	fe	fo-fe	(fo-fe) <sup>2</sup> /fe
	yes (x)	no (y)				
1	24	16	40	50	-10	2.00
2	19	7	26	50	-24	11.52
3	19	6	25	50	-25	12.50
more than 3	5	4	9	50	-41	33.62
<b>Total</b>	<b>67</b>	<b>33</b>	<b>100</b>			<b>Chi square value X<sup>2</sup> = 59.64</b>

Degree of freedom is 3 (4-1) and at 5 percent level of significance our calculated X<sup>2</sup> value is 59.64 which is greater than table value 7.81. Hence our H<sub>0</sub> stands to be rejected and H<sub>1</sub> will be accepted. Therefore we can conclude that there is relationship between the number of dependents and working preference.

**Conclusion:** We can achieve woman empowerment when women participate in all the aspects of economic development. Woman empowerment would not only result in development of their self-esteem but will also ensure overall development of the society. Women have the potential to protect not only their family but also the society from disruptions. Also during research many cases were found wherein mothers returning to work after delivery found themselves not welcomed at work place or they find it difficult to get replacement of job. Industries are expected to have mother friendly norms which will reduce the stress of mother who keeps juggling the role of mother, wife and of an employee.

Some of the Challenges that need to be overcome for empowerment are

- The inherent inferiority complex among the females.
- High level of domestic responsibilities.
- Restrictions to participate in social, economic and religious activities.
- Discrimination in the field of education, profession, marriage and work.

To overcome the above challenges it is necessary to impart education, inculcate the practice of gender-equality and most importantly to take up employment. Women should also exercise their civil, social, political and economic rights.

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## EMPOWERING WOMEN FOR SUSTAINABLE DEVELOPMENT IN NAGPUR SLUMS

Samita Sengupta, KES' Shroff Degree College

### **Abstract**

*This research paper is an attempt to give voice of the voiceless. She can experience the strong convictions of a small group of social workers who help the exploited, the under privileged and the poorest of the poor women in Nagpur slums without fear or shame to bring about small but substantial changes. Human dignity, equality, equity empowerment and holistic sustainable development are main concerns of these social workers and hence, the central theme of the present volume. Empowerment of women and their struggle to achieve economic independence and freedom through meeting their needs without compromising the ability of others to meet their needs are the sky issues of discussion. The endeavour enunciates the potentialities of women, their aspirations, sufferings and achievements. It also vividly narrates the struggle of women against societal structure, systems, corruption, formidable inequities and their own degradations.*

**Introduction :** This write up is on self-help, empowering women and sustainable development. It elucidates the struggle of women in some slum areas in Nagpur city to achieve social justice, economic independence and freedom through meeting their needs without compromising the ability of others to meet their own needs. This endeavour enunciate the potentialities of the poor exploited and illiterate women, the fulfilment of their dreams and aspirations, the endurance of their patience and sufferings and the meaning and fruitfulness of their achievements. These women understood, though gradually and painfully, the need of conscientiza-tion, in their every day life together with social as well as economic progress in their family and slum community. The means they selected to achieve this end empowerment and for this they struggled against societal structures, systems, formidable inequities and their own degradations. Some of them became disenchanted during the course of the struggle, but majority of them fought against all odds because they realized that there were no alternatives to sustainable development than their own empowerment. The projects undertaken by Community Action for development with the active participation of women in Nagpur slums had the ability to sustain the flow of intended benefits continuously for a very long period of time even after their completion of implementation. These projects also had the capacity of continued delivery of services, maintenance of their improved infrastructures, long term institutional and grass-roots administrative abilities. The organization mainly worked among and with women because women are the worst affected by an unjust distribution of wealth in the traditional and patriarchal Indian society.

For empowering women for sustainable development, CAD relied on the following steps :

- i) Women were made aware of all the details of the projects;
- ii) They were involved in identifying their felt needs;
- iii) They were the policy makers and were provided enough opportunity to plan their own programmes on the basis of the policies they framed and they implemented the plans according to their needs;
- iv) They evaluated the success and failure of their work;
- v) CAD (Community Action for development) tried to develop among women a sense of ownership and responsibility for each project and programmes. It was achieved through delegation of powers and gradual withdrawal of the role of CAD from the project area.

Through continuing experience, CAD found that women's participation in development is a positive concept, closely related to their aspirations which symbolise their conviction about what they are and what the society and its surroundings they live in mean to them. Development, therefore, is an



achievement of women's assertion and of their desire of what they can or should become. It also reflects to a deeply-felt discontent about the pattern and standard of life women had in the past. Thus Women's empowerment and subsequent development, as understood contemporaneously, envelopes certain groups of themes which must direct the society for a better tomorrow where equity, social justice and freedom are respected in all walks of the society. Women's development, therefore, would include not merely material growth, but also, and perhaps more realistically and meaningfully, the blossoming of their intellectual, personnel, emotional, psychological, cultural and even spiritual progress. Empowerment of women and their sustainable development, in this context, cannot be a static motion, but a dynamic process; its approach is balanced integrative and holistic, it has common goals; and it is participatory in nature. The goals are realization of basic needs of all human beings. Sustainable development, therefore, directly reinforces permeation of quality in development efforts related to women and their lives and problems in society which espouses pronounced concern for accountability, ethics, morality, cultural moorings, ethos, social justice, equity and economic freedom of women. The participation of women helped in various ways to achieve the objectives of the projects, such as:

- (i) The key aim in women's participation in projects was to create desire and determination among women to improve upon their present and future life.
- (ii) It was also meant to identify local resources, human as well as material, to generate self-reliance among women;
- (iii) It was realized that to achieve sustainable development, awareness of the felt needs of women was absolutely essential, hence, conscientization was imperative in all projects;
- (iv) Mobilising available women power and resources, it was felt, for fruitful and productive community organization was essential for the success of various projects;
- (v) Helping the various communities to understand the new technology by way of arranging functional literacy programmes, social education, etc., were given top priority in the planning and execution of projects;
- (vi) The projects provided an open forum to the members of different slum communities, especially to youth and women where they could discuss their problems and find indigenous solutions which often proved meaningful and sustainable;
- (vii) The projects gave maximum priority in encouraging and developing local leadership;
- (viii) The emphasis was on acceleration of socioeconomic development of slum communities especially women and youth, to encourage to adopt modern change.
- (ix) Self-employment programme for women and vocational training for girls were some of the priorities of the projects, so that women could become economically independent.
- (x) The projects encouraged women to develop their own confidence instead of depending on others, and become self-reliant which was the key to empowerment of women and their sustainable development.

**Struggle for Social Justice and Development :**Every community has its struggles and each one has persons who initiate them and face upto them. The existence of social injustice combined with inequality of women is a continuous source of inevitable struggle. If violent upheaval is impossible, natural and legally acceptable changes are necessary to attain freedom of women in all strata of social structure. In India in almost all communities, authority structure is the primary source of struggle and generally, men are dominant in decision making, their implementation and the

enjoyment of fruits of women's work. Men often think that their authority is unquestionable. Such a system of authority necessarily involves struggle between those who give orders and those who take them, normally women. In such contexts, struggle modifies the interest of women as a group; it unifies them; it helps them to achieve solidarity. Struggle for social justice started by women in a community can be temporarily suppressed but cannot be abolished once and for all. In other words, struggle initiated by women, during their longing for equality are inherent in every community in different degrees but they cannot be dominated or ignored altogether. A male dominated family or community never finds equilibrium; such a unit or group has the structure of imperfectly entwined elements which are held together by the coercion of some factors. A community and its elements are always in the process of incessant change although at varying degrees; change and struggle between man and women are continuous features in such male dominated families or communities. Struggle for justice, equality and independence are inherent in the very nature of the structure of such units. Hence, empowering of women, which is an extremely difficult social process, in different communities vary in scope, nature, intensity and degree of velocity; that may be latent or manifest, gradual or accelerated. In such a situation, endogenous struggle between men dominated structures and women composed groups arise out of differential articulation of deep felt needs. So, every human community is subjected at every moment to change and social change is omnipresent as a result. It also indicates that every community experiences struggle between man and woman, even though dormant, such a struggle is ubiquitous. Since every family or community is an imperatively co-ordinated association and the structure of authority mainly rests with men, the sole basis of struggle is search for social justice and such tussles are impossible to eliminate altogether. Latent or manifest, women's struggle makes up one of the essential part of male dominated family life. Women's struggle may be regulated and its specific expressions temporarily contained but until male dominance is done away with, their struggle cannot be permanently resolved. Since differential sharing of power and fruits of labour are the fundamental source of their struggle, changes resulting from empowering women are essentially changes in the authority system. According to Rawls, social justice is intricately connected with the issues of equality and liberty. So total equality provides social justice and inequality must be for the benefit of the weaker :

The basic criterion with which to measure social justice to women, the requirements are :

- (a) That it must safeguard the independence of women; their position, opinion and decision;
- (b) That it must provide for positive discrimination in favour of women;
- (c) That it must provide equality of opportunity to women;
- (d) That it must envelope all women without exception;
- (e) That it must include provision for the utilization of women's potentialities;
- (f) That it must be impartial to all women;
- (g) That it must include economic, social, cultural and political aspects of women's life;
- (i) That it must be socially cohesive;

In brief, social justice is a holistic human perspective of a community. Eventhough it pre-supposes struggle, the notion of social justice is somehow implicit in every account of how people feel about equality. Many examples and incidents can be cited from our work with the slum women, especially the struggle and search for justice by the unwed mothers in different communities can give vivid pictures in this context.

The Projects mainly dealt with the following aspects:

- (a) The need of recognition of role of youth in development;
- (b) Cultural, economic, social and psychological reasons for the prevalent bias, including inequality;
- (c) Need to change traditional values, factors such as early marriage, repeated pregnancies, lack of education, pervasive social prejudice and lack of income generation activities, which contribute to depression of female youths' social status;
- (d) Need for evolving a strategy, based on education, employment and health with necessary family and community support to ensure equal status for female youths;
- (e) Need to involve them in decision making process, sensitizing towards poverty amelioration policies to gender issues; and
- (f) Need to evolve comprehensive development policy to tap full potentialities and capabilities of female youth.

Struggle by women in a society is functional because it contributes positively to the continued operation of the movement for equality and social justice and negatively towards the disintegration and change of a male dominated society. The functioning of women's struggle depends on consensus of the members of women groups on their common goals and values related to their basic needs of structural change. According to our experience the progress of the struggle for justice has functional requirements and they must be met if the struggle is to survive. They can be :

- (a) Role differentiation and role assignment of women in the community.
- (b) Provision for adequate relationship to the environment and other members of the community.
- (c) Meaningful communication and interaction;
- (d) Shared cognitive orientations;
- (e) A shared articulated set of goals;
- (f) The normative regulation of means;
- (g) The regulation of affective expressions;
- (h) Socialization;
- (i) The effective control of disruptive forums of behaviour.
- (j) Absolute faith in human equality and deep desire for social justice and strong, conviction for women's independence.

The struggle can sustain itself only if a sufficient proportion of women's group members perform their essential roles with an adequate degree of effectiveness for which order and motivation are essential. So, women's struggle for justice requires a sufficient proportion of members adequately motivated to act in accordance with the requirement of its explicit objectives. There are certain conditions for the stability for their struggle.

- (a) The struggle must be meaningful to the individual members of the women's group. The minimum needs of the majority of women must be met and individuals must be motivated to participate in personally valued and rewarding activities;
- (b) In women's struggle for social justice and development, there must be a minimum of control over potentially disruptive behaviour and adequate mechanism of control of their words and deeds.

- (c) There must be sufficient cultural resources for women in their own natural and social situations to internalize a level of personality adequate of struggle.

**Conclusion :**Consensus is an important but insufficient basis for integration among women who struggle for justice. Often women's groups fall short of complete consensus and often exhibit considerable dissensions. At certain times, consensus among members of women's group may have disintegrative consequences in the long run. But, it is a fact that without consistent struggle social justice and women's development are unattainable.

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## DYNAMICS OF COASTAL TOURISM: A STUDY OF SOUTH KONKAN REGION

**Amit Joshi**, *Asst. Professor, Economics, Swami Vivekananda Night College of Arts and Commerce Dombivli (E)*

**Abstract**

*Tourism has been identified as one of the fastest growing industries in all parts of the world. It accounts for 12% of Global Income. Tourism is economic activity of immense global importance. The Government of India has sanctioned 82.17 crores during 2015-16 (The Financial Express, 2017). In recent years tourism in Maharashtra in general and Konkan in particular has been showing increasing trends. The Konkan region happens to be most magnificent region conducive for tourism in general and coastal tourism in particular. The rationale of the paper is to assess the problems, prospects and challenges of the coastal tourism specifically in South konkan districts of Ratnagiri and Sindhudurg. The proposed study will have relevance to the research done in the area of coastal tourism. The objective of the study is to explore the significant factors that determine tourism activity in coastal Konkan belts of Ratnagiri and Sindhudurg district conducive for coastal tourism and to study the problems and prospects of coastal tourism in these belts. The data for this purpose has been collected by scheduling method with convenient sampling of 8 gram panchayat. The data analysis is descriptive as well as inferential with the help of graph and multiple regression analysis with categorical variables. The tourism destination did face several problems but it had several prospects as per the data collected. Hospitality and Accommodation and Number of activities were found to be statistically significant while infrastructure facility especially road condition was found to be insignificant in determining tourism.*

*Keywords: Coastal Tourism.*

**Introduction:** Tourism has been identified as one of the fastest growing industries in all parts of the world. It accounts for 12% of global income. Tourism is economic activity of immense global importance. The most significant economic feature of tourism industry is its capacity to generate large scale employment opportunities, particularly in the remote and underdeveloped areas. It offers enormous potential for utilizing natural resources like landscapes, mountains, beaches and rivers etc. for the economic benefits of population. It also adds value to a multitude of human-made attractions such as monuments, palaces, forts and unique rural and city environments. It employs large number of women and local people in hotels, travelling services, sports and entertainment activities and handicrafts and other tourism related activities. The economic benefits derived from the tourism activity have shown increase in the recent years. The redistribution of wealth from rich to poor, urban to rural areas, incentive for preserving worlds natural attractions and employment generation and infrastructural development, increase in the Revenue of the Government are some of the economic benefits that can be mentioned. The multiform character of tourism is its deception in determining its supply and demand pattern. However, tourism and economics are very intimately related because the relationship is always expressed by means of tourism's contribution to economic development.

Tourism market has certain peculiarities as follows:

- a). Tourist services cannot be stocked and tourist resources are fixed.
- b). The consumption of tourist services is made possible by travel that is by the journey of the consumer.
- c). The tourist service is a combination of measurable and non-measurable goods. Tourism can be expressed by gallons of petrol, by kilometers of railway, by kilograms of food items that are consumed and measured, pleasure of the eyes, pleasure of the body and cultural emotion that cannot be measured in arithmetic fashion.
- d). Tourism services are highly specialized markets that include hospitality and recreational activities.
- e). Tourist supply has low degree of elasticity. Most tourist plant meets only a single need. Such plant is used only by tourist like ski-lifts, pleasure boats etc.

Tourism contributes to the Balance of payment as it allows savings to be spent on travel, cruises, visits to arts center, health resorts, visit to international sports events, fairs and festivals etc. This leads

to redistribution of income that permits increase in the employment opportunities. It is also a tool for regional development. This depends on a medium –term forecast of the level of the overall tourist demand (national and international) and take into account the probable importance of the site or of the region of the country which is proposed to be developed as the tourist site. Developing tourism as an export is very necessary for the developing countries desiring to obtain the industrial equipment to create, in this way, the general conditions for independent growth. It is the main source of foreign exchange and an important factor in the development of industry and international trade for many countries. Tourism reorganizes public finance by increasing public income by taxation and so the public budget based on insufficient economic activity will be compensated by promotion of tourism. The subsidies and assistance given by developed countries and international funds as aid loans are reduced and the ratio of debt eliminated. Tourism also attracts available capital. Many tourism projects lack capital for development but private investment always looks for comfortable atmosphere than for public investment. Thus tourism facilitates redistribution of National Income. It assists in creation of new opportunities and possibilities of employment opportunities. The internal effects of tourism stimulates employment by creating new jobs in the sector which in turn stimulates other supplementary industries like transportation, hospitality that may include construction of hotels, guest houses, restaurants, shopping markets, home stays, agriculture and local art industry such as handicrafts like weaving, embroidery, leather goods, woolen items, jewellery, pottery, food and beverage. The tourist will be incurring travelling expenditure to Railways, Road transport, Airways and water ways, local transport etc. He will spend on sightseeing, hotels, meals, drinks, entertainment, and sport activities and for the purchase of the souvenirs. All these activities help for inter-industry exchanges and assist the value of these purchases. Therefore the economic value of tourism is immense and significant.

**Rationale for the study:** Coastal tourism is one of the important components of tourism that needs to be studied in a depth as it remains one of the better options for the tourists across the world. The coastal tourism with environmental sustainability may also include features like: motivation for tourists is the observation and appreciation of nature as well as traditional cultures prevailing in the areas, it should contain educational and interpretation features and it minimizes negative impacts upon the natural and social cultural environment, and supports the protection of natural areas by conserving natural and cultural attractions and redistributing the economic impacts of tourism to the local people through employment. India is privileged to have vast coastline. The Eastern Coastal plain is a wide stretch of land lying between the Eastern Ghats and the Bay of Bengal. It stretches from Tamil Nadu in the south to West Bengal in the North. On the other hand Western Coastal Plain is a narrow strip of land sandwiched between Western Ghats and the Arabian Sea. It covers around 720km long coastline. It extends from Gujarat in the north and extends through Maharashtra, Goa, Karnataka and Kerala. Numerous rivers and backwaters inundate these regions. These rivers originate in the Western Ghats and they are fast flowing and mostly perennial, leading to the formation of estuaries. The Konkan region has tropical climate with high humidity levels. In Sahayadri khanda it is described as Parshuram-kshetra. Moreover, the abundant flora and fauna in this region substantiates Konkan with all the features essential for developing itself as popular tourism destination. This region witnesses all kind of climatic changes. There are number of pristine beaches along the coastal areas in the Konkan region. These beaches are the unique selling proposition of the otherwise small ordinary villages. The basic reason for this lies in the attitude, approach of the local residents towards tourism. The 500km Coastline between Mumbai and Goa is called Konkan region. The most important physical resource of Konkan is plentiful supply of water received during south-west monsoon period. It has around 50 varieties of algae, 27 species of mangroves and their associates, about 30 types of marine animals and nesting of marine turtles. There are various sandy and rocky beaches, fresh water streams and

mangroves near some of the beaches.(Ecological Society). The region is traversed by regional rivers that drain the heavy monsoon rainfall from the crest of the Sahayadri Hills. The generally uneven terrain is composed of eroded remnant ranges of the Ghats that form low lateritic plateaus on the west and terminate in a coastline of alternating bays and headlands. Only about one third of land is cultivable, and the population mainly lives in the relatively fertile river valleys mainly near the coast. The main crops are rice, pulses, vegetables and fruits like mangoes, jackfruit, kokum, peanuts, coconut and variety of spices etc. A large number of streams arising in the Sahayadri range join the Arabian Sea in this area. There are around 45 rivers that finally meet the Arabian Sea. This forms the basis for coastal tourism in Konkan. The climate, geomorphology and most important the Arabian sea serve as a rationale and potential dynamic for coastal tourism and if practiced in a sustainable manner will ensure not only the ecological benefits but also the economic benefits for a long period of time.

**Review of Literature:** Documentation of this development by academics has primarily focused on the environmental impacts that the industry has had and potentially would have on the islands. Ruchi Mehta (2014) highlighted the issues of sustainability in island tourism, climate change and coastal tourism and studied coastal tourism development in South-East Asia, Australia, Malaysia, Indonesia and Caribbean region Coastal tourism. Chawla.R (2010) has assessed and identified the popular destinations for Coastal tourism in India that covers East and West Coast of India. Singai D and Gautam P(2002) while studying the positive and negative dimensions of eco-tourism identified the touristic and environmental profile for tourism in Coastal areas. Gurudas Nulkar (2014) studied Velas Model of ecotourism and compared it with that in Murud suing observation and interviews and further analysed the success at Velas and offered recommendations for Murud. Gole. P (1997) carried out a detailed study on conservation of Bio-Diversity of the West Coast between Mumbai and Goa and suggested various recommendations to protect the Coastal biodiversity that will be in the long term interest of the localities. Ghosh .P and Datta .D (2012) assessed the status of beach dependent tourism and its impact of sustainability of the beaches in the long run through participatory community appraisals Honey.M & Kranz .D (2007) examined the structure of the tourism industry and its social, economic and environmental impacts of marine and coastal tourism and the global trends in tourism development, financing and marketing. They further analyzed coastal and marine tourism in several key regions identified by the WWF. UNEP (2009) report presented a guiding tool that all those involved in sustainable tourism planning and management to facilitate the use of resources in the coastal areas.

### **Objectives of the study**

The area of study being the coastal belt in the Ratnagiri and Sindhudurg district of Konkan. The dynamics of coastal tourism lies not only in exploring the untapped potential for coastal tourism but at the same time it is imperative to study the problems associated with coastal tourism in these two districts. It is important to identify the factors that determine tourism activity. Secondly, the investigator intends to study the problems and prospects of coastal tourism in these belts.

The objectives of the above study are:

- 1). To explore the significant factors that determine tourism activity in coastal Konkan belts of Ratnagiri and Sindhudurg district conducive for coastal tourism
- 2). To study the problems and prospects of coastal tourism in these belts

**Methodology and Analysis:** The study undertaken was related to the problems and prospects of the coastal tourism in the Konkan districts of Ratnagiri and Sindhudurg. The data collection method was primary and the method of collecting the data was through interview. The respondents were mainly the local bodies i.e. grampanchayat members, sarpanch and gramsevak. The coastal zone from Ratnagiri and Sindhudurg were selected through convenient sampling. The coastal grampanchayats

from Sindhudurg districts selected for collecting the data were Medha(Nivti), Achara, Kunkeshwar and Devgad each of them having their peculiar feature whereas the coastal grampanchayats from Ratnagiri district selected for collecting the information were Ganapatipule, Guhagar, Hedavi and Velneshwar. The information related to visit of tourist, infrastructural development main occupation, industrial development, employment generation due to tourism in the village, plans to develop tourism activities, problems and challenges faced, policy of attracting tourist, benefits in the form of revenue to the local bodies were extracted from the office bearers/authority of the grampanchayat. The method for collecting the data was primary specifically through interview of the authorities of the grampanchayat like Sarpanch/Gram Sevak with the questions that revolved around the objectives of the study and his responses and the content he provided for the study were noted down. Every coastal area has its unique problems of which some of them were common. In order to explore the significant factors that determine tourism activity in coastal Konkan belts of Ratnagiri and Sindhudurg district conducive for coastal tourism, the response variable was fixed as no. of tourist visit to that area on yearly basis. The independent variables were tourism activities, road condition, hospitality and accommodation, shopping facilities. The independent variables were interval as well as categorical. Descriptive analysis is given in the form of graphs where problems and challenges and positive prospects are diagrammatically presented. The inferential analysis was done through dummy regression model using Excel Analytical tool pack.

**Results and Findings:**The analysis of data was done descriptively as well as inferentially. The problems and prospects were analyzed descriptively while inferential analysis was done for determining the factors that contributed to Tourism in the coastal belt of south konkan i.e. Ratnagiri and Sindhudurg district.

**(A). Descriptive analysis:**The data collected for the study was related to problems and prospects associated with the coastal tourism in the eight coastal grampanchayats selected for the study. After collecting the data the problems and challenges and prospects were identified for each sample zone and they are presented in a graphical manner. The common problems and unique problems for each grampanchayat were identified. The information was collected through scheduling method. The following table that is extracted from the primary data brings out the peculiar observations related to the problems and prospects of coastal tourism in the district of Ratnagiri and Sindhudurg.

**Table I**

District	Grampanchayats	Common Problems	Unique Problems
Sindhudurg	Medha(Nivti)	1). Absence of Changing Rooms.	1). Problem of Accessibility 2).Narrow Roads
	Achara	2). Water Scarcity.	1). Internal Disputes among villagers. 2). Superstitious attitude of the people. 3).Narrow Roads
	Kunkeshwar	3). Lack of enterprising attitude & professionalism.	1). Waste and Plastic Problem. 2). Limited Restaurants 3). Narrow Roads
	Devgad	4). Labour Problem	1). No tourism policy.



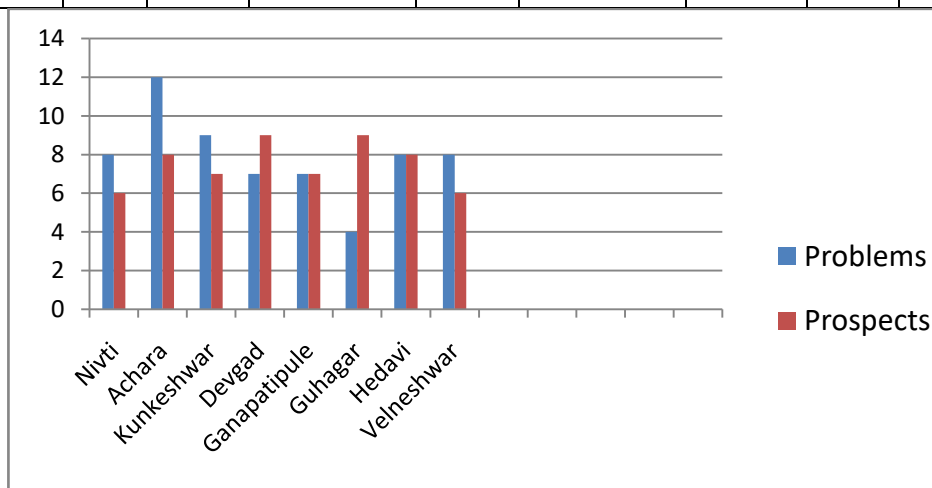
<b>Ratnagiri</b>	Ganapatipule	5). Coastal Security	1). High Environmental Cost 2). Absence of Waste Management
	Guhagar	6).Absence of sport activities.	No specific unique problem.
	Velneshwar		1). Lack of Drainage system and Waste Management System 2).Narrow Roads
	Hedavi		1). Limited Restaurants and Accommodation 2).Narrow Roads

**Source: Primary Data from the Respective Gram Panchayat**

The problems and prospects were quantified in numbers from the data collected and are tabulated as follows

**Table II**

Grampanchayat	Nivti	Achara	Kunkeshwar	Devgad	Ganapatipule	Guhagar	Hedvi	Velneshwar
<b>Problems</b>	8	12	9	7	7	4	8	8
<b>Prospects</b>	6	8	7	9	7	9	8	6



From the above graph it can be seen that Achara grampanchayat in the Sindhudurg district depicted more problems and less prospects whereas Guhagar grampanchayat in Ratnagiri district showed more prospects than problems.

**(B).Inferential Analysis**The total number of tourist visit is taken as dependent variable or response variable. The Multiple Regression Model with categorical variables was resorted to check the significant of the parameters in determining the response variable.

$$Y_i^{**} = b_0 + b_1 * X_1 + b_2 * X_2 + b_3 * X_3$$

**Y<sub>i</sub> \*\*:** Approximate number of tourist visiting in a year

**X1:** Number of Activities  
**X2:** Number of Hospitality and Accommodation  
**X3D:** Road condition  
**bo:** Intercept,  
**b1,b2:** coefficient of Independent variable  
**b3:** coefficient of dummy variable

The analysis tool pack in Excel 2007 showed the following results

<b>SUMMARY OUTPUT</b>								
<b>Regression Statistics</b>								
Multiple R	0.996767626							
R Square	0.9935457							
Adjusted R Square	<b>0.988704976</b>							
Standard Error	5.813720998							
Observations	8							
<b>ANOVA</b>								
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>			
Regression	3	20811.67759	6937.225864	<b>205.2473046</b>	<b>7.79E-05</b>			
Residual	4	135.1974074	33.79935184					
Total	7	20946.875						
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	1.478631467	3.920097092	0.377192562	0.725189038	-9.4053	12.36257	-9.4053	12.36257
X1	<b>8.512193678</b>	1.446617729	5.884203896	<b>*0.004169516</b>	4.495739	12.52865	4.495739	12.52865
X2	<b>3.735053865</b>	0.67981999	5.494180692	<b>*0.00534852</b>	1.847571	5.622537	1.847571	5.622537
X3D	3.351781698	7.466238839	0.448925057	0.676733146	-17.3778	24.08138	-17.3778	24.08138

\*: indicate statistically significant

**Interpretation**

The Multiple regression model with dummy variable (Di) can be fitted as per the given equation.

$$Y_i^{**} = 1.4786 + 8.5121 * X1 + 3.7350 * X2$$

High value of adjusted R-Square indicates that the Regression model is best fit. The ANOVA suggest that the Null hypothesis is rejected at 5% level of significance as F-Ratio is statistically significant and therefore all or at least some coefficients are significant in explaining the regression model relationship between dependent and independent variables. Further the p-values indicate that for intercept and the categorical variable the coefficients do not depict significant relationship as p-values for them are above 0.05, but for other 2 coefficients indicate statistical significance and they indicate significant relationship between the dependent and independent variables..

**Conclusion:** The study was undertaken for only 8 coastal gram panchayats in Ratnagiri and Sindhudurg district. The study provides for further scope for inquiry in to other coastal zones of Konkan. There are problems and difficulties in determining tourism activities in Konkan when

compared to tourism in Goa, Kerala and coastal Karnataka. Simultaneously creating touristic profile for coastal zones to improve quality of coastal tourism and building sustainable tourism models remains an important area to be concentrated on the part of the government.

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## EXPLORING THE KEY DIMENSIONS OF VOCATIONAL EDUCATION AND TRAINING [VET]: PROSPECTS AND RETROSPECT'S

**Bhumit Shah**, Assistant Prof. Department Of Co-Operative, Management and Rural Studies, Rural Studies, Faculty of Commerce, The Maharaja Sayajirao University Of Baroda.

### Abstract

Vocational Education and Vocational Training plays a vital role in human resource development of the country by creating skilled manpower, enhancing industrial productivity and improving the quality of life. The term Technical Education and Vocational Training are sometimes used synonymously. However, as per present practice, the term Technical Education refers to post-secondary courses of study and practical training aimed at preparation of technicians to work as supervisory staff. The term Vocational Training refers to lower level education and training for the population of skilled or semi-skilled workers in various trades and it does not enhance their level with respect to general education. There are various Ministries trying to impart vocational courses through innovative institutions, specially launched for the purpose of employment Generation. In doing so, the government is trying to maintain quality of these courses. Under the 11<sup>th</sup> Plan, vocationalisation of education has received a boost with more funds being allocated for the purpose. In this paper an attempt has been made to present some of the ongoing programmes of Vocational Education and Training being offered by the Government for the sustainable development of the rural people and also reviewing the linkages between 'Vocational Education' and 'Make in India'.

**Key words:** Vocational Education and Training, Government Programmes

**Introduction:** Vocational Education and Training (VET) is an important element of the nation's education initiative. In order for Vocational Education to play its part effectively in the changing national context and for India to enjoy the fruits of the demographic dividend, there is an urgent need to redefine the critical elements of imparting vocational education and training to make them flexible, contemporary, relevant, inclusive and creative. The Government is well aware of the important role of Vocational education and has already taken a number of important initiatives in this area. The Objective of Vocational Education and Training is to assess and describe the need for introducing Vocational education at higher and tertiary levels and for establishing a Vocational University. This also summarizes the present Indian Vocational Education scenario. The note also puts up recommendation for policies with the need for implementation at State and National Level and suggests possible models to introduce Vocational Education at the higher and tertiary levels. There are Various Government Programmes and Schemes for Developing Vocational Education and Training in rural areas. The Government plays a key role in policy development, standards setting, financing and monitoring and evaluation, while engendering greater competitiveness and accountability by training providers. For reforms to succeed, close involvement of the private sector at all levels from policymaking to being involved in running institutions, is critical and the Government is working closely with the private sector to move forward in transforming this vision into reality.

**Concept of Vocational Education and Training (VET):** Vocational education is education that prepares people to work in a trade, in a craft, as a technician, or in support roles in professions such as engineering, accountancy, nursing, medicine, architecture, or law. Craft vocations are usually based on manual or practical activities and are traditionally non-academic but related to a specific trade or occupation. Vocational education is sometimes referred to as *career* education or *technical* education. Vocational education can take place at the secondary, post-secondary, further education, and higher education level; and can interact with the apprenticeship system. At the post-secondary level, vocational education is often provided by a highly specialized institute of technology/polytechnic, or by a university, or by a local community college. Defining VET as a sector within the education system poses a number of difficulties. For the most part, general and academic education is seen as that which builds analytical skills, knowledge and critical thinking, while VET develops craftsmanship, practical experience and practical problem-

solving. However, this simple distinction does not hold up to scrutiny. Critical thinking and analytical skills are needed in the case of a good plumber or electrician who must routinely make judgements in order to solve problems. Equally, a good surgeon needs a large set of practical skills to masterfully operate a patient.

**Objectives of the Study:**

- 1) To understand and highlight the government programmes and schemes for Vocational Education and Training for rural area.
- 2) To Identify the Various Vocational Training Centres by the different Ministries of Government.
- 3) To understand and analyze the different programmes and provisions for Vocational Education and Training for sustainable development of the rural India.
- 4) To give an account of various skill development initiatives and to understand the benefits for Vocational Education and Training in India.

**Selected Institutions for vocational Education and Training Programmes: A Bird’s Eyeview**

**Training in use of Agricultural Implements and Soil Conservation Training Centre:** These provision was implemented by Ministry of Agriculture and Department of Agriculture Research and Education. Under the University Stream there are various Under Graduate, Post Graduate and Ph.D Courses are offered by the Department of Animal Husbandry, Dairying and Fisheries.

**Target Group:** The Main Target Group of this scheme is for those persons who are engaged in Agricultural institutions and support services and also the members of cooperative Societies and Farmers. The duration of this Training Programme is short term course.

**Food Processing and Training Centres:** These Centres was implemented by the Ministry of Food and Processing Industries. The grants were provided by the Government to NGOs for setting up of 326 Food Processing and Training Centres (FPTCs) during 1992-93 to 2000-01

**Target Group:** The main Target Group of this scheme is those persons who are leaving in rural area with a preference being given to women, SC, and ST and many others weaker sections of the societies.

**Basic Training of multipurpose health worker:** The concept of Multipurpose Health Workers (Male and Female) was introduced in 1974 for the delivery of preventive health care services to the community at the level of Sub-Health Centres (SHCs), the most peripheral health facilities, covering 5000 population in plains and 3000 population in hilly, tribal and difficult areas. The Multipurpose Health Worker (Male) is the grass root health functionary for the control of communicable diseases including Malaria, TB, Leprosy, Water Borne Diseases, as well as Environmental Sanitation, detection of disease outbreaks and their control, health education etc

**Target Group:** The main target area of this scheme is to covered Educated youth with minimum 10th pass and the persons who are working in Health and Family Welfare Programmes.

**Scheme of Vocationalisation of Secondary Education:** It was implemented by the Ministry of Human Resource Development. It was a Centrally Sponsored Scheme of Vocationalisation of Secondary Education was launched in 1988, which was implemented by the States for the formal sector and by the Non-Government Organizations (NGOs) in the non-formal sector. Under the scheme vocational courses are provided in general schools with 2 years duration after secondary stage.

**Objectives of the Scheme:**

- (i) To provide diversification of educational opportunities so as to enhance individual employability.
- (ii) To reduce the mismatch between demand and supply of skilled human resources.
- (iii) To provide an alternative for those pursuing higher education.

**Craftsmen Training Scheme:** The Directorate General of Employment & Training (DGE&T) in the Ministry of Skill Development and Entrepreneurship, Government of India initiated Craftsmen Training Scheme (CTS) in 1950 by establishing about 50 Industrial Training Institutes (ITIs) for imparting skills in various vocational trades to meet the skilled manpower requirements for technology and industrial growth of the country. Several new private ITIs were established in 1980's in southern states mostly in Kerala, Karnataka and Andhra Pradesh, etc. from where trained craftsmen found placement mainly in Gulf countries. In 1980, there were 830 ITIs and the number rose in 2014, there are over 10,750 ITIs having a total seating capacity of 15.22 lakhs.

**Jan Shikshan Sansthan (JSS) :** JSS was launched as an Adult Education Program of MHRD, aimed at improving the vocational skills and quality of life of workers and their family members. The programme initially focuses on adults and young people living in urban and industrial areas and those who had migrated from the rural areas. JSS has acted as a district level resource to organise vocational training and skill development programs. At present, 221 JSS are functioning in various States of the country.

**'Gram Uday to Bharat Uday Abhiyan':** This scheme was recently initiated by our honourable prime minister of India Narendra Modi on the 14th April 2016 at MHOW in Madhya Pradesh to develop rural area. The campaign aims to generate nation-wide efforts to increase social harmony across villages, promote rural education, strengthen Panchayati Raj, promote rural development, and foster farmers' progress and also on National Panchayati Raj Day 24<sup>th</sup> April 2016, Hon'ble Prime Minister will address programme on sanitation, a cultural programme as well as a sports programme, Optimum utilization of funds available with Panchayati Raj Institutions, Social inclusion including welfare of Scheduled Castes, Scheduled Tribes, person with Disabilities and other marginalized groups.

**NATIONAL POLICY ON SKILL DEVELOPMENT:** A National Policy on Skill Development has been formulated by the Ministry of Labour & Employment. The objective is to create a workforce empowered with improved skills, knowledge and internationally recognized qualifications to gain access to decent employment and ensure India's competitiveness in the dynamic Global Labour market. It aims at increase in productivity of workforce both in the organized and the unorganized sectors, seeking increased participation of youth, women, disabled and other disadvantaged sections and to synergize efforts of various sectors and reform the present system.

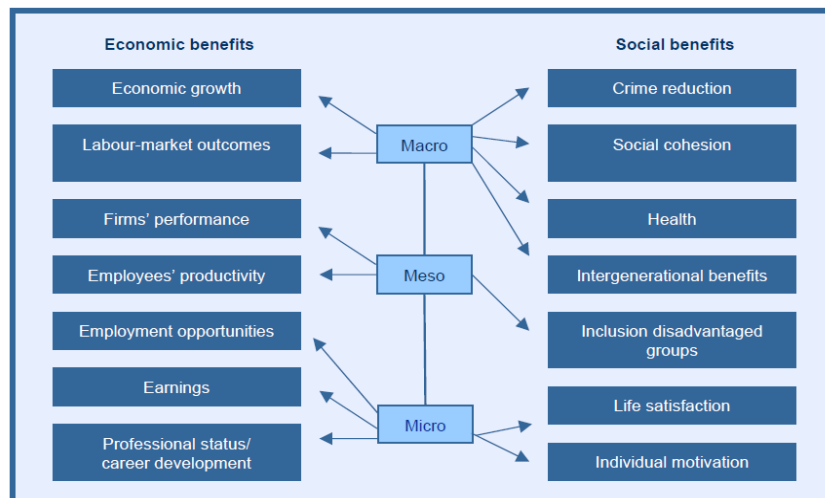
#### **Aims of Skill Development:**

The aim of skill development in the country is to support achieving rapid and inclusive growth through:

- Enhancing individuals' employability (wage/ self-employment) and ability to adapt to changing technologies and labour market demands.
- Improving productivity and living standards of the people.
- Strengthening competitiveness of the country.
- Attracting investment in skill development.

**Benefits For Vocational Education and Training:** VET benefits can be grouped using a classical typology based on the nature of results. Two main categories can be identified: economic benefits and social benefits. Both can be analysed on three different levels: the micro level (the benefits for individuals); the meso level (benefits for enterprises/groups); and the macro level (benefits for society as a whole). Figure 1 gives examples of VET benefits according to the dimension (economic and social) and the level of analysis (micro, meso and macro).

Figure 1 Types of VET benefits



Source: Cedefop

**Reviewing the Linkages Between Vocational Education and Make in India: The Road Ahead:**

The skill and education of the rural and urban India will lead to an overall Sustainable development. Thus, we can envisage a link between skill empowerment of the youth and the dream of “Make in India”. The Manufacturing and production sector reforms beckons the need for skillful and trained workforce who are competent enough to take up the challenge posed by the Multi-National Corporations who eye entering into India for opening up their production facilities. The growth of human capital in India is inevitable so as to meet the ferociously competitive Market which is a result of “Make In India” initiative. Make In India initiative should be taken up not simply as a policy orientation but as a common culture that has to be ingrained in the economic mindset of India as a Nation. The Formal Education sector and higher education initiatives need to be connected with the Vocational skill empowerment programmes especially for rural youth for all inclusive growth and sustainable development. The Vocational skill courses and training programmes aimed at practical knowledge for rural youth will lead them to get employment opportunities in niche areas of manufacturing and production departments of newly set up organizations.

**Major Challenges and Issues in Vocational Education and Training:**

There are several reasons for low performance of Vocational Education and Training Programmes in India.

- Low priority for Vocational Education
- Shortage of trained teachers and trainers
- Inadequate linkages with Industries
- Absence of a National Competency Testing and Accreditation system
- Lack of infrastructure – building, modern equipment and raw materials.
- Inadequate or non-coverage of trades in service sector which has higher employment potential. •
- Lack of equivalence for employment purposes
- Lack of vertical mobility.
- Inflexible curriculum.
- Lack of convergence between various agencies.
- Lack of overall social recognition

**CONCLUDING REMARKS:** The Vocational Education and Training is play a pivotal role in Indian Rural Economy. Different ministries of India is implementing a number of programmes and schemes for Vocational Training and Education in rural areas through the state and central Governments for poverty reduction, employment generation, Education Development better

sanitations facilities, rural infrastructure, better quality health services, and to improve standard of living of rural population. The thrust area of the Government which was to implement these programmes for the sustainable growth of rural area by vocational skill development programmes has achieved success. Thus the role of government continues to play a crucial role in integration of these entire schemes so as to create a unified impact in long term sustainable development. The future lies in public private partnerships to leverage the existing level of rural economic development. The current model and policy framework of rural economic development will continue to foster the Indian rural economy to the next level as we usher in the new millennium.

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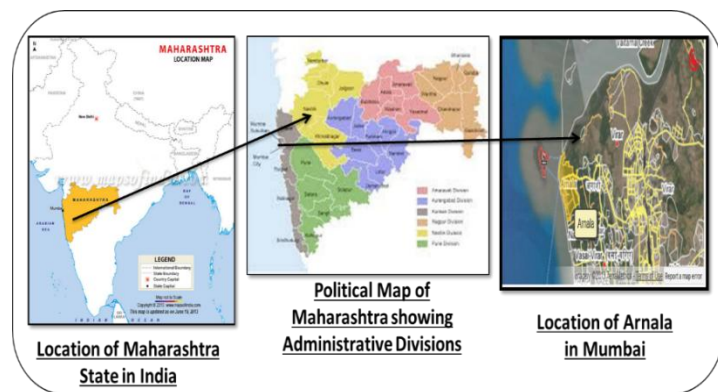


## TOURISM AS AN AGENT OF ECONOMIC GROWTH: A CASE OF ARNALA

**Agrawal Amrita Anilkumar Mamta**, *Research Scholar, Department of Geography, University of Mumbai*

**Introduction:** Tourism is an age-old concept with changing motivations according to the changes in the environment, economy and availability of materials in the surroundings. Being a labour intensive industry which requires skilled, semi-skilled and unskilled labour, tourism is able to generate a high GDP and per capita income. Hence it is important to take care of this industry and develop the tourism potentials so that areas where no other major activity can be developed, tourism can serve the purpose. Like every other industry, tourism too has negative and positive impacts on the society, economy and human life. Here, the positive economic impacts have been analyzed in Arnala.

- ❖ Review of Literature (**Agrawal and Upadhyaya, 2006**) has made a detailed study on the development of Nepal due to tourism. The authors have stated that the economy of Nepal is highly influenced by tourism and has given higher returns than all other activities in the country. Proper planning has helped to boost the economy further. (**Sharma, 2004**) states that tourism has been contributing to the economic development since a long time. In the past tourism helped alleviate the GDP of several countries and it continues to do the same at present too. Economic development and tourism are directly related to each other. (**Holden, 2013**) has elaborated the relationship between tourism and poverty eradication. The author states that any region can get rid of poverty if tourism is developed in the area. It is one such industry which requires minimum infrastructure and maximum man power. The only requirement is of an attraction and different types of tourists can be attracted to the region.
- ❖ Area of Study Arnala is a river port (Vaitarna River) which is situated to the North of Mumbai in the Vasai-Virar Region on the western coast of Maharashtra. It is about 8kms from the Virar Railway Station. This area is a port town and is accompanied by an island which has a fort called as Arnala Fort. The beach of Arnala is famous and this area has now come up with several resorts. The total number of resorts in Arnala as of December 2016 were 45 with 10 upcoming.



**Fig:01**

**Scope and Objectives:** The scope of the present study is not restricted to the selected area of study. The study tries to highlight the role that tourism can play in developing an area by improving the quality of life of the local people. The results and observations of the present study, are though only indicative in nature, can help understand the overall picture. It can further help in planning tourism centric growth poles in backward areas with minimum components of tourism to start with. The study deals with a macroeconomic issue with the help of a microeconomic phenomena so that small changes in small areas can lead to a major macroeconomic change in the entire country.

The objectives are as follows:

- To understand the role of tourism in economic development
- To examine the role of tourism in the economic growth of Arnala
- To recommend applicable solutions for further growth

**Research Methodology** The research methodology adopted for the present study is systematic in nature and has been divided into the following three stages:

- **Pre-Field:** An extensive literature review to understand the topic has been undertaken through various online and offline books, journals, magazines, research articles and official websites. This helped in understanding the subject and positioning it in the present framework. A close ended questionnaire has been prepared to collect primary data using interview method of 100 randomly selected samples.
- **On-Field:** Three consecutive visits to Arnala were undertaken and primary data has been collected with the help of 100 randomly selected local residents of the area. An observational study of the tourist places is also undertaken.
- **Post-Field:** Imageries of Arnala have been captured from Google Earth to understand the land use of the area. The collected data has been stored, processed, analyzed and represented using MS-Excel.

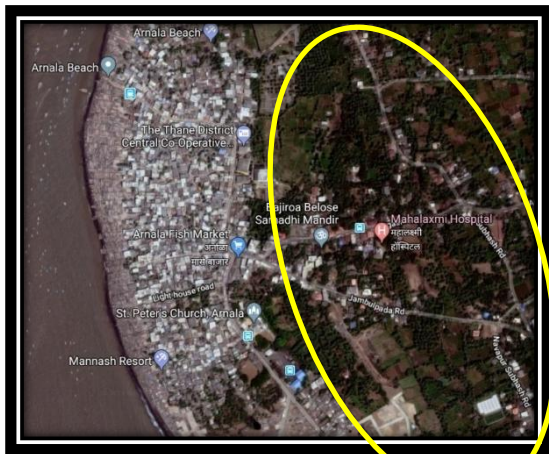


Fig:02.a.

Analysis and Interpretation

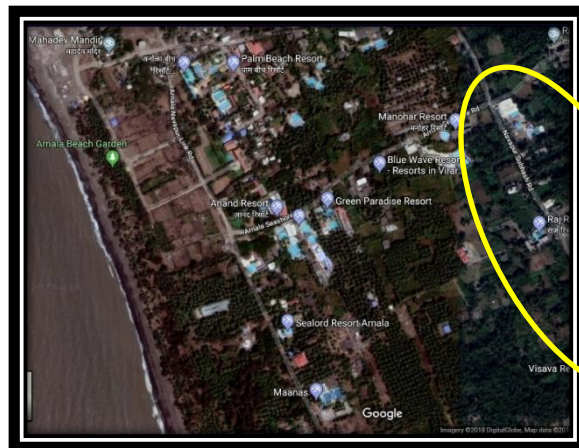


Fig:02.b.



Fig:02.c.

From figures 2.a, 2.b and 2.c, it can

be observed that Arnala though is termed as a village and has a gram panchayat, is almost fully covered with resorts having swimming pools, shanty slums and houses and apparent congestion. However, it must be noted that the area was initially under plantations alone which did not yield high returns for the residents. Also, the area which seems like shanty slums are actually rural settlements comprising of the indigenous Koli community and some migrants from nearby villages. This implies that the area is developing, however, the status of the area hasn't changed much in the recent times.

To understand the change in economy and people’s economic growth due to tourism in Arnala, following results of the survey can be considered:

Figure 03 represents the type of tourists visiting Arnala. It can be observed that all types of tourists including families visit Arnala. The tourist traffic is higher on weekends. This implies that the workload is higher in weekends. It also implies that the area receives tourists from the areas in the vicinity. This further means that the purpose of tourism of most of the tourists is **recreation** followed by business and others.

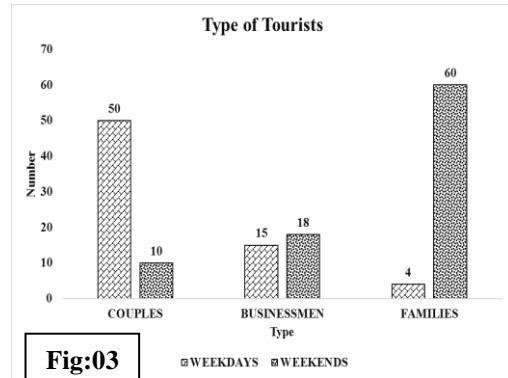


Fig:03

Figure 4 represents the gender ratio of the respondents. It must be highlighted to understand the job prospects of the area. It further explains the reason behind the obtained 68 which is very high as compared to 32.

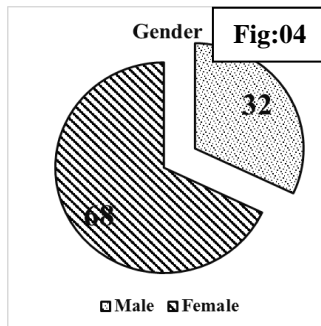


Fig:04

ratio. The number of females 68 which is very high as compared to 32. This is not because the people of Arnala are women centric or respect the girl child more than others, but, due to out migration of males to nearby urbanized areas like Mumbai, Thane and other places. They leave behind the females who are involved in local tourism and allied activities for their living. This means that both men and women almost equally contribute to the income of their families. Since the education levels are very poor (Figure 5), they are unable to get top, managerial and supervisory posts. However, the situation is changing due to increased income levels. It can be observed that

the total number of enrolment at various levels in the gram panchayat school is high. This means that the current generation is showing an interest in education. On asking further, it was obtained that the parents are aware of the importance of education and are sure that their wards would get better returns in future due to that. An educated population will have the potential to change the face of Arnala in a much positive way.

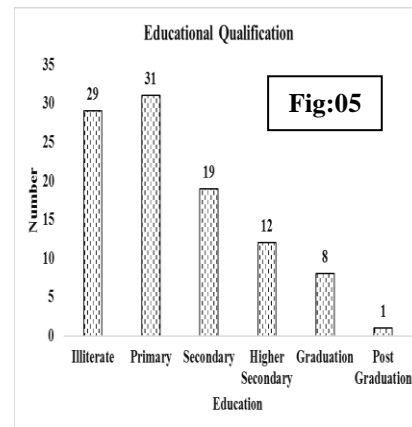


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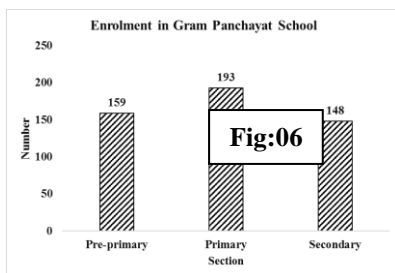
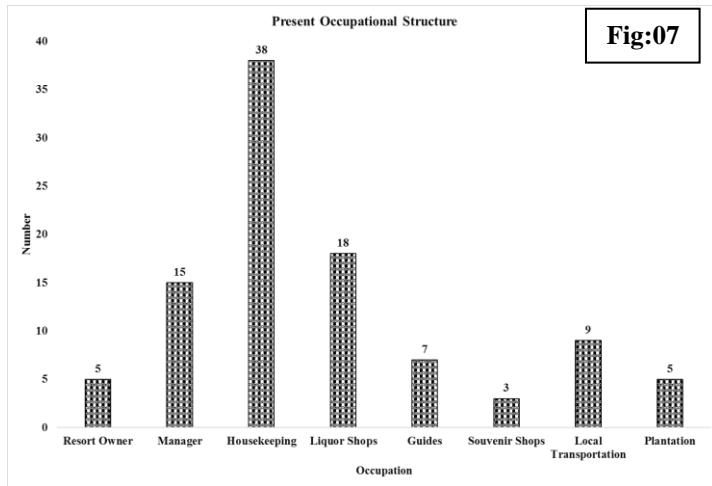
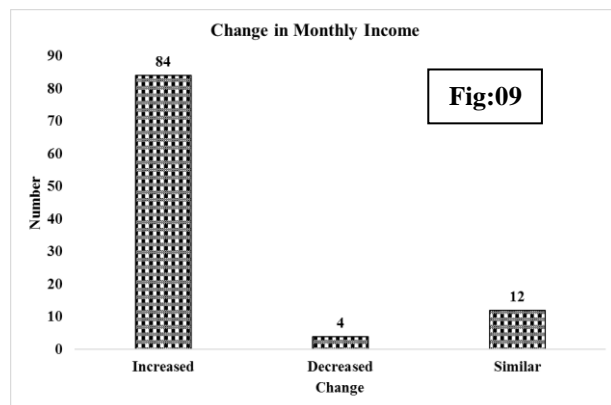
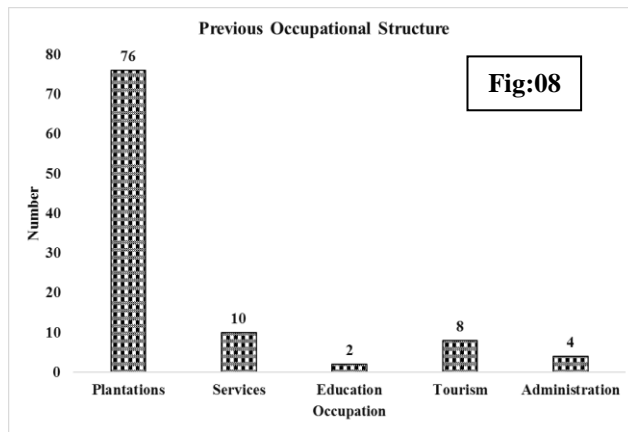


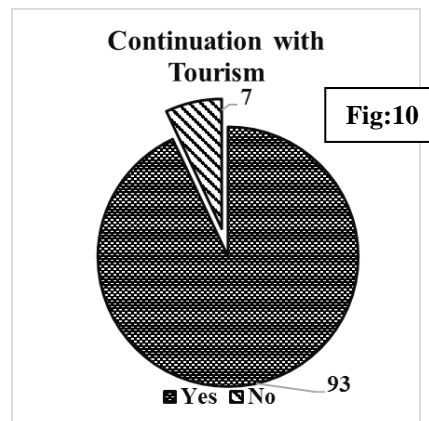
Fig:06



The present occupation structure makes it very clear that education plays an



important role in the economy of an area (Figure 7). Thus, the monthly income is lower than that could be earned from Tourism. Most of them have sold their lands to urban land owners and work in the resort at lower positions. It can be observed that 38% people are engaged in housekeeping at the resorts followed by 18% running liquor shops, 18% as managers at the resorts and the rest. However, figure 8 helps to understand the previous occupational structure which was plantations primarily. It must be noted that Arnala was initially home to plantation agriculture and supplied fruits like bananas, chikoos, guavas, pineapples and berries. However, due to demand for imported fruits, outmigration of farmers and inappropriate management the sector faced losses and declined drastically.



Though a major shift in the occupational structure is seen, it must be noted that the income of the people has increased in 84% of the cases due to a change in their occupation viz. tourism and allied activities, followed by similar income (12%) and a decrease in 4% cases which is due to adoption of anti-social activities and engagement in alcoholism and drug abuse (figure 9). This implies that tourism has helped to improve the quality of life of the host community. This is why 93% of the respondents want tourism to be boosted and continued as a major economic sector in Arnala. However, 7% do not want to continue with a tourism-based economy, due to reasons like dominance of outsiders, demonstration effect, overcrowding and other related problems.

**Discussion:** Tourism in many developing and least developed countries is the most viable and sustainable economic development option, and in some countries, the main source of foreign exchange earnings. Part of this income trickles down to different groups of the society and, if tourism is managed with a strong focus on poverty alleviation, it can directly benefit the poorer groups through employment of local people in tourism enterprises, goods and services provided to tourists, or the running of small and community-based enterprises, etc., having positive impacts on reducing poverty levels.

Tourism in the recent years has been characterized by two main trends; firstly, the consolidation of traditional tourism destinations, like those in Western Europe and North America; and secondly, a pronounced geographical expansion. There has been a substantial diversification of destinations, and many developing countries have seen their tourist arrivals increase significantly. Arrivals to developing countries accounted for 46% of the total international arrivals in 2011. Tourism has become a major player in the economy of developing countries like India and other Asian countries.

### Outcomes

During the survey, field visits and from the primary data collected, following positive and negative outcomes can be enumerated:

Sr. No.	Positive Impacts	Negative Impacts
1	Elevated education levels	Improper waste management
2	Improved accessibility	Victims of demonstration effect
3	Increased income	Cultural loss
4	Improved quality of life	Loss of indigenous occupation
5	Gender equality	Outmigration
6	Engagement of local government body in developing the area	Absence of higher education options
7	Safety of tourists is taken care of	Loss of green cover- high insolation

**Conclusion:** The outcomes stated above describe that Arnala is undergoing a positive transformation, however there are certain negative impacts that follow. Following solutions can therefore be adopted to minimize the negativities:

- ❖ Establishing at least one higher educational institution which could either be a vocational education institute focusing on tourism and allied activities
- ❖ Developing ecofriendly tourism could help solve the problems associated with waste management
- ❖ The Gramm Panchayat can take efforts to get educational subsidies sanctioned from the state government so that appropriate infrastructure can be developed.
- ❖ NGOs and other local groups can help the victims of demonstration effect to overcome the cultural loss, alcoholism, drug abuse and anti-social activities. Rehabilitation centres can help here.
- ❖ People should be sensitized on the importance of keeping the ethnic culture intact like in case of Bhutan, north east regions of India and Thailand. This will attract a larger number of tourists.
- ❖ Shops selling liquor, drugs and other harmful substances should be discouraged. This is possible only with the help of awareness campaigns. Legal actions should be avoided as it may distract tourists from Arnala.
- ❖ Better guides and professional tour services operated by local residents will make the situation better.
- ❖ Some adventurous activities like water sports, beach volleyball, boating, angling, land related sports, indoor games and other activities can help attract more number of tourists even during weekdays.
- ❖ Small events related to the fort in Arnala like plays, dances, exhibitions and fairs can help boost tourism in the area.

The above study proves that an increase in tourism has helped to alleviate the economy of Arnala. The spillover effect of Mumbai has helped the area grow by serving maximum tourists from Mumbai city. Planned efforts will help it develop further.

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## RETHINKING “DIASPORA”: A CASE STUDY OF INDIAN BENGALI DIASPORA IN UK

Dr. Moushumi Datta, Nagindas Khandwala College

**Abstract**

*Diaspora is a Greek word meaning “to disperse”. Diasporas are the individuals who reside outside their perceived homeland. This research paper deals with a case study of Indian Bengali Diaspora in UK. With this backdrop the main objectives of this study are to gain knowledge about the Indian diaspora in the world and in UK, to investigate the Indian Bengali diaspora since 1947 in UK, to analyse the Hindu Bengali diasporic life in UK, to assess the capacity of the Indian Bengali diaspora in the development activities in West Bengal and to discuss the problems faced by the UK-based Indian Bengali Diaspora. The research methodology includes three stages- the pre-field stage which includes the study of existing literature, the field stage which comprises of a pilot study of Indian Bengali diaspora in UK which is conducted through random sampling and the post-field stage which includes analysis and discussions. The pilot study was conducted in two areas. One is in Sussex and the other is in Devon. Total 30 participants were surveyed. The analysis suggested that the Indian Bengali diaspora contribute in uplifting educational, health and infrastructural sector in their homeland.*

*Keywords: Diaspora, Indian Bengali, partition, uplifting, infrastructural*

**Introduction:** Diaspora is a Greek word meaning “to disperse”. It refers to any movement of a large number of people of the same ethnic group from their homeland and their dissemination and resettlement in one or various countries. Diasporas are the individuals who reside outside their perceived homeland. They regard themselves or are regarded by others as members or potential members of the national community. Individuals living in the diaspora earn relatively higher income as compared to those earned by individuals living in the country of residence.

It is said that diaspora groups contribute phenomenally towards the development of less developed nations primarily through monetary remittances, investments and by building social networks. Such contributions by the diaspora have facilitated a shift in attitude and thinking regarding migration, from “brain drain” to “brain bank”, “brain gain”, “brain trust” and “brain circulation”. This perspective has become more popular in recent years as opposed to the earlier view of “brain drain”.

**Review of Literature:** During 1960s and 1970s social scientists studied the Indian community as one of the groups in a colonial plural and multi-cultural European society. In Great Britain the social scientists did several researches to understand Indian and Pakistan communities (**Watson 1977, Kannan 1978**). From 1990s onwards many publication on the Indian diaspora has appeared in scientific journal and books.

**Research Objectives**

Using Indian Bengali Diaspora as a case study the paper has the following objectives

- To gain knowledge about the Indian diaspora in the world and in UK
- To investigate the Indian Bengali diaspora since 1947 in UK
- To analyse the Hindu Bengali diasporic life in UK
- To assess the capacity of the Indian Bengali diaspora in the development activities in West Bengal
- To discuss the problems faced by the UK-based Indian Bengali Diaspora

**Research Methodology** It is a mixed method investigation. The research is a case study of Indian Bengali diaspora in UK. The study includes three stages. In the **pre-field stage**, the method included the study of existing literature about Indian diaspora in the world and India. Literature was also studied about Bengali diaspora in UK. The **field stage** comprised of a pilot study about Indian Bengali diaspora in UK which was conducted through random sampling. Survey in UK took place in September 2017. A range of methods were employed including focus group discussions, detailed open ended discussions, semi-structured interviews and participant observation. The research in UK was conducted primarily among 30 Bengali diaspora. Wherever possible the researcher made contact with

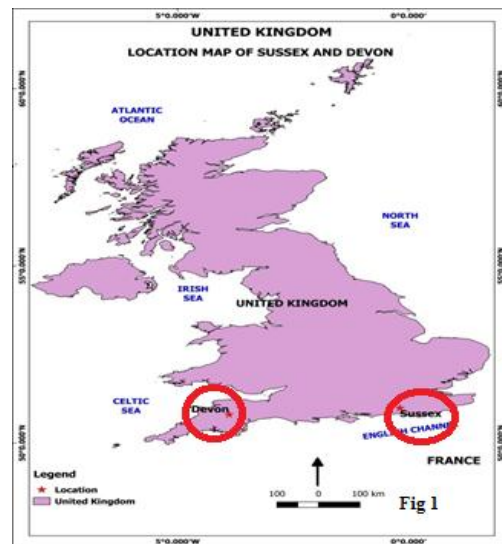


their children as well to get the views of second generation diaspora. The **post- field stage** included analysis and discussions. The full study was completed in six months from July 2017 to December 2017.

**Study Area** The pilot study which was conducted in UK was mainly from two areas. One is in Sussex and the other is in Devon. Sussex is located in the southeastern part and Devon is located in the southwestern part of UK (Fig 1).

### Indian Diaspora in the World

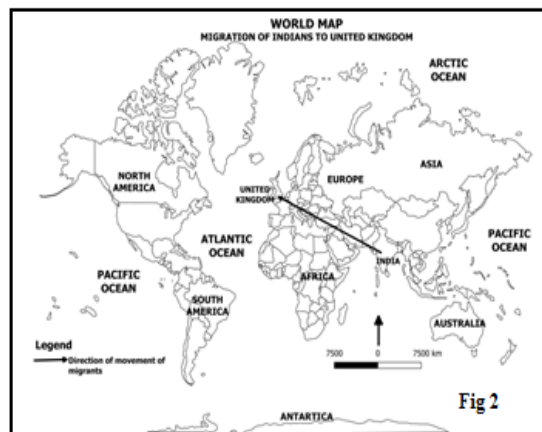
The Indian diaspora is the largest in the world, with over 15.6 million migrants from India living abroad, according to the **World Migration Report 2018** published by the International Organisation for Migration, the United Nations migration agency. The largest population of overseas Indians is in the Gulf nations. With 3.5 million, 22% of the total Indian Diaspora overseas was in the UAE in 2015. Saudi Arabia had 12% or 1.9 million Indian immigrants. As the country has the largest number of migrants abroad, India also receives the highest amount in remittances (\$68.91 billion). The United States remained the top destination for migrants in the world in 2015, with 46.6 million migrants moving to the US in that year. Pandit Jawaharlal Nehru's views were that the diaspora cannot expect India to fight for their rights and therefore India's foreign policy was accordingly structured as a model of interference. With rising economic power and military might, things have changed drastically. This has become so mainly due to the high remittances that Indian diaspora contribute. Since 1990, India has been engaged in major evacuation of Indians from conflict zones, the highlight being the Yemen rescue in 2015. Today Government of India has a proactive outreach towards the diaspora. From Madison square to Sydney, Suva to Dubai, there is only a single sentiment echoed – "The colour of the passport does not matter". The only thing that matters is whether the person is an Indian or not. If we look back to the history of migration of the Indians it may be said that migration overseas by Indian nationals first acquired significant dimension, in terms of numbers, in the 19<sup>th</sup> century. Most of this migration was driven by the economic compulsions of colonialism. Indians initially migrated to the countries of Africa, Southeast Asia, Fiji, and the Caribbean. This wave was mainly a "brawn drain" – forming a non-scientific diaspora due to the enormous demand for cheap manual labour that arose immediately after the British abolished slavery in 1833-1834. Later, in the second half of the 20<sup>th</sup> century, by the "brain drain" – a steady outflow of some of India's cream of high-skill professionals and the highly-educated – the "knowledge workers" – moved to the developed countries of the West, mainly to the United States. This eventually led to the formation of an Indian "scientific diaspora". Today Indian scientific diaspora is spread across various countries and regions of the world, reflecting the multiplicity and variety of the social, ethnic, religious and cultural diversity of the country. The Indian scientific diaspora however, concentrated in a few selected countries/regions of the world. Around 1.7 million Indian emigrants are in the US. *Indian Americans are found in the high profile occupations and in the sectors of Medicine, Engineering, Law, Information Technology, International finance, Management, Higher Education, Journalism, Film, and Music.* In the Information Technology sector, several Indian IT graduates have emerged as important entrepreneurs in the Silicon Valley.





### Indian Diaspora in UK

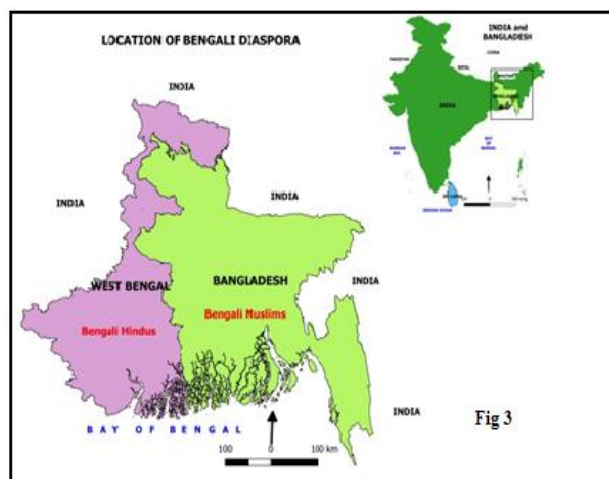
The Indian community has become one of the highest earning and *best-educated groups* in the UK, achieving *eminence in business, information technology, the health sector, and the media and entertainment industries*. They have formed a number of social, cultural and political organisations in the UK, and almost all wealthy Indian diaspora have individual trusts or charities for projects pertaining to health, education or other infrastructure back in their home states and villages in India. During times of national crises, like natural calamities in India, the community organisations raise generous contributions for relief and rehabilitation of the victims. Today the Indian community in the UK occupies a unique position, enriching the British culture, society and politics, and contributing to making the UK a genuinely multicultural society. Indians are considered a disciplined and model community with the lowest crime rates amongst all immigrant groups. One thing to be mentioned here is that probably there is no other diaspora across the globe, having such an extraordinary diversity as the Indians. This diversity is visible in terms of linguistic, ethnic and religious groups. Therefore, the first generation diaspora always carries with them the rich traditions of harmonizing different values, beliefs, customs and practices. Indians are known in the UK for possessing rich cultural heritage, knowing the fact that they are the inheritors of the world's oldest civilization. Indians are regarded, as a knowledge house and its engineers, doctors, scientists and software professionals have easy acceptability by the international community. The delicious Indian food is also famous in UK. All these factors make Indian diaspora a **soft power** in UK.



