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Durgadevi Saraf
institute of management studies
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Remsons International Conference

On

Innovative Business Practices for Achieving Excellence in Globalised Competitive Environment

Organised on

18 February, 2017

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INAUGURAL SPEECH

Mr Krishna Kejriwal (MD, Remsons Industries)

I am deeply pleased as well as privileged & honoured to be present here this morning for the inaugural session of the 4th Remsons International Research Conference on Innovative Business Practices for Achieving Excellence in Globalised Competitive Environment.

Friends, I stand before you today as a representative of our company Remsons Industries Ltd, a company which since 1968 has been in the forefront of manufacturing components for the automobile industry. This is where I started my career almost 4 and a half decades earlier and hence my knowledge is mostly restricted to the automobile sector. Unfortunately I have not had the benefit of expanding my vision & knowledge in an excellent institute as represented by The Durgadevi Saraf Institute of Management Studies and hence have remained what I would term as a “Nuts & Bolts” man.

To understand the challenges faced by companies in today’s environment it is imperative to visualize the scenario that prevailed in the early years after independence. It was only in 1985 that the Indian government started to allow foreign technology and joint ventures to enter the Indian automotive sector. Till 1985 you could count the number of automobile industries operating in our country on your fingers and annual production of automobiles in 1985 stood at1.5 millionof 2 wheelers (mostly scooters), 70,000 cars and 90,000 commercial vehicles. All these vehicles were made by Indian manufactures without the aid of any foreign technology or any foreign components. What did this result in? Excessively long waiting periods to buy a vehicle thus allowing for an absolute seller's market, resulting in a high cost product with very low quality and zero customer satisfaction. Last year the quantum of automobiles production in India stood at approximately 19 million 2 wheelers, 3.5 million of passenger vehicles and close to 1 million of commercial vehicles. Today there are about 20 companies manufacturing passenger cars in India of which only 2 are Indian owned. These 2 Indian companies have a market share of less than 12%. In the 2 wheelers there are close to 13 manufacturers with 5 Indian companies who contribute to over 70% market share. 3 of these India companies who account for major market share had entered into joint venture agreements with leading Japanese manufacturers, were able to absorb whatever technology was provided and were financially strong enough to buy out their Japanese partners. All the 3 Japanese partners have since entered the Indian market on their own and have started to make inroads in the market share of the Indian companies. What has this meant for the Indian customer? A seller's market has been converted into a buyer's market and one can buy almost any vehicle off the shelf after they have made a complete comparison on features, reliability and cost. The customer now has to be satisfied if favourable mouth to mouth publicity is to be generated and a repeat sale has to be ensured. In turn what has this meant to companies like us for whom the customer is the automobile manufacturer?

The Government of India started the process of liberalization in the year 1971. In the initial years a fair amount of protection was offered in terms of specifying minimum local content and imposition of high import duties on finished products. Gradually, before the turn of the century, all this disappeared. Accustomed as we were to dominant positions in a protected market we had to suddenly contend with foreign rivals wielding a daunting array of advantages: advanced technology, superior products, substantial financial resources, highly developed manufacturing techniques, powerful brands and seasoned marketing and management skills. With the market size expanding exponentially, competition also expanded in equal measures. Competing foreign rivals with deep financial chests initiated a never before seen squeeze on margins. What are the major challenges faced by our industry today.

Technology- In today's liberalized economy, no one wants to outsource technology without ownership. You either have to accede to a minority stake or develop your own technology.

Manufacturing- You have to emulate the best of the manufacturing techniques. No longer is the famous Indian Juggad of any relevance. Your manufacturing & management capability must be proven to ensure zero defects on products supplied by you.

Customer Expectations- The customer today requires you to be a full resource supplier in terms of design, support and product testing. The customer also demands that you have in place fully qualified and trained personnel in all activities of your organization.

Support System- Your company must be equipped with an ERP system and will need to have capability to access and interact with all data electronically such as in design scheduling, quality etc.

Financial- Commit huge resources to all of the above and still present a healthy balance sheet to satisfy that you are not a risk supplier.

Pricing- Ensure that you cost competitive in relation to any local supplier or with any supplier from around the globe. The automobile giants have access to most major markets in the world.

Customer Loyalty- Today this word has become a misnomer.You are only as good as your last supply and/or maybe your last rating report. One slip and you may be shoveled out. Definitely no resting on past laurels.

These are only some of the challenges. I could use a full session if I will start to enumerate all them.

How then do we survive? One option is to focus on upgrading existing capabilities and resources to match multinational standards often by limiting ourselves to niche markets. One of the niche areas is to develop low volume markets where because of our developed expertise in manufacturing low volumes we can find ourselves to be cost effective. Also to focus on international markets similar to that of the home base using competencies developed in house. What is however a given for survival is that management, quality and manufacturing systems must necessary be in line with global standards. There has to be a concerted effort in creating a culture within the company ensuring that there is a constant effort in improvement of every single process within the company. This is not limited to technology and manufacturing only but covers every single aspect such as human resources, marketing, finance, purchase etc. A famous quote by Eiji Toyoda, former President of Toyota Motor Corporation is very relevant and I quote “If you put your mind to it, water can be wrung from a dry towel”. In other words, no matter how perfect the process is, it can still get better. It can still improve. We have to constantly innovate. As Jay Abraham said “Innovation basically involves making obsolete that which you did before.” Besides innovation we have to allocate sufficient resources to research and development for creation of new technology maybe starting with reverse engineering with which we have long functioned and then extending the same to development of some newer cost effective technology.

One of the major problems faced by a large many companies in the field of automobile components is the concept of forward sourcing adopted by these large global companies. To avoid high costs in testing critical products developed by a new company, they would prefer to outsource the same from an existing supplier either by imports if volumes are small or by facilitating that supplier to set up manufacturing facilities in India. To counter this we have to look for customers abroad with such products where such type of testing is not essential and whom we have to entice with attractive prices. In this we have to ensure that the customer still enjoys all the benefits offered by the current supplier including just in time deliveries. We have to critically examine the cost of each raw material and sub assembly process and ascertain the better option, make or outsource. We have not only to look within the country but around the globe for each material and sub assembly always keeping in mind the pressure of quality and consistency. Even small and seemingly inconsequential slip ups can cause huge financial losses by way of product recall.

I will now like to dwell on Management research. It is indeed a tragedy that our country with its rich history has become totally dependent on western techniques of management. Devdutt Patnaik in his now famous books has culled some very relevant management pearls from our ancient scriptures, the Ramayana and Mahabharata. Who has not heard of the famous Parta system adopted by the very successful Birla family? Research in itself has been defined in several ways.

A broad definition of research is given by Godwin Colibao: "In the broadest sense of the word, the definition of research includes any gathering of data, information, and facts for the advancement of knowledge."

Another definition of research is given by John W. Creswell, who states that "research is a process of steps used to collect and analyze information to increase our understanding of a topic or issue". It consists of three steps: pose a question, collect data to answer the question, and present an answer to the question."

The Merriam-Webster Online Dictionary defines research in more detail as "a studious inquiry or examination; especially investigation or experimentation aimed at the discovery and interpretation of facts, revision of accepted theories or laws in the light of new facts, or practical application of such new or revised theories or laws".

In a lighter vein, the famous novelist Raymond Chandler also describes his research as "I do a great deal of research – particularly in the apartments of tall blondes".

In more advanced countries we are all aware that there is fair amount of collaboration between the academia and industry in the field of research. A lot of this is related with the development of new products and technologies. This process is yet to really gain any strong foothold in India. Research per se is the quest to create new knowledge. Research for a company means creating specific new knowledge which that company can use to further its business. For a company it represents a medium to long term investment which will help it to generate more revenue and profits. Till before liberalization and/or globalization the need for research was not felt for most companies as they were able to run their businesses with knowledge that existed in the public domain. But that is changing now.

However if management research is not focused on the applied side which can be used by the company to grow its business further, then we will not see much collaboration between academia and industry on research. University and industry will have to focus on the benefits to each party that will result from collaborations by streamlining negotiations to ensure timely conduct of the research and the development of the research findings. On the university side, there is often a lack of human and financial resources and capabilities to produce research results that can be converted to economic returns through patents or other means like consulting. On the industry side, low technological capability and low interest in technological innovation limit the demand for the external knowledge that universities could provide.

We also have to factor in the issues of confidentiality. For any applied research required by industry to solve a certain problem a lot of data has to be provided to the researcher. There is always a fear that some of the data could be misused. Also if the industry is financing or even part financing the research it would like to be the sole user of the findings for some period of time. Hence comes the dimension of Intellectual Property Rights. With the current state of IP Rights in India this can create hurdles. We shall have to overcome the factor of trust deficit.

It is a fact that other than large industries, very few industries would be able to afford the expense of hiring several research personnel to solve their problems. How then can collaboration benefit both industry and the university? In this context it may be useful to differentiate between short term and long term collaborations. Short term collaborations could consist of on demand problem solving with predefined results that may be articulated through contract research, consulting and or licensing. Long term collaborations could be associated with joint projects that involve partnerships between private funded university institutes and/or chairs and industry which allows the industry to contract for a core set of services.

Industry in India often looks for “consultants” in the academic community – basically experts who can help and guide them in solving problems. In this it is often assumed that academia is already working on such types of problems. This, very often is not the case. Industry and academia will have to spend considerable time together to identify common issues which can then be addressed by joint research. One of the main hurdles today is the lack of well-defined and organized structures and mechanisms to have researchers spend time together. This, I feel can serve as a starting point and bring about fruitful joint research between academia and industry.

WELCOME ADDRESS BY CHIEF CONVENOR

Dr Sharad Kumar, Dean DSIMS

Honorable Chief Guest Shri Krishna Kejriwal ji,Chairman and Managing Director, Remsons Industries Ltd.; President RajesthaniSammelan Educational Society- and Chairman, DSIMSShriAshokji Saraf, Trust Members and Distinguished Guests, Dr. N. M.Kondap, Director General, Dr. Babu,Director, DSIMS. Shri Anil Agrawal, Director Finance, Remsons Industries Ltd. Researchers from academia and industry andMydear colleagues and students.

It is my pleasure to have you all here to participate in our4th RemsonsInternational Conference on Innovative Business Practices for Achieving Excellence in Globalized Competitive Environment

Three key words emerge from the theme are:

1. Innovation
2. Globalization
3. Competition

These are the challenges as well as the opportunities for ensuring success of any business and corporate. The corporates and business units are required to innovate product and services and to strive for innovative problem solutions to deal with harsh competitive environment which operates in a globalized environment.

This conference is being organized under the aegis of Remsons Centre for Management Research.The Remsons Centre for Management Research is focusing on developing contemporary and usable research in various areas of Management.This Centre has been set up with the help of the generous donation from Remsons Group of Companies. It is set up by Late ShriVishvaPrakashjiHarlalka in the memory of his mother Smt. RadhadeviHarlalka.

.RESEARCH ACTIVITIES OF REMSONS CENTRE FOR MANAGEMENT RESEARCH

DSIMS encourages its faculty and students for undertaking practical research to address issues faced by corporates and industry. It also encourages the faculty to undertake research Leading to Ph.D. Degree, publish and present research papers and case studies in national and international level conferences organized by reputed bodies/ institutions. The faculty members are also deputed for the Faculty Development Programs (FDPs) and Management Development Programmes (MDPs) to enhance their knowledge and teaching effectiveness.

BACKGROUND OF OUR EARLIER CONFERENCES

Our 1st conference was held in 2014 on the theme of Rise of Asia – Opportunities and Challenges which was inaugurated by Dr. Lie Yufa, Consul General of People's Republic of China, It emerged that the Asia was going to play a dominant role in worlds economic development. In his inaugural address Dr. Yufa had observed that China and India is going to dominate the entire world through their accelerated economic activities focusing on manufacturing and services sectors respectively. He however, had shown his concern that the Asian work force are still not in a position to bargain what they really deserve.

The 2ndconference was held in 2015 on Outsourcing Strategy – A New Paradigm, which was inaugurated by Mr. Prashant Saran, Member,SEBI. Through various presentations it was evident that the outsourcing is going to be the integral part of business strategy. Special coverage was given to the off-shore outsourcing in a well-connected globalized business environment.

The 3rd conference was inaugurated by the Chancellor VIT University Dr. Vishvanathan, on the broad based theme of Emerging Management Practices to discuss the management practices to be followed for the survival and growth of the corporates.

The present conference received an overwhelming response by receiving a large number of good research papers including from our own faculty and students. We have short listed 20 papers to be presented in the conference. We have evaluated these papers with the help of experts and with 50 % weightage and 50% weightage will be given for the presentation and handling the questions.

We hope it will be a very successful event which will provide good insights to the participants of this conference. The papers selected for the conference will be published under ISBN.

I once again thank Shri Krishna Kejriwal ji for sparing his valuable time to inaugurate the conference. He has always been a source of inspiration for DSIMS for its endeavors to undertake valuable research under the Remsons Centre for management Research.

EDITORIAL

Amidst worldwide protectionism and inwardly looking strategies by the advanced economies, currently the most crucial ingredient for a sustained economic growth in India is to foster *Innovation*. There is a growing awareness among policymakers that innovation is the main driver of economic progress as well as potential factor in meeting global challenges.

The physical world is highly dynamic with a continuous rotation and revolution in its own path.We also needs to embrace this dynamism with serious effort for continual innovation in science, technology and business practices. As Ganesh Natarajan rightly said that Indian IT sector has to re model their business with more innovation in terms of newer product and platform development, not through mere wage arbitration which used to be the model of the past.

So the need of the hour is Innovation, which can be done in product or in processes. Innovative business practices make a nation more efficient, cost competitive, highly rewarding and self-reliant.

The International Conference at Durgadevi Saraf Institute of Management Studies(DSIMS) on 18 February,2017, aptly coveys the perfect synergy between innovation and excellence in business practices across sectors to eventually lead Indian economy to gain competitive advantage in the face of retreated Globalisation.

The papers presented in this International Conference on the theme- *Innovative Business Practices for Achieving Excellence in Globalised Competitive Environment* are compiled as a part of the post Conference Proceeding.

Professor ArchanaKhemka and Dr NishikantJha in their article *Uncontrolled Innovation- Private Gains at Public Loss*, emphasise the importance of regulation for uncontrolled innovations.

Prof Anthony Colaco'sworking paper on *Open Innovation* highlights the importance of collaboration- internal as well as external collaboration of resources for the maximum gain of all the stakeholders.

In his article *HR Consulting: Present & Future in Competitive World*, Professor Caral D' Cunha draw a trajectory of recruitment practices and future prospects of HR Outsourcing industry.

The research article on *A Study of Association between the Demographic Factors and Patients' Visit to Pharmacy* authored by Dr Chandrasekhar Kaushik, is a cross sectional survey to study a systemic association between the patients' visit to Pharmacy and the demographic factors of the patients.

To increase the retail participation in the derivatives market, Prof Chirag Shah worked on the research article *A Study of Back testing of Direction Neutral Option Strategy on Nifty Options* and bagged the best paper award as decided by a jury of blind reviewers and session chairs.

Professor DiptiAmburle's article *Design Thinking- The Strongest Weapon of Business Strategists*, brings forth the emerging concept of *Design Thinking* as a constructive approach to identify the needs of the consumers.

Phoenix Udaan of FunsukhWangdu by Research Scholar Mr Gitesh Chavan, is a case article based on cinematic analogy. The article is a sincere endeavour by the author to collate the three vertices, like- technology, innovation & global business environment to create the foundation for a successful & sustainable business.

Dr Harsh Pathak's article *Corruption and its Compliance on International Business* dealt with corruptive business practices and increasing demand for new governance standards.

Professor Jai Kotecha, Sagar Mehta and LashaChugh's article *A Study of Brexit & its impact on EU*, analysed the long term consequence of this recent geopolitical issue on Trade & Businesses.

Mr Neel Jani in his article *Trends and Scope of Commercial Lending in India,* worked on Commercial Lending via ECB & FCCB route.

Prof Pallavi Srivastava's field of innovation is not actually the business but classroom. In her article *Teaching of Organisational Behaviour with Dramatics*, she studied the effectiveness of interactive drama as a pedagogical way to teach the subject of Organisational Behaviour.

Leveraging Mobile CRM- on Time Food Availability, is another innovative e-commerce business model presented by Mr Siddharth Jain and Dr Preeti Sharma.

Dr RavindraDey in his article *Impact of Inovative Business Practices on Employee Engagement and Employee Satisfaction*, proved that irrespective of gender, there is a positive correlation between innovative business practices and employee engagement and satisfaction.

In the article *Linking Social Sustainability to Urban Poverty,* Prof Ritu Sinha focused on the required systemic changes to address the issues of social equity and corporate intervention.

Dr Shailja Badra and Prof Vivek Sharma in their paper *The Future Lies in Innovative Governance,* highlighted the importance of E- Governance and its impact on business efficiency.

A unique endeavour on the part of the Institute to host a Conference on *Innovative Business Practices* as one of the most critical strategic requirement for Indian growth trajectories in times of global uncertainty.

The rich and diverse research articles presented in the Proceeding will definitely steer young ***In***dians to ***Dr***eam ***I***nnovative ***A***ccomplishments (*INDIA*) and spearhead the tools of innovation to gear our nation to the league of advanced economies of the west and lead the global economy to a cohesive world.

Dr Sumana Chaudhuri
Editor

TRACK SCHEDULE

Track I

Session Chair-Prof (Dr) Anil Sutar,
Associate Dean, School of Research Methodology,
Tata Institute of Social Sciences

Venue: Room No.623

SR.NO	TIME	AUTHOR	TITLE
1	11:30	Dr. Ravindra Dey	Impact Of Innovative Business Practices On Employee Engagement And Employee Satisfaction
2	11:50	Mr. Siddharth Jain	Leveraging Mobile CRM for On-Time Food Availability”
3	12:10	Dr.Sharad Kumar	A Comparative Study of NPAs in Various Segments of Indian Banks
4	12:30	Prof. Pallavi Srivastava	Teaching of Organisational Behaviour with Dramatics
5	12:50	Prof. CaralD’cunha	HR Consulting: Present & Future in Competitive World
6	13:10	Prof Ritu Sinha	Linking Social Sustainability to Urban Poverty

Track II

Session Chair-Dr. Asit Mohapatra,
Senior VP, HR Reliance Retail

Venue: Room No. 621

SR.NO	TIME	AUTHOR	TITLE
1	11:30	Mr.Neel Jani	Trends and Scope of Commercial Lending in India.
2	11:50	Ms.Vanita Godhwani	A study on youth entrepreneurship and its funding
3	12:10	Prof. Dipti Amburle	Design Thinking: The Strongest Weapon of Business Strategies
4	12:30	Ms.Vinima Gambhir	Managing Employee Departures through Employee Engagement: A Review.
5	12:50	Dr.C.Kaushik	A study of association between the demographic factors and its influence on patients visiting pharmacy first for OTC medication in Mumbai.
6	13:10	Ms.Juhi Kataria	A study on startup- lets_accessorize with special reference to customer psychology

Track III

Session Chair-Prof. Dr. Vijay Page,
Director General
Mumbai Education Trust (MET)

Venue: Room No.623

SR.NO	TIME	AUTHOR	TITLE
1	14:30	Prof. Chirag B Shah	A Study on Back Testing of Direction Neutral Option Strategy on Nifty Options
2	14:50	Prof Namrata Acharya & Prof Mishu Tripathi	Brexit- The Way Forward
3	15:10	Ms. Archana Khemka & Dr. N Jha	Uncontrolled Innovation-Private Gains at Public Loss
4	15:30	Prof Jay Kotecha, Sagar M & Lasha C	A Study of BREXIT & it's Impact on European Union
5	15:50	Mr. Gitesh Chavan	Phoenix Udaan of Funsukh Wangdu

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Uncontrolled Innovation – Private Gains at Public Loss

By

Archana Khemka*
Dr.NishikantJha**

* Research Scholar at Thakur College of Science & Commerce,

** Prof & Research Guide at Thakur College of Science & Commerce.

Abstract:

The words invention and innovation are often used interchangeably. However, for the purpose of our research, it is important to distinguish between the two. Invention has been defined by experts as "creating something new". Innovation is defined as "improvising on something which already exists". However, humans resist change due to the fear of the unknown and enlightened humans (often government) impose innovations on us preaching that overtime the benefits would become evident. Our case study of a string of innovative practices in the US financial services sector leads us to conclude that innovations are potentially dangerous and harmful from the economic, social and cultural perspectives.

What is worse is that these innovations are sourced from private entities that are paid off in the early stages of the implementation. Hence, when and if eventually, the innovation proves to be adversarial, the common man pays for it (public). The innovator is rarely held accountable and billions of dollars of tax payers' money disappear. There are vested interests that result in such phenomenon. Regulation is perhaps the only plausible solution.

Keywords:

CDO, CDS, Housing, Lehmann brothers, crisis, meltdown

Introduction:

Whilst invention has been the backbone of human civilization and its prosperity, innovation has helped us to make things better and more suitable. So, in the context of this paper, while the invention of electric bulb by Thomas Alva Edison was an invention, the evolution of this form of equipment into led lights is incremental innovation.

One could argue that innovation has helped create more efficient, convenient, economic products and practices. However, it would be naïve to let the adverse implication of such innovations go unnoticed. In this paper, we would like to highlight certain innovations, which prima facie were means of prosperity, however, their adverse impact on the socio cultural, economic and political environment either make them obsolete or a necessary evil.

We reckon that innovations pushed down the throat of mankind without considering the holistic impact on the arms of sociology, economy, politics and culture have backfired. A few examples being robotics, Collateralized Debt Obligations (CDO), nuclear bombs (weapons of mass destruction), fractional reserve banking, etc.We also conduct a case study on how CDOs which presented a very lucrative investment opportunity for long term funds ended up not only creating huge losses for these funds, but also culminating into a global economic crisis in 2008.

We conclude this paper by highlighting current on-going innovations, which we believe have not considered the holistic impact. We go on to make certain recommendations as to how regulators could probably mirror the pharmaceutical industry and let only incrementally positive innovations be imposed on mankind.

Research methodology

We conduct a case study on CDO s and Credit Default Swaps (CDS) and showcase their impact on the global economic environment as an example of an innovation which led to business excellence initially, but eventually proved to be a disaster.

Data collection

Primary data: We interviewed several investment bankers, commercial bankers and fund managers who were directly or indirectly involved during the CDO crisis.

Secondary data: economic data points from finance.yahoo.com, reuters, Bloomberg, and US government websites.

The definition of "innovation" and basic human instinct

Innovation is defined as to improve on something. Mankind has used innovation to improve the environment around itself so that it can survive. However, by basic human instinct, humans are resistant to change. The resistance comes from the fear of the unknown. Hence, most innovations are literally imposed on mankind by few enlightened ones arguing that one will realise in future that it is for the best.

What has been worse in the modern world is that the innovations have come from private sources and since the R&D in innovation costs a lot, even before mankind has been able to assess the true impact of the innovation, the innovator has had to be paid off for his efforts. Hence, later when some of these innovations actually end up creating massive negative impact on economics, society and culture, it is the public's loss and the innovator is not accountable (after effects).

However, we argue that Darwin's theory of survival of the fittest suggests that the instincts that have survived with mankind are there for good reason. Hence, when we resist change and it is imposed upon us, the imposers need to be absolutely sure that the change will be for the better.

Case study

CDO/ CDS – an innovated disastrous avatar of mortgage *bonds.*

In order to comprehend the role of innovation in the CDO/CDS disaster, we first identify the various parties (sections of society/ professions) involved.

Modern era banks (commercial + investment), Insurance companies, Housing finance companies, Rating agencies, Institutional Investors, Academicians and Government.

The evolution of role of banks – deregulation leading to an unstable avatar

The innovative practice for sake of competitiveness – engaging in derivatives

Banks (historically only goldsmiths) were initially allowed to borrow from public and lend the borrowed money or make investments to make a spread. Hence, a bank would practice fractional reserve banking under the guidance of the central regulatory body (central banks). In the US, the Glass- Steagall act of 1956 prohibited commercial banks from making engaging in any risk aggressive investment banking practices. This was done to ensure that the public deposit money was not gambled with making risky bets. However, in 1998, when Alan Greenspan was chairman of Federal Reserve, Citibank merged with Travellers insurance creating CitiGroup. Although this merger was clearly a violation of the Glass-Steagall Act, the regulators did not prevent it. Instead, they exempted the merger for a year and in 1999, passed the Gramm-Leach-Bliley Act which overturned Glass-Steagalland legalized the CitiGroup merger. This act eventually came to be known as the CitiGroup Relief act.

The GLB act was a ground breaking regulation as it now allowed commercial banks to engage in risky investment banking activities which had thus far been the strong hold of small private partnership called investment banks. The big difference being that the private investment banks bet the partners own money, whereas the commercial banks were taking such bets with the baking of public money.

On the other hand, investment banks which were originally private partnership between technically equipped individuals with experience in financial markets were allowed to go public and borrow public money (equity and debt). This led to a multi factor growth in the size of the investment banks and hence the size of the bets that they could make. As an example Morgan Stanley in 19xx was a private partnership with a total strength of 110 employees including 7 partners who were the only stock holders. It had only 1 office in the world (US). Post going public Morgan Stanley had achieved a size of 50,000 personnel and the original 7 partners were now a minority stake in the firm's equity. It has offices across the globe.

The traditional home financing model

In the traditional model of lending to retail customers for housing purposes, step 1 needs to be the assessment of the customers paying power. This was done by assessing the source and stability of his income, existing liabilities, future expected liabilities, past savings, current net worth, past credit record etc. The bank, based on fractional banking reserve, would extend the loan to a customer which would cover 70-80% of the cost of the house and in turn would keep some money aside to cover the risk of this lending as per capital adequacy norms. This loan would remain on the books of the bank till the customer fully repaid the loan. In case of default, the bank would confiscate the mortgaged house, auction it and bear the loss (if any) on its equity. Since, the banks equity was involved, the credit worthiness of the customer was checked thoroughly and it was also insured they the customer also had some (20-30%) equity in the house.

The "innovative" home financing model

Under the innovative model, with the help of de regulation, the banks were able to sell the housing loans on their books to investment banks and immediately recognise profit on the transaction. Since the loan was no longer on the books, the bank did not have to meet the Capital adequacy norms. Further, since the banks were no longer collecting the mortgage payments, the incentive to check the credit worthiness of the customer was almost zeroed. For e.g. earlier a person with gross income of a $1000 p.a. would not be able to secure a loan of more than $3000. But now, since the banks were not worried about repayment, the same person was approved for a loan as high as $15,000. Moreover, another innovative practices adopted by the bank was teaser rate loans. under the teaser rate loans, the customer was required to pay only subsidized mortgage payment for the initial few years of the mortgage, and at a later reset date the mortgage payment would balloon up to a much larger size. So for e.g. if in the traditional model a customer was supposed to pay a mortgage payment of $10 per month through the life of the mortgage, now under the traditional model he was required to pay only $5 for initial few years, and $20 per month for the remaining years. Hence, when under the new "innovative" model the subsidy period expired, the American public at large started to default at mortgage payments, and default rates skyrocketed to unprecedented rates.

The role of other players and their innovative practices in the scam

Insurance companies – The innovative practice for sake of competitiveness – insuring derivatives

AIG, the public insurer in US, was the largest insurance company. The investment banks soon realised that as the teaser rates on the home loans expired, defaults would rise to such an extent that most of these AAA rated CDOs would become worthless. Thus to hedge their balance sheet exposure to the CDO s held on their books, the investment banks started purchasing CDS from insurers like AIG. Now, traditionally an insurer also has to meet capital adequacy norms while providing insurance. However since derivatives were not regulated, the insurers were allowed to sold these products without meeting capital adequacy norms. The CEO of AIG at a press conference in March 2007 famously said "we cannot envisage a situation where we lose a single $ on any of these exposures". AIG lost $800 billion in the housing collapse, and had to be bailed out by the federal government with tax payers' money.

Housing finance companies – The innovative practice for sake of competitiveness – making predatory loans

Housing finance companies like Freddie Mac and Fannie Mae (who were bailed by US taxpayers in 2008) were the home loan providers to the larger public. As the securitisation food chain ensured that the lender no longer had to be the beneficiary for the repayment of the loan, the housing finance companies started making predatory loans. This implies that the lenders were completely aware of the fact that the borrower was incapable of repaying the loan under normal circumstances. These loans were extended to the low income American who had the great American dream, but could not afford a house due to prevailing prices. However, when the lenders stopped checking income documents or assessing repay ability, the low income American could suddenly realise his dream. These loans were junk rated per se. However, in mathematical models since the probability of default of each of this loan was as high as 50%, but they were considered as mutually exclusive event (hence ignoring systematic risk), 8000 such loans out in a CDO, would get the CDO a very low probability of failure (50%^8000) = less than 1%. Hence, the rating agencies would rate these CDOs as AAA that is as safe as government securities.

Rating agencies –The innovative practice for sake of competitiveness – default on each loan in a given economy is a mutually exclusive event

Fitch, Moody's and S&P were the principal rating agencies who escaped unscathed from this turmoil. These rating agencies have an inherent conflict of interest. They are paid by the issuer of the instrument to rate and evaluate its credit risk. Hence, if an issuer (say Goldman Sachs) could not get a AAA rating for his CDO, he would simply take his business to another rating agency. Thus, being prudent in rating these securities would come at the cost of revenues and profits of rating agencies. Also, these ratings that formed the base for investment of pension and retirement trusts and funds came at a disclaimer that they were merely opinions and should not be relied upon whilst making investment decisions.

Investors – The innovative practice for sake of competitiveness – investing in deregulated but AAA rated instruments the corpus meant for government securities

Pension funds, asset management companies, sovereign funds etc lost a huge amount of their wealth invested in CDOs which were meant to be invested in AAA rated risk free assets like government securities. The investors got greedy when they invested the money in CDOs as the CDOs showed potentially higher returns vs government securities with similar credit ratings. These investors too were aware of the credit rating agencies disclaimer and yet they bet a substantial amount of their corpus in such CDOs about which they knew very little other than the credit rating.

Government and Academicians** - **The innovative practice for sake of competitiveness – deregulating derivatives

Academicians play a pivotal role in shaping public policy in US. The de regulation of the financial sector which allowed "innovative practices" was led by academicians from renowneduniversities like Harvard, Chicago and Oxford. The Great Depression had led to US government to tighten regulations around banks. Yet, the Reagan administration started a 30 year long process of financial deregulation and these banks were once again allowed to engage in investment banking activities. The academicians also catalysed this deregulation by encouraging the Government to deregulate for the sake of economic growth and stability to the markets. Their financial innovations did not cost them anything and actually helped them make millions of dollars in consultancy fees from investment banks. The taxpayer paid the bill when it came to losses from these innovations.

Conclusion of the CDO case study

Whilst a handful of investment bankers, academicians, government officials, credit rating agencies and portfolio managers benefitted from the innovative practice of deregulating derivative products and allowing commercial banks to bet public money on risky instruments, millions of American taxpayers paid the bill when the system collapsed. Each of the aforementioned benefactors made their wealth whilst they were architecting the crisis and they were never held accountable. Hence, if innovations aren't controlled in a phased manner and continue to be imposed on mankind against their will, the innovators will continue to make their money regardless of the impact of their innovations. It is a perfect crime to create private gains at public loss.

Recommendations

- All innovations with systematic implications must be implemented in a pilot phase to study the economic, social and cultural impact over a reasonable period of time.
- Innovators must be compensated in a phased manner in alignment with the success of the pilot phase.
- If the eventual outcome is adversarial, the innovator has to payback the rewards received for the innovation.
- The regulator should also be held accountable for the lack of its monitoring ability in such cases and public money should not be used to compensate for losses.

Limitations of the study

Whilst we have studied a case where many entities used innovative practices to enable a systemic disaster, one should not discourage innovation in any form or shape. There are many innovations that have helped mankind to improve their lives. We are merely suggesting a regulatory framework so that the implications can be studied from a broader perspective and then the innovation can be judged on its merits.

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Open Innovation – The Way Forward

By

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Abstract

Open innovation is "the use of purposive inflows and outflows of knowledge to accelerate internal innovation, and expand the markets for external use of innovation, respectively." Open innovation can be understood as the antithesis of the traditional vertical integration approach where internal R&D activities lead to internally developed products that are then distributed by the firm. As the definition by Chesbrough suggests, there are two facets to open innovation. One is the "outside in" aspect, where external ideas and technologies are brought into the firm's own innovation process. Thus with the introduction of open innovation, company boundaries become 'permeable', enabling the matching and integration of resources between the company and external collaborators. In the 'closed' innovation model, companies innovate relying on internal resources alone.

For business, open innovation is a more profitable way to innovate, because it can reduce costs, accelerate time to market, increase differentiation in the market, and create new revenue streams for the company. So there's a lot of opportunity for business to profit from open innovation.

Keywords:
Open Innovation, Technology, Resource Integration

Introduction

Innovation not only has been considered as a critical source of competitive advantage in an increasingly changing environment, but also, innovation capability is one of the most important determinants of organizational performance. Thus in the past, organizations used to conduct most of their innovative activities in-house as this was viewed as a strategic asset, and in some industries even as a market entry barrier. On this sense, the main studies about innovation have been addressed from two different approaches. The first one, or the traditional approach (closed innovation), points out that organizational sustainable growth relies on internal investments in R&D and the control and protection of the results derived from these investments. However, a number of factors that characterize the current market dynamics have deteriorated the perspective before described. Among these factors it is important to mention the following: the labor mobility, the abundant venture capital, the availability of knowledge, the reduction of product life cycles, and the rising cost of technology development.These factors coupled with the increasing complexity of products and technologies, the rising costs of innovation, shorter development lead times, organizations today are forced to open up their innovation activities and to enter not only into different forms of cooperation, but into new forms as well.

Literature Review

Chesbrough argues that the innovation approach applied by organizations has shifted from a closed system to an open system. In contrast to the closed innovation approach, the open innovation approach focuses on the acquisition of external knowledge, blurring organizational boundaries. Ståhle goes so far as to make a distinction between open systems and complex, self-organizing systems that are the bases for innovation ecosystems.

The open innovation paradigm on the other hand strongly believes that organizational boundaries are permeable rather than closed, and the locus of innovation is moved from a location internal to the organization to a relational system comprising the organization and its external partners (Bogers& West, 2012; Chesbrough, 2006a, 2006b; Vanhaverbeke et al., 2008). The model of open innovation recognizes that not all good ideas come from inside the company and not all good ideas created within the company can be successfully marketed internally.Therefore, an increasing number of organizations have actively started involving customers, suppliers and other stakeholders in their innovation processes.

Open Innovation in organizations can thus occur through three processes: (i) outside-in or inbound process, which involves the inflow and acquisition of knowledge from external sources; (ii) inside-out or outbound process, which involves the outflow and commercialization of knowledge; and (iii) coupled process, which combines the inbound and outbound processes to result in a continuous co-creation of knowledge (Enkel et al., 2009; Gassmann&Enkel, 2006). In an inside-out process an organization may generate profits by transferring internal ideas to the outside environment. In an outside-in process, organizations expand their own knowledge base through the inflow of external knowledge provided by suppliers, customers or other market actors. Finally, in a coupled process, organizations combine outside-in and inside-out processes. Given the different locus of the innovation process, each process requires different characteristics. Gassmann and Enkel [28] conclude that organizations using an inside-out process are very interested in branding and setting standards, whereas organizations employing an outside-in process focus on early supplier integration and customer co-development. Organizations using a coupled process take a relational view of the organization.

Open Innovation business models enable organizations to integrate and commercialize complementary resources and capabilities to capture value and maximize profits from innovation (e.g., Chesbrough&Crowther, 2006; Laursen& Salter, 2006).

Further the open innovation model has been adjusted to the current market conditions since its adoption provides suitable benefits, such as faster time-to-market, less cost of innovation, better adaptation of products and services to customer needs, commercial utilization of knowledge or technologies that are not aligned with the actual business model of the company, and shared risk in products and services development.

In the last decade, open innovation model has attracted interest both, in academia and industry contexts because of its adjustment to the innovation management trend. In this sense, this paradigm has been defined in the scientific literature by Chesbrough (2003) as "The purposive inflows and outflows of knowledge to accelerate internal innovation, and expand the markets for external use of innovation, respectively. Open Innovation is a paradigm that assumes that firms can and should use external ideas as well an internal ideas, and internal and external paths to market, as they look to advance their technology".This definition suggests that organizations should put even greater emphasis on collaboration and networking. Instead of using the 'closed' innovation model of keeping all innovation activities in house, firms are being urged to open up controlled passages in their otherwise protective organizational walls. This standpoint is often illustrated by an innovation funnel, drilled with holes where knowledge can trickle in and out. In other words, Open Innovation highlights the importance of using a wide range of knowledge sources for a company's innovation and invention process (including customers, competitors, academics, companies in unrelated sectors), as cooperating with external actors is essential to increase the innovation capability. In the same way, it assumes that internal ideas can be taken to the market through external channels, outside a firm's current business in order to generate additional value.

In contrast to earlier concepts discussed in the academic literature, the open innovation paradigm regards internal and external knowledge as being of equivalent quality. The focal point is the business model, that is, its relevance to innovation is now considered as well. R&D evaluation is reconsidered, which means that R&D projects that do not fit in with the business model may be commercialized elsewhere, referring to the latter having outbound flows of knowledge firms can benefit through the application of external revenue models.

In contrast, inbound flows of knowledge refer to an outside-in process intended to acquire knowledge from external sources. Additionally, it is acknowledged that knowledge is widely distributed, which requires firms to become good networkers in order to gain access to this pool of knowledge.

The bilateral flow of knowledge has also contributed to a stronger role of IP management, opening up further means of revenues. Intermediaries also benefit from this new situation as they help to bring together the different actors and thus enabling transactions.

Chesbrough argues that the changing business environment has required organizations toturn from a closed innovation approach to an open one. This observation has paved the way foropen innovation debates. Dahlander and Gann, however, conclude that a binaryclassification of open innovation systems and closed ones fails to go into sufficient depth. Instead,the authors argue that the two systems should be viewed as a continuum, making possiblevarying degrees of innovation systems and thus of openness.

The open innovation model has been widely adopted in a variety of industries. In spite of the fact that initial, evidence was only found in high-tech industries (e.g., computers, information technology and pharmaceuticals), open innovation concepts were already being used in a wide range of industries. Similarly, it was found that SMEs in the Netherlands employ a lot of open innovation practices and their adoption has had an incremental behavior since its appearance.For instance, Mowery (2009) shows that many elements of open innovation were visible in the US industrial revolution in the late 19th and early 20th centuries.
The notion of open innovation has also been therefore criticized as simply being ‘old wine in new bottles’ (Trott& Hartmann, 2009) that fails to “bring anything new to the table” (Remneland-Wikhamn&Wikhamn, 2013, p. 179). Trott and Hartmann (2009) argue that the open innovation research community “has given insufficient credit to previous researchers who described, analyzed and argued in favor of most of the principles on which Open Innovation was founded, long before the term for this new model was actually coined”.
Scholars have recognized the need to gather a consolidated understanding of the field, and have started to review and synthesize the literature. However, patterns within existing literature can be hard to uncover when a research field is complex, in its early stages of inquiry, and rapidly evolving (DiStefano et al., 2010). The relative immaturity of open innovation as a research domain, the multitude of definitions and conceptualizations, and the steep increase in publications in the field add to the task.

Regarding to the economic benefits generated by incorporating open innovation practices, significant evidence has been found. For example, Procter and Gamble announced that they were able to increase their product success rate by 50% and the efficiency of their R&D by 60% as a result of introducing the concept of open innovation in the organization.

Overall, the integration of open innovation practices in companies as well as its economic benefits is evident. As can be expected, leaving behind the closed model to move forward the open model requires significant changes in the way innovation processes are managed in the companies. McLaughlinstresses that open innovation can only happen if there is sufficient openness and participation from all actors involved. Yet this is easier said than done. Indeed, organizations have reported serious difficulties when trying to implement open innovation activities.

Two tendencies in particular – the "not-invented-here" and "not-sold-here" attitudes – seem to have a serious impact on the successful implementation of open innovation activities. In this connection, West *et al.*call for research efforts to better understand the meaning of incentives and organizations of R&D workers.

Buganza*et al.* [18] demonstrate the influence of industry-level variables, such as R&D intensity, strengths of the appropriability regime, turbulence and uncertainty, on the adoption and institutionalization of open innovation. This indicates that organizations need to revise their current business models and organizational structures so as to cope with the new requirements presented by open innovation.

To address this challenge and to link the open innovation framework to the related literature, Lichtenthaler [8] proposes an expanded definition of open innovation, which says that the term comprises systematically performing knowledge exploration, retention, and exploitation inside and outside an organization's boundaries throughout the innovation process" (p. 77). The intention of this definition is to more firmly anchor the concept of open innovation to related field of studies, such as knowledge management, organizational learning and firm boundaries. Felleret al. argue that in order to fully understand organizations' open innovation activities, it is imperative to include the economic structures, institutions and regulatory environments as well.

Some researchers of open innovation model recognize that customer involvement is a relevant alternative to improve internal innovation process. According to Van de Vrande et al companies can obtain benefits from the customer's ideas and innovations of its clients either by doing proactive market research, through the provision of tools to experiment with and/or develop products similar to the ones that are currently offered; or by means of the development and assessment of products based on customers' designs.

Another possibility to search and integrate external knowledge in any company's innovation processes is by means of external networking. It includes formal collaborative projects (e.g. R&D alliances) and more general and informal networking activities. External networking allows companies to quickly fill up specific knowledge needs without having to spend large amounts of time and money to develop this knowledge on their own.Simard and West stress the role of network ties in conjunction with open innovation, and call for studies that would shed light on informal ties in the context of open innovation. They also correctly observe that the mere existence of ties does not automatically trigger the transfer of knowledge; instead a certain level of trust must exist among the partners involved. Additionally, Simard and West make reference to network portfolios which consist of complementary ties, as firms are likely to be involved in a number of different networks that need to be managed in order to meet the anticipated expectations. It is important to have a coherent strategy at hand that allows firms to integrate their collaborative activities.

Way Forward

Moreover, companies can acquire intellectual property from other organizations through licensing patents, copyrights or trademarks in order to accelerate and consolidate their internal research engines. Equally, projects that are not aligned with the actual business model and core competencies of the company can be licensed to others, providing bilateral benefits. The company that receives the license may use it and prove its value, and the company that licenses may obtain additional funds and observe and learn from their experience. Companies can also invest in start-ups or other organizations (e.g. spin-off) to keep an eye on potential opportunities for innovation.

It was found that companies actively collaborate with other organizations (universities, competitors, companies in unrelated sectors, suppliers, etc.) in order to satisfy a specific technological or knowledge need and/or to improve and expand the products and services portfolio. These organizations either have solutions that can improve the company's innovations or that can exploit solutions the company has developed. These collaborations provide a number of benefits (e.g. faster products or services development and cost reduction), which allow companies to effectively react to market requirements, obtaining greater productivity, competitiveness and leadership. Universities are a source of knowledge that impacts the companies R&D processes. This can be achieved through various channels, for instance: consulting, research partnerships, research services, academic entrepreneurship, human resource transfer (from industry to university and vice versa), commercialization of intellectual property, scientific publications and informal interaction.

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HR Consulting: Present & Future in Competitive World

By

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Abstract

HR outsourcing as an organizational strategy has increased substantially over the last decade. In a significant shift, companies are outsourcing for competitive advantage, seeking benefits ranging from access to expertise better information management. Large Indian companies are diversifying into new sectors and prefer candidates with relevant experience. However, since their HR function find it difficult at times to source candidates from the large and geographically dispersed talent pool, companies are increasingly looking at external help. This change in approach and mindset has made sourcing a relatively complex activity, resulting in companies increasingly partnering with recruitment consultants with a global footprint or access to global databases to source the right candidates. The objective of this research paper is to study current trends & future prospects of the HR outsourcing industry in Indian context.

Keywords:

Permanent recruitment, temporary staffing, trends

The HR Solutions Industry: An Introduction

While there is no uniform definition for the HR solutions industry, we may define it as the rewards derived from any decision on buying services for any part of the human capital value chain. The HR solutions industry can be broadly divided into two main functions — permanent recruitment of executives and professionals, and temporary recruitment, specializing in professional and general staffing.

HR solutions are being increasingly viewed as a distinct industry with the role of HR consultants evolving with changing market dynamics.

Large Indian companies are diversifying into new sectors and prefer candidates with relevant experience.

However, since their HR function find it difficult at times to source candidates from the large and geographically dispersed talent pool, companies are increasingly looking at external help. This change in approach and mindset has made sourcing a relatively complex activity, resulting in companies increasingly partnering with recruitment consultants with a global footprint or access to global databases to source the right candidates.

The service industry is a people-driven one and is clocking double-digit growth. The service industry has a large manpower requirement, which facilitates the need for a large HR function to fulfil its growing needs. Since recruitment is not a recurring activity and is a function of economy and a company‘s growth plans, companies prefer to partner with consultants to source the right candidates as and when required, and have their HR function focus on the core and strategic activities of selection, planning and retention.

Temporary staffing is a growing human resource trend and the phenomenon is finally catching up in India. While industry experts estimate employee leasing to be a US$140 billion business worldwide, the domestic staffing industry has yet to witness large figures. The scenario is however set to change as companies are increasingly partnering with consultants, and experts expect that in the near future, 2.5%-3%of the workforce in the country will be hired on a temporary basis.

Objectives of the study:

- To study the recent trends in HR consulting industry in India.
- To understand the future of the HR consulting industry in India.

Literature review:

Graubner, M., & Richter, A. (2003)HR and benefits consulting is growing rapidly as employers struggle to bridge the gap between their HR needs and talent pool. So says a recent report by Kennedy Information in Fitzwilliam, N.H., publisher of Consultants News, entitled The Global Human Resources Consulting Marketplace: Key Data, Forecasts & Trends.