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### The Case Study of Indian Bengali Diaspora in UK: Indian Bengali diaspora since 1947 in UK

Since the partition of India in 1947, the Bengal delta has produced millions of "Diasporas". Approximately twenty million people, both Hindu and Muslim, fled from their homes in the wake of partition (1947), communal violence (1948, 1950, 1964), and civil war (1971). Many of them resettled in the Bengal delta itself. Here the word "Bengali" is confusing. It means from the region of Bengal, which is split between Bangladesh and India. The majority of Bengali Hindus are from India, whereas most of the Bengali Muslims are Bangladeshi (Fig 3). So talking about the two is talking about two completely different nationalities, not just religions. About 300,000 Bengalis have settled in the United Kingdom, (Project Joshua) and constitute one of the most significant ethnic minorities in contemporary Britain. The Bengali Hindus who settled in Britain in the latter half of the 20<sup>th</sup> century are mostly with white collar jobs. Diaspora contributions towards their home country can be of three types: "Money" (remittances), "Machine" (technology) and "Man-hour" (expertise) (Khadria 2009).



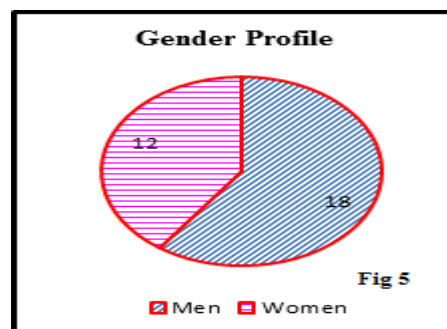
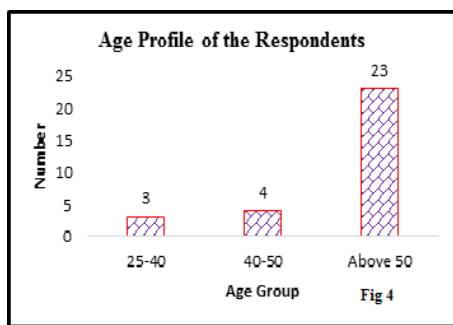
**Hindu Bengali Diasporic Life in UK: Study Participant Demographics**

To understand the Hindu Bengali life in UK a pilot study is undertaken. All participants were of West Bengal origin. The Indian Bengali diaspora are limited in size and is spread throughout UK. It is comprised of two generations. The first generation mainly belong to the middle class families in India and for them, migration to UK means enhancement of the financial position and income. The second generations are the children and the younger group. UK has always been an important destination market for Indian emigrants and has a sizeable Indian diaspora community. The term ‘British Indian’ is used to refer to any citizen of the U.K. whose ancestral roots lie in India. This group includes people born in the UK of Indian descent and Indian-born people who have migrated to the UK. As per the 2001 census, the majority are Hindus. People of Indian origin (PIO) make the largest ethnic minority in Britain (A report by the ESRC Centre on Migration, Policy and Society - COMPAS). As per 2001 UK Census data there are estimated 1.05 million PIOs in the UK. They constitute of 1.8% of the total population in UK. In 2011, the PIO community was estimated at nearly 1.5 and 2 million, comprising of 2.73% of the UK’s population. There are a variety of reasons for the presence of Bengali diaspora in the UK. The first and second waves of Bengali migration to the UK were driven by historical colonial links between Britain and India and involved pre-independence direct migration and post-independence secondary migration flows, respectively. A third wave of migration has been driven mainly by socio-economic factors in the post-independence period.

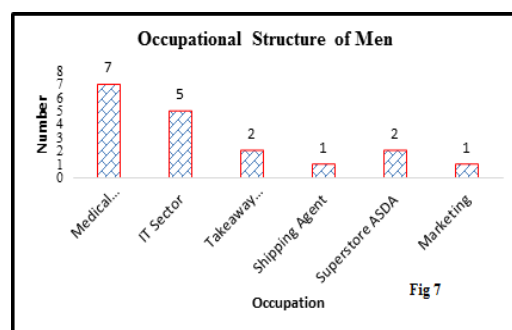
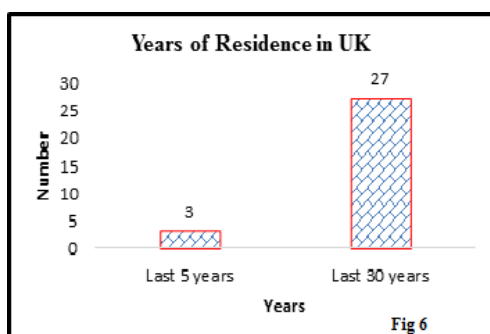
**Analysis and Discussion**

As mentioned earlier, over 90% of the Bengalis who are settled in the UK are Muslims. They have their origin in Bangladesh. They mostly live in the so called “Ghettos”. Generally, the Bengali Muslims appear to have fared less well than their Hindu counterparts. The Indian Bengali diaspora have very less population in the ghettos and many of the come as students or graduates. Indian Bengalis are not confined in a single area of UK. They are mostly concentrated in Harrow, Finsbury Park, Devon, Sussex and Redbridge.

Total 30 participants were surveyed. 20 participants were from Sussex and 10 from Devon. Out of 30 respondents, 3 of them were between 25 to 40, 4 were between 40 to 50 and 23 of them were above the age of 50 (Fig 4).

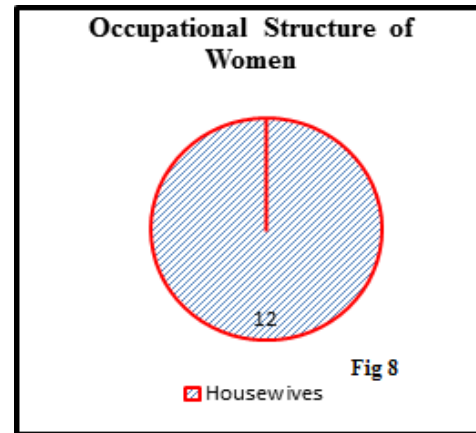


Out of the total respondents 18 were men and 12 were women (Fig 5).



27 respondents said that they were settled in UK from the last 30 years and 3 of them are staying from the last 5 years. It is needed to be mentioned here that none of the respondents belonged to the same family (Fig 6). Out of the 18 men, 7 were medical practitioners, 5 of them were in IT sector, 2 of them worked in the take away restaurant, 1 is a shipping agent, 2 of them worked in superstore ASDA and 1 worked in marketing field (Fig 7).

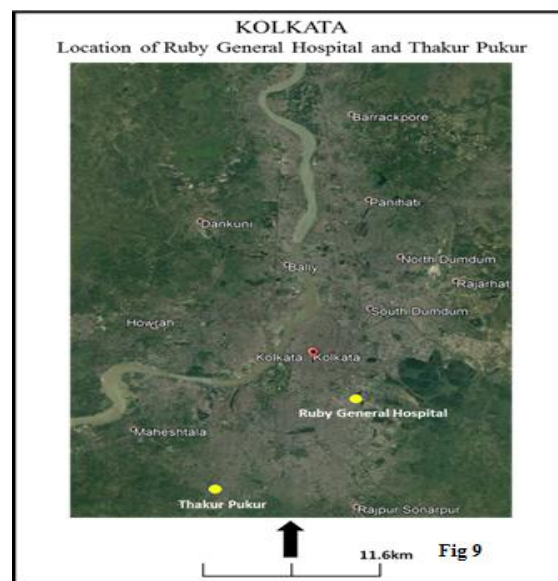
Out of the 12 women, all of them are housewives (Fig 8). When the women were asked about their dressing pattern they said that after staying in UK for a considerable time their dressing pattern has changed. They now wear Indian dresses blended with western style. The elder generation women mostly wear SalwarKameez. During religious festivals they always wear sari which is the traditional attire of a Bengali women. However, the British born younger generation mostly wears western outfits. Their food habits have also changed. Traditional Bengali food is replaced by western food or junk food.



When the women were asked about their favourite recreation the reply was almost instant and that was watching television. The older generation prefers to watch Zee Bangla and Star Zalsa Bangla. They read ethnic publications. They watch Hindi and Bengali movies. These provide the Bengali diaspora a feeling of homecoming and memories of their distant roots. Undoubtedly Bengalis have already made an impact on the British diet through the curry trade, as over 80% of Indian restaurants in the UK are Bengali owned and the “curry” is now a favourite and well known part of the British foodscape. However, the curries prepared and served by men in restaurants are very different to the food cooked by women in Bengali homes. Spices, vegetables and fish are found in shops and supermarkets throughout UK. In East London particularly there are several shops catering specifically to Bengali tastes, selling food items such as *ilish* (Hilsa fish), *shutki* (dried fish) and *deshi* (from Bangladesh) chicken. The Bengali diasporic population in Britain uses **technology** to satisfy their nostalgia for the lost and distant ancestral homeland. Indians, both older and newer generations’ uses blogs, discussion forums and other social networking sites like Twitter, Facebook and WhatsApp and regularly visit number of sites related to India. Indian Bengalis in UK are pioneer in **charitable/philanthropic** activities in both UK and India.

The Indian Bengali diaspora contribute in the **socio-economic development** of their home country. Almost all the men respondents said that they invest in West Bengal.

The investment is made mainly in the form of real estate. They do so for various reasons. Some do as a strategy to receive respect and personal image building. Some do so as a demonstration of wealth and competition with the so called rich community in the home country. Many contribute to construct and re-construct religious centres, schools, hospitals and other infrastructure like roads, as well as sponsoring poor students, donations to institutions, NGOs working for orphans as well as for religious festivals.

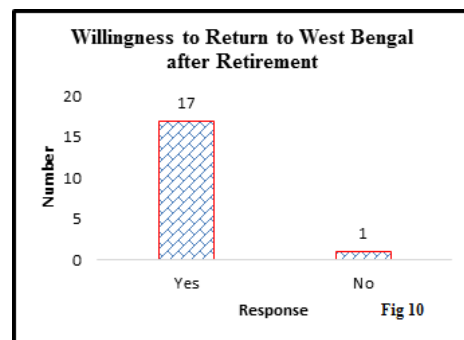


Infact, out of the 8 medical practitioners, 1 of them has already invested in A.J.C.Bose Road which is in proper Kolkata and in a hospital in Thakurpukur, which is a suburb in Kolkata. 1 respondent, who is a shipping agent in UK has started a school (upto 8<sup>th</sup> standard) and a vocational training school for women in Sundarban. According to Times of India, August 15, 2017, a group of Bengali doctors living in London have come forward to help a charitable hospital in Thakurpukur(Fig 9). Ruby General Hospital (Fig 9) in Kolkata is the first NRI hospital in Kolkata.

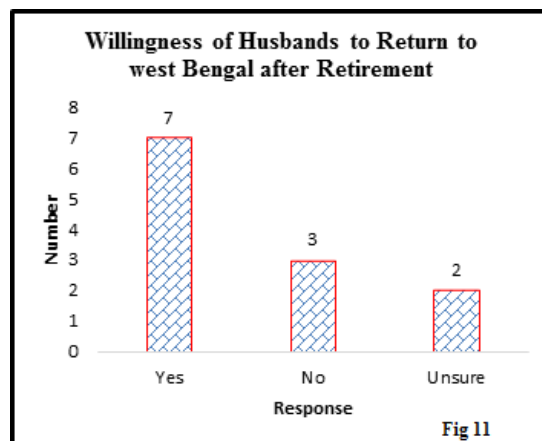
The researcher realized that the significant feature of Bengali Hindus in UK is their strong sense of belongingness to India. As their material status and living standard has substantially improved after immigration, sending remittances is a strategy in maintaining active links with home. This link provides them, especially the older generations, with confidence to plan their post-retirement life in India. Infarct, majority of this diaspora are interested to help anyone in need in West Bengal.

Just because they want to return in the future, they try to retain Indian culture and traditions and not to assimilate completely to the British society. Sometimes this desire to return remains a myth due to continual delay owing to the aspirations for more economic advancement and family obligations.

The urge to return to India is less among the younger generations. Their so called attachment to their homeland is much lesser than the older generation. Out of the 18 men it was found that 17 of them wanted to return to their homeland after retirement (Fig 10). However, the respondent working as a shipping agent has a British wife and has no intension of returning. But, he pointed out that he does feel homesick and misses the narrow streets and aromatic food of Kolkata. Out of the 12 women, 7 of them said that their husbands’ wants to be back one day, 2 of them were not sure and 3 of them said that they have no inclination to be back(Fig 11). When asked about the reason they said that they have a joint family way back home and now they will not be able to adjust with the surrounding.



**To assess the capacity of the Indian Bengali diaspora in the development activities in West Bengal**Theeconomic contributions of the diaspora consist of financial flows in terms of remittances and foreign direct investment (FDI). These financial flows help to strengthen the economic conditions of the native people. Mostly they are “person-to-personflows”. From 1991 to 2003, the share of diaspora FDI was 4% of the total FDI. India in general has failed to attract significant FDI from the Indian diaspora and West Bengal is no exception. However, UK ranked fourth among all



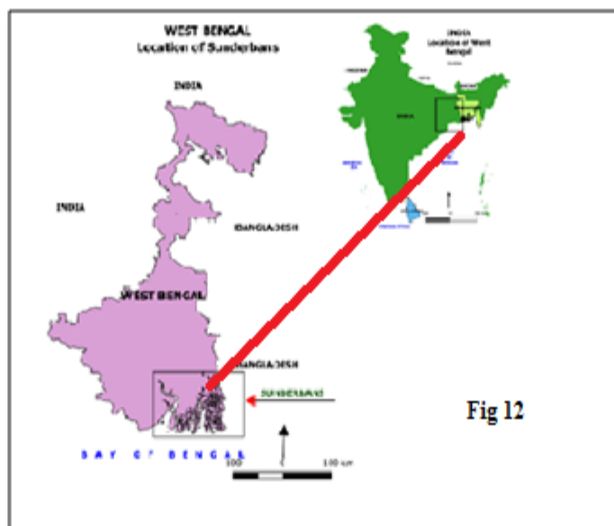
source countries for FDI and contributed to about \$8 billion FDI flows from April 2000 to November 2011 (Ministry of Commerce and Industry). World Bank data show that remittance flows to India was \$55 billion in 2010. Remittances play a significant role in supporting household consumption.They are well targeted and have a multiplier effect on the receiving economy. However, remittances have not played an important role in the uplift of the rural areas like it has happened in Punjab. From the survey analysis it is clear that majority amount of remittances are used for family maintenance and housing improvement.



Another important channel through which the diaspora can contribute to their native country is through their “**social capital**”. Indian diaspora communities settled overseas have managed to earn goodwill. They have a reputation as a hard working, talented and sincere migrants (Kapoor 2004) and thus enabled new immigrants from the native country to get access to employment opportunities in the overseas market (Sanyal 2009). Indian IT professionals, for example, enjoy a high positive externality due to the success of the Indian diaspora in the Silicon Valley (Kapoor, 2010).

**Diaspora Philanthropy** better known as ‘private giving for public good’. It plays an instrumental role by enhancing the flow of capital, new technologies and new ideas, in turn fostering economic development.

In **Sundarban** area (Fig 12) diaspora contributions from Bengalis in Britain have provided basic services to the needy and have also helped to generate economic activities that support a section of society. Some vocational training centres are opened for women. Thus we see that the Bengali diaspora have invested in education, health sector and in social infrastructure.



#### **Problems faced by the UK-based Bengali**

**Diaspora** During the primary survey through discussion some very important issues were highlighted. Many of the Bengali diaspora interviewed in this study said that they did not want to start any new business in West Bengal due of corruption problems, inefficient bureaucracy, problems with purchase of property and many others. Some felt that the political conditions are not welcoming. At the same time they mentioned that in some instances the Bengali diaspora in UK are still considered as “outsiders”. They do face racial comments at times. They are referred by their colour of the skin. Often they are commented on their pronunciation.

**Concluding Thoughts** This research leads to the conclusion that there is a link between diaspora and development. But this is not automatic and needs to be nurtured. It is however clear that the Bengali diaspora in Britain is connected to their place of origin. Some of them even wish to come back in future. It is also important to mention here that they have generally retained their culture. To conclude we can say that this Britain based Indian Bengali diaspora represent an untapped resource to contribute to the development of West Bengal. They play an important role in the development of West Bengal but at present it is very marginal but it does have a high potential.

**Acknowledgment** The researcher is thankful to the Bengali diaspora respondents of Devon and Sussex whose frank responses have helped to make this research a realistic one.

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**TRANSFORMING KONKAN TO CALIFORNIA THROUGH TOURISM:  
A DELUSION OR A REALITY?(CASE STUDY OF HOTELIERS AND B&B SCHEME  
OWNERS IN SINDHUDURG DISTRICT)**

**Sucheta V. Joshi**, *Associate Professor, Department of Economics, Ramniranjan Jhunjhunwala College of Arts, Science and Commerce*

**Dr. Sujata Khadilkar**, *Associate Professor, Department of Economics, S. K. Somaiya College of Arts, Science and Commerce*

**INTRODUCTION:** Tourism is one of the driving sectors of economic growth of many countries in the twentieth and twenty first century. It is, therefore, aptly called as ‘engine of growth’ in many developing countries.

Tourism leads to following benefits to the economy:

1. Generation of foreign exchange;
2. Creation of new job and employment opportunities;
3. Stimulation of trade, income and entrepreneurship;
4. Provision of infrastructure for non - tourism use;
5. Increased regional development - particularly in underdeveloped regions;
6. Greater tax revenue leading to possibility of increase in public expenditure;
7. Cascading of new money through multiplier effect

With these benefits of tourism in view, India and the state of Maharashtra have made several attempts to promote tourism. The state of Maharashtra is gifted with variety of flora and fauna, historical heritage monuments, a wide stretch of serene beaches as well as forts for adventures. Naturally, Maharashtra deserves to be preferred as a tourists’ destination by domestic as well as foreign tourists. One of the divisions of Maharashtra which is endowed with natural beauty and has potential to attract large number of tourists is Konkan Region. Konkan is a hilly region with heavy rainfall. It is predominantly agrarian by nature. Paddy is the main crop. Agricultural activities are only for few months of the year. Remaining part of the year people are unemployed. Problem of seasonal unemployment persists in this region. Out migration of youth from this region to metropolitan cities especially Mumbai is grave. Since tourism is highly labour - intensive by nature, it can be a remedy on multiple economic problems of this region. In its recent Tourism Policy 2015, Government of Maharashtra announced various initiatives for tourism development in the state. One among them was announcement of Sindhudurga District as “Special Tourism Zone”. Similarly, government has expressed its keen interest in organizing “Mango Festival” in Ratnagiri for attracting tourists. Government also has announced establishment of Special tourism development corporation for Konkan region i.e. Konkan Tourism Development Corporation very soon. (Loksatta, 12<sup>th</sup> April, 2016) Thus, it becomes relevant and timely to study present situation and prospects of tourism development in Sindhudurg District.

**SCOPE** The present research paper is mainly based on the primary data collected from Six tourists’ destinations from Sindhudurg district namely Tarkarli, Devbaug, Malvan, Vengurla, Sawantwadi and Amboli. Each of these destinations has its peculiar tourists’ attractions. Tourism is a multi - stake holders’ activity. It involves stake holders such as hoteliers, tourists, tour operators, local residents as well as government. The focus of this paper is on Hoteliers and Bed and Breakfast Scheme recipients as the stakeholders of tourism.

**OBJECTIVES**

The paper aims:

- i. To explore problems and challenges faced by Hoteliers and Bed and Breakfast Scheme recipients from these destinations while providing tourism services;
- ii. To suggest concrete ways to overcome challenges faced by the stakeholders and overall tourism development in Sindhudurg District.

**RESEARCH METHODOLOGY** This paper is a case study of tourism development in Sindhudurg District. *Primary data* is the major source of data of this paper. *Survey method* supported by questionnaire and interview techniques is used for data collection. *Stratified random sampling method* is adopted for selection of sample. Size of the sample is 25.

**ABOUT SINDHUDURG DISTRICTS** Sindhudurg is an administrative district in the state of Maharashtra in India, which was carved out of the erstwhile Ratnagiri District. The district headquarters are located at Oros. The district occupies an area of 5207 km<sup>2</sup> and has a population of 849,651 of which 12.59% were urban (as of 2011). As of 2011 it is the least populous district of Maharashtra out of its 39 districts. The 8 talukas of this district are Devgad, Kankavali, Malvan, Kudal, Sawantwadi, Vengurla, Dodamarg and Vaibhavwadi. Sex Ratio of Sindhudurg: In 2011 census, child sex ratio is 922 girls per 1000 boys compared to figure of 944 girls per 1000 boys of 2001 census data. (Census 2011) Literacy Rate of Sindhudurg: Average literacy rate of Sindhudurg in 2011 were 85.56 compared to 80.30 of 2001. In terms of gender, male and female literacy were 91.58 and 79.81 respectively. (Census 2011) Economy: Sindhudurg district is primarily agrarian by nature. Major Crops are Rice, Coconut, Kokam, Mango, Cashew. 74% of total land holding in the district are held by small and marginal farmers. The irrigated area is only 23.48% through well and small channels. (<http://sindhudurg.nic.in> - Sindhudurg District Website of Government of Maharashtra) Two Major projects of irrigation are Tilari and Talamba along with four medium projects. Fisheries are another major occupation of the region with the sea coast length 121 km and fishing area 1600 km. Main Fisheries Centers are Vijaydurg, Devgad, Achara, Malvan, Sarjekot, Kochara, Vengurla and Shiroda. In the last few years tourism is developing as a significant source of occupation.

**ABOUT BED AND BREAKFAST SCHEME (B&B Scheme)** The Scheme Bed and Breakfast/Homestay Establishments of the Ministry of Tourism is voluntary in nature. The main objective of the scheme is to give a feel and an experience of local culture, traditions and lifestyle of Maharashtra to the tourists from abroad as well as to the domestic tourists. Economic impact of this scheme is generation of income to the owners of the houses under this Scheme. The vacant parts of their houses will generate income as well as self - employment to them and other locals. As per MTDC records, there are 220 B&B Scheme recipients registered as on August 2017 in Sindhudurg district. The rooms provided under B&B Scheme are categorised into different 'Star' categories such as silver, gold, diamond by the MTDC Officials after minute scrutiny of the facilities provided. Out of the three, Diamond is supposed to be the best service providers from the given B&B recipients. B&B Scheme Recipients pay a nominal fee to MTDC as registration fee in the beginning. In return, MTDC allows them to use a Logo and banner of MTDC on their houses. Secondly, the name of these B&B Scheme recipients is included free of cost in the list published by MTDC on their website. It, automatically, gives publicity to B&B Scheme recipients and at the same time gives choice to the tourists to select their accommodations.

**DATA ANALYSIS** Responses of all the sample units highlight serene and quite beaches as the most important strength of Sindhudurg district as tourists' destination. Secondly, local cuisines popularly called as "Malvani Food" as the next attraction for the tourists to visit this region. Sindhudurg, still, is a low - cost destination as compared to Goa as well as safer for the tourists in every sense. Water sports, snorkelling and scuba diving in Tarkarli and Devbaug area also are the added attractions for the tourists. Culturally Sindhudurg is perceived as a safe and pure place in comparison with Goa.

The above-mentioned strengths of Sindhudurg district have led to increase in income as well employment in the region. Income is generated directly through tourism as well as indirectly by way of backward linkages. For example, due to increasing number of hotels and B&B owners, direct employment is generated in the capacity of managers, waiters, room boys etc. directly recruited in these units. With growth of these units, demand and thereby expenditure on the necessities like vegetables, non-veg, grocery is rising. Laundries are getting more business. These are some of the indicators of backward linkages generated due to tourism in this region. People buy souvenirs, gift articles like wooden toys from Sawantwadi or some special food products (e.g. Malvani Khaja) from Malvan. These are pointers to forward linkages of tourism. In spite of the advantages Hoteliers and B & B Recipients are facing challenges at various levels as well as in different aspects while running their business. The survey conducted has brought out some issues that are generally faced by the entire Sindhudurg district, while others were found to be “destination specific”.

- All 25 sample units have stated that even if Sindhudurg is announced as ‘Tourism District’, government has not taken many initiatives to develop tourism in this region. Information about new schemes and changing rules and regulations is not properly disseminated to the stakeholders. Due to such inadequate information Hoteliers as well as B & B are suffering. Like any other policy and programme framed by the government, tourism schemes have remained effective only on the paper and are not implemented in practice, so there has been a huge gap between policy and its implementation.
- Tourism policy, 2006 assures the stakeholders of either exemption from certain taxes or taxes at minimal rates. According to Tourism Policy, 2006, basic amenities such as water, electricity would be taxed at industrial rate. However, a common response of all the respondents to this question is they are still paying water and electricity bills at commercial rate which is higher than the industrial rate.
- These stakeholders have expressed concern over apathy of political leaders of all political parties towards development of tourism in this sector.
- MTDC is the main administrative unit in implementing government decisions. B & B scheme is fully controlled by MTDC. Granting B & B Licenses as well as their renewal lies in the hands of MTDC. MTDC charges nominal fees for this. B & B scheme owners have expressed that MTDC does not help them in getting tourists. Their claim is that MTDC only advertises its own hotels and resorts but sufficient advertisement of B & B scheme properties is not done. Thus, MTDC is not helping the locals in earning livelihood. 10 sample units have expressed this concern during the survey.
- 3 respondents have expressed dissatisfaction over cap on rents of rooms under B & B Scheme. They also have expressed their disappointment about present cap on number of rooms that can be rented under this scheme. Currently the limit is of maximum 5 rooms per property or 10 beds per property.
- One of the respondents has raised a very serious issue of frequently changing government rules. He stated that hotels are a long-term investment involving huge sum of money. If government changes rules in this erratic manner hotels are definitely going to suffer loss and future investment in this sector would be affected negatively. He gave an example of ban on restaurant and bars in 500 meters from the Highway. Hoteliers who have already invested their money in restaurants and bars in the vicinity of highways already incurred expenditures on development of such properties.
- Staff Retention is the biggest challenge that is faced by Hotel owners. Waiters, Chefs take on – the – job training in hotels of Sindhudurg district. Immediately they get offers from the hotels in



neighbouring state Goa for higher wages and salaries. Therefore, retaining experienced staff in this region is a big task for hotel owners and B & B Scheme owners.

- Problems of Infrastructure-

- ✓ Acute shortage of water and availability of electricity are found in all the tourists' destinations visited. Peak season of tourism for Sindhudurg district is mainly summer i.e. March to May. However, in the same period there is acute shortage of water and electricity experienced by the hotels and B & B owners. As a solution in some places people are using water tankers. But this solution is temporary as well as very expensive. It is hampering the business of these stakeholders. In Tarkarli, it is reported that during the Month of May the water from the well becomes salty and hence could not be consumed.

In many properties, there is a facility of generators or battery back - ups. However, it is observed that electricity is so short in supply that even the generators or battery back – ups cannot be charged to supply electricity.

- ✓ Bad roads and traffic jams seem to be a very common problem in the spots surveyed in the present study. Respondents from Tarkarli, Devbaug and Amboli have especially reported this problem. Absence of signboards on the roads are reported by all the respondents.
- ✓ People who do not come by their private vehicle find it difficult to get a vehicle for travelling from Kudal to Tarkarli, Devbaug area. Very few buses are running on this route right now.
- ✓ Access road to beach is another problem for all the beaches in this area. These roads are so narrow that a car cannot reach near the beach. Secondly, there are no sign boards indicating a way towards the beach.
- Safety of Beaches- There is no lifeguard on any of the beaches in Sindhudurg. It is fatal to the lives of the tourists. Electricity lights are not provided on the beaches becoming a serious problem during dark. This adds to the already existing risks of the beach.
- Waste collection and its disposal is another serious concern in all the tourists' destinations in Sindhudurg district. Local governing bodies have neither provided any facility of a garbage truck to collect the waste from the village nor is there any dumping ground for final collection and disposal of waste. It takes a serious shape especially during peak season of tourism.
- Coastal Regulatory Zone (CRZ) issue of Tarkarli and Devbaug- Tarkarli and Devbaug are suffering from a peculiar problem of CRZ. Both these villages entirely come under CRZ Regulations. Government has asked the natives to migrate to some other area. However, there are discussions going on between residents and the government. Meanwhile, since the villages come under CRZ, government is not giving sanctions and permissions for hotels and B & B Schemes in this area. It is imposing fines and penalties for breach of law on Hotels and B & B scheme owners. Also the government will not be paying any compensation during the period of any natural disaster like Tsunami. Another aspect of this problem is many financial institutions have refused to sanction loans to the residents of this area due to the CRZ issue.
- Availability of medical facilities- It is reported that in both Devbaug and Tarkarli, not a single hospital or a dispensary is available. For a very common medicine also one has to travel few kilometres.
- Sawantwadi Bypass highway to Goa and its impact on tourism- A new highway to Goa bypassing Sawantwadi is developed recently to make journey to Goa convenient for the tourists. But it has negatively affected tourism and wooden toy industry in Sawantwadi. Even the hotel business is severely affected in Sawantwadi since tourists prefer to reach Goa directly without risk of traffic jams in Sawantwadi.

**SUGGESTIONS FOR IMPROVING TOURISM IN SINDHUDURG DISTRICT** The responses sought from the major stakeholders covered in this study, namely hoteliers and B & B scheme operators, have lead to a list of suggestions including varied and comprehensive aspects facilitating tourism.

1. Dissemination of information to all the stakeholders of tourism industry is a foundation of development of this sector. Government should organise camps for creating awareness among the stakeholders about new government schemes as well as changing rules and regulations.
2. Good and wide roads should be the priority for development of tourism in Sindhudurg District wherever possible. For widening of roads especially in the small villages like Tarkarli and Devbaug, natives should be taken into confidence and convinced about giving their lands for fair amount of compensation from the Government.  
Water route between Kudal and Devbaug should be developed. It will save time of travel as well as will give a distinct experience to the tourists.  
Increasing number of State Transport Buses from Kudal to Devbaug will attract more tourists in this area.
3. Adequate drinkable and consumable water is another prerequisite of tourism development. Similarly, continuous supply of electricity, especially in the summer (which a peak period of tourism in this area) is a must. So provision should be made by the government in this regard. System of waste collection and waste disposal from Local Bodies should be arranged. It would definitely add to the overall appearance and hygiene of the tourist destinations in Sindhudurg District.
4. New airport should be developed to attract foreign tourists to this area. Residential and eating facilities also should be generated in that area.
5. Tourists spots have to be developed keeping tourists' need as the priority. For example, changing rooms, toilets on the beaches are a must. It will automatically attract tourist to this area. Beaches should be maintained clean by arranging for waste disposal system. Lights on beaches are required urgently. Watch towers and Life guards on each beach will improve safety on the beaches creating positive impact on tourism inflow in this region.
6. Special tourism packages for local site seeing in Sindhudurg are not designed by MTDC as well as Private Tour operators. It is suggested that one Day Package of water route from Nerurpar to Walawal, Amberi, Devbaug Sangam can be designed. This would benefit the tourists by availing the facilities at a lower rate while giving them a very novel experience. Local cultural programs can be included as a part of tourist package.
7. Development of Shilpagram, Ayurveda Panchkarma Kendra in Sawantwadi would attract tourists to this place compensating the loss incurred due to Sawantwadi by – pass Goa highway.
8. Developing new tourists' spots also is necessary. Flowers of 'Karvi' should be marketed like Kaas Plateau near Satara to attract tourists.
9. B & B Portal should be updated at regular intervals. It will keep B & B lists up- to- date.
10. Hospitality Training Institutes and Human Resource Development Institutes should be established for generation of employable skills and thereby, generating employment among local residents. It is also suggested by the hotels and B & B Scheme owners that local human resources should be given priority for employment in various tourism related businesses.
11. Tax exemptions and tax concessions to hotels will attract more investment in this region leading greater income and employment generation. For making these businesses lucrative provision of water and electricity at concessional rate will be helpful.

12. At present, Sindhudurg District has predominantly medium scale hotels. So mass tourism is prominently found in this area. However large hotel properties are yet not found in this area. Affluent tourists still prefer Goa over Sindhudurg since Goa is far more developed than Sindhudurg in terms of facilities available. Since wealthy tourists are not visiting Sindhudurg, big investments in hotels are not attracted in this region. This vicious circle has to be broken by the Public -Private Participation.
13. All the hotel owners and B & B scheme owners have strongly urged that participation of the tourists in maintenance of cleanliness and safety and security is immensely important. So along with the awareness among locals, awareness among tourists also is the need of the hour.
14. Lastly, Konkan should be marketed as "tourists' Destination" very strongly by the Government since it has a very intense competition from the neighbouring state of Goa which has reached a developed stage while Konkan in general and Sindhudurg in specific are still in stage of "infancy" in terms of tourism development.

**OBSERVATIONS AND CONCLUSION** Lack of co-ordinated efforts of all concerned government departments is one of the root causes of low tourism development in Sindhudurg District. Tourism is a sector involving multiple sectors and varied government departments. Participation of all these departments while framing tourism policy is a prerequisite for its successful implementation. However, due to lack of consent to various proposals in Tourism Policy, 2006 it is implemented half -heartedly. For e.g. In Tourism Policy, 2006, Ministry of Tourism, Government of Maharashtra had announced availability of electricity at industrial rate to stakeholders in tourism industry. However, actually the stakeholders have not reaped any benefits since MSEB does not have any notification to this effect. Tourists' Destinations in Sindhudurg district should be developed as one "cluster" and not as each other's "competitors". Tourist attractions should be developed in such a way that they will complement each other and diverse activities and attractions will emerge in this sector. For example, if Tarkarli already has snorkelling and other water sports then other beaches of the same region should offer different attractions to tourists. This 'cluster' approach will enable the destinations in Sindhudurg district not to compete with each other but become collectively better equipped so as to be more competitive and reap larger benefits.

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## NURTURING PSYCHOLOGICAL CAPITAL THE CORE OF HUMAN CAPITAL

**Dr. Shobha Menon, Cosmopolitan's Valia College, D.N.Nagar, Andheri (West)**

**Abstract**

*Traditionally the concept of human capital emphasized the value of human capacities and it was believed education and training in developing skills forms the core of human capital development. This paper presents and highlights the need to move beyond education and training towards the more holistic concept of development in order to capture the essence of nurturing human capital. In this direction the paper proposes that organizations need to integrate the concept of psychological capital with its elements of hope self-efficacy resilience and optimism as integral components of human capital development. Based on a review of previous literature the paper suggests various techniques which focus on developing each of these elements and also presents evidence to show their relevance to the work place. The paper argues that unless organizations develop these four elements in their employees, efforts and resources spent on skill training and education, the traditional approach to human capital development will not yield their expected benefits.*

**Key words:** Human capital, psychological capital, hope, self-efficacy resilience, optimism

**Introduction** Today's world is often described as a VUCA world or a world with a VUCA environment .A VUCA environment is one characterized by Volatility, Uncertainty Complexity and Ambiguity. These frightening terms characterize the world of work today and with the speed of change that we are witnessing around us there is no reason to believe that the situation will change in the near future. In this world one of the most important assets every organization as well as nation wants is good human capital .Hence there is a lot of emphasis on developing and nurturing human capital. Nations especially those like India are realizing that unless they develop human capital they cannot reap the benefits of the demographic dividend. Without nurturing human capital, human beings would turn from assets to liabilities. This paper seeks an answer to the question, is the traditional concept of human capital really enough to tackle and thrive in a VUCA world? This paper emphasizes the need to move beyond the traditional emphasis of human capital development on education, training and health to incorporate the concept of psychological capital. The paper begins with understanding the concept of human capital then explains the meaning of psychological capital .Based on a review of literature the paper discusses how it can be nurtured in the work force and the possible impact of such an approach on staff.

**Objectives:** The objectives of this paper are

1. To understand the concept of human capital as it is traditionally understood.
2. To understand the concept of Psychological Capital and its different components
3. To analyze the relevance of Psychological Capital to organizations.
4. To outline relevant strategies to develop Psychological Capital.
5. To discuss the need to incorporate it as an integral component of human capital.

**Methodology:** The paper is based on a review of literature in the area of psychological capital primarily the work of Luthans in collaboration with other authors. The paper also reviews the work of Bandura, Synder and Masten and Reed to understand the concept of psychological capital. Extrapolating from their research work the paper builds up an argument in favour of incorporating psychological capital as an integral component of human capital and also discusses various techniques to build up psychological capital in the employees.

**Human Capital: Understanding the Concept.** Human capital is defined in the Oxford English Dictionary as "the skills the labor force possesses and is regarded as a resource or asset." The basic idea behind the concept is that nations need to spend in the areas of education, training and health of their citizens because this amounts to an investment which in turn will yield returns in the form of increased productivity of labour. A nation's total investment in human capital would consist of several components: on the job training, vocational training, part-time education, formal education, and health care and nutrition. Although types of human capital investment generally include health

and nutrition, education consistently emerges as the prime human capital investment because it is assumed that when education improves it will have an effect on health and nutrition. This conceptualization of human capital is based on the fact that investments made on education and factors like health and nutrition and the returns from them are measurable in economic terms. This paper argues that there is a basic flaw in this conceptualization when it is viewed from a psychological perspective. This conceptualization ignores the fact that a human being is not simply a collection of educational qualifications rather how effectively he is able to derive the benefits of this education depends on a person's state of mental emotional wellbeing. While at the macro level nations must focus on education and skill training at the micro level organizations must invest in nurturing a different type of capital namely psychological capital. This is necessary so that organizations can benefit maximally from the education and skills that an employee brings to the work place. This implies that organizations are not currently drawing out the best in their employees (Avolio, 2005). According to Pfeffer (1998), organizations often do not believe in the potential of their employees, they do engage in some developmental activities like self-managed teams or 360 degree feedback but since the essence of these approaches are often not well understood they may land up becoming mere fads which do not really add value to the organization.

**Psychological Capital: Understanding the concept** According to

Luthans, Youssef and Avolio (2007), Psychological Capital is an individual's positive psychological state of development and is characterized by: (1) having confidence (self-efficacy) to take on and put in the necessary effort to succeed at challenging tasks; (2) making a positive attribution (optimism) about succeeding now and in the future; (3) persevering toward goals and, when necessary, redirecting paths to goals (hope) in order to succeed; and (4) when beset by problems and adversity, sustaining and bouncing back and even beyond (resiliency) to attain success. Thus the four-facet constructs of self-efficacy/confidence, optimism, hope, and resiliency contribute towards making up the construct of Psychological Capital. An important question that arises is, are these facets trait like or state like. According to Luthans, Youssef and Avolio (2007) they are state like. This means they are malleable and can be developed using relatively brief training programs, on-the-job activities, and short, highly focused "micro interventions" (Luthans, Avey, et al., 2006). In order to understand how these four facets can be developed it is necessary to understand what these four constructs really mean. According to Stajkovic & Luthans, (1998b, p.66) based on the work of Bandura (1997) self-efficacy can be defined as: "an individual's conviction (or confidence) about his or her abilities to mobilize the motivation, cognitive resources, and courses of action needed to successfully execute a specific task within a given context". Snyder, Irving, & Anderson (1991, p. 287), define hope as "a positive motivational state that is based on an interactively derived sense of successful (1) agency (goal-directed energy) and (2) pathways (planning to meet goals)". Optimism is an attributional style that explains positive events in terms of personal, permanent and pervasive causes, and negative events as external, temporary and situation-specific (Seligman, 1998). Fourth is the positive psychological capacity of resiliency, which we define as "the developable capacity to rebound or bounce back from adversity, conflict, and failure or even positive events, progress, and increased responsibility" (Luthans, 2002a, p. 702). Having understood the term Psychological Capital the question that comes to mind is since all these have to do with personal psychological wellbeing why and how are organizations concerned with it? An organization will invest in psychological capital only if they are able to see the link between the development of such capital and work related outcomes and know what specific steps they must take to nurture the four facets discussed above. Nations invest in human capital because it is proven beyond doubt that education and health, the primary focus of human capital contributes towards national progress and because they know precisely what they need to do for the same. Hence in order to make a strong argument in favour of

investing in nurturing psychological capital it is necessary to see whether such a link exists between each of the four facets of Psychological Capital and workplace behavior and outcomes. Review of literature indicates clearly that such a link exists. Stajkovic and Luthans, (1998a) have found support for the existence of a significant positive correlation between self-efficacy and work-related performance. In the case of the facet hope since it has both will power and way power it is particularly relevant to the modern workplace where individuals are expected to be self-motivated. According to Luthans, Youssef and Avalio (2007) review of previous work shows that hope is related to performance in a number of domains including the work place. Optimism has been empirically demonstrated to be related to work performance (Luthans, Avolio, et al, 2006; Luthans, et al., 2005; Seligman, 1998). It is important for employees to know when to use optimistic as against pessimistic explanatory styles and to know how to adapt these styles to the work situation. Luthans, Youssef and Avalio (2007) based on their readings argue that resiliency is both relevant and necessary in today's workplace. It is also demonstrated to be related to performance outcomes (Luthans, Avolio, et al., 2006; Luthans, et al., 2005; Youssef & Luthans, 2005b). As discussed above Psychological Capital is related to work place behavior and outcomes. Once this link is clear to organizations the next issue they need to settle is how they are going to contribute towards developing each of the four facets so that Psychological Capital can be enhanced among employees. There are a number of techniques suggested in research to enhance each of these facets.

**Enhancing Self-Efficacy: What organizations can do** An important characteristic of self-efficacy is as a component of Psychological Capital is that it is domain specific. This would mean that in one area an individual would be extremely confident but the same person may be unsure about performance in another area. So it is necessary to work on building efficacy. Organizations need to engage in the following activities to nurture self-efficacy among employees Luthans, Youssef and Avalio (2007). Generally employees are most confident with those tasks that they have repeatedly practiced and mastered. When an employee has not done a task before since experience is missing efficacy is low. Further even though an employee may be confident in a particular domain the individual may have some aspects of that domain where efficacy is lower than in others. So it is necessary to give employees a chance to practice in a given domain in order to improve self-efficacy. However mere practice is not enough the person must also be able to experience success. This is because success leads to confidence and this in turn results in better performance creating a success spiral so the solution lies in facilitating the experience of success so that the success spiral is started. One approach to doing this is by breaking up a complex task into simpler subtasks and allowing the trainee to experience success step by step which can then be integrated. This is the reason why there should be emphasis on proper selection and placement of employees in those specific roles which they are good at and they can experience success. Training is also crucial to the success spiral. Organizations need to make use of training tools like simulations, case studies, what-if analyses, and other hands-on but off-the-job development techniques. Sometimes it may not be possible to let an employee try out working in a given domain. At such times it is necessary to give employees an opportunity to see other role models who are similar to them work on a task and succeed. Observational experiences allow individuals to process and learn from the success and mistakes of others and to selectively imitate their successful actions. This learning enhances the observer's own chances for future personal mastery experiences and success. When an individual employee sees others who are similar to them succeed it enhances efficacy. Basically the employee must be able to identify with the role model. According to Luthans, Youssef and Avalio, (2007) peer-mentors, self-managed teams, and even informally being "shown the ropes" by respected colleagues at the same level are effective for building efficacy. In many developmental contexts, including leadership and efficacy building, we are proposing that individuals need to be encouraged to see

themselves in a role in which they have not served before. Research indicates that when wellness issues are handled by organizations the confidence level of the employee is enhanced so organizations need to also focus on physical and psychological wellbeing. Since the physical and mental health and well being of an employee contributes towards efficacy, this is an area where organizations can contribute by creating conditions which foster physical and psychological well-being. Organizations can provide on-site exercise and wellness programs, childcare facilities, employee-assistance programs, and even informal social activities and gatherings. This is crucial in today's VUCA world which is highly stressful. Most of today's organizations invest heavily in technical training and very costly financial reward systems. Ironically and sadly organizations spend so much on financial rewards but pay little attention to simple actions like acknowledging, appreciating, and providing feedback and recognition to employees which not only helps improve performance but also helps convert self-doubt into efficacy. A meta-analytic research indicates that positive feedback and social recognition which is applied contingently at times has a greater impact on employee performance than even monetary rewards (Stajkovic & Luthans, 1997, 2003). The impact that these nonfinancial positive reinforces, such as attention, recognition, and positive feedback, have on performance has only recently been interpreted in terms of cognitive processes, such as self-efficacy (Peterson & Luthans, 2006; Stajkovic & Luthans, 2001, 2003). According to Luthans, Youssef and Avolio, (2007) employees high on efficacy have five characteristics which set them apart.

1. High goal setting and willingly taking on difficult tasks .
2. Willingness to take on challenges and thriving on them.
3. High self motivation
4. Willingness to work hard towards their goals.
5. Perseverance in the face of obstacles.

It follows that any employee with these characteristics will be an asset to the organization and truly human capital.

**Enhancing Hope :What organizations can do** Hope is “a positive motivational state that is based on an interactively derived sense of successful (1) agency (goal-directed energy) and (2) pathways (planning to meet goals)” (Snyder, Irving, & Anderson, 1991, p. 287). According to C. Rick Snyder hope consists of two integral components “agency” or “willpower” and “pathways” or “waypower.” This would mean that people are capable of generating alternative paths to their desired destinations should the original ones become blocked (Snyder, 1994, 1995a, 2000; Snyder, Ilardi, Michael, & Cheavens, 2000; Snyder, Rand, & Sigmon, 2002). Recent research reported by Luthans Youssef and Avolio (2007) indicates a positive relationship between hope and workplace performance. Research has also found a link between employee hope and organizational profitability (Adams, et al., 2002) and between entrepreneurs' hope levels and expressed satisfaction with business ownership (Jensen & Luthans, 2002). Peterson and Luthans (2003) found a positive relationship between organizational leaders' level of hope and the profitability of their units and the satisfaction and retention of their employees. Youssef (2004) also showed that the hope level of over 1000 managers and employees is positively related to their performance, job satisfaction, work happiness, and organizational commitment. There are different ways in which we can develop and nurture hope among employees. Effective goal setting has been found to be related to performance (e.g., Locke & Latham, 1990). However for this relationship to be established goals must be internalized and committed to and goal achievement must be self-regulated. Goals that are self-set, participatory, or even assigned but explained using a logical rationale are more likely to result in performance than dictated, unexplained goals (Latham, Erez, & Locke, 1988; Latham, Winters, & Locke, 1994). Finally, appropriate goal-setting does not only influence one's level of motivation, choices made, effort extended, and persistence but also the willingness and ability to create hope pathways to reach these

goals. Goals need to be specific, measurable, challenging, and yet achievable. Such goals also called stretch goals. They are those that are difficult enough to stimulate excitement and exploration and yet are still perceived to be within reach( Luthans Youssef and Avolio ,2007) .Goal setting must be accompanied by stepping a process by which difficult, long-term, and possibly even overwhelming goals are broken down into smaller, proximate, and thus more manageable milestones. Individuals therefore make gradual but steady progress toward distant goals, agency and pathways are enriched and a sustainable base is created for the future( Luthans Youssef and Avolio ,2007).Another way to build up hope is through an emphasis on bottom-up decision-making and communication, opportunities for participation and employee empowerment and engagement. The involvement approach gives an employee the power, freedom, and authority to make decisions and choices thus contributing to the agency component of hope.It also encourages them to develop courses of action which are uniquely developed by them thus contributing to developing pathways. (Luthans Youssef and Avolio ,2007).One way of developing hope components is by rewarding employees is by rewarding those managers and employees who set effective goals and show self regulation and develop and pursue alternate approaches to achieve goals. So we need to develop well designed reward systems which link up organizational goals with personal rewards so that motivation is sustainable. When employees do not see a connection between their work and recognition their motivation is dampened and performance drops (Luthans, K. W., 2000). Clearly set priorities and effective allocations of resources are vital to sustaining hope and attaining goals because when there are blockages in the path ways it creates frustration. When an employee is disengaged and there is a lack of resources the person simply develops an externalized victimized perspective and stops exploring alternate pathways becoming apathetic and hopeless. (Luthans Youssef and Avolio ,2007).So support from the leader both in terms of resources as well as strategy help build hope. Another way in which organizations can nurture both the agency and pathway components of hope is the careful alignment of the placement and development of human resources with each employee's talents and strengths. When this strategic alignment is done people get a broader set of pathway choices to success. (Luthans Youssef and Avolio ,2007).Organisations need to develop training modules which are not merely skill focused and impart technical knowledge and focus on hope promoting modules which are more interactive and participative. They are oriented toward enhancing general competencies and developing talents into strengths which can subsequently be adapted to various situations.Thus using these different approaches both will power and way power can be developed in employees so that they are energetic and determined

**Building Optimism as a component of Psychological Capital**Optimism is an explanatory style that attributes positive events to personal, permanent, and pervasive causes and interprets negative events in terms of external, temporary, and situation-specific factors. On the other hand, a pessimistic explanatory style would interpret positive events with external, temporary, and situation-specific attributes and explain negative events in terms of personal, permanent, and pervasive causes (Seligman, 1998).Optimistic employees differ from pessimistic employees in terms of how they react to situations around them. When there are changes optimistic people look at these changes as opportunities and aim at maximizing their gains from these opportunities.They also react differently even when the effects of these changes are negative. The positive style of processing and explaining negative occurrences makes them more positive towards the future.Therefore they take charge of their lives even in difficult times and work towards controlling their own destiny and make their positive outlook turn to a reality. In other wordsoptimism can lead to a self-fulfilling prophecy (Peterson & Chang, 2002) and can be both motivated and motivating (Peterson, 2000) to achieving long-term success.



Optimism can be developed in two ways. We can either change a pessimistic explanatory style or increase the optimistic style. There are three approaches to developing an optimistic style namely, leniency for the past, appreciation for the present and opportunity seeking for the future (Schneider 2001). Leniency for the past is a positive reframing technique that involves accepting the realities of the situation and has a problem-centered coping approach toward those aspects of the situation that can be controlled and gives an individual benefit of doubt about those aspects that cannot be controlled. (Carver & Scheier, 2002). The second approach involves learning to appreciate the present. This involves accepting that no matter how unfavorable a situation may be it has a positive aspect that can be enjoyed. Appreciation of the present prevents a person from developing a defeatist attitude which may hinder future improvement. The third approach involves opportunity seeking for the future. Schneider's (2001) previously suggested strategies of leniency for the past, appreciation for the present, and opportunity seeking for the future would be an example of such cognitive mechanisms for developing optimism. A good social support mechanism can help get rid of a pessimistic thought process. Additionally mentoring, coaching, role-modeling, teamwork, and even simple workplace friendships and informal social events can be effective in breaking free from a pessimistic isolation. (Luthans, Youssef and Avolio, 2007)

**Resilience as a component of Psychological Capital** According to Luthans (2002), resilience is “the capacity to rebound or bounce back from adversity, conflict, failure, or even positive events, progress, and increased responsibility”. Masten and Reed (2002, p. 75) define resiliency as “a class of phenomena characterized by patterns of positive adaptation in the context of significant adversity or risk.” According to Masten (2001) cognitive abilities, temperament, positive self-perceptions, faith, a positive outlook on life, emotional stability, self-regulation, a sense of humor, and general appeal or attractiveness are factors that contribute towards higher resiliency. Wolin and Wolin (2005), include insight, independence, relationships, initiative, creativity, humor, and morality as factors contributing towards resilience. On the other hand lack of education, alcohol, drug abuse, stress, burnout are risk factors which lower resilience (Johnson, Bryant, Collins, Noe, Strader, & Berbaum, 1998; Sandau-Beckler, Devall, & de la Rosa, 2002, Baron, Eisman, Scuello, Veyzer, & Lieberman, 1996; Smith & Carlson, 1997). However, the mere presence of risk factors should not be viewed as automatically conducive to failure and lack of resiliency in fact it operates akin to immunization so too much sheltering is not conducive either. (Luthans, Youssef and Avolio, 2007). Since the world of work today is increasingly competitive and rapidly changing organizations are looking for top performers who can perform well despite chaos, learn and grow through difficulties, and excel despite setbacks (Hamel & Välikangas, 2003). Besides this recognition of positive According to Masten and Reed (2002) there are three sets of resiliency development strategies that can be adapted to the workplace namely asset focused strategies, risk focused strategies and process focused strategies. The asset-focused strategies are aimed at enhancing the perceived and actual level of assets and resources so as to increase the chances of positive outcomes. According to Luthans, Youssef and Avolio (2007) these assets may include human capital (education, experience, knowledge, skills, abilities), social capital (relationships, networking), and even other positive psychological capital components (self-efficacy, hope, optimism). The risk-focused strategies focus on reducing the reducing risk so that undesired outcomes can be prevented (Masten and Reed, 2002) offer risk factors that can increase the probability of undesired outcomes being prevented. A risk focused approach would include focuses on risk management rather than avoidance. (Luthans, Youssef and Avolio, 2007). They argue that such risk-management approaches, an inventory of assets which is relevant to the new challenge is built, so the individual looks at the challenge as an opportunity to develop and is able to bounce back.. The process-focused strategies given by Masten and Reed (2002) are effective adaptational systems and processes. They are mobilized in order to identify, select, develop, employ, and maintain the proper

mix of assets in managing pertinent risk factors. This allows overcoming and growing through adversities. Organizations need to focus on the concept of career resiliency as something leaders and managers need to have. According to Waterman, Waterman, and Collard (1994, p. 88), a career resilient workforce is “a group of employees who not only are dedicated to the idea of continuous learning but also stand ready to reinvent themselves to keep pace with change; who take responsibility for their own career management; and, last but not least, who are committed to the company’s success.” In this approach of career resiliency employees are continuously monitoring, benchmarking, and anticipating changes in organizational needs and then upgrading their skills and abilities (assets) accordingly this helps not only the employee but also the organization. Under this approach, organizations are no longer responsible for the traditional employment contract, but rather the “employability” of their members. This employability is accomplished through equipping rather than prescriptive training, as well as the development and support of lifelong learning that enhances employees’ opportunities both within and outside the organization. (Luthans ,Youssef and Avolio,2007).

**Conclusions:**Based on the review of literature we may conclude that in order to survive and thrive in a VUCA world full of turbulence these four facets need to be developed in both leaders and followers in organizations. Nations focus on developing human capital in the traditional sense, these human resources or capital once developed are then used by organizations. However often they are not able to get their human capital to perform to optimum levels primarily because they ignore the crucial element of psychological capital nurturance. As discussed in the review presented above organizations need not do major activities to nurture human capital .Rather it is the small things which need to be incorporated into the organizational culture. The most positive thing about nurturing psychological capital is its emphasis on positive rather than negative aspects of human resources. From the practical view point of organizations nurturing psychological capital does not involve major expenses on specialized training programs or other such management or employee development programs. Rather the focus is on changing our attitude towards our human resources. While this is not expensive in financial terms it is not easy either because attitudinal change is difficult and comes about gradually. The first step in that direction would be incorporating psychological capital as a crucial component of human capital. Once this happens development of psychological capital would begin not in work places rather it would begin from schools .Merely imparting formal training and education is no longer enough we need to develop psychological strength in children so that they grow up into adults with self-efficacy, hope optimism and resilience. Until then organizations will have to carry out that responsibility using the steps outlined above in order to ensure optimum utilization of resources .

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## ECOTOURISM: A CASE STUDY OF SUNDERBANS-WEST BENGAL

**Arunima Bhattacharya**, Assistant Professor, Department Of Geography, Vidyasagar College For Women, Kolkata

### Abstract

*In the words of Mark Twain, 'India is a fabulous world of splendour and rags, the one country under the sun with an imperishable interest, the one land that all men desire to see'. The vastness of the wildlife and wilderness in India is unparalleled in the world. This calls for the need of ecotourism in the country. This paper highlights ecotourism as an innovative product for the development of Sunderbans. Ecotourism is a completely new term in tourism which promotes conservation and sustains the culture and lifestyle of the related dwellers as well. Ecotourism is distinguished by its emphasis on conservation, education, traveller responsibility and active community participation. In West Bengal, Sunderban is a place that introduces us the real meaning of ecotourism. The delta of Sunderban and its mangrove forests showcases highest mangrove diversity. This is also the only mangrove tiger land of the planet. It was earlier a Poacher's Paradise for its valuable flora and fauna. The Sunderbans Tiger Reserve Management and the WWF West Bengal State Office has taken special steps to find out ways and means for sustainable development of the villages with the help of local dynamic young men. The effort is not just to develop a tourism destination but to allow villagers an alternative source of income so that intrusion into the forest declines. It will have a direct impact on the forest as well as local villagers will turn protectors rather than poach. Sensitization about the environment as well as environmental education has been best achieved through ecotourism in Sunderbans. Thus Sunderban Ecotourism aims to inspire, inform and enable communities to turn ecosystems into a sustainable source of livelihood through well managed low impact tourism instead of exploiting them for short term profits.*

*Keywords: ecotourism, Sunderbans, community participation, economy, conservation.*

**Introduction:** Eco tourism is a responsible tourism which conserves the environment and sustains the well being of local people. The Nature Conservancy adopts the definition articulated by the World Conservation Union (IUCN): "Environmentally responsible travel to natural areas, in order to enjoy and appreciate nature (and accompanying cultural features, both past and present) that promotes conservation, have a low visitor impact and provide for beneficially active socio-economic involvement of local people." This is a completely new term in tourism which in turn promotes conservation and sustains the culture and lifestyle of the related dwellers as well. Ecotourism is distinguished by its emphasis on conservation, education, traveller responsibility and active community participation. Additionally, ecotourism can provide a viable economic development alternative for local communities with few other income-generating options. One important contribution in the ecotourism framework came from Community-based Ecotourism of Kersten (1997) who defined Community-based Ecotourism as a kind of nature tourism wherein the local community maintains full (or major) control over the management and the profits of the project. Sunderban is a tourists' paradise. Every year thousands of tourists flock to this mangrove tiger-land. The name ecotourism is already well known in Sunderban.

**Objective of The Study:** The current study focuses on:

- The physical background of the area.
- Why is ecotourism needed here?
- To analyse the strengths and weaknesses of developing ecotourism in Sunderbans.
- The potentials of further development of ecotourism.

**Methodology:** The methodology used in preparing the article is mostly the secondary sources of information, namely, the books, journals, newspaper and the internet.

**Study Area and its Ecology** The Sunderbans (21<sup>0</sup>57'N, 89<sup>0</sup>11'E) is a vast forest in the coastal region of the Bay of Bengal and considered one of the natural wonders of the world. It consist of a geographical area of 9629 sq. km, including 4185 sq. km of reserve forest land, and is a natural region located partly in southern Bangladesh part of the Gangetic delta between the Hooghly River in India on the west and the Meghna river in Bangladesh on the east and is bounded by the Ganga-

Padma, the Padma-Meghna on the north and by the Bay of Bengal on the south districts of West Bengal, India. The Sunderbans are a network of marine streams, mud shores and mangrove forests. The region is known to contain numerous species of animals, birds and reptiles, including Royal Bengal Tiger, Chital Deer, Crocodile and Snakes. On 21 May 1992, the Sunderbans was recognized as a Ramsar Site of ecological importance. To the south the forest meets the Bay of Bengal; to the east it is bordered by the Baleswar River and to the north there is a sharp interface with intensively cultivated land. The natural drainage in the upstream areas, other than the main river channels, is everywhere impeded by extensive embankments and polders.



**Fig 1**

The Sundarbans Mangrove Forest, tucked among rivers that spill into the Bay of Bengal, is one of the world's largest mangrove forests. Traditional Resource Users (TRU) such as fisherman, honey collectors and woodsmen have worked the land for years and carry with them abundant generational knowledge of the forest. This knowledge, however, has remained inaccessible to the thousands of ecological tourists and cultural artists who visit the forest each year. The extent of mangrove reserve forest in Sunderban is around 4260 sq. km, out of which 55 % is under land vegetation cover & balance 45 % is under water body / inter tidal zone. Sunderban is endowed with a rich flora and fauna. This mangrove forest has about 64 plant species which has more than 90% of Indian mangrove species. The core area of Sunderbans mangrove forest area is also conserved as "World Heritage Site" as designated by the IUCN in the year of 1989. The main trees and big shrubs of the area are "Bain", "Keora", "Garan", "Garjan", "Genwa", "Khali", "Bakul", "Karkra", "Dhundul", "Pasur", "Sundari", "Hental", "Golpata". The creeks of Sunderban form the home of estuarine crocodile, the only surviving member of the Jurassic time. The aquatic fauna includes Gangetic Dolphin, River Terrapin (Batagur Baska), Olive Ridley Turtle, Green Turtle, Hawk's turtle, and different species of crabs, prawns, lobsters and fish. The amphibian tiger population, which is estimated to be over 260 in number here, has distinct behavioural patterns and this makes Sunderban Tiger Reserve special from the other tiger reserves of the country. The Royal Bengal Tiger is the king of this forest and it occupies the pinnacle of both the terrestrial and aquatic web. To add to colour and melody there are birds like Rose ringed Parakeet, Crow Pheasant, Pied Myna, Drongo, Bulbul, Tailor Bird, Magpie, Robin, Brahmini Kite, Spotted Dove, Adjutant Stork etc.





**Fig 2**

**Need of Ecotourism in Sunderban** The mangrove ecosystems of Indian Sunderban contribute greatly towards coastal fishery of eastern India, apart from its immense tourism value. Thus it has become important to understand this mangrove ecosystem under changed conditions and take steps for sustainable use of this valuable resource. Sunderban is endowed with a rich flora and fauna. However, the Sunderbans are a very remote and underdeveloped area. The people use the natural resources like paddy straw, mud and wood to build their houses. Electricity, sanitation and communication are nonexistent, but slowly the situation is improving. The traditional livelihood of the local people is mainly fishing or prawn catching. The Sunderbans are the main source of fishery products for Eastern India. Agriculture yields only one crop per year due to saline conditions. Thus people are depending directly on the forest or forest based resources, what means severe threats for the fragile ecosystem. Traditional Resource Users (TRU) such as fisherman, honey collectors and woodsmen have worked the land for years and carry with them abundant generational knowledge of the forest. This knowledge, however, has remained inaccessible to the thousands of ecological tourists and cultural artists who visit the forest each year. Entire communities in the Sunderbans depend directly on the forest and its waterways for their livelihood, from fisheries to honey production. The Sunderbans is very vulnerable to a variety of anthropogenic activity, including intensive boating and fishing, dredging, tourism and port activities, operation of mechanized boats, excavation of sand from the riverbed, and the establishment of coal power plants. There are a number of endangered species in the Sunderbans, including river dolphins and an endemic bird, the masked finfoot, which are even more at risk because of these environmental threats. The tourism industry has become very successful in the Sunderbans, with annual visitation increasing from around 50,000 in 2002 to around 117,000 in 2010. Although the growing tourism business benefits the local economy, it has proven detrimental to the natural environment of the Sunderbans due to habitat destruction for hotel construction, pollution by garbage disposal, poor sanitation, and noise caused by mechanized boats. Uncontrolled tourism is likely to lead to more boardwalk construction and erosion of peat banks, which will result in changes in substrate structure, seedling distribution, faunal diversity, and species composition. The ecosystem of Sunderban is very delicate. Rise in the sea level has taken its toll on this delicate ecosystem, causing a rise in salinity. As a result the low salinity tolerant mangrove species have gradually shrunk in number. Only the high salinity tolerant species are surviving well. Rise in salinity has also resulted in a drop in the fresh water table. The



Forest department is taking adequate measures by digging up pot holes so that wild animals can get drinking water. Moreover, driven by poverty more than 2 lakh people resort to tiger prawn seed collection. The collection process is very harmful for the natural regeneration of the mangroves as it destroys the mangrove seeds along with other species. There comes the need of ecotourism in Sunderbans. This unparalleled mangrove forest in Sunderbans has been reduced to less than half of what it was 200 years before and gradually losing its past glamour, possibilities, potentialities and prospects. Mangrove is a peculiar type of ecosystem in the inter-tidal region. Because of its interesting environmental conditions, it offers a wide range of outdoor recreational opportunities. Naturally, mangroves can attract a large number of tourists and be a source of earning through national and overseas tourism.

### **Discussion**

Eco-tourism should be based on the following principles: (i) optimum multiple use of the resources; (ii) maximum sustainable use; and (iii) conservation and development of natural resources. The Government of West Bengal is desirous of promoting West Bengal as an ideal tourist destination. The State Government is keen to attract investments from established international investors and is committed to provide a conducive environment for investment.

- The Jhadkhali Eco Tourism Hub is one of the highest priority projects of the Government of West Bengal in the Tourism sector. A range of tourism products which have been carefully designed to suit the sensitiveness of the area has been proposed. The broad objectives of the project include the development of local population through job creation and showcase their talent and art.
- The Sunderbans Tiger Reserve Management and the WWF India, West Bengal State Office has taken special steps to find out ways and means for sustainable development of the villages with the help of local dynamic young men. Help Tourism, an organization working for development of Community Tourism that supports the process of conservation has also joined hands. A demonstration project - Sunderbans Jungle Camp – a low cost tourism infrastructure involving local people is developed to be replicated by other villagers.
- Help Tourism followed the strategy to offer exclusive accommodation in ethnic style and good local food and service. Local staff is trained accordingly and a concept for an eight bungalow resort was developed. Initially the land for the demonstration project was given by Bali Nature and Wildlife Conservation Society, who is also a partner of the project. The effort is not just to develop a tourism destination but to allow villagers an alternative source of income so that intrusion into the forest declines. It will have a direct impact on the forest as well as local villagers will turn into protectors of the forest. Visitors to this destination will have the opportunity to experience this unique forest with its rich diversity of life. This will also help preserve local culture. Here villagers will be the owners who will manage their property.
- The Jungle Camps is one of the best places to stay in Sunderban. Generally a package is offered to the customers which include transport from Kolkata to camp and back, stay, all meals, boat safari to the mangrove forest, village walk and birding, cultural performance, entry fee, camera charges, guide charges, naturalist (on demand) charges etc. The boats provided for the jungle cruise are basic yet comfortable. The boatman and guide do have the extensive knowledge of the local flora and fauna and the weather.
- Tourists come to Sunderban to see the beauty of nature as well as the wilderness in serenity. So, in order to make this destination a sought after destination for the tourists, maintenance of healthy ecosystem for Sunderban is of prime importance.
- The idea of the ‘tourist centre’ was included and additionally this was used to create ‘local communities’ as stake holders in conservation, thus creating green human buffer.

- Accordingly, with time adjoining villages have been included in the tourism and conservation network to confirm the continuity of regional biodiversity conservation by the people.
- Tourism is a seasonal activity in Sunderban. The local communities cannot solely depend on tourism as the only livelihood option. The income from tourism for the local people is mostly from working as cooks and guides. Apart from this, local people also get 25% of the revenue collected from tourists as the entry fees to the National Park. A tourism project is embedded in a social environment.
- By engaging guides for village walks, wildlife and mangrove tours additional income is given to local people after they have been trained accordingly. Young fishermen are hired for rowing tourists on country boats into the mangrove creeks.
- For an alternative livelihood development, the implementation of organic farming, medical plant or mushroom cultivation, local crafts and repairing shops for small plants and machineries are planned.

Due to high dependency on the forest, an effective conservation strategy needs to provide the residents with income generation opportunities linked to forest protection. Eco-tourism is seen as both environmentally sustainable and economy boosting.

**Findings** Over the past two decades, ecotourism activities have expanded rapidly and further growth is expected in the future. Ecotourism should balance top-down and bottom-up development strategies. The analysis of the strengths and weaknesses of ecotourism in this area presents a mixed picture of reality. There have been certain positive effects of ecotourism in the study area.

- The local people strongly support the need of ecotourism in this region.
- Status of Biosphere Reserve and World Heritage Site of Sunderban is well established.
- Good number of domestic and foreign tourists visiting this destination at peak season.
- Unique culture, art, craft, lifestyle and society of the local people.
- Already existing tourism infrastructure.
- Proper ecotourism package development involving local people in decision making and planning so that there is a larger involvement of the local people.
- Diversification of ecotourism products like stay in country boats, trail walks etc. which will help in retaining majority of the income generation of the local people.

However, every policy comes with its advantages and disadvantages. There are certain constraints towards the development of the ecotourism in this region.

- Lack of coordination among the local people when several villages are included in the programme.
- Little incentive for the local people from tourism in terms of income generation. More has been said than has been done for the local people.
- Migration of extremely poor landless people to Kolkata in search of job opportunities. Job generation till now has not been satisfactory.
- Potential negative environmental impacts (damage to mangrove vegetation due to rise in salinity, loss of species due to tiger shrimp cultivation etc)
- Pollution by sewage, dumping of the wastes in river. The direct disposal of garbage in the river might not be problem in short term but pollution may occur with the growth of tourism that can lead to eutrophication and species loss.
- Fresh water scarcity is a major cause of concern for tourism to develop.
- Increase in biotic pressure due to increase in mass tourism.
- Lack of proper management causing negative impact on this fragile ecosystem.