"For many years HR consultants sat in the shadow of more glamorous strategists and IT mavens," according to Tim Bourgeois, Kennedy's vice president of research and advisory services. "But the drum-tight labor market and new attitudes toward human resources have brought HR consulting to the fore.

"As a result, we see new respect for this consulting discipline, as well as new HR techniques and practices and intense acquisition activity among HR consulting firms."

The report found that HR consulting growth has been driven by changes in (and the complexity of) client needs, the widening gap between HR needs and work force capabilities, and the ability of HR management consulting firms to fill this gap.

Vosburgh, R. M. (2007)Concentration in the consulting industry is not a transitory phenomenon of the current economic crisis but, in fact, a sign of a long-term shift in power away from consultants toward their clients. Inevitably, over the next 3 to 5 years these developments will have a significant effect on the internal organization of consulting firms, especially their human resource management policies and practices. On the supply side, competition in the consulting industry has been growing as many companies have entered the market. On the demand side, clients are becoming increasingly choosy, and under the current market conditions, they can be. Consulting firms need to take a more conscious look at their organizational and HRM policies and practices and employ these tools more proactively.

Permanent recruitment

The permanent recruitment market is estimated to be in the range of INR28–INR31 billion[1]. This segment can be divided into executive search[#] and recruitment[#]. "Search," being a niche category, is focused on hiring of CXO-level positions in an organization, while recruitment is for mid- and junior-level positions.

Permanent recruitment is a four-step process of sourcing — screening, selection and on-boarding of candidates — with sourcing being one the most critical steps, since it involves short listing and attracting the right candidates from the pool.

Sourcing of the right candidates takes place through campus recruitment programs, employment agencies, internal referrals and job portals. However, employment agencies and referrals account for more than 65%[2] of the candidate sourcing process. Sourcing of candidates through employment agencies is now gaining traction and currently has a 30%[2] share.

- **Executive search**

In the early 90s, "executive search" was less prevalent, and small placement agencies dotted the landscape. It was all about database recruiting. The transformation was noticed after the economy opened up with multinationals setting up shop in the country. Business for the Indian search industry largely emanated from global MNCs and accounted for 85–90%[3] of their revenues. The space was dominated by HR consultants such as ABC consultants and Mafoi.

The end of the 90s and the early 2000s saw the entry of some global search companies such as Amrop, EgonZehnder, Korn Ferry, Transearch and Heidrick& Struggles into India. At that time, these MNCs followed the policy of their international CXOs heading their India operations.Themid 2000s saw the emergencies of new industries and the need for local talent led multinationals to demand a more scientific approach to top-rung hiring. Large search companiesbegan importing their knowledge base, global best practices and proprietary tools to their Indian subsidiaries.

- **Recruitment**

India's recruitment industry has grown with the rising prominence of industries such as IT, telecom, retail, pharma, ITES and hospitality. These industries have shown significant growth on the back of strong demand from the rising Indian consumer class and the dominance of Indian companies in the outsourcing space.

The recruitment industry has evolved on the back of the increase in the demand for workforce on the talent acquisition and the client fronts. On the talent acquisition front, the change has been significant, from a mere match-making function and career counseling to competency-based assessment hiring. On the client side, it has moved from a requirement-based fulfilment system to turnkey project-based hiring to hiring for value added services (VAS).

The recruitment market for the junior level is dominated by a large number of small companies and job portals from which companies generally source profiles. Being a volume- driven segment, the focus is more on the turnaround time than quality. Hence, having a large data base is of prime importance. Given the volume nature of this industry sub-segment, fees for consultants may be lower (in the range of 7-10%[2] of the annual cost-to-company salary) per recruitment.

Temporary recruitment

The temporary recruitment market is estimated to be INR172 billion. Temporary recruitment takes place when a temporary work agency finds and retains workers, while other companies in need of short-term workers enter a contract with the agency to send temporary workers on assignment. Temporary employees are generally used in industries that are cyclical in nature and require frequent adjustment of staffing levels.

The temporary recruitment market can be broadly classified on the basis of the skill set of temporary workers.

Professional staffing:

A staffing company provides temporary skilled professionals on their payrolls tolarge companies that typically operate in the IT and engineering sectors. These Professional are technically proficient workers such as web developers, planners, etc.

General Staffing - White collar:

A staffing company provides temporary skilled labor on their payrolls to large companies operating in the ITeS, retail and telecom sectors. These may be people with basic training for generic training, e.g., front -ending a retail store, BPO employees, etc.General staff salaries typically range between ~INR 10,000 and 13, 000[2] pm.

Staffing - blue collar:

A company provides a large number of employees to factories or plants. These typically include workers. Blue collar staff are paid the minimum wages applicable in the state where the company operates around ~ INR 5,000 to 8,000 pm.

Other segments of the HR industry

Recruitment process outsourcing (RPO)

The provider acts as a company's internal recruitment function for all or part of its recruitment activities, e.g., sourcing of the right candidates, screening candidates through tests and/or interviews, selection of candidates based on screening results, and on-boarding and training.

While the global scenario in RPO is evolving rapidly, offshoring in India has been relatively slow to take off. There are very few homebred companies that prominent in this space (Elixir Web Solutions, MaFoi Consultants and

People Strong). Several other RPOs are extensions of recruitment agencies that offer their services to prevent RPO from having a cannibalizing effect on their recruitment business. RPO contracts generally extend for six months to a year, unlike recruitment, which is based on successful referral, and it is an annuity. However, most recruitment companies do not have the wherewithal to support the large-scale nature of such contracts and global clientele.

Most of the recent newsmakers in the Indian RPO space are global players that are setting up or expanding their Indian delivery base. Some of these include Alexander Mann Solutions, which has tied up with ABC Consultants, and Kelly Services, which is launching its RPO services in the country.

Large international players have entered the Indian market as they are of the view that small and medium-sized companies will increase their outsourcing of non-core activities. Moreover, with the market becoming increasingly more competitive, large players are also expected to begin outsourcing to reduce costs and increase their efficiency.

Payroll processing and compliance

Payroll outsourcing largely involves analysis of organizational data, computation of gross salaries, TDS, allowances, reimbursements of expenses and filing of TDS.

Organizations have the option to establish their payroll systems, but it is time-consuming and requires expertise. Increasing workloads, strategic roles gaining in importance, low costs and the enhanced quality of outsourcing is driving organizations to outsource their processes. According to a survey conducted by the Society for Human Resource Management, 49%[1] of organizations are outsourcing their payroll processes due to their increasing headcount.

This space is dominated by large established players such as Hewitt and Mafoi and small players find it difficult to enter the space, since not all of them provide end-to-end solutions and last-mile compliance, which is an extremely important factor. Furthermore, organizations are not comfortable sharing sensitive information with less established and known players.

Contracts in payroll outsourcing are generally offered for fixed fees in the range of INR100–INR150per employee. Some of the key success factors in any payroll agreement include technology, security, last mile compliance, business continuity and web-enabled query-handling capabilities.

Online job portals

These are job sites that list jobs according to different classifications and post job requirements for a position to be filled. Through a job website, an employee can locate and fill out a job application, submit resumes on a database, which is accessed by recruitment consultants for any job opening that has not been advertized.

Naukri, Monster, Head Honchos, and Times Jobs are some of the large online job portal players. They earn revenues in the form of fees for every successful referral. Online job portals face stiff competition from recruitment agencies andinternal referrals.

Large recruitment companies such as ABC Consultants, Michael Page and Vito have launched their own job portals to have a presence across the value chain, increase their margins and establish their brands.

Employment training

Defined by high value corporate training to upgrade the skills of employees and make them productive from the time they come on board.

Although corporate organizations are realizing the benefits of training, they cut down on their training spend significantly during a downturn. Training contracts with the private sector are not long term in nature in nature and revenues earned are "non-sticky."

Players	Primary services	Sales[1](INR mn)
Mafoi	Recruitment, search and staffing	8,434
Adecco	Recruitment and staffing	7,050
Manpower	Staffing	2,863
Kelly Services	Recruitment, search and staffing	2,045
Ikya (including Magna)	Recruitment, search and staffing	2,043
Global Innov	Recruitment and staffing	1,861
Genius Consultants	Staffing	1,412
WDC	Staffing	715
Egon Zehnder	Search	570
Allegis	Staffing	542
ABC Consultants	Recruitment and search	493
Heidrick & Struggles	Search	480
Team Lease	Recruitment and staffing	421[2]
Future Focus	Staffing	336
Korn Ferry	Search	314
T&M Service	Staffing	272
Spencer Stuart	Search	266
Transearch	Search	156
Amrop Intl.	Search	143
Personnel search services	Search	83

Source: MCA website, ROC financials

Emerging trends

Emerging trends in Executive search:

1) Large executive search firms providing CXOs on hire for a short term

a) Large executive firms have started providing CXOs for short tenures of one to three years to stressed investee companies, to enable them to turn around their operations, or to companies looking for subject matter experts to guide them through their roll-out plans to enter new sectors.
b) Huge demand for CXOs on hire by private equity investors for their investee companies
c) Demand from large corporate organizations planning to enter new sectors and conducting pilot testing to fulfill the need for CXOs on hire

Emerging trends in Recruitment:

1) Recruitment firms providing RPO as an offering

a) RPO can have a cannibalizing effect on traditional forms of recruitment; hence, to avoid any loss of business, most recruitment providers have themselves begun providing RPO as a service offering.

b) RPO as a service is an annuity and the term of contracts vary from six months to a year, providing a definitive revenue source to recruitment-focused companies, wherein revenue is only earned on successful referrals.

2) Recruitment firms with their own online portals

a) Recruitment Consultants have their own online portal, called "Head Honchos," on which they post jobs for senior- level positions only.

b) Mid-level recruiters have ready access to a database of relevant profiles and therefore have a quick turnaround time.

c) Recruitment agencies can have higher margins because they do not need to share their revenues with online portals to source profiles.

d) They help recruitment firms build credible brand.

3) Large executive search firms entering mid-level recruitment

a) The mid-level recruitment segment, which provides an opportunity of INR16.5–INR18 billion1, is characterized by average margins (lower than in executive search), but higher volumes.

Emerging Trends in temporary recruitment:

1) Recruitment companies providing RPO as an offering

a) Manpower, which was focused more on recruitment and general staffing, has acquired WDC, which is a large player in professional staffing.
b) Professional staffing companies have high margins.

c) IT companies are pioneers in engaging temporary employees, and therefore, companies do not need to educate them about the benefits derived from availing of these services.
d) IT companies are gradually increasing the share of temporary staff in their total workforce.

2) Staffing companies entering managed services

a) Staffing companies are moving up the value chain and have entered managed services to earn increased margins.

3) Large international players entering blue collar staffing

4) Staffing companies entering into vocational training

a) Training is the starting point for developing a temporary work-force. A company with training facilities has an edge in terms of an employment-ready and local temporary workforce.
5)
6) Permanent reruitment focused firms entering temporary recruitment

a) Recruitment-focused companies are entering the temporary recruitment segment to build a healthy top line. A large balance sheet makes them attractive from the perspective of investors and banks and helps them to obtain funds required for their future growth.

b) A large player in recruitment and search planning is also planning to enter the temporary recruitment segment.

The road ahead

The HR solutions industry is highly competitive and is poised for enormous growth in the next 10 years as companies increase their investment in their HR infrastructure.

Changing market dynamics and global competitive pressures has resulted in business becoming more complex. This has made companies realize the importance of getting the right candidates to undertake complex tasks and outsourcing non-core activities. Companies that were earlier reluctant to engage external vendors now consider HR consultants their partners in achieving their organizational growth strategy.

Search

The search market, which evolved in the late 2000s, is expected to continue growing on the back of the expansion and entry plans of large domestic and international companies into new sectors and geographies.

Recruitment

Recruitment is expected to evolve from a fragmented ecosystem to players adopting ways to work closely with clients' requirements, where "resume pushers" (who do not add significant value to their clients) will eventually get marginalized. Recruitment companies are likely to move away from sourcing relevant candidates to accessing the right ones by using psychometric and other robust tests to shortlist them.

Temporary staffing

Temporary staffing, one of the leading HR trends today, is expected to increase its penetration significantly, given the current uncertain economic conditions. Companies and captive units are likely to increasingly depend on agencies to lease them with the required manpower in time, to meet sudden demand from clients.

Other segments

Organizations are fast realizing the benefits of outsourcing non-core activities and focusing on enhanced value-added activities. Outsourcing non-core activities enables HR professionals to move away from routine administration to a more strategic role. As a result, the number of companies outsourcing HR activities is expected to continue to rise and the scope of outsourced HR activities to expand.

The HR solutions industry is seems poised for interesting times; with 11 deals in the last three years, the overall sector is expected to keep innovating and evolving toward exponential growth.

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A Study of Association between the Demographic Factors and Patients' Visit to Pharmacy

By

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Abstract

Medicines which do not require doctor's prescription for sale are called as over the counter or OTC medicines. In developing country like India, most of the patients visit pharmacies first, when they suffer from various common indications. These patients are given OTC medicines by the pharmacists. The purpose of this study is to find out whether a systematic association exists between the visit of patient to pharmacy first for medication on various indications with the demographic factors, like, age of patient and education of patient in Mumbai. The study is a cross- sectional survey of patients visiting pharmacy stores before visiting doctor to get OTC medicines in Mumbai city.

Keywords:
Age, Education, OTC medicines, Patients, Pharmacy, Indication.

INTRODUCTION:

Medicines which do not require doctor's prescription for sale are called as over the counter or OTC medicines. In developing country like India, most of the patients visit pharmacies when they suffer from various common indications. These patients are given OTC medicines by the pharmacists.

In today's world, every day, lakhs of people visit community pharmacies for their health care needs (Adepu & Nagavi, 2006).In patient- centered health care, the first challenge is to identify and meet the changing needs of patients. There should be a universal code of conduct for pharmacist working in pharmacy to safeguard patient's health. Pharmacists practicing in community pharmacy are shifting their aim from drug product to serving patient. This change in shift has brought in the changing role that pharmacist have to adopt. Now pharmacists have to adopt a more patient focused approach. The change in priority has been an evolving process, not an event. (Knowlton, 1990, p. 28).

The most commonly understood definition is “Pharmaceutical care is the responsible provision of drug therapy for the purpose of achieving definite outcomes that improve a patient’s quality of life” (Hepler & Strand, 1990).

Increase in consumption of medicines is because of increase in the life span of individuals, newer and newer infectious diseases are emerging, younger generation people are suffering from chronic diseases, which can be related to lifestyle diseases, and to treat this we need lifestyle medicines. In many parts of the world, patients (consumers) can now buy medicines in supermarkets (malls), in drug stores or at markets. In some parts of the world, where there is prevalence of e-prescription (electronic prescription) there is e-dispensing i.e. medicines can be obtained by mail order and / or Internet.

According to Philip Kotler, “Retailing includes all the activities involved in selling goods or services to the final customers for personal, non-business use” (Pradhan, 2010, p. 4)
Retailing activity related to medicines is done in stores called ‘Pharmacy’. The word pharmacy has different synonyms in India, like ‘Medical store’, ‘Chemists and Druggist’, ‘Drugstore’, ‘Chemists’ to name a few.

LITERATURE REVIEW:

For review on consumer’s views, Literature review was done by Eades, Ferguson, & O’Carroll (2011). This study was done from 2001 to 2010. The major findings in the study by (Eades, Ferguson, & O’Carroll, 2011) were consumer’s perception of pharmacists was of a drug expert rather than experts on health and illness. Visit to the pharmacy by consumers was majorly for dispensing prescriptions and purchasing over the counter (OTC) medicines.

A research done by (Upasani, Shah, Ingle, & Patil, 2011) dealt with status of retail as well as their social status and role of community pharmacists in Amalner Tehsil in Khandesh Region of Maharashtra, India, threw the same light which earlier researchers had studied. Upasani et.al., mentions, pharmacists have opportunity to communicate with patients. Pharmacists are proving themselves as health care professionals through their services in developing countries.

A study conducted by Eadeset. al (2011) where they have mentioned, visit to the pharmacy by consumers was majorly for prescriptions and purchasing over the counter (OTC) medicines and consumer’s perception of pharmacists was of a drug expert rather than experts on health and illness.

A study conducted by Caamano et.al (2005) assessed the opinion of pharmacists on medicines dispensed by them without requiring a doctor’s prescription. The study was conducted in Spain, where a cross-sectional study was undertaken to study 166 community pharmacists. In the study, pharmacists were asked for their opinion on their responsibility regarding the dispensed drugs and pharmacists' perception of their work performed. The results were almost 66% pharmacists dispensed antibiotics (used for infections) without prescription, the percentage increased drastically to 83% when it came to non-steroidal anti-inflammatory drugs (NSAID used for pain) as compared to 46% for angiotensin converting enzyme inhibitor drugs (used for hypertension). The results further mentions, pharmacists which had more workload, did not insist on demand for medical prescriptions. "In contrast, pharmacists who stressed the importance of their duty in rationalizing the consumption of drugs more frequently demanded medical prescriptions" (Caamano, Tome-Otero, Takkouche, & Gestal-Otero, 2005).

Wazaify et.al (2005) study was to investigate the public's perceptions and opinion about OTC medicines. The researchers divided the questionnaire into parts which addressed, "Attitudes towards community pharmacy and patient's contacts with pharmacies" with "attitudes towards the use of OTC medicines" and "views on OTC medicines" (Wazaify, Sheilds, Hughes, & McElnay, 2005). The data was collected from 1000 respondents using a structured interview technique from Northern Ireland. Pilot was done in small sample, with general public (n=20).The results did show, almost, 70% patients reported they visit always or often the same pharmacy, and the reason being to obtain a prescription medicine, over 60% patients reported they are comfortable in seeking advice from pharmacists for minor ailments rather than visiting a doctor.

Further, theresults pointed out recommendation of the pharmacist were a major influence in the choice of OTC medicines. According to the researchers, in recent years, there is a positive trend among patients in self-medications with non-prescription drugs, these non-prescription drugs are often called over the counter (OTC) drugs. The common OTC drugs in Wazaify et.al (2005) study were Cough remedies, Painkillers, Indigestion/heart burn, Hay fever products, Vitamins and/ or minerals, Laxatives, Anti-diarrheal. Hugheset. al (2001) found there is an advantage of self-medication when it comes to healthcare systems, as it leads to good use of clinical skills of pharmacists, patient's easier access to medication. But, increasing availability of OTC drugs may motivate patients to think that there is a drug for every disease/disorder. Moreover, Hughes C. (2003) states, the use of such over the counter products may delay or act as hindrance to the diagnosis of serious illness.

Bissell et.al. (2000) and Hughes L. (2002) reported the reflection of the public's growing confidence in self-care. This was substantiated by Wazaify et.al (2005) study mentioning a rise in number of people buying OTC medicines regularly. Mr. Terry Spears in his article named, Community Pharmacists Play Key Role in Improving Medication Safety, mentions, " as trusted community health advisors, pharmacists can promote the safe use of medications and improve clinical outcomes" (Spears, 2010).

(Neoh C. F., Hassali, Shafie, & Ahmed, 2011)in their research related to nature and adequacy of information on dispensed medications delivered to patients in community pharmacies have highlighted patients should receive information related to their medications from healthcare professionals such as a community pharmacist, general medical practitioner or their assistants. Yet the information provided by these healthcare professionals may be inconsistent, incomplete and insufficient for patients to understand. Without adequate and appropriate information conveyed to the patients, medication errors are likely to occur. The researcher further states, "There is a globally growing trend for consumers to self-medicate with non-prescription medications for common ailments and pharmacists are the most accessible healthcare professionals who are equipped with specialized knowledge in relation to the safe and rational use of medications.

METHODOLOGY:

Purpose:To find out whether a systematic association exists between the visit of patient to pharmacy for medication on various indications with the age of patient and education of patient in Mumbai.

The research done was Exploratory and Descriptive in nature. Qualitative approach: In-depth interviews were conducted with 10 patients across Mumbai. This was done to know what does individuals perceive and expect from a pharmacy where they purchase medicines. Quantitative approach: The tool used for this survey was a questionnaire for patients. Before conducting field survey, pilot study was undertaken; data was collected from 20 respondents from Mumbai.

Patient's Questionnaire: Self-developed questionnaire. There were few questions taken from Community Pharmacy Patient Questionnaire (CPPQ), which was formerly referred to as Patient Satisfaction Questionnaire, with few questions related to the research were taken from patient's questionnaire developed by Dr. Carmin Jane Gade(Carmin, 2003).

Sampling Design are Patients (Individuals) living in Mumbai. Sampling method was Random purposive sampling for both Pharmacists and Patients. Note: Purpose defined: Randomly selected individuals from households where the researcher had gone for filling patient's questionnaire. The Sample size taken was 300 Patients (Individuals) living in Mumbai city.

Statistical test: Chi Square test

Variables and Measurement:This hypothesis has six common indications for patient's visit to pharmacy first viz.1) Headache, 2) Cough/Cold, 3)Backache/Bodyache 4) Diahorrea/Dysentery, 5) Low grade fever6) Indigestion/Flatulence.This hypothesis has two parameters viz. age of patients and education of patients. There are 12 sub hypotheses in this study.

***Objective of the study*:** To find out whether a systematic association exists between the visit of patient to pharmacy for OTC medication on various indications with the demographic factors.

***Hypothesis* :** Visit of patient to pharmacy first for medication on various indications is
independent of age of patient and education of patient in Mumbai.

RESULTS:
From the parent hypothesis, we can get 14 sub hypothesese.g.One indication with one demographic parameter is given below,

Sub Hypothesis Abbreviation: $H_0$1A= Null Hypothesis, 1 for indication headache, A for age of patient. Similarly, $H_0$1E= Null Hypothesis, 1 for indication headache, E for education of patient. Similarly for other indications, 2 for Cough / Cold, 3 for Backcahe / body ache, 4 for Diahorrea/ Dysentry, 5 for Low grade fever and 6 for Indigestion/ Flatulence.

Indication :1) Headache
For demographic variable – Age of patient
$H_0$1A :Visit of patient to pharmacy first for medication on headache indication is independent of age of patient in Mumbai.
$H_1$1A :Visit of patient to pharmacy first for medication on headache indication is dependent of age of patient in Mumbai.

For demographic variable – Education of patient
$H_0$1E :Visit of patient to pharmacy first for medication on headache indication is independent of education of patient in Mumbai.
$H_1$1E :Visit of patient to pharmacy first for medication on headache indication is dependent of education of patient in Mumbai.

Similarly for other 5 indications we have rest 10 sub hypotheses

Parameter 1) Headache	**Sub Hypothesis (Null)**	**Patient visit**	**P value**	**H_0 (Mumbai)**
Age of Patient	$H_0$1A	Pharmacy	0.087	Accepted
Education of Patient	$H_1$1E	Pharmacy	0.867	Accepted

Table 1: Sub hypothesis testing of patients age and pharmacy visit for parameter headache in Mumbai and Sub hypothesis testing of patients education and pharmacy visit for parameter headache in Mumbai

Parameter 2) Cough/Cold	**Sub Hypothesis (Null)**	**Patient visit**	**P value**	**H_0 (Mumbai)**
Age of Patient	$H_0$2A	Pharma cy	0.257	Accepted
Education of Patient	$H_0$2E	Pharma cy	0.867	Accepted

Table 2 :Sub hypothesis testing of patients age and pharmacy visit for parameter cough/cold in Mumbai and and Sub hypothesis testing of patients education and pharmacy visit for parameter cough/cold in Mumbai.

Parameter 3) Backache/Bodyache	**Sub Hypothesis (Null)**	**Patient visit**	**P value**	**H_0 (Mumbai)**
Age of Patient	$H_0$3A	Pharmacy	0.932	Accepted
Education of Patient	$H_0$3E	Pharmacy	0.236	Accepted

Table3: Sub hypothesis testing of patients age and pharmacy visit for parameter backache/body ache in Mumbai and Sub hypothesis testing of patients education and pharmacy visit for parameter backache/body ache in Mumbai.

Parameter 4) Diahorrea/Dysentery	**Sub Hypothesis (Null)**	**Patient visit**	**P value**	**H_0 (Mumbai)**
Age of Patient	$H_0$4A	Pharmacy	0.014	Rejected
Education of Patient	$H_0$4E	Pharmacy	0.671	Accepted

Table 4: Sub hypothesis testing of patients age and pharmacy visit for parameter diahorrea/ dysentery in Mumbai and Sub hypothesis testing of patients education and pharmacy visit for parameter diahorrea/ dysentery in Mumbai

Parameter 5) Low Grade Fever	**Sub Hypothesis (Null)**	**Patient visit**	**P value**	**H_0 (Mumbai)**
Age of Patient	$H_0$5A	Pharmacy	0.000	Rejected
Education of Patient	$H_0$5E	Pharmacy	0.445	Accepted

Table 5: Sub hypothesis testing of patients age and pharmacy visit for parameter low grade fever in Mumbai and Sub hypothesis testing of patients education and pharmacy visit for parameter low grade fever in Mumbai.

Parameter 6) Indigestion/ Flatulence	Sub Hypothesis (Null)	Patient visit	P value	H_0 (Mumbai)
Age of Patient	$H_0$6A	Pharmacy	0.042	Rejected
Education of Patient	$H_0$6E	Pharmacy	0.695	Accepted

Table 6: Sub hypothesis testing of patients age and pharmacy visit for parameter indigestion / flatulence in Mumbai and Sub hypothesis testing of patients education and pharmacy visit for parameter indigestion / flatulence in Mumbai

Crosstabs- Headache indication - The result mentions 89% of patients do visit pharmacy first for headache indication in Mumbai. Out of the total patients surveyed, 49% patients belonging to age group 18 – 27 years prefer visiting pharmacy first for headache indication and 55% of the patients having degree prefer visiting pharmacy first for headache indication in Mumbai.

From the above (table 1), we can prove the above mentioned sub hypothesis, For sub hypothesis $H_0$1A if the p value is < or = 0.05 then we reject the null hypothesis, here the p value is 0.087 which is more than 0.05 and therefore null hypothesis $H_0$1A is accepted. We accept the null hypothesis $H_0$1A, therefore, **Visit of patient to pharmacy first for medication on headache indication is independent of age of patient in Mumbai**.

For sub hypothesis $H_1$1E, if the p value is < or = 0.05 then we reject the null hypothesis, here p value is 0.867 which is more than 0.05 and therefore null hypotheis$H_0$3aAM is accepted. We accept the null hypothesis $H_0$3aEM, therefore, **Visit of patient to pharmacy first for medication on headache indication is independent of education of patient in Mumbai.**

Crosstabs- Cough / Cold indication- The result mentions 75% of patients do visit pharmacy first for headache indication in Mumbai. Out of the total patients surveyed, 58% patients belonging to age group 18 – 27 years prefer visiting pharmacy first for headache indication and 54% of the patients having degree prefer visiting pharmacy first for cough/cold indication in Mumbai.

From the table (table 2), we can prove the above mentioned sub hypothesis, For sub hypothesis $H_0$2A if the p value is < or = 0.05 then we reject the null hypothesis, here the p value is 0.257 which is more than 0.05 and therefore null hypothesis $H_0$2A is accepted. We accept the null hypothesis $H_0$2A therefore, **Visit of patient to pharmacy first for medication on cough/cold indication is independent of age of patient in Mumbai**.

From the above table we can prove the above mentioned sub hypothesis, For sub hypothesis $H_0 2E$ if the p value is < or = 0.05 then we reject the null hypothesis, here the p value is 0.867 which is more than 0.05 and therefore null hypothesis $H_0 2E$ is accepted. We accept the null hypothesis $H_0 2E$, therefore, **Visit of patient to pharmacy first for medication on cough/coldindicationisindependent of education of patient in Mumbai**.

Crosstabs-Bodyache/Back ache indication- The result mentions 60% of patients do visit pharmacy first for backache/bodyache indication in Mumbai. Out of the total patients surveyed, 50% patients belonging to age group 18 – 27 years prefer visiting pharmacy first for backache/bodyache indication and 60% of the patients having degree prefer visiting pharmacy first for backache/bodyache indication in Mumbai.

From the table (table 3) we can prove the above mentioned sub hypothesis, For sub hypothesis $H_0 3A$ if the p value is < or = 0.05 then we reject the null hypothesis, here the p value is 0.932 which is more than 0.05 and therefore null hypotheis$H_0 3cAM$ is accepted. We accept the null hypothesis $H_0 3A$, therefore, **Visit of patient to pharmacy first for medication on backache/bodyacheindication is independent of age of patient in Mumbai**.

From the above table we can prove the above mentioned sub hypothesis, For sub hypothesis $H_0 3E$ if the p value is < or = 0.05 then we reject the null hypothesis, here p value is 0.236 which is more than 0.05 and therefore null hypothesis $H_0 3E$ is accepted. We accept the null hypothesis $H_0 3E$ therefore, **Visit of patient to pharmacy first for medication on backache/bodyacheindication is independent of education of patient in Mumbai.**

Crosstabs-**Diahorrea/Dysentery -Indication--**Crosstabs of visit of patient to pharmacy for medication on diahorrea/dysentery indication with age and education of patient in Mumbai mentions 78% of patients do not visit pharmacy first for diahorrea/dysentery indication in Mumbai.

From the table (table 4) we can prove the above mentioned sub hypothesis, For sub hypothesis $H_0 3eAM$ if the p value is < or = 0.05 then we reject the null hypothesis, here the p value is 0.014 which is less than 0.05 and therefore null hypothesis $H_0 3eAM$ is rejected. We reject the null hypothesis $H_0 4A$, therefore, **Visit of patient to pharmacy first for medication on diahorrea/dysentery indication is dependent of age of patient in Mumbai**.

For sub hypothesis $H_0 4E$ if the p value is < or = 0.05 then we reject the null hypothesis, here p value is 0.671 which is more than 0.05 and therefore null hypotheis$H_0 4E$ is accepted. We accept the null hypothesis $H_0 4E$, therefore, **Visit of patient to pharmacy first for medication on diahorrea/dysenteryindication is independent of education of patient in Mumbai.**

Crosstabs-Low Grade Fever-indication-Crosstab of visit of patient to pharmacy for medication on low grade fever indication with age and education of patient in Mumbai mentions 51% of patients do visit pharmacy first for low grade fever indication in Mumbai. Out of the total patients surveyed, 64% patients belonging to age group 18 – 27 years prefer visiting pharmacy first for headache indication and 55% of the patients having degree prefer visiting pharmacy first for low grade fever indication in Mumbai.

From the above (table 5)we can prove the above mentioned sub hypothesis, For sub hypothesis H_05A if the p value is < or = 0.05 then we reject the null hypothesis, here the p value is 0.000 which is less than 0.05 and therefore null hypotheisH_05A is rejected. We reject the null hypothesis H_05A, therefore, **Visit of patient to pharmacy first for medication on low grade feverindication is dependent of age of patient in Mumbai**.

For sub hypothesis H_05E if the p value is < or = 0.05 then we reject the null hypothesis, here p value is 0.445 which is more than 0.05 and therefore null hypotheisH_03fAM is accepted. We accept the null hypothesis H_05E, therefore, **Visit of patient to pharmacy first for medication on low grade feverindication is independent of education of patient in Mumbai.**

Crosstabs-Indigestion/Flatulence-indication-Crosstab of visit of patient to pharmacy for medication on Indigestion/Flatulence indication with age and education of patient in Mumbai mentions 60% of patients do not visit pharmacy first for headache indication in Mumbai.

From the above (table 6) we can prove the above mentioned sub hypothesis, For sub hypothesis H06A if the p value is < or = 0.05 then we reject the null hypothesis, here the p value is 0.042 which is less than 0.05 and therefore null hypotheisH_06A is accepted. We accept the null hypothesis H_06A, therefore, **Visit of patient to pharmacy first for medication on Indigestion/Flatulence indication is dependent of age of patient in Mumbai**.

For sub hypothesis H_06E if the p value is < or = 0.05 then we reject the null hypothesis, here p value is 0.695 which is more than 0.05 and therefore null hypothesis H_06E is accepted. We accept the null hypothesis H_06E, therefore, **Visit of patient to pharmacy first for medication on Indigestion/Flatulence indication is independent of education of patient in Mumbai.**

<u>Visit of patient to pharmacy first for medication on various indications in Mumbai:</u>

Considering the level of significance as 5%, below table indicates the relationship between two variables. Independent indicates the p value > 0.05 (level of significance) and Dependent indicates the p value < 0.05 (level of significance).

Indication	Patient visiting Pharmacy first for OTC medicines	Age of Patient	Education of Patient
Headache	89%	Independent	Independent
Cough / Cold	75%	Independent	Independent
Backache Bodyache	60%	Independent	Independent
Diahorrea/ Dysentery	22%	Dependent	Independent
Low Grade Fever	39%	Dependent	Independent
Indigestion / Flatulence	40%	Dependent	Independent

Table no: 7
Source: Researcher's primary data

Headache was the most common indication for patient visit to pharmacy first to get OTC medicines, apart from headache, cough/cold, body ache/backache, low grade fever were other most common indications for patients visit to pharmacy first to get OTC medicines.

There is no relationship between the age of patient and patients visit to pharmacy first to get OTC medicines for indications like headache, cough/cold and body ache/backache.There is no relationship between the education of patient and patients visit to pharmacy first to get medicines for indications like headache, cough/cold, body ache/backache and low grade fever.

From the cross tabulation, it can be seen that youngsters (age group 18 to 27 years) and more educated (degree and post graduates) patients in Mumbai prefer visiting pharmacy first for indications such as headache, cough/cold, backache/bodyache, diahorrea/dysentery, low grade fever, Indigestion/flatulence, vomiting.

Limitations of this Research:

The present study is confined to the geographical limits of Mumbai.Indian "Psyche" of 'knowing all' attitude may be one of the limitations of getting frank responses from respondents.Research was conducted in only onecity; therefore these results cannot be projected throughout India. Present study is based on limited sample size.

CONCLUSION:

Findings reveal that,people from all age groups in Mumbai prefer to visit pharmacy first for indications such as headache, cough/cold and backache/body ache, whereas, they do not visit pharmacy first for indications like diahorrea/dysentery, low grade fever, Indigestion/flatulence.

Findings reveal, in Mumbai educated patients prefer visiting pharmacy first for indications such as headache, cough/cold, backache/bodyache, diahorrea/dysentery, low grade fever, Indigestion/flatulence. This indicates educated people visit pharmacy first for all minor indications mentioned in this research.

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A Study on Back Testing of Direction Neutral Option Strategy on Nifty Options

By

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Abstract

Derivatives are revolutionary instruments. Derivatives are supposed to be used as a hedging tool, and pass on the risks to the willing speculator. The biggest advantage of Derivative instruments is the leverage it provides. However, the retail participants have not had a good overall experience of trading in derivatives and the general investing community is still bereft of the advantages of derivatives. This has led to an apprehension for derivatives trading among the small retail market participants, and they prefer to stick to the old methods of investing. The three main reasons identified are lack of knowledge, the margining methods and the quantity of the lot size. The brokers have also misled their clients and that has led to catastrophic results. The retail participation in the derivatives markets has dropped down dramatically.

This study has back tested a few option strategies. It has been observed that, trading these strategies for a long period of time, yields good results. The back testing has been done on Bull Call Spreads and Bear Put Spreads and on Iron Condor strategies. The strategies have yielded very high Return over Risk in a period of seven years. However, since the strategies involve trading multiple options, some bought and some sold the SPAN margin and Exposure margins drastically increases the Initial investment.

An introduction of a separate trade book for Bull Call Spreads and Bear Put Spreads will be helpful to retail participants.

Keywords:

Derivatives, Nifty, Option Strategies, Bull Call Spreads, Bear Put Spreads

Introduction:

Option Strategies as a long term investment is unthinkable for the public at large, since the brokers have always sold derivative products as highly leveraged and a speculative product. A product where there is quick money and where long term view means keeping the contract till the expiry date. Most people don't understand option strategies and hence trade naked options just like they trade shares. However, they are mostly not aware of the factors affecting the option price, i.e. Time to expiry, Implied Volatility and lastly the direction of the market movement.

Eventually, when a trader is right in his view, he exits at small profits, but when he is wrong, he waits till the option expires at zero, hoping that his trade will turn profitable. Thus even if the trader's success ratio in taking a view is favorable, he ends up making more losses than the profits.

SEBI has recently shown concern for the retail investors, and noted that they are allured in trading derivatives because of the inbuilt leverage. Hence in a recent move, SEBI has asked the exchanges to increase the lot size, which attracts higher margin and hence keeps retail investors away from speculative practices. The diagnosis, that retail participants are losing money in derivatives is right, however the remedy of keeping them at bay is not welcomed. Less retail participation, will lead to immature markets and the market will be a playground for strong hands and algorithms, which may lead to manipulation of the prices.

The study tries to prescribe a remedy to help retail investors by back testing the results of a few option strategies as a long term investment method.

Traditionally, all asset classes have a linear payoff, in terms that an investor can only buy the asset and wait for the prices to go up. If the price goes down, there is a loss, and if the price goes up eventually, there is a profit. However, options are instruments which will allow you to have different views on the market and hence different payoffs. This is possible because there are four types of trades that one can do with options.

1. Buy Call
2. Sell Call
3. Buy Put
4. Sell Put

Since the buyer has to pay an upfront premium to buy the right to exercise, but not the obligation to honor the contract, the maximum loss is limited to the premium paid. Hence when one buys the option, he pays upfront the maximum possible loss. So there is no need of taking any initial margin.

However, when one sells an option, there is always a chance of unlimited loss, and hence the exchange, through its SPAN calculator, tries to assess the maximum loss in one day and collects it as SPAN margin. In any uncertain event, there can be an extreme loss; hence the exchange charges an extra extreme loss margin.

Prima facie the margin calculation system seems logical and fair. However, when there is a combination of options, the payoff structure changes and hence the margins should change. The SPAN calculator takes 16 risk arrays for the entire portfolio of options in consideration, and the maximum loss case scenario is the initial margin. For a strategy like a Bull call spread, in which one call is bought and a call with a higher strike price is sold, the maximum loss is the premium difference which is always positive. This means that the maximum loss in the strategy is the premium paid. However, since there is an option which is sold, the exchange would charge a short option minimum charge.

Thus the total margin exceeds much higher than the maximum possible loss. For the retail investor this is additional burden of investment.

The study will back test the result of a few strategies for 7 years, where the margin is much higher than the maximum possible loss and calculate the ROI. These strategies can be a useful tool for the retail investor, only if the excess margin is avoided.

Within the current framework, it doesn't seem possible that the regulator or the exchange will waive off the short option minimum charge. An alternative would be to introduce a separate trade book for Bull call spreads and Bear put spreads. Here only the spread would be traded and hence there is no question of a short option minimum charge.

Spread trading would be easy for retail investors as it will be lesser complicated than trading naked options. The Spread trade book can run parallel with the normal option trade book. Any discrepancy in pricing will lead to a risk free arbitrage and hence equilibrium.

Separate spread trade books are currently present in one month and two month futures, two month and three month futures, and, One month and three month futures.

Literature Review

According to the Black and Scholes (1973) option pricingmodel, the option price is determined only by five input factors. Bollen and Whaley (2004) find evidence suggestingthat net buying pressure affects options' implied volatility, which suggests that optionprices are affected by demand and supply. According to their research, there are more index putstraded than index calls. However, the opposite is observed for individual stock options.Their findings suggest that the index put buying pressure drives the change in volatility ofindex options, while the stock call buying pressure drives the change in volatility of stockoptions. Intuitively, the demand for calls and puts would be different in rising and fallingmarkets. When the market becomes more volatile, the increasing volatility results in higher pricesfor both calls and puts.

Debashish and Mitra(2008) examined the lead and lag relationship between the cash markets and derivatives markets and concluded that derivatives markets led the cash markets. However other studies like Pradhan and Bhatt (2009), Johansen (1988), Basdas (2009) have observed that in many countries spot markets lead the derivatives markets. This ambiguity of which market leads the other, has made it very difficult for retail traders to take view and trade on prices.

Trennepohl and Dukes (1981) is among the earliest empirical research to test option writing and buying return.

Merton,Scholes and Gladstein (1978) concluded that certain option strategies like fully covered writing strategyhave been successful in changing the patterns of returns and are not reproducible by any simple strategy of combining stocks with fixed income securities.Covered strategy is a combination of the stock with its respective option. The strategy can give good returns in the long run compared to the traditional approach of long term investing in stocks.

Green and Figlewski (1999) examine the forecast of stock volatility and return of option writing. They find that at-the-money stock index calls have a high probability of producing large losses, with larger losses for longer time to maturity. Writing options with a delta hedge reduces the writer's risk exposure compared to naked writing, but risk is still considerable.The practice of option writing has increased steadily in recent years, and somepractitioners apply relatively complicated hedging techniques to manage writing risks(Collins; 2007).

Research done by Bondarenko (2003), Jones (2006), and Coval and Shumway (2001), examine the returns of strategies that involve puts and calls. They report that strategies involving put options offer good returns and that put options are more expensive than calls of comparable distance from the money. Yet, little research has been done to explore the returns from combinations, straddles, and collars.

Maheshwari(2013) concludes that market participants majorly retail participants may not be experiencing efficient markets, due to lack of education, liquidity and transaction charges. This is true in the current scenario as retail traders and investors view options as a highly leveraged instrument apt for speculating. However speculation does not always work and these investors shy away from derivatives markets once they burn their hands with leveraged losses.

Research Methodology:

The study will use secondary data on Nifty index stock options and check the results of Bull Call Spread and Bear Put spread options strategy from the period of Jan, 2008 to Dec, 2014. Secondary data of futures and options prices are available on the website of www.nseindia.com

At the start of every Derivative series month, a 200 point Nifty bull call spread strategy will be initiated and it will be squared off at the expiry price. A 200 point Nifty bear put spread strategy will also be initiated separately at the same time. The futures price on the opening of the current month will be considered as the spot price.To determine the At the money (ATM) strike price, the opening future price is taken as the reference point. The future price is rounded off to the nearest 100^{th} and that point is considered as the ATM.

In a Bull Call Spread or a Bear Put spread option strategy, the maximum profit and maximum loss is capped. There are no extreme loss case scenarios. The Breakeven point is the net premium added/subtracted, to the buying option strike price. Thus the strategy is easy to understand and implement. The strategy needs to be held till expiry. If squared off earlier during the life of the option, the profit or loss will be lesser than the maximum possible.

In the study, the total cumulative premium outflow will be considered as the investment and the net cumulative profit at the end of the 7 years will be considered as the final profit.

Here we assume 3 cases:

1. An options trader is always bullish on the market every month as he thinks the market will always go up in the long run. No matter what the sentiments are, the trader will follow the strategy mechanically.
2. An options trader is always bearish on the market as he thinks the prices are always higher than the value. No matter what the sentiments are, the trader will follow the strategy mechanically.
3. An options trader does not have any directional view, but is sure the market will move away from the start point. No matter what the sentiments are, the trader will follow the strategy mechanically.

Hence we analyze bull call spread, bear put spread and iron condor strategy respectively for 7 years.

The returns are then compared to

- Considering the maximum cumulative loss at any point during 7 years as investment.
- The total margin required for the strategy as per exchange and SEBI norms.

Objective of the study:

The main objective of this research study is to create a win-win situation for the retail investors and the exchange. The study will focus on the need for a separate trade book for option spreads The study will give retail investors a chance to profit from options trading using basic strategies which they can understand, rather than using complex models. The study will do a research on actual market prices and prove that such a methodology is possible.Options' trading is perceived as complex and is considered as a tool for only professionals. This study will focus on simplicity of trading option strategies.

Significance of the study:

The study will highlight on the faulty margin calculation system used by exchanges. Recently, SEBI has increased the lot size of derivative contracts to keep retail participants away from the derivatives markets as they have been making losses. The study will prove that retail participants can use option strategies as a long term investment tool and make good return on investment, if the margin calculation system is reviewed. Even, if the existing system is not changed, at least if a separate trade book for Bull call spreads and Bear put spreads is allowed, the small investor can benefit from it.

Assumptions and limitations of the research

- Bull call spread is an option strategy created on the same underlying asset by buying one call and selling a call of a higher strike price. The premium of the bought call is always higher than the sold call, or else there will be a risk free arbitrage.
- Bear Put spread is an option strategy created on the same underlying asset by buying one put and selling a put of a lower strike price. The premium of the bought put is always higher than the sold put, or else there will be a risk free arbitrage.
- The Regulator, SEBI, and the exchanges are not aware that the Bull call spread strategy and Bear put strategy has limited loss and limited profit, and in any case, there cannot be more loss or profit.Even though there are mandatory exams to be given by every trader, conducted by the regulator and the exchanges, which explicitly mentions the payoff of both strategies, the exchange feels the need to cover the extreme loss case scenario and take excess margin amounts and penalize the trader if those margins are not paid.

  - The period from Jan, 2008 to Dec, 2014 has been a period when the Indian stock markets have seen all the practically extreme scenarios.

  - The results are based on the past and hence not a guarantee for the future. However, one can safely assume the markets will more or less behave in the same way in the long run.

  - The transaction costs including the brokerage and taxes are not included in the calculation as it may differ from broker to broker.

Back Testing Data and Analysis

Nifty options are considered in the study as they are most widely traded and the most liquid. Bull call spreads and Bear put spreads of 200 points on the Nifty are considered. Everyexpiry month is tabulated based on its first day.

The open is the open price on the last Friday of the previous calendar month which also is the starting of the new series. Since the strategy has to initiate at the ATM, the strike which is closest to the open price is considered open strike. The close is the settlement price on the date of expiry. The spreads are calculated by subtracting the received premium by selling option, from the paid premium by buying option. The difference between the close price and the open strike is the intrinsic value that will remain on the last day. Since this strategy caps the profit at 200 points, any movement above 200 points will yield the maximum profit.

The Analysis for Bull Call Spread is shown in table 1.

The Analysis for Bear Put Spread is shown in table 2.

The Analysis for Iron Condor Spread is shown in table 3.

Analysis and Findings

Looking at the data, one can observe that the market has behaved in quite random manner. In some months there had been extreme movements and in some there was no movement at all. The direction of the market has been up in 46 months and down in 38 months from its starting point of the expiry period. In these 84 months, markets have behaved in all risk scenarios and hence it can be called an optimum sample for capital markets.