**Analysis:** The problems which are still now faced in this marshy area need certain protective steps towards it.



- ✓ The bird protection committee has to ensure that these places are not overused by visitors.
- ✓ Another major problem is the disturbance in the nesting of the birds caused by frequent visitors. This problem could be solved by minimizing the movements of boats/people inside the area to the bare minimum level.
- ✓ Care should be taken to ensure that when ecotourism takes place in a bigger manner, eco-friendly modes of transport should be resorted to. The area is prone to ill-directed developmental activities like well digging, artificial fish feeding, etc., which would cause demise of this habitat. It is imperative that only such activities should be encouraged which do not cause any harm to this fragile environment
- ✓ In order to heighten the importance of heritage and natural resources, and manage them better, training and education programme should be instituted.
- ✓ Priority should be given in the training of local people and park managers and to monitoring the delivery of services and products to ensure they meet expectations.
- ✓ Accessible financing (grants, inexpensive long-term loans) is needed for ecotourism projects and must include ways to measure whether these monies are being used effectively.
- ✓ Internet communication provides a low-cost and efficient mechanism for both promotion and development; it needs to be complimented with other communication strategies.
- ✓ Guidelines or regulations that address the behaviours and activities of tourist on the Sunderbans can dramatically decrease the negative impacts of tourism without affecting beneficial contribution.
- ✓ Cross border tourism with Bangladesh, historic tourism can also be beneficial for the development of the region.
- ✓ There is a scope for adopting Public-Private Partnership Model for sustainable development of the region.

**Conclusion** The root of all problems in modern times is not with nature but with man, so solutions will have to come through human intervention. There are two necessary preconditions for effective intervention. First of all, it is necessary to desist from further misuse of the environment and our natural resources, and simultaneously to minimize the impact of scientific, industrial and technological development on these. Secondly, it is necessary to acknowledge the fact that human well-being is not enhanced in the misuse of natural resources. In this perspective, the relationship between tourism and nature is to be explored. The Sunderbans is largely unexploited. The primary reasons are lack of adequate facilities and publicity necessary for attracting tourists. On the other hand, the increasing pressure of population, unplanned civilization among the islands, and massive deforestation due to poverty and the need for subsistence among the inhabitants, is challenging the diversified and unique ecology of The Sunderbans. This brings to the fore the significance and imminent need of a systematic plan for eco-tourism development of this region and its effective implementation by governmental and non-governmental interest groups, in concert. Apart from ecotourism guidelines and skill training for the local people what is more required is to build respect for the cultural groups and the environment of the region. Thus Sunderbans mangrove forest has high potential of developing ecotourism in terms of tourist attractions, economic benefits, employments and ecosystem conservation.

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## A STUDY OF MAHARASHTRA'S TOURISM AT THE BACKDROP OF POLICY INITIATIVES OF THE GOVERNMENT

**Dr. Rashmi Agnihotri**, CMA, Ph.D., PGDFM, M.Com, NET, Head of the Department of Commerce, V.P.M.'s Joshi, Bedekar College, Thane.

### **Abstract**

*Tourism is one of the largest and fastest growing economic activities in the service sector, and has enormous potential for contributing to economic growth through large-scale employment, foreign exchange earnings, revenue to the government in the form of taxes, revenue to the local business units, and improved standard of living for local people, etc. Several countries worldwide have understood the composite and vast nature of tourism along with its importance and capacity to work as an engine of economic growth. They have been able to transform their economies by developing their tourism potential. India has also taken up the development of tourism by giving it a status of priority sector and marketing destinations with the help of Incredible India! And Atithi Devo Bhava Campaign. On this background here, the State of Maharashtra, from India has been studied. The researcher is trying to understand the relevance and importance of tourism policies of Central and State Government in the overall development of tourism in the state of Maharashtra. This paper also tries to understand the overall status of tourism Maharashtra and how its growth is related to the overall growth of the state and consequently Indian. This paper is suitable for the subtheme 'Micro economy to Macro economy' of the Seminar.*

*(Key words: Tourism, Maharashtra's Tourism, Policies, Growth)*

**Introduction:** The tourism industry is a vast industry made up of various sectors related to virtually all areas of the economy. It is made up of sectors such as accommodation, transport, tour operators, business tourism, retail services, hospitality and other support services, which need to work in harmony to serve the need of tourists. Moreover, the tourism system is so complex, vast and multifaceted that it requires integrated approach for its study. However, this very nature of tourism industry gives rise to bundle of benefits and developments in the economy. Therefore, it is important to study such a vast and diversified sector in order to understand the interrelationship between the growth of tourism and related policy initiatives of the government. The study of tourism has formally evolved during 20<sup>th</sup> century and is now covered within a diverse range of disciplines. "Jafari and Ritchie (1981) identified five main academic disciplines in tourism research: economics, sociology, psychology, geography, and anthropology" [cited in Echtner, C. M., & Jamal, T. B. (1997)]<sup>i</sup>. Various definitions have been evolved by many experts and researchers. The main intention of most of these definitions are focused towards the nature of visit, scope of activity, purpose of visit, duration of visit, sequence of tour activities, outcome of travel activities, stakeholders' participation and relationship among stakeholders. In 1977, Jafari described tourism as "The study of man away from his usual habitat, of the industry which respond to his needs, and of the impact that both he and industry have on the host's socio-cultural, economic, and physical environments."<sup>ii</sup> "Subsequently, the UNWTO (United Nations World Tourism Organisation) in 1995 defined tourism as comprising "the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes". The term 'usual environment' refers to a place of normal residence or domicile. Thus tourism excludes the commutation within the place of one's habitat."<sup>iii</sup> Another definition of UNWTO in 2008 states "Tourism is a social, cultural and economic phenomenon related to the movement of people to places outside their usual place of residence, pleasure being the usual motivation."<sup>iv</sup> Thus, tourism is a composite industry involving multiple processes and activities arising out of the relationship between tourists, service providers, local communities, local government and the environment.

### ➤ **Objectives of the Study:**

1. To understand the importance of Maharashtra's tourism at the backdrop of Indian Tourism.

2. To understand the impact of Government policies on different aspects of Tourism in the State of Maharashtra

3. To Study the impact of growth of tourism in Maharashtra on certain macro environmental aspects.

➤ **Hypothesis:** On the basis of objectives of the study following hypothesis have been framed.

1. H0: The impact of Government policies on different aspects related tourism differ significantly.

H1: The impact of Government policies on different aspects related tourism do not differ significantly

2. H0: The impact of growth of tourism in Maharashtra on certain macro environmental aspects do not differ significantly

H1: impact of growth of tourism in Maharashtra on certain macro environmental aspects differ significantly

➤ **Scope and limitation of the study:** Literature review and preliminary investigation have helped in finalising the scope and limitation of the study. The study covers only the State of Maharashtra. The study is mainly based on primary and secondary data. Some of the conclusions are based on estimates, assumptions, observation and informal interview. Tourism has been regarded as a priority sector by the Government of India and as well as by the Government of Maharashtra. It's potential as a growing economic activity has been recognised at the international as well as national level. The research in this sector is limited and as research and development go hand in hand there is a need to carry out such studies which will help in developing tourism in Maharashtra. The study is relevant from the point of view of all stakeholders such as tourists, travel agents and tour operators, and government agencies involved in tourism development in the State.

➤ **Method of data collection and analysis:** The primary data was collected through interviews, observation and discussion with experts. For this purpose a questionnaire was prepared and information was collected from tour operators and travel agents from different areas of Maharashtra. Primary data was collected by contacting the business organisations through personal visits, online sources and telephone calls. The secondary data was collected from Reports of MTDC, Tourism Policy - 2016, Draft Tourism Plans of various districts, Reports of Ministry of Tourism, Government of India, Reports of WTTC, and various tourism websites.

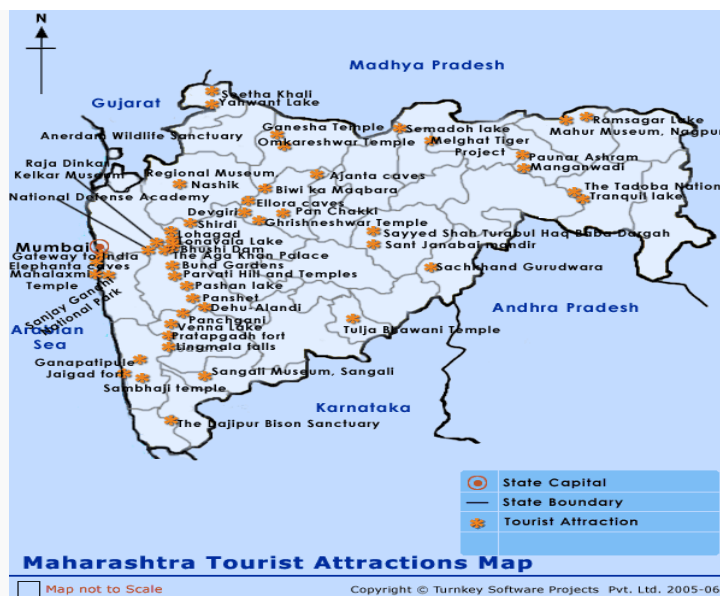
The primary data collected through questionnaire has been analysed with the help of various statistical techniques such as descriptive statistics, one sample t – test, ANOVA and Tukey's multiple comparison test.

➤ **Sampling:** Non- Probability sampling technique involving snowball sampling and convenience sampling have been used for the study. Initially, the tour operators and travel agents registered with MTDC were contacted, however, later on by taking reference from registered tour operators even some of the private tour operators were contacted as a part of snowball sampling for data collection. In all, 50 such operators responded and all of them have been covered.

➤ **Unlimited Maharashtra:** Varied attractions which include beautiful beaches, forests, wild life, hill stations, landscapes, snow, river, mountain peaks, technological parks, museums, centres of pilgrimage, heritage, monuments, rich culture, hotels, yoga, ayurveda and natural health resorts, etc. make India the best destination in the world for tourism. In the words of Nehru, India is "a land of contrasts", where rural tranquillity rubs shoulders with metropolitan bustle, austerity with pomp and show, and pageantry with simplicity." With the campaigns such as "Athithi Devo Bhava" "Incredible India", Indian Government has tried to develop the brand image of India in the world tourism market. A look at the relevant statistics will help in getting the glimpse of this industry in India.

WTTC's Travel and Tourism Economic Impact Report on India, 2016 states that the total contribution of Travel & Tourism to India's GDP was INR 8,309.4bn (6.3% of GDP) in 2015, and is forecast to

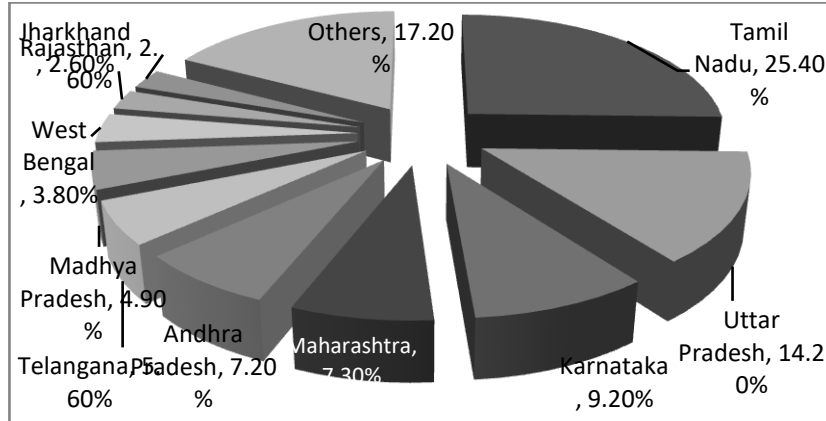
rise by 7.3% in 2016, and to rise by 7.5% to INR18,362.2bn (7.2% of GDP) in 2026. At the same time, the total contribution of Travel & Tourism to employment, including jobs indirectly supported by the industry, was 8.7% of total employment (37,315,000 jobs). This is expected to rise by 3.0% in 2016 to 38,441,000 jobs and rise by 1.9% pa to 46,422,000 jobs in 2026 (9.0% of total).<sup>vi</sup> With this brief background of Indian tourism the researcher has studied the status and role of Maharashtra's tourism. Maharashtra is amongst largest states in India in terms of population and geographical area. Maharashtra occupies the western and central part of the country and has a long coastline stretching nearly 720 kms along the Arabian Sea. Ranges of Sahyadri Mountain on the west, the Satpuda hills along the north and Bhamragad – Gadchiroli - Gaikhuri ranges on the east, serve as natural borders. Main rivers in Maharashtra are Godavari, Bhima, Krishna, Painganga, Wardha, Narmada, Tapi, Manjra and Seena. Maharashtra, one of the God gifted state, abounds in numerous tourist attractions ranging from ancient caves, temples, unspoiled beaches, ancient forts and monuments, forests and wildlife, unique hill stations, pilgrimage centres, and a rich tradition of festivals, art and culture. Hence the slogan for Maharashtra Tourism is very suitably decided as “MAHARASHTRA UNLIMITED!”<sup>vii</sup> It is one of the very few God gifted states in India with a unique combination of hills, plateau, beaches, historical forts, wildlife sanctuaries, caves, pilgrimages and adventures. There exists immense scope for Tourism development in Maharashtra. However, there are certain inherent challenges for tourism industry in the state and therefore, there is a need to undertake research in various areas of this sector in Maharashtra. Following tourist map of Maharashtra displays various famous tourist attractions of the state.



**Figure1.:** Maharashtra’s tourist map

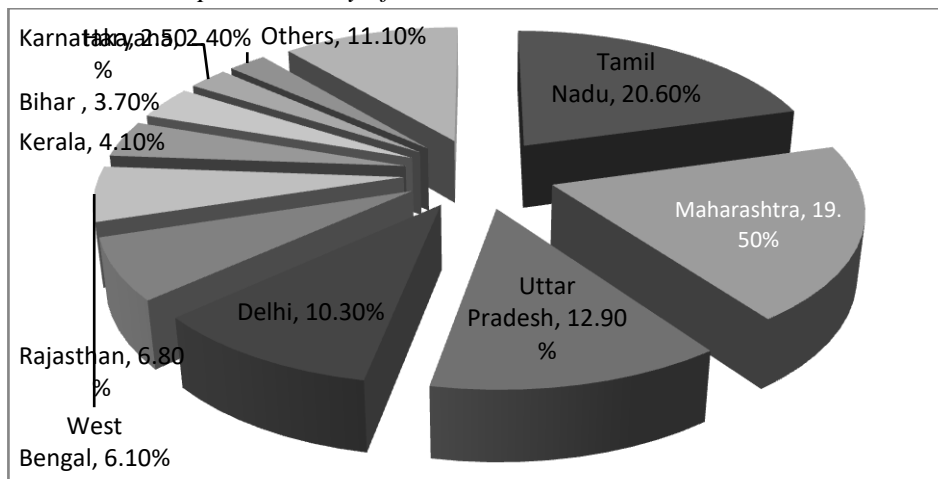
Source: <http://www.maps-india.com/maharashtra/tourist-attractions/>The State Government has entrusted all commercial and promotional tourism activities to this Corporation. MTDC has, since its inception, been involved in the development and maintenance of the various tourist locations of Maharashtra. MTDC owns and maintains resorts at all key tourist centers and having more resorts is on the plan.<sup>viii</sup> The State Tourism Department, in addition to the Tourism Director Office in Mumbai, has opened tourism information centers at Pune, Mahabaleshwar, Aurangabad and Goa. Besides, MTDC has also set up several tourist complexes, which provide quality accommodation to the tourists at affordable rates. Through its website MTDC provides detailed information about various tourism related initiatives. With the above background following important statistics has been considered for the state for Maharashtra:<sup>ix</sup>

- Maharashtra stands 4<sup>th</sup> in terms of Domestic Tourists Visits (DTVs) in India after Tamil Nadu, Uttar Pradesh and Karnataka with 7.3 % of total DTVs of India.
- In terms of Foreign Tourist Visits (FTVs) Maharashtra stands second next to Tamil Nadu during the year 2014 with 19.5 % of total foreign Tourist Visits. This is reflected in the following pie charts:



**Figure 2.** Percentage Share of Top 10 States/Union Territories of India in Numbers of Domestic Tourist Visits in 2014

Source: Source: Statistical report, Ministry of Tourism, 2014.



**Figure 3.** Percentage Share of Top 10 States/Union Territories of India in Number of Foreign Tourist Visits in 2014

Source: Statistical report, Ministry of Tourism, 2014.

The above statistics and secondary data analysis explain the relevance and importance of development of tourism in the state of Maharashtra as it plays a very important role in Indian Tourism. Taking into consideration the above discussion following primary data has been collected and analysed.

- **Primary Data collection and Analysis:** Travel agents and tour operators are the intermediaries in the tourism industry. They serve the principal suppliers of tourism products such as hotels, airlines, transporters, Government agencies, etc. on one hand and tourists on the other hand. As tourism is a service industry travel agents and tour operators play a very important role in providing the perishable and intangible services of this industry. They are intermediaries providing various services to the tourists such as packaged tours, guided tours, ticketing, visas, foreign exchange, business tours, accommodation reservations, and many more. Looking at the importance of their presence in this sector the researcher has tried to analyse some of the

important challenges faced by this sector from the point of view of travel agents and tour operators. Following challenges have been considered most significant by them.

**i. Number of years in Tourism Business:**

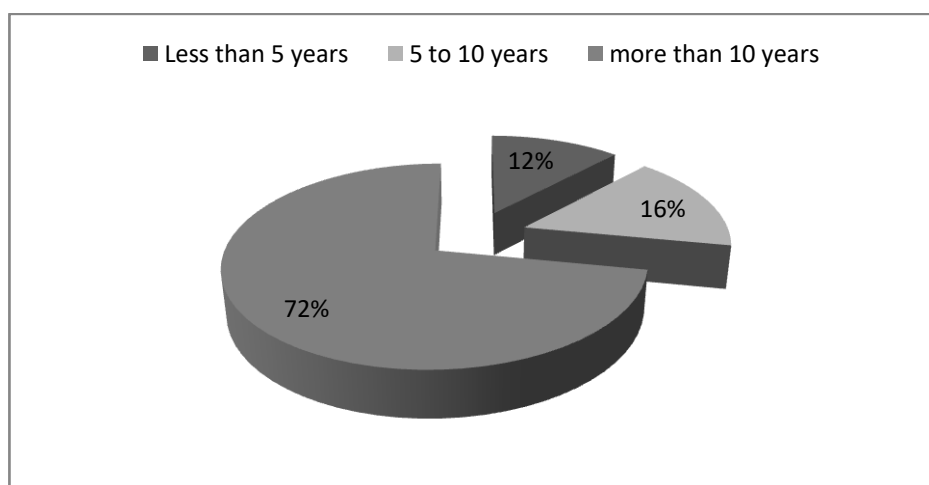
The following table and pie chart reflect that the sample represents a good mix of the age of the business enterprises. Most of the respondents (more than two-thirds of the sample size) have experience of more than 10 years in tourism business and would have seen a full business cycle including boom and recession/ downturn periods. Their response would include long term vision as well as change in trends over long period. More than 15% of the respondents correspond to business enterprises of age between 5-10 years, which can be associated with a sufficiently matured level of enterprise. About 10% of the responded were new enterprises which could help provide the inputs about the more recent trends as well as the newer avenues of growth in this sector. This good mix of the tour operators helped in collecting full spectrum of the data to ensure valid and correct statistical analysis for the research.

Following table and chart explain the data distribution.

No. of Years	No. of business Organisations	Percentage
Less than 5 years	6	12.0%
5 to 10 years	8	16.0%
more than 10 years	36	72.0%

**Table 1.** Number of years in Tourism Business and its percentage

Source: Primary Data



**Figure 4** Composition of respondents for experience in this business

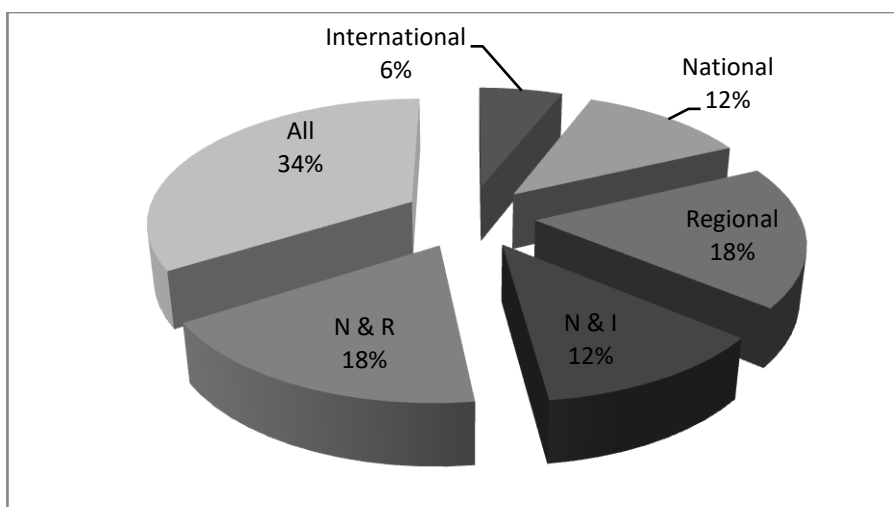
Source: Primary Data

**ii. Area of Operation:** The respondents’ area of operation of their business has been analysed here. Following table and chart explain the data distribution related to the various areas of operations of tour operators and travel agents.

Area of operation	No. of business organisations	Percentage
International	3	6.0%
National	6	12.0%
Regional	9	18.0%
National & International	6	12.0%
National & Regional	9	18.0%
All	17	34.0%

**Table 2.** Area of Operation, business organisation and their percentage

Source: Primary Data



**Figure 5** Composition of area of operation

Source: Primary Data

Out of total respondents, 34 % operators deal at regional, national and international level whereas, only 6% operate at international level. This clearly shows that nowadays travel agents and tour operators have increased their area of operation.

**ii. Impact of Government policies on different aspects of tourism :**Response on some of the important impacts of tourism policies were collected and following tables and charts are prepared explaining the statistical data analysis.

Code	Different aspects
1	Promoting tourism in the state
2	Revenue generated from tourism
3	Destination image management
4	Infrastructure development of the tourist spots
5	Infrastructure development in the State
6	Concessions in taxes
7	Tie up with neighbouring states

**Table 3.** Coding of different aspects of tourism

Source: Primary Data

On the basis of collected data following descriptive statistics has been done and the chart showing mean score has been prepared

• **Descriptive Statistics:**

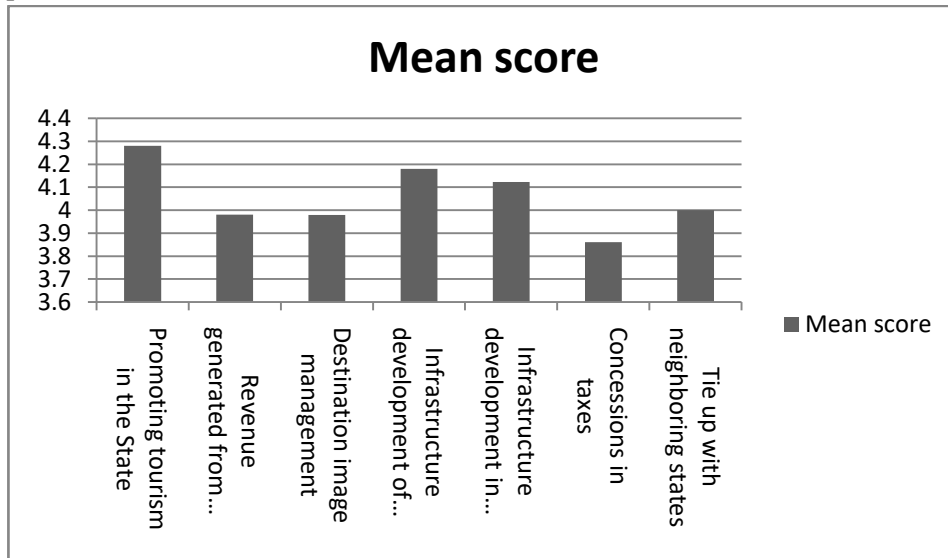
Code	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
1	50	4.2800	.83397	.11794	4.0430	4.5170	1.00	5.00
2	50	3.9800	.84491	.11949	3.7399	4.2201	2.00	5.00
3	49	3.9796	.90115	.12874	3.7208	4.2384	1.00	5.00
4	50	4.1800	.87342	.12352	3.9318	4.4282	1.00	5.00
5	49	4.1224	.83248	.11893	3.8833	4.3616	2.00	5.00
6	50	3.8600	1.12504	.15910	3.5403	4.1797	1.00	5.00
7	50	4.0000	1.03016	.14569	3.7072	4.2928	1.00	5.00

Total	348	4.0575	.92803	.04975	3.9596	4.1553	1.00	5.00
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**Table 4.** Descriptive statistics of impact of policy

Source: Primary Data

The following chart explains the composition of various aspects where the Government Policies can play an important role.



**Figure 6.** Various parameters showing impact of Government policy

Source: Primary Data

- **One Sample t-test result:**

	Test Value = 3					
	t	d.f.	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
1	10.853	49	.000	1.28000	1.0430	1.5170
2	8.202	49	.000	.98000	.7399	1.2201
3	7.609	48	.000	.97959	.7208	1.2384
4	9.553	49	.000	1.18000	.9318	1.4282
5	9.438	48	.000	1.12245	.8833	1.3616
6	5.405	49	.000	.86000	.5403	1.1797
7	6.864	49	.000	1.00000	.7072	1.2928

**Table 5.** One Sample t-test of aspects showing impact of Government policy

Source: Primary Data

- **ANOVA test:**

	Sum of Squares	d.f.	Mean Square	F	p-value
Between Groups	6.146	6	1.024	1.193	.309
Within Groups	292.705	341	.858		
Total	298.851	347			



**Table 6.** ANOVA of various aspects showing impact of Government policy

Source: Primary Data

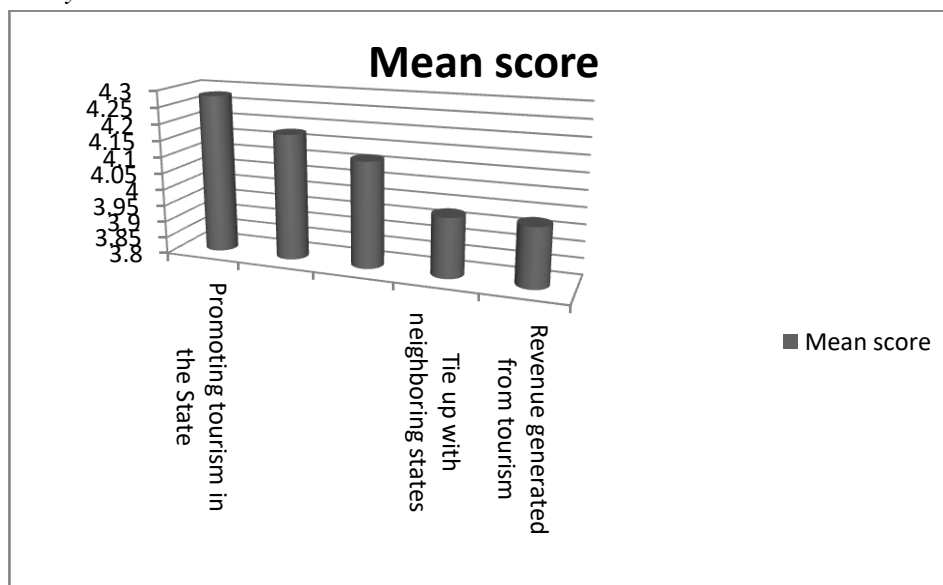
Since p-value for the ANOVA is greater than that of 0.05, it indicates that average scores by the respondents on impact of Government policies on different aspects related tourism do not differ significantly. It means government policies play an important role in all the aspects listed above. Thus, Null Hypothesis (H0) : The impact of Government policies on different aspects related tourism differ significantly, is rejected and alternate Hypothesis (H1) : The impact of Government policies on different aspects related tourism do not differ significantly is accepted. As the respondents are of the view that government policies are important for the growth of various aspects the researcher has tried to analyse it further to find out the most important aspects.

• **Five most important aspects having impact of Government policies:**

Sr. No.	Statement	Score
1	Promoting tourism in the State	4.28
2	Infrastructure development of the tourist spots	4.18
3	Infrastructure development in the State	4.12
4	Tie up with neighbouring states	3.98
5	Revenue generated from tourism	3.979

**Table 7.** Five most important aspects having impact of Government policies

Source: Primary Data



**Figure 7** Various parameters having high mean of impact of government policies

Source: Primary Data

**Interpretation:** The above chart indicates the five most important aspects, being – Promotion of tourism, Infrastructure development of tourist destinations, Infrastructure development of the state, Tie up with other states and Revenue from tourism. Thus Government’s policy initiatives must be strengthened in order to enhance the above mentioned aspects of tourism. Once good policy initiatives are taken for growth of tourism, it is essential to study the impact of such growth in tourism on various state and national level aspects. Therefore, following study is carried out to find out the link between growth of tourism and development of economy.

**Impact of growth of tourism sector :** Here, the impact of growth of tourism on various macro aspects of state and nation were considered.

Variable Code	Impact of growth of tourism
1	Balanced regional growth
2	Generating employment
3	Generating revenue for people
4	Improved infrastructure
5	Better standard of living for people
6	Building Brand Image of the country
7	Generating Revenue for the country

**Table 8.** Coding of parameters getting effected due to growth of tourism

Source: Primary Data

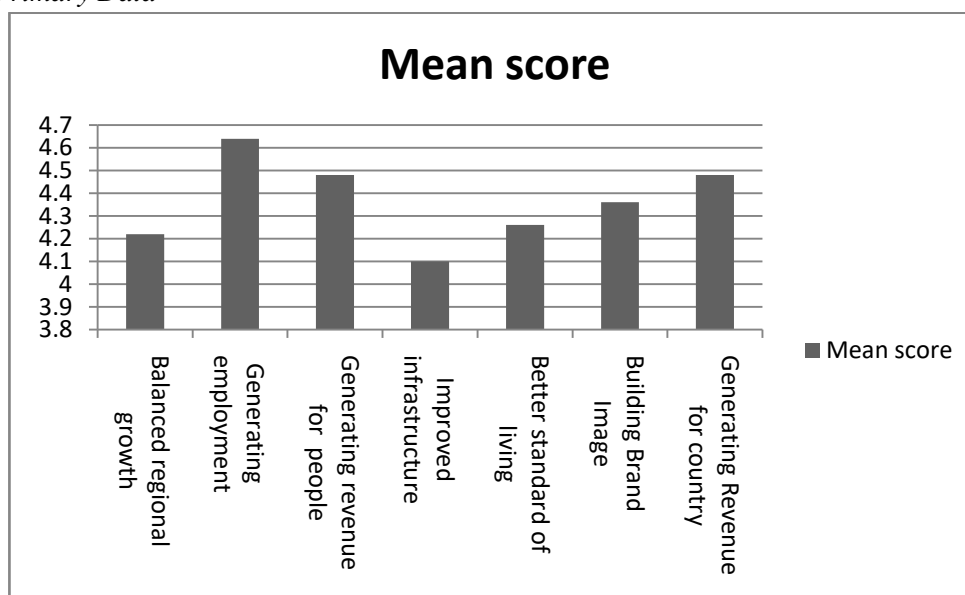
On the basis of primary data collected following descriptive analysis is carried out and charts are prepared to support the explanation.

• **Descriptive Statistics:**

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
1	50	4.2200	.95383	.13489	3.9489	4.4911	2.00	5.00
2	50	4.6400	.66271	.09372	4.4517	4.8283	2.00	5.00
3	50	4.4800	.78870	.11154	4.2559	4.7041	2.00	5.00
4	50	4.1000	.83910	.11867	3.8615	4.3385	1.00	5.00
5	50	4.2600	.89921	.12717	4.0044	4.5156	1.00	5.00
6	50	4.3600	.80204	.11343	4.1321	4.5879	1.00	5.00
7	50	4.4800	.67733	.09579	4.2875	4.6725	2.00	5.00
<b>Total</b>	<b>350</b>	<b>4.3629</b>	<b>.82044</b>	<b>.04385</b>	<b>4.2766</b>	<b>4.4491</b>	<b>1.00</b>	<b>5.00</b>

**Table 9.** Descriptive Statistics of parameters of impact of growth of tourism

Source: Primary Data



**Figure 8** Various parameters having impact of growth of tourism

Source: Primary Data

Comparison of significance of each of the variable: The impact of growth of the tourism has been compared independently. The average response to each of the parameter is compared against the average expected value 3. If the score is significantly more than 3 then the impact of growth of tourism on them will be considered significant.

• **One sample t-test result:**

	Test Value = 3					
	t-test	d.f.	p-value	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
1	9.044	49	.000	1.22000	.9489	1.4911
2	17.499	49	.000	1.64000	1.4517	1.8283
3	13.269	49	.000	1.48000	1.2559	1.7041
4	9.270	49	.000	1.10000	.8615	1.3385
5	9.908	49	.000	1.26000	1.0044	1.5156
6	11.990	49	.000	1.36000	1.1321	1.5879
7	15.451	49	.000	1.48000	1.2875	1.6725

**Table 10.** One sample t-test of various parameters having impact of growth of tourism

Source: Primary Data

From the above table it is clear that since p-value for each the aspect expecting impact of growth is less than that of 0.05 indicates that the impact of tourism is significant on each of the aspect. The higher value of t-test indicates more impact. Therefore, the higher impact is expected on generating employment.

• **ANOVA test:**

	Sum of Squares	d.f.	Mean Square	F	p-value
Between Groups	10.217	6	1.703	2.599	.018
Within Groups	224.700	343	.655		
Total	234.917	349			

**Table 11.** ANOVA test of vvarious parameters having impact of growth of tourism

Source: Primary Data

**Interpretation:** Since p-value for the ANOVA is less than that of 0.05 it indicates that average scores by the respondents on different parameters in which the growth of tourism may have impact differs significantly. Thus, H0: The impact of growth of tourism in Maharashtra on certain macro environmental aspects do not differ significantly is rejected. And, H1: impact of growth of tourism in Maharashtra on certain macro environmental aspects differ significantly is accepted. The most important parameter which will have impact due to growth of tourism is in generating employment followed by generating revenue for people and generating revenue for the country. The following table gives the first five highly rated parameters of growth of tourism sector in Maharashtra

• **Five important parameters which will have impact of growth of tourism:**

Sr. No.	Tourism categories	Mean
1	Generating employment	4.60
2	Generating revenue for people	4.48
3	Generating Revenue for the country	4.48
4	Building Brand Image	4.36
5	Better standard of living for people	4.26

Table 12. Five high mean parameters having impact of growth of tourism

Source: Primary Data

TABLE SHOWING MEAN SCORE OF FIVE IMPORTANT PARAMETER

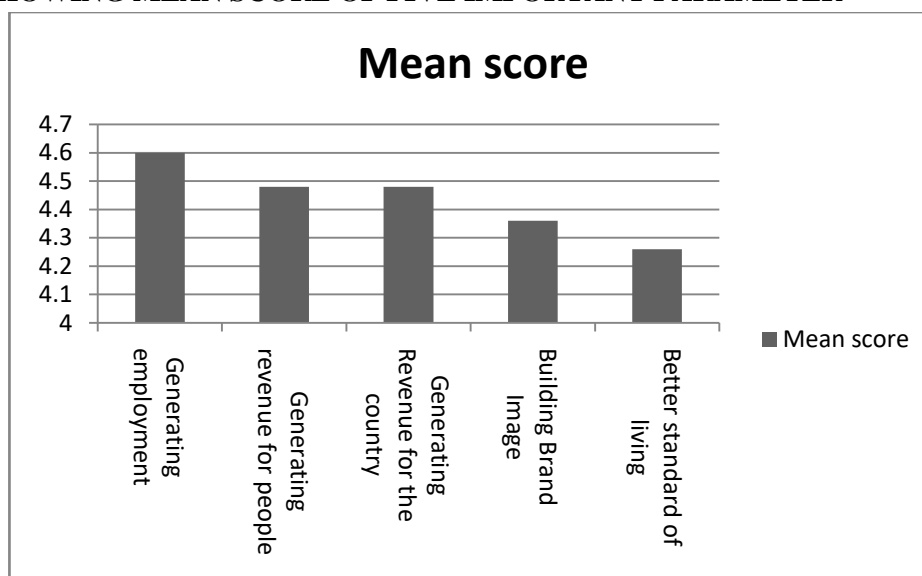


Figure 9 Five high mean parameters having impact of growth of tourism

Source: Primary Data

**Interpretation:** Generating employment and Improved infrastructure in States shows significance of difference. All other parameter falling in the same group shows no significance of difference. This analysis indicates the benefits and importance of tourism. Respondents have clearly indicated that growth in tourism can bring about positive change in above mentioned aspects. The analysis shows that the five most important aspects are, increase in employment, revenue for local people and Government, better standard of living and improving brand image of the State.

**Conclusion:** There is huge potential for development of tourism in Maharashtra. The tourism destinations are spread throughout the state. However, only well-known destinations are considered for promotion and development which leads to concentration of tourism only at selected places, leading to the imbalance in the tourism opportunities. There is need to provide required infrastructure and promotion of lesser known places, which will lead to the growth of tourism on one hand and development of remote and rural places on the other hand. This will also assist the Government in solving the problem of unbalanced growth in various regions. Employment opportunities created by growth of tourism in remote areas can also improve income and thus, the standard of living of the local people. There is tremendous scope for further research on this area as there are a lot of challenges which have to be faced in developing tourism in the state.

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## INNOVATIONS IN TOURISM INDUSTRY IN INDIA

**Sachin Bhandarkar**, Assistant Professor, Department of Commerce, Vivekanand Education Society's College of Arts, Science and Commerce, Chembur

### **Abstract**

Over the past few decades, service industries have played a critical role in the development of economies of most the nations. Innovative technologies and business models have transformed the service industries. The Tourism industry is no exception to this transformation. Innovations like mobile self-check-in, mobile booking, self-service check-in kiosks, smart-phone boarding passes, use of apps for information search and booking, tablet menus and table reservation systems are some of the innovations in this industry. Technology plays a very significant role in implementing these innovations. Since these are service innovations they differ from product innovations. However, they have definitely improved the operational efficiency and created more value for customers. The research paper attempts to study the Innovations in Tourism Industry in India, the revolution that has taken place due to these innovations and the challenges involved in it.

*Key Words: Tourism Industry, Innovations, Technology*

### **Meaning of Tourism**

**Tourism** is travel for pleasure or business. It is the theory and practice of touring, the business of attracting, accommodating, and entertaining tourists, and the business of operating tours. It may be international, or within the traveller's country.

### **Definition of Tourism**

- 1) The World Tourism Organization defines tourism as people “travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes”
- 2) UNWTO states “Tourism is a collection of activities, services and industries which deliver a travel experience comprising transportation, accommodation, eating and drinking establishments, retail shops, entertainment businesses and other hospitality services provided for individuals or groups travelling away from home”

**Tourism and Economic Growth** Tourism is one of the key sectors in the economic growth of any country. It generates employment and investment and also makes positive contribution to the balance of payments. It contributes a lot in the development of remote and backward areas. It can encourage other economic sectors like agriculture, horticulture, poultry, handicrafts, transport, construction, etc. through its backward and forward linkages. It creates employment not only in tourism sector but also in other sectors of the economy. The growth of the tourism sector can lead to large scale employment generation and poverty alleviation. It is an industry of Private sector service providers, although the public sector has a significant role to play in infrastructure areas. It is a multi-sectoral activity characterized by multiple services provided by a range of suppliers. The related sectors include airlines, surface transport, hotels, basic infrastructure and facilitation systems, etc. Thus, the growth of tourism results in growth of these sectors also. Another important feature of the tourism industry, which is of particular significance to India, is its contribution to national integration and preservation of natural as well as cultural environments and enrichment of the social and cultural lives of people. Tourism also encourages preservation of monuments and heritage properties and helps the survival of arts forms, crafts and culture.

### **Tourism Industry in India**

**Market Size** India's rising middle class and increasing disposable incomes has contributed to the growth of domestic and outbound tourism. Domestic Tourist Visits to the States/Union Territories grew by 15.5 % during 2016. Foreign tourist arrivals in India increased by 18 % and reached 723,000 in September 2017. India's Foreign Exchange Earnings increased to US\$ 2.176 billion in August

2017. India is expected to move up five spots to be ranked among the top five business travel market globally by 2030.

*Investments* The tourism and hospitality sector is among the top 10 sectors in India to attract the highest Foreign Direct Investment (FDI). During the period April 2000-June 2017, the hotel and tourism sector attracted around US\$ 10.48 billion of FDI, according to the data released by Department of Industrial Policy and Promotion (DIPP). With the rise in the number of global tourists and realising India's potential, many companies have invested in the tourism and hospitality sector.

*Government Initiatives* The Indian government has realised the country's potential in the tourism industry and has taken several steps to make India a global tourism hub. In the Union Budget 2017-18, the Government of India announced some initiatives to give a boost to the tourism and hospitality sector such as setting up of five special tourism zones, special pilgrimage or tourism trains and worldwide launch of Incredible India campaign among others. Some of the major initiatives taken by the Government of India to give a boost to the tourism and hospitality sector **of India are as follows:**

- The Ministry of Environment, Forest and Climate Change, Government of India, is planning to revise India's coastal regulation norms aimed at opening up the 7,500 km long coastline for developmental activities like tourism and real estate.
- The Central Government has taken a number of steps for smooth transitioning to cashless mode of payment to ensure that no hardship is faced by the tourists and the tourism industry remains unaffected from government's demonetisation move.
- A Tripartite Memorandum of Understanding (MoU) was signed among the Indian Ministry of Tourism, National Projects Construction Corporation (NPCC), National Buildings Construction Corporation (NBCC) and Government of Jammu and Kashmir for the implementation of tourism projects in Jammu and Kashmir.

**Innovations in Tourism Industry** Innovations in tourism industry involve service innovations which are different from a product innovation. Such innovations have increased operational efficiency as well as created more value for customers. There is also a trend of predicting customer needs and wants, increasing loyalty through various programs, expanding customer base while reducing unused capacities and increasing efficiency and productivity. Some of these innovative practises are:

- 1) *Use of Technology* – Technology has been the driver of all innovations in Tourism Industry. It has been used right from online booking of tickets, hotels to using Phone-as-key-cards, mobile and kiosks self-check-in etc.
- 2) *New Ways of Enquiry and Booking* - Tourism industry has witnessed lot of changes in ways of enquiry and booking. Use of Guidebooks, maps has become outdated while websites and apps are used for the same.
- 3) *Luggage Safety*-For the safety of baggage during the travel, smart luggage is being designed. A suitcase allows to track the luggage using an app in the smart phone. Some airports in the world have begun to attach a radio frequency chip for identification on suitcases so that the luggage does not get misplaced.
- 4) *Airport innovations*: This includes availability of Wi-Fi and charging facility, boarding passes on phone and automated check in and clearance.
- 5) *Sharing*: A new trend is the concept of sharing. Spare rooms or unoccupied homes are rented out to the tourists. Airbnb has brought up this concept but does not own a single hotel. This makes easy and cheaper accommodation available for many who want to travel economically.
- 6) *Innovative Marketing*: Travellers want to click snaps and share on social media. This has been used for marketing. Guest images, their tweets and reviews are uploaded for promotions. They receive credits in return.

- 7) *Health preservation*: People wish to maintain good health during travel. This has brought in innovations like energizing lighting, air purification, and shower water with vitamins. Hotels are providing workout gear in rooms and personal yoga spaces.

**Innovations in Tourism Industry in India** The diversity of India has been utilised for innovative tourism by many operators in the sector. Accommodation options throughout India have become extremely diverse, from comfortable homestays and tribal huts to stunning heritage mansions and maharaja palaces. From Kashmir to Kanyakumari, from Gujarat to Assam, there are different cultures, languages, life styles, and cuisines. This variety is increasingly reflected by the many forms of accommodation available in India, ranging from the simplicity of local guest houses and government bungalows to the luxury of royal palaces and five star deluxe hotel suites.

- 1) *Entry of Foreign hospitality brands in India* – The hotel industry is dominated by The Taj Group of Hotels, Oberoi Hotels & Resorts, ITC Welcomgroup, and the government-run ITDC. Some of the international brands operating are Sheraton, Hilton, Hyatt, Radisson, Marriott, and Le Meridien. However considering growth potentials of the industry about 50 international hotel chains have entered Indian Market. With more international players and their sophisticated services, competition in the market is growing increasingly leading to a higher degree of professionalism in the industry.
- 2) *Development of Local Brands* – Not only foreign brands but also many local brands are offering innovative services to the tourists. Private persons convert their country homes into home stays, villagers offer home stays, and agriculturalists open their farms to visitors. It is not only foreign tourists who demand these services but also Indian families as well as corporate clients are tempted to the countryside with the advent of quality amenities and improved facilities.
- 3) *Budget Hotels* – Many leading brands offer quality accommodation at reasonable prices like Ginger Hotels, Lemon Tree, Ibis and Fortune Hotels. Number of services is outsourced such as cleaning, laundry, computer support and cafeteria service. To free up space in the very compact rooms, TVs are mounted on the wall. To save on cleaning staff, the furniture, flooring, and bathroom fixtures are made of easy-to-clean materials.
- 4) *Luxury Hotels* – Many royal palaces, beautiful havelis are renovated to become heritage hotels and are open for the tourists. 200 year old palaces have a range of modern amenities inside. Often the royal family remain present at dinner and explain their heritage to hotel guests. Another feature is that no substantial changes are made on a minimum of 50% of the floor area that was built before 1950.
- 5) *Eco-Tourism* - It can be defined as responsible travel to natural areas that conserves the environment and improves the well-being of native cultures. India had initially lagged in this segment however understanding the massive potential, Indian hoteliers have entered it and are gradually harnessing the potential of some of the most outstanding ecosystems in the world, such as in the Himalayas and the Western Ghats. e.g. Kerala is nicknamed as "God's own country" and is famous especially for its houseboats travelling the extensive backwaters, Ayurveda retreats, jungle lodges, eco-lodges and so on.
- 6) *Agricultural Tourism* - It is considered as an instrument for economic development and employment generation particularly in the remote and backward areas. The tourists can stay on farms and get connected to nature. However, it offers a bit of comfort and the chance to freely choose the activities in what the guests want to engage in. The activities include milking the cows, washing the buffalos, grinding wheat, picking vegetables, or even fishing. Besides, guests also enjoy the natural, cultural, and heritage aspects of the region, such as the local geography, cuisine, and handicrafts.

- 7) *Unconventional Accommodations* - Some tourists prefer unconventional accommodation options. In India religious centres, ashrams, and monasteries are the popular alternatives for such accommodation. Organisations such as the Krishnamurti Foundation, Bharat Sevashram Sangha, Ramakrishna Mission, ISKCON, and Aurobindo Ashram are among the religious institutions that offer accommodation options across India.
- 8) *Diversification* - Hotels offer innovative and add-on products and services apart from just the accommodation. These services include exotic spas, gorgeous golf courses, multi-cuisine fine dining, spacious conference and convention facilities, they also permit external brands of restaurants, spas, and lounges on lease or management contracts to operate in hotel premises which generate substantial revenue for both the parties.
- 9) *Food and Beverages* - Local food and beverages are offered to the guests. Foreign tourists are very much interested in trying the diversity of local food. Even many domestic guests enjoy quality local delicacies, drink traditional beverages, and learn something of the culinary traditions of the locals.

**Case Study of Eco-Tourism, an Innovation in Tourism Industry** Eco-tourism has gained so much popularity that India has many eco-tourist destinations. The main objective of eco-tourism is “To be a responsible tourist and keep the environment unharmed.” Some of the eco-tourism destinations in India are:

- 1) *Kerala* – It is one of the most preferred choices for eco-travellers, where the sandy beaches, palm groves and vastly spread backwaters are the main attractions. The National Parks that have a rich flora and fauna and also Wildlife Sanctuaries in Kerala take the tourists close to the nature.
- 2) *Coorg* – Misty hills, lush and dense forests, blinding fog and the beautifully maintained Cauvery river makes this place as one of the best eco-tourist destinations in India. The Nagarhole National Park is another attraction for eco-tourism in Coorg
- 3) *Goa* - Beautiful temples, churches, forts and monuments in Goa make it the perfect destination for eco-tourism. The natural beauty of Goa is also best seen in their beaches and wildlife sanctuaries like Bondla or the Cotigao Wildlife Sanctuary.
- 4) *Sikkim* – Sikkim’s lush green vegetation, dense forests and countless varieties of flowers make it a major attraction for tourists. Deep valleys to cascading waterfalls and rivers make it good option for eco-tourism.
- 5) *Uttarakhand* – Uttarakhand also called as Devbhoomi is truly a paradise. Hilly terrains and landscapes attract the tourists all over the world. It is also home to many temples and shrines and hence is a perfect depiction to Hindu religion and its culture. Ganga and Yamuna are the two most respected rivers that initiate from Himalayan glaciers in Uttarakhand.
- 6) *Sundarbans National Park* - Sundarbans in West Bengal, is home to the Royal Bengal Tigers of India. There is also a wide variety of flora and fauna.

#### **Challenges faced**

- 1) *Policies and Proper Implementation*– There is a need for effective implementation of Tourism Policy. Some states Kerala, Gujarat, Madhya Pradesh have taken steps for proper implementation of the policy but other states also need follow the same. Another major problem is that policies are framed but they are not clear which result in improper implementation.
- 2) *Lack of single window clearance* – There is a need for single window clearance for speeding up the development and operations.
- 3) *Security* – Terrorist attack of November 2008 in Mumbai, militant activities Jammu and Kashmir, Maoist movement in Central and some eastern parts of India pose security concerns



to the domestic as well as foreign tourists. There is not only challenge of destination security but also of cyber crime. There is a need for the industry to make the process of online bookings more secure and transparent and create awareness about the same.

- 4) *Private-Public Partnerships (PPP)* – Development of tourism industry is restricted due to lack of Private-public partnerships. Though the scenario is changing now there are issues in this PPP model. There is lack of clarity on incentives and tax benefits offered for PPP projects. Both central and state governments have to give top priority for strengthening of PPP projects. There is need of proper policy and planning.
- 5) *Creating Circuits* - For a vast country like India with diverse tourism offerings, development of circuits for various segments like heritage and culture, adventure, religious, eco, beach, wellness etc. is required to showcase the country properly and cater to greater number of tourists according to their interests.

**Conclusion:** Rapid technologic changes have impacted the tourism industry all over the world. It has eased out the operations for service providers in the industry as well as assisted customers while availing the services. Several innovative tools are adopted by players to attract the tourists and to make them happy by providing best possible services. In India also the innovative ideas gave rise to eco-tourism, agro-tourism, budget hotels, unconventional accommodation and so on. More competition in the field has led to better rates for clients and has put pressure on hospitality service providers to improve upon their quality and diversify their service offering. This has resulted in increase in number of domestic and foreign tourists leading to the growth of the industry. However, there are certain challenges that still restrict the growth. Though there are maximum chances of positive change there is a need for earnest efforts, both from the industry's key stakeholders in the private sector as well as the relevant government authorities to truly harness the innovation potential of the Indian tourism industry.

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## PERFORMING ARTS AND CREATION OF HUMAN CAPITAL

Nilesh Arvindbhai Parekh, Kavikulaguru Kalidas Sanskrit University

**Key Words:** Tradition, Nāṭyaśāstra, Sage Bharata, Nāṭya, Oscar Award, Nandikeśwar, Abhinaya Darpaṇa, Nṛtta, Sangeet Natak Akademi, fellowship, UNESCO, The Grammy Award, Indian film industry.

**Introduction:** Quote: “India is the cradle of the human race, the birth place of human speech, the mother of history, the grandmother of legend and the great grandmother of tradition” — Mark Twain. Looking to the above quote by Mark Twain, surely, India is very rich in its cultural heritage. Taking the example of Indian dance forms, or musical forms or Indian theatre, Indian sculptures or architectures or Indian painting all have contributed a lot in creating for the human capital of India. The performing arts vary from vocal and instrumental music, dance and theatre to pantomime, sung verse and afar. They consist of several artistic expressions that imitate human creativity and that are found, to some point, in many other intangible cultural heritage domains. Especially Indian Performing Arts today has become a great source in raising the human capital. Looking to the ancient Indian texts for Performing Arts say Nāṭyaśāstra, there is a mention of giving gifts to the performers by different gods: प्रीतस्तुप्रथमंशक्रोदत्तवानस्वंध्वज्शुभं॥५९॥ब्रह्माकुटिलकंचैवभृङ्गारंवरुणःशुभम्सूर्यश्छत्रंशिवस्सिद्धिंवायुर्व्यजनमेवच॥६०॥विष्णुःसिंहासनंचैवकुबेरोमुकुटंतथा।श्राव्यत्वंप्रेक्षणीयस्यददौदेवीसरस्वती॥६१॥शेषायेदेवगन्धर्वायक्षराक्षसपन्नगाः।तस्मिन्सदस्यभिप्रेतान्नानाजातिगुणाश्रयान्॥६२॥अंशांशैर्भाषितंभावाद्ब्रह्मपुंवलंतथा।दत्तवन्तःप्रहृष्टास्तेमत्सुतेभ्योदिवोकसः॥६३॥— Here the researcher notices that a good performance of a performer should always be appreciated as one can see that after the successful performance of Nāṭya by Sage Bharata and his group, they received blessings and gifts from different Gods. Such appreciation is important to encourage similar good performances in the future. <sup>1</sup>- नाट्यशास्त्र, अध्याय १.

The researcher quotes here an illustration from Nandikeśwar’s Abhinaya Darpaṇa as in the ancient times the dance was supposed to be witnessed particularly at the time of a festival. Those who wish good luck should cause Nṛtta to be performed on occasions such as coronation celebration of kings, a religious festival, a procession with an image of a god, a marriage ceremony, reception of a friend, entry into a new town or house, and the birth of a son: द्रष्टव्येनाट्यनृत्येचपर्वकालेविशेषतः॥१२॥नृतंतत्रनरेन्द्राणामभिषेकेमहोत्सवे।यात्रायांदेवयात्रायांविवाहेप्रियसंगमे॥१३॥नगराणामगाराणांप्रवेशेपुत्रजन्मनि।शुभार्थिभिःप्रयोक्तव्यंमाङ्गल्यंसर्वकर्मभिः॥१४॥Now one can notice here that the dance was performed during the various celebrations and during these celebrations the performers must be charging for it especially when they performed during the courts of kings, etc.<sup>2</sup>

The researcher would like to mention here about the Sangeet Natak Akademi - The National Academy for Music, Dance and Drama for performing arts, which is set up by the Government of

<sup>1</sup>Shashtri, Babulal S. (2005). “श्रीभरतमुनिप्रणीतं सचित्रम् – नाट्यशास्त्र – ‘प्रदीप’ हिन्दीव्याख्या – टिप्पणी – परिशिष्ट – प्रस्तावनादिभिर्विभूषितम् Part I. Varanasi: Chaukhambha Sanskrit Sansthan. Pages: 16-17

<sup>2</sup>Ghosh, Manomohan (Ed. And Tr.) (1975). “Nandidesvara’s Abhinaya Darpanam – A Manual of Gesture and Posture used in Ancient Indian Dance and Drama”. Calcutta: Manisha Granthalaya Private Limited. Pages: 37, 38 and 78

India to help to the artists and their art forms. The Akademi gives various grants to assist research and documentation, organizes various seminars and conferences, provides scholarships and fellowships to the deserved ones and organizes its annual festival of music, dance and theatre at different places in India. The researcher would like to quote his own example as he has been nominated for the scheme for the award of scholarship in the performing arts field as outstanding persons in the field of culture. With it, Ministry of Culture, Government of India also provides various schemes for fellowships to young artistes in different cultural fields like puppet theatre, traditional theatre, devotional music, folk music and other miscellaneous traditional forms. The researcher here would like to mention three Indian performing art forms: 1. Mudiyetu – a ritual theatre of Kerala; the Chhau dance, a tradition from eastern India; and the Kalbelia folk songs and dances of Rajasthan which has been inscribed as an Intangible Cultural Heritage of Humanity by The UNESCO. The organization helps the artists by providing better visibility for such intangible heritage, helps them improve the awareness of their significance and offer international assistance to promote and preserve them. Apart from this it smooth the progress of international cooperation, offer financial support and extends help for studies, provision of experts, training and creation of infrastructure. Today one notices that Indian artists are well performing all over the world. For example if we take, the names in the field of music than there are Pt. Ravi Shankar, Ustad Zakir Hussain, Pt. Amdaj Ali Khan and many more that has always been responsible to gain the capital income of India. To illustrate this researcher would like to cite few examples of the artists who had received the The Grammy Award – An award given by the National Academy of Recording Arts and Sciences of the United States who recognizes outstanding achievements of artists in the music industry. Pt. Ravi Shankar one of the best known exponents of the Sitar has won three Grammy awards including a lifetime achievement too. Ustad Zakir Hussain a world-renowned tabla player won two Grammy awards. Pt. Vikku Vinayak a famous Ghatam player has won a Grammy in 1991 for the Best World Music Album for his participation in Mickey Hart's Planet Drum. Pt. Vishwa Mohan Bhatt a famous Mohan Veena player has won the award for Best World Music Album – "A Meeting by the River". Latest if we talk about Mr. A. R. Rahman than he has proved his best by winning the Oscar Award too for his musical score. The researcher would like to illustrate about film making which is a huge industry, and being the biggest in the world, Indian film industry does gather in some really big numbers every year. Every year, it produces over 1000 - 1500 films. Indian film industry is the largest exporter of its culture worldwide. The Indian film industry has an annual revenue of around 13,800 Crores that is predicted to grow at a rate of 11.5% per year, reaching 23,800 Crores in the year 2020. It is divided into many regional film industries that add big and little to those big numbers. The researcher would like to quote his own example as he has his own Academy in the name of Pranav Performing Arts Foundation consisting of senior dancers and he with his group performs extensively all over Gujarat. His academy has got a chance to perform at various respected places like L. I. C. of India, O. N. G. C. and Reliance Industries to name a few. In addition, at all the places the researcher had got a good budget for their group's performances. Finally, the researcher would like to end the paper with a famous quote: "The rapidly evolving global economy demands a dynamic and creative workforce. The arts and its related businesses are responsible for billions of dollars in cultural exports for this country. It is imperative that we continue to support the arts and arts education both on the national and local levels. The strength of every democracy is measured by its commitment to the arts."

–Charles Segars, CEO of Ovatio

**Conclusion:** Since many years, one can see that Performing Arts and even Fine Arts play a key role in the creation of human capital of India.

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## A STRONG AND HEALTHY ECONOMIC, SOCIAL, CULTURAL DEVELOPMENT THROUGH SMART CITIES

**Ramsagar B. Yadav**, Assistant Professor, Department of Mathematics, Statistics and Computers, L.S. Raheja College of Arts and Commerce, Santacruz (West)

### Abstract

Smart city is an emerging concept. This concept is being used all over the world with different nomenclatures context & meanings. A smart city is a city that is well planned, and it provides the cost efficient services, environmental efficiency, and technological sound services for the welfare of the citizens. Smart solutions can be helpful in controlling the ever increasing population in the cities. India's recent stand on Smart City Development and involvement of various high income countries; initiates the talk of ideal variables for smart city evolution by our own standards. With a vision of Urban Governance for general livability, it becomes imperative to study these parameters and ensure the evolution of our own concept of a Smart City. Our spatial planning models based on unique factors such as Human Diversity, Physical-Social networks and ICT impact on urban fabric, City resilience, etc. make it all the more interesting to evolve a blueprint for Planning a Smart City.

**Keywords:** Smart Living, Smart Mobility, Smart People, Smart Public Services, Smart Solutions, Human Capital, ICT based inclusive approach, Electronic Government, Smart Urban Development and Sustainability.

**Introduction:** Smart City is a booming international phenomenon. Smart city word originated back in 1998, but the first funding for smart city came in the year 2000. The six dimensions of a smart city are Smart Economy, Smart Mobility, Smart Environment, Smart People, Smart Living and Smart Governance. Every city can become smarter by focusing on any of the above dimensions.

A smart city is a community that is efficient, sustainable & liveable. The term smart city has become more and more popular in the field of urban planning. Smart cities can work as a tool for controlling the rapid urbanization and various problems caused by the ever increasing urban population.

The implementations of the smart technologies can increase the value of the city. Smart city concept introduces new practices and services that highly impacts policy making & planning.

### Literature Review:

**Smart Cities** Mitchell's (1995) book on the City of Bits sets out a vision of urban life literally done to bits, left fragmented and in danger of coming unstuck. Mitchell's (1999) next book on e-topia provides the counter-point to this vision of urban life and scenario where the city is no longer left in bits and pieces, but a place where it all comes together. As Mitchell's (2004) states in his more recent book: ME++: the Cyborg-Self and the Networked City, all this coming together is possible because: 'the trail separation of bits and atoms is now over' and this post-AD 2000 dissolution of the boundaries between the virtual and physical is what makes everything worth playing for (p.3). The first concerns the proliferation of cities that adopt intelligent city strategies and define themselves as smart or intelligent cities. Since 2005, when Urenio Watch ([www.urenio.org](http://www.urenio.org)) began recording developments in the field of innovation ecosystems and intelligent cities, the increasing announcement and diversity of cities announcement and diversity of cities adopting intelligent city strategies has been noted. cities.

### Objectives:

1. Analyzing of major developments related to smart initiative in service delivery across India.
2. Establishment of elaborate sections for parameterizing Smart City development, particular to Indian standards.
3. Deliberations or concise comparison of smart city development on Global scenario.
4. Basing the conclusions on general line of action for Smart Urban Planning.

**Research Methodology:** The data and information have been collected from secondary sources like business newspapers, journals, reports, text-books and websites.

**Scope of the study:** Smart city concept and parameterizing presented in this paper requires further research, alterations and improvements

**1.0 DEFINITIONS:** The term "smart cities" is a bit ambiguous. Some people choose a narrow definition - i.e. cities that use information and communication technologies to deliver services to their citizens. A city that monitors and integrates conditions of all of its critical infrastructures, including roads, bridges, tunnels, rails, subways, airports, seaports, communications, water, power, even major buildings, can better optimize its resources, plan its preventive maintenance activities, and monitor security aspects while maximizing services to its citizens (Hall, R. E, 2000).

**2.0 DIMENSIONS:** Cities development presently depends not only on the city's endowment of hard infrastructure (Physical Capital) and social infrastructure (Intellectual and Social Capital) but also on the availability and quality of ICTs (Information and Communication Technologies).

The ICT Form of capital is decisive for urban competitiveness. Based on this background the concept of the "smart city" has been introduced as a strategic device to encompass modern urban production factors in a common framework. Smart Cities can be identified along six main dimensions (IBM Smart Cities: [www.ibm.com/uk/cities](http://www.ibm.com/uk/cities)), (Giffinger, R et al, 2007). These axes are

(i)**Smart Economy** - Innovation and Competitiveness Smart Mobility- Transport and Infrastructure

(ii)**Smart Environment** - Sustainability and Resources Smart People - Creativity and Social Capital

(iii)**Smart Living** - Quality of Life and Culture

(iv)**Smart Governance** - Empowerment and Participation

**3.0 TECHNOLOGICAL AGENTS:**“The most profound technologies are those that disappear. They weave themselves into the fabric of everyday life until they are indistinguishable from it” - Mark Weiser. Digital technologies captures, stores, analyses, manages, and presents data that is linked to a particular location and helps in resource management, asset management, archaeology, environmental impact assessment and urban planning. These digital technologies introduced in the very fabric of the city space is inflicting fundamental changes on the connection between the city and its inhabitants. Starting with the technological challenges, most of the solutions which are needed in a Smart City have already been developed (Urban World: Mapping the Economic Power of Cities. McKinsey Global Institute 2011).

**3.1 Gather Data** First of all, being a type of Smart City technology means being able to constantly gather information about the city which can be used by the technology itself in order to adapt to the most sustainable and smart behavior. An Ex. of this is a Smart Building System, which constantly gathers data about performance of a building, which it then uses to optimize energy use.

**3.2 Communicate Data** Secondly, it should also be able to share that data with people or things (Objects) or other technologies or borrow relevant data from elsewhere. In this sense, smart technology should be able to communicate with the rest of a Smart City system.

**3.3 Multi-Functional** Thirdly, although technology which is able to gather data and communicate with other technologies is indeed smart, truly smart technologies are multi-functional. This means that they provide solutions to multiple problems. One Ex. could be the electric vehicle. This not only leads to less congestion; in connection with a smart grid it can also serve as an energy buffer, which would help level out the energy supply and demand curve. Smart cities use Internet of Things (IoT) technologies to be more intelligent and efficient in the use of resources, resulting in cost and energy savings, improved service delivery and quality of life, and reduced environmental footprint-all supporting innovation and the low-carbon economy.

**4.0 THE NEW TOWN CONCEPT** The ‘new town’ concept, which came up a long time ago took cognizance of the inherent nature of things and tried to overcome urban decay by creating new planned settlements far away from the big metropolitan cities so that population aggregation at one place could be arrested and a more balanced distribution could be achieved. It was believed that this

would over time help in building new communities and help the parent metropolis to remain healthy and survive longer. Regional development became a new area of interest and practice. At times, new towns have also come to be called 'satellite towns' as they are attached and function along with a parent metropolis.

**5.0 INDUSTRIAL TOWNSHIPS** Many industrial townships as part of steel plants or large public sector undertakings have also been developed on modern lines from scratch. Bokaro, Bhilai, Rourkela and Vizag are such examples. In the private sector, Tata Steel's town at Jamshedpur were the pioneers and other large business houses such as the Birlas, Modis, etc have also contributed to town building, basically to house their employees close to their factories. Where even new settlements have been developed, they have come up with a completely new infrastructure and are well planned. Over a period, they have been able to acquire their own identity and have successfully provided a reasonably good quality of life to the residents.

**6.0 CALL FOR NEW URBANISM** India struggles with a number of significant barriers that continue to hamper the development of urban infrastructure: complex leadership structures, land valuation challenges, capability gaps, and funding shortfalls are all part of the urban challenge that is effectively holding India back from a new round of dramatic economic growth. The wave of urbanization that is sweeping across India represents one of the country's greatest opportunities as well as one of its most serious challenges. According to the report on 'India's Urban Awakening' by McKinsey Global Institute, in the next 20 years, India will have 68 cities with a population over one million – up from 42 today. That is nearly twice as many cities as all of Europe.

**7.0 SMART INITIATIVES IN URBAN MANAGEMENT ACROSS INDIA** Following are the ideal smart services successfully implemented in various cities in India Funding for these projects are being propagandized in various Central and State development policies. It has been established that investments in human and social capital and traditional (transport) and modern (ICT) communication infrastructure fuel sustainable economic growth and a high quality of life, with a wise management of natural resources, through participatory governance.

**7.1 Water Supply** Distribution and monitoring system thru GIS, Hydraulic modeling, online water quality monitoring, Sustainable operations- metering and online billing, etc. are some of the successful systems implemented in Indian cities which can be listed under smart water supply services. A lot of 24/7 water supply programs in urban and rural sectors were implemented across India. GIS based mapping integrated with the hydraulic modeling, Metering with analyzers and online billing systems, centralized real time web based monitoring of water supply services improved water availability due monitoring of input and output points and checking of water distribution losses.

**7.2 Waste Water** Integration and automation of water treatment plant and sewerage systems, Enterprise resource planning (Oracle) system and grievance management funded under state projects and many local bodies. Generation of database for sewerage services and grievance management services along with the grievance management services led to improvement in service delivery, bill collection and procurement leading to efficiency and transparency in waste water sector.

**7.3 Solid Waste Management (SWM)** Off-site real time monitoring system, GIS and GPS enabled services, biometric attendance systems for sanitary workers, sensor based applications for smart solid waste management services. GPS and GPRS technologies through cell phone images are taken and stamped with time and location and put in public domain for scrutiny on real time basis thus improving the SWM service delivery.

**7.4 Municipal Services** Integration of all operations of municipal corporation through GIS (land based services), Computerized building plan scrutiny and approvals, Standardized online citizen administration (GIS based), Traffic information system initiative and many others as smart governance in Urban bodies.

**7.5 Revenue and Management** Municipal e-revenue systems using GIS linked property database, Tulana: online application for service level benchmarking, M-Governance, e-tendering, Dynamic integration of property registration and land records administration system, Comprehensive Public Works Management Information and Management system for PWD's (State level) and many more advanced applications, catering to the smart service delivery in this sector.