If one had initiated Bull Call spreads (200 pts) every month for 7 years (See Table 1)

Profit at end of 7 years	=	Rs. **1150.70**
Max cumulative loss at any point	=	Rs. 474.25
Max Cumulative profit at any point	=	Rs. 1213.66
Max Cash Investment	=	Rs. **546.60**
Margin as per existing rules (Can be paid in collateral)	=	Rs. 450.00 (per share)
Max Investment including margin	=	Rs. **996.60**

If one had initiated Bear Put spreads (200 pts) every month for 7 years (See Table 2)

Profit at end of 7 years	=	Rs. **224.55**
Max cumulative loss at any point	=	Rs. 72.80
Max cumulative profit at any point	=	Rs. 762.80

Max Cash Investment	=	Rs. **167.80**
Margin as per existing rules (Can be paid in collateral)	=	Rs. 450.00 (per share)
Max Investment including margin	=	Rs. **567.80**

If one had initiated both Bull Call and Bear Put spreads (200 pts) together making an Iron Condor Spread every month for 7 years (See table 3)

Profit at end of 7 years	=	Rs.**1375.26**
Max Cumulative loss at any point	=	Rs. 0.00
Max Cumulative profit at any point	=	Rs. 1375.26
Max Cash Investment	=	Rs. **128.70**
Margin as per existing rules (Can be paid in collateral)	=	Rs. 890.00 (per share)
Max Investment including margin	=	Rs. **1018.70**

Conclusion:

The study is done with a mechanical approach and still the yield is quite high. If human aspects such as intellectual analysis, news flows, exits at the right time before expiry, etc. are used, the net profit can be considerably increased.

For a person who thinks the market will go up in the long run, and hence is always bullish on the market, using the bull call spread consistently, ends up with a decent ROI.

For a person who wants to be bearish on the market all the time, using Bear put spreads consistently gives fair ROI.

For a person who believes that the direction of the market is hard to predict, but is sure that the market will move away from its start point, can do both, Bull call spread and Bear put spread, thus creating an Iron condor strategy. This strategy has shown fantastic results.

All strategies discussed have good ROIs if compared to the actual premium investment. But if one considers the entire margin that is required for the strategy, the ROIs fall down drastically.

Hence, if there is a separate trade book for option spreads, there will be no need for the high margin investments, and one can take advantage of the option strategies.

Having separate trade book for option spreads will allow the investor to do a single trade rather than two trades for a strategy. This will bring down the burden of expenses like brokerage and taxes. It will also eliminate the execution loss between two trades.

A separate trade book for option spreads will attract retail clients who would like to passively trade in options. Thus the retail participation can increase, leading to a matured market.

Scope and policy implications:

The study shows the need for a change in the existing margining system. If the existing system is difficult to change, introducing a separate trade book for option spreads can do the work. The study proves that options can be used as a long term investment tool, which can give decent returns on investment. This study can be used by brokers, exchanges and regulators to bring back confidence among retail participants who have developed a phobia for the derivatives markets. Increased retail participation will result in much more mature markets and price discovery across all asset classes will improve. It will also dissuade manipulation of asset prices. The study will also discourage unnecessary speculation and abuse of the excessive leverage inbuilt in derivative instruments like options.

Appendix 1 = Bull Call Spread

Date	Open	Open	Expiry	Diff of Expiry Close	Call Spread	Call net P/l	Call
	Strike Price		Date Price	and open strike			Cumulative
28-Dec-07	6100	6 080.00	5133.25	-966.75	60.8	-60.8	-60.8
01-Feb-08	5100	5 121.85	5271.5	171.5	78.5	93	32.2
29-Feb-08	5200	5 225.10	4828.7	-371.3	60	-60	-27.8
28-Mar-08	4900	4 885.00	5002.2	102.2	93	9.2	-18.6
25-Apr-08	5000	5 021.90	4841.2	-158.8	94	-94	-112.6
30-May-08	4900	4 879.00	4308.45	-591.55	90	-90	-202.6
27-Jun-08	4100	4 136.35	4332.05	232.05	88	112	-90.6
01-Aug-08	4300	4 270.00	4218.2	-81.8	84	-84	-174.6
29-Aug-08	4300	4 291.00	4115.35	-184.65	66.7	-66.7	-241.3
26-Sep-08	4100	4 108.90	2689.35	-1410.65	80.15	-80.15	-321.45
30-Oct-08	2900	2 825.55	2757.85	-142.15	116.35	-116.35	-437.8
28-Nov-08	2700	2 701.20	2913.35	213.35	85.4	114.6	-323.2
26-Dec-08	3000	2,973.40	2823.7	-176.3	76.7	-76.7	-399.9
30-Jan-09	2800	2,770.20	2785.65	-14.35	74.35	-74.35	-474.25
27-Feb-09	2800	2,758.70	3082.7	282.7	72.35	127.65	-346.6

27-Mar-09	3100	3,071.00	3473.9	373.9	83.2	116.8	-229.8
04-May-09	3600	3,621.00	4336.95	736.95	86.1	113.9	-115.9
29-May-09	4400	4,365.00	4241.8	-158.2	76.95	-76.95	-192.85
26-Jun-09	4300	4,299.00	4571.15	271.15	80	120	-72.85
31-Jul-09	4600	4,631.10	4688	88	85.65	2.35	-70.5
28-Aug-09	4700	4,705.00	4986.5	286.5	85.4	114.6	44.1
25-Sep-09	5000	4,958.00	4750.25	-249.75	85	-85	-40.9
30-Oct-09	4800	4,845.00	5005.3	205.3	82.2	117.8	76.9
27-Nov-09	4900	4,918.00	5202.3	302.3	87.3	112.7	189.6
01-Jan-10	5200	5 225.00	4867.2	-332.8	85.55	-85.55	104.05
29-Jan-10	4800	4 826.15	4860.1	60.1	68	-7.9	96.15
26-Feb-10	4900	4 867.00	5260.65	360.65	103	97	193.15
26-Mar-10	5300	5 276.00	5254.1	-45.9	65	-65	128.15
30-Apr-10	5300	5 263.80	5004	-296	68.05	-68.05	60.1
28-May-10	5000	5 025.00	5320.55	320.55	100	100	160.1
25-Jun-10	5300	5 298.00	5408.75	108.75	92.5	16.25	176.35
30-Jul-10	5400	5 394.80	5477.7	77.7	78.5	-0.8	175.55
27-Aug-10	5500	5 460.50	6030	530	66	134	309.55
01-Oct-10	6100	6 065.00	5987.7	-112.3	66.85	-66.85	242.7
29-Oct-10	6100	6 050.00	5800	-300	65.75	-65.75	176.95
26-Nov-10	5800	5 845.65	6102.95	302.95	93.4	106.6	283.55
31-Dec-10	6100	6 131.00	5604.2	-495.8	87.9	-87.9	195.65
28-Jan-11	5600	5 617.00	5265.3	-334.7	91.5	-91.5	104.15
25-Feb-11	5300	5 327.10	5824.2	524.2	84.4	115.6	219.75
01-Apr-11	5900	5 865.10	5784	-116	79.8	-79.8	139.95
29-Apr-11	5800	5 789.80	5402.15	-397.85	87	-87	52.95
27-May-11	5400	5 415.00	5644.1	244.1	77.9	122.1	175.05
01-Jul-11	5700	5 700.20	5492.7	-207.3	69	-69	106.05
29-Jul-11	5500	5 479.90	4841.75	-658.25	71	-71	35.05
26-Aug-11	4900	4 855.30	5019.4	119.4	81	38.4	73.45
30-Sep-11	5000	4 999.80	5181.95	181.95	92	89.95	163.4
26-Oct-11	5200	5 241.15	4755	-445	97.85	-97.85	65.55
25-Nov-11	4800	4 750.00	4648.6	-151.4	75.1	-75.1	-9.55
30-Dec-11	4700	4 689.90	5161.4	461.4	73.45	126.55	117
27-Jan-12	5200	5 201.00	5488.25	288.25	62.2	137.8	254.8
24-Feb-12	5500	5 532.00	5177	-323	93.55	-93.55	161.25
30-Mar-12	5200	5 246.00	5186.65	-13.35	94.55	-94.55	66.7
27-Apr-12	5200	5 200.00	4916.25	-283.75	91.9	-91.9	-25.2
01-Jun-12	4900	4 908.50	5150.75	250.75	88.95	111.05	85.85
29-Jun-12	5200	5 215.30	5043.25	-156.75	63.2	-63.2	22.65
27-Jul-12	5100	5 144.45	5306.9	206.9	80.1	119.9	142.55
31-Aug-12	5300	5 321.00	5652.95	352.95	76.3	123.7	266.25
28-Sep-12	5700	5 714.90	5704.7	4.7	69	-64.3	201.95
26-Oct-12	5700	5 711.10	5828.05	128.05	74.8	53.25	255.2
30-Nov-12	5900	5 891.10	5874.2	-25.8	61	-61	194.2

28-Dec-12	5900	5 932.50	6037.25	137.25	79.65	57.6	251.8
01-Feb-13	6100	6 068.95	5692.45	-407.55	55.65	-55.65	196.15
01-Mar-13	5700	5 718.95	5676.5	-23.5	68.05	-68.05	128.1
05-Apr-13	5700	5 716.35	5910.05	210.05	70.29	129.71	257.81
26-Apr-13	5900	5 919.00	6124.2	224.2	72.85	127.15	384.96
31-May-13	6100	6 119.00	5683.9	-416.1	72.3	-72.3	312.66
28-Jun-13	5800	5 761.15	5907.35	107.35	62	45.35	358.01
26-Jul-13	6000	5 955.00	5416.75	-583.25	69	-69	289.01
30-Aug-13	5400	5 400.00	5883.85	483.85	85	115	404.01
27-Sep-13	6000	5 951.25	6294.9	294.9	80.75	119.25	523.26
01-Nov-13	6300	6 315.05	6087.05	-212.95	77.9	-77.9	445.36
29-Nov-13	6200	6 162.00	6279.35	79.35	72.8	6.55	451.91
27-Dec-13	6300	6 340.00	6069.2	-230.8	67	-67	384.91
31-Jan-14	6100	6 115.00	6238.85	138.85	73.75	65.1	450.01
28-Feb-14	6300	6 265.40	6646.2	346.2	60.1	139.9	589.91
28-Mar-14	6700	6 708.60	6837.05	137.05	74.35	62.7	652.61
25-Apr-14	6900	6 900.00	7238.9	338.9	92.2	107.8	760.41
30-May-14	7300	7 275.50	7497.95	197.95	66.85	131.1	891.51
27-Jun-14	7600	7 550.00	7723.75	123.75	69.25	54.5	946.01
01-Aug-14	7700	7 686.05	7952.75	252.75	70.2	129.8	1075.81
01-Sep-14	8000	8 021.20	7902.25	-97.75	72.4	-72.4	1003.41
26-Sep-14	8000	7 956.00	8166.6	166.6	67.65	98.95	1102.36
31-Oct-14	8200	8 234.95	8493	293	88.7	111.3	1213.66
28-Nov-14	8600	8 576.10	8182.75	-417.25	62.95	-62.95	1150.71

Appendix 2 = Bear Put Spread

Date	**Open Strike Price**	**Open**	**Expiry Date Price**	**Diff of Expiry Close and open strike**	**Put Spread**	**Put net P/l**	**Put Cumulative**
28-Dec-07	6100.00	6 080.00	5133.25	(966.75)	67.90	132.10	132.10
1-Feb-08	5100.00	5 121.85	5271.50	171.50	101.15	(101.15)	30.95
29-Feb-08	5200.00	5 225.10	4828.70	(371.30)	83.90	116.10	147.05
28-Mar-08	4900.00	4 885.00	5002.20	102.20	76.05	(76.05)	71.00
25-Apr-08	5000.00	5 021.90	4841.20	(158.80)	82.00	76.80	147.80
30-May-08	4900.00	4 879.00	4308.45	(591.55)	60.10	139.90	287.70
27-Jun-08	4100.00	4 136.35	4332.05	232.05	55.00	(55.00)	232.70
1-Aug-08	4300.00	4 270.00	4218.20	(81.80)	67.00	14.80	247.50
29-Aug-08	4300.00	4 291.00	4115.35	(184.65)	71.00	113.65	361.15
26-Sep-08	4100.00	4 108.90	2689.35	(1410.65)	70.30	129.70	490.85
30-Oct-08	2900.00	2 825.55	2757.85	(142.15)	75.05	67.10	557.95
28-Nov-08	2700.00	2 701.20	2913.35	213.35	80.00	(80.00)	477.95
26-Dec-08	3000.00	2,973.40	2823.70	(176.30)	55.20	121.10	599.05
30-Jan-09	2800.00	2,770.20	2785.65	(14.35)	74.60	(60.25)	538.80
27-Feb-09	2800.00	2,758.70	3082.70	282.70	79.90	(79.90)	458.90

27-Mar-09	3100.00	3,071.00	3473.90	373.90	74.00	(74.00)	384.90
04-May-09	3600.00	3,621.00	4336.95	736.95	90.00	(90.00)	294.90
29-May-09	4400.00	4,365.00	4241.80	(158.20)	89.00	69.20	364.10
26-Jun-09	4300.00	4,299.00	4571.15	271.15	90.00	(90.00)	274.10
31-Jul-09	4600.00	4,631.10	4688.00	88.00	89.00	(89.00)	185.10
28-Aug-09	4700.00	4,705.00	4986.50	286.50	77.45	(77.45)	107.65
25-Sep-09	5000.00	4,958.00	4750.25	(249.75)	78.00	122.00	229.65
30-Oct-09	4800.00	4,845.00	5005.30	205.30	61.25	(61.25)	168.40
27-Nov-09	4900.00	4,918.00	5202.30	302.30	72.00	(72.00)	96.40
01-Jan-10	5200.00	5 225.00	4867.20	(332.80)	64.70	135.30	231.70
29-Jan-10	4800.00	4 826.15	4860.10	60.10	100.00	(100.00)	131.70
26-Feb-10	4900.00	4 867.00	5260.65	360.65	75.00	(75.00)	56.70
26-Mar-10	5300.00	5 276.00	5254.10	(45.90)	67.05	(21.15)	35.55
30-Apr-10	5300.00	5 263.80	5004.00	(296.00)	66.10	133.90	169.45
28-May-10	5000.00	5 025.00	5320.55	320.55	58.60	(58.60)	110.85
25-Jun-10	5300.00	5 298.00	5408.75	108.75	56.95	(56.95)	53.90
30-Jul-10	5400.00	5 394.80	5477.70	77.70	60.20	(60.20)	(6.30)
27-Aug-10	5500.00	5 460.50	6030.00	530.00	66.50	(66.50)	(72.80)
01-Oct-10	6100.00	6 065.00	5987.70	(112.30)	95.00	17.30	(55.50)
29-Oct-10	6100.00	6 050.00	5800.00	(300.00)	73.00	127.00	71.50
26-Nov-10	5800.00	5 845.65	6102.95	302.95	58.30	(58.30)	13.20
31-Dec-10	6100.00	6 131.00	5604.20	(495.80)	55.60	144.40	157.60
28-Jan-11	5600.00	5 617.00	5265.30	(334.70)	76.45	123.55	281.15
25-Feb-11	5300.00	5 327.10	5824.20	524.20	85.00	(85.00)	196.15
01-Apr-11	5900.00	5 865.10	5784.00	(116.00)	74.00	42.00	238.15
29-Apr-11	5800.00	5 789.80	5402.15	(397.85)	73.75	126.25	364.40
27-May-11	5400.00	5 415.00	5644.10	244.10	67.35	(67.35)	297.05
01-Jul-11	5700.00	5 700.20	5492.70	(207.30)	70.00	130.00	427.05
29-Jul-11	5500.00	5 479.90	4841.75	(658.25)	67.00	133.00	560.05
26-Aug-11	4900.00	4 855.30	5019.40	119.40	80.50	(80.50)	479.55
30-Sep-11	5000.00	4 999.80	5181.95	181.95	63.45	(63.45)	416.10
26-Oct-11	5200.00	5 241.15	4755.00	(445.00)	55.00	145.00	561.10
25-Nov-11	4800.00	4 750.00	4648.60	(151.40)	80.85	70.55	631.65
30-Dec-11	4700.00	4 689.90	5161.40	461.40	69.90	(69.90)	561.75
27-Jan-12	5200.00	5 201.00	5488.25	288.25	61.90	(61.90)	499.85
24-Feb-12	5500.00	5 532.00	5177.00	(323.00)	61.60	138.40	638.25
30-Mar-12	5200.00	5 246.00	5186.65	(13.35)	57.40	(44.05)	594.20
27-Apr-12	5200.00	5 200.00	4916.25	(283.75)	61.65	138.35	732.55
01-Jun-12	4900.00	4 908.50	5150.75	250.75	64.50	(64.50)	668.05
29-Jun-12	5200.00	5 215.30	5043.25	(156.75)	62.00	94.75	762.80
27-Jul-12	5100.00	5 144.45	5306.90	206.90	59.00	(59.00)	703.80
31-Aug-12	5300.00	5 321.00	5652.95	352.95	56.25	(56.25)	647.55
28-Sep-12	5700.00	5 714.90	5704.70	4.70	61.30	(61.30)	586.25
26-Oct-12	5700.00	5 711.10	5828.05	128.05	58.80	(58.80)	527.45
30-Nov-12	5900.00	5 891.10	5874.20	(25.80)	63.00	(37.20)	490.25
28-Dec-12	5900.00	5 932.50	6037.25	137.25	55.70	(55.70)	434.55
01-Feb-13	6100.00	6 068.95	5692.45	(407.55)	67.30	132.70	567.25
01-Mar-13	5700.00	5 718.95	5676.50	(23.50)	64.80	(41.30)	525.95
05-Apr-13	5700.00	5 716.35	5910.05	210.05	54.80	(54.80)	471.15
26-Apr-13	5900.00	5 919.00	6124.20	224.20	55.15	(55.15)	416.00
31-May-13	6100.00	6 119.00	5683.90	(416.10)	57.00	143.00	559.00
28-Jun-13	5800.00	5 761.15	5907.35	107.35	65.60	(65.60)	493.40
26-Jul-13	6000.00	5 955.00	5416.75	(583.25)	78.25	121.75	615.15
30-Aug-13	5400.00	5 400.00	5883.85	483.85	64.50	(64.50)	550.65
27-Sep-13	6000.00	5 951.25	6294.90	294.90	76.45	(76.45)	474.20
01-Nov-13	6300.00	6 315.05	6087.05	(212.95)	64.90	135.10	609.30
29-Nov-13	6200.00	6 162.00	6279.35	79.35	84.20	(84.20)	525.10

27-Dec-13	6300.00	6 340.00	6069.20	(230.80)	59.10	140.90	666.00
31-Jan-14	6100.00	6 115.00	6238.85	138.85	61.15	(61.15)	604.85
28-Feb-14	6300.00	6 265.40	6646.20	346.20	55.80	(55.80)	549.05
28-Mar-14	6700.00	6 708.60	6837.05	137.05	64.80	(64.80)	484.25
25-Apr-14	6900.00	6 900.00	7238.90	338.90	85.90	(85.90)	398.35
30-May-14	7300.00	7 275.50	7497.95	197.95	76.00	(76.00)	322.35
27-Jun-14	7600.00	7 550.00	7723.75	123.75	88.70	(88.70)	233.65
01-Aug-14	7700.00	7 686.05	7952.75	252.75	66.00	(66.00)	167.65
01-Sep-14	8000.00	8 021.20	7902.25	(97.75)	64.00	33.75	201.40
26-Sep-14	8000.00	7 956.00	8166.60	166.60	61.75	(61.75)	139.65
31-Oct-14	8200.00	8 234.95	8493.00	293.00	49.95	(49.95)	89.70
28-Nov-14	8600.00	8 576.10	8182.75	(417.25)	65.15	134.85	224.55

Appendix 3 = Iron Condor

Date	**Open** Strike Price	**Open**	**Expiry** Date Price	**Diff of Expiry Close** and open strike	**Call Spread**	**Put Spread**	**Call net P/l**	**Put net P/l**	**Net P/L**	**Net** Cumulative
28-Dec-07	6100	6 080.00	5133.25	-966.75	60.8	67.9	-60.8	132.1	71.3	71.3
01-Feb-08	5100	5 121.85	5271.5	171.5	78.5	101.15	93	-101.15	-8.15	63.15
29-Feb-08	5200	5 225.10	4828.7	-371.3	60	83.9	-60	116.1	56.1	119.25
28-Mar-08	4900	4 885.00	5002.2	102.2	93	76.05	9.2	-76.05	-66.85	52.4
25-Apr-08	5000	5 021.90	4841.2	-158.8	94	82	-94	76.8	-17.2	35.2
30-May-08	4900	4 879.00	4308.45	-591.55	90	60.1	-90	139.9	49.9	85.1
27-Jun-08	4100	4 136.35	4332.05	232.05	88	55	112	-55	57	142.1
01-Aug-08	4300	4 270.00	4218.2	-81.8	84	67	-84	14.8	-69.2	72.9
29-Aug-08	4300	4 291.00	4115.35	-184.65	66.7	71	-66.7	113.65	46.95	119.85
26-Sep-08	4100	4 108.90	2689.35	-1410.65	80.15	70.3	-80.15	129.7	49.55	169.4
30-Oct-08	2900	2 825.55	2757.85	-142.15	116.35	75.05	-116.35	67.1	-49.25	120.15
28-Nov-08	2700	2 701.20	2913.35	213.35	85.4	80	114.6	-80	34.6	154.75
26-Dec-08	3000	2,973.40	2823.7	-176.3	76.7	55.2	-76.7	121.1	44.4	199.15
30-Jan-09	2800	2,770.20	2785.65	-14.35	74.35	74.6	-74.35	-60.25	-134.6	64.55
27-Feb-09	2800	2,758.70	3082.7	282.7	72.35	79.9	127.65	-79.9	47.75	112.3
27-Mar-09	3100	3,071.00	3473.9	373.9	83.2	74	116.8	-74	42.8	155.1
04-May-09	3600	3,621.00	4336.95	736.95	86.1	90	113.9	-90	23.9	179
29-May-09	4400	4,365.00	4241.8	-158.2	76.95	89	-76.95	69.2	-7.75	171.25
26-Jun-09	4300	4,299.00	4571.15	271.15	80	90	120	-90	30	201.25
31-Jul-09	4600	4,631.10	4688	88	85.65	89	2.35	-89	-86.65	114.6
28-Aug-09	4700	4,705.00	4986.5	286.5	85.4	77.45	114.6	-77.45	37.15	151.75

25-Sep-09	5000	4,958.00	4750.25	-249.75	85	78	-85	122	37	188.75
30-Oct-09	4800	4,845.00	5005.3	205.3	82.2	61.25	117.8	-61.25	56.55	245.3
27-Nov-09	4900	4,918.00	5202.3	302.3	87.3	72	112.7	-72	40.7	286
01-Jan-10	5200	5 225.00	4867.2	-332.8	85.55	64.7	-85.55	135.3	49.75	335.75
29-Jan-10	4800	4 826.15	4860.1	60.1	68	100	-7.9	-100	-107.9	227.85
26-Feb-10	4900	4 867.00	5260.65	360.65	103	75	97	-75	22	249.85
26-Mar-10	5300	5 276.00	5254.1	-45.9	65	67.05	-65	-21.15	-86.15	163.7
30-Apr-10	5300	5 263.80	5004	-296	68.05	66.1	-68.05	133.9	65.85	229.55
28-May-10	5000	5 025.00	5320.55	320.55	100	58.6	100	-58.6	41.4	270.95
25-Jun-10	5300	5 298.00	5408.75	108.75	92.5	56.95	16.25	-56.95	-40.7	230.25
30-Jul-10	5400	5 394.80	5477.7	77.7	78.5	60.2	-0.8	-60.2	-61	169.25
27-Aug-10	5500	5 460.50	6030	530	66	66.5	134	-66.5	67.5	236.75
01-Oct-10	6100	6 065.00	5987.7	-112.3	66.85	95	-66.85	17.3	-49.55	187.2
29-Oct-10	6100	6 050.00	5800	-300	65.75	73	-65.75	127	61.25	248.45
26-Nov-10	5800	5 845.65	6102.95	302.95	93.4	58.3	106.6	-58.3	48.3	296.75
31-Dec-10	6100	6 131.00	5604.2	-495.8	87.9	55.6	-87.9	144.4	56.5	353.25
28-Jan-11	5600	5 617.00	5265.3	-334.7	91.5	76.45	-91.5	123.55	32.05	385.3
25-Feb-11	5300	5 327.10	5824.2	524.2	84.4	85	115.6	-85	30.6	415.9
01-Apr-11	5900	5 865.10	5784	-116	79.8	74	-79.8	42	-37.8	378.1
29-Apr-11	5800	5 789.80	5402.15	-397.85	87	73.75	-87	126.25	39.25	417.35
27-May-11	5400	5 415.00	5644.1	244.1	77.9	67.35	122.1	-67.35	54.75	472.1
01-Jul-11	5700	5 700.20	5492.7	-207.3	69	70	-69	130	61	533.1
29-Jul-11	5500	5 479.90	4841.75	-658.25	71	67	-71	133	62	595.1
26-Aug-11	4900	4 855.30	5019.4	119.4	81	80.5	38.4	-80.5	-42.1	553
30-Sep-11	5000	4 999.80	5181.95	181.95	92	63.45	89.95	-63.45	26.5	579.5
26-Oct-11	5200	5 241.15	4755	-445	97.85	55	-97.85	145	47.15	626.65
25-Nov-11	4800	4 750.00	4648.6	-151.4	75.1	80.85	-75.1	70.55	-4.55	622.1
30-Dec-11	4700	4 689.90	5161.4	461.4	73.45	69.9	126.55	-69.9	56.65	678.75
27-Jan-12	5200	5 201.00	5488.25	288.25	62.2	61.9	137.8	-61.9	75.9	754.65
24-Feb-12	5500	5 532.00	5177	-323	93.55	61.6	-93.55	138.4	44.85	799.5
30-Mar-12	5200	5 246.00	5186.65	-13.35	94.55	57.4	-94.55	-44.05	-138.6	660.9
27-Apr-12	5200	5 200.00	4916.25	-283.75	91.9	61.65	-91.9	138.35	46.45	707.35
01-Jun-12	4900	4 908.50	5150.75	250.75	88.95	64.5	111.05	-64.5	46.55	753.9
29-Jun-12	5200	5 215.30	5043.25	-156.75	63.2	62	-63.2	94.75	31.55	785.45

27-Jul-12	5100	5 144.45	5306.9	206.9	80.1	59	119.9	-59	60.9	846.35
31-Aug-12	5300	5 321.00	5652.95	352.95	76.3	56.25	123.7	-56.25	67.45	913.8
28-Sep-12	5700	5 714.90	5704.7	4.7	69	61.3	-64.3	-61.3	-125.6	788.2
26-Oct-12	5700	5 711.10	5828.05	128.05	74.8	58.8	53.25	-58.8	-5.55	782.65
30-Nov-12	5900	5 891.10	5874.2	-25.8	61	63	-61	-37.2	-98.2	684.45
28-Dec-12	5900	5 932.50	6037.25	137.25	79.65	55.7	57.6	-55.7	1.9	686.35
01-Feb-13	6100	6 068.95	5692.45	-407.55	55.65	67.3	-55.65	132.7	77.05	763.4
01-Mar-13	5700	5 718.95	5676.5	-23.5	68.05	64.8	-68.05	-41.3	-109.35	654.05
05-Apr-13	5700	5 716.35	5910.05	210.05	70.29	54.8	129.71	-54.8	74.91	728.96
26-Apr-13	5900	5 919.00	6124.2	224.2	72.85	55.15	127.15	-55.15	72	800.96
31-May-13	6100	6 119.00	5683.9	-416.1	72.3	57	-72.3	143	70.7	871.66
28-Jun-13	5800	5 761.15	5907.35	107.35	62	65.6	45.35	-65.6	-20.25	851.41
26-Jul-13	6000	5 955.00	5416.75	-583.25	69	78.25	-69	121.75	52.75	904.16
30-Aug-13	5400	5 400.00	5883.85	483.85	85	64.5	115	-64.5	50.5	954.66
27-Sep-13	6000	5 951.25	6294.9	294.9	80.75	76.45	119.25	-76.45	42.8	997.46
01-Nov-13	6300	6 315.05	6087.05	-212.95	77.9	64.9	-77.9	135.1	57.2	1054.66
29-Nov-13	6200	6 162.00	6279.35	79.35	72.8	84.2	6.55	-84.2	-77.65	977.01
27-Dec-13	6300	6 340.00	6069.2	-230.8	67	59.1	-67	140.9	73.9	1050.91
31-Jan-14	6100	6 115.00	6238.85	138.85	73.75	61.15	65.1	-61.15	3.95	1054.86
28-Feb-14	6300	6 265.40	6646.2	346.2	60.1	55.8	139.9	-55.8	84.1	1138.96
28-Mar-14	6700	6 708.60	6837.05	137.05	74.35	64.8	62.7	-64.8	-2.1	1136.86
25-Apr-14	6900	6 900.00	7238.9	338.9	92.2	85.9	107.8	-85.9	21.9	1158.76
30-May-14	7300	7 275.50	7497.95	197.95	66.85	76	131.1	-76	55.1	1213.86
27-Jun-14	7600	7 550.00	7723.75	123.75	69.25	88.7	54.5	-88.7	-34.2	1179.66
01-Aug-14	7700	7 686.05	7952.75	252.75	70.2	66	129.8	-66	63.8	1243.46
01-Sep-14	8000	8 021.20	7902.25	-97.75	72.4	64	-72.4	33.75	-38.65	1204.81
26-Sep-14	8000	7 956.00	8166.6	166.6	67.65	61.75	98.95	-61.75	37.2	1242.01
31-Oct-14	8200	8 234.95	8493	293	88.7	49.95	111.3	-49.95	61.35	1303.36
28-Nov-14	8600	8 576.10	8182.75	-417.25	62.95	65.15	-62.95	134.85	71.9	1375.26

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Phoenix Udaan of Funsukh Wangdu

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Abstract

Armstrong Automation , India's leading Automation System Integrators was located in Gurgaon. It provided detailed engineering services to its customers located in Mumbai, Delhi, Pune, Chennai etc.

Mr. Premsukh Wangdu founded the company in 1985. Its engineering services catered to varied industry verticals like Metals & Mining (M&M), Food & Beverage (F&B), Oil & Gas (O&G) and other sectors. In 2007, Funsukh Wangdu took charge of the business as the new CEO of the Armstrong Automation.

The financials of Armstrong Automation in 2010 showed a net income of INR 35 Cr; which was the highest earning in its history. However 2011 and 2013 period seemed to be a rough patch for Armstrong Automation. This was because of the heavy import of Chinese goods in India.

In 2014, a new Government was formed at the centre. Seeing the encroachment on the Indian manufacturing sector, the government formulated policy decisions against heavy imports from China, Taiwan etc by imposing Anti Dumping Duties. On the other hand government also declared "Make in India" as a domestic manufacturing renaissance policy in order to enhance domestic manufacturing and increase FDI an Indian Manufacturing and Automation sector.

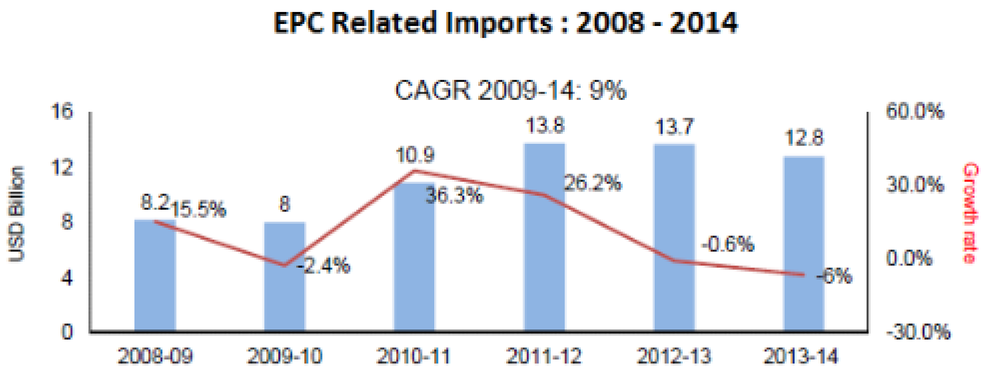
The government norms had opened the flood gates for FDI in India.
How can Mr. Funsukh Wangdu write a success story for Armstrong Automation after the rough patch of 2013? Should he join hands with an International players to gain a winning edge is his dilemma.

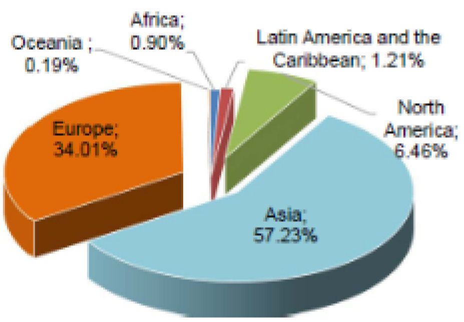
Keywords:

B2B Marketing, Solution Selling, Strategic Marketing, Industrial Buying Behaviour, Pricing.

Introduction

Armstrong Automation was one of India's' leading Automation System Integrators located in Gurgaon. It provided detailed engineering services to its esteemed customers which were located in various metropolitan cities of India like Mumbai, Delhi, Pune, Chennai and Banglore etc. The company was founded by Premsukh Wangdu in 1985. Its detailed engineering Automation services catered to varied industry verticals like Metals & Mining (M&M), Food & Beverage (F&B), Oil & Gas (O&G) and other sectors. . The current CEO Funsukh Wangdu was closely monitoring the business growth every quarter. The revenue growth and profits made him satisfied. In three decades since 1985 the company had done substantial business and was one of the leading and reputed System Integrators in Gurgaon. However the smooth sailing did not last long, in 2011 Armstrong Automation experienced a rough business patch which lasted from 2011 to 2013. This was due to the heavy imports of Chinese EPC goods which flooded India and resulted in an unstable business market scenario.





Origin of Imports: Share of Top 10 in %

China	20.97	USA	6.29
Germany	14.97	Italy	3.65
Japan	12.44	France	2.42
South Korea	11.97	UK	2.26
Thailand	7.46	Spain	2.17

Exhibit 1 Imports –EPC component Industry 2008-14 (Authors Own, 2016)

The business demand of EPC service integrators like Armstrong Automation was highly skewed. Funsukh like everybody was at a point in his life where he hit a crossroad and had several options to address his business situation and regularise business cash flow for the coming quarters. Firstly, Funsukh was planning to restructure his pricing and grab the few floating business opportunities. Secondly, to gain competitive advantage, he was also allured to consider a B2B partnership with Western players from USA, Australia, UK, and France who were venturing in India. Thirdly, he also was contemplating for a long term business strategy by joining hands with low cost system integrators of South East Asia; or, technologically collaborate with Germans and Japanese players in order to enhance Armstrong Automations innovation and technology capacities

Armstrong Automation , Gurgaon

2010 saw the golden age of automation in India with many small scales and large scale industries flourishing, despite the huge prevalent competition amongst local service providers. Under the leadership of Premsukh, Armstrong Automation had made mammoth business advances and had diversified its services in various industry fields, where automation and detailed engineering services were required. The reason for this grand success was the company culture which was cultivated and percolated by Premsukh. All employees respected and abided the companies' policies and behaved professionally and ethically with their customers. Premsukh considered this to be a huge achievement, as he had taken enormous efforts to maintain good relations with his employees and also his customers. However, being from the old school of thought Premsukh was a bit rigid to accept the new trends in technology and the strategic shifts which had globally affected the B2B Business in India.

Funsukh, the current CEO of Armstrong Automation was evaluating the financial results of his company, quite satisfied as he evaluated the financial results of his company. In the year 2011 the company had a net income of 120 million INR, this was the highest in the company's history. (See Exhibit 1). Having done an MBA from Dukes in USA, Funsukh was good in taking strategic decisions and understood the importance of changing with time. He was flexible in his business approach of considering new options for business growth. Prior to his B school exposure, Funsukh had climbed up his family business ladder by training as an engineer, he had personally worked with many customers on engineering projects in India before joining his B School. Unlike Premsukh, who viewed globalization as a threat, Funsukh looked at Global Business partnership as an opportunity to expand the company horizons Globally.

Armstrong Automation Business Situation in 2013 Appointment of new Government at the centre in 2013, changed the dynamics of Manufacturing and Automation business in India. The government norms had opened the flood gates for FDI in India and thus developed economies like USA and Australia were considering India as a destination to collaboratively grow their business as a third world destination. "Make in India" gave a thrust to unorganised system integrators and small players in India, this helped them to expand and grow during this present renaissance period. Seeing the encroachment on the Indian manufacturing sector, the government formulated policy decisions against heavy imports from China and low cost manufacturing countries like Taiwan by imposing Anti Dumping Duties. On the other hand government also declared “Make in India” as a domestic manufacturing renaissance policy in order to enhance domestic manufacturing and increase FDI an Indian Manufacturing and Automation sector. The above changes in Government strategy gave rise to tough market conditions on various industry verticals like O&G,M&M and F&B. Funsukh had started to feel the heat of its fiercely competitive system integrators. The small unorganised players from local regions of India came together to address the business opportunity which external environmental and political conditions had to offer. This symbiotic strategy of small unorganised system integrators allowed them to offer services to many customers and also offer the best competitive prices. Due to the above the local Indian business market had become very cost sensitive. Funsukh realized that Armstrong Automation was losing ground and something dramatic had to be done in order to offer his customers the best market prices.

Global Partnership?

Armstrong Automation offered its detailed engineering Automation services catered to varied industry verticals like Metals & Mining (M&M), Food & Beverage (F&B), Oil & Gas (O&G) and other sectors. However Funsukh had a vision to expand the horizon of his business by providing services to various industry verticals like Pharmaceuticals , Chemicals, Utilities etc .(Exhibit 3). The western companies were specialist in this new industrial domain and this motivated Funsukh to think about partnering with them. Funsukh was also aware that western countries are more process driven and different worldwide geographies offer different value additions to business.Funsukh knew that joining hands with South East Asian companies will help him in understanding the low cost system integraton business model. Also collaboration from Japanese and German players will help Armstrong Automation to improve its innovation and technology capacities.

Closing Section – The Dilemma

Opening the flood gates of business opportunities for International, Western players gave companies like Armstrong Automation an opportunity to partner with regulated process and systems driven companies form like USA, Australia, UK, France –imbibe and implement their; or, join hands with low cost system integrators of South East Asia; or, technologically collaborate with Germans and Japanese players in order to enhance Armstrong Automations innovation and technology capacities is his dilemma. Funsukh was finding it difficult to find and trust a new business partner who would have the same business sensitivity and ethical belief to do business. Funsukh faced a challange of not having core competency, cultural understanding exposure and necessary organization skills to get work done from an Outsourcing Business Relationship. This was because Armstrong Automation was a family started business and it had not yet felt the need to partner with any other firm for its business requirement. However Funsukh had apprehensions about the competency of his resources and how they will align themselves to a new company culture in case of a global partnership. Funsukh also wondered if it would be right for him to continue business just as it was or bring in Western or South East Asian Business partner. A walk through Armstrong Automation history demonstrated their competency in various industry verticals such as Chemicals, Pharmaceuticals, O&G, M&M and F&B. (Exhibit 2). Armstrong Automation had improved their engineering services by standardizing them through ISO certification, Csia Certification and ANAB, UKAS Certifications. (Exhibit 4). The onshore and off shore prices offered by Armstrong Automation were 65% cheaper than the rates of Western and South East Asian companies. This prising allured the international companies to join hands with Armstrong Automation and earn profits through this partnership.

Funsukh had in mind a Global Business Delivery model shown in Exhibit 6 which strategically helped the partners to connect with each other and serve various industry verticals. similar industry verticals and had a well proven Global Business Delivery Model. (See Exhibit 6).

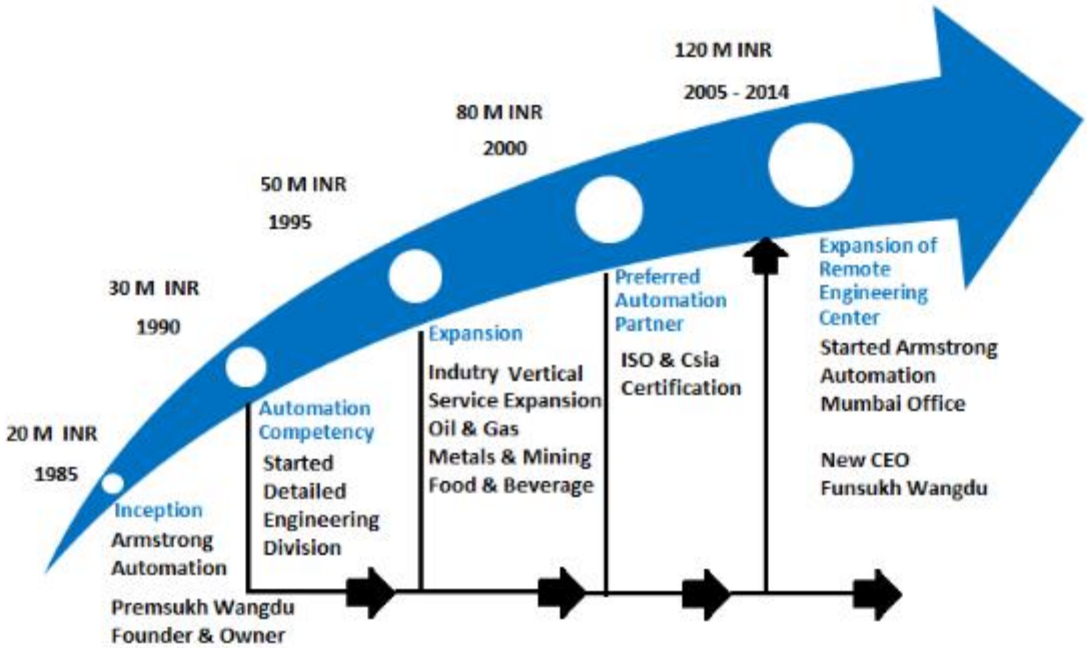


Exhibit 2 Evolution of Armstrong Automation (Authors Own)

Exhibit 3 a.Currently served Industry Verticals of Armstrong Automation (Authors Own)

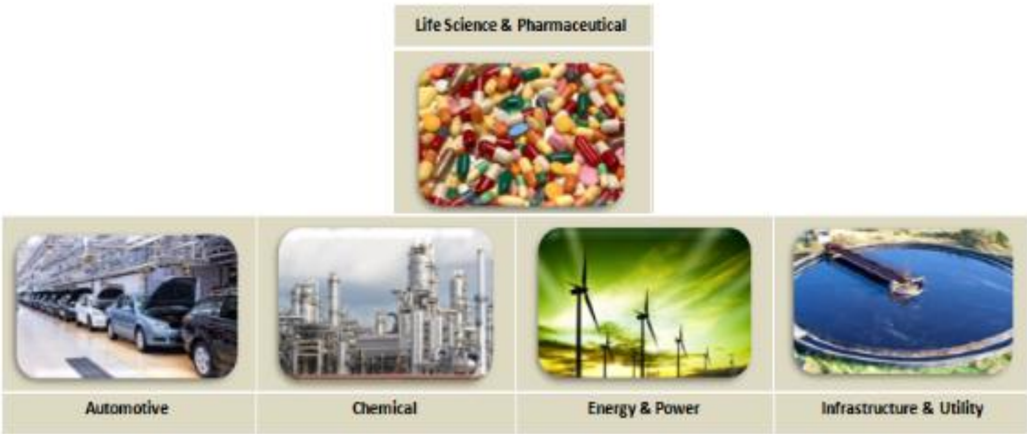


Exhibit 3 b. Future Industry Verticals of Armstrong Automation (Authors Own)

Exhibit 4 CSia and ISO Certifications of Armstrong Automation (Authors Own)

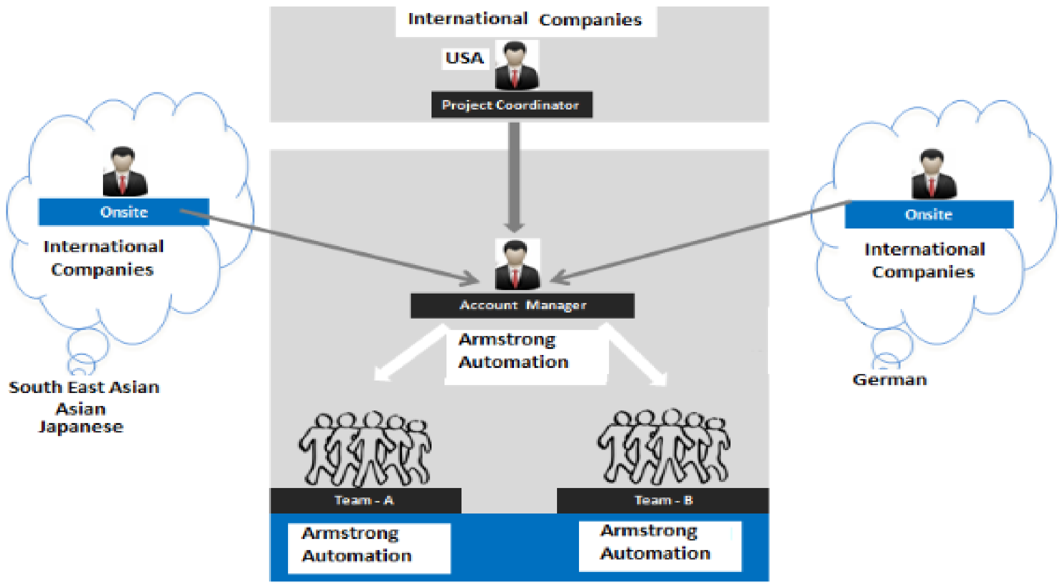


Exhibit 5 Business model of Armstrong Automation (Authors Own)

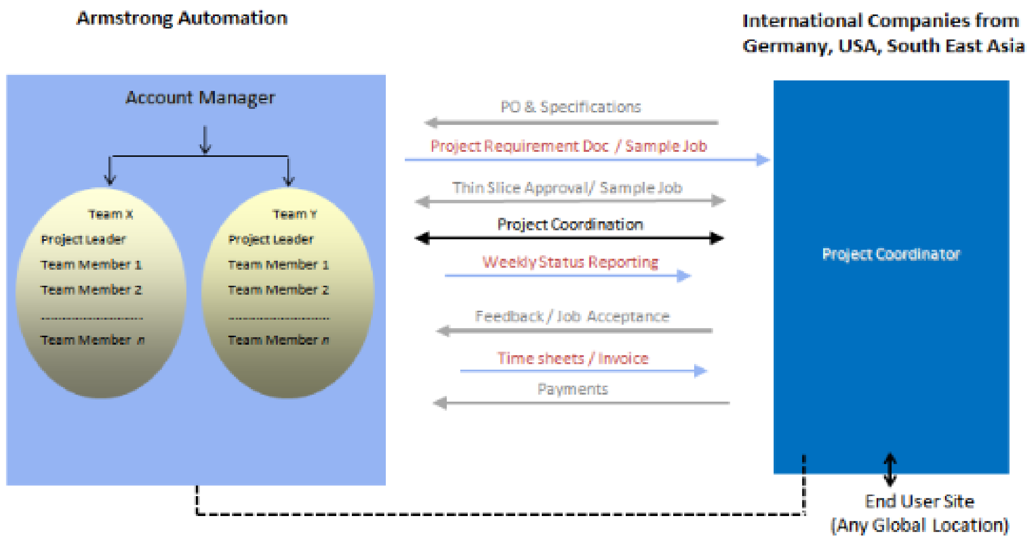


Exhibit 6 Global Business Delivery Model (Authors Own)

How should Funsukh improve Armstrong Automations business in the current situation, should he join hands with the unorganized players in India, or work in collaboration with South East Asian countries or Western countries?