**CONCLUSION:** The smart city development is more concerned with making progress as concerns the smart indicators rather than rating a city, which inevitably is a snapshot in time. Consideration of different characteristics, factors and parameters in a non-weighted way expresses that the Urban Development is a complex process in different dimensions and evaluation, finally depends on the actors, their preferences and individual objectives. Perhaps it would not be an exaggeration to say that truly smart city may use the parameters and rating as a tool to benchmark with other cities, and draw lessons from better performing cities, perhaps resulting in policy transfer.

**LIMITATIONS:** The investigation is made on the basis of secondary data alone.

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**VOLUNTOURISM: GAINING GROUND?***Anubhuti Singh, Assistant Professor, KES Shroff College of Arts and Commerce**Dr. Suresh Abhyankar, Management Consultant, Professor, Balaji Institute of Modern Management***Abstract**

*Travelling is nothing if not transformative. Shouldn't one seek to learn and change for the better while one travels and spends one's vacation? The idea has given birth to the concept of voluntourism. It has been quite popular abroad but has it really caught the fancy of Indians? The study attempts to explore the awareness and perception of Indians about being a volunteer on the go. The findings indicate the lack of awareness about the concept of volunteer tourism amongst the respondents who have undertaken volunteering activities but not during vacations. The study also points towards the inclination of tourists for volunteering during vacations finding lack of time and money as the major hindrances.*

*Keywords: Voluntourism, Volunteer, Tourism, Innovation, Alternative tourism*

**Introduction:** Tourism is synonymous with vacations, holidaying, fun, leisure, food, travel, sightseeing, attractions and many such words. The basic intrinsic motivators for tourists to travel have been known to be spending holiday leisurely, attending professional engagements, visiting relatives and friends, getting health treatments and exploring rareness. On the provider's side tourism industry has grown potentially and has been instrumental in generating revenue for the exchequer and generating employment to many who otherwise were not employable in other industries. It is also helping in infrastructural development at various tourist locations helping the economy to grow. Number of tourists as well as tourist destinations have been drastically increasing all over the world and similar trend is witnessed in India too. There has been an exponential increase in the expectations of tourists leading to excessive competition among various players in the tourism industry. This has led to introduction of innovations in this sector. One such innovation is medical tourism that is a major source of income for the medical fraternity and the government. Tourists may seek something more from their experience of holidaying- finding a purpose in life, being a contributor and not just a recipient. Taking a clue from this desire of tourists, one of the newer blocks in the tourism sector in India is the concept of Volunteer tourism or Voluntourism. Voluntourism is defined by Wearing as "applying to those tourists who, for various reasons, volunteer in an organized way to undertake holidays that might involve aiding or alleviating the material poverty of some groups in society."<sup>[1]</sup> Oxford English dictionary defines Voluntourism as "A form of tourism in which travelers participate in voluntary work, typically for a charity."<sup>[2]</sup> Volunteering while travelling or in other words combining travel with voluntary service is not a new concept. In fact, it can be traced back for many thousands of years in various cultures and religious orders throughout the world. Volunteering services have been rendered by sailors, healers, missionaries, voyagers and several others while they travelled.<sup>[3]</sup> In the 20<sup>th</sup> century, the tie between volunteering and travel is traced back to Herb Feith's work in Indonesia with his Volunteer Graduate Scheme.<sup>[4]</sup> He was the first volunteer under the scheme along with his wife travelling from Australia to Jakarta where they worked from 1954-56. The scheme is today known as Australia Volunteers International. The scheme probably created the possibilities of connection between volunteering and tourism. The concept has been evolving since then in various parts of the world. Several events ensued and paved the way for the evolution of Voluntourism - now popular in many countries. Service Learning Scheme, an educational approach that combines learning objectives with community service, being mutually reinforcing, is one amongst such initiatives. In India the National Service Scheme (NSS) ensures inculcating the joy of volunteering while studying in college.<sup>[5]</sup> The Gap Year sometimes called the Sabbatical Year in UK, the USA and in many countries provides the opportunity to experience real life to mark the end of schooling before the commencement of higher education. It gives the opening to have a glimpse of the world from a local point of view by becoming a part of the fabric of a



community. It helps to comprehend and utilize further education in a more fruitful manner. The last decade of the 20<sup>th</sup> century witnessed a spurt in the research on voluntourism. At the beginning of the millennium, Catalyst Marketing, Inc. (CMI) became the first company in the world to link the business and leisure travel segments of the tourism industry with the nonprofit industry.<sup>[6]</sup> In short, the concept of volunteer tourism has been evolving constantly.

**India as a Voluntourist Destination** Our country provides plethora of volunteering opportunities. Among the voluntourists worldwide India has been one of the most preferred volunteering destinations. The reason for this may be a fair combination of tourist destinations along with the opportunity to work for the needy. According to the 2014 annual official volunteer abroad trends report of GoOverseas, India was the most preferred country in the year **2012** for volunteering services and its popularity continues to grow. India's continuing attractiveness in the field of voluntary service receiver may be attributed to a number of factors.<sup>[7]</sup> It is a country with several UNESCO World Heritage sites making it popular amongst tourists abroad. It also has abundance of stunning natural landscapes leading to it being a preferable tourist destination for many. It has also been seen that while choosing a destination with the aim of meaningful travel the factors given importance are the need for volunteers at the place and the ability to contribute to the existing scenario. With a population of over 1.3 billion<sup>[8]</sup> of which nearly 21.9% of Indian population living below poverty line and being home to one third of the entire population of the world's extreme poor, India has a clear and loud requirement for help.<sup>[9]</sup> India is also home to huge percentage (almost 30%) of population under the age of 14 years. This makes India a popular destination for volunteers preferring to work with children (one of the most popular categories of volunteer programmes). Among the other popular categories of volunteering is conservation volunteering. On this front too India is attractive for volunteers as it is fourth among the world's countries in terms of highest number of endangered mammal species (94 mammals)<sup>[10]</sup> and in the top ten among highest number of endangered plant species with 385 threatened plant species.<sup>[11]</sup> India also has had a history of rich humanitarian culture with legendary figures renowned for their voluntary acts showing path to the world be it Mahatma Gandhi, Dr. B. R. Ambedkar, Mother Teresa or Swami Vivekanand. People from other countries seem to be keen on understanding a country where volunteering has been a norm for centuries.

**Volunteering Opportunities in India** There are a number of organizations providing volunteer tourism packages. But mostly these packages are found to be appealing to the foreigners with very few Indians opting for such initiatives. 17000 ft Foundation, based in Ladakh works with schools providing education and creating opportunities for children. The Andaman and Nicobar Islands Environmental Team (ANET) helps volunteers towards understanding biological diversity and working towards its conservation.<sup>[12]</sup> Volunteers assist with daily activities at the base, like tree planting, office work and blogging. Those with a background in science are welcome to work with the board of scientists at the research station, collecting and analysing data. Disha based in Jaipur, Rajasthan provides opportunities to volunteers in teaching and therapy. The Fertile Ground organization in Assam engages volunteers in organic farming activities and education workshops for teachers and children. The Grassroots Journeys based in Orissa provides volunteers the opportunity to conduct organic farming sessions, vocational training for women and teaching English in tribal schools. ROSE – Rural Organization for Social Elevation based in Uttarakhand engages volunteers in physical building of community centers, washrooms and in tree plantation activities. Slum Soccer at Nagpur, Maharashtra seeks football coaches, administrators and fundraisers. Sadhana Forest

at Auroville, Tamil Nadu Conducts volunteering activities in planting trees, working on water conservation in the forest, maintaining the community area and looking after the vegan-organic garden. Wwoof India is spread all over India providing volunteering activities related to farming.<sup>[13]</sup> There are a number of websites available that provide information about the availability of various volunteering vacation packages. Most of the volunteering programs have the duration of minimum 2 weeks to 4 weeks depending upon the type of programme. The cost of the programmes also differs with the kind of facilities and the type of volunteering activities involved. Most programmes offer accommodation or help in arranging accommodation. There are certain packages that offer stay with a local family that in itself is a way of understanding and soaking in the local and authentic culture. Most of the programmes aim to provide volunteering services for children by way of volunteer teaching, orphanage volunteering, and child care.

**Objectives of the study** The objectives of the current study are:

- To assess the awareness levels of individuals about the concept of voluntourism
- To understand the reasons for preference of individuals to go for volunteer vacations
- To find out the reasons for not opting for volunteering during vacations

**Scope and Limitations of the study** The study has been conducted in Mumbai suburban region and it aims to assess the awareness among individuals about the idea of volunteer tourism. Mumbai is a cosmopolitan city in true sense and people of Mumbai leading a very fast paced life do not miss out on any chance to spend quality time of their holidays by visiting places to aid in release of their stress. Does that leave them with any scope of sparing their vacations for volunteering activities? The study tries to seek an answer to this pertinent question. Major limitation of the current study is that it has been carried out on only 59 respondents and non-probability convenient sampling has been used to select the respondents. Also the study being conducted in the suburbs of Mumbai may not be representative of other regions and so the results may not provide a true picture by being generalized to the whole country.

**Research Methodology** The study has been conducted in the city of Mumbai. Primary data is collected through questionnaire that seeks to gather views of the respondents relevant to the concept of volunteer tourism. The respondents were selected through convenient sampling and the data used for analysis is of 59 respondents. Descriptive analysis using percentages and charts has been used to analyze and interpret data. The secondary sources of information such as books, journals, newspaper and the internet have also been used to collect and analyze relevant data.

**Analysis and Interpretation** The data has been collected from 59 respondents of which 25 were males and 34 were females. The age distribution of the respondents is 6,16,21,10 in the age groups of 18-25yrs, 26-35 yrs, 36-45 yrs and 46-55 yrs respectively. The rest 6 belong to the other age groups. 63% of the respondents are married, 29% single, 7% widow/widower and the 2% separated. 40.7% of the respondents are having a job with regular income, 30.5 % are self employed, 24% not working and the rest retired.

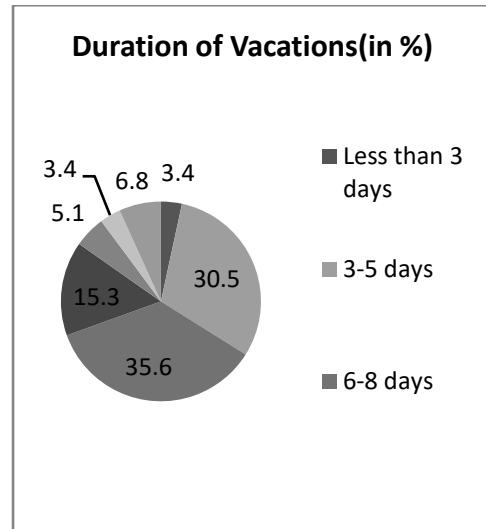
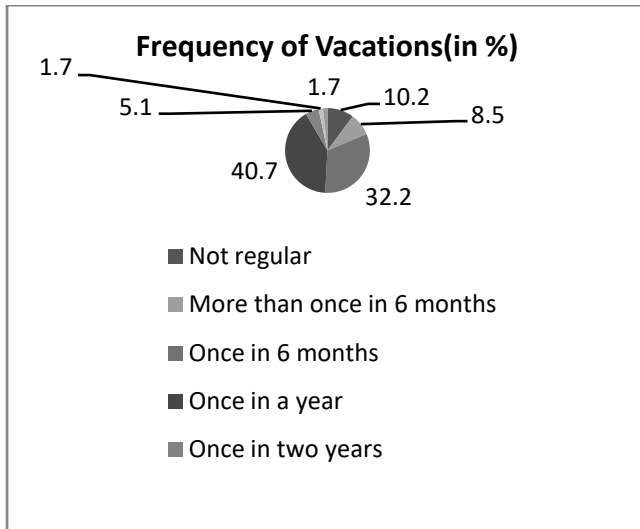


Fig. No. 1: Frequency of vacations

Fig. No. 2: Duration of Vacations

From the figures above it can be noted that when asked about how often the respondents go for holidaying outside Mumbai 40.7% responded to once a year. Only 3.4 % spend vacations once in more than two years. Also for almost 36 % of respondents the vacations last for 6-8 days. Only 8.5 % respondents enjoy a vacation of more than 2 weeks.

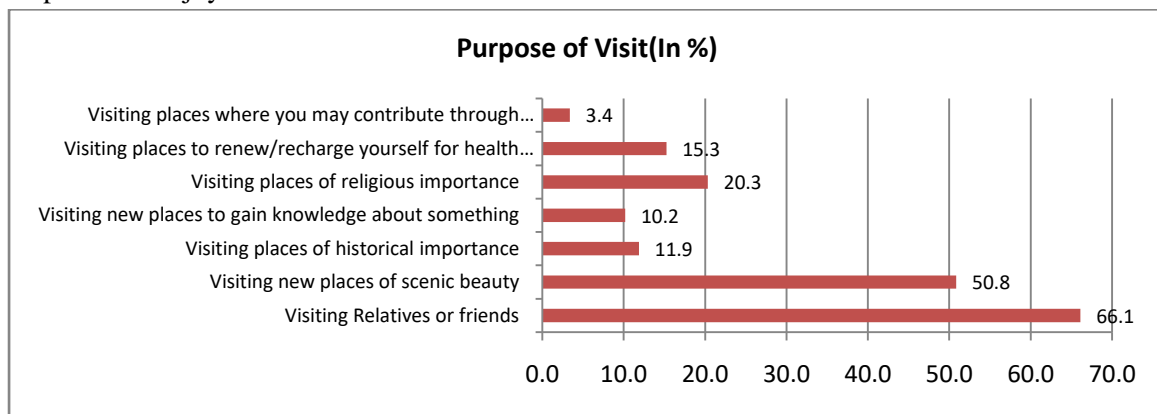


Fig. No. 3: Purpose of Visit

As is evident from Figure no. 3, merely 2 respondents (3.4%) have visited places where they could contribute through volunteering activities. Although majority of respondents have in past volunteered within the city only 13.6% have been involved in any such activities outside Mumbai. (Figures 4 & 5)

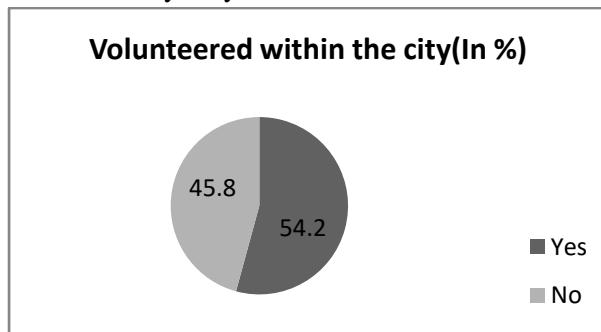


Fig. No.4: Volunteered within Mumbai

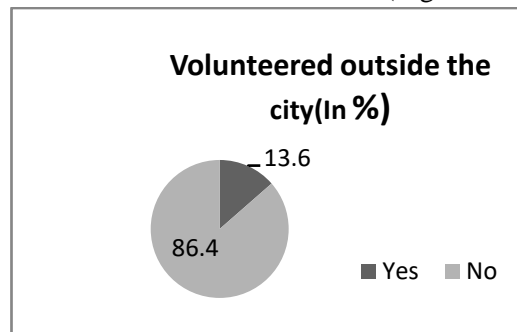


Fig. No. 5: Volunteered outside Mumbai

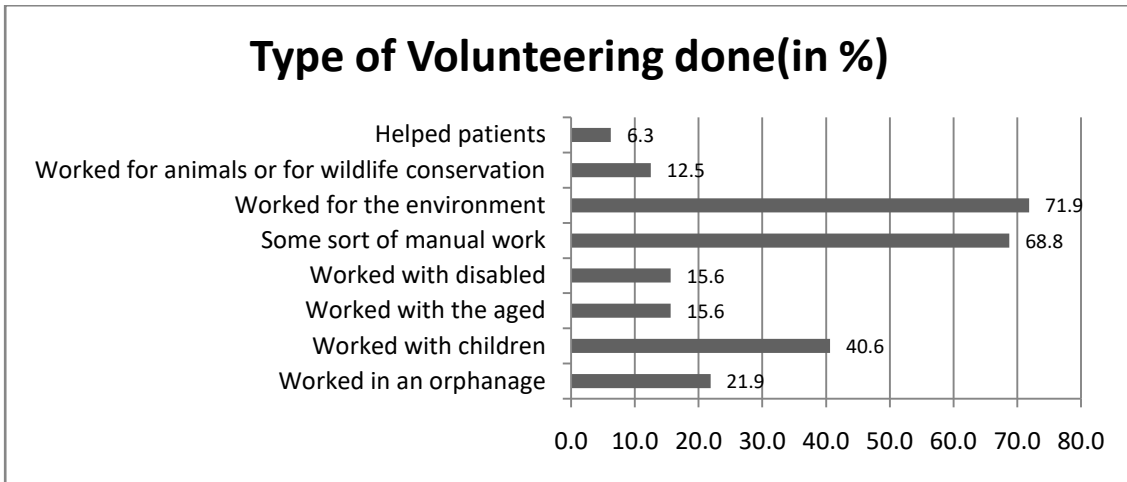


Fig. No. 6: Type of Volunteering done

When asked about what activities have been carried out as part of volunteering services, maximum respondents (72%) have worked for the environment, 69% have previously done some sort of manual work as part of volunteer activity and approximately 41% have worked with children(Fig. No. 6). Of all the respondents only 4 have clubbed their vacations or holidays with volunteering work at least once before and the remaining 55 have never been voluntourists. When asked about whether they would prefer to go for volunteer vacations 17 respondents replied in affirmative while 35 were not sure. 12%(7 respondents) showed no interest in going for volunteer vacations.

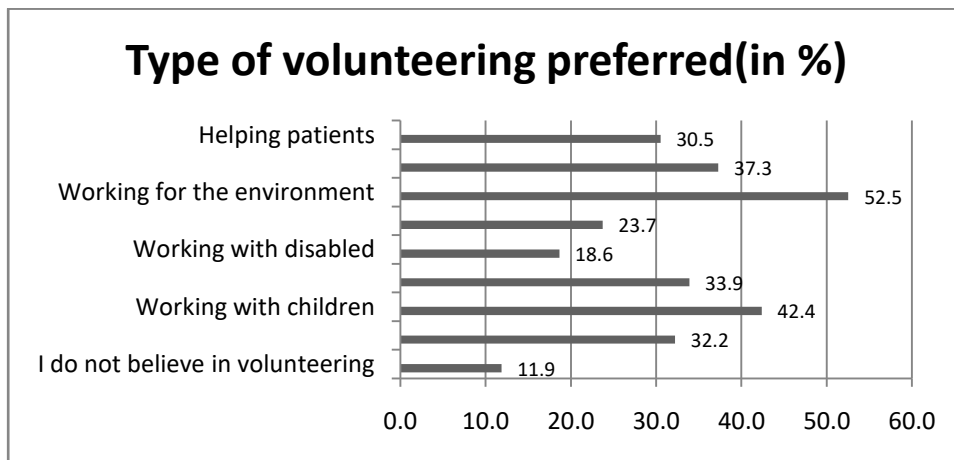


Fig. No. 7: Type of volunteering preferred

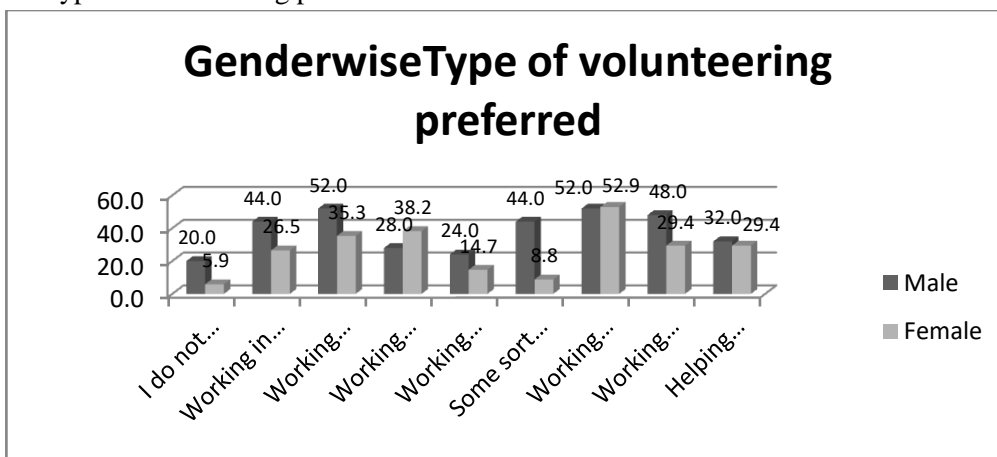


Fig. No. 8: Gender wise type of volunteering preferred

Figure 7 indicates that of all the respondents almost 12 % (7 respondents) have no interest in volunteering during vacations while majority (52.5%) would prefer some sort of work that involves working for the environment. Other preferred categories of volunteer work includes working with children,(42.4%), working for animals(37.3%), working with the aged(33.9%) and in the orphanage(32.2%). When analyzed separately for gender wise preference of volunteering work, it is found that 20% of males have not shown interest in volunteering work whereas the value for females is just 5.9%. Males have shown interest in more categories than females. More male respondents seem to be interested in some sort of manual work, in orphanage, working with children and also for wildlife conservation. Females seem to be more interested in working with the aged and for the environment (Fig. No. 8).

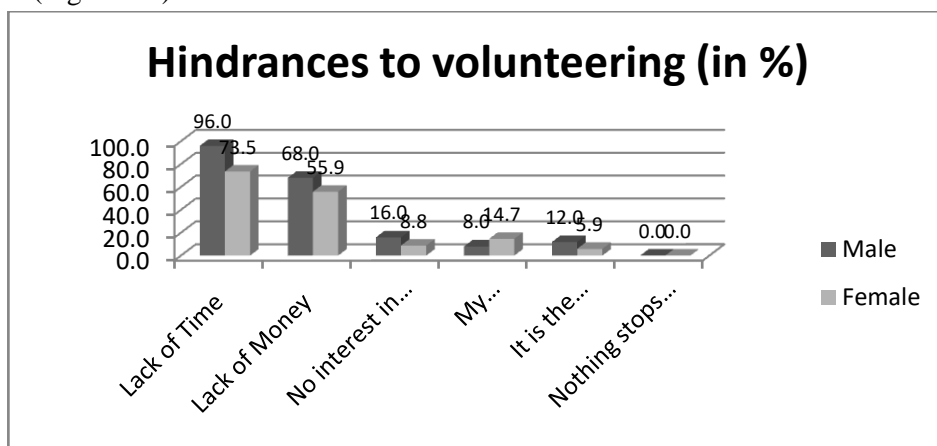


Fig. No. 9: Hindrances to Volunteering (Gender wise)

The question about what stops the respondents from engaging in volunteering activity during vacations, the responses gave interesting insight. 96 % of males found lack of time to be the most compelling factor to go against volunteering, while 73.5 % of females stated lack of time as the hindrance for volunteering. Among both males and females lack of time and that of money seemed to be the biggest obstacle in the path to volunteering. No one seemed to be all eager for volunteering as none of the respondents ticked the option that read ‘Nothing stops me. I never miss a chance to volunteer’(Fig. No. 9).Maximum respondents in the age group of 26 to 45 yrs found lack of time as well as money to be stopping them from volunteering. Minimum participants (5) that too in the age group of 36 and above stated that they did not wish to volunteer as they feel it is the government’s job and not theirs.

Reasons for not Volunteering	No. of Respondents	<18 yrs	18-25 yrs	26-35 yrs	36-45 yrs	46-55 yrs	56-65 yrs	>65 yrs
Lack of Time	49	0	4	15	19	9	2	0
Lack of Money	36	1	5	9	13	7	1	0
No interest in volunteering	7	0	2	3	1	0	1	0
My volunteering will not make any difference	7	0	1	1	2	1	1	1
It is the Govt.'s work not mine	5	0	0	0	1	1	2	1
Nothing stops me.I never miss a chance to volunteer	0	0	0	0	0	0	0	0

Table No.1: Hindrances to Volunteering (Age wise)

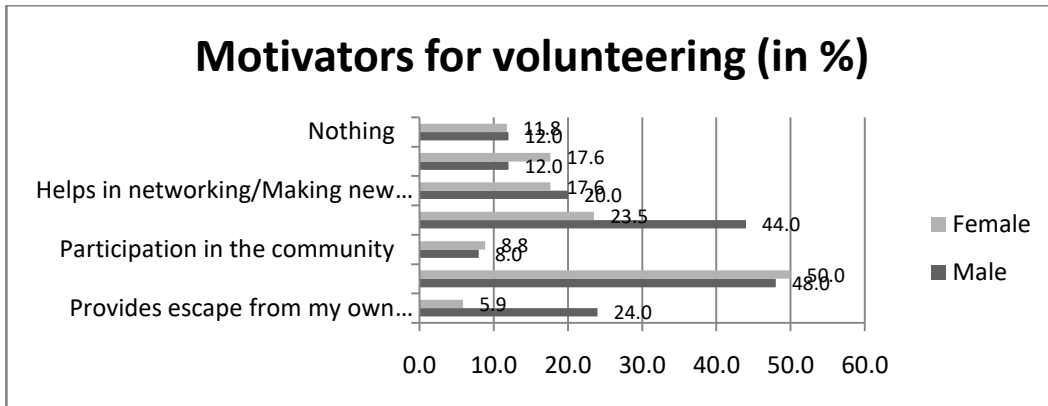


Fig. No. 10: Motivators for volunteering (Gender wise)

The respondents were asked about the reasons that encourage them to look out for volunteering while holidaying. The study revealed that 44% of males believe that volunteering helps them in their career or in getting promotions and 24% feel that it provides them escape from their own problems. Among females the feeling of self worth that comes up as a result of volunteering seems to be the most compelling reason for them to be a volunteer (Fig. No. 10). Table No. 2 indicates that getting the feeling of self worth is among the most undeniable reasons among all. Those in the age bracket of 18 to 35 yrs feel that volunteer vacations may be a stepping stone for their career enhancement. Being able to network is another factor found among those in the age group of 26 to 45 years that motivates them to volunteer.

Motivators	No. of Respondents	<18 yrs	18-25 yrs	26-35 yrs	36-45 yrs	46-55 yrs	56-65 yrs	>65 yrs
Provides escape from my own problems	8	0	1	3	2	2	0	0
Gives Feeling of self worth	29	1	7	5	6	5	3	2
Participation in the community	5	0	1	0	1	1	1	1
Helps in career /promotion	19	1	8	7	2	1	0	0
Helps in networking	11	0	2	4	5	0	0	0
Helps to enhance skills	9	0	3	3	2	1	0	0
Nothing	7	0	1	1	3	1	1	0

Table No. 2: Motivators for Volunteering (Age wise)

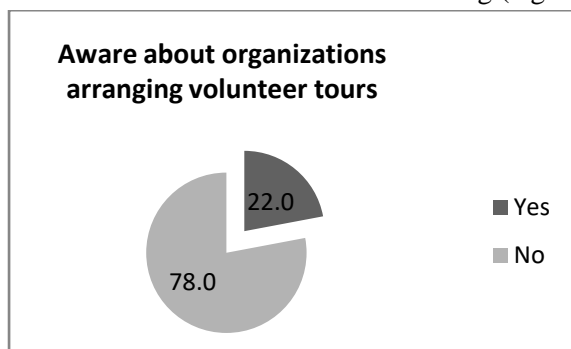


Fig. No. 11: Awareness about organizations arranging Voluntours

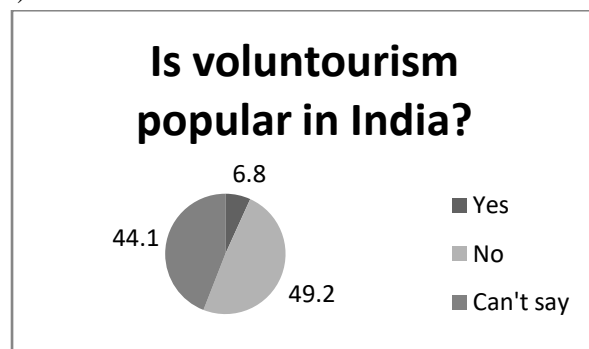


Fig. No. 12: Perception of Popularity of Voluntours in India



Fig. No. 13: Personal acquaintance with a voluntourist

A huge percentage of respondents (78%) have not heard about volunteer vacations being arranged as vacation packages. Also almost half of the respondents feel that volunteer tourism is not popular in India. Figure 13 reveals that around 88% of respondents do not personally know any person who is a voluntourist.

**Conclusion:** Voluntourism is majorly eulogized for its sustainable approach to tourism. In this form of travel sometimes called ethical holidays, the tourists get a chance to immerse into the local way of life without bringing any harm to the area. This is mostly missing in the exploitative nature of commercial tourism. It helps to be a bridge between those who are willing to help and those who need help. This form of tourism, sometimes referred to as travel philanthropy suffers from certain lacuna too with speculations over any real help being offered by volunteers, procedure for selection of volunteers and decision on the ratio of service to sight-seeing. The current study brings out in the open the following facts: There is lack of awareness among the Mumbaikars about the idea of volunteer tourism. Although people prefer to volunteer, their motive for spending time in vacations shows the inclination towards enjoyment rather than helping others. The lack of time and money are the biggest obstacles that deter them from voluntourist activities. Lack of awareness about the fact that there are organizations that are arranging tours that club volunteering with sight-seeing

**Suggestions:** There is a definite need to promote this form of tourism in India. Although India remains one of the most popular hosts for voluntourist activities, the tourism industry has been unable to generate the desire to take up volunteer tourism among the Indian tourists. Efforts are required by the tourism marketers to generate interest among Indians towards voluntourism and exploit this untapped potential market. If the idea of voluntourism is properly promoted by NGOs and Government authorities it will be useful for sustainable ecology and the public at large.

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## ENHANCING HUMAN CAPITAL THROUGH PERFORMING ARTS

**VidhiRajora**, *Asst. Professor, KES Shroff College of Arts & Commerce*

**Mansi Goradia**, *KES Shroff College of Arts & Commerce*

### **Abstract**

*Our community believes in and accepts diversity. All types of creative talent and people with artistic abilities are attracted towards cities to work, to live and be able to explore their potential to the fullest. Our creative force is instilled with strong literature, arts and spirit of sports. Individuals in this workforce are robust and inventive, with intellectual depth, self-control, idealism, desire and a strong commitment to outshine. Nowadays social scientists are more interested to find out the role of creativity and talent in economic development. Human capital is observed both to be an important contributor to growth and to be unevenly distributed geographically. Quality human capital is increasingly an important source of value creation. The traditional measure of human capital is based on educational attainment (share of population with a bachelor's degree and above). But more recent research suggests that it is more critical to gauge what individuals do than what they study, and in this manner occupationally based measures, related mainly with innovative class occupations, have been introduced. Creative class includes "people in design, education, arts, music and entertainment, whose economic function is to create new ideas, new technology and/or creative content" (Florida, 2002, p. 8). [1] Many cities and countries are embarking on new cultural and sports projects to further enhance the economic development. This paper is an attempt to explore the contribution of Performing Arts in generation of human capital thereby leading to economic development.*

*Key Words- Arts, Performing Arts, Human Capital, Knowledge Economy*

**Introduction** Creative and artistic activities, such as the performing arts, are progressively becoming popular as forces of significant development – development that is identified with expanding the abilities and welfare of each person reducing extreme poverty as it is tied in with upgrading the potential and prosperity of each individual. How can the performing arts promote development? At one level, the response is very clear. Development should not be seen in just the extension of material prosperity, but also in the enrichment of individuals' lives. The performing arts have a major role in making our lives more affluent and better. In this sense, the creative wealth represented by the tradition and practice of the performing arts is constitutively a part of the process of development. The performing arts and other cultural activities are vehicles for collective voice, gender equality, social, capital, mental health, education, environmental promotion, national identity, cultural heritage, and so on. To acknowledge this is to move beyond relegating them to the basket of simple mindedness. Human capital has become the most important factor of a region's economic strength. Today's demanding place of work requires academic skills (i.e., a college degree) as well as other abilities such as flexibility, analytical abilities, and interpersonal skills. Old boundary-laden and rigid organizational structures are giving way to new kinds of "learning organizations" with no hierarchies. The creative market has reshaped previously held beliefs regarding productivity. Information has supplanted labour-intensive careers as the preferred path to economic growth and stability. In addition training to each other, working in teams and flexible work environments are taking the place of complicated work rules. To consider the development in culture our main emphasis is on performing arts which include the interplay of theatre, music and dance thereby generating human capital. Most examples given are related to dance and music because theatre, movies, and other mediums combine with them in one way or the other. The main point is to promote rational outlook, find solutions, and propel action on how the performing arts can act as an important constituent for development.

### **Objectives**

1. To explore how the arts and culture can transform our nation's human capital
2. To find out the relationship between performing arts and human capital
3. To examine the importance of performing arts in the development of human personality

**Literature Review** According to Florida, Charlotta Mellander, and Kevin Stolarick April 2007, the human capital and the imaginative class assume unique however complimentary parts in local

development. The creative class – or occupational ability – works through the channel of wages and applies its impact on provincial work efficiency. Human capital – or education – works by expanding provincial wage and wealth. An especially fascinating finding is that creative and stimulation occupations apply extensive direct effect on territorial development. Their discoveries demonstrate that these occupations are not only consumers of territorial assets; they are makers of them too.

The book by A. Mayo gives a coherent model of measures identifying with human capital, offering an independent method for perceiving the crucial contribution of individuals to value creation. Procuring new human resources, retaining human resources, and developing human resources are the key procedures in dealing with the human capital. Since individuals bring their own human capital, in all its diversity, to the organization, individual inspiration and responsibility ought to be produced and supported through a company's inventive/innovative culture.

**Concept** What is art? “Art is an expression of all characteristics of the human mind aesthetically”. These characteristics, the varied human emotions, are known as ‘RAS’. In Hindi, ‘Ras’ literally means a sugary juice. It signifies the ultimate satisfaction of ‘Aanand’. The intellectual mind merges with the artistic streak, giving birth to art.”[2]

What is Performing Arts? “Dance, drama, music, and other forms of entertainment that are usually performed live in front of an audience are referred to as **the performing arts**.”[3] Artists who participate in performing arts in front of an audience are called performers, including actors, comedians, dancers, magicians, musicians, and singers. Performing arts are also supported by workers in related fields, such as song-writing and stagecraft.

What is Human Capital? Human Capital is a measure of the skills, education, capacity and attributes of labour which influence their productive capacity and earning potential. According to the OECD, human capital is defined as: “The knowledge, skills, competencies and other attributes embodied in individuals or groups of individuals acquired during their life and used to produce goods, services or ideas in market circumstances”.[4]

There are two types of human capital:

1. Individual human capital – the skills and abilities of individual workers
2. Human capital of the economy – The aggregate human capital of an economy, which will be determined by national educational standards.

Although Human Capital can be measured in monetary terms but it is a limited measure. Following factors measure and determine Human capital.

1. Creativity
2. Skills and qualifications
3. Intelligence
4. Personality
5. Habits and personality traits
6. Social skills
7. Work experience
8. Fame and brand image of an individual. e.g. celebrities paid to endorse a product.

Human capital in primary and secondary sector is measured in terms of productivity and in tertiary sector/knowledge economy is measured in terms of skills.

In other words, as the economy has developed, the concept of human capital has also broadened to include a greater variety of skills and traits of capital.

Since the 1960s/70s, human capital has become a more popular economic concept as the emerging ‘economy’ which makes greater use of a wider range of human capital.

### **Opportunities in the Performing Arts industry**

- **National level and international level exposure:** There is an increased circulation of performances within India because of the presence of varied cultures and corresponding festivals. The Indian performing arts have also become more prominent on the global stage, with artists gaining access to a number of opportunities for participation in foreign festivals and international collaborative projects. Some of these opportunities may be attributed to the economic growth in the country, which has produced widespread international interest in promoting partnerships with Indian arts groups and showing how India expresses itself in visuals and performances. For example performing artists like Zakir Hussain and A. R. Rahman perform not only in India but also on an international platform and has gained much name and fame.
- **Increasing recognition of performing artists:** Many awards and festivals have emerged to recognize the contribution by the theatre, dance and other performing arts forms. These initiatives strive to nurture theatre and art forms in several ways, ranging from awarding excellence in all aspects of play creation, recognizing promising young talent, to creating and bringing new works from across the country and globe to local audiences. For example Bhimsen Joshi, Lata Mangeshkar and Bismillah Khan have been awarded with Bharat Ratna Award which gives motivation to the younger generation to pursue their career in creative field.
- **New technology and settings:** Performance groups are experimenting with new settings and alternative non-traditional spaces, such as parks, basements, old studios, terraces, backyards, cafes, bookshops, gymnasiums, restaurants and offices. Also, there is a growing tendency to explore the many ways in which multimedia can be used in performances. Many young directors are also using audio-visual projects. Many theatres like Prithvi theatre in Mumbai are using new techniques and settings according to the demand of the play.
- **Varied performances:** Short stories, biographies, historical documents and poetry are all being experimented as sources for performances. Indian directors and actors are increasingly devising performances through dialogue and workshops, using personal experience, topical issues or recent public events as the starting point. Also, despite the spurt in playwriting in languages such as Marathi and English, not enough plays are being written for the expanding field of theatre. Rangshila is among the active theatre groups in Mumbai. Apart from mainstream theatre, Rangshila continues to conduct corporate workshops and shows for various organisations. On popular demand, they started their in house Acting Workshops and Acting Classes under the banner "Paradosto Stage" where they guide students as they undertake their journey in theatre.

Rangshila was established in 2008 with the dream of taking theatre beyond the stage. The group is run by young theatre enthusiasts with passion for the performing arts. The team consists of people from various walks of life- Avneesh Mishra, Shashi Bhushan Chaturvedi, Monika Mishra, Neelam Gheewala and Kush Jobanputra make up the core team. In their endeavour to reach far and wide, Rangshila Theatre Group has performed at major theatre festivals in India, including the 'Bharat Rang Mahotsav'. They have performed in Mumbai, Mysore, Delhi, Guwahati, Udaipur, Bareilly, Goa, Udupi, Ahmadabad, Kolkata and Bengaluru.

#### Challenges face by the Performing Art industry

- **Creating Identity:** Performing arts in India is connected to the culture and it is purely a regional term, hence it can be identified by their own language, history and culture. Since the

performing arts field is divided by language, class, caste and ideology, getting performers to put aside their differences and come together is among the greatest challenges in this sector. Also, because they are relatively impoverished, they face difficulties in paying the membership fees and sustain forums and networks in other ways. Hence, grant makers and Governments have a role to play in nurturing partnerships and alliances and creating an identity for themselves.

- **Raising funds/sponsorship:** Apart from the Ministry of Culture, who is the largest funder of performing arts industry in India, performing arts still receives some support from corporations, developmental organizations, bilateral agencies, and trusts and foundations. The amount of funding available is inadequate to meet the needs and challenges in this sector. The Ministry does not spend 100% of its allocated budget each year due to the performing arts industry's refusal to change its programming and modes of operation in moving with the changing needs and aspirations of the arts world. Due to lack of funds, theatre and dance performing companies are unable to reach their audience by appropriately advertising about their shows and performances, which leads to a lack of awareness, thereby resulting in low audiences.
- **Lack of infrastructure:** Very few performance groups in the industry that have their own spaces for rehearsals and performances while a majority of them perform by renting auditoriums. Although the auditoriums and public halls that have been developed by the State and Central government are cheaper to rent, they lack basic facility and are also poorly maintained. The Prithvi Theatre in Mumbai and the RangaShankara in Bangalore are among the rare performing spaces that have been custom-built for the theatre. Unlike other venues, they have become a regular meeting point for artists, critics and the interested public.
- **Decreasing audience size:** Audiences for the performing arts, except in few areas such as music and theatre, are niche and shrinking further. Audience building is an area in which performance groups themselves can undertake several initiatives such as use of informal spaces to bring performances to different neighborhoods to increase the audience size.
- **Inclination toward other performing arts platforms:** Over the last few years, several performing art platforms have emerged which have become financially more remunerative and socially more attractive. As a result, there is an increasing migration from the theatre to films. Also, TV, video, film and satellite channels have been attracting the maximum number of people from the theatre and dance industry to these options because of numerous opportunities, including fame and money. As a result, the performing arts activities have suffered a severe setback in the last few years.
- **Livelihood:** The performing arts industry has never been professional and artists associated and thus the artists cannot be entirely dependent on it for their livelihood. For them, it has always been a passion and hardly a profession. Even the professional theatre groups perform for about six to eight months a year and the rest of the year they engage themselves in other activities. However, the scenario is changing, albeit slowly, with the artists receiving some form of recognition from the audience.

Due to these challenges faced by performing arts industry, generation of human capital is getting affected as it becomes difficult to pull young people into the industry, convince them to adopt this as profession and make themselves employable.

**Strategies to generate Human Capital** To pursue economic development projects with a creative approach, and to generate human capital through Performing Arts there are three strategies which can be taken into consideration:

**Strategy # 1 Concentrating on Creative activity will enhance Economic development** Clusters of cultural enterprises and innovative workers in a geographic area provide a competitive edge by enhancing the quality of life, improving a community's ability to attract economic activity, and creating a climate in which innovation can flourish. Establishments of creative organizations and groups with highly trained workers, along with related facilities and business, will enable partnerships and cooperative projects to develop. More availability of creative and cultural firms will promote the sector's success, which is in turn economically good for the local area as a whole. Clusters of culturally oriented businesses and workers can breed novelty and new specializations. A place where innovation is valued naturally attracts innovators towards creativity of all types, as the frequency of exchange promotes creative activity. The ITA School of Performing Arts in Mumbai, India and is an example of cultural enterprise. This spacious training centre is equipped with the latest instruments that help you to watch and improve your performance. Celebrities from television and film industry guide and help to transform a student into a star. These stars then pass on their skills by opening their own academy and thus leading to income generation. Considering Performing Arts as industry its dynamism directly brings economic success by opening many job opportunities from theatre to dance academy etc. It offer course like Acting, Dance, Singing, Modelling and Image Grooming. At the ITASPA, not only do they impart quality education in respect to courses, but it also creates a bridge between the industry and the people and this in turn helps in generation of human capital. Another such institute is 'Five Senses' which is founded by Hardik Shah, an alumnus of the National School of Drama (NSD). It was started with an aim to produce interactive and socially relevant theatre and make it financially viable, as well as socially productive. The group seeks to evolve new performances through exchange of ideas and would like to collaborate with like-minded creative people. The group makes plays, conducts workshops for actors, corporates and NGOs and collaborates with various artistes thereby enhancing economic activity through creative activity.

**Strategy # 2 Acknowledgement and appreciation of a community's arts and cultural resources is an important element in development.** Identifying and strengthening existing resources is an important part for developing the community and can contribute to economic development. Resources include those related to amusement (e.g., theatres, performing groups), personal development (e.g., community centers, bookstores), and education (e.g., schools, museums), as well as more directly to job creation and industry (e.g., singers, dancers). Artistic and creative facilities are assets as well as excellent tools for identifying and promoting other community assets. Highly educated and tech savvy workforce prefers a location with creative amenities. A blooming arts and culture sector can attract the younger population and as such is important for workforce recruitment and retention strategies.

To promote and develop local culture and creativity, one area or part of the town should be solely dedicated to culture and its related activities. This will attract visitors from within and outside the country, thereby contributing to continued development.

One such example is the **Kala Ghoda Arts Festival** started in the year 1999 in Mumbai, India. The Festival draws participants from various areas such as visual arts, dance, music, theatre, cinema, literature and stalls selling eco-friendly, hand-made arts and crafts wares which helps them in bringing recognition to their creativity. Nitin Chaudhary, business head, HT Mumbai, says, "The partnership will be of benefit to both the festival and HT as a brand. For Kala Ghoda Arts Festival, we will ensure that a large number of people read about it, visit, take a sense of pride in being a part of one of the country's biggest performing arts festival. While for the brand, it will further strengthen our relationship with Mumbai and Mumbaikars. It will reiterate our position as a clear alternative for news in the state."

The Phoenix Players was established in the year 1984 by the couple Salim Ghouse and Anita Salim, alumni of the Film & Television Institute of India (FTII). The group has been staging plays in India

and abroad. Since commencement, the group has interpreted, using varied theatre elements like mime, movement and martial arts, the work of great litterateurs like Mevlana Rumi, William Shakespeare, Henrik Ibsen, Jean Genet, Athol Fugard, Peter Handke.

### **Strategy # 3 Communities can develop creative approaches to conduct artistic activity**

Communities can develop creative approaches to conduct artistic activity in vacant or underutilized spaces or through various in-house initiatives or programs. Arts and cultural activity often attracts attention, whether for casual perusal or artistic investment. Such activity can include events at culturally specific facilities such as theatres, museums, music clubs, and galleries, as well as cultural activity in venues such as arenas, public parks, community centers, and schools. Communities can also develop creative approaches to conduct artistic activity in vacant or underutilized spaces.

The **National Centre for the Performing Arts (NCPA)**, Mumbai is an Indian cultural premier centre that aims to promote and preserve India's rich heritage of dance, music, theatre, literature, film and photography. It also stages new and innovative work in the performing arts field. Throughout the years NCPA has hosted many performances from classical to contemporary in dance, theatre, and music. The NCPA has a library with an extensive collection of books on dance, music & theatre that helps to gain more theoretical knowledge about their field of interest. It also works to offer students a platform to interact, participate, learn and experience the world of performing arts. Various programs like Advanced Technical Training, NCPA Special Music Programme, Lecture Series, Support to Guru-s (Indian Music), etc. are conducted on a regular basis to develop employable characteristics in them.

**Conclusion** Currently all art forms are flourishing in the country. Many performing arts institutions have flourished to promote performing arts among the youth of the nation. Institutes and universities like Indira Kala Vishwa Vidyalaya of Khairagarh and Gandharva Maha Vidyalaya, Kathak Kendra, etc. are propagating performing arts in their own way. Societies like Spic-Macay, IRCC- India International Rural Cultural Centre have helped in creating a bond between the artists and modern generations. Different music institutions started abroad by Indian performing artist like Pt. Ravi Shankar, Ustad Ali Akbar Khan, Alla Rakha etc. are esteemed teaching centres for foreigners. Eminent Indian artists are invited by foreign countries to participate and perform at their festivals and occasions. The status of all these different art forms has changed in the last few decades, wherein young people have started learning these forms to make themselves employable and thereby creating human capital for the nation.

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**SPIRITUAL INTELLIGENCE: A NEW WAY OF BEING**

**Amee Unadkat**, Lecturer, Sadguru Dev Shri Ranchhoddasji Babu Mahila Home Science  
 Lt. M. J. Kundaliya Eng. Medi. Mahila Comm. College, Rajkot.

**Abstract**

*In the last few decades, there has been a growing debate and some very substantive changes on the concept of intelligence. Gone are the days when the official line on intelligence was that it was a measurable quantity by means of IQ tests. Thereafter the concept of emotional intelligence (EQ) was introduced. Emotional intelligence is not accessed like a fact or an answer, it is more a process of scanning the ways in which an individual experiences things working in the past and anticipating the ways he might operate in a new situation in the future. Drawing on the “new”, upgraded science of the human brain with its three different kinds of neural structures—mental, emotional and spiritual—Zohar and Marshall (2000) claim that spiritual intelligence is cultivated through the soul and not the brain. Spiritual intelligence (SQ) is the latest concept in intelligence. It is a basic ability that shapes and directs all other abilities. It is thinking of ourselves as an expression of a higher reality. The spiritual intelligence helps an individual to live his individuality in line with the recent scientific discoveries about the true nature of reality. Spiritual Quotient can heal one’s wounds and complete a person’s being. Spiritual Intelligence is about having a direction in life, and being able to heal ourselves of all the resentment. It is thinking of ourselves as an expression of a higher reality.*

*This conceptual paper is an attempt to explore the various definitions that have been given by various psychologists from the time the concept has conceived, principles that fosters the SQ, indicators and dimensions of spiritual intelligence and is also include the need of SQ in one’s life.*

*Keywords: Multiple intelligence, (IQ) Rational Intelligence, (EQ) Emotional Quotient, (SQ) third dimension of intelligence Spiritual Quotient or intelligence*

**WHAT LIES BEHIND US AND WHAT LIES BEFORE US ARE TINY MATTERS... COMPARED TO WHAT LIES WITHIN US.**

**(OLIVER WENDELL HOLMES)**

**Introduction** A higher level of intelligence power distinguishes human beings from on this planet. In the 20<sup>th</sup> century, IQ tests were created to define and measure intelligence power of an individual. But, it proved inadequate for measuring the wide spectrum of intelligence. In the 21<sup>st</sup> century they are saying that ultimate intelligence is spiritual intelligence. Zohar and Marshall (2000) created the term spiritual intelligence. SI is our access to and use of meaning, vision and value in the way that we think and the decision that we make. It is the type of intelligence that makes us whole, it is soul’s intelligence, the intelligence of deep self that with which we ask fundamental questions and with which we reframe our answers. Spiritual intelligence enables people to live with the greater meaning and depth and to look for a meaning beyond the physical needs and a low-level life in their business. SI is concerned with the inner life of mind and spirit, its relationship to being in the world. SI opens the heart, illuminates the mind and inspires the soul, connecting the individual human psyche to the underlying ground of being.

**Multiple Intelligences** Cindy Wigglesworth (2012) defined intelligence as “Intelligence is made up of three parts: **nature, nurture and results**. Intelligence is an innate potential (nature) that is: brought into form through practice (effort) and results in adeptness or appropriately reasoned behavior or choice”. Howard Gardner defines intelligence as “The ability to create an effective product or offer a service. A set of skills that make it possible to solve problems. The potential for finding or creating solutions for problems, which involve gathering new knowledge”.

Howard Gardner proposed that a human being is endowed with multiple intelligences. Each person has a unique combination. The following are the nine intelligences, given below.

(a)	Bodily / kinesthetic
(b)	Logical / mathematical
(c)	Linguistic



(d)	Musical rhythmic
(e)	Spatial
(f)	Intrapersonal
(g)	Interpersonal
(h)	Naturalist
(i)	Existential

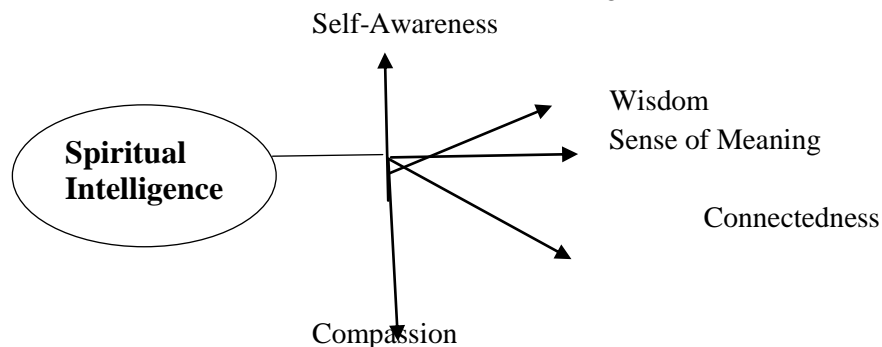
**From IQ to EQ to SQ:**-Ideally, all the three Qs should work together and support one another and the brains are designed so. Each Q has its own area of strength, and it can function separately. A person need not be high or low in all Qs simultaneously. While one person may be high in IQ but low in EQ and SQ, another may be high in EQ but low IQ and SQ. There are many combinations with varying degrees.

The concept of Intelligence Quotient (IQ) has been in use for over a century.

- **Physical Intelligence (PQ)** means our ability to maintain and develop our physical fitness (it corresponds to body).
- **Intelligent Quotient (IQ)** measures our ability to analyze, reason, think abstractly, use language, visualize and comprehend (it corresponds to mind).
- In the mid-1990s, Daniel Goleman introduced the concept and importance of **Emotional Intelligence (EQ)** which is our self-knowledge, self-awareness, social sensitivity, empathy and ability to communicate successfully with others (it corresponds to heart).
- Our drive for meaning and connection with the infinite (**SQ**) (it corresponds to spirit).

**(From the book “The 8th Habit” by Stephen Covey’s concept of 4 intelligences)**

**Third Dimension of Intelligence – Spiritual Intelligence** This third dimension of intelligence is what allows us to think creatively, to make rules, and to break rules, also. As humans we possess a certain awareness that we know intuitively no machine or computer is capable of. Computers have high IQ: they know what the rules are and can follow them without making mistakes. Animals often have high EQ: they have a sense of the situation they are in and know how to respond appropriately. But neither computers nor animals ask why we have these rules or this situation, or whether either could be different or better. They work within boundaries, playing a “finite” game. But humans can play infinite games even play with the game boundaries with creative, insightful and intuitive thinking. There are so many aspects of human mental life and intelligence that no computer built, nor envisaged can replicate. This is a direct reflection of this third, unitive intelligence.



**Figure- Spiritual Intelligence**

*Defining Spiritual Intelligence*



**IQ + EQ = SQ**

SQ is all about holistic approach to life that is the wholesomeness, self-awareness, compassion, creativity, ability to think etc. all of this together. SI equips us to look at and solve the problems of meaning and value and then we begin to direct our thoughts, actions and so, our lives towards wider and meaningful horizons. With SQ, we can distinguish more clearly the right from the wrong. It empowers us to compare various life paths.

According to Danah Zohar, “Spiritual Intelligence is the intelligence with which we access our deepest meanings, purposes and highest motivations. It is the intelligence that makes us whole, that gives us our integrity. It is the soul’s intelligence, the intelligence of deep self. It is the intelligence with which we ask fundamental questions and with which we reframe our answers.”

- **As per Richard Wolman** “**SPIRITUAL INTELLIGENCE IS THE HUMAN CAPACITY TO ASK ULTIMATE QUESTIONS ABOUT THE MEANING OF LIFE; AND TO EXPERIENCE SIMULTANEOUSLY THE SEAMLESS CONNECTION BETWEEN EACH OF US AND THE WORLD IN WHICH WE LIVE.**”
- **King (2008)** viewed Spiritual Intelligence as a set of adaptive mental capacities based on non-material and transcendent aspects of reality, specifically those which are related to the nature of one’s existence, personal meaning, transcendence, and heightened states of consciousness.
- **Kate Diane Noble (2001)** is of opinion that “Spiritual Intelligence is an innate human potential that can be a catalyst for psychological growth and healing. Spiritual Intelligence is not a static product, but a dynamic and fluid process that can transform one’s personal and community life”.
- **Michal Levin (2000)** "Spiritual Intelligence, with its wider perceptual understanding, will allow us to see and know what we haven't been able to see or know - till now".
- **Brian Mc Mullen (2003)** "If cognitive intelligence is about thinking and emotional intelligence is about feeling, then spiritual Intelligence is about being". **“SI is not about doing as much as it is about BEING”.**

Spiritual Intelligence is the highest ability of any individual to get smooth linkages from within the spirit i.e. to get smooth answers to all the questions –whether worldly or non-worldly as mentioned in SRIMAD BHAGVAD GITA as follows-

*“Spiritual Intelligence is the nature of goodness, which factually knows the propriety of things as well as the impropriety of things, duty and non-duty, fear and fearlessness, bondage and liberation.”* **Chap 18.v.30.**

Although this concept of Spiritual Intelligence was ever present in the world, but academically we have awakened very recently. In Ancient times this word the Spiritual Intelligence was mentioned in SRIMAD BHAGWAD GITA for the first time, but we forgot it’s value and ignored its essence, and started running in the blind marathon. Now when we have achieved almost stagnation in the development of majority of Organizations, in spite of doing lot of hard work, then again we are trying to find out something within us which can enlighten us and this answer comes from the ultimate intelligence a human being can possess i.e. Spiritual Intelligence.

<b>I Think</b>	<b>I Feel</b>	<b>I Do</b>
<b>Head</b>	<b>Heart</b>	<b>Hand</b>

(About thinking)                      (About feeling)                      (About being)

**"I Think it is correct and also feel it to be correct then only I do it"- Spiritually intelligent.**

**A proper coordination of 3H's i.e. Head, Heart and Hand is vital for psychological well-being.**

Ideally, these three basic intelligences work together and support one another, but it is SQ that is the necessary foundation for the effective functioning of both IQ and EQ. IQ is rule based, EQ helps us act appropriately within society's prescribed boundaries, SQ helps us extend and change the boundaries, question our assumptions and formulate new meaning.

**The Dimensions of Spiritual Quotient** The spiritually aware people may follow the lesson of values that they have learnt from their life. They may take decisions based upon the following dimensions:

**CONSCIOUSNESS** - refers to knowing self and living consciously with clear intention and mindful, embodied awareness and presence.

**GRACE** - living in alignment with the sacred (divine, a universal life force, nature) manifesting love for and trust in life. Love, reverence and cherishing of life based on gratitude, beauty, vitality, and joy. And having an optimistic outlook based on faith or trust.

**MEANING** - Experiencing significance in daily activities through a sense of purpose and a call for service, including in the face of pain and suffering.

**TRANSCENDENCE** - Going beyond the separate egoic self into an interconnected wholeness. Nurturing relationships and community with acceptance, respect, empathy, compassion, loving-kindness, generosity. Utilize a systems perspective seeing the wholeness, unity, and the interconnection among the diversity and differentiation.

**TRUTH** - Acceptance and forgive, embrace, and love. Peaceful surrender to Self (Truth, God, Absolute, true nature) Self-acceptance, self-compassion and inner-wholeness. Allowing the person what wants and needs to happen.

**Principles of Spiritual Intelligence** Principle of Spiritual Intelligence are derived from the qualities that define complex adaptive systems. In biology, complex adaptive systems are living systems that create order out of chaos. They are holistic, emergent and respond creatively to environmental challenges. Human beings are also complex adaptive systems. The SQ principles - underpinned by vision, purpose, meaning, and values –facilitate everyday problem solving and goal attainment and a richer and more creative life. By successfully balancing these polarities in our own experiences and in how we treat others and the world, we are able to create forgiveness, healing, and connection (Cook & Macaulay, 2004).

Spiritual intelligence is fostered by 12 principles: (Zohar, 2005).

	12 Principles Of Spiritual Intelligence
Self Awareness	Knowing What I Believe In And Value, And What Deeply Motivates Me
Spontaneity	Living In And Being Responsive To The Moment
Being Vision- And Value-Led	Acting From Principles And Deep Beliefs, And Living Accordingly
Holism	Seeing Larger Patterns, Relationships, And Connections; Having A Sense Of Belonging
Compassion	Having The Quality Of "Feeling-With" And Deep Empathy
Celebration Of Diversity	Valuing Other People For Their Differences, Not Despite Them
Field Independence	Standing Against The Crowd And Having One's Own Convictions
Humility	Having The Sense Of Being A Player In A Larger Drama, Of One's True Place In The World

Tendency To Ask Fundamental Questions “Why?”	Needing to Understand Things And Get To The Bottom Of Them
Ability To Reframe	Standing Back From A Situation Or Problem And Seeing The Bigger Picture; Seeing Problems In A Wider Context
Positive Use Of Adversity	Learning And Growing From Mistakes, Setbacks, And Suffering
Sense Of Vocation	Feeling Called Upon To Serve, To Give Something Back

**Components of Spiritual Intelligence**

Five components of spiritual intelligence are as follows:

- The capacity to transcend the physical and material.
- The ability to experience heightened states of consciousness.
- The ability to sanctify everyday experience.
- The ability to utilize spiritual resources to solve problems.
- The capacity to be virtuous.

**Need for Spiritual Quotient** In the inner game of the relationship that one has with oneself, the highest purpose at this time is to “be oneself”. Not so easy if one doesn’t know who/what he/she is. In the outer game of relationships with others, the highest purpose is to “be of service. The spiritual intelligence unit serves to support people in any context (corporate, community, family) to develop their spiritual awareness, capacity and intelligence, and then to use that intelligence to be more effective as an individual, and thereby expand their capacity to make a greater contribution to the endeavors of others. Spiritual intelligence also plays a very important role in practical life. Each area of life contains a set of relationships. Spiritual intelligence facilitates dialog between mind and body, between reason and emotion. “If it is known how to rely on SQ one shall become less fearful, more habituated to relying on oneself, more willing to face the difficult and the uncomfortable, and more ready to live at the edge. Further, by accessing this intelligence we can succeed in the search for meaning in life, find a moral and ethical path to help guide us, and act on our values.

**Spiritual intelligence is necessary for:**

- Exploring and using deepest inner sources, to obtain flexibility and tolerance along with attention and accuracy.
- Having sense of identity when a person confronts variable relations in work environment.
- Ability to recognize true meaning of events, circumstances and creating meaningful job
- Recognizing and balancing individual values with a clear understanding of objectives
- Maintaining values and being honest.

**Indicators of High SQ**

- A person is always able to see the bigger picture
- A person has the capacity to question
- Thinks creatively/innovatively, can change rules by being flexible, not becoming trapped by limitation or ‘the box’
- He is able to get out of their own way in order to see things in perspective; being neutral and objective
- Acts with wisdom and compassion
- A person with high SQ understands all variables of consequence before taking action
- The person with high SQ will always search for and find deeper meaning and purpose in life
- Is able to think (IQ) is physically healthy (PQ), and is able to relate (EQ) in times of rapid change, shift and chaos (SQ)
- Above all else, they have the ability to adapt and so are able to transform the world into a whole new order of being

**Conclusion** When we are connected to the Spirit of ourselves first and foremost, get connected to “what we are” at the core of our being, we are better able to get clearer about “what we feel.” And as we tap into the higher vibration feelings of love, joy, and peace, the emotions that create, and support life, we align ourselves with our highest intelligence. This intelligence, “what we think” is and inner genius. It is a wisdom that clearly guides us in making choices, and taking action for the highest and best for all. Research results show that the ability to find meaning in life is a necessary foundation for discovering the true and lasting happiness, which gives us a life of deep satisfaction. This happiness is not momentary and limited like the happiness from sensory pleasures such as eating chocolate. Moreover, it is internal and depends only on us. Spiritual intelligence gives humans the opportunity to be creative and it looks for excellence among the objects, places, relationships and roles everyday into modern era. It is used when one needs to be flexible, visionary or creatively spontaneous. SI helps the person in dealing with existential problems. It gives insight of what life’s struggles are about. Signs of high SQ include an ability to think out of the box, humility, and an access to energies that come from something beyond the ego, beyond us, and our day-to-day concerns. The more intuitive you become, the more you realize that life can be a cooperative enterprise. This may be a deeper social reality, or an awareness of our situation. It may be a sense of a more profound higher level of truth or beauty. And/or it may be a sense of alignment in that we are part of a greater cosmic whole or some universal process. Spiritual intelligence is necessary for discernment in making spiritual choices that contribute to psychological wellbeing and overall healthy human development.

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## TOURISM IN INDIA: DYNAMICS OF INNOVATION AND DEVELOPMENT

Srinivasan.B.Iyer, Assistant Professor, KES Shroff College of Arts and Commerce

**Abstract**

*Tourism in India is one of the burgeoning sectors of the economy. Incredible India campaign, ICT specialised products in medical tourism etc have contributed to its modern growth. Besides being a big foreign exchange earner it has promises and hopes in other macro variables such as investment and employment. However, the sector ails from longstanding problems of inadequate infrastructure as well emerging problems in handling alternative tourism and ensuring sustainable tourism. In contrast to the radical innovations vital to growth in manufacturing sectors, innovations in services and tourism were secondary and capital-scarce, and for this reason they were excluded from the scope of government interest and action. It is interesting to note that the discourse changed with the emergence of new information and communication technologies (NICT), which have been especially influential in the realm of tourism. The issues involved in innovation in tourism are not confined to the information. Big firm had not shown any sign focusing on the thrust on innovation, pushing firms to adopt a proactive attitude towards innovation, notably to an ambitious shift from simple technology watch to economic intelligence. This paper not only traces the progress and position of India's tourism sector but also analyses the dilemmas in terms of environment, empowerment, affordability, accessibility, ethics and equity. Keeping in view the rich heritage as well as the prospects of high potential for hot -spot tourism, the paper explores what new policies and products can do for enhancing the capacity to face constraints and challenges. It argues that the providers need to go beyond "attractions" and look at supplements and complements too. It also analyses the call for teachers, researchers and policy-makers to address and assess contemporary trends the emphasis is on "boosting tourism and balancing hospitality" with productive roles played by public and private sector*

**Keywords:** India, jobs, PPT, Travel & Tourism,

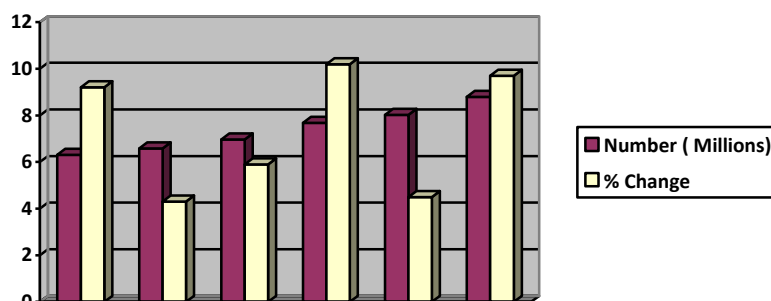
**Introduction:** Tourism can be defined as the activities of persons who travel to stay in places away from their usual environment for business and purposes. Such purposes may also be extended for medical purposes also. This activity of visitors refers both to non-residents, residents travelling in the country of residence and abroad for tourism purposes (leisure and others) and it is conceptualized as inbound, domestic and outbound tourism, respectively. Tourism offers not only special benefits concerning the reconstruction of national economies having high touristic potential but is also counterbalanced with the industry's vulnerability regarding safety and security issues etc.

By and large, tourism is a perennial service. Tourism today is the most vibrant tertiary activity and a multi-billion industry in India. Traditionally known largely for its historical and cultural dimensions, tourism today is highlighted for its immense business opportunities. There is a lucrative linkage with transport, hotel industry, ICT etc., however, the potential and performance of India's tourism industry needs to be gauged in terms of its socio-economic magnitudes. However tourism has not been spared from the problem posed by the global financial criticism The Government, therefore have to look at the dynamics of innovation for sustainable tourism and economic development.

**Tourism Growth and Economic Development:** Tourism's economic benefits are touted by the industry for various reasons. Business community, government and the public have recognised these benefits giving the industry greater respect (Raheem, Sambasivam and Krishnamurthy, 2011). The benefits and emphasis has ranged from recreation to revenue and from pleasure to wellness. Tourism development is both a response to economic growth and a contributor to economic development. The non-monetary benefits accruing from special products like eco-tourism, medical tourism should be considered and practised properly. Similarly the negative externalities like damage/loss of public goods and common property resources also need to be assessed adequately. Tourism after all is an environment-sensitive fragile sector (Mukhopadhyay, 2007). Despite many economic challenges, Tourism has been robust since 2012 The world tourism has grown phenomenally and India ranks 40<sup>th</sup> in the world tourist.

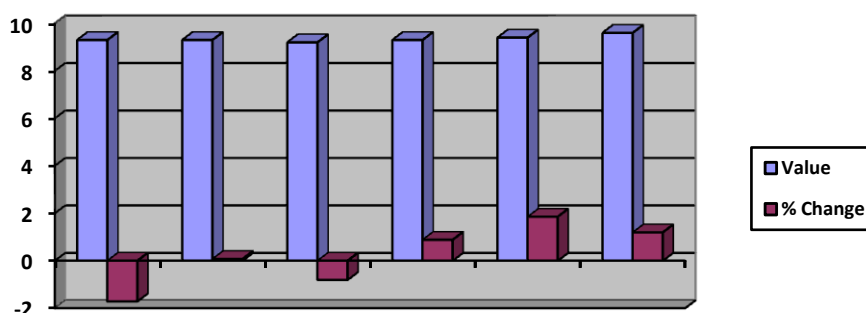
The Following Table gives a clear idea about the growth of tourism in past 6 years

Year	2011	2012	2013	2014	2015	2016
Number (Millions)	6.31	6.58	6.97	7.68	8.03	8.80
% Change	9.2	4.3	5.9	10.2	4.5	9.7



**The total contribution from Travel & Tourism (T&T)**

Year	2011	2012	2013	2014	2015	2016
Value	9.3	9.3	9.2	9.3	9.4	9.6
% Change	-1.71	0.07	-0.81	0.88	1.85	1.19



**Opportunities and Challenges: Public vs. Private** With the growing importance of tourism and growth in tourist activities both government and private sectors have work full on hand. Both of them have taken the advantage of growing competition and has a win-win-situation is at their disposal. The increased spending by tourists has generated substantial income earnings for both public and private sectors. It predicts well for the tourism industry when income from tourism tends to increase at a higher rate than merchandise export. The income flow has a multiplier effect on the macro economy. It is simple economics that “one man’s spending is another man’s income”. Costs borne by tourists on food, accommodation, travel and also on amusements in parks, clubs plus taxes have all contributed to the national income stream. The employment, investment and taxes from manufacturing and transport services, banking, basic infrastructure are all enhancing tourism’s potential and performance.

- Hotel industry – both the course and the cuisine
- Transport and automobile sectors
- Infrastructure (e.g. construction industry)
- Handicrafts industry and market
- Medicare/hospitals – health tourism
- Untapped/less tapped potential as in the case of North and North-eastern regions of India – make the most of the country’s topography
- Growing social infrastructure – need to integrate tourism with societal values; social and national integration



**Suggestions and Conclusion** A roadmap for India's tourism development must include –

1. Long term policy for tourism with action measures and incentives for further development
2. Bold measures for transport and tourism development with involvement of government
3. Strong incentive based measures for market and product and promoting them
4. Tourist risk management made effective with the help of insurance companies
5. Training tourism entrepreneurs through the education centre or introducing the syllabus at college level
6. More involvement of communities, protecting tribal interests for example, Community Trust Tourism
7. Eco tourism along with conservation supporting agrarian models
8. Promoting tourism through movies eg. Padmavat,

Conserving traditions and values, integrating tourism with national and social integration from the traditional concept of “*Athithi Devobhava*” (The guest is God) to the modern slogan of “Incredible India” promoted by famous persons like Amir Khan, Amitabh Bhachan and more India's tourism *parampara* (tradition) has come a long way. It is time now to have a fresh look at this sector in the light of impact and implications of GATS and the expanding service sector of the country. Tourism's uniqueness should be clearly understood. Our alertness for new challenges can be tested by growth coupled with quality changes. Tourists' safety and eco-balance must receive priority in tourism management. The drive is on “boosting tourism and balancing hospitality with innovation and with productive roles played by public and private sectors as synergistic stakeholders. While we focus on some new thinking and initiatives on public private partnership processes in tourism promotion and development, with reference to India we must also study the nature of collaboration of the public-private partnership (PPT) type in general and that of tourism sector in particular. We must analyse the nature and impact of such collaboration on tourism planning, marketing and management. The tourism sector is a lively and fast growing sector in post globalization era. It has both diffusing and powerful effects on learning and earning. The processes of economic reforms, private participation in infrastructure development and foreign investments have made tourism industry a major source of invisible earnings. However, with the emergence of the new options like PPP, there are several issues that need to be addressed in terms of focusing, funding and fielding tourism products/services, even with regards to local and alternative tourism. We must compare with cases from other countries too to know how much model succeeded in balancing legality and building effectiveness in the tourism.

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**TOURISM AS AN INNOVATIVE PRODUCT: NEW TOURISM ON THE BLOCK**

**Raavi Parihar**, Assistant Professor, KES Shroff College of Arts and Commerce

**Abstract**

Now a days tourism industry is becoming one of the most significant economic sectors, which propels the growth and development in many parts of the world. Tourism provides a marketable product which does not depend on raw materials from outside. Because times are changing and so are the demands and expectations of the 'new' traveler. The search for diverse experiences, atypical adventures, discrete lifestyles has paved the way for the concept called the 'new tourism'. Attention is being turned to exploring new frontiers or daring to go where traditional thinking did not allow. 'New' tourists however, are increasingly being seen to be environmentally sensitive, displaying respect for the culture of host nations and looking to experience, and learn rather than merely stand back and gaze. 'New' tourists are participators not spectators. This paper highlights the changing dimensions of tourism industry resulting into 'new tourism' and 'new tourist'. The state of Gujarat has been selected as the case study in this paper.

**Introduction** Tourism is the business of organizing travel as a leisure activity that seeks to provide pleasure and experience outside the realm of everyday life and work. It is always geared to a place which is unconnected with the place of work. Hence, the **Rajasthan Tourism** advertises: 'If you are looking for an out-of-the-ordinary experience, start out to discover Rajasthan'. Similarly, **Kerala Tourism** brochure publicizes: 'In a world of fast foods, fast cars and oxygen bars, life is a far cry from good old nature. So, when contemporary lifestyle takes its toll on you, journey to a land where nature is still an integral part of everyday life.' So we see that in both the advertisement, the suggestion is of an alternative to the everyday routine. Here nature is contrasted with the culture of everyday life, and tourism is meant to be recuperative rather than entertaining. In fact, travel and tourism have been going on since times immemorial. Until the nineteenth century, travel for recreation was undertaken only by the elite class of society. Status was then defined by the mode of travel. But with the advent of railways and other fast modes of conveyance, mass tourism (also called Fordian Tourism) became available for the first time to the commoners. For the twentieth century tourist, the world has become 'one large department store of countrysides and cities'. By 21st century, with exponential growth in the economies of the several countries, travel itself has become a new economy. Now it is available to all having some spare money. This new tourism phenomenon is influenced not only by economic factors but also by the development of a new type of tourists as well as and the renewed concept of tourism which is called New Tourism.

**What is New Tourism?** After globalization, destinations spread all over the world have begun to compete for attention. The paradigm shift from mass tourism which was the norm just a few decades back, to new tourism is gathering momentum. Modern information and communication technology development, in symbiosis with the transformation of tourism demand, has given rise to what is termed as *new tourism*.

This *New Tourism* is characterised mainly by super-segmentation of demand. The process of defining and subdividing a large homogenous market into clearly identifiable segments having similar needs, wants, or demand characteristics. Its objective is to design a marketing mix that precisely matches the expectations of customers in the targeted segment. This paradigm permits the tourism industry to offer products adapted to the increasingly complex and diverse demands, while being competitive with the old standardized products. The market has become global, affecting the usual demand and supply side pattern. The profound changes in the tourism industry as listed by Auliana Poon (1993), are:

1. New consumers,
2. New technologies,

3. New forms of production,
4. New management styles, and
5. New prevailing circumstances.

As result of the super segmentation of demand there is a very strong need for *in-depth knowledge* of the market in order to identify the *clusters of consumer traits and needs*. This knowledge will enable the tourism enterprises to develop those products that will give a greater competitive edge, and to place them on the market using efficient methods of communication and distribution.

*Flexibility* is also a very relevant factor since it can assist the enterprise in adapting to the new demand requirements. This factor is relevant in several areas. New technologies are fundamental in this respect and, in particular, in the expansion and development of new systems of tourism information. Following are the major shifts in global tourism market trends:

1. The rise of middle class affluence.
2. Longer weekends and increased paid holidays.
3. A shift in emphasis from passive fun to active learning and hence the activity or special interest holidays are likely to gain at the expense of conventional sightseeing, visiting and other passive experiences;
4. Availability of the Monthly Installment Schemes (EMI's) on tourism packages.
5. New concept of Home stay, and that too across the globe, which aims to the experience of seeing the place more organically.

So there is a kind of complete overhauling in terms of structure and dynamics of the tourism industry.

The paradigm shift is also indicative of a new type of tourist who is more experienced, better educated, more independent, quality-conscious and hence 'harder to please'. He prefers a high level of involvement in the organization of his trip. Now the foundations of the new tourist experiences stand upon the things such as adventure, getting off the beaten track and mingling with the locals which would never appear on the list of a 'mass' tourist. This new type of traveler demands a completely different marketing approach. Because instead of conventional glossy marketing mechanisms, he prefers to use reliable sources such as *word of mouth referrals*, his own independent research through internet or social media, Television channels and trusted publications. He is in search of experience as opposed to products and services. He can be called an *experiential traveler*. This category extends across all age groups and traditional market segments.

**Case Study of Gujarat as an Emerging Tourist Destination** This case study highlights the changing dimensions of tourism industry in Gujarat and how this emerging industry is contributing towards the economic growth not only of its own state but the whole country. The hospitality, the foundation on which the edifice of Gujarat tourism built, is indigenous to Gujarat. The changing scenario from hospitality to leisure, recreation, nature-based ecotourism, environmental, sports etc. are the major features, that make Gujarat as one of the important destinations among other states of India, notably Rajasthan and Madhya Pradesh. It offers colorful experience to its travelers packed with pleasant surprises, and special interest destination with a strong rail, roads, and air networks.

**STUDY AREAS** Since the study area is not concentrated to any particular place or point here the Gujarat as a whole is taken as a study area. An attempt has been made to find out why the State could not carve for itself a distinct identity as a tourist getaway, the way its rivals like Rajasthan, Kerala or Goa could. In spite of Gujarat being rated among the ten most unsung places of the world (by Lonely Planet), the share of tourism in its GDP is merely about 3.5 per cent. The people of Gujarat are known for their love of travelling. If estimates of travel agency owners are to be believed, of every 100 Indians travelling abroad,

more than 50 are from Gujarat. However, most people of Gujarat preferred travelling to other states or countries for leisure and entertainment.

**METHODOLOGY** The study is based on the personal observations (of some places) and available secondary sources articles (in journals, and online, both), newspapers and travel magazines. In it an attempt has been made to understand the impact and implications of new tourism strategies which have contributed towards humongous economic growth of the state. The immense growth opportunities in this sector, the increasing consumer expenditure on travelling and the government's increasing investments in the tourism industry make this a topic worth studying. Typically, Gujarat is perceived as the land of the Mahatma Gandhi, people with extraordinary business acumen, rich culture, handicrafts and so on. Gujarat is well known for its industrial and agricultural growth, and has been making headlines by accounting for 16 per cent of India's manufacturing output and 12.7 per cent of India's investments. But Gujarat had rarely made a mark as a tourist destination. Gujarat was nowhere on the tourist map of India—let alone the world map. The archaeological sites, beaches and wild life sanctuaries are neglected to such an extent that local people had also forgotten their grandeur. From Gujarat every year, a huge number of tourists visit other corners of the world, but due to the lack of information highway, its strength to be host had not yet been fully utilized despite being endowed with forest and deserts, hills and plains, seas and lakes, tribal hinterlands. The credit, of course, goes to the aggressive marketing campaign by the state government. But GTCL (Gujarat Tourism Corporation Limited) made equally aggressive attempts in developing various other sectors of tourism (along with Business tourism, medical tourism, recreational and leisure tourism). Some majorly developed tourist destinations in Gujarat are listed below:

**Nature tourism**-with four national parks and 21 sanctuaries, Gujarat is home to the Asiatic Lion (Gir forest), the wild ass (in the Rann of Kutchh), whale sharks off the coastal areas, and the Great Indian bustards. Besides these four-horned antelope, black buck, bear, nilgai, the paradise flycatcher, chinkara and dolphins are also seen in the state. Migratory birds like flamingos, pelican and storks make Gujarat a birdwatcher's ideal travel destination. The Gulf of Kutchh has India's first Marine National Park.

**Heritage tourism**- Gujarat is rich in archaeological sites (more than 400) including the world heritage sites of Champaner, Harappan civilisation sites like Lothal and Dholavira, ancient Buddhist sites, etc. Ahmedabad's Heritage Walk is the only daily walking tour in India.

The presence of many erstwhile princely states in Gujarat has resulted in the state having more than 20 heritage hotels including converted forts and palaces.

**Event tourism**- The Gujarat government is promoting tourism in the state through its many fairs and festivals, such as:

1. Navratri (representing the true Gujarati spirit—and the world's longest dance festival)
2. International Kite Festival- where over 37 countries, including France, Italy, Vietnam, New Zealand and Ukraine, along with more than eight Indian states participated in the Uttarayan kite festival.
3. Rann Utsav—which has been running since 2006, around 32,000 visitors attend every year.
4. Global Bird Watchers' Conference
5. Modhera Dance Festival
6. Tarnetar Fair
7. Chitra Vichitra Fair

**INITIATIVES TO BOOST TOURISM** 1. A dynamic tourism policy with an aim to make Gujarat a prime attraction for international tourists. The policy promises long-term investment and business opportunities for national and international corporate bodies and private enterprises.

2. Although the state already has the largest number of airports (17) in India, the state government is also working on developing 11 new airports in the state.
3. The Rann of Kutch is to be developed as an active rural tourism destination, by involving the local community. In order to develop this destination, subsidies and manpower training are also being provided.
4. Gujarat Tourism Corporation has tied up with ILandFS (Infrastructure Leasing and Financial Services) to set up the Gujarat Tourism Opportunity (GUJTOP).
5. The state has developed 41 large and small ports. And it has worked to lay out a road network that exceeds 74,000 km.
6. Encouragement for private sector participation in building large tourism-related infrastructure projects.
7. Formation of a special cell to attract and facilitate film producers to shoot in Gujarat. Tourism Corporation of Gujarat Limited (TCGL) also set up a stall at the Cannes Film Festival.
8. The concept of 'tourism policing' has been introduced, with a helpline number to provide security to tourists and to get all the necessary information.
9. An 'Integrated Tourism Development Plan' for 37 destinations is in the pipeline and 24 ecotourism projects have been taken up at a cost of Rs. 210 million. These projects include eco-trails, jungle stays, desert safaris, etc.
10. Development of convention centres at Surat and Vadodara
11. Following the advice of Lui et al, that 'A successful and popular endorser has the capability to increase the consumer's purchase intentions and preference towards brands either directly or indirectly'. since January 2010, TCGL (Tourism Corporation of Gujrat Limited) has signed on Amitabh Bachchan—an evergreen superstar who is popular across the globe—to promote the state. As is well-known, Bachchan's credibility as a brand ambassador is very strong and the other reasons for choosing Bachchan were ensured attention, PR coverage and a higher degree of recall. In one of his blogs, Bachchan has said that the growth rate in tourism in Gujarat has been higher than the growth rate in Indian tourism that resulted from Government of India's campaign 'Incredible India.' The tagline 'Khushboo Gujarat Ki,' or the 'Fragrance of Gujarat,' is the creation of a team led by well known ad guru Piyush Pandey, executive chairman of 'Ogilvy and Mather, South Asia'. Even TCGL's logo design was changed to feature the Gir (Asiatic) lion. The logo currently features the profile of a saffron-coloured lion, beside a traditional textile block printing design.
12. 'Whether it is TV, radio, print or outdoor, one can't simply miss the campaign. Internationally, too, we are present in the major in-flight and travel magazines of repute; and the campaign has run on channels such as CNN, Sky News, etc,' reports Sanjay Kaul, the Commissioner of Tourism and the MD, TCGL.
13. In the first such case ever of a State Tourism Board taking over an entire Reliance Metro Airport Express train, Gujarat Tourism ads covered these coaches for a period of three months, spreading the flavors of Gujarat across Delhi.

#### ACHIEVEMENTS OF THE GUJARAT TOURISM DEPARTMENT

The efforts of Gujarat government's tourism department have resulted in a considerable growth:

1. Data available from April 2011 to January 2012 shows a tourist count of 18,183,801—a growth of almost 18 per cent. International tourist arrivals to Gujarat grew at a much higher CAGR of over 45 per cent.
2. TCGL received the annual award from Travel Agents Association of India (TAAI) for being the country's best tourism department for 2011.

3. TCGL won the National Tourism Awards for 2005-06 and for 2006-07 for the 'Best Kept Tourism Monument' (Champaner) and for 'Excellence in Publication Material' (collateral).
4. The state received the 'Best Tourism Film Award' from the Government of India in 2006.
5. The state also received an award for the 'Best Ethnic Tourism Pavilion' in Sate-2007 in New Delhi.

SOME FURTHER SUGGESTIONS Here are a few suggestions which can promote tourism in Gujarat:

1. Still, there is a lack of quality accommodation and transport facilities across all major tourist destinations of Gujarat. A vigorous attempt in this direction is still to be made.
2. Language is a major barrier; especially when a foreign tourist travels alone or to places away from Ahmadabad. Multi-lingual guides must be trained.
3. There is a dearth of strong partnerships between tour operators and travel agents, who can actually influence the tourist inflow to the state. And so on.

CONCLUSION Tourism is today the world's largest industry. It provides a robust gross output approaching \$304 trillion, employing more than 200 million people, and is attracting the attention of academicians worldwide. With 11 per cent of consumer spending, 11 per cent of all capital investment and 7 per cent of all government spending, this industry is considered to be one of the most crucial sectors of the world economy. It is also the backbone for allied sectors like hospitality, civil aviation and transport. Gujarat has it all that takes to be a popular holiday destination. Certainly, it can make its mark in the tourism industry despite many bottlenecks.

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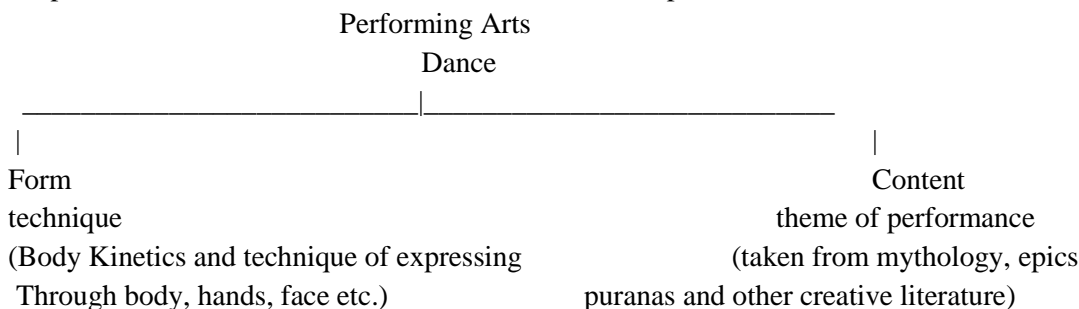
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**PERFORMING ARTS AND CREATION OF HUMAN CAPITAL**

**Dr (Smt.) Uma Rele, Principal, Nalanda Nritya Kala Mahavidyalaya**

It is a well-known fact that performing art is much more than a mere performance today. Performers like me and my fellow artistes strongly believe that it creates a balanced, grounded, disciplined, focused and dedicated human being. We, from Nalanda Dance Research Centre’s Nalanda Nritya Kala Mahavidyalaya, are immersed in the academic aspect of classical dance wherein performance becomes the synthesis of academics and research. It enhances and enriches the understanding as a performer and gives substance to your performance. Just as beauty without brain has no significance, performance without knowledge has no depth. It only gives the superficial and surface knowledge which is negligible. In today’s times when we speak of “Quality Education” or “Education beyond classroom teaching “ or “Value Education”, performing arts does this in most appropriate manner.

When one speaks about Indian Classical Dance, there are two aspects :-



When one delves deeper into the art, one observes that through technique the lofty ideas are communicated in performing arts. The lofty ideas also contain philosophy and spiritualism and this goes hand in hand in Indian Classical Dance. The stories depicted or narrated somewhere reiterate the strong moral or ethical aspect. In fact the very origin of drama, as mentioned in Naatyaveda (the fifth Veda), is noteworthy here. It is said that when there was suffering and negative emotions like envy, jealousy, greed etc. all around, the living beings approached Lord Brahma, the Creator, to create a “plaything”- “kridaniyaka” which can be both “audio”-“sravya” as well as “visual –“drishya”. The new creation was supposed to “edutain” in the true sense of the word-education as well as entertain the people. This emergence of drama itself reveals the importance of art in the society at macro level and its importance in the life of an individual at the micro level. It is also believed that both the auditory and visual senses are the most powerful ones which leaves the lasting impression on the minds of human beings. So this new creation was supposed to retain and reveal truths in the minds of the spectators.<sup>1</sup>The Aitreya Brahmana also gives the earliest definition of art. According to it, a work of art must be i) a work of skill and ii) chhandomaya i.e. it must be endowed with chhanda. Chhanda is an overall Indian term for rhythm, balance, proportion, harmony etc. Chhanda could be as varied as human imagination, skill and ingenuity. The Classification was not done on the basis of simplicity or complexity or on the degree of the skill required. According to the Indian tradition there was no sharp distinction made between art and craft or fine arts or applied arts etc. All skillful human activities were called “Shilpakarma” and the art was called “Shilpa”. The literary activity was known as “Kavikarma”, “Shilpa” or art was a concrete form of desire which could be created by the interaction of man and his visible world around him and his invisible world of ideas, visions, thoughts etc. Thus it was merging of the adrishtha, the invisible and drishtha, the



visible. It is believed that the artist transforms the outer world by a touch of his inward gaze which he externalises by his exclusive creation of art. This “internalization” into “externalization” gives art a special status and it helps to culture or civilise the feelings and emotions of the human beings.” Why does man make Shilpa (art)? The straight and unequivocal answer of the Aitreya sage is :man makes art to cultivate or culture his own self (aatmaanaam samskrute ). The question is pursued no further nor the answer amplified in explanation ,evidently because the person or persons to whom these words are addressed ,knew the then current meaning of the term samskara (to improve , to sharpen ,by a constant process of culture or cultivation of the soil of life ) and no further elucidation was considered necessary.<sup>2</sup> If this is not creating “ Human capital “ than what is ?Creating such human capital would help the economy to grow in all spheres of life. When one studies Arthashastra of Kautilya (400 BC), the economist of our History of the Gupta Period, one observes the importance of art and artists in the society. His Arthashastra throws light on the status enjoyed by dancers in the society .A Rajanartaki or a courtesan used to be given a special status .She may be looked down upon morally due to her controversial way of living but her presence would get lot of revenue from the state. He also states that the visiting actors have to pay for his license fee for the performance in the other states. According to Kautilya every citizen must co-operate in preparing a public play and contribute for the same. During his time professional dancer and actor has achieved a definite status in the society and arts were no longer hobbies. The professional actor, singer, dancer were clearly distinguished .The distinction between the dancer who performs for the state (Rajanartaki or ganikaa) and the devadasis who performed for state is clearly mentioned. It is said that Amarapali, the great and beautiful dancer was like a precious gem for the state and the king as people used to travel from far and wide just to have a glance of her or see her dance. She was a scholarly woman. Actually not only her all the courtesans or devadasis were noted for their knowledge on almost all the subjects be it politics, philosophy, spiritualism etc. So one can understand the importance of art and its unparalleled contribution in human life. It is strongly believed that “art” civilizes people, sensitises people and balances the Emotional Quotient (EQ) of an individual. The stress level has increased in today’s times as we have forgotten to stay in harmony and coherence with our own self and our fellow beings. So though we create Human Resources with well-equipped knowledge or technical know-how, the essence of humanity lacks and so lot of disharmony in organizations, institutions and society at large exists and this somewhere reflects in productivity and end result of every unit mentioned above. If as individual we are not at peace with ourselves then what peace or quality of life we will generate around us. This is the main role of performing arts. It fills these gaps of human life. In Nalanda it has been emphasised that through Dance Education we create “Cultural Ambassadors” or “Total Dancers”. This can be possible with understanding the duty as a citizen of the country and also as a mediator or link between two generations to pass on our rich tradition, art, culture etc. This paper will be supported with a performance wherein the importance of male-female principle and its balance will be portrayed .In today’s times ,wherein our country we find female foeticide happening rampantly ,this particular item of “Ardhanarishvara” shows the balance of “Shiva”- Purusha –male principle and “Shakti”-Prakriti –the female principle. Both co-exist with equality and equanimity ,where no one is lesser than the other ,Infact both are equally important together .Unfortunately we exist having double standards in our society. On the one hand we worship Devi ,the Mother Goddess and on the other hand when a girl child is born in the family she is not welcomed with open arms. Concepts like “Ardhanarishvara “of course reveals the love between husband and wife, but also shows this powerful balance in nature which we need to imbibe and portray. Infact in Shaivism, the Devi is portrayed as Shakti (the power) and Shiva is understood as a mere corpse without her. (Vinaa Shakti Shiva Shavaha). All these ideologies reverberates in this item. In

similar manner Nalanda has presented heavily loaded dance-dramas on Buddha, Saints of Maharashtra, Panchamahabhutas-the five elements and many more. It reiterates these concepts of creating a human force with balance and harmony and ultimately contribute towards healthy (physically, mentally and emotionally) individual, society and economy in a true sense. This kind of balanced individual can only generate stress free life, become more productive and contribute towards better economic growth.

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## ENTREPRENEURSHIP AND REVERSE INNOVATION IN SUSTAINABLE RURAL DEVELOPMENT IN WADA-GEV GOVARDHAN ECO VILLAGE

**Dr Malathi Iyer**, Associate Professor, Head of Economics Department, Vivek College of Commerce  
Mumbai-400104

### **Abstract**

A rural community development Initiative and sustainable development highlights the need for concord with ourselves and an innovative mission to save mother earth and her creations, an innovation towards self-reliance. This paper focuses on the approaches of GEV as a workable farm structure providing villagers with holistic development. This case is a sample of a versatile team that has worked towards an Innovative Sustainable Rural Community Development Model and have been working to improve the best openings for a healthy, safe and affluent life in the years ahead for the rural development. Wada has illiteracy and migration problems. The percentage of needy families within each rural community is very high. The sustainability that has been developed by GEV will make the academicians, researchers, regulators, corporates to understand the potential rural empowerment activities to develop more sustainable villages that can bring a balanced development for India. This paper also explains the drawing on the model of eco village as part of a development strategy which is relevant and tailored to the local circumstances towards the cycle of prosperity to be the only way of acclimatizing them to an ever-changing socio-economic context. In order to ensure sustainable rural development, the regulators need to insist on Corporate social responsibility of adopting a village and converting it to a sustainable rural village and make rural employment opportunities much more attractive and beneficial for people, proximity of rural areas to urban agglomerations is an advantage. De-urbanization and Reverse Innovation of urban people moving to rural areas for resettlement only in case of assurance of living standards at least equal to urban ones.

**Keywords:** Community development, Farm structure, Rural empowerment, Innovative mission

**Introduction:** Rural community development incorporates an array of methods and activities with the intention to improve the wellbeing and livelihoods of people living in rural areas. Community development, pays attention to issues particularly to the area of study. Rural development focuses on holistic development. It is important in developing countries where a large section of the population live in villages. an array of community development systems has been created and used by stakeholders involved in development. Furthermost the drives to promote rural community development are led by stakeholders from outside the community such as government officials, staff of non-governmental organizations and overseas advisers. Sustainability of these efforts and the extent to which rural people are being empowered need to be a part of making decisions for themselves. It highlights the need for concord with ourselves and an innovative mission to save mother earth and her creations, an innovation towards self-reliance. India is a country of villages and a self-sustaining village model is the need of the hour to see that they are employed and need to self-lift themselves out of poverty towards affordable homes and employment. This paper focuses on the approaches of GEV as a workable farm structure providing villagers with holistic development. This case is a sample of a versatile team that has worked towards an Innovative Sustainable Rural Community Development Model and have been working to improve the best openings for a healthy, safe and affluent life in the years ahead for the poor tribal families. This can be realized by helping the ethnic families to develop cohesive agricultural system encompassing garden cultivation, agriculture and dairy or other non-farm initiatives to enable them to earn significant and maintainable source of income over a long-term period. Wada has illiteracy and migration problems. The sustainability and innovations that has been developed by GEV will make the academicians, researchers, regulators, corporates to understand the potential rural empowerment activities to develop more sustainable villages that can bring a balanced development for India.

This paper also explains the drawing on the model of eco village as part of a development strategy which is relevant and tailored to the local circumstances towards the cycle of prosperity to be the only way of acclimatising them to an ever-changing socio-economic context. We must focus on local innovation for a balanced development around the country. There should be the change of the existing circular (centripetal) structure of settlement into the multipolar one, when locals do not have to move to big metropolises seeking for employment opportunities. In order to ensure sustainable rural development, the regulators need to insist on Corporate social responsibility of adopting a village and converting it to a sustainable rural village and make rural employment opportunities much more attractive and beneficial for people, proximity of rural areas to urban agglomerations is an advantage. De-urbanization and attraction of urban people to rural areas. This requires development of related infrastructure in rural districts, including housing, animal husbandry, social and medical facilities, employment opportunities, transport, etc. Reverse Innovation will become a reality for relocation to villages only in case of assurance of living standards at least equal to city. The expansion plans of Govardhan eco village which are taking shape for future development and towards skill development for rural youth, research centre for vedic culture and empowering the villagers with a life course approach keeping their cultural values.

## 2.Objectives

- a. To evaluate the methods of activities used by GEV to empower rural development by symbiotic development.
- b. To study the experiences of rural development at GEV.
- c. To study GEV's ideas and reverse innovations to solve the issues of poverty, livelihood, education and skill development in villages.

**Literature review** According to the report of United Nations (2010) and World bank (2013) Accomplishing healthy and workable rural communities in the face of rapidly changing community, conservation, and economic and cultural conditions are a global priority. Australia Futures Task Force (2007) Rural development needs a multipronged approach represent a noteworthy concern requiring new thinking and clear inventiveness. The sustainable measures of 2005 say that Attractive rural development needs changing economic, social and environmental improvements—processes that can be researched. Sustainability deals with complex linking between environment, society and economy, involving the distribution of resources and living with sustainability. According to Dercon (2009) Sustainable development is significant for rural development to remove poverty remains principally a rural problem, with a majority of the poor located in rural areas.” According to Janvry, A. de, E. Sadoulet, and R. Murgai (2002) and Giovannucci, D., et al. (2012) it is predicted that 76 percent of the emerging economies live in rural areas. It also preserved the two critical economic principles of polluter pays and the protective approach. It introduced values relating to inputs and the importance of specific groups for sustainable development. (Le Blanc, D., et al. 2012 :1). The United Nations Conference on Sustainable Development held in Rio de Janeiro in June 2012, was the agreement by member countries to promote a method to develop a set of sustainable development goals that could be a useful tool for pursuing focused and pronounced action on sustainable development. According to Ilija Moric (2013) “Key findings show that three key aspects of future success are as follows: backing from government and international and/or national bodies/organizations, development of new and diversification of present tourist offers in rural areas and augmentation of government policy in the area of entrepreneurship and starting-up of new businesses in rural areas”. According to E. ŠIMKOVÁ 2007 “Even though it may be true that rural tourism is not as economically attractive as most of other sectors, in the end it contributes to the

protection of demographic structure of rural areas and supports the specific cultural heritage and environment”.

**Research Methodology**The researchers focus was in learning the processes that empowered in sustainable rural development at GEV. The information and communication plan has enabled the researcher to continue to learn adaptively in response to the collection of feedback with the residents at GEV. Quantitative research: The tool used was a survey and schedule method to collect data in order to classify and evaluate features and construct the model to explain the process or impact of a rural development intervention. Qualitative research: The development around GEV and the documentations for different purposes of GEV was read and the interactive sessions with people at GEV has made it easier to explain the process or impact of a rural development.

**Findings:** Symbiotic development model a holistic approach towards rural development that integrated solutions for the 5 fundamental needs of food, water, energy, waste and shelter.

**I. Sustainable Agriculture**GEV is committed to Sustainable agriculture through organic farming with the aim of conserving biodiversity and ecosystem services and meet the food requirement at GEV. The innovative techniques are a blend of Vedic techniques and with scientific technology.

**Major originations in Agriculture**They researched on production of varieties of vegetables by designing plantation and harvest as per the lunar calendar. They also perpetuated traditional organic seeds and organic fertilizers by sharing them with farmers at the nearby villages.54 rare varieties of rice have been cultivated and seed bank has been created at GEV.

Head Values	
Land in cultivation for Vegetables	6 acres
Land in cultivation for grains and other crops	12 acres
Cow Urine used/ month	100 ltr
Cow Dung/ Slurry used/ month	15 Ton

Methods adopted for optimal use of natural capital

- a. Poly house-They grown vegetables in controlled way
- b. Water pond-the pond is used all through the year. During rainy season, it becomes catchment for storage of water and when dry is used for cultivation.
- c. Terrace farming-It is also known as SALT method, steps are made on the slope of the hills in order to surface run off. There are trenches dug at some internal so at to accumulate water and also top soil. This helps in water conservation that reaches to the roots of the vegetation and prevent soil erosion.
- d. Shade farming- Crop s like coriander are grown below the tall trees, GEV has used this technique at the optimum level.
- e. Zig zag plantation- For normal sunlight for vegetation and normal growth of farms this style is used
- f. Bio intense farming-For higher production at a smaller area symbiotic relationship of adjacent plants are taken care of.
- g. Inhouse produced organic pesticides are used

The study at GEV showed that he outreach programs were spread to 10 nearby villages benefitting 320 families and an 35% increase in farmers Income.Women empowerment programs benefitted nearly 1000 women and 45% increase in financial statusThe training for farmers by GEV covered 4500 farmers covering 8 districts whereby 71 farmers resources have been mapped.Farmers who were landless have

been trained to sustain their livelihoods in non-farming activities like biogas, dairy development. Ninety families have benefitted from training and employment by GEV. Organic farming and natural pest control techniques research is being continued for the benefit of farmers.

#### **Innovations at GEV**

- a. Extensive usage of permanent raised bed farming for vegetable production there by leading to labor cost reduction and enhanced productivity. Recognized among top agro-innovators in krishi sutra for this work.
- b. Integrated waste management techniques for utilizing construction aggregate in farming for making boundaries for permanent raised beds.
- c. using card board cartons and bags for mulching, construction saw dust for incense sticks, plastic bags reused as portable compost bags.
- d. Permanent bed systems-the beds that are raised provide nutrients for three years by filling it with layers of slurry, sticks, soil and green manure.

**II. Energy Efficient Green Buildings:** Blending traditional techniques and innovating comfortable buildings with locally available raw materials in harmony with nature by following the five R Philosophy Refuse, Reduce, Reuse, Recycle and Reinvent the GRIHA norms were strictly followed while carrying out construction activities.

- a. Existing vegetations were preserved and new plantations were done.
- b. Timing of construction was used (after rains construction were started and before rains construction was completed).
- c. Confinement of construction activity to select areas.
- d. Erosion and sedimentation were controlled.
- e. Zones were planned to save nature.
- f. To reduce carbon print materials within 100 kilometers radius 90% of materials were used.
- g. Natural mud was the key ingredient.
- h. Earthquake proofing methods have been used to secure buildings.
- i. Sloped roof was used to have moderate temperature in rooms. Innovations at GEV: Usage of low embodied energy materials for construction there by reducing the net carbon foot print. This has been instrumental in getting the 5-star green building rating GRIHA by ministry of new and renewable energy.

**III. Water Harvesting Ponds** A hydrological survey and resistivity surveys were done to identify the depth of water bearing layers. The recharge is decided at a higher level and which acts as an inlet and the discharge area has been at a lower level so that water flows from recharge area to discharge area. The infiltration pits were built in the northern area at GEV. One crore litre storage pit and Eighty thousand litre storage infiltration pits were built for recharge of water.

Open wells and bore wells were built at some zones for penetration of water.

Innovation: the gamechanger for the village was the recharge and discharge has led to systematic investment into water harvesting and eco sensitive facilities.

Usage of hydrogeology for a planned scientific water ground water resource management. Won us the aqua foundation award.

**IV. Waste Water Treatment** The soil bio technology that GEV has been reusing and recycling for water treatment is waste water that is treated 100% is used for horticulture. The byproducts that are generated from waste water treatment are biomass and biofertilizer. Biomass from flower fodder fruit and fiber are from the utilization at GEV which creates bio fertilizers The Soil bio technology system has primary and

secondary treatments, Mainly the equalization tank, perforated screen and gravity settling tank is done for physical separation and with the help of engineered ecosystem, a combination of physio chemical and biological process is undertaken. The purification process is made by absorption, filtration and biological reaction. The processed water is used for gardening agriculture and to support aquatic life. The capacity of SBT is 30 KLD and operates for 8hrs in a day. The treated water produces not only healthy plants but the fragrance of flowers and taste of the fruits also extraordinary. The study shows 320 farmers have benefitted in learning water storing techniques. 4cr litres of water is recovered annually by using bio technology and treating water.

**Solid Waste Management-** All the food waste at GEV is collected and shredded in a machine and spread along the plant/ vegetable bed. Innovations: Integrated water conservation and protection scheme for protecting the ground water quality from sewage and refreshing the ground water has won SKOCH Renaissance award for GEV. Soil biotechnology based solid waste management for accelerated composting of food waste. Use of soil biotechnology plant for treating the sewage in the village in-house in a completely chemical free process. Has won us many awards.

**V. Biogas and Solar Power-** Biogas is generated from biodegradable waste through a method called anaerobic digestion, a natural process through which organic matter such as manure, food waste and crop residues are degraded by microorganisms. The mixture of the gases formed methane and carbon dioxide form biogas and can be used as fuel in power generators, boilers, engines and burners. The gases are filled in tanks called bio digesters. Resource Recovery from Waste: The left-over slurry acts as excellent organic manure and has zero chemical which in three or four weeks is converted to a safe organic fertilizer.

**Solar Power:** -Some of the unused area has been utilized for solar panels to harness solar energy. The survey showed 95KVA capacity of solar power is generated and standalone solar street lighting at GEV dealing with solid waste and waste water processing with the help of a patented technology namely SBT (Soil BioTechnology). The solid waste like food leftover etc. are converted to compost enriched with varieties of plant nutrients.

**Innovation:** Usage of biogas and solar power to offset the dependence on fossil fuel based power sources

**VI. Plastic Waste-** Plastic pyrolysis plant for managing the plastic wastes and energy recovery from waste in the form of pyroil which is combustible. GEV has started pyrolysis plant 50 Kg capacity per batch as an experiment. It takes about 5 hours to process and left for the rest of the day for cooling. It is not a continuous model. To process a 50 Kg batch, we need 1 litre of diesel and 0.5 kW of electrical energy per Kg of plastic. To make it sustainable the volume of waste plastics must be of the order of 1.5 tons per day in a continuous feed plant, which can just break even with the investment. An organized effort with an organically grown system along with the nearby villages can be sustainable, to see an effective solution to the entire process of waste management.

**VII Rural Education** Vedic Santana Dharma's basic principle is gurukul education. The atmosphere of a gurukul is very clean and filled with positive samskaras. There are 60 students in gurukul with the 55 boys (residence) and 5 girls (neighbouring villages). They have a very well-planned schedule for the entire day that provides to their 5-fold development. The department is actively involved in developing intellectually brighter students and they cater to this as follows:

1. Guidance for Matriculation (SSC Board Exam)
2. Inviting moderators to speak
3. Teach study techniques (How to Study)

4. Conduct Career Guidance workshops
5. Guidance for Middle school and Secondary School Scholarship Exams

The study showed

Class X performance of 2016-17 batch
<b>GourangiKatwate 91.40%</b>
<b>RushikeshVekhande 82%</b>
<b>PrathmeshPalve 80.80%</b>
<b>NathprasadMore 78.4</b>
<b>AshwaryaBardawar 70.40%</b>
<b>PrashntDutkar 69%</b>
<b>Chunachunakumar Yadav 62.20%</b>

**Vocational Training** Gurukul students are provided vocational training and there is training curriculum designed for every age group. They receive training in various fields ranging from arts to organic farming.

**Tailoring:** Students learn to stitch bead bags, hand bags, handkerchiefs. Bags are regularly purchased by agricultural department. These handmade bags replace the plastic bags to large extent. Some have learnt to stitch a Kurta.

**Craft:** Students also make handicraft items, greeting cards, counter beads for japa, friendship bands, and many other articles from available natural material after rains. One group has learned to make Kusha Grass Mats.

**Music:** Children learn musical instruments and vocals based on their interest. They practice playing harmonium, Mridang, kartals. Their evening kirtan and bhajan are appreciated by many visitors

**Organic Farming:** Older students receive training in organic farming and nursery. Last year, they sold plants worth Rs. 18000. Besides this, they can prepare fertilizer from cow dung, cow urine, and other organic wastes.

The study showed 1100 students have benefitted from gurukul and the mobile science van which helps students in experiments of lab have benefitted 15 schools Training lifestyle management skills have benefitted 60000 youth. Vedic philosophy is taught at Bhaktivedanta vidya peeta for a duration of 2 years for applied spirituality. The future plant of GEV is to spread awareness of the Gurukul system of schooling that can be developed for developing the personality of our future youth. GEV has a plan to lend support to Parents that are planning for residential schooling Increase outreach activities of spreading awareness of vedic model of schooling

**VIII. Animal Care:** Animal Care is one of the important empowerment for a localized economy for rural empowerment. GEV has a world class Cow Barn and has set up shelters for dogs, donkeys, goats, sheep's, horses and many more. All these are taken care of dietary food and medical treatments. The cow dung collected from the shed is supplied for the agricultural activities to be used as the manure in the form of the cow dung cakes. The cakes are also supplied to the biogas plant which caters to the needs of cooking and reduces GEV's dependency of other fuels like LPG or fire wood. The slurry from the biogas plant is again used in the agricultural field. The grass from the field is used as fodder for the cattle. This shows the interdependency of the three systems in GEV, wherein the Cooking system, Agricultural System and the Goshala System are functioning in a symbiotic manner. Wherein, the output for one system is input for the other, with no wastage. This contributes to the overall sustainability of the systems and in a way Conservation of our precious natural resources.



**IX. Nursery:** The Nursery, spread over 2 acres, was started with the motive to cater to GEV landscaping needs and to undertake plantation in the open patches. Eventually, it took up the initiative to establish it as a model for the local villages that can replicate the same nursery model in their villages and increase their economy. The Nursery functions only on organic practices right from the manure to pest control and is proud place nurturing 450 plant species with approximately 70% in-house production. Since April 2012 around 2, 92,000 saplings were sold to customers. Overall it has been a beneficial model and has received a very good amount of recognition. The steps are taken for alternative methods to sustainable livelihood by demonstrating the Nursery model to local villagers and enable them to carry out the same model. The water management followed by GEV has installed sprinklers for watering plants. Mulching techniques are followed to avoid evaporation; even 'coco pit' is used to hold water for a long time. The plants are also watered manually. Plants are not watered during monsoons, while they are watered twice a week in winter and thrice a week in summer. The nursery facilitates over 450 varieties of plants with approximately 70% in-house production. The flora comprises of Shrubs, trees, creepers, indoor plants, cacti, grasses, palms and seasonal. Govardhan Eco Village – Nursery was awarded First Prize in the Vrukshvalli 2015 which is an initiative of Thane Municipal Corporation – Garden and Exhibition Department.

**X. Landscaping-**Landscaping activities are spread over all the open spaces in GEV. Nursery forms the primary source of all the saplings and only organic practices are followed. The irrigation is done through drip/sprinklers. The department has carried out activities like Roadside plantation, Nakshtra Van, Herbal garden, Butterfly garden, etc.

Herbal, flowering plants and native forest species attract more honey bees, butterfly and birds that helps in pollination and thereby increasing agricultural productions.

Low lights are installed along streets and even avoided at certain spots so that there is no disturbance to the movement of nocturnal species.

Organic plantation initially is a bit difficult as species take some time to get accustomed but once the plants get acclimatized to the conditions they grow better and less maintenance required there on.

Human presence near plant species area result in better growth of the species this is because personal attention is more important than technical support. For instance, one can see a stark difference between Lily plantation near yogshala/communal and Lily plantation under teak plantation. Both the Lily areas are given same quantity of water and have same conditions but the former receives water manually and there is human presence so have grown better while the later receives water through drip irrigation.

**Innovation-**The department has followed Hedge plantation technique and grown Nirgundi and Jaswand (both having medicinal properties). H plantation is done along the roads and require constant trimming. Nirgundi and Jaswand being medicinal, after being trimmed are processed for their medicinal extract. In this way, both the purposes of beautification and medicinal extraction are served.

**XI. Eco tourism -**Govardhan eco village has been conferred the UNWTO for taking innovative actions of 'sustainable tourism' for its inventiveness of eco-tourism as a catalyst for rural development. This is for the first time India has won such appreciation for developing global tourism through sustainable reverse innovative initiatives." The model has been successfully linked with tourism creativities at the Govardhan Eco village with providing a sustainable life of communities from nearby villages for empowerment and development of the local people.

**Conclusion:** Holistic approach towards rural development covering areas of social, ecological, economical and spiritual needs through an integrated approach of organic farming, water resource development, drinking water arrangements, women empowerment, rural education and health care

creativities. The impact of this farm community has been Greening of the hills and the earth with diverse flora and training the people the techniques of organic farming, Employment opportunities has decreased migration, Harmonious connection of the community to the mother earth has been reestablished which has increased the water level in the in the nearby villages. This model village needs to be adapted by other villages which will improve the economy without destructing nature. More villages need to be made aware of the organic techniques used by Govardhan eco village and the training and skill for villages through their outreach programs can be intensified. The greatest deficiency is the absence of training and awareness about opportunities by the tribals. The neglected groups in society are highly disadvantaged. GEV has to spread their good work and impart the necessary skill. one of the fundamental pillars of the development is sustainable development which can create self-employment for India to reap demographic dividend

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## ROLE OF MSMEs IN ECONOMIC GROWTH OF INDIA

**A. Mahesh Kumar**, Assistant Professor, Head, Department of Economics, Gurukul College of Commerce

### **Abstract**

The Indian MSMEs sector is the backbone of the national economic structure and has unremittingly acted as the bulwark for the Indian economy, providing it resilience to ward off global economic shocks and adversities. The MSMEs constitute over 90% of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports. Despite some infrastructural deficiencies and challenges like flow of institutional credit and inadequate market linkages, this sector has registered remarkable success with regard to increase in number, quantum of investment, scale of production and overall contribution to national GDP. This paper enlightens the role of MSMEs in economic growth of India.

**Keywords:** Micro, Small & Medium Enterprises, Employment, GDP

**Introduction:** The Indian MSMEs sector is the backbone of the national economic structure and has unremittingly acted as the bulwark for the Indian economy, providing it resilience to ward off global economic shocks and adversities. With around 36.1 million units throughout the geographical expanse of the country, MSMEs contribute around 6.11% of the manufacturing GDP and 24.63% of the GDP from service activities as well as 33.4% of India's manufacturing output. They have been able to provide employment to around 120 million persons and contribute around 45% of the overall exports from India. The sector has consistently maintained a growth rate of over 10%. About 20% of the MSMEs are based out of rural areas, which indicate the deployment of significant rural workforce in the MSMEs sector and is an exhibit to the importance of these enterprises in promoting sustainable and inclusive development as well as generating large scale employment, especially in the rural areas. MSMEs- an abbreviation of Micro, Small & Medium enterprises- is the pillar of economic growth in many developed, and developing countries in the world. Often rightly termed as “the engine of growth” for India, MSMEs has played a prominent role in the development of the country in terms of creating employment opportunities-MSMEs has employed more than **50 million people**, scaling manufacturing capabilities, curtailing regional disparities, balancing the distribution of wealth, and contributing to the **GDP-MSMEs sector forms 8% of GDP**. Though India is still facing infrastructural problems, lack of proper market linkages, and challenges in terms of flow of institutional credit, it has seen a tremendous growth in this sector. The advantage of this sector is it requires less investment, thus creating employment on a large scale, and reducing the employment and underemployment problems. Moreover, this sector has survived almost all threats emerging out of still completion from both domestic and international market.

**Definition:** Micro, small and medium enterprises as per MSMED Act, 2006 are defined based on their investment in plant and machinery (for manufacturing enterprise) and on equipment for enterprises providing or rendering services.

**Definition of MSME for Manufacturing Sector:** Manufacturing Sector Enterprises Investment in plant & machinery Micro Enterprises Does not exceed twenty five lakh rupees Small Enterprises More than twenty five lakh rupees but does not exceed five crore rupees Medium Enterprises More than five crore rupees but does not exceed ten crore rupees.

**Definition of MSME for Service Sector:** Service Sector Enterprises Investment in plant & machinery Micro Enterprises Does not exceed ten lakh rupees: Small Enterprises More than ten lakh rupees but does not exceed two crore rupees Medium Enterprises More than two crore rupees but does not exceed five core rupees.

Table-1

CLASSIFICATION	MANUFACTURING ENTERPRISES (INVESTMENT LIMIT IN PLANT & MACHINERY)	SERVICE ENTERPRISES (INVESTMENT LIMIT IN EQUIPMENT)
Micro	Rs. 2.5 million / Rs. 25 lakh	Rs. 1 million / Rs. 10 lakh
Small	Rs.50 million / Rs. 5 crore	Rs. 20 million / Rs 2 crore
Medium	Rs 100 million / Rs 10 crore	Rs. 50 million / Rs 5 crore

The term “*village industries*” has been redefined in amended KVIC, Act, 1956 as “any industry located in a rural area which produces any goods or renders any service with or without the use of power and in which the fixed capital investment per head of artisan or worker does not exceed Rs. one lakh (Rs. One lakh and fifty thousand in case of village industry located in a hilly area) or such other sum as may, by notification in the Official Gazette, be specified from time to time by the Central Government”

### Literature Review

Any research study should make a critical review of literature. Therefore, earlier studies were concentrated which focused light on the role of MSMEs in economic growth of India and the problem related to them. The studies made by the researchers have been of great help to pursue the present research study. The available research literature rather indicates some missing gaps that need to be addressed appropriately.

**De, Sankar (2009)** in his article has viewed that SME’s in India face many challenges, but perhaps none are as difficult as the challenge of financing, both short term and long term.

**K Vasanth, Majumdar M, K. Krishna (2012)** in their paper have stated that since several successful models of the sustainable SME are gradually evolving, networks of SMEs would become essential for addressing the systemic problems underlying the industrial ecology, enterprise resilience, and global supply chain sustainability.

**Srinivas K T (2013)** has studied the performance of micro, small and medium enterprises, and their contribution in India’s economic growth and concluded that MSMEs play a significant role in inclusive growth of Indian economy.

### Objectives

- To study the MSMEs are creating employment opportunities.
- To understand the contribution of MSMEs on GDP.
- To examine the role of MSMEs in economic growth of India.

**Methodology:** The study involves an analysis of functioning of MSMEs in India in the growth of Indian Economy and intends to identify the potentialities for employment opportunities, growth and trends by these enterprises. The data are collected mostly from secondary sources by way of access to various Government policies/programs including published Annual Reports, Journals, Books and available official websites.

**Employment Opportunities:** MSMEs Sector in India creates largest employment opportunities for the Indian populace, next only to Agriculture. It has been estimated that a lakh rupees of investment in fixed assets in the small scale sector generates employment for four persons. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. It is well known that

the MSMEs sector provides maximum opportunities for both self-employment and wage-employment, outside agriculture sector. The estimated trends in regard to performance of MSMEs sector with respect to total working enterprises and employment based on fourth all India census of MSMEs are as noted below: or has proven time and again.

**TABLE – 2 Performance of MSMEs Sector on Employment in India**

SL NO.	YEAR	TOTAL WORKING ENTERPRISE (IN LAKH)	EMPLOYMENT (IN LAKH)
1	2009-10	410.8	921.79
2	2010-11	428.73	965.15
3	2011-12	447.64	1011.69
4	2012-13	447.54	1061.4
5	2013-14	488.46	1114.29
6	2014-15	510.57	1,171.32

**Sources:** Annual report 2015-16, GOI, Ministry of MSMEs

Total working enterprise in MSMEs during 2009-10 was 410.8 lakhs to 510.57 lakhs during 2014-15, there is fluctuation in annual growth rate. Employment growth increases from 921.79 lakhs during 2009-10 to 1,171.32 lakhs during 2014-15, there is continuous growth in MSMEs employment and MSMEs providing more employment opportunities over last 6 years. **Contribution of MSMEs Sector in the Gross Domestic Product**

As per the revised methodology suggested by CSO, MoSPI on the basis of the data on Gross Domestic Product (GDP) published by CSO, MoSPI and final results of the latest Census (Fourth Census), the estimated contribution of MSMEs sector to GDP and Output, during 2009-10 to 2012-13, are as noted below:

**TABLE – 3 Contribution of MSMEs Sector in GDP and Output**  
(at 2004-05 prices)

YEAR	GROSS VALUE OF OUTPUT OF MSME MANUFACTURING SECTOR (IN CRORE)	SHARE OF MSME SECTOR IN TOTAL GDP (%)		
		MANUFACTURING SECTOR MSME	SERVICES SECTOR MSME	TOTAL
2009-10	1488352	7.45	28.60	36.05
2010-11	1653622	7.39	29.30	36.69
2011-12	1788584	7.27	30.70	37.97
2012-13	1809976	7.04	30.50	37.54

**Source:** 1. Fourth All India Census of MSME 2006-07,  
2. National Account Statistics (2014), CSO, MoSPI and  
3. Annual Survey of Industries, CSO, MoSPI.

Gross value of output of MSMEs manufacturing sector (in crore) grown at 7.45% during 2009-10 to 7.04% during 2012-13 and the growth rate highly fluctuated. Share of manufacturing sector growth rate to GDP with negative during 2009-10 to 2012-13 and indicates MSMEs manufacturing industry contribution to GDP is down over 4 years of period. Share of service sector growth rate to GDP during 2009-10 was 28.60% to 30.50% during 2012-13 indicates MSMEs service industry contribution to GDP is growing over 4 years of period.

**Role of MSMEs in Economic Growth of India:** The development of this sector came about primarily due to the vision of our late Prime Minister Jawaharlal Nehru who sought to develop core industry and have a supporting sector in the form of small scale enterprises. It is very important for both developed and developing country Small and medium enterprises always represented the model of economic development, which emphasized high contribution to domestic production, significant export earnings, low investment requirements, employment generation, effective contribution to foreign exchange earning of the nation with low import-intensive operations. Small and medium enterprises are the backbone of industrial development. Some of the important organizations that are associated with MSMEs in India are: Small Industries Development Organization (SIDO), National Small Industries Corporation Ltd. (NSIC), Small Industries Development Bank of India (SIDBI), Confederation of Indian Industry (CII), Laghu Udyog Bharti (LUB), Federation of Indian Chamber of Commerce and Industry (FICCI), Associated Chamber of Commerce and Industry of India (ASSOCHAM), National Institute of Small- Industry Extension Training (NISIET), World Association for Small and Medium Enterprises (WASME), Small Scale Industries Board (SSIB), PHD Chamber of Commerce and Industry (PHDCCI), Federation of Indian Exporters Organization (FIEO), Federation of Associations of Small Industries of India (FASII). The following are the role of MSMEs in economic growth of India.

**1. Creates large scale employment:** Since the enterprises falling in this sector require low capital to start the business, it creates huge employment opportunities for many unemployed youth. India produces about 1.2 million graduates per year, of the total number about 0.8 million are engineers. And, there is no economy in the world that can provide jobs to so many fresh graduates in one year. MSMEs are the boon for many of this fresh manpower.

**2. Economic stability in terms of Growth and leverage Exports:** MSMEs are significant growth driver in India, with it contributing to the tune of 8% to GDP. As mentioned in the table, Exports sector in India constitutes about 40% of contribution from MSMEs alone. Looking at the kind of contribution of MSMEs to manufacturing, exports and employment, other sectors are also benefitting from MSMEs.

**3. Encourages Inclusive Growth:** About 50% of wealth in India is owned by just 100 people, which is due to unequal distribution of wealth. Inclusive growth is on top of the agenda of Ministry for Medium, and Small, and Medium sized enterprises for several years. While poverty and deprivation are a deterrent to the development of India, including marginalized sections of society is a key challenge lying before the Ministry of MSMEs.

**4. Cheap Labor and minimum overhead:** In large scale organizations, one of the key challenges is to retain the human resource through an effective human resource management professional manager. But in case of MSMEs, the requirement of labor is less, and it does not need a highly skilled laborer. Hence, the indirect expenses incurred by the owner are also low.

**5. Simple Management Structure for Enterprises:** MSMEs do not require a huge capital to start. With limited resources available within the control of the owner, decision-making becomes easy and efficient. As in case of a large corporation wherein a specialist is required for every departmental functioning because of complex organizational structure, a small enterprise does not need to hire an external specialist for its management. The owner himself/herself can manage it. Therefore, it can be run single-handedly.

**6. Plays an important role in making “Make in India” possible:** Post the inception of ‘Make in India’, a signature initiative by the prime minister of India, the process of incorporating a new business has been made easy. Since the MSMEs are the backbone in making this dream a possibility,

the government has directed the financial institution to lend more credit to enterprises in MSMEs sector.

**MSMEs Trends in 2017 rise of MSMEs focused B2B ecommerce:** The advent of advanced technology is opening newer channels for businesses across several sectors. This is particularly true for B2B ecommerce firms focused on the Indian SME sector. Hitherto overlooked, the presence of innovative technological platforms is bringing on board a rising number of small players including the neighborhood kirana store. This is a win-win situation for all involved enabling smoother transactions, procurement of raw materials and industrial goods, and forging a better connection between established brands and small shop owners. With MSMEs in India touted to be a \$25.8 billion market for emerging technologies by 2020, the rise of B2B ecommerce is a trend that will certainly gain more momentum in the coming years.

**Conclusion:** Micro, Small and Medium-sized Enterprises (MSMEs) are one among the most important sectors, forming the backbone of the Indian economy. This sector has been instrumental in the growth of the nation, leveraging exports, creating huge employment opportunities for the unskilled, fresh graduates, and the underemployed, also extending the opportunities to banks for giving more credit to enterprises in this sector. The government should take utmost care of this sector in terms of providing more and more MSMEs registration benefits through better regulations, Government simply, and enabling financial institutions to lend more credit at less interest rate for sustainability of this sector. Several policy interventions along with technology and innovation will continue to play a pivotal role in creating a business-friendly atmosphere for the MSMEs. This paper explores the basic concept that MSMEs play an important role to stimulate the Indian Economy and also used the quantitative data for the purpose of analysis. This study finds that MSMEs Sector act as an important sector in India in the growth of the economy.

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## ENTREPRENEURSHIP PROFILE OF MSME'S AND ITS CONTRIBUTION TOWARDS GDP GROWTH IN INDIA WITH SPECIAL REFERENCE TO MSME'S IN THRISSUR DISTRICT OF KERALA

**Dr Neethu S.Arrakal**, *Asst. Professor in Economics, Universal Engineering College Vallivattom, Thrissur, Kerala*

Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby reducing regional imbalances assuring more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country.

**Statement of the Problem:** Flourishing amidst a challenging environment, the Small and Medium Enterprises (SMEs) of India experienced several highs and lows in the past few years. With the Indian economy expected to emerge as one of the leading economies in the world and likely to become a \$5 trillion economy by 2025, major impetus is being given to strengthen the backbone of our economy - the SME sector. The Sector consisting of 36 million units, as of today, provides employment to over 80 million persons. The Sector through more than 6,000 products contributes about 8% to GDP besides 45% to the total manufacturing output and 40% to the exports from the country. The MSME sector has the potential to spread industrial growth across the country and can be a major partner in the process of inclusive growth.

Working in tandem with the larger goal of pushing for economic growth, the implementation of many reforms made the SME/start-up space relatively bullish in 2016 but not necessarily elated. These include re-implementation of Public Procurement Policy, Pradhan Mantri MUDRA Yojana, Make in India, Startup India, and Skill India. Aimed at increasing growth of manufacturing sector by 12-14% per annum and increase its share of GDP to 25% by 2025, the government plans to make financial and technical support more accessible. Also, the announcement to implement GST Bill in 2017 is a landmark decision that will help solve long existing challenges prevalent in the current taxation system. For SMEs, GST bill will help eradicate indirect taxes, have more transparency of tax process, draw projections of production cost and gain easy access to new geographies for business expansion.

### Objectives

1. To analyze the Entrepreneurship profile of SSI/MSME registered units in India between the period 2007 and 2015.
2. To study the contribution of SSI/MSME units to GDP growth in India, during the reference period.

**Methodology:** The present study is exclusively based on secondary data which has been collected from the various issues of Economic Review published by State Planning Board, Government of Kerala, Annual Reports on MSMEs, *Economic Survey 2015-16*, Ministry of Finance, Government of India and Handbook of Statistics on the Indian Economy published by Reserve Bank of India (RBI). The study considers the time period from 2007 to 2015. To examine the selected aspects of MSMEs in India and Thrissur district, the available data have been analyzed and presented in suitable tables and figures.

**Literature Review:** Javillonar and Peters (1983) conducted a study to examine the socio-cultural situation of small-scale entrepreneur. The authors found that high need for achievement is positively related to entrepreneurship emerging in open social structures and in situations where there is relative freedom of occupational choice. The study revealed that entrepreneurship among small-scale



manufactures is a situational phenomenon rather than an individual phenomenon and extended family system stimulate the entry of an individual to the small-scale entrepreneurs sector. Dixit and Pandey (2011) applied co integration analysis to examine the causal relationship between SMEs output, exports, employment, number of SMEs and their fixed investment and India’s GDP, total exports and employment (public and private) for the period 1973-74 to 2006-07. The study revealed the positive causality between SMEs output and India’s GDP.

**Micro, Small and Medium Enterprises (MSME) Sector in India:** Consequent upon the globalization of the Indian economy, MSME faces new challenges. MSME-Development Organization (MSME-DO) has recognised the changed environment and is currently focussing on providing support in the fields of credit, marketing, technology and infrastructure to MSMEs. Global trends and national developments have transformed MSME-DO’s role into that of a catalyst of growth of small enterprises in the country. Through more than 6,000 products the sector contributes about 8 per cent to GDP besides 45 per cent to the total manufacturing output and 40 per cent to the exports from the country.

**Table 1.1 Contribution Of MSME Sector In GDP And Output (At 2004-05 Prices)**

Year	Gross Value of Output of MSME Manufacturing Sector (Rs. In Crore)	Share of MSME Sector in Total GDP (per cent)			Share of MSME Manufacturing Output in total Manufacturing Output(per cent)
		MSME Manufacturing Sector	Services Sector MSME	Total	
2006-07	1198818	7.73	27.40	35.13	42.02
2007-08	1322777	7.81	27.60	35.41	41.98
2008-09	1375589	7.52	28.60	36.12	40.79
2009-10	1488352	7.45	28.60	36.05	39.63
2010-11	1653622	7.39	29.30	36.69	38.50
2011-12	1788584	7.27	30.70	37.97	37.47
2012-13	1809976	7.04	30.50	37.54	37.33

Source: Government of India, Ministry of MSME, Annual Report, 2015-16, p.9.

Table 1.1 reveals that the share of MSME sector to total GDP was high in 2007-08, but there is no significant difference in terms of its contribution during the period 2006-07 to 2012-13, whereas the contribution of service sectors to total GDP was high in 2011-12. The share of MSME Manufacturing output in total Manufacturing output was high in 2006-07.

**Introduction to Entrepreneurs Memorandum**

Subsequent to the implementation of Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 with effect from October 2006, filing of Entrepreneurs Memorandum Part – II / (EM-II) came into vogue. Since September 2015, the same has been replaced with Udyog Aadhaar online filing system. As per the provisions of the MSMED Act, 2006 filing of EM-II is discretionary in nature. However, MSMEs file EM-II at District Industries Centres (DICs), after commencement of the project. The information on number of EM-II filed by MSME at DICs was collected from the State/UT Commissionerates/ Directorates of Industries to assess the trends in growth of MSME during 2007-08 to 2014-15 in the country.

**Table 1.2 No. Of Em Ii Filed By The Msme During 2007-08 To 2014-15**

S. No	Year	No. of Units(in lakhs)
1	2007-08	1.73
2	2008-09	1.93
3	2009-10	2.13
4	2010-11	2.38
5	2011-12	2.82
6	2012-13	3.23
7	2013-14	3.63
8	2014-15	4.25

Source: Government of India, Ministry of MSME, Annual Report, 2015-16, p.10.

Table 1.2 shows that MSME has shown consistent growth in terms of number of EM-II filed 2007-08 with the District Industries Centres across the country was 1.73 lakh which indicates a consistent increasing trend as 1.93, 2.13, 2.38, 2.82, 3.23, 3.63 and 4.25 lakh during 2008-09, 2009-10, 2010-11, 2011-12, 2012-13, 2013-14 and 2014-15 respectively.

Figure 1.1 No. Of EM II Filed By the MSME during 2007-08 to 2014-15

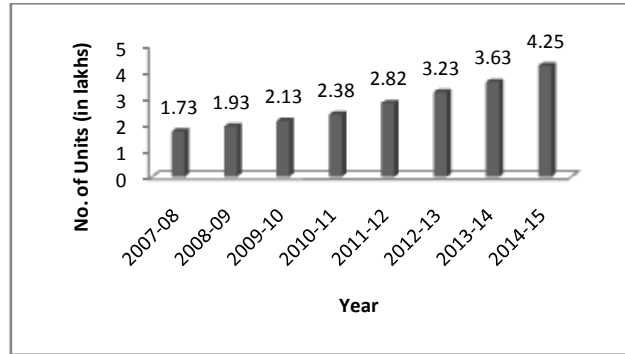


Table 1.3 Annual Growth Rate of MSME during 2007-08 to 2014-15

S.No	Year	Percentage
1	2007-08	-
2	2008-09	11.59
3	2009-10	10.36
4	2010-11	11.74
5	2011-12	18.49
6	2012-13	14.54
7	2013-14	12.38
8	2014-15	17.08

Source: Government of India, Ministry of MSME, Annual Report, 2015-16, p.10.

It is inferred from Table 1.3 that the annual growth rate of MSME was 11.59 in 2008 -09, it decreased to 10.36 per cent in 2009 -10 and it has increased slowly to 11.74 per cent in 2010-11. The highest growth rate (18.45 per cent) was achieved in 2011-12 whereas during year 2012-13 and 2013-14 the growth rate was around 15 per cent and 12 per cent, respectively. It jumped to 17 per cent in 2014-15. However, recent data for 2015 i.e., from April-September 2015 have shown impressive growth of 18.74 per cent (year-on-year growth).

Figure 1.2 Annual Growth Rate of MSME during 2007-08 to 2014-15

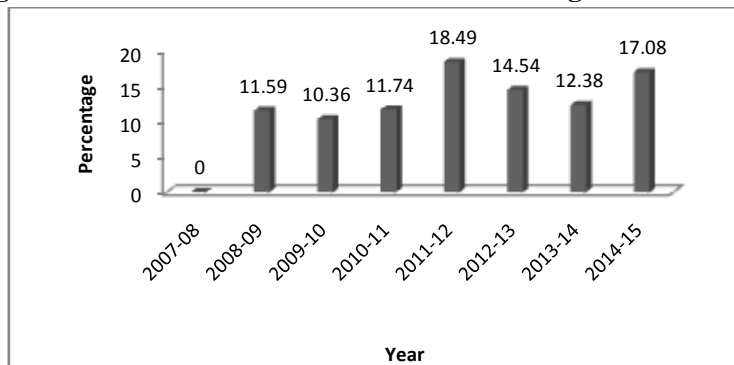


Table 1.4 Type of Enterprise-Wise Entrepreneurship Profile in India

(Numbers in thousands)

Enterprise code	Type of Enterprise	Number of Enterprise Owned by							
		Female	Male	Total	SC	ST	OBC	Others	Total
1	Micro	210.66 (98.14)	1274.10 (94.43)	1484.76 (94.94)	116.95 (98.36)	43.70 (97.48)	587.99 (98.22)	736.12 (91.83)	1484.76 (94.94)
2	Small	3.88 (1.81)	72.65 (5.38)	76.53 (4.89)	1.82 (1.53)	1.05 (2.34)	10.35 (1.73)	63.31 (7.90)	76.53 (4.89)
3	Medium	0.11 (0.05)	2.57 (0.19)	2.69 (0.17)	0.13 (0.11)	0.09 (0.20)	0.27 (0.05)	2.20 (0.27)	2.69 (0.17)
	<b>Total</b>	<b>214.65</b> <b>(100.00)</b>	<b>1349.32</b> <b>(100.00)</b>	<b>1563.98</b> <b>(100.00)</b>	<b>118.90</b> <b>(100.00)</b>	<b>44.83</b> <b>(100.00)</b>	<b>598.62</b> <b>(100.00)</b>	<b>801.62</b> <b>(100.00)</b>	<b>1563.97</b> <b>(100.00)</b>

Source: Fourth All India Census of MSME 2006-07, Registered Sector, p.96.

Table 1.4 clearly brings out that majority of the enterprises (94.94) were micro enterprises in India. While small and medium enterprises accounted for 4.89 per cent and 0.17 per cent respectively. Among the three categories of enterprises, the percentage of male and female entrepreneurs was high in micro enterprises. In the case of social groups such as SC, ST, OBC and Others, they mostly owned micro enterprises.

**Table 1.5 Type Of Enterprise-Wise Entrepreneurship Profile In Rural India**  
(Numbers in thousands)

Enterprise code	Type of Enterprise	Number of Enterprise Owned by							
		Female	Male	Total	SC	ST	OBC	Others	Total
1	Micro	106.74 (98.84)	580.68 (96.87)	687.42 (97.18)	71.61 (99.20)	28.18 (99.12)	205.45 (98.34)	282.18 (94.73)	687.42 (97.18)
2	Small	1.20 (1.11)	18.06 (3.01)	19.26 (2.72)	0.56 (0.77)	0.22 (0.77)	3.36 (1.61)	15.13 (5.08)	19.26 (2.72)
3	Medium	0.05 (0.05)	0.68 (0.12)	0.72 (0.10)	0.02 (0.03)	0.03 (0.10)	0.11 (0.05)	0.56 (0.19)	0.72 (0.10)
	<b>Total</b>	<b>107.99</b> <b>(100.00)</b>	<b>599.42</b> <b>(100.00)</b>	<b>707.40</b> <b>(100.00)</b>	<b>72.19</b> <b>(100.00)</b>	<b>28.43</b> <b>(100.00)</b>	<b>208.92</b> <b>(100.00)</b>	<b>297.87</b> <b>(100.00)</b>	<b>707.40</b> <b>(100.00)</b>

Source: Fourth All India Census of MSME 2006-07, Registered Sector, p.96.