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Corruption and its Compliance on International Business
By

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Abstract

This article provides an insight on the international phenomenon of corruption, dealing with its existence, and whether compliance is higher with Anti-Corruption laws or with corruption itself, resulting in anti-corruption laws being much less effective than the legislators intended it to be and the reasons for increasing demand worldwide for new governance standards, higher compliance controls and other effective anti-corruption laws & policies in light of rapid increase in corruption every year. This article further deals with the diagnosis and measures to deal with the cause of corruption – the short-comings in anti-corruption law – the reasons why corporations are willing to face continuing legal risks and adverse publicity but still indulge in corrupt practices and the extent of negative impact the prevailing levels of corruption ultimately have on international business & trade.

Keywords:
Anti-Corruption, Corruption, Corruption-Causes, Corruption Practices.

I Introduction:

"..JUST as fish moving under water cannot possibly be found out either as drinking or not drinking water, so government servants employed in the government work cannot be found out (while) taking money (for themselves)."

'Kautilya' / Chanakya in Arthashastra (Economics) ,
Chapter IX. 370 -283 BCE

"..It's Interesting that these themes of crime and political corruption are always relevant."

Martin Scorsese

In light of the ever increasing international trade & business, one major concern is corruption growing alongside it. In a race to be at a leading position, ethics & morals take a backseat and the hunger for power & money lead to invention of newer ways almost every day to pay and receive bribes so as to put the person bribing in a position better than those not doing so, whether such a person is more capable or not is a question paid no attention to. As corporations and business entities grow larger, sometimes with a monetary turnover many times that of small countries, the threat of corruption in the business world, within the organization, in dealings with other organisations and in dealings with the government is a looming and growing threat. So is it that capability has little relevance as a qualifying factor in today's time and the race is only monetarily driven, the winner predetermined, on basis of the highest payer? It would certainly seem so.

II**. Definition & meaning of corruption:**

Corruption has been defined as[1]:

Per Oxford Dictionary:
"Dishonest or fraudulent conduct by those in power, typically involving bribery.

Per Black's Law Dictionary (2nd Edition):
Illegality; a vicious and fraudulent intention to evade the prohibitions of the law. The act of an official or fiduciary person who unlawfully and wrongfully uses his station or character to procure some benefit for himself or for another person, contrary to duty and the rights of others.

As per Dictionary.com:

The word corrupt (Middle English, from Latin *corruptus*, past participle of *corrumpere*, to abuse or destroy: *com*-, intensive pref. and *rumpere*, to break) when used as an adjective literally means "perverted, made inferior, affected, tainted, decayed".[2]

Earlier corruption was believed to be prevalent only in public offices, giving corruption the meaning of use of public office for private gain[3] but such a narrow meaning does not hold in today's time where corruption is prevalent in public offices, private offices and commercial spheres of business and one does not need any analysis or study in support of such contentions. One of the most popular of the definitions of corruption, namely, 'Corruption is the abuse of power by a public official for private gain' is too limited to be able to include the levels and spheres corruption and corrupt persons have invaded. Therefore, corruption maybe political, personal/private or commercial.

The basic difference is in the office, power and position, which are abused, and aim of abuses. *Political corruption* may include bribery, use of governmental offices for private enrichment and substitution by particularistic for universalistic norms of public decision-making[4]. *Personal corruption* may include violations of fiduciary duty, untruthfulness with friends for personal gains. *Commercial corruption* may include suppliers

[1] Retrieved on 27.06.2015
[2] As defined in Maria Dakolias and Kim Thachuk, *The Problem of Eradicating Corruption from the Judiciary: Attacking Corruption in the Judiciary: A Critical Process in Judicial Reform,* 18 Wis. Int'l L.J. 353, 355 (2000).
[3] *Id.* at 356
[4] "Glossary". U4 Anti-Corruption Resource Centre. Retrieved on 27.06.2015.

bribing agents to sell their products over other suppliers' products, organisations bribing media agencies for better publicity, et al. Corruption is a crime of calculation, where the benefit received by the briber overweighs the amount paid as bribe, which is the most seducing factor for everyone ready to indulge is paying bribe. On the other hand, the receiver of bribe has nothing to lose and all to gain from the bribe so received as if it is not this person upon whom the benefit is vested by him then it would be so vested upon someone else, who may not have paid bribe for it, leading to corruption.

Another aspect of corruption is the scale of corruption. Corruption can occur on many different scales. There is petty corruption that occurs as small favours between a small number of people within established social frameworks and governing norms, usually occurring in developing nations where public servants are significantly underpaid. Then there is the corruption that affects the government on a large scale, i.e., grand corruption or political corruption, occurring at the highest levels of government in a way that requires significant subversion of the political, legal and economic systems. Such corruption is commonly found in countries with authoritarian or dictatorial governments and in those without adequate policing of corruption by anti-corruption agencies. Then there is corruption that is so prevalent that it is part of the everyday structure of society, i.e., systemic corruption)[5], which is primarily due to the weaknesses of an organization or process. It can be contrasted with individual officials or agents who act corruptly within the system. Factors which encourage systemic corruption include conflicting incentives, discretionary powers; monopolistic powers; lack of transparency; low pay; and a culture of impunity.[6] Specific acts of corruption include "bribery, extortion, and embezzlement" in a system where "corruption becomes the rule rather than the exception."[7] Scholars distinguish between centralized and decentralized systemic corruption, depending on which level of state or government corruption takes place; in countries such as the Post-Soviet states both types occur.[8]

The difference between bribery and corruption is almost always ignored, corruption being broader in scope than bribery. Bribery, as an act of corruption, always deals with obtaining of illegal payments with abuse of public or commercial office.[9] The payment need not always involve the exchange of money (could be other gifts or advantages, such as membership of an exclusive club or promises of scholarships for children, special favours or influence).[10] As an act, despite the form it takes, corruption is always a

[5] Lorena Alcazar, Raul Andrade (2001). *Diagnosis corruption*. pp. 135–136.

[6] Znoj, Heinzpeter (2009). "Deep Corruption in Indonesia: Discourses, Practices, Histories". In Monique Nuijten, Gerhard Anders. *Corruption and the secret of law: a legal anthropological perspective*. Ashgate. pp. 53–54.

[7] Legvold, Robert (2009). "Corruption, the Criminalized State, and Post-Soviet Transitions". In Robert I. Rotberg. *Corruption, global security, and world orde*. Brookings Institution. p. 197

[8] See John T. Noonan, *Bribe* (1987) for discussion of bribery.

[9] Enery Quinones, *What is Corruption*, OECD Observer, (April 1, 2000), Pg. 23

[10] *Id*.

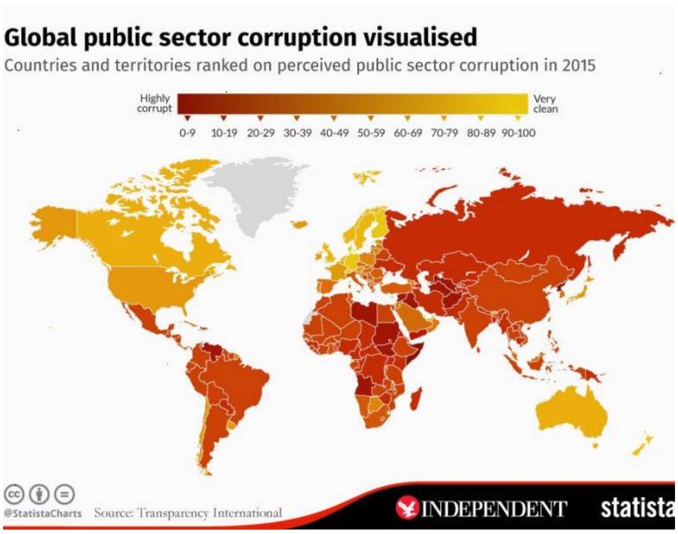
two-way transaction; it requires a supply side (the briber) and a demand side (the one who receives the bribe).[11]

After collapse of the era of communism in the Central and Eastern European countries, there came the time of economic growth, globalization, new developments in technology and possibilities of doing business around the world and along came the obstacles of organised crime and corruption in almost all parts of the world, which came to be ignored by some international businesses, desperate only to enter new markets and establish themselves there, paying whatever price asked of them, assuming that as long as they ultimately recovered all price paid, along with profit, all such acts of bribery with money and other things as justified, with no thought for future consequences and damages. These acts not only impacted such notorious international businesses willing to be corrupt but also the honest businesses, even more so, as they were left high and dry, not being able to explore and take advantages of the growing international trade & business. Now when the international business community has finally come to realise the situation, that the influence of corruption is ultimately negative, the problem of corruption has reached a level where it is extremely difficult to curb and control it, nonetheless, it is always better late than never and hence there is urgent need, leading to urgent demand, for legislative actions and sanctions to control the evil of corruption, especially in international business.

The 'formula' of corruption as was:

Corruption = (Monopoly + Discretion) – Accountability.

Has expanded and modified into:
Corruption = (Monopoly + Discretion) – (Accountability + Integrity + Transparency)



[11] Transparency International (2014). "Corruption Perceptions Index". *Transparency International*. Transparency International. Retrieved 27.06.2015

Fig.1 Corruption & world map- Corruption perception index 2015

Since 1995, Transparency International (TI) publishes the *Corruption Perceptions Index* (CPI) annually ranking countries "by their perceived levels of corruption, as determined by expert assessments and opinion surveys.[12] The CPI generally defines corruption as "the misuse of public power for private benefit.[13] The CPI currently ranks 175 countries "on a scale from 100 (very clean) to 0 (highly corrupt)." [14] The 2015 corruption perceptions index measures the perceived levels of public sector corruption in 175 countries and territories around the world. Upon perusal of this index, it is clear that no part of the world is devoid of the evil of corruption. So this implores us to re-think as to how effective any anti-corruption legislation can be and how aggressive the penalty will have to be to force corrupt people and organisations to think before indulging in such practices as clearly, expecting ethical, moral values and integrity to be doing the job has failed, hence, the urgent need for penal legislation.

III. **Causes of corruption:**

Causes of corruption, in the author's opinion, are so many that may not be easily divided into limited groups. Low income, overburdening tax system, weak law, no strict action taken against corruption due to corrupted people's popularity, no transparency in dealing, low morals and integrity of people, lust for power and money, and it can go on and on.... Specifically the author will herein discuss two categories - socio-political and economic as being the most affecting.

i. *Socio-political* causes of corruption are following: (a) weak governance of a country; (b) dysfunctional government's budgets; (c) delays in the release of budget funds, especially when this involves pay; (d) closed political systems dominated by narrow vested interests; (e) use of public office for private gain by senior officials and political leaders; (f) divergence between the formal and the informal rules governing behaviour in the public sector; (g) weak accountability, (h) eroded ethical values, (i) inoperative financial management systems resulting in no formal mechanism to hold public officials accountable for results; (j) low and declining civil service salaries and promotion unconnected to performance and a public service long dominated by patron-client relationships, in which the sharing of bribes and favours has become entrenched; (k) civil services receive inadequate supplies and equipment; (l) lacking adequate legislative controls; (m) unenforced rules of conduct and conflict of interest with ineffectual watchdog institutions such as ombudsmen, auditors, and the media or their absence in toto; (n)

[12] CPI 2010: Long methodological brief, p. 2

[13] Transparency International (2015). "Corruption Perceptions Index 2015: In detail ".*Transparency International*. Transparency International.

[14] James P. Wesberry Jr., International *Financial Institutions Face the Corruption Eruption*, 18 J. INTL. L. BUS, 498, 509 (1998).

international sources of corruption associated with major projects or equipment purchases.[15]

ii. *Economic* causes of corruption are closely connected with political ones. They are following: (1) existence of trade restrictions leads to payments to governmental officials in order to get import licenses which are in limited quantity; (2) existence of a big number of government subsidies regulate industrial policy, governmental officials strongly involved in price controls; (3) existence of multiple exchange rate practice and foreign exchange allocation schemes leads to attempts to gain the most advantageous rates by bribing governmental officials; (4) low wages in civil services leads to extortion bribes by civil servants to improve their financial situation; (5) natural resources endowments leads to bribes of governmental official to get the best prices in avoidance of government regulations.[16]

Iv. Consequences of corruption:

Corruption has very strong effect at political, social and economic life of a country where it takes place. The existence of corruption in this case puts some costs and some benefits of political, judicial, and bureaucratic actions to different members of the society.[17] In the field of International business transactions the corruption has an impact at both sides: countries where corruption takes place suffer from social, political and economic losses and foreign companies, which are doing or trying to do business in those countries, suffer from commercial losses.

In these countries there exist problems of undermined democracy by effecting rights of ordinary people and small entrepreneurs, harm to the environment, retarded development, eroding moral values of people, disregard for the rule of law, increase in organised crime and money laundering, lowers investment and retarded economic growth to significant extent, loss of tax revenue, lower quality of infrastructure and public services, distortion in the allocation of resources, weakening trade with other countries; lowers growth.[18]

Commercial loses for the companies are that entrepreneurs suffer higher risks and increased costs of doing business, international bribery results in lost exports for those who play by the rules and seek to win contracts through fair competition, the ability of businesses to operate in a transparent, honest and predictable environment is lost, corruption hurts suppliers of exporters and impedes international trade.[19]

V. Measures Taken By International Organizations:

[15] Paolo Mauro, Why Worry About Corruption? 4-6 (1997).
[16] *See* Henry R. Luce, *The Role of The World Bank in Controlling Corruption,* 29 Law & Pol'y Int'l Bus. 93, 95-97 (1997) for 6 situations where bribery plays role of the distributor of costs and benefits.
[17] See Vito Tanzi, *Roads to Nowhere:How Corruption in Public Investment Hunts Growth* (1998).
[18] DONALD J. JOHNSTON, *Honesty is the Best Policy*, OECD Observer (April 1, 2000), Pg. 3.
[19] European Union, Resolution on the communication from the Commission to the Council and the European Parliament on a Union policy against corruption, (May 21, 1997), COS/1997/2116, *also available at* http://wwwdb.europarl.eu.int/

On May 21, 1997, the *European Commission* adopted a Communication to the Council and to the European Parliament on a Union Policy against Corruption.[20] The Communication provides member states with a consistent and coherent policy on corruption in international trade and commerce well as in other pertinent area. But the Communication does not have legal effect of corruption. The Convention criminalizes bribery of E.U. officials as well public officials of E.U. member states, but does not concern transnational bribery with foreign officials of countries that are not members of the European Union.[21] The Convention on the Fight against Corruption involving Officials of the European Community or Officials of Member States of the European Union[22], adopted on May 26 1997, criminalized active and passive corruption of officials even where financial damage to the Union was not at issue. The Joint Action of 22 December 1998 adopted by the Council on the Basis of article K.3 of the Treaty on European Union, on corruption in the private sector, constituted another important instrument."[23]

Other international organisations have also been actively fighting against growing corruption. The *United Nations* (U.N.) has drafted three very important documents to deal with issues of corruption: United Nations Declaration against Corruption and Bribery in International Commercial Transactions[24], International Code of Conduct for Public Officials[25], and Code of Conduct for Law enforcement Officials[26]. The Draft United Nations Convention against Transnational Organized Crime, in its article 4 *ter*[27] envisages the criminalization of corruption when an organized criminal group is involved. The Convention includes following acts: corrupt activities involving an international civil servant, a foreign public official, a judge or other official of an international court. The draft convention is aimed at corrupt activities towards international officials. Additional international measures were proposed for further combating corruption the 10th U.N. Congress[28] included "develop, ratify and incorporate international instruments to encourage strengthen anti-corruption programs at the national level" and "Consider the development of a comprehensive United Nations convention against corruption".[29]

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[20] Convention on the Fight Against Corruption Involving Officials of the European Communities or Officials of Member States of the European Union, May 26 (1997), O.J.C. 195, 26.5.1997

[21] *Id*.

[22] *See*, European Union, Joint Action of 22 December 1998 Adopted by the Council on the Basis of Article K.3 of the Treaty on European Union, on Corruption in the Private Sector, 1998 O.J. (L358), *also available at* http://www.consilium.eu.int/ejn/vol_b/5_actions_communes/corruption/13909en.html

[23] United Nations Declaration against Corruption and Bribery in International Commercial Transactions, U.N. GAOR, 51st Sess., U.N. Doc. A/RES/51/191 (Dec. 16, 1996)

[24] United Nations International Code of Conduct for Public Officials, U.N. Doc A/RES/51/59 (Dec.12, 1996)

[25] Code of Conduct for Law enforcement Officials General Assembly Resolution, U.N.Doc A/34/196 of (Dec. 17 1979)

[26] Draft United Nations Convention against Transnational Organized Crime, U.N. Doc. A/AC.254/4/REV.6

[27] 10th United Nations Congress on the Prevention of Crime and The Treatment of Offenders, Vienna, 10-17 April 2000, International cooperation in combating transnational rime: new challenges in the twenty-first century. Background paper for the workshop on combating corruption prepared by the United Nations Interregional Crime and Justice Research Institute. U.N. DOC A/conf.187/9,*available at* http://www.uncjin.org/Documents/10thcongress/10thcongress.html.

[28] *Id*.

[29] John Brademas and Fritz Heimann, *Tackling International Corruption; No Longer Taboo,* Foreign Affairs, *October, 1998,* Pg. 17

In 1996, president of the *World Bank*, James Wolfensohn, made combating bribery a top priority. In 1997, with help of Transparency International, the bank adopted a comprehensive program, including strong controls to prevent bribery on World Bank-financed projects and assistance to governments to promote reforms.[30] It was decided that bank will fight corruption by following means: (a) preventing fraud and corruption in World Bank-financed projects; (b) assisting countries fight corruption, if and when they request it; (c) seriously considering corruption in the World Bank's internal planning, in the design of its projects and in its analysis and policy dialogue with countries which lead to agreeing upon strategies; (d) supporting international efforts against corruption.[31]

Transparency International is a non-governmental organization established in 1993 in Berlin. It has former governmental officials and business people as its members. The main aim of this organization is to increase governments' accountability and curbing both international and national corruption.[32] The most important actions by the Transparency International are information gathering and raising public awareness. For this purpose, it publishes a Corruption Perceptions Index[33] that scores countries on ten-point scale, a score of ten indicating a highly clean country and zero indicating a highly corrupt country.[34] TI also publishes a Bribery Index of Leading Exporting Nations[35] to uncover the sources of bribery by scoring countries on a ten-point scale with a score of ten indicating negligible bribery and zero indicating very high levels of bribery.[36]

The *International Monetary Fund* has been emphasizing the need for transparency and other steps to curb corruption.[37] On August 4, 1997, the IMF Executive Board released guidelines, which instructed IMF staff to consider corruption and accountability issues in its relations with borrowing countries. The IMF guidelines are worded in the language of economists, which makes them difficult to understand for laypersons. The Guidelines do, however, officially recognize the problem of corruption for the first time. More importantly, they call the attention of IMF staff to the threat that corruption poses to international lending for development. The IMF guidelines specifically seek to provoke greater attention to involvement in governance issues by advocating policies and development of institutions and administrative systems with aim to eliminate opportunity for corruption and fraud. It also expresses great concern that corruption issues be addressed only based on economic considerations within its mandate prohibiting IMF

[30] James P. Wesberry Jr., International *Financial Institutions Face the Corruption Eruption*, 18 J. INTL. L. BUS, 498, 509 (1998). at 501-502.
[31] Transparency International, Welcome! at http://www.transperency.de/welcome.html (visited 27.06.2015)
[32] *See* Transparency International Corruption Perception Index/Bribe Payers Index *at* http://www.transparency.de/documents/cpi/index.html
[33] See I*d.*
[34] See I*d*.
[35] See I*d*.
[36] John Brademas and Fritz Heimann, *Tackling International Corruption; No Longer Taboo*, Foreign Affairs, *October, 1998*
[37] James P. Wesberry Jr., International *Financial Institutions Face the Corruption Eruption*, 18 J. INTL. L. BUS, 498, 509 (1998).

adopt the role of an investigative agency or guardian of financial integrity in member countries.[38]

The *International Chamber of Commerce* in Paris plays an important role in encouraging the international business community to become active in fighting corruption. The Chamber's focus is on improving corporate self-regulation programs. The biggest Chamber's achievement is the "Rules of Conduct to Combat Extortion and Bribery".[39] On 26 March 1996, the ICC's Executive Board updated the Rules[40] and expanded them to cover a broader range of corrupt practices. The Rules deal with such issues as payments to sales agents and other intermediaries, business entertainment and gifts, and political contributions. They cover not only bribery of public officials but bribery within the private sector as well. The basic approach of the Rules is the need for action by international organizations, governments and by enterprises, nationally and internationally, to meet the challenging goal of greater transparency in international trade. The rues have also been revised in 1999. Thus, extortion and bribery in judicial proceedings, in tax matters, in environmental and other regulatory cases or in legislative proceedings are now covered by the Rules.