It is understood from Table 1.5 that a vast majority of both male and female entrepreneurs (97.08 per cent) owned micro enterprises as compared to the other two categories of enterprises in rural India. In micro enterprises, the share of female and male was 98.94 per cent and 96.87 per cent respectively which means that female entrepreneurs outnumber their male counterparts in this area. In the case of social categories, all categories (97.18) run micro enterprises. Only 2.82 per cent of small and medium enterprises are owned by all social groups.

**Table 1.6 Type Of Enterprise-Wise Entrepreneurship Profile In Urban India**  
(Numbers in thousands)

Enterprise code	Type of Enterprise	Number of Enterprise Owned by							
		Female	Male	Total	SC	ST	OBC	Others	Total
1	Micro	103.92 (97.42)	693.42 (92.47)	797.34 (93.08)	45.34 (97.05)	15.52 (94.58)	282.54 (97.53)	453.94 (90.11)	797.34 (93.09)
2	Small	2.68	54.59	57.27	1.27	0.83	6.99	48.18	57.27

		(2.51)	(7.28)	(6.69)	(2.72)	(5.06)	(2.41)	(9.56)	(6.69)
3	<b>Medium</b>	0.07 (0.07)	1.90 (0.25)	1.97 (0.23)	0.11 (0.24)	0.06 (0.37)	0.17 (0.06)	1.63 (0.32)	1.96 (0.23)
	<b>Total</b>	<b>106.67</b> <b>(100.00</b> <b>)</b>	<b>749.91</b> <b>(100.00</b> <b>)</b>	<b>856.58</b> <b>(100.00</b> <b>)</b>	<b>46.72</b> <b>(100.00</b> <b>)</b>	<b>16.41</b> <b>(100.00</b> <b>)</b>	<b>289.70</b> <b>(100.00</b> <b>)</b>	<b>503.75</b> <b>(100)</b> <b>)</b>	<b>856.57</b> <b>(100.00</b> <b>)</b>

**Source: Fourth All India Census of MSME 2006-07, Registered Sector, p.96.**

Table 1.6 shows that 93.08 per cent of enterprises are owned by both male and female entrepreneurs in urban India, while the rest of the enterprises were small and medium (6.92). A comparison shows that, a little higher percentage of (4.95) enterprises are owned by females. In the case of social groups, OBC groups are own more micro enterprises than that of other categories. It is concluded that micro enterprises are playing a vital role in urban India.

#### **MSME Sector in Thrissur District of Kerala**

The number of new enterprises filed Memorandum under MSMED Part II in Kerala during the year 2015-16 up to September 17, 2015 was 7705. Out of these, 301 (3.9%) MSMEs were registered by entrepreneurs belonging to the SC community, 31 (0.4%) by entrepreneurs belonging to ST and 1805 (23.42%) by women. Investment in the sector during the period was 1,29,356.95 lakh while employment generated and the value of goods and services produced were 45407 Nos. and 3,38,001.36 lakh respectively. The details of Thrissur District is as follows

**Table 1.7 Details Of Enterprises Filed Memorandum Under Part Ii (New +Old) In Thrissur During 2015-16 ( Up To Sep 2015)**

Number of SSI/ MSME Units promoted by					Total Investment (in lakhs)	Value of goods & services produced (in lakhs)	Employment provided (in numbers)
SC	ST	GEN	TOTAL	WOMEN			
46 (15.28)	1 (3.23)	727 (9.86)	774 (10.05)	220 (12.19)	14552.12 (11.25)	59660.07 (17.65)	4245 (9.35)
<b>301</b>	<b>31</b>	<b>7373</b>	<b>7705</b>	<b>1805</b>	<b>129356.95</b>	<b>338001.36</b>	<b>45407</b>

**Source: Economic Review 2016 (State Planning Board)**

**Note: Figures in Parantheses show percentage share**

As on September 17, 2015, the total number of working SSIs/MSMEs registered in Kerala are 2,57,466. Out of the total SSIs/MSMEs, 3.84 per cent were promoted by SC entrepreneurs, 0.72 per cent by STs and 24.97 per cent by women entrepreneurs. The total investment was 17,98,646.38 lakh while the total value of goods and services produced was 67,65,143.93 lakh and the total number of employment generated was 13,18,666 Nos. The details of Thrissur District is as follows

**Table 1.8 Details Of Total Working Ssi/Msme Units Registered In Thrissur Up To Sep 2015**

Number of SSI/ MSME Units promoted by					Total Investment (in lakhs)	Value of goods & services produced (in lakhs)	Employment provided (in numbers)
SC	ST	GEN	TOTAL	WOMEN			
1422 (14.35)	124 (6.64)	31303 (12.73)	32849 (12.76)	6911 (10.75)	185008.35 (10.29)	561216.26 (8.30)	136107 (10.32)
<b>9907</b>	<b>1868</b>	<b>245891</b>	<b>257466</b>	<b>64293</b>	<b>1798646.38</b>	<b>6765143.93</b>	<b>1318666</b>

**Source: Economic Review 2016 (State Planning Board)**

**Note: Figures in Parantheses show percentage share**

EM Part II had stopped in DIC from September 18, 2015 and online registration in UdyogAadhar has started. From September 18, 2015 till March 31, 2016 the number of UdyogAadhar Memorandum

filed were 11317 Nos with investment in plant & machinery of 1,90,735 lakh and the employment generation of 75402 nos. (www.udiyogaadhar.gov.in).

#### Growth Trend of MSME's in Thrissur District

The growth trend of MSME's is slow and steady. There are 35052 registered MSMEs as on 31.03.2016 in the district (Table 1.9). The sectors are Agro based, Wood, Textile, Chemical, Rubber, Food Products, Plastics, Electronics, IT, Paper and Printing, Engineering and non metallic mineral based.

**Table 1.9 Annual Growth Trend Of Units Registered (As On 31.03.2016)**

Year	Number of Registered Units	AGR*	Employment	AGR*	Investments(in Lakhs)	AGR*
Up to 1984-85	1277	-	8945	-	319	-
1985-86	287	-77.53	2013	-77.50	72	-77.43
1986-87	224	-21.95	1573	-21.86	67	-6.94
1987-88	255	13.84	1792	13.92	89	32.84
1988-89	419	64.31	2521	40.68	209	134.83
1989-90	411	-1.91	2472	-1.94	250	19.62
1990-91	509	23.84	3061	23.83	330	32.00
1991-92	457	-10.22	2749	-10.19	320	-3.03
1992-93	705	54.27	4237	54.13	530	65.63
1993-94	757	7.38	4549	7.36	605	14.15
1994-95	1129	49.14	6781	49.07	960	58.68
1995-96	1328	17.63	6640	-2.08	1130	17.71
1996-97	1374	3.46	6877	3.57	1195	5.75
1997-98	1353	-1.53	6771	-1.54	1200	0.42
1998-99	1547	14.34	7741	14.33	1377	14.75
1999-2000	1687	9.05	8432	8.93	1530	11.11
2000-01	1718	1.84	8597	1.96	1563	2.16
2001-02	2019	17.52	8083	-5.98	1878	20.15
2002-03	1665	-17.53	6667	-17.52	1615	-14.00
2003-04	845	-49.25	3386	-49.21	836	-48.24
2004-05	652	-22.84	2608	-22.98	645	-22.85
2005-06	688	5.52	2072	-20.55	688	6.67
2006-07	560	-18.60	1686	-18.63	560	-18.60
2007-08	1300	132.14	12153	620.82	113	-79.82
2008-09	1665	28.08	10362	-14.74	86.16	-23.75
2009-10	1933	16.10	9201	-11.20	75.44	-12.44
2010-11	1526	-21.06	7739	-15.89	99.83	32.33
2011-12	1276	-16.38	7151	-7.60	157.58	57.85
2012-13	1463	14.66	8418	17.72	201.914	28.13
2013-14	1625	11.07	8750	3.94	243.8	20.74
2014-15	1624	-0.06	8677	-0.83	247.55	1.54
2015-16	774	-52.34	4249	-51.03	145.52	-41.22
Total	35052		186953		19338.794	

Source: District Industries Centre, Thrissur

\*Annual Growth Rate

#### Medium Scale Enterprises

The details of existing Micro and Small Enterprises and Artisan Units in the district are shown in Table 1.10.

**Table 1.10 Details Of Existing Micro And Small Enterprises And Artisan Units In The District  
(As On 31.03.2016)**

S.No	Type of Industry	No of Units	%	Investment (Lakhs Rs.)	%	Employment	%
1	Agro Based	2026	18.11	7987.31	8.25	8633	17.13
2	Soda water	114	1.02	495.15	0.51	407	0.81
3	Cotton Textile	104	0.93	640.86	0.66	1066	2.12
4	Woolen, Silk & artificial thread based clothes.	6	0.05	5	0.01	20	0.04
5	Ready-made garments & embroidery	823	7.36	2127.77	2.20	4723	9.37
6	Wood/wooden based Furniture	457	4.08	4503.47	4.65	2473	4.91
7	Paper & Paper Products	215	1.92	2526.08	2.61	1458	2.89
8	Leather based	37	0.33	142.76	0.15	433	0.86
9	Chemical/Chemical based	210	1.88	22841.7	23.58	1172	2.33
10	Rubber, Plastic & petro based	683	6.10	2228.1	2.30	4968	9.86
11	Mineral Based	830	7.42	7030	7.26	1125	2.23
12	Metal Based (Steel Fab.)	584	5.22	5981.41	6.18	2619	5.20
13	Engineering Units	623	5.57	1576.97	1.63	2425	4.81
14	Electrical machinery and transport equipment	214	1.91	2664.86	2.75	1504	2.98
15	Repairing & Servicing	1085	9.70	5341.28	5.51	5720	11.35
16	Others	3178	28.40	30758.75	31.76	11643	23.11
	Total	11189	100.00	96851.47	100.00	50389	100.00

**Source: District Industries Centre, Thrissur**

**Service Enterprises:** The major Service enterprises are mainly Automobile Repairing & Service, IT Enabled Services, Tyre retreading, Gold chain cutting, Health services, Hotels & restaurants, meat processing, food grain milling / processing, Tourism and Ayurvedic health care package etc.

**Potential Areas for Service Industry:** Areas like Computer, Transport, Studio, Beauty Parlours, Tailoring, Flour Mills, Sales, etc are having more potential for development in the District.

**Potential for New MSMEs:** For new MSMEs, Household Industries, Handloom Industries, Clay based Industries, Diamond and Gold based industries, agro based industries and Book making industries have more potential in the District.

**Existing Clusters of Micro and Small Enterprises:** The District has four major clusters - Terra tile, Ayurvedic, Handloom and Furniture clusters.

**Results & Discussions:** The contribution of MSME Service sector to the GDP is higher compared to the Manufacturing Sector. MSME has shown consistent growth in terms of number of EM-II filed 2007-08 to 2014-15 with the District Industries Centres. The annual growth rate that of MSME was 11.59 in 2008 -09, it decreased to 10.36 per cent in 2009 -10 and it has continuously increased to 18.49 per cent in 2011-12 and started falling from 2012-13 till 2013-14. In 2014-15 it reached a figure of 17.08 from 12.38 in 2013-14. According to Fourth All India census 2006-07 most of the enterprises in India are Microenterprises owned by women and different social categories. As per the Economic Review of State Planning Board the highest number of MSME Units are owned by General Category people. The growth trend of MSME's is slow and steady in Thrissur District. There are 35052 registered MSMEs as on 31.03.2016 in the district as per reports of DIC. The greatest number of

registered units fall under others category in Thrissur district with 28.40 per cent registered units. Next to it is agro based industries with 18.11 per cent registered units.

**Conclusion:** The role of SSI /MSMEs in strengthening Indian economy is highly predominant. The number of new MSME has been increasing. The level of employment generated was more in SSI/MSMEs in India. MSMEs as the driver of socio-economic development of the country is set to see certain trends, some upcoming and some established. Those who will survive the trenches of moves like demonetisation are most likely to witness a smoother course ahead.

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## A STUDY ON GOVERNMENT EXPENDITURE ON EDUCATION AND HEALTH AND ITS ROLE IN ECONOMIC DEVELOPMENT IN INDIA AND SELECT COUNTRIES

**Anubha Jain**, PG Student (M.A Economics) Amity School of Economics, Amity University, Noida,  
**Dr Kalpana Singh**, Professor, Amity School of Economics, Amity University, Noida

### Abstract

All the countries of the world cannot progress without a strong human capital base and investments in the area of education and health will be as crucial as sound macroeconomic policies in attaining the desired economic boom. Thus the objectives of the paper are to analyse the trend of GDP per capita growth government expenditure on health and education, and to examine whether government expenditure on health and education has any significant impact on economic development for India and select countries during 2000-2014. Trend line analysis and multiple regression have been used for data analysis. The findings indicate a downward trend in the GDP per capita growth (annual %) for the developed countries namely U.S., U.K., Switzerland, and Singapore for the time period 2000-2014. However, as far as developing countries are concerned, India shows an overall increasing trend in GDP per capita growth while Brazil shows more or less a constant trend. Secondly, the study shows an overall increasing trend in the government expenditure on health and education as percentage of GDP irrespective of whether the country is developed or developing. Further no pattern of relation is found between GDP per capita growth and government expenditure on health and education as a percentage of GDP.

Lastly, from the econometric analysis we saw that except in U.K., government expenditure on health and education does not play a significant role in affecting GDP per capita growth. This implies that no concrete pattern of relationship can be concluded as some countries show significant impact and some insignificant impact between the two.

**Keywords:** Human capital, Education, Health

### I. INTRODUCTION

**Public expenditure** also known as Government expenditure or Government spending is the spending incurred by the Central, State and Local government of the country on collective needs and requirements such as education, health, pension, provision, infrastructure, etc. Until the 19<sup>th</sup> Century the Governments followed laissez faire economic policies and their roles were only confined to guard the country from foreign aggression and to preserve the law and order within their territories. However in today's time, the expenditure by the Government across the globe has greatly increased. In the early 20<sup>th</sup> Century, economist John Maynard Keynes advocated the role of public expenditure in the determination and distribution of level of income. Therefore, the modern economists have started analysing the effects of public expenditure on distribution, production and the levels of income and employment in the economy. Public expenditure is often classified into unproductive and productive expenditures. This classification indicates that unproductive expenditures have an indirect effect or no effect on economic growth while productive expenditures have a direct positive effect [Maitra, B; 2012]. Expenditure on education and health is regarded as productive spending with an inclusive role in the economy. Returns from such expenditures are often accounted for in terms of substantial advancement as well as improvement in education and health constraints [Maitra, B; 2012].

**1.1 Social Sector Expenditure:** One of the key components of public expenditure is social sector expenditure which takes into consideration expenditure on education, health, water supply and sanitation, family welfare, housing, welfare of SC/ST and OBC, social security and welfare, labor and labor welfare, urban development, nutrition, relief for natural calamities etc. The significance of social sector expenditure in improving human development and reducing poverty is well recognized [Dev, M; Mooij, J 2002]. All the countries of the world cannot progress without a strong human capital base



and investments in the area of education and health will be as crucial as sound macroeconomic policies in attaining the desired economic boom [Dr. Alvi, A 2010].

Looking at the importance and significance of public expenditure on health and education, **our interest arose in studying the relationship between government expenditure on education as well as health and economic development respectively in India and select countries. Therefore we chose the topic “A Study on Government Expenditure on Education and Health and Its Role in Economic Development in India and Select Countries.”**

### 1.2 Review of Literature

**Sayantan G. D.** in his paper studied the relationship between public expenditure on education and economic growth- The case of India. Although empirical literature has failed to find a vigorous relation, it could be concluded that education expenses are necessary but not sufficient condition for growth. In another paper **P. Aghion, L. Boustan, C. Hoxby and J. Vandenbussche (2009)** finds support to the hypothesis that investment in education raise growth for U.S. There are positive growth effects of exogenous shocks to investments in four-year college education, for all states of U.S. However, same does not hold true for two-year college education. Also it was found that exogenous shocks to research-type education have positive growth effects only in states fairly close to technological frontier. Also, **Jocelyn Finlay (2007)** in his working paper series examined the role of health in economic development through 2 channels: the direct labor productivity effect and the indirect incentive effect. The labor productivity hypothesis was well examined in the empirical literature with mixed results. Secondly, according to the incentive effect, individuals who are healthier and have a greater life expectancy will have the motivation to invest in education because the time horizon over which returns can be earned is extended. Thus education is the driver of economic growth, and health plays an indirect role. **Elson Chuzu and Kudzai C. N. (2015)** examined the direction of causality between government health expenditure and economic growth in Zimbabwe for the time period 1980 to 2013 in his paper. Modified Wald Test was used. The analysis showed that there is unidirectional causality from GDP growth to government health expenditure. **Fatima Boussalem, Zina Boussalem and Abdelaziz Taiba (2014)** also studied the co-integration and causality relationships between public spending on health and economic growth for Algeria from 1974-2014 considering annual data. The results showed long-run causality between public health expenditure and economic growth while no short-run causality was observed. Further, **Abhijeet Chandra**, in his paper makes use of linear and non-linear Granger Causality methods to examine the causal relation between education expenditure by government and economic growth in India for the time period 1951-2009. The results indicate that economic growth in India affects the level of government spending on education regardless of any lag effects but investment in education also tend to affect economic growth after some time lag. **Biswajit Maitra and C.K. Mukhopadhyay (2012)** analysed the role of government expenditure on health and education sectors with regard to promoting the GDP for 12 countries in Asia and the Pacific for 30 years. In 6 of the selected countries, namely Kiribati, Maldives, Bangladesh, Malaysia, Republic of Korea and the Philippines presence of co-integrating relation was detected through Johansen co-integration test. While in Fiji, Sri Lanka, Nepal, Vanuatu and Tonga the relation was seen to be absent. Causal relation was also conducted and the results were found to be mixed from country to country.

### 1.3 Objectives

**Major objectives of my study are:**

- To analyze the trend of GDP per capita growth (annual % terms) for India and select countries for 15 years i.e. 2000 to 2014.

- To analyze the trend of government expenditure on education and health (as a % of GDP) for India and select countries for 15 years i.e. 2000 to 2014.
- To examine whether government expenditure on health and education (% of GDP) has any significant impact on economic development in India and select countries.

#### **1.4 METHODOLOGY AND DATA SOURCE**

The study is based on secondary data. Trend line analysis has been used to examine the trend in GDP per capita growth (annual %), government expenditure on health and education (% of GDP) for the time period 2000 to 2014.

Secondly, econometric model of multiple linear regression is used to determine whether government expenditure on health and education (% of GDP) has any significant impact in affecting GDP per capita growth.

##### **Multiple Linear Regression Model**

Multiple linear regression model can be thought of as an extension of simple linear regression (one explanatory variable) having more than 2 explanatory variables (say k variables). It is represented by following equation:

$$Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \dots + \beta_k X_{ki} + \mu_i$$

$\beta_0$ ,  $\beta_1$  and  $\beta_2$  are regression coefficients or parameters of the model where

$\beta_0$  is the intercept coefficient

$\beta_1$  to  $\beta_k$  are slope coefficients

$\mu_i$  is the error term.

The term ‘linear’ is used to indicate that Y is directly related to a linear combination of explanatory variables. Thus for our study the required model can be written as:

$$Y_i = \beta_0 + \beta_1 H_i + \beta_2 E_i + \mu_i$$

Where Y= GDP per capita growth

H= Government expenditure on health (% of GDP)

E= Government expenditure on education (% of GDP)

##### **Hypothesis**

###### **1. Overall Significance: F-Test Statistics**

**Null Hypothesis ( $H_0$ ):**  $\beta_1 = \beta_2 = 0$ ; together government expenditure on health and education has no significant influence on GDP per capita growth.

**Alternate Hypothesis ( $H_A$ ):** At least one  $\beta_i \neq 0$  ( $i=1, 2$ ); i.e. government expenditure on health or education or both have significant influence on GDP per capita growth.

###### **2. Individual Regression Coefficients: T-Test Statistics**

**$H_0$ :**  $\beta_1 = 0 / \beta_2 = 0$ ; government expenditure on health/education has no influence on GDP per capita growth.

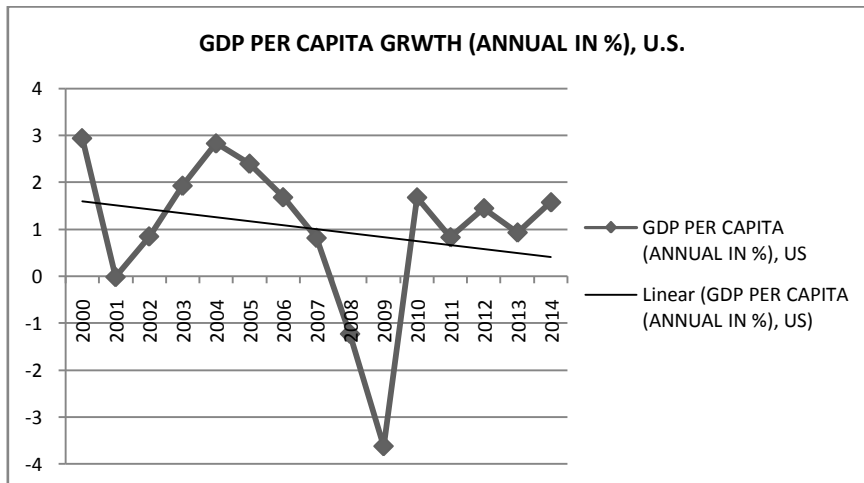
**$H_A$ :**  $\beta_1 \neq 0 / \beta_2 \neq 0$ ; government expenditure on health/ education has a significant influence on GDP per capita growth.

The data used for analysis in this study has been taken from various sources like World Bank, United Nations Development Programme etc.

##### **II. Data Analysis**

**2.1 GDP Per Capita Growth (Annual %)** This section focuses on the trend analysis of GDP per capita growth. The analysis is done for four developed countries namely U.S., U.K., Switzerland, and Singapore and two developing countries India and Brazil. The horizontal axis of the graph depicts the years and the vertical axis measures GDP per capita growth (annual %).

###### **1. United States**

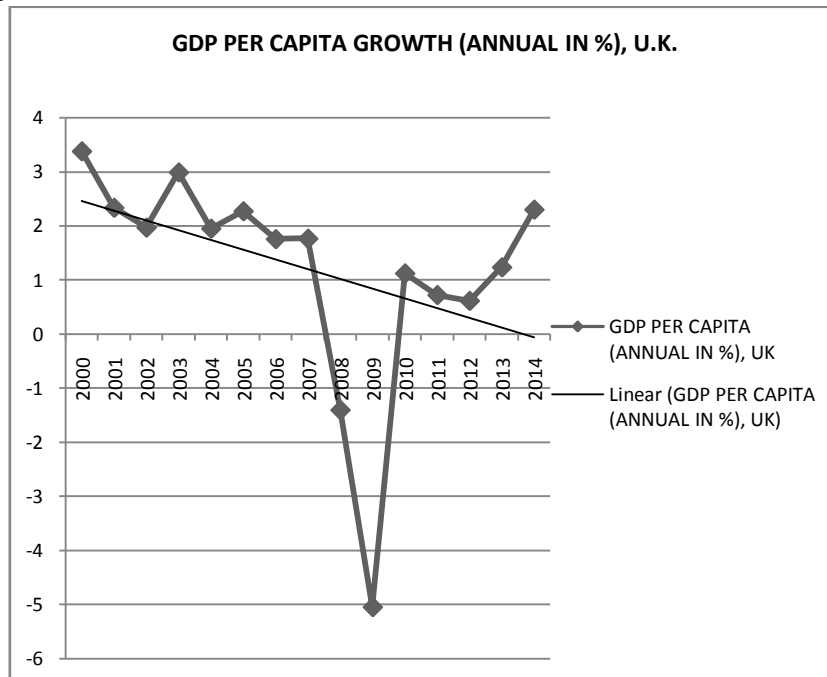


Source: Author’s own compilation using data from The World Bank, ‘GDP per capita growth (annual %)’

FIGURE 3.1

U.S. depicts an overall decreasing trend in the GDP per capita growth (annual %) for the time period 2000 to 2014. In 2000 GDP per capita growth was around 2.94% while in 2014 it was around 1.57% accounting to a drop of 1.4% (approximately). The sharp decline in growth in 2001 was due to the national recession which started in April 2001 coupled with the 11<sup>th</sup> September 2001 terrorist attack putting an end to a 10-year expansion of U.S. economy. Further the 2008-09 massive falls was seen due to the well-known Global Financial Crises.

2. United Kingdom



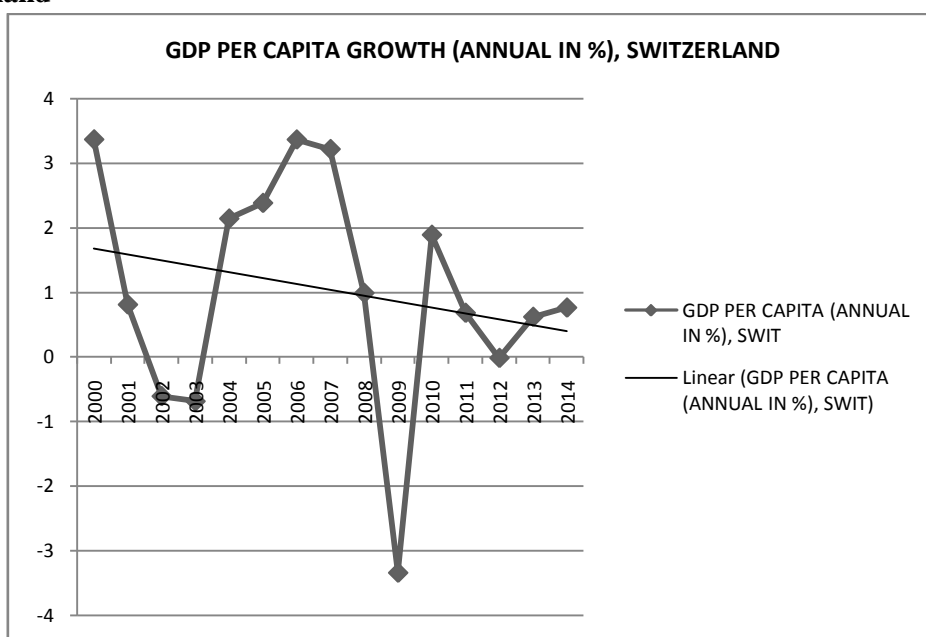
Source: Author’s own compilation using data from The World Bank, ‘GDP per capita growth (annual %)’

FIGURE 3.2

U.K. depicts an overall decreasing trend in the GDP per capita growth (annual %) for the time period 2000 to 2014. In 2000 GDP per capita growth was around 3.37% while in 2014 it was around 2.30%

accounting to a drop of 1.07% (approximately). The 2008-09 massive fall in the GDP per capita growth was seen due to the well-known Global Financial Crises.

### 3. Switzerland

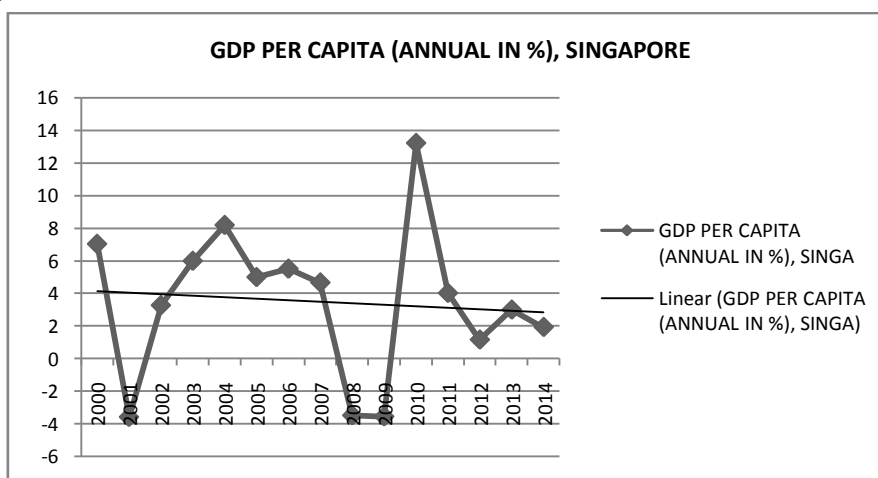


Source: Author’s own compilation using data from The World Bank, ‘GDP per capita growth (annual %)’

FIGURE 3.3

Switzerland depicts an overall decreasing trend in the GDP per capita growth (annual %) for the time period 2000 to 2014. In 2000 GDP per capita growth was around 3.36% while in 2014 it was around 0.76% accounting to a drastic drop of 2.6% (approximately). The economy was facing recession during the year 2002. The global worldwide slowdown in 2001 and the Swiss franc’s appreciation brought contractions during 2001-03. Financial sector was majorly affected by this slowdown. The 2008-09 massive fall in the GDP per capita growth was due to the well-known Global Financial Crises.

### 4. Singapore

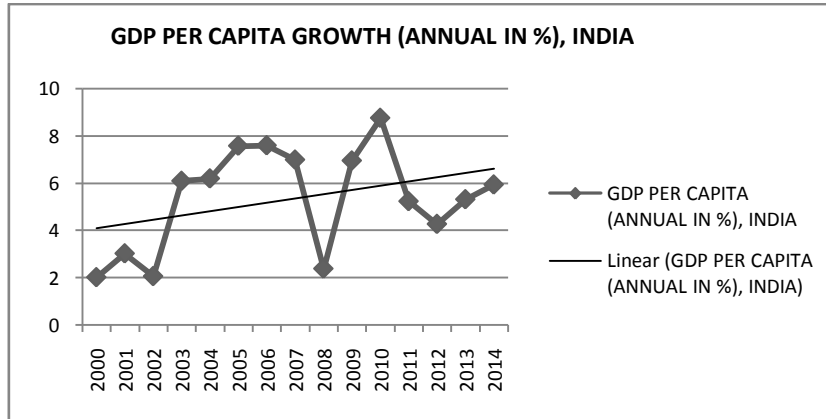


Source: Author’s own compilation using data from The World Bank, ‘GDP per capita growth (annual %)’

FIGURE 3.4

Singapore depicts an overall decreasing trend in the GDP per capita growth (annual %) for the time period 2000 to 2014. In 2000 GDP per capita growth was around 7.03% while in 2014 it was around 1.93% accounting to a remarking drop of 5.1% (approximately). The economy of Singapore can be considered as a complex system that faced unexpectedly large as well as frequent external shocks. The major ones are- technology bubble bust in 2001 and the 2008-09 global financial crisis leading to the fall in the GDP per capita growth in the respective years at that time.

**5. India**

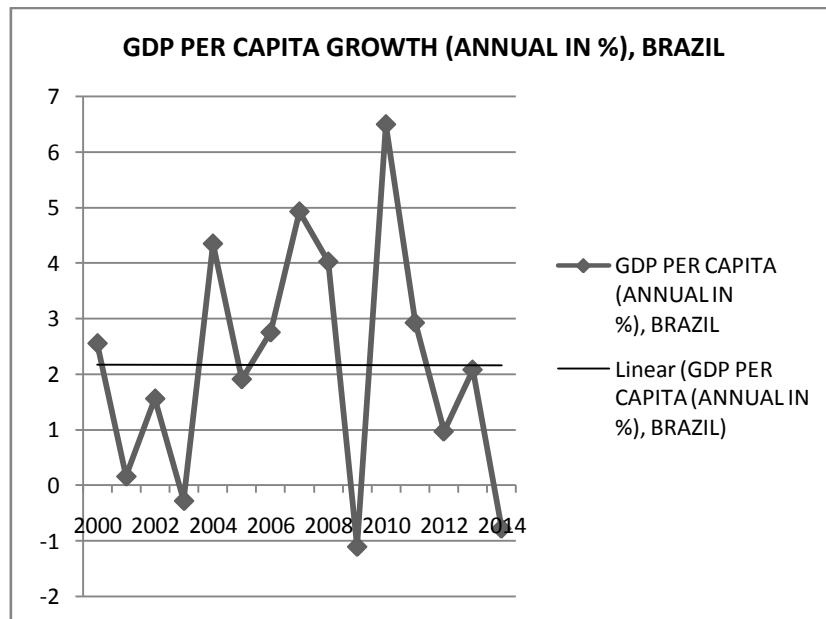


Source: Author’s own compilation using data from The World Bank, ‘GDP per capita growth (annual %)’

**FIGURE 3.5**

India depicts an overall increasing trend in the GDP per capita growth (annual %) for the time period 2000 to 2014. In 2000 GDP per capita growth was around 2.02% while in 2014 it was 5.94% accounting to an increase of 4% (approximately). India too was unable to protect itself from the adverse developments in the financial markets internationally, despite having a financial system that had not much to do with investments abroad related to subprime mortgages. Its growth rate was approximately 4.66% on an average during 2008-09.

**6. Brazil**



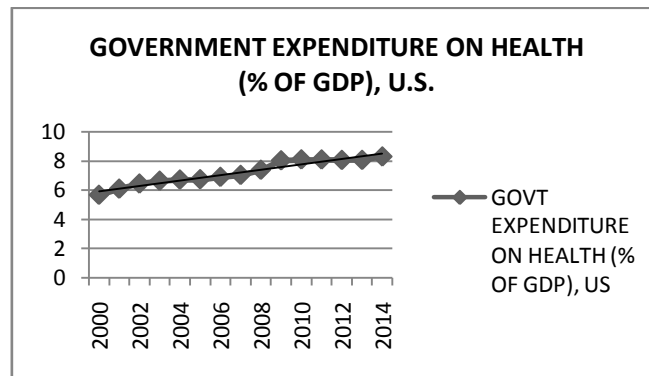
Source: Author’s own compilation using data from The World Bank, ‘GDP per capita growth (annual %)’

**FIGURE 3.6**

Brazil depicts an overall constant trend in the GDP per capita growth (annual %) for the time period 2000 to 2014. This is due to high variations in GDP per capita growth each year which averages out both positive as well as negative effects. After a low GDP per capita growth till 2003, there is an increase in the growth during the years of 2004 to 2008 followed by a sharp fall due to global financial crisis. The year 2011 to 2014 experienced a major fall in the growth probably due to the change in the domestic macroeconomic policies which led to a decrease in the rate of growth of aggregate demand. 2014 experienced a negative growth of about -0.8 approximately.

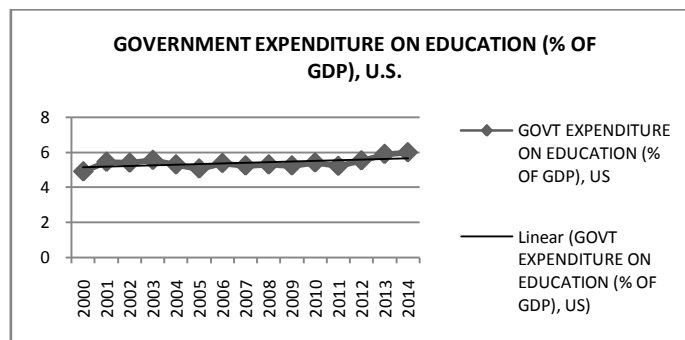
**2.2 Government Expenditure on Health and Education as a Percentage of GDP:** Improvement in the health and education of people is not only a goal in itself for an improved quality of life but also its positive influence on the economic development for any country is far-reaching. The delivery and provision of health and education is an important element of a policy to encourage broad-based economic growth. The chief asset of the poor is evidently their labour and both health and education services improve the productivity and wages of workers. Education is considered as a major solution for many problems faced by most of the countries. It is broadly accepted that education imparted to women helps to lower fertility rates. Furthermore, educated parents are in a far better position to look upon the health and education needs of their children. In the same way, the linkages of health to poverty eradication and long-term economic growth are strong. Health and education, thus, are important tools to empower people and overcome exclusion. This section focuses on the trend analysis of government expenditure on health and education (% of GDP). The analysis is done on the same set of developed countries (U.S., U.K., Switzerland, and Singapore) as well as developing countries (India and Brazil). The horizontal axis of the graph depicts the years and the vertical axis measures government expenditure on health and education as a percentage of GDP.

**1. United States**



Source: Author’s own compilation using data from The World Bank, 'Health expenditure, public (% of GDP)'

**FIGURE 3.7**

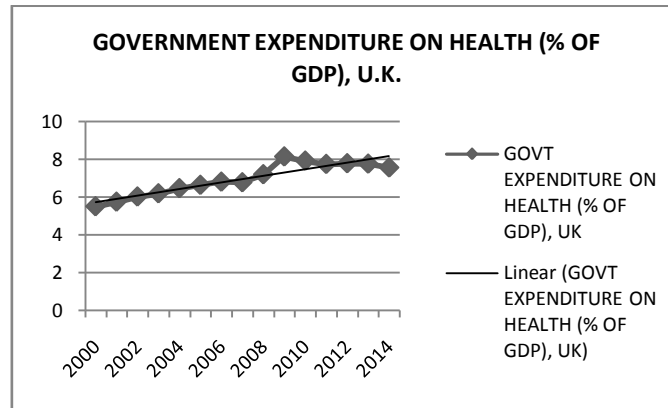


Source: Author’s own compilation using data from The World Bank, 'Education expenditure, public (% of GDP)'

**FIGURE 3.8**

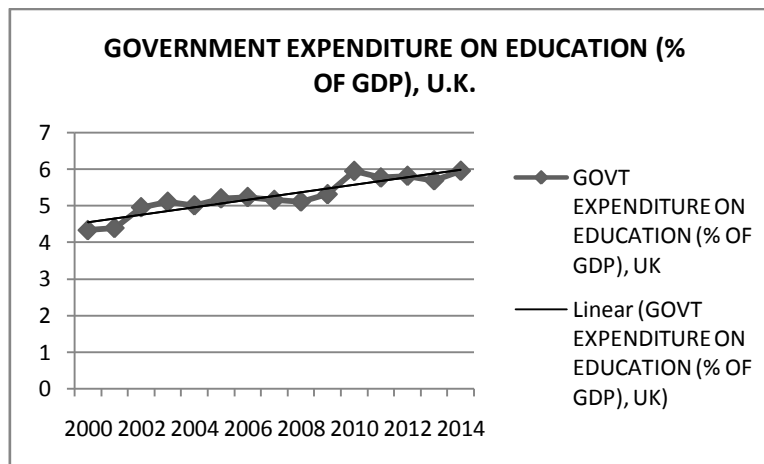
U.S. depicts an increasing trend of the government expenditure on health and education for the timeperiod 2000 to 2014. The expenditure on health increased from 5.65% in 2000 to 8.28% in 2014 whereas for education it increased from 4.92% to 6% approximately in the respective years. This implies that on an average the government expenditure on health and education as a percentage of GDP was 7% and 5.40% respectively during this 15 year time span.

**2. United Kingdom**



Source: Author’s own compilation using data fromThe World Bank, 'Health expenditure, public (% of GDP)'

**FIGURE 3.9**

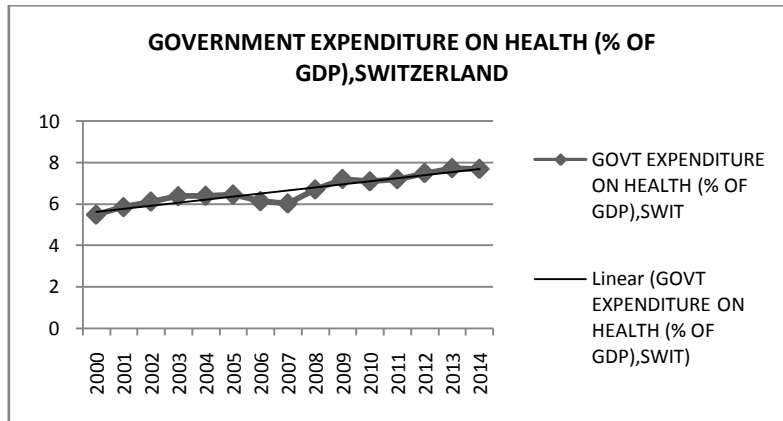


Source: Author’s own compilation using data fromThe World Bank, 'Education expenditure, public (% of GDP)'

**FIGURE 3.10**

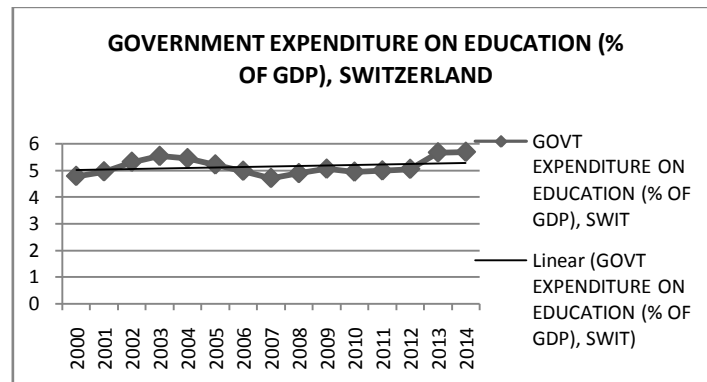
U.K. depicts an increasing trend of the government expenditure on health and education for the time period 2000 to 2014. The expenditure on health increased from 5.52% in 2000 to 7.58% in 2014 whereas for education it increased from 4.33% to 5.94% approximately in the respective years. This implies that on an average the government expenditure on health and education as a percentage of GDP was 6.97% and 5.26% respectively during this 15 year time span.

3. Switzerland



Source: Author’s own compilation using data from The World Bank, 'Health expenditure, public (% of GDP)'

FIGURE 3.11

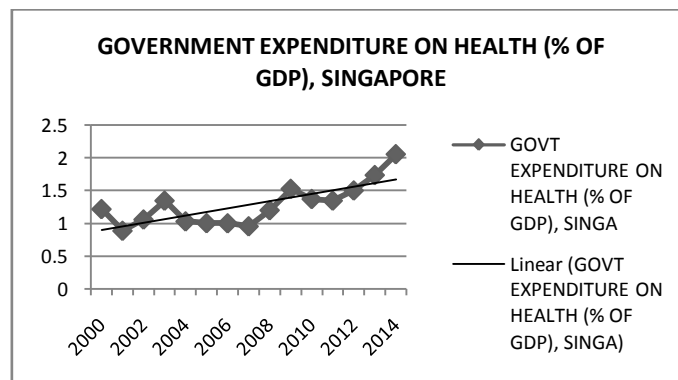


Source: Author’s own compilation using data from The World Bank, 'Education expenditure, public (% of GDP)'

FIGURE 3.12

Switzerland depicts a slightly increasing trend of the government expenditure on health and education for the time period 2000 to 2014. The expenditure on health increased from 5.49% in 2000 to 7.69% in 2014 whereas for education it increased from 4.79% to 5.69% approximately in the respective years. This implies that on an average the government expenditure on health and education as a percentage of GDP was 6.67% and 5.12% respectively during this 15 year time span.

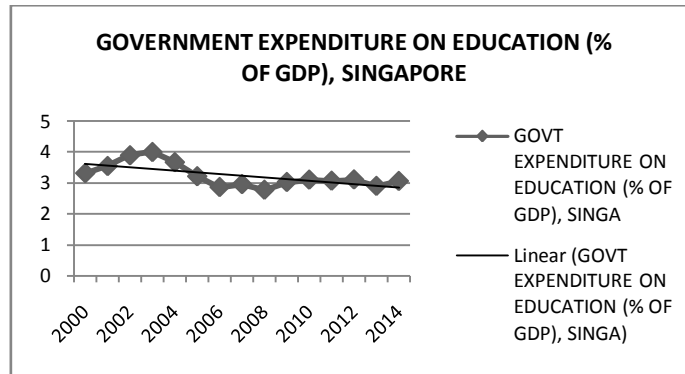
4. Singapore



Source: Author’s own compilation using data from The World Bank, 'Health expenditure, public (% of GDP)'



FIGURE 3.13

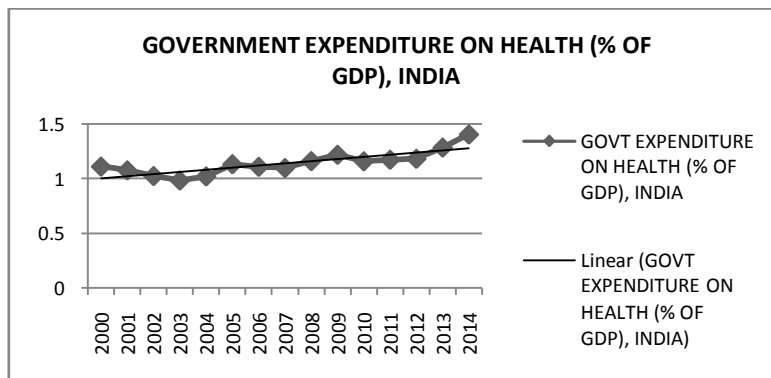


Source: Author’s own compilation using data from The World Bank, 'Education expenditure, public (% of GDP)',

FIGURE 3.14

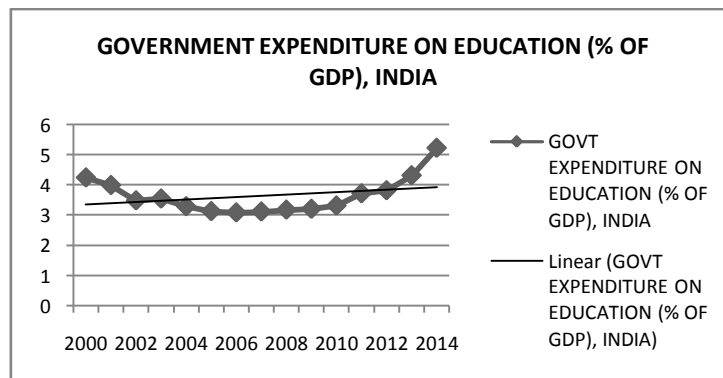
Singapore depicts an increasing trend of the government expenditure on health and roughly downward trend for government expenditure on education for the time period 2000 to 2014. The expenditure on health increased from 1.25% in 2000 to 2.05% in 2014 whereas expenditure on education it decreased slightly from 3.32% to 3.07% approximately in the respective years. This implies that on an average the government expenditure on health as a percentage of GDP was 1.28% only and for education it was 3.24% respectively during this 15 year time span.

5. India



Source: Author’s own compilation using data from The World Bank, 'Health expenditure, public (% of GDP)'

FIGURE 3.15

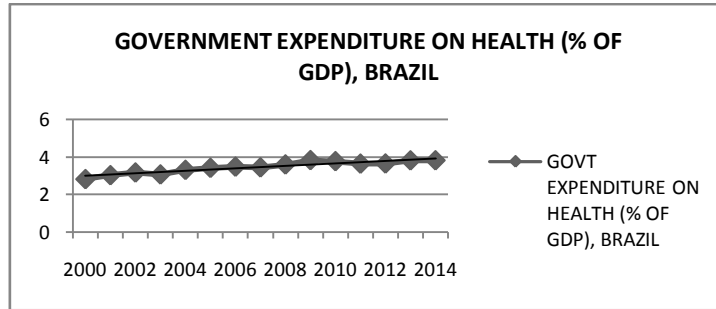


Source: Author’s own compilation using data from The World Bank, 'Education expenditure, public (% of GDP)'

**FIGURE 3.16**

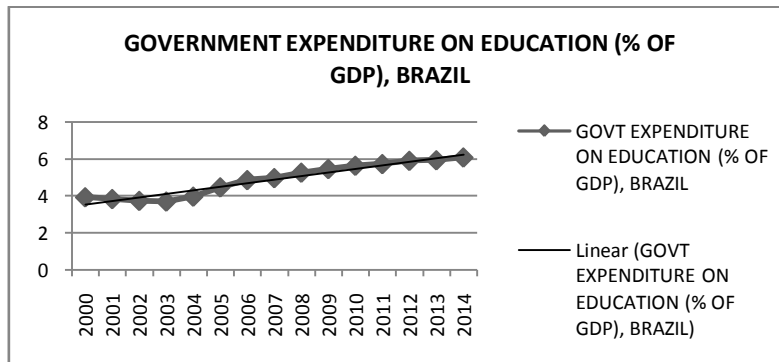
India depicts an increasing trend of the government expenditure on health and education for the time period 2000 to 2014. While the expenditure on health increased only slightly from 1.11% in 2000 to 1.40% in 2014, the expenditure for education increased from 4.25% to 5.23% approximately in the respective years. This implies that on an average the government expenditure on health and education as a percentage of GDP was 1.14% and 3.65% respectively during this 15 year time span.

**6. BRAZIL**



Source: Author’s own compilation using data from The World Bank, 'Health expenditure, public (% of GDP)'

**FIGURE 3.17**



Source: Author’s own compilation using data from The World Bank, 'Education expenditure, public (% of GDP)'

**FIGURE 3.18**

Brazil depicts a gradual increasing trend of the government expenditure on health and education for the time period 2000 to 2014. While the expenditure on health increased from 2.83% in 2000 to 3.83% in 2014 (1% increase approx.), the expenditure for education increased from 3.94% to 6% approximately in the respective years. This implies that on an average the government expenditure on health and education as a percentage of GDP was 3.47% and 5% respectively during 2000-2014.

**2.3 Effect of Government Expenditure on Health and Education (% of GDP) on GDP Per Capita Growth (Annual %)**

Health and education are integral components of human capital. The governments of the country situated all over the world and India in particular are doing their best for the betterment of the human capital by investing more in health and education as well as in related fields. As a result this section examines whether the expenditure on health and education as percentage of GDP has any significant impact on GDP per capita growth by the means of econometric model of multiple regression. The results for India and select countries are summarized below on the basis of the tables given in Appendix 1.

**1. United States-** Using data given in table A1.1 we find that

- The calculated value of t-statistics for  $\beta_1 = -1.4739$  and for  $\beta_2 = 0.7056$  is less than the critical value of t-statistics (2.145) at 5% level of significance and 14 degrees of freedom. Hence we do not reject the null hypothesis. Thus government expenditure on health and education as a percentage of GDP does not have significant influence on GDP per capita growth.
- The calculated value of F- statistics is 1.0890 is less than the critical value (3.89) at 5% level of significance and degrees of freedom being (2, 12). Hence we do not reject the null hypothesis indicating that government expenditure on health and education together does not have significant impact on GDP per capita growth.
- $R^2 = 0.1536$  implies that only 15% (approx.) of variation in dependent variable is explained by the variations in explanatory variables which is not of great significance.

**2. United Kingdom-** Using data given in table A1.2 we find that

- The calculated value of t-statistics for  $\beta_1 = -8.2758$  and  $\beta_2 = 6.2005$  is greater than the critical value of t-statistics (2.145) at 5% level of significance and 14 degrees of freedom. Hence we do not accept the null hypothesis. Thus government expenditure on health and education as a percentage of GDP has significant influence on GDP per capita growth.
- The calculated value of F- statistics (36.9291) is greater than the critical (3.89) at 5% level of significance and degrees of freedom (2, 12). Hence we do not accept the null hypothesis indicating that government expenditure on health and education together has significant impact on GDP per capita growth.
- $R^2 = 0.8369$  implies that 83.69% (approx.) of variation in dependent variable is explained by the variations in explanatory variables which is of great significance.

**3. Switzerland-** Using data given in table A1.3 we find that

- The calculated value of t-statistics for  $\beta_1 = -1.3549$  and  $\beta_2 = 0.5147$  is less than the critical value of t-statistics (2.145) at 5% level of significance and 14 degrees of freedom. Hence we do not reject the null hypothesis. Thus government expenditure on health and education as a percentage of GDP does not have significant influence on GDP per capita growth.
- The calculated value of F- statistics (1.7751) is less than the critical value (3.89) at 5% level of significance and degrees of freedom being (2,12). Hence we do not reject the null hypothesis indicating that government expenditure on health and education together does not have significant impact on GDP per capita growth.
- $R^2 = 0.2283$  implies that only 22.83% (approx.) of variation in dependent variable is explained by the variations in explanatory variables which is not of great significance.

**4. Singapore-** Using data given in table A1.4 we find that

- The calculated value of t-statistics for  $\beta_1 = -0.1377$  and  $\beta_2 = 0.6324$  is less than the critical value of t-statistics (2.145) at 5% level of significance and 14 degrees of freedom. Hence we do not reject the null hypothesis. It means that government expenditure on health and education as a percentage of GDP does not have significant influence on GDP per capita growth.
- The calculated value of F- statistics (0.2547) is less than the critical value (3.89) at 5% level of significance and degrees of freedom (2, 12). Hence we do not reject the null hypothesis indicating that government expenditure on health and education together does not have significant impact on GDP per capita growth.
- $R^2 = 0.0407$  implies that only 4.07% (approx.) of variation in dependent variable is explained by the variations in explanatory variables which is totally insignificant.

**5. India-** Using data given in table A1.5 we find that

- The calculated value of t-statistics for  $\beta_1 = 1.7877$  and  $\beta_2 = -2.1123$  is less than the critical value of t-statistics (2.145) at 5% level of significance and 14 degrees of freedom. Hence we do not reject the null hypothesis. Thus government expenditure on health and education as a percentage of GDP does not have significant influence on GDP per capita growth.
- The calculated value of F- statistics (2.4180) is less than the critical value (3.89) at 5% level of significance and degrees of freedom (2, 12). Hence we do not reject the null hypothesis indicating that government expenditure on health and education together does not have significant impact on GDP per capita growth.
- $R^2 = 0.2872$  implies that only 28.72% (approx.) of variation in dependent variable is explained by the variations in explanatory variables which is not of great significance.

**6. Brazil-**Using data given in table A1.6 we find that

- The calculated value of t-statistics for  $\beta_1 = 0.1192$  and  $\beta_2 = -0.0328$  is less than the critical value of t-statistics (2.145) at 5% level of significance and 14 degrees of freedom. Hence we do not reject the null hypothesis. Thus government expenditure on health and education as a percentage of GDP does not have significant influence on GDP per capita growth.
- The calculated value of F- statistics (0.0258) is less than the critical value (3.89) at 5% level of significance and degrees of freedom (2, 12). Hence we do not reject the null hypothesis indicating that government expenditure on health and education together does not have significant impact on GDP per capita growth.
- $R^2 = 0.0043$  implies that 0% (approx.) of variation in dependent variable is explained by the variations in explanatory variables which is insignificant.

### III. CONCLUSION:

**Firstly, from the trend line graph analysis** we can conclude a downward trend in the GDP per capita growth (annual %) for the developed countries (U.S., U.K., Switzerland, and Singapore) for the time period 2000-2014. However, as far as developing countries are concerned, India shows an overall increasing trend in GDP per capita growth and is considered as one of the best performing economies while Brazil on the other hand shows more or less a constant trend for the years 2000-2014. This is probably due to the high fluctuations in GDP per capita growth over the years of analysis which averages out the effect of each other.

**Secondly,** we see an overall increasing trend in the government expenditure on health and education as percentage of GDP irrespective of whether the country is developed or developing.

The trend analysis also indicates an important fact that no pattern of relation is found between the trends of GDP per capita growth and government expenditure on health and education as a percentage of GDP. Despite an increasing trend in the government expenditure on health and education for all countries, the GDP growth showed downward trend for developed countries, increasing for India and constant for Brazil. This implies that various factors other than government expenditure on health and education are responsible in affecting GDP growth of the country which could be external as well as internal.

**Lastly,** from the econometric analysis we see that in 5 of the 6 selected countries (U.S., Switzerland, Singapore, India and Brazil) government expenditure on health and education as a percentage of GDP does not play a significant role in affecting GDP per capita growth. Only one country i.e. U.K. depicts significant results indicating that government expenditure on health and education as a percentage of GDP plays a significant role in affecting GDP per capita growth. This implies that no concrete pattern of relationship can be concluded between government expenditure on health and education as a percentage of GDP (independent variable) and GDP per capita growth (dependent variable) as some

countries show significant impact and some insignificant impact of government expenditure on health and education as a percentage of GDP on GDP growth. These results are also well supported by the analysis done by Biswajit Maitra and C.K. Mukhopadhyay in their research paper mentioned in review. The results are also in accordance with some researchers and economists who are of the view that rather it is the economic growth (of which GDP growth is a proxy) that encourages the government to spend more on health and education. An important debate between the two eminent Indian economists- Jagdish Bhagwati and Amartya Sen supports the ambiguity of the results obtained. Bhagwati believes that emphasis on growth will yield adequate resources for investing in social sector expenditure. Whereas on the other hand Amartya Sen has a view that investment in social infrastructure will boost productivity of its people which in turn would lead to an increase in growth.

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**Appendix 1: Regression Analysis**

Source: Author's own calculation using data from The World Bank, 'Health expenditure, public (% of GDP)'

The World Bank, 'Education expenditure, public (% of GDP)'

The World Bank, 'GDP per capita growth (annual %)'

**TABLE A1.1: United States**

Regression Statistics	
Multiple R	0.391956084
R Square	0.153629572
Adjusted R Square	0.012567834
Standard Error	1.655646499
Observations	15

ANOVA					
	df	SS	MS	F	Significance F
Regression	2	5.970776512	2.985388256	1.089094563	0.36758932
Residual	12	32.89398394	2.741165328		
Total	14	38.86476045			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	0.489875561	8.526824972	0.05745111	0.955131419	-18.088480	19.0682312
Govt Expenditure on health (% of GDP), U.S.	-0.90351882	0.612989713	-1.47395429	0.166237848	-2.2391087	0.43207104
Govt Expenditure on education (% of GDP), U.S.	1.299342893	1.841435422	0.705614152	0.493898803	-2.7128002	5.31148601

**TABLE A1.2: United Kingdom**

Regression Statistics	
Multiple R	0.927488406
R Square	0.860234744
Adjusted R Square	0.836940535
Standard Error	0.83404596
Observations	15

ANOVA					
	df	SS	MS	F	Significance F
Regression	2	51.37820966	25.68910483	36.92912	7.4541E-06
Residual	12	8.347591959	0.695632663		
Total	14	59.72580162			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	2.378398545	2.409822613	0.986960008	0.343145	-2.872153882	7.62895097
Govt Expenditure on health (% of GDP)	-4.58663541	0.554221479	-8.27581676	2.65E-06	5.794180277	-3.3790905

Govt Expenditure on education (% of GDP)	5.850502238	0.943540536	6.200583883	4.58E-05	3.794704014	7.90630046
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**TABLE A1.3: Switzerland**

<b>Regression Statistics</b>	
Multiple R	0.477812032
R Square	0.228304338
Adjusted R Square	0.099688394
Standard Error	1.715256205
Observations	15

<b>ANOVA</b>					
	df	SS	MS	F	Significance F
Regression	2	10.4449737	5.222486826	1.7750858	0.21119146
Residual	12	35.3052462	2.942103848		
Total	14	45.7502198			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	12.13391644	7.588894682	1.598904314	0.135824	-4.40086465	28.668698
Govt Expenditure on health (% of GDP), Swit	-1.00604489	0.742507759	-1.35492845	0.200399	-2.62383032	0.6117405
Govt Expenditure on education (% of GDP), Swit	-0.85208063	1.655396012	-0.51472918	0.616091	-4.4588787	2.7547174

**TABLE A1.4: Singapore**

<b>Regression Statistics</b>					
Multiple R	0.201783389				
R Square	0.040716536				
Adjusted R Square	-0.11916404				
Standard Error	4.897048339				
Observations	15				
<b>ANOVA</b>					
	df	SS	MS	F	Significance F
Regression	2	12.21444939	6.107224693	0.254668	0.77925886
Residual	12	287.7729892	23.98108243		
Total	14	299.9874386			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	-3.1770766	14.27910049	-0.22249837	0.827668	-34.288564	27.9344108
Govt Expenditure on health (% of GDP)	-0.5800521	4.21203139	-0.13771315	0.892751	-9.7572802	8.59717591
Govt Expenditure on education (% of GDP)	2.28691685	3.61616251	0.632415397	0.538979	-5.5920244	10.1658581

TABLE A1.5: India

Regression Statistics	
Multiple R	0.535949797
R Square	0.287242184
Adjusted R Square	0.168449215
Standard Error	1.976243742
Observations	15

ANOVA					
	df	SS	MS	F	Significance F
Regression	2	18.88723979	9.443619894	2.418007	0.131114864
Residual	12	46.86647193	3.905539327		
Total	14	65.75371172			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	1.207413263	5.662892899	0.213214921	0.834739	-11.130970	13.54579696
Govt Expenditure on health (% of GDP)	11.19580787	6.262774985	1.787675255	0.099089	-2.4496066	24.84122235
Govt Expenditure on education (% of GDP)	-2.37322725	1.12351364	-2.11232615	0.056298	-4.8211532	0.074698688

TABLE A1.6: Brazil

Regression Statistics	
Multiple R	0.065446885
R Square	0.004283295
Adjusted R Square	-0.16166949
Standard Error	2.356037336
Observations	15



ANOVA					
	df	SS	MS	F	Significance F
Regression	2	0.286541647	0.143270824	0.025810322	0.974573864
Residual	12	66.61094313	5.550911927		
Total	14	66.89748477			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	0.40131369	9.842751987	0.040772509	0.968147777	-21.044200	21.846828
Govt Expenditure on health (% of GDP)	0.591783994	4.963485214	0.119227512	0.907067848	-10.222721	11.40628926
Govt Expenditure on education (% of GDP)	-0.05853786	1.782564695	-0.03283912	0.974342779	-3.9424127	3.825336969

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## A STUDY ON THE ROLE OF MSMEs IN INDIA'S EXPORT AND ECONOMIC GROWTH

Anusuya Biswas, *Research Scholar, Amity University, Noida*

Dr. Kalpana Singh, *Professor, Amity University, Noida*

### Abstract

Exports are considered as a catalyst for a country's economic growth as well as also contribute in boosting a country's international economic position. Growth of exports leads to growth of the economy and vice-versa. Worldwide Micro, Small and Medium Enterprises (MSMEs) are considered as a growth engine of a country. In India, MSMEs contribution is enormous in the socio-economic development of the country. Its share in country's GDP is 6 percent, 33 percent in manufacturing output and 45 percent in total export. It is high labour intensive sector with low capital investment than large scale industries. It engaged 117 million work forces within 51 million units. It helps in reducing regional disparities via industrializing rural and backward areas, bringing equalities of income & wealth and, harnessing the traditional & local skills. MSMEs have huge potential in integrating India in global value chain. The present study aims at analyzing the major trends in value and composition of MSMEs export, the contribution of MSME exports in total exports and economic growth of India. The present paper is based on secondary data collected from various sources like Annual Reports of MSMEs, All India Censuses of MSMEs, Economic Surveys etc.

**Keywords:** MSMEs, Economic Growth, Export, Global Value Chain. **JEL Classification:** L6, O4, F1

1. **Introduction:** Micro, Small and Medium enterprises have evolved as a highly vibrant and dynamic sector. Globally it is considered as an 'engine of economic growth', of the nation.

Exports growth is a catalyst for economic growth as well as foreign exchange earnings of the country. Export sector acts as a 'Key Propulsive Sector', which propelled the nation's economy forward (Meier, 1976). Worldwide Micro, Small and Medium Enterprises (MSMEs) are considered as a growth engine of a country. In India, MSMEs contribution is enormous in the socio-economic development of the country. Its share in country's GDP is 30 percent where MSME manufacturing sector is contributing 6 percent while MSME service sector contribution is 27 percent, 33 percent in manufacturing output and 45 percent in total export (MSMEs Annual Report, 2016-17). It is highly labour intensive sector with low capital investment than large scale industries. It engaged 117 million work forces within 51 million units while producing diverse products (more than 6000) and services meeting the global and domestic demand. It helps in reducing regional disparities via industrializing rural and backward areas, bringing equalities of income & wealth and, harnessing the traditional & local skills. MSMEs have huge potential in integrating India in global value chain. The present study aims at analyzing the major trends in value and composition of MSMEs export, the contribution of MSME exports in total exports and economic growth of India. Therefore, recently government, policy makers, researchers, academicians and economists have more focused on this sector to give a big thrust to the economy.

**Review of Literature:** A theoretical foundation is an important aspect to understand the significance and background of previous research. A brief review of literature is given below. Myslimi. G. and Kaçani. K. (2016) in their study has investigated the impact of SMEs on the economic growth of Albania. Their study found that large enterprises and micro enterprises have significant impact on Albania's economic growth. Large enterprises are more competitive than SMEs as they withstand economic crisis by using the economies of scale. Large enterprises create trends and micro enterprises follow them thereby positively impacting the economic growth of the country. Saaed. A.A.J. and Hussain, M.A. (2015) have estimated the impact of exports and imports on economic growth of Tunisia by using Granger Causality and Johansen Co-integration approach and also investigated the long run relationship between exports, imports and economic growth by using Augmented Dickey-Fuller (ADF) and Phillip-Perron (PP) stationarity test. The evidence showed that the economic growth in Tunisia was propelled by growth-led-import as well as export-led-import strategies. They found

that imports are an important source of economic growth in Tunisia. Agrawal, Pradeep (2015) in his paper has examined the significance of export-led-growth hypothesis (ELGH) in India and found that export growth has played a substantial role in India's economic growth during the liberalization era. Edoumiekumo, S.G., and Opukri, C.O. (2013) investigated the contributions of international trade on the basis of export and import values in economic growth (Real GDP) in Nigeria. They determined the long run causal relationship between international trade and economic growth by using econometrics models. The findings showed that there is positive unidirectional relationship between Real GDP to exports and, import to Real GDP and exports. The study suggested that Nigeria should diversify and increase the exportable goods to reap the benefit of international trade. Large number of studies conducted for Export-Led-Growth Hypothesis (ELG Hypothesis) (Pradhan, N.C, 2010). **Pradhan has verified empirically the ELG hypothesis via applying time-series techniques and found that there is both short-run and long-run relationship between export growth and output growth. ELG hypothesis posit that export growth is one of the determinants of economic growth. He found that there is a unidirectional relationship between export growth to GDP growth and vice-versa is not correct. His studies also found that export growth can predict better GDP growth than past GDP trends.** Omotor, Douglasson (2008) has investigated the long-run relationship between exports and economic growth of Nigeria by applying bound test analysis - unrestricted error correction model. His study found that economic liberalization policies, export and labour force have significance impact on economic growth whereas import and exchange rate has negative impact on economic growth. His study also found that export-led growth strategy has failed in Nigeria and it is uni-directional from economic growth to export growth not vice-versa because as per Douglasson Nigerian economy is mono-export (oil) dependent economy. VOHRA, RUBINA (2001) in her paper analyzed the role of export-growth linkages between India, Pakistan, Thailand, Malaysia and Philippines using time-series data. She found that exports have significant impact on the economic growth if the country has reached to some level of economic development and her results also emphasized on the export promotion strategies.

### 1.1 Hypothesis

**H0:** There exist no significant relationship between MSME exports and economic growth in India.

**H1:** There exist significant relationship between MSME exports and economic growth in India.

### 1.2 Objectives of the Paper:

The major objectives of the present paper are:

- i. *To analyze the major trends of MSMEs exports with respect to value of exports and composition of exports and,*
- ii. *To examine the contribution of MSME exports in total exports and economic growth of India.*

### 1.3 Research Question

- Do MSMEs export and employment has an impact on economic growth of India?

### 1.4 Scope of the Study

- The study has used the annual data of MSMEs/SSIs export and GDP of the country for a time period of 23 years (1990-2013). To study the impact of MSMEs in country's economic growth the study used the data of MSMEs export and employment.

### 1.5 Research Methodology

The present study is descriptive and analytical in nature. It is based on secondary data collected from various sources like Annual Reports of MSMEs, All India Censuses of MSMEs, Economic

Surveys etc. To analyse the trends the study made use of percentage method and average annual growth rate.

- 1.6 **Meaning and Definition of MSMEs:** There is no single unified definition of Micro, Small and Medium Enterprises across the world. Different countries have different criteria to define MSMEs like number of employment, turnover, investment limits, amount of capital, total assets, total market share etc. In India, Micro, Small and Medium Enterprises are defined on the basis of investment limit. Therefore, with changing economic scenario like inflation, change in base year, rise in the price of inputs and production costs, the meaning and definition of MSMEs have changed.

**Table 1: Definition of Small Scale Industries in India (1977-2006)**

Year	Tiny Enterprises	Small Scale Undertakings	Ancillary Units
1977	< Rs.1 lakh	Rs. 1 lakh – Rs.10 lakh	Rs.10 lakh – Rs.15 lakh
1991	< Rs.5 lakh	Rs. 5 lakh – Rs.60 lakh	Rs.60 lakh – Rs.75 lakh
2000	< Rs. 25 lakh	Rs. 25 lakh – Rs.1crore	Rs.25 lakh – Rs.1 crore

*Source: Mishra and Puri, 2015*

In 2006, the definition of Small Scale Industries has changed with the enactment of *Micro, Small & Medium Enterprises Development (MSMED) Act, 2006*. For the first time, ‘medium enterprises’ and ‘service sector’ has been included in the definition of MSMED Act, 2006. As per MSMED Act, the micro, small and medium enterprises are defined on the basis of investment of plants and machineries for manufacturing sector and investment on equipments for service sector.

**Table 2: Investment profile of MSMEs**

Type of Enterprises	Investment in Plant & Machinery (Manufacturing Enterprises)	Investment in Equipment (Service Enterprises)
Micro Enterprises	<Rs. 25 lakh	< Rs. 10 lakh
Small Enterprises	Rs. 25 lakh to Rs. 5 crore	Rs. 10 lakh to Rs. 2 crore
Medium Enterprises	Rs. 5 crore to Rs. 10 crore	Rs. 2 crore to Rs. 5 crore

*Source: Development Commissioner MSMEs*

## 2. Relationship between MSMEs and Economic Growth

Economic Growth is determined by Gross Domestic Product of a country. Increase in GDP means economic growth of the nation. MSMEs are considered as the growth engine of any nation as it creates large scale employment opportunities with low capital investment. Its contribution in country’s GDP, Exports and production is immense. It helps in enhancing competition and innovation; bringing equalities of income and wealth and; for more inclusive and sustainable growth.

**Table 3: Role of MSMEs in India’s Economic Growth**

Year	Units	Production	Employment	Production per employee			
<b>Small Scale Industries</b>							
	Units (Million)	Annual Growth Rate (in %)	Production (in Rs. Billion)	Annual Growth Rate (in %)	Employment in Million	Annual Growth Rate (in %)	Production per employee (Rs. thousand)
1990-91	6.79	-	788.02	-	15.83	-	49.78
1991-92	7.06	4.0	806.15	2.3	16.60	4.9	48.56
1992-93	7.35	4.1	844.13	4.7	17.48	5.3	48.29

<b>1993-94</b>	7.65	4.1	987.96	17.0	18.26	4.5	54.11
<b>1994-95</b>	7.96	4.1	1221.54	23.6	19.14	4.8	63.82
<b>1995-96</b>	8.28	4.0	1477.12	20.9	19.79	3.4	74.64
<b>1996-97</b>	8.62	4.1	1678.05	13.6	20.59	4.0	81.50
<b>1997-98</b>	8.97	4.1	1872.17	11.6	21.32	3.5	87.81
<b>1998-99</b>	9.34	4.1	2104.54	12.4	22.06	3.5	95.40
<b>1999-2000</b>	9.72	4.1	2337.60	11.1	22.91	3.9	102.03
<b>2000-01</b>	10.11	4.0	2612.97	11.8	24.09	5.2	108.47
<b>2001-02</b>	10.52	4.1	2822.70	8.0	24.93	3.5	113.23
<b>2002-03</b>	10.95	4.1	3148.50	11.5	26.02	4.4	121.00
<b>2003-04</b>	11.40	4.1	3645.47	15.8	27.14	4.3	134.32
<b>2004-05</b>	11.86	4.1	4297.96	17.9	28.26	4.1	152.09
<b>2005-06</b>	12.34	4.1	4978.42	15.8	29.49	4.4	168.82
<b>Micro, Small and Medium Enterprises (MSMEs)</b>							
<b>2006-07</b>	36.18	-	135.14	-	80.52	-	1.68
<b>2007-08</b>	37.74	4.3	14351.79	6.2	84.20	4.6	170.45
<b>2008-09</b>	39.37	4.3	15242.35	6.21	88.08	4.6	173.05
<b>2009-10</b>	41.08	4.3	16193.56	6.24	92.18	4.6	175.67
<b>2010-11</b>	42.87	4.4	17215.53	6.31	96.52	4.7	178.36
<b>2011-12</b>	44.76	4.4	18343.32	6.55	101.17	4.8	181.31
<b>2012-13</b>	467.54	4.4	-	-	106.14	4.9	-
<b>2013-14</b>	488.46	4.5	-	-	111.43	5.0	-
<b>2014-15</b>	510.57	4.5	-	-	117.13	5.1	-
<b>2015-16</b>	512.99	0.47	-	-	111.28	-5.04	-

*Source: Ministry of Micro, Small & Medium Enterprises, Government of India; RBI*

From the above table it is clear that employment has increased from 15.83 million people to 111.28 million people with an average annual growth rate (AAGR) of 4.25 percent in post reform period and after the enactment of MSMED Act it has grown at an AAGR of 3.7 percent, which reflects a decline in the growth rate of employment in MSME sector post MSMED Act. Number of units has increased from 6.79 million units to 512.99 million units during 1990-2016 with an AAGR of 4.1 percent from 1990-2006 and after MSMED Act, 2006 it has increased at an AAGR of 3.95 percent which shows a

decline in the growth rate. Production has increased at an AAGR of 13.2 percent from 1990-2006 after that at a rate of 5.25 percent, which shows a drastic decline in the growth rate of production. Production per employee has increased from Rs. 49.78 thousand to Rs. 181.36 thousand. With the adoption of MSMED Act, 2006 there is a paradigm shift as medium enterprises and service enterprises has incorporated within the definition of MSMEs therefore, number of working enterprises, production, employment and exports have also increase.

**2.1. Impact of Employment on Economic Growth:** In India, MSMEs absorbs the largest number of work force after agricultural sector. It is one of the highest labour intensive sectors. It harnesses the traditional and local talents & skills. It employs about 117 million labour forces in 51 million units (B. Anusuya and Singh. K., 2017). With the creation of employment opportunities in the country, people’s disposal income will increase and thereby contributing to enhance social standards of the people. Increase in disposal income results in increase in consumption demand impacting positively in the Gross Domestic Product of the country (Myslimi. G. and Kaçani. K., 2016). This can be proved by the equation:

**Y=AE -----Equ-1**

**AE = C+I+G+X-M -----Equ-2**

Substituting equ 2 into equ 1, we will get:

**(Y = C+I+G+X-M)-----Equ-3**

Here, Y denotes Real GDP, AE = Aggregate Expenditure, C = Consumption Expenditure, I = Investment Expenditure, G = Government Expenditure, X = Exports and M = Imports.

Therefore, with creation of employment opportunities disposal income of the consumers will increase which will further led to increase in consumption expenditure and therefore, increase in production, increase in capital formation and thereby, increase in Real GDP of the country. We can see that increase in employment has indirectly increases the GDP of a country via increase in consumption expenditure.

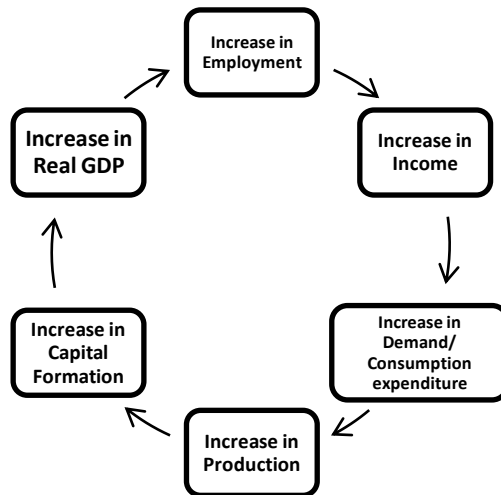


Fig 1: Impact of Employment on Real GDP

From table 3 it has shown that MSMEs has created large number of employment opportunities. Employment has increased from 15.83 million 29.49 million with an AAGR of 4.25 percent during 1990-91 to 2005-06. After the enactment of MSMED Act, 2006 employment has increased from 29.49 million to 80.52 million during 2005-06 to 2006-07 as medium and service enterprises has been incorporated for the first time during this period. After the MSMED Act, employment has increased from 80.52 million to 111.28 million with an AAGR of 3.7 percent. The study found that despite the

increase in employment opportunities AAGR is lower after the adoption of MSMED Act compared to 1990-2006 period. Production per employee has also increased from Rs. 49.78 thousand to Rs. 181.31 thousand during 1990-91 to 2011-12.

**2.3. Impact of MSMEs Exports on Economic Growth:** Exports growth is a catalyst for GDP growth rate as well as foreign exchange earnings of the country. As per Meier (1976), export sector acts as a ‘Key Propulsive Sector’, which propelled the nation’s economy forward’.

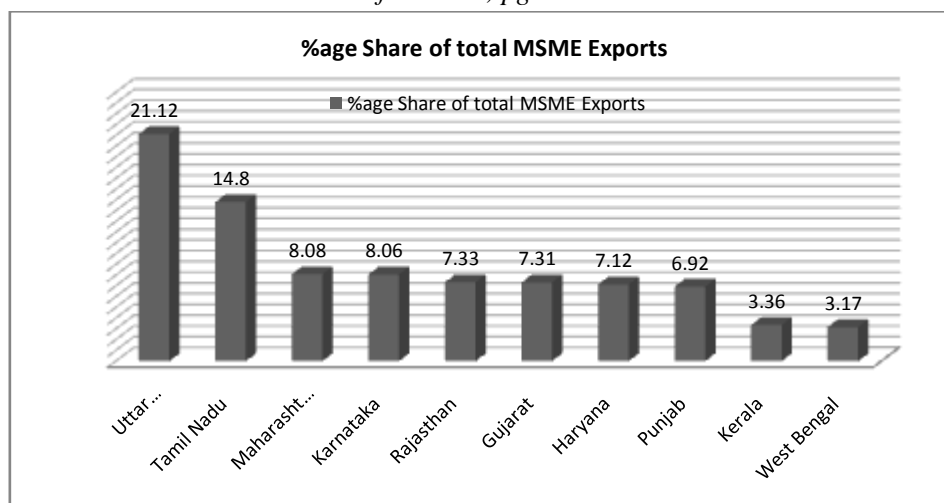
**2.3.1 Exports by MSMEs in India:** As per the Fourth All India Census of MSMEs, 46675 MSME enterprises are undertaken exports. Micro enterprises has substantial share of 85.83 percent, small enterprises accounts for 12.75 percent and medium enterprises contributes the least 1.42 percent only. Out of this 68.42 percent of enterprises were from urban areas and 31.58 percent from rural areas. About 58.92 percent of the enterprises are exporting both directly and through export agencies, 27.47 percent of enterprises are exporting directly and rest 13.61 percent of enterprises are exporting through export agencies.

**2.3.2 Total Value of Exports from MSME Exporting Enterprises:** The total value of exports from MSME exporting enterprises were Rs. 67,914 crore. Uttar Pradesh recorded the highest value of exports with Rs. 14342 crore (21.12%) followed by Tamil Nadu (14.80%), Maharashtra (8.08%), Karnataka (8.06%), Rajasthan (7.33%), Gujarat (7.31%), Haryana (7.12%), Punjab (6.92%), Kerala (3.36%), West Bengal (3.17%) etc.

**Table 4: Top Ten MSME Exporting States (in Percentage)**

Rank	State/UTs	Export (in Rs. Crore)	% share
1	Uttar Pradesh	14342	21.12
2	Tamil Nadu	10049	14.80
3	Maharashtra	5484	8.08
4	Karnataka	5471	8.06
5	Rajasthan	4978	7.33
6	Gujarat	4962	7.31
7	Haryana	4834	7.12
8	Punjab	4701	6.92
9	Kerala	2279	3.36
10	West Bengal	2153	3.17
<b>Total of Top 10 MSME Exporting Units</b>		<b>59253</b>	<b>87.25</b>
<b>All India</b>		<b>67914</b>	<b>100</b>

Source: All India Fourth Annual Census of MSMEs, pg 46



Source: All India Fourth Annual Census of MSMEs, pg 46

**2.3.3 Trends of MSMEs Export in India's Total Exports :** The below table posits the trends in MSMEs export in India's total exports from 1990-91 to 2011-12:

**Table 5: Share of MSMEs Export in India's Total Exports(in Rs. Billion)**

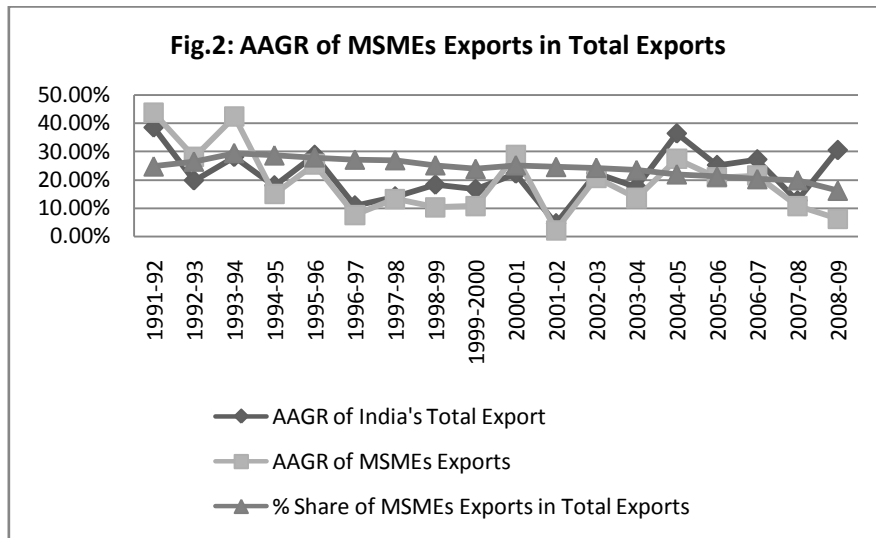
Year	India's Total Exports	Annual Growth Rate (in %)	SSI/MSMEs Exports	Annual Growth Rate (in %)	% Share of MSMEs Exports in Total Exports
<b>(Base Year: 2004-05)</b>					
1990-91	406.35	-	96.64	-	23.8%
1991-92	562.54	38.4%	138.83	43.7%	24.7%
1992-93	673.12	19.7%	177.84	28.1%	26.4%
1993-94	861.47	28.0%	253.07	42.3%	29.4%
1994-95	1016.07	17.9%	290.68	14.9%	28.6%
1995-96	1307.33	28.7%	364.70	25.5%	27.9%
1996-97	1448.54	10.8%	392.48	7.6%	27.1%
1997-98	1652.03	14.0%	444.42	13.2%	26.9%
1998-99	1952.80	18.2%	489.79	10.2%	25.1%
1999-2000	2276.97	16.6%	542.00	10.7%	23.8%
2000-01	2781.26	22.1%	697.97	28.8%	25.1%
2001-02	2907.57	4.5%	712.44	2.1%	24.5%
2002-03	3555.56	22.3%	860.13	20.7%	24.2%
2003-04	4174.25	17.4%	976.44	13.5%	23.4%
2004-05	5690.51	36.3%	1244.17	27.4%	21.9%
2005-06	7120.87	25.1%	1502.42	20.8%	21.1%
2006-07	9048.72	27.1%	1825.38	21.5%	20.2%
2007-08	10189.07	12.6%	2020.17	10.7%	19.8%
2008-09	13287.64	30.4%	2143.87	6.1%	16.1%
2009-10	12987.80	-2.3%	3911.59	82.5%	30.1%
2010-11	17101.93	31.7%	5077.39	29.8%	29.7%
2011-12	21503.26	25.7%	6301.05	24.1%	29.3%
<b>(Base Year: 2011-12)</b>					
2012-13	21439.31	-	6973.29	-	32.5%

Source: Central Statistics Office (CSO), RBI Publications

Ministry of Micro, Small & Medium Enterprises, Government of India

Authors own compilation of AAGR





Authors own compilation

Highest annual growth rate of 82.5% is recorded during 2009-10 and lowest 2.1% is shown in 2001-02. India’s highest annual growth rate of 38.4% in total export has been recorded during 1991-92 after the economic reforms of liberalization, privatization and globalization. There are lots of policy changes during that period. Government shifted the protection strategy to promotional and competition strategy. Similarly, highest share (32.5%) of MSMEs exports in total exports has been recorded during 2012-13 followed by 2009-10. In 2011-12 the base year of the country has changed therefore, there is a possibility of highest share of MSMEs exports in total export. India’s overall exports have increased at an average annual growth rate of 21.2% whereas MSMEs exports have increased at an AAGR of 23% which is marginally higher than overall India’s exports.

**2.3.4 Export Performance of MSMEs – Sector-wise Analysis:** A comparison has been done to measure the sector-wise export performance of MSMEs on the basis of value of exports and number of exporting units as per the second, third and fourth all India annual censuses of MSMEs. Third census is not comparable with second and fourth census due to 5-digit NIC code of 2004. Therefore, to avoid any discrepancies the paper has only compared second and fourth census. From table below among the top ten exporting sectors, highest value of exports were recorded by Hosiery & garments with 20.8 percent of total MSMEs exports in second all India census while manufacturing of all types of textile garments and clothing accessories recorded highest export in third census and wearing apparel topped in the fourth census. Food products maintained the second position during second and fourth census. Leather & leather products ranked 3 positions in second census while it ranked 4<sup>th</sup> during fourth census. In the second all India census top ten exporting sectors recorded 84.1% units and 93.4% in value of exports of the total MSMEs exports while in third census top 10 exporters accounted for 63.21% of the total value of exports and it has recorded 81.8% during fourth census. It shows that global demand for Indian wearing apparels has increased followed by food & beverages. The comparison is highlighted with different colours.

**Table 6: Sector-wise Comparison of Top 10 Exporters in terms of Value of Exports and Number of Units**

S. No.	Second Census			Third Census			Fourth Census		
	Industry/Characteristics	No. of Units	Value of Exports	Industry/Characteristics Nic Code	No. of Units	Value of Exports	Industry/Characteristics Nic Code	No. of Units	Value of Exports

	Nic Code (2-digit, 1970-71)	Lakhs	Rs. Lakhs	(5-digit, 2004)	Lakhs	Rs. Lakhs	(2-digit, 2004)	Lakhs	Rs. Crore
1	Hosiery & garments (26)	948 (20.8%)	72567 (29%)	Manufacture of all types of textile garments and clothing accessories (18101)	582 (25.9%)	22156523004 (18.0%)	Wearing Apparel (18)	5220 (11.2%)	12275.8 (18.1%)
2	Food products (20 & 21)	532 (11.7%)	53414 (21.4%)	Manufacture of knitted and crocheted cotton textile products (17301)	209 9.3%	7828602828 (6.36%)	Food Products & Beverages (15)	4208 (9%)	9113.78 (13.4%)
3	Leather & leather products (29)	432 (9.5%)	45040 (18%)	Processing and canning of fish (15124)	64 (2.9%)	6345519488 (5.16%)	Textiles (17)	8888 (19%)	6908.1 (10.2%)
4	Chemicals & chemical products (31)	519 (11.4%)	19969 (8%)	Software development (72203)	39 (1.7%)	4933274073 (4.01%)	Leather & Leather Products (19)	942 (2%)	5692.1 (8.4%)
5	Metal products (34)	332 (7.3%)	12830 (5.1%)	Manufacture of footwear (excluding repair) except of vulcalized or moulded rubber or plastic. This class includes manufacture of leather shoes, leather sandals and chappals, leather-cum-rubber/plastic cloth sandals and chappals made by and or by any process (19201)	126 (5.6%)	4612461220 (3.75%)	Chemicals & Chemical products (24)	2025 (4.3%)	5357.02 (7.9%)
6	Basic	208	8918	Manufacture	334	42684810	Fabricated	3333	5177.9

	<b>Metal Industries (33)</b>	(4.6%)	(3.6%)	<b>re of metal art ware (statues, picture frames, and other decorative articles including trophies) (28995)</b>	(14.9%)	67 (3.47%)	<b>Metal Products (28)</b>	(7.1%)	2 (7.6%)
7	<b>Machinery &amp; Parts except Electrical Machinery (35)</b>	355 (7.8%)	6466 (2.6%)	<b>Processing of edible nuts (15493)</b>	139 (6.2%)	3344081621 (2.72%)	<b>Machinery &amp; Equipment n.e.c. (29)</b>	2404 (5.2%)	3382.62 (5.0%)
8	<b>Misc. Manufacturing Industries (38)</b>	192 (4.2%)	5975 (2.4%)	<b>Rice milling (15312)</b>	225 (10%)	2814238895 (2.29%)	<b>Furniture (36)</b>	2710 (5.8%)	3032.27 (4.5%)
9	<b>Non-Metallic Mineral Products (32)</b>	155 (3.4%)	4628 (1.9%)	<b>Manufacture of wearing apparel of leather and substitutes of leather (18104)</b>	30 (1.3%)	2679894321 (2.18)	<b>Other Non Metallic Mineral Products (26)</b>	1775 (3.8%)	2784.96 (4.1%)
10	<b>Wood Products (27)</b>	159 (3.5%)	3688 (1.5%)	<b>Manufacture of purses and other ladies' handbags, artistic leather presented articles and novelties etc. (19122)</b>	61 (2.7%)	2473013839 (2.01%)	<b>Basic Metals (27)</b>	995 (2.1%)	1859.7 (2.7%)
<b>Total of Top 10 MSMEs Exports</b>		<b>3832 (84.1%)</b>	<b>233495 (93.4%)</b>		<b>1809 (80.6%)</b>	<b>61456090356 (79%)</b>		<b>37980 (81.4%)</b>	<b>63261.74 (93.2%)</b>
<b>Total MSMEs Exports</b>		<b>4554 (100%)</b>	<b>249902 (100%)</b>		<b>2244 (100%)</b>	<b>77796154382 (100%)</b>		<b>46675 (100%)</b>	<b>67913.86 (100%)</b>

Source: All India Census of MSMEs - Second, Third and Fourth

In the parenthesis NIC code is given. Third all India census will not be comparable due to 5-digit NIC -code and change in the type of industries.

3. **Conclusion:** Exports act as a 'Key Propulsive Sector' that propelled the country's economy forward. In India, MSMEs evolved as a highly vibrant and dynamic sector which contributes 30 percent in India's GDP at an annual growth rate of 11.5 percent that is higher than the annual growth rate of 7.1 percent of the country's GDP. Its contribution in manufacturing output is 33 percent and in total exports is 45 percent. It absorbs the largest work force after agricultural sector. The above analysis of key facts reflected that MSMEs exports and employment has a

significant effect in India's GDP. MSMEs exports rose at an AAGR of 23% from Rs. 96.64 billion to Rs. 6973.29 billion which is marginally higher than the AAGR of 21% of total exports. Share of MSMEs export in country's export has increased from 23.5% to 45% (MSMEs Annual Report, 2016-17) during 1990-91 to 2016-17. As per the fourth All India Census of MSMEs, Uttar Pradesh topped in the value of exports with 21.12%. Increase in the exports in the country has a direct and positive effect in country's GDP. Employment has indirectly effected in the economic growth of the country. With increase in employment disposal income in the hands of the people will increase which will further lead to rise in demand for goods & services, rise in production and capital formation therefore, rise in economic growth of the country. However, MSMEs engaged the largest labour force with low capital investment contributing to the country's economic growth. The findings also posits change in the composition of MSMEs export over a period of time by analyzing second, third and fourth all India annual censuses and found that food and beverages sector ranks second in terms of value of exports because of the rising demand for food products in both domestic and global markets. Globally with the change in fashion demand for wearing apparels have increased drastically and hence boost in exports in this sector. Therefore, MSMEs have played a crucial role in the economic and export growth of the country.

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## A STUDY ON HUMAN CAPITAL FORMATION AND ECONOMIC GROWTH IN INDIA

**Diksha Arora**, Amity School of Economics, Amity University, Noida

**Dr.Kalpana Singh**, Amity School of Economics, Amity University, Noida

### **Abstract**

The present study is undertaken to examine the relationship between Economic growth and investments in human and physical capital in India, to compare the relative impacts of investment in human capital and physical capital on Economic growth, to analyze the trends in the education levels and to examine the present educational system in India. The study makes use of secondary data for the period 2011-2016. For the purpose of study, the technique of multiple OLS regression is used taking GDP as a proxy for Economic Growth, Gross Fixed Capital Formation for physical capital formation and Expenditure on Education for Human Capital Formation. The results suggest that there exists a strong positive relation between GDP, human capital and physical capital formation. Human capital formation has greater impact on economic growth, a 1% increase in expenditure on education leads to 15.66% increase in GDP, whereas a 1% increase in GFCF, keeping other things constant, leads to a 0.73% increase in GDP. So far as results related to third objective is concerned, the trends in India's education levels as examined through Gross Enrolment Ratio, Drop-out rates and literacy rates depict an improving picture in the post reform period. India's enrolment rate in primary education is comparable to that of developed countries. However, in higher education, India's enrolment rate stands at 23%, as against about 87% in the US, 57% in the UK and 39% in China. The study concludes that still a firm educational base is required for India to grow and it should also be supplemented with skill development and practical knowledge. The Government of India is taking various initiatives in this direction. It is expected that by 2030, with all the transformative and innovative approaches, there will be a revolutionary change in the India's education system and hence higher economic growth.

**JEL Classification:** 040, 038, C3, I2

**Keywords:** Human Capital, Gross Fixed Capital Formation, Gross Enrolment Ratio, Skill Development

**Introduction:** The 20<sup>th</sup> century faced a strong quest for the determinants of long run economic growth. During that period, only physical capital was emphasized and it was only after the rapid post-war growth that human capital emerged as an important factor apart from the other general factors. Though human capital was de-emphasized in the beginning, the thought that it plays a vital role in clarifying the Income inequality and fostering economic growth was indicated in the economists' thinking. The works of Adam Smith and Alfred Marshall emphasized on the importance of manpower in the production process. Adam Smith did not specifically use the term human capital, but he added the skills and beneficial abilities of humans as an aspect in fixed capital. Marshall provided the detailed account of estimating returns to human capital. The formal inclusion of Human Capital in the main theory of Economic analysis was marked by Theodore Schultz. He stated that 'Investment in human capital accounts for most of the impressive rise in real earnings per worker.' Human capital refers to the stock of 'skill and expertise' embodied in humans. Human capital formation is the process of adding to the stock of human capital over time. It can be developed through creation of skilled, trained and efficient labor force by providing better education and health care facilities etc. Highly skilled people can create new ideas and methods of production. For an economy to be competitive, it is not enough to have advanced technologies, it is crucial to dispose of a well trained and specialized labor force. While the growth of investments determines the increase of economy's physical capital stock, educational system lies at the basis of Human capital growth. Expenditure on education is one of the most important ways of enhancing and enlarging the productive workforce. It is both a 'Merit good' and a "Public good" which attaches with it some externalities. Externalities may be indirect invisible or 'non quantifiable'. Not just teaching and learning, education also imparts among individuals knowledge, good judgment, wisdom and inculcation of values which helps in preserving the cultural heritage. It promotes better and rational decision making taking into account all

the alternatives available. Moreover, at the economy level, it is a powerful instrument for reducing poverty, inequality and enhancing the competitiveness in the global economy. Therefore, ensuring access to quality education for all, specifically for the poor and rural population is central to the economic and social development. India recognized the importance of human capital in the economic growth long ago. The Seventh Five Year Plan says 'Human resources development has necessarily to be assigned a key role in any development strategy, particularly in a country with large population.' Along with the investments in physical capital, India is making enough contributions to the formation of human capital. Though human capital in an economy includes both the state of health and educational levels of people, in this study the focus is exclusively on education.

**Literature Review:** There are many studies underlying the relationship between Human Capital Formation and Economic Growth. Sushil Kumar Haldar (2010) examined the time series behavior of investment in physical capital, human capital and output in a co-integration framework. Growth of primary gross enrollment rate and a dummy for structural adjustment programme i.e. the openness which was initiated in 1991 were taken as exogenous variables for the case of India (1960-2006). The model used in this study was derived from endogenous growth model by Lucas and the results suggested that physical investment has no long-run or short-run but human capital has significant long-run impact on per capita GNP. Raveesh Krishnankutty (2012) examined the relationship between education and economic growth in total number of states as a whole. Panel least square was used and Per NSDP (taken as a proxy for economic growth) was regressed on expenditure on education and expenditure on education as a percentage of aggregate expenditure. The result showed that expenditure on education is positively influencing the growth of economy but expenditure on education as a percentage of aggregate expenditure is negatively influencing the economic growth. V.P Ojha and B.K Pradhan (2015) studied the relationship between human capital formation and economic growth using CGE analysis by taking into account the baseline labor supply, wage rate, public education expenditure and three alternative policy scenarios for the expansion of education expenditure financed by direct taxes. It showed that 14% increase in real public expenditure on secondary and higher education, financed through 10% increase in income and corporate tax rates helps to achieve higher economic growth rate. Bashanta Mangal Dutta (2012) studied the relationship between literacy rate and state income levels. Hypothesis analysis and sample technique to collect primary data from 180 randomly selected respondents and it was found that there is high correlation of  $R=0.762$  between the two variables. Viswanath Jandhyala (2009) studied the contributions of human capital to economic growth in India through aggregate production approach. The contributions of human capital and physical capital are considered using cross section data for 26 states and union territories (1955-1999). It was found that there exists a strong relationship between human capital and economic growth. Muhammad (2012) investigated the casual relationship between economic development and formation of human capital in Pakistan. The time series data was considered for 1972-2009 taking GDP as dependent variable and human capital formation, investment in physical capital and labor force as independent variables. Casualty test was undergone and it showed bi directional relationship between economic development and human capital formation.

### **Objectives**

The overall aim of the study is to find out the linkage between human capital formation and economic growth. However, as stated earlier, the focus is exclusively on educational aspect of human capital.

- To analyze the relationship between public expenditure on education along with physical investment and Economic growth.
- To compare the relative impacts of investment in human capital and physical capital on Economic growth.

- To analyze the trends in the education levels and to examine the present educational system in India.

**Methodology:** The scope of the present study has been confined to the relationship between Economic growth and investments in human and physical capital .Also, to compare the impact of each of them separately. Only secondary data is taken into consideration for purpose of the study. The data for the present study have been collected from various Secondary sources as mentioned below.

The trends in education levels are examined through Gross Enrolment Ratio, Drop-out rates and literacy levels.

**Variables:** GDP is taken as a proxy for Economic Growth, Gross Fixed Capital Formation for physical capital formation and Expenditure on Education for Human Capital Formation.

The technique of Multiple Regression is used for testing the relationship between Economic Growth and Human capital formation along with physical capital formation.

The basic model for the study is as follows:

$$GDP_t = \alpha_t + \beta_1 EXEEDU_t + \beta_2 GFCF_t + \mu_t$$

where t represents the time period,  $\alpha$  is the intercept,  $\beta_1$  and  $\beta_2$  are the coefficients and  $\mu$  is the error term.

**Data Source**

- Collected from Economic Survey 2016-17 Statistical Appendix
- Indian Public Finance Statistics 2015-16
- Educational statistics at a glance (MHRD)

Collected data includes GDP at constant price, Gross Fixed Capital Formation, Public expenditure on Education, Gross Enrolment Ratio

The data is collected for the time period 2011-2016.

**Data Analysis and Findings**

**Table-1: Gross Domestic Product At Constant Price**

YEAR	GDP
2011-2012	8736329
2012-2013	9213017
2013-2014	9801370
2014-2015	10536984
2015-2016	11381002

Source: Economic Survey 2016-17(statistical appendix)

The above table shows the trends in Gross Domestic product at constant prices(2011-12) from year 2011-2016. There has been a continuous rise in the GDP growth rate for the period of five years. The growth rate for 2015-2016 has been 7.93% which is the fastest in the five years.

**Table-2: Gross Fixed Capital Formation**

YEAR	GFCF
2011-2012	2997733
2012-2013	3145793
2013-2014	3194924
2014-2015	3302173
2015-2016	3518446

Source: Economic survey 2016-17(statistical appendix)

This table shows the changing values of gross fixed capital formation in India from year 2011-2016. It is basically the expenditure on physical capital. The amount of GFCF is seen to be increasing but GFCF as a percentage of GDP per year is not always increasing. It is found as 34% in year 2011-12 and around 31% in 2015-16.

**Table-3: Government Expenditure On Education**

YEAR	EXPENDITURE ON EDUCATION
2011-2012	275313
2012-2013	310613
2013-2014	344344
2014-2015	381337
2015-2016	423154

Source: Indian Public Finance Statistics 2015-16.

This table shows the government expenditure on education for the five years. The absolute amount in terms of spending is seen to be increasing year after year. But the share of Education expenditure in total GDP is very less. It is just 3.15 % in 2011-12. However , expenditure on education as a percentage of GDP is rising in the next years. It is found to be around 3.6% in 2014-15 and 3.7% in 2015-16.

**Relationship between GDP, Physical Capital and Human Capital**

The data provided in the tables above is analyzed and using the method of Ordinary Least Squares GDP(Y) is regressed on EXEEDU(X1) and GFCF(X2).The results found by multiple regression showed that there exists a strong positive relation between GDP, human capital and physical capital formation. It is depicted by the Multiple R value of 0.997. Both human capital and physical capital directly impact the productive capacity of an economy. More human capital itself depicts more physical capital, so these two are complements .Increasing human capital raises rate of return on physical capital.The coefficient of determination  $R^2$  as 0.994 depicts that 99.4% of the variation in GDP around the mean values is explained by the two indicators. It lies between 0 to 1.The closer it is to , the better is the model explained by the variables.It is found that a 1% increase in education on expenditure leads to 15.66% increase in GDP keeping other things constant. Moreover, a 1% increase in GFCF, keeping other things constant, leads to a 0.73% increase in GDP.

**Comparison:** This study clearly shows that Human capital has a much larger impact on the GDP as compared to physical capital. Although both of them are increasing year after year and a very large proportion of GDP is GFCF as compared to expenditure on education, the expenditure on education has a better and fast impact on the growth of economy.Both of them are positively related to economic growth and to each other as well.The relationship between rise in human capital and economic growth is bidirectional. Rise in human capital leads to modern attitude and outlook, better quality of life. Individuals tend to look better after their own health as well as the people concerned to them. This in turn leads to better life expectancy. The better the quality of person, the better the efficiency and production and thus, economic growth.Now, this Economic growth leads to rise in per capita income. When the income levels are higher, more of investment is done in Education and health .Thus, leading to rise in Human capital. So, this way the entire process is interlinked.

**Trends in Gross Enrollment Ratio**

**Gross Enrollment Ratio (GER) or Gross Enrollment Index (GEI)** is a statistical measure used in the education sector and by the UN in its Education Index to determine the number of students enrolled in school at several different grade levels (like elementary, middle school and high school), and use it to show the ratio of the number of students who live in that country to those who qualify for the particular grade level. Given below is the data for Gross Enrollment Ratio in India for the year 2011-15.It is categorized under three levels, Primary, Secondary and Higher Education.

**Table-4: Gross Enrollment Ratio**

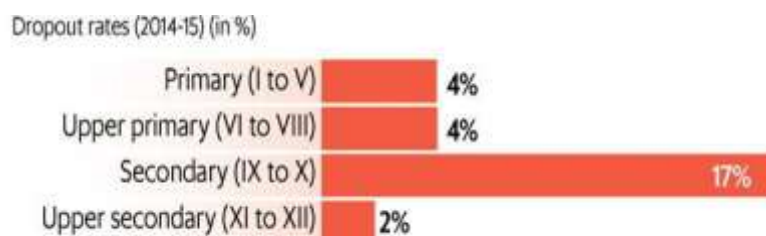
LEVEL	PRIMARY EDUCATION	SECONDARY EDUCATION	HIGHER EDUCATION
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	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
2011-12	105.8	107.1	106.5	69.0	63.9	66.6	22.1	19.4	20.8
2012-13	104.8	107.2	106.0	69.6	67.0	68.1	22.7	20.1	21.5
2013-14	100.2	102.6	101.4	76.8	76.5	76.6	23.9	22.0	23.0
2014-15	98.9	101.4	100.1	78.1	78.9	78.5	25.3	23.2	24.3

Source: Ministry of Human Resource Development, Government of India.

GER is calculated by dividing the number of students enrolled in a given level of education regardless of age by the population of the age group which officially corresponds to the given level of education, and multiply the result by 100. It can be calculated for different levels of education. Gross Enrollment Ratio at primary level includes people of age group 6-10 years, secondary level includes people of age 14-15 years and higher education includes people of age 18-23 years. While universal enrolment has been achieved at the elementary level (class I-VIII), the enrolment consistently falls with successive levels of education. It is found that the Gross Enrollment Ratio in case of Primary level (class I-V) is much higher as compared to the Secondary and Higher education level. It is even above 100% which indicates inclusion of over – aged and under – aged students i.e. it included people below the age of 6 years or above the age of 10 years. GER has reduced from 106.5 % in 2011-12 to 100% in 2014-15 which signals a more age appropriate class composition. The ratio is seen to be higher for the females. There is no massive gap in GER of boys and girls at secondary and senior secondary level in the country. In case of higher education, GER of girls is marginally lower than that of boys in India. However, the enrollment rates are lower for the secondary and higher education. A larger number of people drop out.

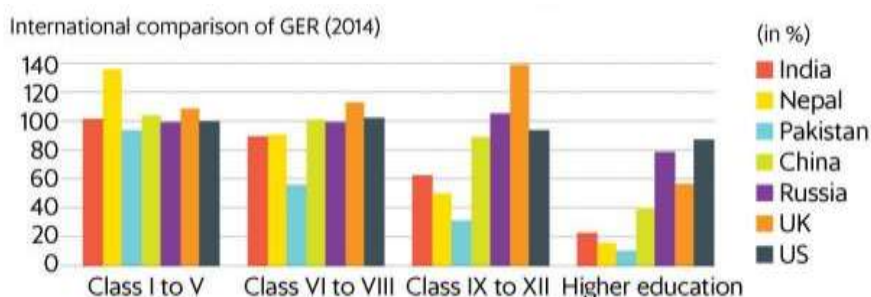


Source: Ministry of Human Resource and Development

The dropout rate peaks at the secondary level (class IX-X) at 17%, as compared to 4% in elementary school (class I-VIII) and 2% in upper secondary school (class XI-XII). This is also reflected in the transition rates in school education where the lowest transition rate is at the secondary level (from class X to class XI) at 69%. Once children are enrolled, transition rates indicate whether they are able to advance to higher classes. A transition rate below 100% indicates that the students are held back or have dropped out of school. Under the RTE Act, a child cannot be expelled or detained until the completion of elementary education—i.e., until class VIII. This may explain the differential trends between the enrolments, dropout and transition rates for elementary education and secondary education. In case of higher education, the enrollment rates are the lowest. GER of girls is marginally lower than that of boys. Lower GER of girls in higher education as compared to that of boys could be attributed to factors such as social, cultural and religious beliefs, attitudes and practices, poverty and poor learning environment. This level corresponds to the age group of 18-23 years. During this time

period, most of the people do not plan to study further. Most of the families, especially in rural areas consider this age children to be suitable for marriage. This is seen to a great extent in rural areas where people are not much educated themselves. They are unable to think rationally and in a better modern way. It is difficult for them to break some practice which is being followed from years and years. This ends up with people getting married at this age, especially girls. After that just a few might wish to continue with the studies. Others generally remain involved in the household chores or looking after their family. This is one of the reasons for low GER in case of higher education. Moreover, by that time there is a tendency for more people to drop out. They lack the motivation to study further.

It is also seen that after Primary school, India's enrolment rates are much worse than developed nations.



Source: Open Government Data Platform India

India's enrolment rate in primary education (class I-V) is comparable to that of developed countries. However, it falls behind these countries after class VI. In higher education, India's enrolment rate stands at 23%, as against about 87% in the US, 57% in the UK and 39% in China.

**Present Educational System in India:** The Indian educational system is producing more graduates every year. But the graduates have lack of basic communication and problem solving skills. Those are essential for even the elementary level jobs. Today's education is seen only in earning money. Education is offered to earn good money and also the educational institutions have become more commercialized. When we talk about present curriculum in India, it is out dated nearly 30 years old. Some institution sticks on an old curriculum. Few want the change and fight a long futile battle trying to change it. So there is a need of massive change in present and development of new curriculum along with administering the planned one. Vocational training should be mandatory alongside lots of practical work, as more importance has been given to theoretical classes rather than practical classes due to many issues like lack of facilities, lack of trainers etc. The present day education system in India comprises of about 600,000 primary, 150,000 upper primary, 70,000 secondary school and higher secondary schools. The network of institution of higher education includes more than 7000 colleges of general education about 1000 professional colleges and number of specialized institutions in industrial, scientific, technical, social sciences and research. There are 150 million students who are enrolled with an employment of about 4 million teachers. Creating more schools and allowing hundreds of colleges and universities to mushroom is not going to solve the crisis of education and economic growth in India. Parents are spending more money for education, even though not getting standard education and struggling to find employment of their choice. There are millions of students who are the victims of unrealistic, pointless, mindless rat race. The mind numbing competition is not only crushing the creativity and originality of millions of Indian students but also drives students to commit suicide.

**Significance of Education, Skill and its Impacts on Employability:** Education is the backbone of each family that too women's education is very essential. Nowadays, the value of education is just earning a degree without a goal, why this happens? The reason is lack of reinforcement, loss of hope on employment. "Nation does not need pointless, goalless youngsters, instead need mindful, talented, skilful youth to compromise the dynamic society and improve the status of our country among others". So the government has the responsibility to bring the hope and set stage for the youngsters of India. Each individual has to think and answer these questions like where we stand? What we have? Where has to go? What is our life time goal? How to bring the status in the society? This is not only for the people and also for the nation. The Nation also should set the goals on what we have? What must be taken initiative to improve the economic growth? What are all the sectors that need attention to improve the economic growth? So select that kind of areas and plan the strategies to implement the methodology which should contain need based education and skill development and plan for periodic monitoring. Education alone is not needed. For proper execution, skill is necessary. In India, importance of skill is an unattended aspect except in few areas like Medicine, Engineering etc that too not everywhere. What about other areas of studies? The graduates are still struggling in communication, lack of boldness to present the presentations. India is composed by demographic dividend with multiple languages, cultures, religion etc. So teaching in common language is not possible like other countries, if we do it, other issues crop up.

**Skill Learning:** Having knowledge alone is not adequate to bring the changes, the need of skill to execute properly is important. Now the new ministry introduced "Skill India Mission" for the youth to meet their domestic demands and also for the betterment of economic growth of our nation. Through this mission, Jobless, school dropouts, graduated, uneducated, and women will be given training based on their knowledge and ability which will certify them to get the jobs. For the students it will be starting from the school to provide communication skill, entrepreneurship, problem-solving skills, etc. The skill India mission has been introduced all over the India. It is not only for the schools, "SKILL FOR ALL" irrespective their education, sex, age etc. The central government has many vocational and professional skill-based training programmes. Apart from the courses the mission is planning to reach the rural India also. So the main aim of the mission is reach the outreach population. Training will be given to carpenters, black smith, masons, nurses, cobblers, welders, tailors, weavers etc. Importance will be given to the area where the government can improve the economic growth like real estate, construction, jewellery designing, tourism, banking, transportation, gem industry, textile etc. It will improve the individual earnings and which directly influence economic growth of the nation. The mission also plans to bring the courses for specific age groups on language and communication skills, personality development skills, behavioral skills, life and positive thinking skills, including job and employability skills which will be conducted by group discussion, games, brainstorming, simulation, practical experiences and case studies etc. This is to be managed by academic institutions, public and private sectors, Nongovernmental organizations etc.

**Problems and Policies:** Today, problems of identification are too high in India. For example, concentrating on teacher's salaries, class size, and institution benefits etc., secondary schooling literacy rates are low. There are encounter sporadic or nonexistent assessment of student education which are important issues. The shift of focus from year of schooling to cognitive skills has important policy implications because policies that extend schooling may be very different from best policies to improve skills. The policy conundrum is that student achievement has been relatively impervious to a number of interventions that has been tried by countries around the world.

1. Improve and revise the health and nutrition policy which directly influences children's ability to concentrate and leads to gain in basic achievements.
2. Create awareness about people involvement for support their children and provide path to develop their skills.
3. Strongly need to change the structural changes in curriculum and school institutions.
4. Recover school resources and skill-based education.

5. Improve incentives for student's performance and strong accountability system that accurately measures a student's performance.

6. Local autonomy that allows schools to make appropriate educational choices and competition in schools, so that parents can enter into determining the incentives that schools fare.

7. The student autonomy also considered because parents should not impose to select the path.

Cognitive skills have powerful effects on individual earnings on the distribution of income and on economic growth. Changes in curriculum structure and measurement

tools which assess cognitive skill are needed to bring the better impact on economic growth, because economic growth is strongly influenced by the skills of labor force in India.

**Conclusion:** It is found from the study that human capital formation has a positive impact on the growth of the economy. Also, the impact of physical capital formation on economic growth is positive. But the relationship is seen to be much larger in the former case. It is not that only human capital alone or only physical capital can foster growth. Both of these are together responsible for the economic growth along with other factors. All of them are inter-related. High human capital leads to better decisions by individuals, better investment decisions, higher economic growth and thus higher Gross Fixed Capital Formation. One of the biggest problems of India's growth story has always been inter-regional inequalities. This is true for Education system as well. India adopted the openness a bit late but since then various changes are seen in the education system. The trends analyzed show some improving picture of the Indian Education system. Education sector has seen a host of reforms and improved financial outlays in recent years that could possibly transform the country into a knowledge haven. With human resource increasingly gaining significance in the overall development of the country, development of education infrastructure is expected to remain the key focus in the current decade. In this scenario, investment in the education sector is likely to see a considerable increase in the current decade. A firm educational base is required for India to grow. But, education alone is not enough for the Economy to grow. It should be supplemented skill development and practical knowledge. The Government of India is taking various initiatives in this direction. It is expected that by 2030, with all the transformative and innovative approaches, there will be a revolutionary change in the India's education system.

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## A STUDY ON CHANGING DIMENSIONS OF INDIA'S FOREIGN TRADE POLICY & ITS IMPACT ON EXPORTS & IMPORTS

**Ms. Deepali Suri**, Amity University, Noida

**Dr. Kalpana Singh**, Professor, Amity University, Noida

### **Abstract**

*Foreign Trade Policy is a very important aspect for economic development of a country and maintaining a mutual agreement of wants and needs while trading and reverse the declining trend of exports. This paper discusses India's Foreign Trade Policy Dimensions during 1992-2017. In order to analyse the major changes in India's FTP during different periods (1992-97, 1997-2002, 2004-09, 2009-14, 2015-20) detailed study has been done. In each period, the effect of Foreign Trade Policy changes on Total Exports, Total Imports and Share of Net Exports on Gross Domestic Product, has been examined using Compound Annual Growth Rate (CAGR) to get to know in which period Foreign Trade policy was effective. Study finds that in 2009-14 CAGR and Share of Net Exports on GDP was Maximum due to better and innovative trade policies which was adopted in that year like Focus Market Scheme (FMS), Vishesh Krishi and Gram Udyog Yojana, SFIS (Served from India Scheme) etc. Mainly secondary data has been used. So far as New Trade Policy 2015-2020 concerned as only two years passed, effectiveness is yet to be seen and this presents the scope of future research.*

**Keywords:** Foreign Trade Policy, Compound Annual Growth Rate (CAGR), Gross Domestic Product (GDP), Merchandise Exports from India Scheme (MEIS), Service Exports from India Scheme (SEIS).

1. **INTRODUCTION:** Foreign Trade Policy of a country contains decisions taken by the Government in the sphere of foreign trade which not only explains about exports and imports but also explains and measure the related policies & procedures. Economic Theory generally gives the conclusion that trade liberalisation has positive effects on economic growth. If our economy is more trade liberalized then there will be more economic growth as it may lead to the enhancement of Gross Domestic Product (GDP) of our economy as exports is one of the factor of GDP. India's trade policy – the main target for having a reduction in average tariffs and quota regimes & removal of import restrictions & through all these changes enhancing the efficiency of domestic industry, exports & technological upgradation. Mainly simplifying the present tariff regime and developing a new trade negotiation strategy as well as trade related measures as a part of Macroeconomic policy. Currently, International Trade is a crucial part of development strategy & it can be an effective mechanism of financial growth, job opportunities & poverty reduction in an economy. According to Traditional Pattern of Development resources are transformed from the agricultural to manufacturing sector and then into services. The paper attempts to assess the trends in India's foreign trade Policy in different years from 1992-1997, 1997-2002, 2002-07, 2004-09, 2009-14, 2015-20 in first part which is followed by an evaluation of major trends in India's exports & imports & on GDP & on Compound Annual Growth Rate (CAGR).

### **1.1 BACKGROUND SCENARIO**

#### **1.1.1 History of Foreign Trade Policy of India**

India was a country which had a lot of Wealth and was well known for its textiles as an export item. Large variety of ornaments like pearls, Stones were produced in South India. Dry Fruits, Kashmiri Carpets, Indian Spices were some of the famous gifts which was provided by India to the rest of the world. Indian Trade history is remarkable. Indian trade has benefits and so had the world.

India's Trade Policy can be divided into following phases:

1. Phase 1- Import Restriction & Import Substitution ( 1950's -1970's)
2. Phase 2- Export Promotion & Import Liberalisation (1970's-1990's)

**These two phases together fall under Licence Quota Raj (Controlled & Restrictive Environment).**

3. Phase 3- Outward Orientation ( From 1990 onwards)

**(Followed a policy of LPG ( Liberalisation, Privatisation & Globalisation) to solve its BOP related problems)**

Globalisation of the Indian Economy is the major factor in formulating the foreign trade policy of India. From 1990 New Import Export Policy was formulated, where service Exports were encouraged. EXIM Policy was implemented for Five Years 1992-1997 and it was also constituted from 1997-2002. From 2002-03 Agricultural exports were promoted and from 2008-09 major emphasis on Special Economic Zones ( SEZ's). In 2006-07 , exports of petroleum products, engineering goods, gems & jewellery were encouraged. Since 1991, major focus of exports were manufacturing & Engineering goods. There were different committees like PC Alexander Committee (1978)- First committee to review on Export -Import Policies and recommended on simplification of Import Licensing procedure. In 1980 Tandon Committee gave recommendations on export strategies. Abid Husain Committee ( 1985-88) conceptualize “ Growth Led Exports, rather than Export Led growth”- harmonize foreign trade policies with other domestic policies. Tax reform committee which was by Raja J Chelliah recommended to minimize the role of quantitative restrictions and to reduce the tariff rate. Special Economic Zones were set up to push up exports. For stability & continuity Export Import Policy was made , prior to 2004, Foreign trade policy was called EXIM Policy, 1992-97 policy was first EXIM Policy aimed towards globally oriented economy. The Central Govt. used to notify the Import and Export Policy every year & the Policy book was known as the ‘Red Book’.

## 1.2 REVIEW OF LITERATURE

A study by **Felicitas Nowak – Lehmann D. ( U.S International Trade Commission, 1997)** entitled **Trade Policy And Its Impact On Economic Growth : Can Openness Speed Up Output Growth?** aims at bring more light onto the relationship between trade policy and growth. Generally the Economic Theory supports the conclusion that trade liberalization has positive effects on economic growth. Here the connection between two very simple trade policy indicators which characterize trade openness & output growth. Two impact channels were tested (1) Saving –Investment Channel – implicit in AK Model (2) TFP Channel – implicit in endogenous technical progress model.

Here the methodology used to test the link : **Trade openness – capital accumulation- output growth (AK Model).**

$$Y=AK$$

Y is GDP in real terms, A stands for level of technology, K is capital stock in real terms & t denotes time, the main analysis of this model is

The long term role of capital accumulation for output growth which promotes investment which is important for economic growth & Trade openness is important for output & TFP- growth, therefore this enable economists to find out the impact of trade policy on rate of economic growth.

A study by **Murat Sekar (2011) entitled Trade Policies, Investment Climate & Exports** shows that quality of infrastructure, custom efficiency, regulatory quality, access to finance increase export performance. Favourable Investment climate is important objective to have export volumes. He focused on six indicators that is trade facilitation, regulatory quality, entry regulations, access to finance, infrastructure & property rights, these indicators affect the export performance. This paper analyses a favourable investment climate which not only improves the export performance but also reduces the distortions which is caused by restrictive foreign market access policies.

Methodology is used to evaluate trade restrictions affect export performance. The estimation method that he applied is Pooled Ordinary Least Square Method (OLS). He mainly analyse that GDP is

strongly correlated with high export performance & improvements in investment climate is important in reducing the barriers of trade & in leading the export performance of the countries.

A study by **Harsha Vardhana Singh (2017) Entitled Trade Policy Reforms In India Since 1991** mainly analyse the evolution of trade policy. Earlier the trade policy focused on Tariffs, Quotas, Import Licensing. Now the focus of trade policy is towards greater facilitation of processes & value chains, improving infrastructure & on the condition of investments & consistent good quality products & reliable supply. He explained about the services & regulation as an integral part of trade policy reform, India's pattern of growth is changing from agriculture to manufacturing and then to services as government introduced changes in import export policy, focuses on import licensing, export promotion. The combination of FDI, international value chains & services reform lead to a shift of focus of trade policy from restrictions towards trade facilitation. Trade facilitation polices include a focus towards timeliness, Transparency, paperless procedures, simplifying procedural formalities. Trade Policy reform in India has come a long way on the road which way paved since 1991.

A study by **Dr. Arundhai Sharma (2017) entitled Changing Contours Of India's Foreign Trade Policy** aims at focusing on foreign trade policy trends & the impact of these changes on trade performance & on foreign direct investment. It assess the trends in India's FTP since 2000. This paper explained the FTP in India, Recent policy measures, developments. Gradual Liberalization of Indian economy leads to the socio economic growth and also improves the India's total merchandise trade to GDP ratio from 21.8% in 2000-01 to 44.1% in 2013-14. With a view to attract foreign investments in India & promote exports along with employment generation, SEZ's policy was announced in April 2000 which promotes exports, employment, infrastructure, investments which may lead high economic growth & gain competitiveness.

A study by **Rahul Anand, Kalpana Kochhar, Saurabh Mishra (2015) entitled Make In India: Which Exports Can Drive Next Wave Of Growth** aims at structural transformation depends not only on how much countries export but also on what they export and with whom they trade. Analysing India's export by the technological content, quality, sophistication & complexity of export basket. Main priority areas of the policy is to reduce the trade costs, improve infrastructure, Liberalization of FDI, Enhance manufacturing and services, enabling environment for innovation & entrepreneurship to change the economy into higher productivity activities. They used the methodology of RCA ( Revealed Comparative Advantage) to know whether a country's share of a product's world market is larger or smaller than the product's share of entire world market.

### 1.3 OBJECTIVES

Major Objectives are:

- To analyse the major changes in India's Foreign Trade Policy during different periods 1992-97, 1997-2002, 2004-09, 2009-14, 2015-20.
- To examine the impact of Trade Policies on trade performance- exports-imports & on Gross Domestic Product.

### 1.4 METHODOLOGY & DATA SOURCE

The study is based on Secondary Data. So far as first Objective is concerned a detailed analysis has been done of various Foreign Trade Policies in different time periods, usually discuss about the changes, areas where further progress is required.

So far as second Objective is concerned, examining the impact of trade policy on exports-imports, GDP and to examine, relevant ratio like Percentage share of Net exports on GDP, Compound Annual Growth Rate (CAGR) etc. have been calculated and analysed which is expressed through Graphs.

Methodology (1) Observe the share of **Net Exports on GDP** through formula applied:

(Net exports/ GDP ) x 100 in respective years from 1992-97, 1997-2002, 2004-09, 2009-14, 2015-17. (2) **Compound Annual Growth Rate (CAGR)** of exports which was observed by different policies which was adopted throughout the years from 1992-2017. CAGR is the mean annual growth rate of an investment over a specified period of time longer than one year.

It is calculated by using the formula:

$$\text{CAGR} = \left( \frac{\text{Ending Value}}{\text{Beginning Value}} \right)^{1/\text{no. of years}} - 1$$

CAGR Method decreases the effect of volatility. It is also used to evaluate how various trade policies has performed overtime. It provides a “smoothed annual yield”. CAGR is calculated by the data of “**Exports of different Principle Commodities (in Rupees)**” which includes agriculture, Manufacturing, Construction, Engineering Goods, Electronic goods & other commodities from the source of **Reserve Bank of India “Handbook of Indian Economy”** which shows the progressive Growth Rate throughout different years from 1992-2017 when different policies were adopted which may affect the trade performance- on exports & imports, Investment & GDP of the economy.

2. **DATA ANALYSIS & DISCUSSION:** Before Data analysing various highlights of trade policy were mentioned which boost exports. Various Highlights which was adopted in Foreign Trade Policies:

### 2.1 Major Changes in Trade Policy from 1992-2017

#### 2.1.1 EXIM POICY 1992-97

- ✚ The Export-Import Policy (EXIM Policy), announced under the Foreign Trade (Development and Regulation Act), 1992, which reflect the liberalization of foreign trade and the measures for export promotion. The EXIM Policy is announced for a five- year period.
- ✚ Important feature of EXIM Policy is freedom and to eliminate the Licensing, Quantitative restrictions & discretionary controls.
- ✚ Licensing of imports was replaced by import entitlements which was later renamed by Eximscrips which was freely tradable and attract a premium in the market.
- ✚ Simplified the Advance Licensing System which improve exporter’s access to imported inputs at duty free rates.
- ✚ 51% of foreign equity is also allowed in Trading Houses.
- ✚ Scope of Canalization for exports and Imports was narrowed.
- ✚ Established exporters were allowed to maintain the foreign currency accounts to raise external credits and to finance trade transactions.
- ✚ The main effect of these reforms was to enhance the export incentives and to introduce a self balancing mechanism where imports are automatically regulated by the availability of Eximscrips through Export earnings.

#### 2.1.2 FOREIGN TRADE POICY 1997-2002

- ✚ Expanding Global opportunity, restructure export promotion schemes. Policy aims of Trade liberalization to achieve the high export growth rate, improve technological strength & create employment.
- ✚ Simplification of schemes & procedural formalities through the adoption of two new schemes that is **Advance Licensing Scheme & Duty Entitlement Pass Book (DEPB) Scheme.**
- ✚ **EPCG Scheme** ( Export Promotion & Capital Goods Scheme )- duty on capital goods had been reduced from 15% to 10%, enhance economic growth by providing raw materials & capital goods for production.
- ✚ Promote Gems& Jewellery Scheme by expanding its exports, 100% foreign equity participation in case of 100% EOU’s ( Export Oriented Units ) & units set up in EPZ’s ( Export Processing Zones) .



- ✚ Boost **Agro Export** by allowing import of requirements of Rs.5 Crores and Above under zero duty EPCG Scheme.
- ✚ Promote the **export of software**, facilities have been provided to this sector:
  - Software units undertake exports through data communication link in the form of physical exports through the courier service also.
  - Software units use the computer system for commercial training .
  - Software units can import goods on loan from client for a specified period.

### **2.1.3 FOREIGN TRADE POLICY – 2002-07**

- ✚ Export oriented rather than import liberalizing, several incentives for SEZ's ( Special Economic Zones).
- ✚ Main Objective is to have high level of economic activities, enhance technological strength, efficiency of indian agriculture, industry & services therefore improving their competitiveness, generate new employment and provide quality consumer products at reasonable prices.
- ✚ Duty free import facility for service sector which has a minimum foreign exchange earnings of Rs. 10 lakhs.
- ✚ 20 Agri Export Zone has been notified for promoting the exports of agro and agro based products, transport subsidy was there for the export of fruits, vegetables etc.
- ✚ Custom Duty on import of rough diamonds reduced to 0%.
- ✚ Value addition norms for the export of plain jewellery reduced from 10% to 7%.
- ✚ Annual Advance License Facility is introduced to plan for the imports of raw materials and to take advantage of bulk purchases.
- ✚ Software Technology Parks of India (STPI)- free movement of professional equipment like laptop/computer.
- ✚ Removal of Quantitative restrictions.
- ✚ EPCG Schemes shall allow import of capital goods for pre production & post production facilities.
- ✚ Online issuance of IEC ( Importer- Exporter Code) by linking the DGFT with income tax PAN database is under progress, IEC holders furnish online returns of exports & imports on an yearly basis.
- ✚ DFRC Scheme ( Duty Free Replenishment Certificate Scheme)- provide a boost to domestic manufacture, extended to deemed exports.

### **2.1.4 FOREIGN TRADE POLICY – 2004-09**

**New government decided to terminate the five-year Exim Policy, 2002-07 and replace it with a new Foreign Trade Policy for a five-year term beginning the fiscal year on the 31st August 2004.**

- ❖ Main objective to double the share of India of global merchandise trade by 2009 from 0.7% in 2003 to 1.5% in 2009 & to generate employment in semi urban and rural areas.
- ❖ Brings down the transaction costs and create an atmosphere of trust.
- ❖ To facilitate development of India , focus initiatives were identified for agriculture, Electronics, Leather, Gems & Jewellery, IT Hardware manufacturing industries etc.
- ❖ Vishesh Krishi Upaj Yojana- Boost exports of fruits, vegetables.
- ❖ Assistance to States for Infrastructure Development of Exports (ASIDE) promote exports by developing infrastructure such as roads connecting production centres with ports & also for the development of Agri export zones.
- ❖ Duty free import of commercial samples of jewellery increased to Rs.1 lakh.
- ❖ New Handicraft Special Economic Zone shall be established.

- ❖ Free Trade & Warehousing Zone- trade related infrastructure for the exports and imports of goods and services with freedom to carry out trade transactions in free currency- aimed at making India into a global trading-hub.
  - ❖ **Pragati Maidan** - showcase industrial and trade prowess to its best advantage – it is transformed into a world class complex.
  - ❖ New Scheme of **Target Plus** had been introduced to accelerate the growth of Exports.
  - ❖ New Status Holder Categorization as Star Export Houses was introduced:
 

One	Star	Export	House	15	crores
Two	Star	Export	House	100	crores
Three	Star	Export	House	500	crores
Four	Star	Export	House	1500	crores
Five Star Export House 5000 crores					
  - ❖ Market Access Initiative (MAI) & Marketing Development Assistance (MDA)- provide financial assistance for medium term export promotion efforts with focus on country/product and to the range of export promotion activities implemented by EPC's. Activities funded under MAI Scheme are Sales promotion campaign, market studies, brand promotion , publicity campaigns etc. Under MDA Scheme include participation in Export promotion seminars , Trade fairs etc. MDA: Export turnover upto Rs. 15 crores.
  - ❖ Various schemes like High –Tech Products Export Promotion Scheme(HTPEPS), Focus Product Scheme (FPS) & Focus Market Scheme (FMS) were implemented.
- FPS & FMS were mainly to offset infrastructural inefficiencies & high freight cost & other externalities.

### **2.1.5 FOREIGN TRADE POLICY – 2009-14**

- Increasing the percentage share of global Trade & expanding employment opportunities by having sectoral initiatives in other sectors like Market Diversification, Technological upgradation , Handlooms, gems & jewellery, IT, Green Products etc.
- Incentives provided under **Focus Market Scheme (FMS)** increased from 2.5% to 3%.
- For Technological upgradation in export sector EPCG Scheme at zero duty had been introduced.
- For promoting Handicraft and Handloom exports, specific funds set apart under MAI & MDA Schemes .
- For the export of Green products & Technologies , special initiative taken for the manufacture of such products by having a focus on solar & wind power generation & other products.
- DGFT adopt measures for the protection of human, animal or plant life or health, exhaustible natural resources, patents, copyrights & trademarks.
- SFIS (Served from India Scheme) main objective is to have a growth in exports by creating a unique “Served from India” brand.
- VISHESH KRISHI AND GRAM UDYOG YOJANA – mainly to promote exports of Gram Udyog Products, Forest Based products etc.
- Duty Credit Scrip benefits – main aim to compensate high transport costs.
- Duty Exemption Schemes like DFIA (Duty Free Import Authorisation) which has a duty free import of inputs, oil, which is required for the production of export product.
- Duty Entitlement Passbook Scheme (DEPB) – to neutralise incidence of custom duty on import by the way of grant of Duty Credit.
- Second hand capital goods without any restriction may also be imported under EPCG Scheme.
- A Directorate of Trade Remedy Measures shall be set up for enabling support to Indian Industry & exporters, especially the MSME's.

**2.1.6 FOREIGN TRADE POLICY – 2015-20**

- ✚ FTP 2015-20 introduces two new schemes, ‘**Merchandise Exports from India Scheme (MEIS)**’ for export of specified goods to specified markets and ‘**Services Exports from India Scheme (SEIS)**’ for increasing exports of notified services.
- ✚ MEIS replaced 5 different schemes like Focus Product Scheme, Market Linked Focus Product Scheme, Focus Market Scheme, VKGUY, Incentive Scrip .
- ✚ Served From India Scheme (SFIS) is replaced by Service Exports From India Scheme (SEIS). SEIS will apply to “ Service providers located in India” instead of “ Indian Service Providers”.
- ✚ The rates of rewards under MEIS range from 2 per cent to 5 per cent. Under SEIS the selected Services would be rewarded at the rates of 3 per cent and 5 per cent.
- ✚ The Policy aims to respond to the challenges of the external environment, and make trade a major contributor to the country’s economic growth and development.
- ✚ Measures taken to give a boost to export of defence and Hi-tech items.
- ✚ Main aim to increase Exports and generate employment by boosting “Make in India” program.
- ✚ ‘Niryat Bandhu Scheme’ had been developed to achieve the objectives of ‘Skill India’.
- ✚ Major areas of New FTP is Trade facilitation and ease of doing business & to move towards paperless working in 24x7 environment.
- ✚ 108 MSME clusters were set up to boost exports.
- ✚ DGFT is working on EDI initiative like Online issuance of Export Obligation Discharge Certificate (EODC), Mobile applications for FTP etc.
- ✚ Under MEIS , Higher rewards were granted to the following category of products like Agricultural Products, Industrial Products, Hi-Tech Products, Eco-friendly & Green Products, Labour intensive products, Pharmaceuticals, Automobiles, Women Centric Products.
- ✚ Under SEIS, various services had been reviewed like Business Services, Communication Services, Construction & Engineering Services, Educational Services, Environmental Services, Transport Services, Health & Social Services, Tourism Services.

The major objective across these policies is to augment the Indian economy, sustain its economic growth & enhanced integration with the world economy by increasing India’s percentage share of Global Merchandise trade & Employment generation.

**2.2 Impact of Trade Policy on Exports, Imports & GDP**

We analyse the various things through this paper which is mentioned through various graphs:

1. This section focuses on Trade Policy Changes on Exports & Imports. Various highlights which is mentioned above to boost exports as shown in below diagram where **exports is continuously increasing** because of adopting new trade policies:

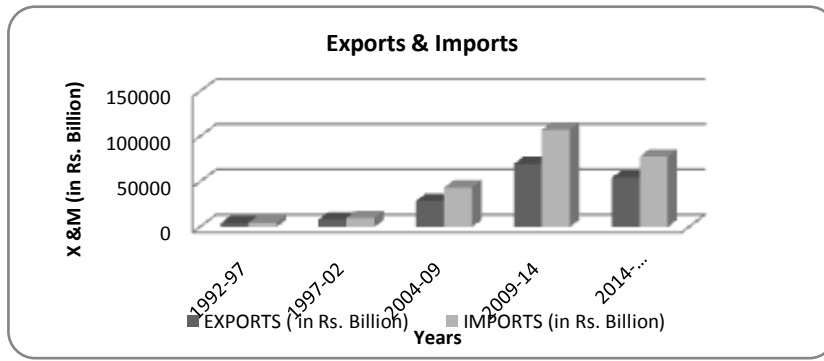
**Table 1 : Exports & Imports Of India**

YEARS	EXPORTS ( in Rs. Billion)	IMPORTS (in Rs. Billion)
1992-97	4312.842	4880.44
1997-02	8420.041	10,238.17
2004-09	29001.553	43887.27
2009-14	69,946.87	1,07,812.12
2014-2017	54669.254	77942.045

**Note:** Authors own Calculation/ compilation using data from

**Source:** “Handbook of Statistics of Indian Economy” Reserve Bank of India (RBI).

**EXPORTS AND IMPORTS OF INDIA IN DIFFERENT YEARS**



**GRAPH 1**

**Note:** Authors own Calculation/ compilation using data from

**Source:** “Handbook of Statistics of Indian Economy” Reserve Bank of India (RBI), ( Table 1)

This graph shows that exports is continuously increasing although there is a trade deficit where imports is still higher than exports but Government is continuously taking several steps to minimize the trade deficit which was mentioned above in Highlights , for the economic development of our economy.

2. This section focuses on Trade Policy changes on the share of Net Exports on GDP, we took the GDP at MP at Constant Prices to reflect the current trends prevailing across most countries and also for the appropriate representation of economic activity, as we used the Market Price method is based on the amounts paid by consumers, as due the change in base year by adopting GDP at MP there is a sharp revision in annual change in India’s real GDP.

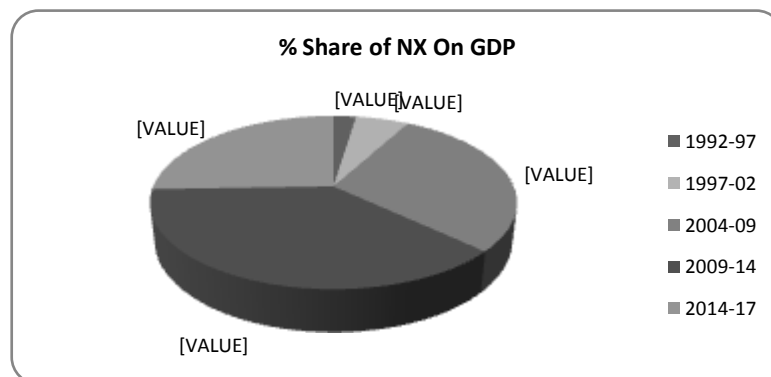
**Table 2 : Percentage Share Of Net Exports On Gdp**

YEARS	Net Exports	GDP at Market Price at Constant Prices	% Share of NX on GDP
1992-97	-567.598	89742.33	0.63%
1997-02	-1818.131	120881.44	1.50%
2004-09	-14885.717	193242.4	7.70%
2009-14	-37865.249	378239.46	10.01%
2014-17	-23272.791	341078.4	6.80%

**Note:** Authors own Calculation/ compilation of GDP at Market Price using data from

**Source:** “Handbook of Statistics of Indian Economy” Reserve Bank of India (RBI).

**PERCENTAGE SHARE OF NET EXPORTS ON GDP**



**GRAPH 2**

**Note:** Authors own Calculation/ compilation of GDP at Market Price using data from

**Source:** “Handbook of Statistics of Indian Economy” Reserve Bank of India (RBI) (Table 2)

This graph shows that share of Net Exports is continuously increasing on GDP , which means that Net exports is a major in calculating GDP , so if we increase the Exports in an economy which enhances the share of Net exports on GDP , therefore may lead to increase in GDP of an economy. Maximum share of Net exports on GDP is 10.01% in 2009-14 due to adoption of new trade policies.

**3. Compound Annual Growth Rate (CAGR):**This section focuses on Trade policy changes on Compound Annual Growth Rate of Exports of Principle Commodities which includes Agricultural Goods, Manufacturing Goods, Industrial Goods, Engineering Goods, Electronic Goods in different years from 1992-2017 from the RBI “Handbook of Indian Economy” which shows the progressive growth rate due to the adoption of New Trade Policies, to evaluate how different trade policies has performed over time.

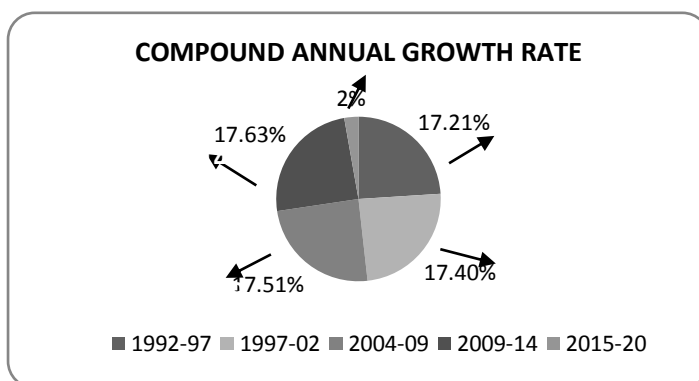
**Table 3 : Compound Annual Growth Rate**

CAGR (1992-2020)	
Years	CAGR
1992-97	17.21%
1997-02	17.40%
2004-09	17.51%
2009-14	17.63%
2015-20	2% approx..

**Note:** Authors own Calculation/ compilation of CAGR using data from

**Source:** “Handbook of Statistics of Indian Economy” Reserve Bank of India (RBI).

**COMPOUND ANNUAL GROWTH RATE**



**GRAPH 3**

**Note:** Authors own Calculation/ compilation of CAGR using data from

**Source:** “Handbook of Statistics of Indian Economy” Reserve Bank of India (RBI) ,( Table 3)

CAGR is continuously increasing due to the adoption of New Trade policies in respective years, showing the maximum growth rate in 2009-14 with 17.63%.

**3. CONCLUSION & MAJOR FINDINGS**

- Foreign Trade in India has been the most important determinant of economic development in India. Trade policy reforms in India has come a long way by having better trade policies ( liberalized policies) , service regulation, Greater opportunities of Investment and many more , mainly to improve the growth potential of an economy & gain competitiveness, by facilitating new program like “Make in India”.
- India’s FTP is aligned with various initiatives undertaken over the years. Trade Policy Liberalization is possible by eliminating or minimizing the degree of regulation & licensing

control. It is also seen that each FTP have consolidate the gains of previous policy and further carried forward the process of liberalization.

- Paper has discussed India's foreign trade policy trends and its impact on trade performance in terms of Exports, GDP, Growth Rate by various initiatives taken by Government like SEZ's which complement exports, investments & employment generation.
  - **Graph 1** shows that exports is continuously increasing as Exports & Imports is maximum in 2009-14 due to enhanced and improved new trade policies and minimum in 1992-97 although there is a trade deficit where imports is still higher than exports but Government is continuously taking several steps to minimize the trade deficit.
  - In **Graph 2** Maximum share of Net exports on GDP is 10.01% in 2009-14 due to adoption of new trade policies & minimum share is 0.63% in 1992-97.
  - In **Graph 3** CAGR is continuously increasing due to the adoption of New Trade policies in respective years, showing the maximum growth rate in 2009-14 with 17.63% and Minimum growth rate in 1992-97 that is 17.21% and as new trade policies adopted improvement and enhancement takes place.
  - More emphasis should be given to MEIS & SEIS Schemes & to services to boost India's Foreign Trade.
4. **FUTURE SCOPE & LIMITATIONS/DISCUSSION:** Future Scope can be done by analysing the different trade policy trends of Different countries, countries comparison can be done, effectiveness lessons can be learnt from different countries to enhance the Trade of our country and improve the GDP of an Economy. This paper has certain limitations as Net Exports is not the only factor which affects the GDP of an economy as there various other factors like Private Final Consumption Expenditure, Government Expenditure, Investment spending. Through net exports we are seeing only the effect of exports & imports on the GDP of an economy.

#### **ACKNOWLEDGEMENT**

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## E-COMMERCE: ADVANCEMENT AND AIDS TO INDIAN ECONOMY

**Ms. Sheena Mehra**, *PhD Research Scholar of Shri Jagdish Prasad Jhabarmal Tibrewala University, Jhunjhunu, Rajasthan*

### **Abstract**

*This paper examines the growth in the field of E-commerce in India and tremendous benefits attached to it. Over the years, E-commerce has developed as an independent business opportunity for many aspiring business leaders. Due to its diversification in various fields, e-commerce has led to household accessibility in developing regions of India. The major players contributing to it are Amazon and Flipkart. The e-commerce ever-growing market in 2010 was approximately \$4.5 billion which led to approximately \$30 billion in the year 2017 and is expected cross \$100 billion by 2020. Although it has conquered major heights still the exploration of benefits and growth development in its industry is unknown to many audiences. This paper puts some light on it.*

**Keywords:** *Mobile commerce*

**Introduction:** Over the years Internet has evolved in the field of telecommunication. From working on personal computers to high speed internet enabled smartphones, internet has gained its momentum with the introduction of e-commerce. It has changed the outlook of how we perceive things in our day to day life. Till now the retail outlets have been the king pin of consumer retailing but with the entrance of e-commerce, life has been rotated to 360 degrees. Everything can be purchased online buying personal ,healthcare products, booking tickets, purchasing groceries, home décor and much more under a click of the button. Electronic commerce is a business wherein sale and purchase of goods, services and other products take place. Electronic commerce have been diversified into its various other sub-categories:

**Business to business(B2B):** It is one of the most famous categories of e-commerce wherein both vendors quote their prices, do business online and thereby indulge in e-commerce. This sort of business is consequence of low cost inventories, orderly supplies,vast range of products and timely delivery. IBM and LinkedIn are the biggest examples of b2b commerce.

**Business to customer (B2C):** This is the most popular business model wherein ready to sale goods and services by vendors are sold to end consumers through varied websites. Once the order is placed , it goes through various processes of packaging, billing ,dispatching , returns and customers are given tracking code as well. This category has attained a lot of boost with the arrival of M-commerce. Although this business requires higher investments and involves huge amount of risk. If runs well, the returns are mindboggling. Websites like Amazon.com, Nykaa.in and even individual sites of branded companies have reaped amazing profits with their eye-catching discounts and offers.

**Customer to customer (C2C):**This model offers customers to indulge in online trade with each other. Both the customers have to get themselves registered on the respective website for trading business. E-bay is one of the most famous websites in online where consumers sell and purchase goods, services online. Similar goods are offered by multiple sellers at differentiated prices. These type of websites give customers the chance to put bids for their desired products. Amazon.com works as both B2C and C2C website and has captured a large market share in e-commerce worldwide. Other examples of famous Indian C2C websites are OLX and Quicr

### **Objective**

- 1) To analyze the development of e-commerce in India.
- 2) To examine the e-commerce effects on the customers and society.

### **Key elements for growth of E-Commerce in the past few years**

1. **Mobile commerce:** One of the most influential factor in the history of e-commerce is the introduction to mobile commerce. The advancement of phone technology has opened new ways for e-commerce expansion. With the increase in usage of mobile applications by various e-



commerce websites these days , PCs are shifted to smartphones. The last year has seen several developments that have given a fillip to the eCommerce industry. From the recent survey conducted in 2017 ,it has been found that more than 70% of the online shopping is done via smart phones leading not only to increased client capture but also to retaining of customers.

2. **Rapid growth in semi-urban and rural cities:** It has been discovered that major business of e-commerce is coming from Semi-urban cities where there is limited reach to high end brands. According to the survey, 35-40% of the business is transacted from the rural and semi-urban areas. Rural consumers are eager and motivated to purchase branded and high quality products by viewing their favorite celebrity endorsing a certain brand on Tv. Consequentially, these advertisements at every nic and corner of the rural house are influencing the purchase decisions of customers.
3. **Additional benefits:** Along the ease of shopping everything under one roof, e-commerce has diversified itself into lots of other streams like furniture(pepperfry.com) Shaadi.com , booking online tickets or planning a vacation, paying electricity , water bills etc. From fastest delivery to money back guarantee, all these facilities have made e-commerce a much simpler platform than on-line store shopping. Social websites like facebook, intstagram etc are playing a key role in promotion of the websites through multiple and contentious advertisements. New tactics have been adopted by the websites such as festival sales (Christmas, Diwali , new year sales), EOSS end of season sales with huge discounts, time to time sending emails to consumers of special discounted coupon codes to attract the customers. Few websites like Amazon , Flipkart ,mynta hold the big billion days which result in huge sales estimated to be around 1000 crores.
4. **Adding Branded labels to the portfolio:** Over the years , the leading websites have been doing partnerships with the other foreign brands and designers. As is evident from Myntra website which introduced high end brands like Dorothy perkins, Next , Daniel Wellington , Nush and much more. Also, Amazon tie ups with Nike, I phone etc. All these websites have enjoyed the benefits from their exclusive partnerships with various brands.
5. **Product Diversification:** The market demand has seen a new trend, The increase in new customer products such as lingerie, home décor, jewelry, kitchen and dining, healthcare products, baby products and toy. The export of India consists of 90% of e-commerce with U.S.A , Australia, Pakistan and Asian countries.

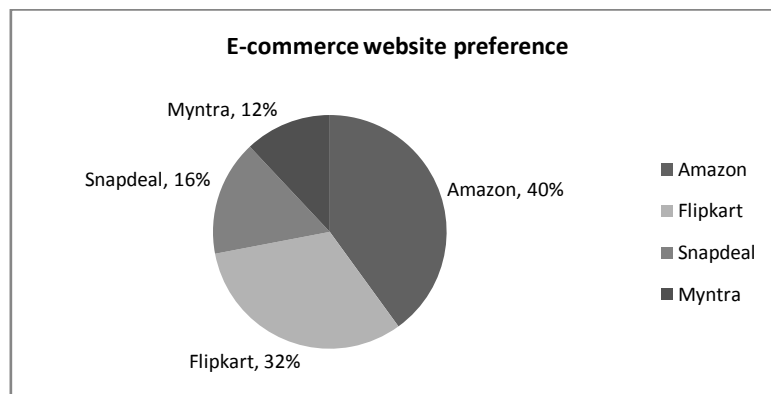
#### **Impact of E-commerce**

- **Time utilization:** E-commerce provides time saving of customers as they don't have to go to retail shops or markets to purchase their products. Everything is readily available online with just one click.
- **Abundant range :** A huge array of products and services ranging from personal goods, electronics to healthcare items are available under one roof.
- **Reasonable prices:** Customers can now check online prices of their desired products from multiple websites offering different prices and choose the suitable one. Various websites like trivago.com provides comparison of prices from different websites under one head so that customers can easily make their choices at best prices.
- **Employment :** With online trade getting bigger each day , websites are hiring technical and non-technical staff across the globe to furnish their trading business. From taking orders to dispatching, from packaging the products to delivery by the delivery companies ,employees are hired and tie-ups with delivery partners are made in order to facilitate the business.
- **Economic growth:** Due to increase in employment and much involvement in the e-trading by business companies ,there is a major boost in Indian economy. The researchers have found that e-

commerce comprises 0.25% of the total GDP of India. It is also been said that de-monetisation could have not been possible without e-commerce. Also, with the introduction of GST everything needs to be online from paying returns, taxes to payment of personal bills, e-commerce has set up their feet in all the sectors.

- **Travel Industry:** One of the main sector which has been affected by e-commerce is the travelling department. The industry has been hugely hit by the flood named 'e-commerce' which has made the customers not only independent of bookings tickets, holidays online but also making them aware of the current global prices being offered by various airlines, hotels across globe. The travel agencies have been swiped off with their margins of making bookings online. Customer has been benefited with nominal charges, no extra commission, timely bookings, 24\*7 availability and speed assistance.
- **Opportunities to new trade:** Setting up a new business is a cumbersome task. The amount of capital required, selection of capable staff and feasibility of area are some factors adding to the complexity. Online business is way to cheaper than putting up a unit or an outlet.
- **Worldwide reach:** Some websites cater the needs of international customers along with national purchasers. International buyers are benefited from the huge range of products not available in their domestic regions and also sometimes cheaper than their own countries due to import duties and taxes.
- **Side earnings:** Have you ever noticed few commercial pop-ups while surfing internet? The commercials of other websites and other advertisements which are seen on facebook, instagram are being paid every time you click on them. This has become a source of earning for even fake advertisement owners.
- **Other Sectors:** The real estate has got an uplift with sale and purchase of properties getting online. All thanks to 99acres.com and MagicBricks.com. Even the home decor, furniture sector has got much weightage with everything available online for example pepperfry.com. The banking sector is the most affected one with every single transaction taking place online with minimal transaction charges. Even the new policies ,investments in mutual funds, paying the bills, e-returns , pan application and what not, everything can be done online with banks personal available applications.
- **Breach of trust:** Sometimes customers are defamed with misleading advertisements and damaged products. If the product is damaged, customer demands for either refund or replacement which takes 5-6 days rather going to a store and physically exchanging it in a day or so. There are also security concerns for the card and personal information which are given on the websites while making payment.
- **Overflowing promotional messages:** In order to promote their products and induce customers to buy, the leading websites keep sending promotional messages ever now and then once you sign up to their newsletters. It becomes quick irritating for the person to check out the e-mail and find an array of promotional messages without being interested.

E-commerce survey based on rankings of Indian customer most opted website.



As per the recent survey, it is found that Amazon.in is the most preferred website for online shoppers to trust on and have full faith in buying their products from there followed by flipkart, myntra and snapdeal. In the year 2017, it has been found that these websites have been opted by majority of Indian customers. All these websites did the maximum online trading by offering best deals, offers, discounts to customers on multiple festivals and occasions. In the year 2014, Amazon introduced Amazon Prime by infusing \$ 2 billion in the Indian market which has been a huge hit amongst Indian customers. It offered amazing and attractive offers with mouth-watering deals. Flipkart on the other hand is giving a hard time to Amazon with \$1.5 billion of investment this year and retaining its spot and in certain situations even surpassing Amazon. Due to high ending sales by myntra and Jabong in the year 2016, Flipkart has got its share rise in the e-commerce market.

**Conclusion:** The e-commerce has got its feet tapped in Indian market and has become a huge marketplace for online trading. Its growth has not only changed the way economy works but has also contributed to economy's total Gross Domestic Product (GDP). The nation has been benefitted with almost everything going online. More business opportunities, employment needs and new trends have paved the way for overall economic growth development. The game is in the hand of those competitors who are adapting to online technologies for trading and accepting innovation as its ultimate guide to success in this dynamic world of business. With the reach of e-commerce in semi-urban and rural areas, the chances of retailers going online will increase. Investment in rural areas might be an unprofitable decision to take for the investors but for e-commerce, place is no boundary. Within a short span of time, e-commerce has made its flagship in almost every sector. E-commerce is running amazingly well in India due to the distribution mechanism of suppliers. The delivery sector has achieved wonders for E-marketplace to flourish and bloom as a global trade. Despite of various advantages, E-commerce entertains some serious security threats as well. Overall E-commerce is perceived

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**SERVICES PROVIDED BY MICRO FINANCIAL INSTITUTIONS TO THE NEEDY IN RURAL AREA**

**Rajkumar Gupta, KES Shroff College of Arts & Commerce**

**Abstract**

*With the growth of other industries in India preferably the MFIs marked a remarkable change & proved the fastest growing NBFCs. MFIs serve a better vision for development in both rural as well as urban area. Such Micro credits gives new dimension to people so that they can grab this opportunity to make the business more productive, availability of such service in rural areas results in developing skilled man power & there by fulfilling people’s demand. As individual being a professional person can take up an initiative to work & there by can make an organization profitable. Small Financial helps them with the financial aspect. So not only in rural area but also in urban area such Micro finance activities can flourish.*

**Introduction: --**

- In simple terms Micro finance is Small Loan give to poor entrepreneurs and small businesses lacking the financial needs for their business.
- Micro credit enables poor people to get engrossed in productive business & earn.
- Microfinance is viewed to be a cure against poverty in the world. In each country and region having diverse demographics, microfinance is being utilized to combat poverty. It is a most applicable concept in banking and financial sectors these days.

**Keywords:** Growth, Microfinance Institutions (MFIs), Non-banking financial Company, Small Help Group (SHG).

**Aim:** --To prove the working of Micro finance institutions in urban area is feasible.

**Objectives:** --The crucial objectives of this research study are:--

- To study the concept of Micro Finance.
- To analyze the working of MFIs, their role in respect of urban area’s development.
- To evaluate the impact of such policies on people resulting the overall development of society.

**Limitations: --**

- Due to time constraint the research study is small in size.
- The research is prominently based on secondary data hence we believe that the data received is true & fair.

**Research methodology:** -- This research paper has applied a Qualitative approach based on case study methodology. The description and analysis is built on secondary sources of data

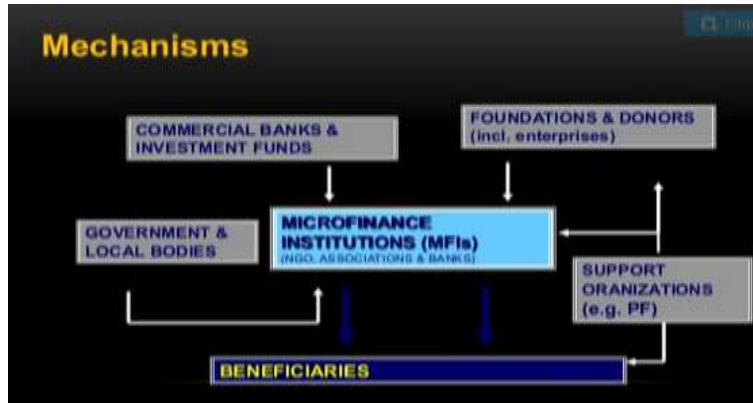
**Method:** -Review of Secondary literature—articles, course book & internet

**History:** --The founder of “Grameen Bank” – Muhammad Yunus, and its Managing Director, reasoned that if financial resources can be made available to the poor people on terms and conditions that are reasonable and appropriate to enhance their development. From there the concept took roots in late 1940s.

**Features: --**



**Working of MFIs / Structure: --**



**Developments from start to now: --**



**Development in India:** -Micro finance in India has started to evolve in early 1980's with an efforts of forming informal Small Help Group (SHG) to provide access of financial services to needy people. India is 2<sup>nd</sup> most populous country behind China with large number of un-financed poor people. These poor are main client for MFIs. MFIs are estimated to have 7.94 million borrowers as of March 2008 with compound annual growth rate (CAGR) of 88.42% over the last five years and cumulative outstanding loan portfolio of US\$824 million. SHG has loan outstanding of US\$356.45 million as of March 2008. It shows a CAGR growth of 78.21% from FY03-FY08. MFIs are increasing their share in Indian microfinance supply as of comparison to SHGs where their share has gone down to 53% in March 2008, from 72% in the year March 2013. The strength of microfinance sector lies in the diversity of Models, It has adopted including home grown models like MFI and SHG to other learnt models from various countries like Bangladesh, Thailand and Bulgaria. National Bank for Agriculture and Rural Development (NABARD) and Small Industries Development Bank of India (SIDBI) are devoting their financial resources and time towards the development of Microfinance.

**Working of MFIs in Urban Area: --**

**Urban Microfinance**
Clip slide

<b>Clients</b>	<ul style="list-style-type: none"> <li>High proportion of wage earner among urban poor</li> <li>Average family size is 5 with a monthly expenditure of Rs5000.</li> <li>67% of the household live in their own house and 29% in the house they rent.</li> <li>31% of the household run at least one business.</li> <li>69% of the households have at least one outstanding loan.</li> <li>Loans are taken from moneylenders (49%), family members (13%), and friends or neighbors (28%). Rarely commercial source</li> </ul>
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>Quicker scale up and Quicker breakeven</li> <li>Higher loan sizes / enterprise loans</li> <li>Individual lending possible in urban areas</li> <li>Technology can be better harnessed to provide financial services</li> <li>Greater economic opportunities / markets</li> <li>Microfinance has a role to play in alleviating the housing shortages that create slums in the first place.</li> </ul>
<b>Challenges</b>	<ul style="list-style-type: none"> <li>No dedicated fund for capacity building, technical assistance to support growth of urban microfinance</li> <li>Does not have NABARD, as it is readily available for rural microfinance.</li> <li>Poor in the urban have access to savings but they do not have access to loans.</li> <li>Only big MFIs can begin operation as loan size &amp; start up cost will be higher in cities</li> <li>Highly competitive because of the presence of the financial major players</li> </ul>

**Study of some MFIs: --**

**1) AU Small Finance Bank:-**

**About AU small Finance Bank:-**AU Small Finance Bank is started two decades ago by Mr. Sanjay Agarwal, a merit holder Chartered Accountant and a first generation entrepreneur, along with his proficient team. Together, the dexterous team embarked on a journey of excellence while enriching lives along the way. What started off as a dream to be one of the fastest growing NBFCs, AU Financiers is now AU SMALL FINANCE BANK. AU Stands for Inclusiveness, Progress for all, simplicity, Action & urgency

**Services they provide:-**Finance Personal banking includes the services like savings a/c, Current a/c, Term deposit A/c Recurring A/c, Debit card facility, Insurance. They have 24\*7 banking facility with the help ‘State-of-art’ internet banking platform, Cash deposit machines like BNAs (Bunch Note Acceptors), unlimited transaction limit for current a/c holders etc. Insurance, Policy designed as per person’s requirement & demand. Secured business loan, Gold loan, Wheel Loan, Agri Business Loan, is provided at lesser rate of interest to small retailers. Wholesale banking, Business lending, NBFCs, Micro Lending, Real estate services can also be accessible.

**2) Annapurna microfinance pvt ltd.**

**About Annapurna microfinance pvt ltd.:** Annapurna Microfinance Pvt. Ltd (AMPL), one of the fast growing NBFC-MFI in the country, has its roots in the early 1990s doing various developmental activities as a not-for-profit entity registered as Peoples Forum. The microfinance activities started with the evolution of Mission Annapurna under Peoples Forum from the year 2005. The gradual transformation from Mission Annapurna bring forth the name Annapurna Microfinance Pvt. Ltd (AMPL) to the sector in the year 2009. Thereafter, AMPL registered itself with the Reserve Bank of India (RBI) as an NBFC-MFI in the year 2013. Annapurna has followed two basic principles: Innovate & Replicate. Annapurna, over the years, has continued to innovate in its products and delivery mechanisms, to make the whole process of micro-credit delivery as effective as possible.

**Their objectives:-**

- To form and promote Self Help Groups of the Poor, Women, Needy, Oppressed, and to attain improvement in their socio-economic condition through economic activities.



- To give priority to women and to involve them directly in production activities so that the opportunities are created for additional income.
- To provide technical assistance so that the poor become self-sufficient by accumulating and creating their own capital through savings from increased income.
- To provide financial assistance for economic empowerment.
- They also have some Social & Environmental objective also.

**Services provided:-**

SHG loan, Safe Water and Sanitation to Households (SWASTH), Crop Loan (Vegetable Cultivation), Micro Enterprise Loan (MEL), Dairy Development Loan, Home Improvement Loan, Loans for family members of Leprosy affected Patients (SAMARTH Loan), Loans for Widows/ Unmarried women/Single Mothers (SAMARTH Loan), Loan for Persons with Disability (SAMARTH Loan), Annapurna Student Education Loan (ASEL), Loans for persons belonging to the community of Eunuch/Third gender (SAMARTH Loan).

**Observation of impacts of such services on Rural People:--**

- It enhance the scope for people to start up their business & increase their productivity.
- It has easy availability & simple access as compare to the other banks.
- It serve the people according to their needs.
- MFIs design the product in such a way that it help the people to understand the strategies to grow business & supporting them with the financial shortfalls.

**Case Studies:**

**Case1.:** Housing is one of the basic necessities of survival. Nabeena Sahu of Balugaon area of Odisha, where she lived along with her husband and children was in search of some financial support for repair of her house. Nabeena was a member of Om Sai Ram Self Help Group. She availed for a home improvement loan from Annapurna and on being assessed on her regularity of loan repayment and her association with the company. She received a loan of INR 60,000 from the company. With the financial assistance she received from Annapurna, her dreams of having a concrete home has been fulfilled.

Nabeena is one of the many beneficiaries of the housing loan provided by Annapurna.



**Case2.**

Rajalakshmi Mohanty is a member of Om Sai Ram SHG of Balipatna, Odisha.

Rajalakshmi has been borrowing from Annapurna for quite some time. With her first loan from Annapurna, she assisted her husband in improving their cattle-shed, as their main occupation was dairy farming. Though it was a profitable venture, but the income received from it wasn't enough to suffice their monthly expenses, as she wanted to provide their children with quality education. In one of the financial literacy training programs organized by the company, she came to know about the dairy loans provided by Annapurna for people who are already involved in dairy business along with a constructed cattle-shed at their home. She applied for the loan of INR 32000 from the company. From that amount and her savings in the group and at personal level, she purchased a Red

Sindhi breed and fodder with it, which increased her earnings from her dairy substantially and she had been making profits ever since upgraded her business.

***Financial Literacy trainings built her capacity to learn, whereas the dairy loan provided the opportunity to earn***



**Case3:**The Jaji village of Assam is an archaic village, inhabited since time immemorial. The natives of the village have been associated with handloom enterprises. In that village is a group of women who formed an SHG, named, Moyari SHG and availed a loan from Annapurna for handloom weaving. Handloom weaving is a way of life and intensely linked with Assamese Culture and Heritage. Handloom Industry also plays a very important role in the socio-economic development of the State. The women of Moyari SHG borrowed INR 20000 each for a tenure of 18 months from the company to set up their enterprise. From the loan amount, they purchased weaving machinery and raw materials, like the Muga yarn, which is one of the rarest silks found. They weave shawls, sarees, handicrafts and other handloom products. Financial Literacy Training Programs and other related assistance provided by Annapurna helped them in better bargaining and marketing of their products. The benefits of being associated with Annapurna have obligated Moyari SHG to look for longer association with the company.



**Conclusion:** --. Microfinance has a substantive growth in rural area and its contributions to the development of rural area are inevitable. However it is not keeping pace with growing rate of rural development. The decisive role of rural population especially women needs to be addressed. The Government should initiate Microfinance and Bank linkage program equally in all the regions of India so as to attain not only social objective but also equal regional development. The study shows that most of the rural population is inclined towards saving but do not possess much knowledge about avenues in Investment. The government needs to make forms of availability very flexible and promote MFIs on a large scale.

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## OVERVIEW OF FOREIGN INSTITUTIONAL INVESTORS IN INDIAN CAPITAL MARKET

**Mitali Sanghavi**, Assistant Professor, KES Shroff College of Arts and Commerce

### **Abstract**

A major contribution to the growth of capital market in India can be attributed to investments made by foreign institutional investors. The very reason behind letting the FIIs invest in capital market is, attracting the much-needed foreign capital. With Indian government offering the increasing ease of investing & India being one of the fastest growing economy, India has been an attractive destination for foreign institutions to invest in. FIIs get huge amounts of money into stock market, hence their behavior has a considerable impact on the performance of the stock market. Since it is foreign money which is invested in India, major macro-economic factors related to world economy affects these flows, it is therefore required to know what factors are at play that affects these investments. Even though the growth story of India continues to be stable, the post effects of demonetization & high instability regarding GST, also considering the high probability of government re-introducing the long-term capital gain tax, the past year has witnessed an increasing trend of FIIs selling. With market sentiments looking positive for Indian market, it will be interesting to know how confident & positive are FIIs regarding India. The study is based on secondary data and it makes an attempt to study whether India continues to be an attractive destination for FIIs.

**Keywords:** foreign institutional investors, capital market market, long term capital gain tax.

### **OBJECTIVE**

1. To study the factors affecting the FII flows into the Indian stock market
2. To study the trends of foreign capital flow in the form of FIIs

### **RESEARCH METHODOLOGY**

**Sources of data collection:** The research is based on secondary data. The data has been extracted from newspaper articles, websites, SEBI bulletins.

### **Limitations of study:**

- The study is based on giving only theoretical observations.
- Study is confined to the time frame of 5 years.
- Study is primarily on forecast of researcher's perception.

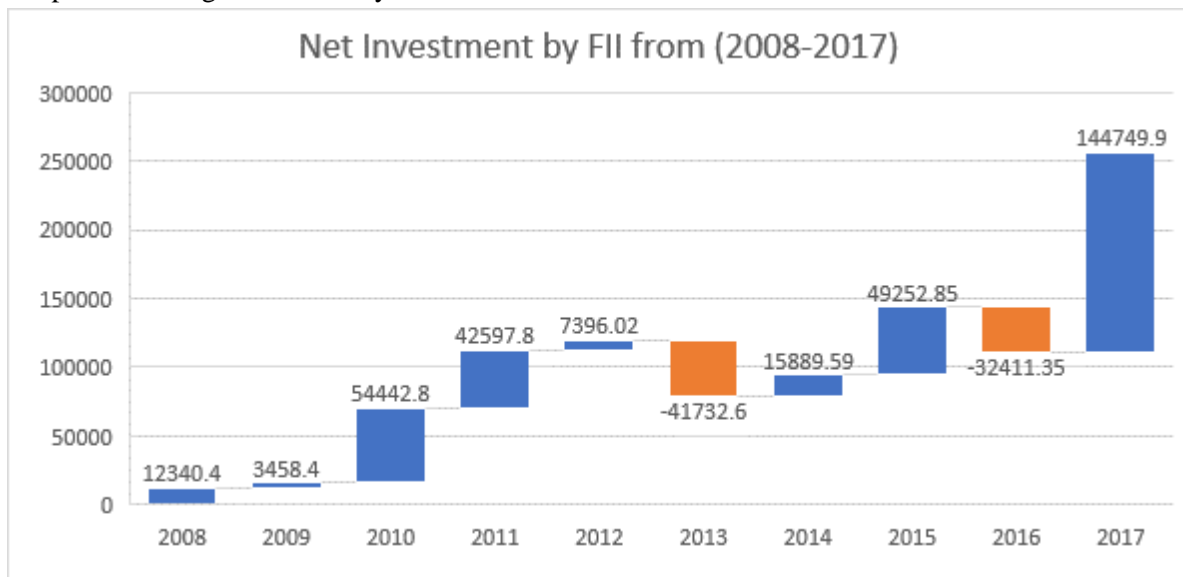
**INTRODUCTION:** A capital market comprises the complex of institutions and mechanisms through which medium-term funds and long-term funds are pooled in by providing an opportunity for public to invest their savings, which are then made available to individuals, business and governments. It encompasses the process by which securities already outstanding are transferred. A well-developed capital market is able to attract funds from foreign investors. A foreign institutional investor (FII) is an investor or investment fund registered in a country outside of the one in which it is investing. Institutional investors include hedge funds, insurance companies, pension funds and mutual funds, banks, large corporate buyers or representative of large institutions.

Foreign Institutional Investors can invest in the following:

1. Securities in primary and secondary markets including shares, debentures and warrants of companies, unlisted, listed or to be listed on a recognized stock exchange in India.
2. Units of schemes floated by domestic mutual funds including Unit Trust of India, whether listed on a recognized stock exchange or not.
3. Units of scheme floated by a collective investment scheme
4. Derivatives traded on a recognized stock exchange.
5. Commercial papers
6. Security receipts
7. Indian Depository Receipt

FII performs the function of a trigger & catalyst affecting the performance & growth of capital market. FII can invest in market only through portfolio investment scheme, which allows FII to trade in shares & debentures in Indian stock exchanges. Under the PIS route, investment can be made by Foreign Institutional Investors (FIIs), Sub-accounts of FIIs (where investments are made by the FII on behalf of its Sub-account), Qualified Foreign Investors (QFIs) as well as Non-Resident Indians (NRIs). The government with a view to rationalize / harmonize various foreign portfolio investment routes & to establish a unified, simple regulatory framework, FIIs, Sub- accounts & QIFs were merged into a new investor class termed as FPI (Foreign portfolio investors). The new FPI regime came into effect from 1<sup>st</sup> June 2014. FIIs in order to invest must first register with securities & exchange board of India. There is a ceiling limit for FIIs which states that the maximum Investment amount can only be 24% of the paid-up capital of the Indian company, in which the investment is made. If the companies want to invest more than 24%, they can do so through board approval and the passing of a special resolution. But for investment in public sector bank the ceiling has been reduced to 20%.

Graph 1: showing investment by FII from 2008-2017



Source: moneycontrol.com

With the total net investment of \$ 65632.887 million by FIIs in the last decade, India has proven to be a very attractive destination for foreign investors to invest. These type of economies have higher growth potential than in mature markets. The strength of the Indian economy lies in its consumption-driven growth, which makes India resilient to global headwinds and keeps its macroeconomic fundamentals stable. This stability, along with several other factors, such as the Government’s pro-market reforms (which encourage and enable FDI inflows), the measures taken by it to improve infrastructure and raise it to world-class standards and to create investment-friendly opportunities in infrastructure, the definitive steps taken to remove ‘red-tapism’ and making the business environment investor-friendly, favorable demographic dividends, etc., has made India a destination of choice for investors. However, 2017 saw gross sales of **357,164.53 crore rupees by FII – which may be due to fear related to present government which might be looking forward to reintroduction of LTCG tax structure.** Equity shares or equity mutual funds are considered capital assets. If you hold them for more than 12 months and then sell, the gains are called long term capital gains. Several investors & analysts believe that the government in order to improve its fiscal deficit situation is likely to introduce long term capital gain tax.

## FACTORS AFFECTING THE INVESTMENTS OF FIIS

### 1. Balance of trade:

**Table 1. Balance of trade forecast for 2018-20.**

India Trade	Last	Q1/18	Q2/18	Q3/18	Q4/18	2020
Balance of Trade	-14880	-14500	-16200	-14300	-14900	-11100
Exports	27030	24700	24600	25000	24500	28900
Imports	41910	39200	40800	39300	39400	40000

Source: Trading economics

Imports to India jumped 21.1 percent to USD 41.91 billion in December of 2017, due to rise seen in purchases of petroleum, crude and products (34.9 percent); electronic goods (19.2 percent); pearls, precious and semi-precious stones (94 percent); gold (71.5 percent); and machinery, electrical and non-electrical (11.2 percent). In the long-term, the India Imports is projected to trend around 40000.00 USD Million in 2020. Exports from India increased 12.4 percent year-on-year to USD 27 billion in December of 2017, boosted by sales of engineering goods (25.3 percent); petroleum products (25.2 percent); gems and jewelry (2.4 percent); organic and inorganic chemicals (31.4 percent); and drugs and pharmaceuticals (7 percent). The India Exports is projected to trend around 28900.00 USD Million in 2020.

**2. Market capitalization:** The total market capitalization (M-cap) of all the companies listed on Bombay Stock Exchange (BSE) rose to a record high level of 2333676.149 million USD in 2017 backed by positive sentiment towards the market. India's market capitalization-to-gross domestic product (GDP) stands at 80% at the end of fiscal year 2017 (FY17), based on estimated FY17 GDP, according to Motilal Oswal Securities Ltd. The measure is above the long-term average of 78% calculated from FY06-FY16. "India's share in the world market cap is at 2.6%, above its long-term average of 2.4%," according to Motilal Oswal report. In past 12 months, India's market cap has increased as much as 31% much better than the increase in world market capitalization of 14%.

**3. Merger & Acquisition activity:** In 2017, the deal values of M&A activity in India increased by 53.3% to \$77.6 billion, compared with \$50.6 billion in 2016. Deal volumes rose by 2.5% to 614 deals in 2017 compared with 599 deals the previous year. Of the 614 deals, 325 were completed, accounting for \$24.88 billion, *Bloomberg* data showed.

**4. GDP:** In the June quarter of 2017-18, the Indian economy decelerated to 5.7%. The World Bank reduced India's GDP growth forecast to 7% for 2017-18 from 7.2% estimated earlier, blaming demonetisation and the implementation of the goods and services tax (GST), while maintaining that the economy would again grow at 7.4% by 2019-20. According to the data of IMF, India has better real GDP growth than that of the most of the emerging economies, mature economies & the world economy at large.

**Table 2:- Showing GDP growth rate of different Economies**

	India	World	Adv. Economies	Emerging markets
GDP	7.4	3.7	2	4.9

Source: IMF published economic overview

**5. Strengthening of US dollar:** It is expected that the US dollar may rebound this year, as president Donald Trump's move to slash corporate tax from 35% to 20%, has inspired US companies to repatriate trillions of dollars held overseas, which in turn will increase domestic investment & strengthen the economy, in turn resulting into strengthening of the dollar.

**6. Interest rates in US:** It is forecasted that the interest rates in US will increase, due to which US treasuries will become more attractive as compared to Indian bonds.

**7. PE Ratio:** In 2017, there has been a continuous rise in nifty PE ratio (which can be seen in the following table) indicating the fact that, the stocks are very expensive and overvalued, further indicating that it is too risky to invest in stock at present.

**Table 3: Showing PE ratio of nifty in 2017**

Month	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
PE ratio	22.44	23.23	23.47	23.37	24.25	24.31	25.11	25.37	25.99	26.26	26.35	26.42

Source: website: [www.nifty-pe-ratio.com](http://www.nifty-pe-ratio.com)

**Table 4: Showing valuation of Nifty based on PE ratio.**

Valuation	Nifty PE Ratio range	Investment Decision
Very Expensive	25 to 30	It's a rare event and screaming Sell. Search for shorting opportunities.
Expensive	20 to 25	Book 80% Profit and wait for better entry levels
Average	15 to 20	Buy or Hold
Inexpensive	12 to 15	Screaming Buy
Extremely Inexpensive	Below 12	Rare event. Screaming Buy

Source: [www.equityfriend.com](http://www.equityfriend.com)

### 8. Demonetization & Goods & Services Tax:

**(a) Demonetization:** Due to demonetization there was a short-term adverse impact due to the cash crunch situation, which adversely affected India's GDP growth, but in the long term, it is expected to have a positive effect on the country's economy in terms of:

- (i) Greater tax compliance
- (ii) Less corruption & cash hoarding
- (iii) Increased use of digitalization
- (iv) Augmented flows of financial saving
- (v) Increased formalisation of the economy.

**(b) GST:** The Goods and Services Tax (GST), considered to be the biggest ever tax reform in India, was implemented on 1 July 2017. By implementing GST, the Government aims to substantially increase tax compliance, and thereby broaden India's revenue base while giving ample room for its expenditure on physical and social infrastructure. GST will also focus on significantly increasing internal trade of goods and services, leading to substantive gains in efficiency.

According to the world bank demonetisation & GST has slowed down India's economic momentum. According to world bank report "Real GDP growth slowed to 7.1 percent in 2016, from 8 percent in 15/16, and to 5.7 percent in Q1 FY2017,".

The bank further added that GST is expected to disrupt economic activity in early 2018 but has the momentum to pick-up maintaining the annual GDP growth at 7.0 percent in 2018.

**9. Development of infrastructure:** With the increasing measures undertaken by government for the development of infrastructure like electrification of the whole of India by 2018, construction of houses for poor, increased allocation of funds for roads & highways & earmarking airports in tier II cities by way of PPP (public private partnership) will help towards the holistic development of the country.

**10. FDI reforms:** With government policies such as allowing 100% FDI in several sectors, Granting Permanent Residency Status (PRS) to foreign investors investing some minimum amount in given period, Easing of area restriction norms, reduction of minimum capitalization, Raising of FDI cap on

insurance, Abolition of Foreign Investment Promotion Board (FIPB) it is able to attract Foreign direct investment in the country.

**11. Other factors & policies that can contribute to the growth of Indian economy:**

- (i) **Policies** such as Stand-Up India & Medium Small & Micro Enterprises credit facility schemes will help in development growth of the nations
- (ii) According to the IMD, in the year 2018 a normal **monsoon** is expected, indicating good news for farmers & the economy.
- (iii) India rose to **100<sup>th</sup> rank** from 130<sup>th</sup> rank in the World Bank’s **Ease of Doing Business Index**.
- (iv) The **crude oil** was trading around \$50/bbl at the beginning of the year 2017 increased to \$68/bbl in the first week of January 2018. It will have an adverse effect on India & all the companies which uses crude as an input in their processes.
- (v) According to the industry leaders the **inflation rate** is expected to be around 5%, which would be beneficial for the economy since GDP growth rate is expected to be around 7%.

**THE TRENDS OF FOREIGN CAPITAL FLOW IN THE FORM OF FIIS**

**Long term Capital Gain Tax: A speculation or a near future reality**

After Demonetization, people started investing in equity market & mutual funds. There is a massive investment made by the domestic investors currently in India. If LTCG is introduced, investors sentiments may hurt & they will lose confidence resulting in shying away from investing in equity market and looking for other investment options. The graph below projects the trends in Mutual fund investments in the year 2017.

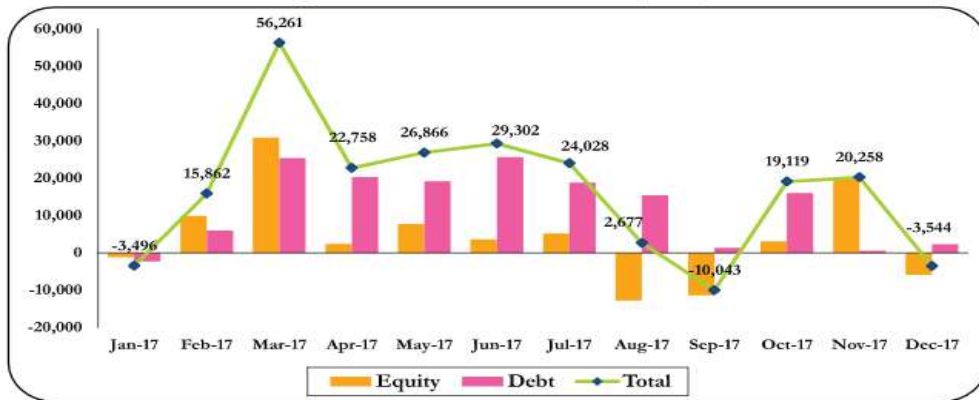
Figure 2: Trends in Mutual Funds in Investment ( in crore)



Source: SEBI

If we look at the behavior of the FPIs in the last year, there is a lot of selling undertaken by FIIs as is evident from the figure

Figure 3: Trends in Mutual Funds in Investment (in crore)



Source: SEBI

Such behavior on the part of FPIs, apart from other factors may be contributed to the news of re-introduction of LTCG tax. Currently, only short term capital gain tax is applicable on the sale of equity or mutual funds if we buy them & sell them within 12 months, the investor has to pay 15% STCG tax. LTCG is currently exempt. Narendra Modi on 24<sup>th</sup> December 2016, delivered a speech indicating of taxing financial income which has zero to low interest rates. Since, no other gain has zero tax system except for long term capital gain, speculations have been rife ever since about re introducing of the same tax which was been abolished in 2005 – the long term capital gain tax. And as such, zero tax gains are pretty rare around the world.

**Future of the stock market :** Morgan Stanley are quite bullish regarding Sensex, with the prediction of Sensex crossing 1 lakh mark by 2028 and an increase in the market capitalization from \$2 trillion to \$6 trillion. Mark Galasiewski of Elliot Wave International has reiterated that he expects the S&P BSE Sensex to hit the 100,000 mark by 2024.

**Motilal Oswal expects a 15 per cent growth in earnings, backed by drivers such as GST, good monsoon, lower interest rates and a stable political scenario.**

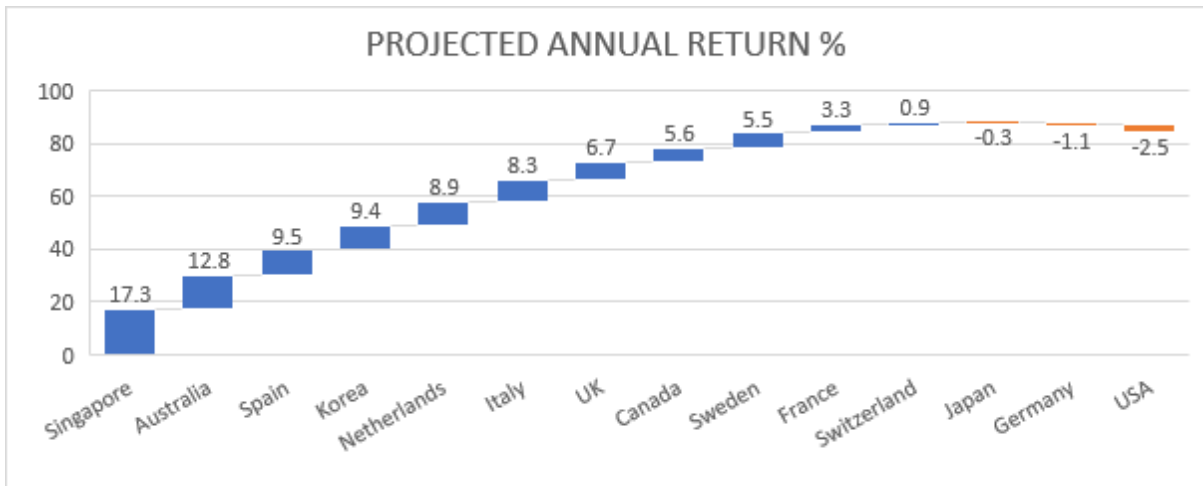
Kotak institutional Equities remain cautious towards Indian markets considering higher crude prices, weak GST revenues & unknown political outcomes.

Nomura expects that strong revival in corporate earnings and strong macro-economic factors will prove positive for Indian markets

**Projected Annual Return:** The annual projected returns of India seem to be very strong as compared to other Global markets. It is projected that returns from India are only third to Russia & China.

- (i) Global Markets

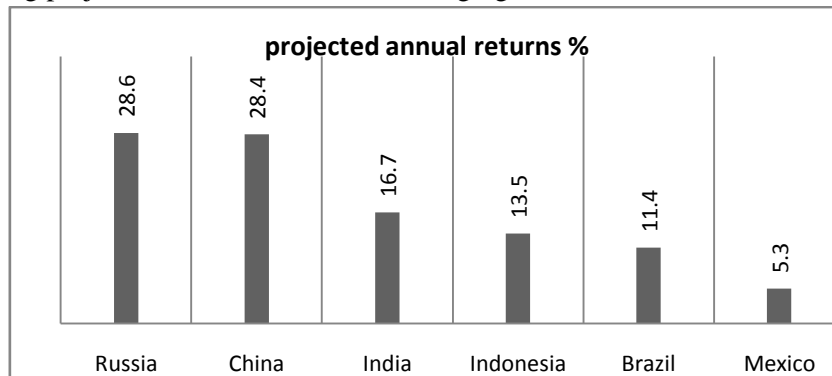
Figure 4: showing projected annual return % for major economies



Source: Gurufocus

(ii) Emerging Markets:

Figure 5: showing projected annual return % for emerging markets



Source: www.gurufocus.com

**CONCLUSION:** With global markets looking weak, especially with US projecting a negative return rate and India promising a comparatively high return, because of government measures like GST, Demonetization, India rising in the ease of doing business which in turn is expected to attract high investments from FDI, World bank and most of the foreign brokerage firms being positive regarding India’s growth for coming years, government focusing on building infrastructure & undertaking policy reforms, projections of a better monsoon & with heavy investments by the domestic players in the market, India looks pretty attractive & a strong bet for FIIs to invest their money. The only part which could prove to be a spoiler is government re-introducing the LTCG tax, which can negatively affect the stock market in current times.

**RECOMMENDATIONS**

1. Since Nifty & Sensex are projecting high PE ratio, the FIIs will have to be cautious about investing.
2. Proper policy framework & system for mobilizing fund for FII to ensure effective capital formation.
3. India needs to reform its financial system which will lead to more organized financial market, it will attract the FII and result of which, the cost of capital will be lower and will provide access to cheap global credit.
4. Developing more efficient and robust system for Share market and trading process so that FII will not face any problem in dealing.
5. Development of hedge fund market is required as the interest of FII is increasing in hedge funds.
6. Creation of enough supply of good scripts in terms of good IPOs in the market will attract FIIs in Indian Capital Market.

7. Liberalizing and effective domestic laws; approvals from government, Prescribed limit, Industrial license etc. are examples that need to be revived on continuous basis to ensure proper channelization of Global Funds.

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## EMPLOYEE ATTRITION IN BPO SECTOR A STUDY CONFINED TO MUMBAI

Nicole Pereira, Assistant Professor, KES Shroff College of Arts and Commerce

### Abstract

For an organization to survive it is imperative that it retains its workforce who are dedicated to achieve the organizations objective. Business process outsourcing (BPO) in India provides large scale employment opportunities to a number of persons having diverse skill sets. But this industry is plagued by high employee attrition. Whenever an employee leaves an organization it creates a vacuum and this has a significant impact on the strength of a company in managing their business in a competitive environment.

This study is important to understand the factors influencing the attrition rate in the Business process outsourcing sector. It is aimed at addressing the high employee attrition in the BPO sector owing to working environment. It will also pave a way and help the organization take steps to curb this problem.

**Keywords;** Employee Attrition, BPO sector, Work environment

**INTRODUCTION:** In India BPO is amongst the quickest growing industries. Various factors like cost advantage, economies of scale, risk mitigation have played a vital role in the growth of the Indian BPO industry. BPO which started in the mid-nineties have grown in leaps and bounds. India is now the world's most favoured market for BPO companies among other countries and it is considered as the highest job provider in the IT sector. The workforce is the back bone of the BPO industry but ironically since its inception inspite of the tremendous growth of this sector, the attrition rates have been alarmingly high. The industry is facing the challenge of finding quality human resources. It has been a major challenge as the demand has outstripped the supply of good agents by a big margin. Organization invests time and money in grooming an individual so as to make him understand the corporate culture and when he resigns to join a competitor it is likely that he takes all the strategies and policies from the current organization to the new one. It not only puts pressure on the HR manager but also hampers the efficiency of work and may lead to delayed completion of projects.

This study attempts assess the patterns of attrition in BPO and also analyze the relationship between employee motivation and employee retention, so as to utilize employee motivation to retain employees in an organization. Thus, not only is it significant for academicians but also for professionals who can exploit it to control the employee attrition.

**REVIEW OF LITERATURE:** Rao et.al.(2016).Conducted a study to know the factors which cause attrition in the BPO sectors in the city of Visakhapatnam and also recommended remedial measures to reduce the same .It was found that many factors contributed to job dissatisfaction which inturn led to high attrition rate.Mohan and Muthuswamy.(2015).attempted to study the Employees Retention in BPO sector with Special Reference to Coimbatore City and also develop retention strategies for the same. It was found that encouragement and recognition was the key aspects to retain employees Kadam and Thakar.(2014).Studied the main reason for attrition in the IT sector in Pune. It study was conducted in respect of different age groups. It was found that the relation with boss, career advancement were some of the key reasons for attrition.James M. J. and Faisal U.(2013).Studied the employee attrition in the BPO sector. The study was mainly focused on employee problems relating to pay. It was found that the employee's salary is the most critical factor causing high rate of attrition in the BPO sector in the states of Karnataka and Kerala Iqbal and Naila.(2011).Analysed the attrition rate. They also provided a solution to this problem through the Maslow's hierarchy of need.Latha.(2006).Conducted a study on employee attrition in manufacturing industries, It was aimed at identifying the dissatisfaction of employees towards their job and working conditions and find remedial measures to reduce it.

### OBJECTIVES OF THE STUDY

- To study the problem of employee attrition in Business process outsourcing units (BPO)
- To identify the factors causing employee attrition in Business process outsourcing units (BPO)

**RESEARCH METHODOLOGY**

**RESEARCH DESIGN:** A descriptive research design has been used in this study to know the employee attrition in the BPO sector.

**SAMPLE DESIGN:** The sample size consists of 30 employees of different BPO units in Mumbai. The response has been collected through structured questionnaire.

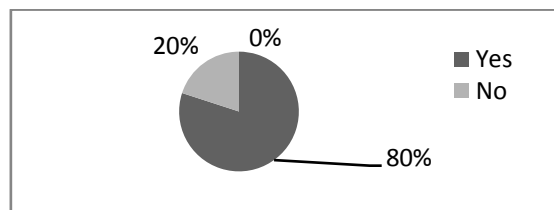
**DATA COLLECTION**

The present study is based on primary and secondary data. The data is sourced through

- Personal interview
- Research Journals
- Magazines
- Periodical
- Websites

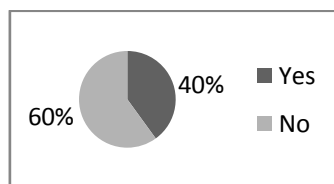
**Q1. Do you prefer leaving your current job in the BPO industry ?**

Yes	No	Total
24	6	30



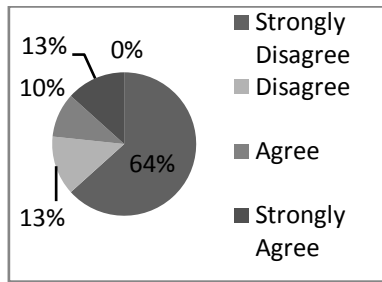
**Q2. Do you have rewards and recognition for your achievements in this industry?**

Yes	No	Total
12	18	30



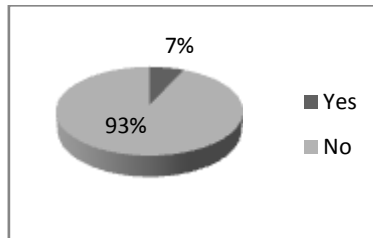
**Q3 Do you feel that work life-balance is supported in this organization?**

Strongly disagree	Disagree	Agree	Strongly agree	Total
19	4	3	4	30



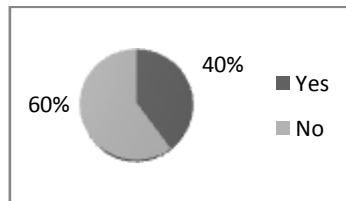
**Q4. Are you satisfied with the working conditions of the company?**

		Total
Yes	No	
2	27	30



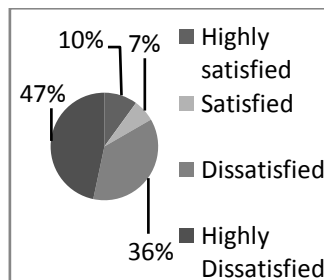
**Q5. Are you satisfied with the salary package offered by this industry ?**

		Total
Yes	No	
12	18	30



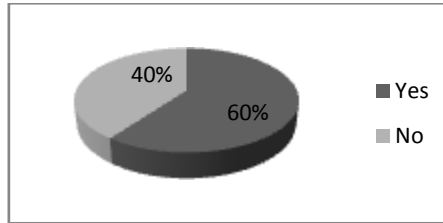
**Q6. How satisfied are you with the welfare measures of this industry ?**

Highly satisfied	Satisfied	Dissatisfied	Highly Dissatisfied	Total
3	2	11	14	30



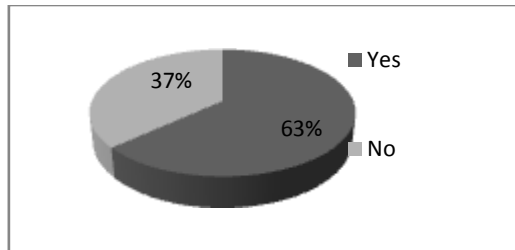
**Q7. Do you feel your job is monotonous ?**

		Total
<b>Yes</b>	<b>No</b>	
<b>18</b>	<b>12</b>	<b>30</b>



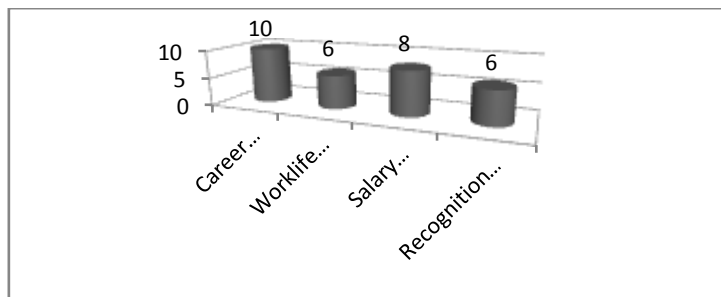
**Q8. Are you facing health problems due to this job ?**

		Total
<b>Yes</b>	<b>No</b>	
<b>19</b>	<b>11</b>	<b>30</b>



**Q9. What according to you are the factors that influence employee retention?**

Career opportunities	Work life balance	Salary package	Recognition and rewards	Total
10	6	8	6	30



**INTERPRETATION and FINDINGS**

- 1. Interpretation:** -It indicates that out of 30 respondents 20% want to continue with their current job and 80% want to leave their current job
- 2. Interpretation:** -It indicates that out of 30 respondents 40% of them say yes they have rewards and recognition and 60% say no they do not have rewards and recognitions for achievements.
- 3. Interpretation:** - It indicates that out of 30 respondents, 64% respondents strongly disagree, 13% of the respondents disagree, 10% of the respondents agree and 13% of the respondents strongly agree for work life balance

4. **Interpretation:** - It indicates that out of 30 respondents 93% of them say no they are not satisfied with the working conditions of the company and 7% say yes they are satisfied.
5. **Interpretation:** - It indicates that out of 30 respondents 60% of them say no they are not satisfied with the salary package of the company and 40% say yes they are satisfied.
6. **Interpretation:** - It indicates that out of 30 respondents, 10% respondents are highly satisfied with the welfare measures of the company, 7% respondents are satisfied, 36% respondents are dissatisfied and 47% respondents are highly dissatisfied with the welfare measures of the company
7. **Interpretation:** - It indicates that out of 30 respondents 60% of them say yes they feel their job is monotonous and 40% don't feel so .
8. **Interpretation:** - It indicates that out of 30 respondents 63% of them say yes they are facing health problems due to working in this industry and 37% don't feel so
9. **Interpretation:**-It indicates that out of 30 respondents, 33% respondents say career opportunities are the factors that influence employee retention, 20% of the respondents say work life balance, 27% of the respondents say salary package and 20% say recognition and rewards are the factors that influence employee retention.

**ANALYSIS OF DATA:** For the analysis of data cross tabulations and frequency distribution were used. The data has been analysed by using charts i.e. pie charts, bar diagrams as well as tables. It was found that the key factors which effect the working environment mainly include inconsistent job hours, stress at the job, salary package not being lucrative, health issues like hearing problems, back pain, eye problems and monotonous work were the key reasons for employee turnover.

**CONCLUSION:** All the objectives of the study have been successfully obtained. From the above study the researcher concludes that there is a high rate of attrition in the BPO sector. The reasons of attrition majorly include dissatisfaction due to the working environment due to unruly working hours, job stress, salary package not being lucrative, health issues like hearing problems, back pain, eye problems and monotonous work. The study concludes that to reduce attrition the industries should create an environment which is employee friendly and should use innovative training techniques to engage them on the job also one should not forget that employees are the pillars of the organization. And no organization can survive without synergy in the workforce.

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## PRODUCTION AND PRODUCTIVITY INDEX OF TOTAL INDUSTRIAL CROPS IN MARATHWADA REGION OF MAHARASHTRA STATE

Mahesh Bhimrao Lavate, *Research Scholar, Sant Gadge Baba Amravati University, Amravati*

### Abstract

The measurements of production and inputs required for the production of that output is known as agricultural productivity. In other words, it is an input output ratio. In traditional measurement of agricultural productivity, geographers and economists used to take into account the inputs like about and capital and see them as costs, which are incurred in the production of agricultural produce. Productivity as defined in economists or agricultural geography means output per unit of input or per units of area respectively and the improvement in agricultural productivity is generally the result of a more efficient use of the factors of production viz. environment arable land, labour, capital and the like. The level agriculture productivity as a concept means the degree to which the economic, cultural, technical and organizational variables (i.e. the Man made frame) are able to exploit the biotic resources of the area for agricultural resources of the area for agricultural production.

**Keywords:** Production, Productivity Index, Industrial Crops, Agriculture

**Introduction:** The concept of productivity seems to be a relative term and cannot be uniformly applied everywhere. The spatial variations in Physical output from the soils are the results of natural circumstance and partly of human manipulation of the land resources. The traditional approach of measurement of agricultural productivity, however does not take into account social and environmental costs which are also incurred in the production of crops and raising livestock. At present in the measurement of agricultural productivity, the question of sustainability of soil, health of ecosystem and social acceptability have become increasingly important. The magnitude and differences of the inter play of a multitude of factors. Furthermore the level of agricultural productivity is a dynamic concept as any modification in physical factor and improvement in non-physical bases of farming affect agricultural per hectore productivity from a basis for planning. Evaluation and taking appropriate measurement of agricultural productivity helps in knowing the area that are performing rather less efficiency in comparison to the neighboring areas by delimiting the areas of low, medium and high productivity, agricultural plans may be formulated to remove and minimize the regional inequalities. It also provides an opportunity to ascertain the ground reality the real cause of agricultural backwardness of an area or region. The present paper has reveals the district wise analysis of industrial crops and productivity index of the year 1991 and 2011.

**Objectives** The main objective of the present paper is to analysis the district wise production and productivity index of industrial crops in Marathwada region.

**Data Source & Methodology** The present study is based on the secondary source of data. The data was collected from the Commissionerate of Agriculture, Government of Maharashtra, Pune. District wise data has arranged in well mannered, the percentages of industrial crops are calculated to total agricultural crops of the region. Productivity index of industrial crops has been calculated by Mohammad Shafi's method by using following formula.

$$Y/Y_n \div T/T_n$$

Where Y= Production of unit area.

$Y_n$ = Production of total area.

T= Area under crop unit area.

$T_n$ = Area under crop of total area.

(Reference: Shafi Mohammad (1983) "Agricultural Productivity and Regional Imbalance" Concept Publishing Company, New Delhi pp 172-175)

**Study Area**The Marathwada region lies between 17° 35' and 20° 40' north latitudes and 70° 40' and 78°19' east longitudes. The name “Marathwada” Indicate “House of Maratha people” i.e. a land occupied by 1 Marathi speaking people. The Marathwada regions also known as ‘Aurangabad Division’, Aurangabad is divisional center of Marathwada region.The region has an area of 64302 SqKm and according to 2011 census population is 18731872 out of them urban population is 5080371 and rural population is 13651501, total male population is 9698962 and female population is 9032910. The Marathwada region comprises of eight districts like Aurangabad, Jalna, Beed, Osmanabad, Latur, Nanded, Hingoli and Parbhani and there are 57 tahsils.

**Marathwada Region - Production and Productivity Index of Total Industrial Crops**

**(1991 & 2011)**The measurement of agricultural productivity is more complicated than that of industry or any other activity. The method of mapping of spatio-temporal characteristics of the level of agricultural productivity per unit per area unit time or per unit of form work force etc. is as following.

1. Assessing the value of agricultural production per unit
2. Measuring production per unit of farm labour or man.
3. Determining output in relation to input or output input of the return for the sum total of human efforts or paid out-cost in relation to the output (Khusro 1964)
4. Output expressed in “term of grain equivalent”
5. Ranking co-efficient method.
6. Carrying capacity of land.
7. The crop yield and concentration indices ranking co-efficient.

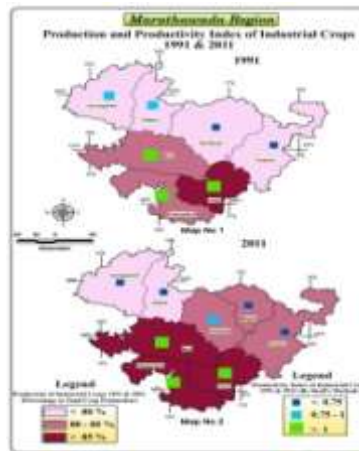
Table no.1 reveals that the production and productivity Index of total industrial crops. In 1991 total industrial production was 121177.93 mt. and percentage to total was 79.57 where as in 2011 the total production was 179439.73 mt. and percentage to total crops was 83.07. It means that percentage to total industrial crops was increasing. The highest percent to total was recorded in Latur district 85.11 followed by Beed 83.54, Osmanabad 80.11, Jalna 73.38 and Aurangabad 76.43, Parbhani 77.44 and Nanded 71.16 during the period 1991. Where as in 2011 every district percentage to total, was increasing except Aurangabad and Jalna district. The highest percentage was recorded in Latur district 90.98 followed by Osmanabad 89.01, Beed 85.20, Nanded 84.17, Hingoli 82.85, Parbhani 81.90, Jalna 73.38, and Aurangabad 68.72 productivity index also shown by using the method of Shaffi Mohmmad. In 1991 highest index was record in Osmanabad district followed by Latur 1.60, Beed 1.66, Jalna 0.69, Aurangabad 0.91, Parbhani 0.67, and Nanded 0.40. Where as in 2011 index increasing fifty percent district except Aurangabad, Jalna, Beed and Latur. The highest index was recorded in Osmanabad district 2.48 Latur1.47 Beed 1.44, Parbhani 0.80, Jalna 0.69, Aurangabad 0.67, Hingoli 0.62 and Nanded 0.60 (Map No 1 & 2).

**Table No 1: Marathwada Region - Production and Productivity Index of Total Industrial Crops (1991 &2011)**

District	Production in 100 Metric Ton		Percentage to Total Agricultural Crops Production		Productivity Index (By Shafi's Method)	
	1991	2011	1991	2011	1991	2011
Aurangabad	13024.34	17892.71	76.43	68.72	0.91	0.67
Jalna	12700.12	15586.99	76.73	73.38	0.96	0.69
Parbhani	19607.1	18565.96	77.44	81.90	0.67	0.80
Hingoli		11201.13		82.85		0.62
Beed	25934.13	32070.88	83.54	85.20	1.66	1.44
Nanded	9961.68	18496.08	71.16	84.17	0.40	0.60
Osmanabad	19135.07	32052.73	80.11	89.01	1.82	2.48
Latur	20815.49	33573.25	85.11	90.98	1.60	1.47

Total Region	121177.93	179439.73	79.57	83.07		
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Data Source.–Commissionerate of Agriculture, Government of Maharashtra, Pune, & Productivity Index is calculated by Author by using M Shafi’s Method.



**Conclusions and Suggestions:** The region having more than 75 % production from industrial crops but the production of industrial crops in the region is uneven because the cultivation and its parentage to total agricultural crops are also uneven. In the industrial crops of the region sugarcane has occupied more than 90% area and more than 92 % industrial production. Sugarcane is the main crop in industrial crops sector of the region. In 2011 the second highest industrial crop is Soyabean, whether in 1991 the cotton was the second and in 2011 cotton is the third industrial crop in the region. Soyabean has 2 to 3 % and Cotton 1 to 2 % production of the industrial crops. The production of the other industrial crops in the region is very low. Latur district found the maximum production of industrial crops in 2011 and Osmanabad district found the highest Productivity index of industrial crops. Aurangabad district is highest industrial district in the region but the production and productivity index of industrial crops is low, therefore it is necessary to increase the production by accepting modern techniques of agriculture. The study region is a part of rain shadow region, the rainfall of the region is irregular, and therefore like rainwater harvesting techniques, construction of farm ponds etc will be help to increase the production of industrial crops.

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