World Trade Organization has also recently mobilized its efforts against corruption. So far the only one legal action was taken by the WTO: the 1996 WTO Ministerial Declaration[41] which included a provision establishing the Transparency in Government Procurement working Group to study transparency in government procurement practices. In 1999 the Group has issued its first report.[42] Within the WTO the most feasible possibility is to revise the Agreement on Government Procurement, focusing on anticorruption aspects. This agreement entered in force on January 1, 1996, but only a few courtiers, mostly in industrial world, have adopted its provisions.

The *Foreign Corrupt Practices Act, 1977 (United States of America)***,** prohibits American companies from making corrupt payments to foreign officials for the purpose of obtaining or keeping business. The Congress enacted the FCPA to bring a halt to the bribery of foreign officials and to restore public confidence in the integrity of the American business system. FCPA was amended in 1988 and in 1998.[43]

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[38] International Chamber of Commerce, Rules of Conduct to Combat Extortion and Bribery (revised) *at* http://www.iccwbo.org/home/statements_rules/rules/1999/briberydoc99.asp, (Visited 27.06.2015)

[39] International Chamber of Commerce, Rules of Conduct to Combat Extortion and Bribery *at* http://www.iccwbo.org/home/statements_rules/rules/1996/1996/briberydoc.asp, (Visited 27.06.2015).

[40] *See* WTO Singapore Ministerial Declaration (Dec. 13 1996) *at* http://www.wto.org/english/thewto_e/minist_e/min96_e/wtodec.htm (last updated 18/10/2000)

[41] S*ee* WTO Report (1999) to the General Council (Oct.12, 1999) *at* http://www.wto.org/english/tratop_e/grpoc_e/tran99_e.htm.

[42] See WTO Text of the Agreement on Government Procurement *at* http://www.wto.org/english/tratop_e/gproc_e/agrmnt_e.htm

[43] *See* Barbara Crutchfield George & Kathleen A. Lacey, *A Coalition of Industrialized Nations, Dveloping Nations, Multilateral Development Banks , and Non-Governmental Organizations:A Pivotal Complement to Current Anti-Corruption Initiatives*, 33 Cornell Int'l L.J. 547 (2000) for discussion of the amendments. *See also* Stuart H. Deming, *Foreign Corrupt Practices*, 33 Int'l Law. 507 (Summer, 1999).

VI. **International laws compliances:**

Trans-national organisations are eager to spur growth by taking advantage of economic growth, especially that of the developing economies such as South-East Asia. Well-educated and lower-cost workforce and its promising market may have little choice but to take a vigorous approach to Anti Corruption Law compliance.

Vii. What next at legislative level:

Urgent need for accountability of Judiciary, legislative and executive branches, as always was intended by the fore-fathers of nations wherein the government system is divided into the legislative, executive and judiciary branches in an attempt to provide independent services that are less prone to corruption due to their independence. Therefore, need for establishing an effective mechanism for dealing with complaints made with regard to corruption with penalty that acts as a deterrent and not merely a paper tiger. Anti-corruption legislation needs to cover not only monetary bribes but also gifts, valuables, extended hospitality and other benefits derived by acts of corruption. Anti-corruption legislation needs to cover bribe as "speedy money" regularly paid for routine governmental action.

Steps towards Compliance:

Transnational /National organisation(s) should create a culture of integrity and compliance by:

1) Due diligence;
2) Business Plan;
3) Anti Corruption compliance policy;
4) Internal monitoring mechanism;
5) Regular compliance training;
6) Whistleblower policy;
7) Conduct due-diligence on prospective business/partner.
8) Ensure that a comprehensive business plan is put in place at the start, to ensure that unanticipated regulatory hurdles do not result in incentive to engage in illegal activities.
9) Lay out a comprehensive anti corruption compliance policy with respect to all dealings with public servants, including guidelines for giving gifts and offering hospitality.

10) Set up an effective internal monitoring mechanism to check illegal acts by employees, and also ensure that incentives do not exist to engage in such illegal acts.

11) Conduct regular compliance training for employees of all levels, to sensitize them to anti-corruption laws and their consequences.

12) Establish and publicize a whistleblower policy to encourage reporting of illegal activities.

Viii. Conclusion

The paradigm is "...Corruption exists in the world, but world is not a corrupt society." Clearly most people in the world are living in ignorance and are not realising the urgency and cry for immediate action to control and curb corruption, failure of which will be nothing less than a catastrophe. In order for the anti-corruption legislation to work effectively, it is imperative that people be made aware of the long-term consequences of such acts. When even in a place like Europe, where people are generally found to be more honest, with higher integrity and morals as compared to say South-east Asian countries, the problem of corruption persists, one can easily imagine the affect that corruption has on the people of these South-east Asian countries, and if imagination is not enough, there is enough data in support, easily available, which should be a lesson learnt by developed nations to control the evil as early and as effectively as possible, so as to avoid an uncontrollable situation. Corruption mostly affects developing countries in political, social and economic aspects but at the same time it has a very strong influence on foreign businesses as well.

The nature of the causes of corruption is already understood to a great extent and the degree of effectiveness of the various measures initiated by the political leaders to combat corruption is lagging behind. Even though Anti-corruption is gaining more relevance as, simultaneous with increasing enforcement of anti-corruption laws, nations have started to focus on individual and corporate liability in cases of violation of anti-corruption laws, the problem of corruption still persists enough to have adverse affects on the general public all over the world.

Positively speaking, in the context of the far-reaching developments internationally to curb corruption, it appears unlikely that the more corrupt nations can act very differently and buck this trend, in the current context wherein all these nations have entered into mutual obligations with several countries to extend cooperation in respect of investigations and legal proceedings and maybe it is only a matter of time but it a question that too will have an answer in time. The public reporting of corruption cases is on the rise and it seems the best time to put anti-corruption legislations and mechanisms in place to control and eliminate the evil of corruption. In the recent past, a number of sensational cases have grabbed media headlines, including those involving the politicians, bureaucrats and top management of the corporations, either been arrested or are under investigation on charges of bribery. Practically, prosecutions against companies and officials are on the rise. The continuing legal risks and adverse publicity for the corporations involved should be used as an advantage to encourage anti-corruption attitude.

Corruption is an ancient concept but always contemporary. Corruption is a manifestation of administrative malpractices for purported economic gains due to lack of political will and reforms. When a concept like corruption is put in to practice, it's bad for the socio-economic health of the nation and warrants a determined politico-administrative intent to eliminate such practices from the system, not merely to regulate. As nations and regional groupings seek to implement stricter laws with respect to bribery and corrupt practices, the legal risks faced by trans-national corporations are becoming more complex. Scope and operation of anti-corruption laws is not restricted to territorial boundaries. Anti-corruption compliance is a hot-button issue in developing countries where trans-national corporations are increasing presence.

As Chanakya said.....

Chanakya, is considered as the pioneer of the field of economics and political science in India. Authored the ancient Indian political treatise called Arthshastra (*Economics*), credited for establishment of the Maurya Empire, the first empire in archaeologically recorded history to rule most of the Indian subcontinent. Chanakya is often called the "Indian Machiavelli", although his works predate Niccolo Machiavelli's by about 1,800 years. Without a corruption-free system, the Mauryan empire – which was the largest in Indian history and the largest (in relative terms) the world has ever seen, could never have arisen. ..."You can't build a MEGA EMPIRE if your ministers, officials, police, and army is corrupt. TOTAL integrity is the minimum requirement and high quality governance.

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A Study of BREXIT & it's Impact on European Union

By

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Abstract

The study is about how the European Union is formed. The study shows that how EU policies aim to ensure the free movement of people, goods, services, and capital within the internal market, enact legislation in justice and home affairs, and maintain common policies on trade. Corporate operating in the transport equipment, food & beverages, textiles, electrical equipment's and chemical sector are most exposed due to trade linkages.

The study is about how the British exit impacts the European Union; this is analyzed with the help of secondary data. It shows how BREXIT impact on Trade, Agriculture, Employment along with its worldwide long term economic impact.

Keywords:

BREXIT, European Union, House of Common

Introduction:

The European Union (EU) got its origin from European Coal and Steel Community (ECSC) and European Economic Community (EEC). It was formed after the world war II in 1951-1958 by the inner six countries namely Belgium, France, Italy, Luxembourg, Netherlands and West Germany. EU comprises of 28 state members that are primarily in Europe and is a unique economic and political union. EU has developed an internal single market through a standardised system of laws that apply in all member states, for the free movement of people, goods, services and capital within market. EU policies aim to enact legislation in justice and home affairs and maintain common policies on trade.

European Union operates mainly according to the rules of law, where everything it does is founded on treaties, voluntarily and democratically agreed by is member countries. Institution of European Union- the European Council, the Council of European Union, the European Parliament, the European Commission, the court of Justice of European Union, the European Central Bank, and the European Court of Auditors are the seven principle decision-making bodies. Generally laws made by EU institutions are mainly classified into two groups: those which come into force without the necessity for national implementation which are known as regulations and those which specifically require national implementation measures which are known as directives.

The main objective of the European Economic Community is the development of common market between its member states, subsequently becoming a single market and a customs union between its member states. The single market involves free movement of goods, capital, people and services within the EU and as per the customs union there is an application of common external tariff on all goods entering the market. The non-EU members can participate in single market but cannot participate in the customs union.

Research methodology:

The study is quantitative in nature. We will be relying exclusively on secondary sources of data. The methodology is used for analyzing the impact of BREXIT on United Kingdom and the other members of European Union. This report primarily focuses on finding out the working of European Union as well as the overall impact on the decision of brexit.

Scope of the study:

The following are some of the objectives that we hope to accomplish during the course of study.

- To study the formation of European Union.
- To study about the BREXIT.
- To understand the impact of British exit on Trade, Agriculture, Defence and the economy as a whole.

Significance of study/Literature review:

The research is to study the impact of BREXIT on United Kingdom as well as the European Union as a whole. It tries to identify how the British exit impacts on the free movement of people, goods, services and capital within the member countries of European Union. Since there is no road map for the exit of UK from European Union the study is completely dependent on the existing information from House of Commons UK.

Limitation of study:

- The major problem being faced is there is no policy framed by the UK
- government setting out its BREXIT plan.
- Hence the study is limited to the report by House of Commons UK.

- Time constraint will limit the extent & depth of the study.

BREXIT:

A process of United Kingdom (UK) to withdraw from the European Union (EU) is commonly known as BREXIT. It is the result of June 2016 referendum in which 51.9% voted to leave the EU. The separation process of UK from EU is complex, causing political and economical changes for the UK and other countries. On 2nd October 2016, British Prime Minister Theresa May announced she would trigger Article 50 by the end of March 2017 which would make the UK to leave EU by the end of March 2019. With the exit of United Kingdom from European Union, it also opens the door for other countries to leave European Union. This is one of the major fears of many people around the world. In the meantime, UK remains a full member of European Union.

The exit of United Kingdom will lead to negotiations about new relation with European Union. The first step for the UK government is to inform the European Union about the intention of withdrawal, and it is unlikely to happen before the end of 2016. When such notification is sent by UK to EU it will trigger the negotiation for withdrawal agreement. Until that negotiation is done, the UK remains bound by EU law. Negotiating the withdrawal agreement seems to be very challenging, in lights with substantial trade ties between the UK and EU.

Impact of British Exit on Trade:

The EU Member States do not pay any tariffs on goods moving between them and a common tariff is applied on the goods entering from Non-EU nations. Through Common Commercial Policy (CCP) external trade relationships are coordinated at EU level, since the EU members cannot operate their independent trade policies. The EU Trade Commissioner plays an important role as he acts as a negotiator in multilateral and bilateral trade talks with European Parliament and the ministers of the member states called as the EU Council making certain decisions regarding the negotiations and final result. The principle of free trade in services between EU Member States is also mentioned in the EU Treaties.

Though services make a very important contribution to the overall EU economy, but the trade in services within the single market is much less as compared to goods. EU is UK's most important trading partner till now. In 2015 it accounted for 44% (£222 billion) of the UK goods and services exports and 53% (£291 billion) of the UK imports. The UK's imports are more from EU as compared to exports. The UK's new relations with the EU will range in options from membership of the European Economic Area (EEA) to trading under World Trade Organization (WTO) rules. If UK chooses EEA as their option then it will be closest to EU membership and would largely maintain access to the EU single market and would accept the free movement of people and contribution to the EU's budget. The UK will not have any direct influence over EU rules if it chooses to be a member of EEA. If UK chooses to be a member of WTO instead of EEA then it would bring a biggest change in the current situations of EU as there would be no need to accept the free movement of people or make EU budget contributions and trade between UK and EU will be subject to tariffs and other barriers to trade. Other barriers to trade are also called as non-tariff barriers to trade.

Impact of British Exit on Agriculture:

40% of the EU's budget is related to agriculture and rural development through the Common Agriculture policy (CAP). CAP provides an EU framework of regulation for direct payments to farmers, market support measures and rural development programs to support the wider rural economy. BREXIT in all scenarios mean a departure from the Common agriculture policy (CAP). The loss of the CAP and the future EU/UK trading relationships raises lot of uncertainties for farmers in terms of income, tariffs, commodity and consumer prices and environmental management requirements in the future. EU farm subsidies just make up to 50-60% of income. Previous government has said that CAP reforms have indicated that UK government and developed administrations would not be able to match the current levels of subsidy. Farming organizations are anxious about the common market and migrant labor and how imports will be regulated. Environmental groups are concerned about the overall level of funding agri-environment schemes outside CAP and till when UK agriculture policy will be supporting environmental goals. UK agriculture policy, UK farming and landowning bodies are starting to set out their wish list for the future. They are asking government to act quickly to reduce uncertainty and take the opportunity to devise simpler approaches to farming regulation which support competitiveness.

IMPACT OF BRITISH EXIT ON DEFENCE:

The UK is one of the strongest among all EU member states in terms of Defence and arm forces. It has the ability to deploy an operational headquarter and they are capable of taking command of a mission. Unless the UK formally leaves the EU it will remain a part of Common Security and Defence Policy (CSDP) planning structures and the EU military operations to which UK has committed forces. Although the impact of BREXIT on UK military will be minimal, in the long run UK's ability to influence or shape the CSDP agenda will be significantly cut shorted. Since the UK is one of the most largest and advanced military power in the EU in terms of manpower, assets, capabilities and defence spending, EU has a disadvantage with fewer manpower, assets, capabilities etc with the withdrawal of UK from EU. The EU defence directives agreed in 2011 are retained in the withdrawal agreement but the applicability of their provisions to the UK will not change. The UK will have an impact on its procurement approach if UK chooses not to follow the directives. UK has been one of the main driving forces behind the development of CSDP.

Impact of British Exit on the European Economy:

The exit of United Kingdom (UK) from the European Union (EU) will not only have an impact on trade, employment and agriculture but also on Foreign Direct Investment (FDI), politics, GDP and migration laws. The effect on FDI is uncertain as it mainly depends on the trade arrangements reached with the EU and other countries. Access to the single market is an important determinant of FDI. The UK may be able to establish a regulatory regime more favorable to overseas investors which could offset the effect of its departure from the EU. The UK will contribute to the EU's budget till it is the member state of EU. In 2015, the UK's contribution was an estimated £8.5 billion which is around 1% of total public expenditure and equivalent to 0.5% of GDP. Future contributions will depend on the arrangements for which UK agrees. If UK chooses to be the member of EEA then it will likely to pay into the EU budget.

The way in which BREXIT will have an impact on political scenario is that there will be a potential loss of international political weight as UK leaves European Union. The UK is one of the union's most liberal countries and has acted as a mediator in the Franco-German relationship. The departure of UK can bring about the internal shifts in the EU's relations. It will become more difficult to pass the legislations if France and Germany don't agree. It has been noticed that there is also a nationalist push in the EU countries, whereas Spain has noticed a regionalist push for independence. All these happenings will give rise to the political uncertainty in the near future. Impact of this will be more evident in non-euro zones as compared to euro zones.

BREXIT will also have an impact on migration laws and this will directly affect the business and economy, as it will reduce the overall number of people moving to work in the UK. The UK's exit is likely to reduce the remittances of EU migrants to their home countries. In long term less migration to the UK could benefit the EU. Currently UK is unable to impose the limits on immigration from within the EU as there is a free movement of labor and it stands as one of the fundamentals of EU. If UK refuses to sign up for the free movement of people then it can impose its own control with the EU/EEA immigrations as it currently does not follow it. If government imposes a more restrictive immigration system for EU/EEA nationals then the option would be to simply extend current rules of non-EU/EEA nationals to all non-UK nationals.

Challenges of BREXIT:

- The prices of British exports will increase as UK takes an exit from EU.

- The exit of UK will also result in the loss of economic activities and production.
- In extreme scenario UK would lose all the trade privilege arising from EU membership.
- There will be a reduction in cross border trade activities.
- BREXIT may cause political damage and weaken Europe geopolitically.
- BREXIT will cause migration of people from Europe.
- Europe will also face a challenge of lower economic growth.
- UK would lose their preferential access to the EU single market.
- The free trade deal which EU negotiated with 53 countries, will no longer apply to the UK.

Latest News:

- Germany's Finance Minister has said, the EU should offer Britain a "reasonable" BREXIT deal because financial services offered by the City of London benefit Europe as a whole.

- The High Court has blocked a fresh legal challenge over BREXIT which would have made the Article 50 fight "look like a walk in the park". Judges refused to let the challenge go further at a short hearing at London's Royal Courts of Justice.

- The government has published an official policy document setting out its BREXIT plans. The White Paper lays out the government's 12 "principles" including migration control and "taking control of our own laws". The White Paper's publication comes after pressure from MPs across the House of Commons. It sets out the themes of the government's goals for its negotiations with the EU, as announced by Prime Minister Theresa May.

Conclusion:

There will be a lot of challenges faced by UK to exit the European Union as it will affect them economically and politically. Other members of the EU are also affected by the decision of BREXIT as EU was formed basically to develop an internal single market between the members of European Union. With the decision of Britain to leave EU it impacts on Trade, Agriculture, Defence and the economy as a whole. The UK's new relations with the EU will range in options from membership of the European Economic Area (EEA) to trading under World Trade Organization (WTO) rules.

BREXIT will result into departure from the Common agriculture policy (CAP). The loss of the CAP and the future EU/UK trading relationships will amount into lot of uncertainties for farmers in terms of income, tariffs, commodity and consumer prices and environmental management requirements in the future

UK being one of the strongest country among all the other EU members in terms of defence, the impact of BREXIT on UK military will be very minimal and short term as to the other countries of EU. Also BREXIT will impact on migration laws which will directly affect the business and the economy.

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Trends and Scope of Commercial Lending in India

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Abstract

Using the data from Reserve Bank of India between 2014 to 2016, the paper investigates the correlation between administrative support & policy easing and the reasons for enterprises in India to avail funds via the ECB and FCCB route. We would look at the various numerical data points from the Handbook of Indian Economy 2015-16 and study the lending patterns of the financial sector and its contributions and performance over the said period. For this paper, the Median and Mean were calculated for all data which was referred to. The analysis of the paper suggest that the prime focus areas for the financial sector in the coming years, the improvements in their current business practices, the scope and the viability of the projects for which they lend and the improvements for the financial sector from a operational model perspective.

Keywords:

Commercial Lending, ECB, FCCB

Introduction

Ravi Kishore in his book Strategic Financial Planning (Taxmann, 2nd Edition) defines strategic planning as a systematic analytical approach which reviews the business as a whole in relation to its environment with the object of the following:

I. Developing an integrated, coordinated and consistent view of the route the company wishes to follow
II. Facilitating the adaptation of the organization to environmental change.

He goes on to say that within Strategic Financial Management; strategic planning is long-range in scope and has its focus on the organization as a whole. The concept is based on an objective and comprehensive assessment of the present situation of the organization and the setting up of targets to be achieved in the context of an intelligent and knowledge anticipation of changes in the environment.

The strategic financial planning involves financial planning, financial forecasting, provision of finance and formulation of finance policies which should lead the firm's survival and success. The strategic financial planning show enable the firm to judiciously allocate funds, capitalization of relative strengths, mitigation of weaknesses, early identification of shifts in environment, counter possible actions of competitor, reduction in financing costs, effective use of funds deployed, timely estimation of funds requirement, identification of business and financial risks etc.

To add to this, Ravi Kishore also elaborates that financial sector reforms aim at promoting a diversified, efficient and competitive financial sector with ultimate objective of improving the allocative efficiency of available resources, increasing the return on investments and promoting the an accelerated growth of real sectors of economy.

Richard A Brealey, Stewart C Myers, Franklin Allen, Pitabas Mohanty in their book Principles of Corporate Finance (Tata McGraw Hill, 10th Edition) give an answer to a very pertinent question – Do Firms Rely Too Much on Internal Funds? According to Brealey et al., internal funds (retained earnings plus depreciation) cover most of the cash needed for investment. It seems that internal financing is more convenient than external financing by stock and debt issues.

Sonia Singh and Hiranmay Saha in their research paper Centralization of Microfinance (published: The IUP Journal of Entrepreneurship Development, Vol. VIII, No. 2, 2011) stated that according to Consultative Group to Assist the Poor (CGAP) (2006), microfinance means the supply of loans, savings, and other basic services to the poor people.

It is based on the principle of helping people so that they are able to help themselves. In the development of entire region the increased income earned by micro-entrepreneurs is the most important precondition. Thus microfinance enables poor but economically active people to increase their income, and thus helps in generating some additional savings which may be used for further development.

Sumit K. Majumdar and Kunal Sen in their research paper Debt in the Indian Corporate Sector: Its effects on firm strategy and performance (Published: Decision, Vol. 3, No.3, December, 2010) stated that the relationship between a firm's capital structure and its strategic behaviour has been a question that has dominated much of the literature on corporate governance and corporate finance.

The role of different types of debt has been completely downplayed. This is a particular omission in the emerging economy context, given that most firms in such economies tend to be highly leveraged. Also, there are several varieties of debt to be raised in emerging economies.

The theoretical literature suggests that, similar to its application in the case of equity ownership, some types of debt holders such as banks may be able to exert a stronger monitoring role on managers of firms than other types of debt holders such as arm's-length lenders.

Literature Review

Ashish Kumar Rastogi, P.K. Jain, Surendra S. Yadav in their research paper 'Debt Financing in India in Public, Private and Foreign Companies' studied the debt financing decisions and practices of the public sector, private sector and foreign controlled companies in India. It also found out the impact of the liberalized environment, in terms of the significant changes, if any, in the phase-2 (1998-2003) of the liberalized business scenario vis-à-vis phase-1 (1992-1997).

The study also indicated that the profile of debt financing has significantly changed during the period covered by the study. Ownership control was observed to be a significant factor in influencing the debt financing decisions in terms of its composition and maturity structure. Long- term debt was found more prevalent among public sector firms vis-à-vis private sector business group firms. Interestingly, foreign controlled firms made the least use of long-term debt among the three types of ownership groups.

The paper also suggested that sound financial management practices expect corporate firms to have unused debt capacity for future needs in order to preserve operating flexibility, particularly in circumstances when fund requirements are sudden and unpredictable. The paper suggests that private sector business group firms have been able to reduce the proportion of debt, particularly current liabilities and provisions; however, they have failed to reduce, to a large extent, the share of borrowed funds. This may have vital implications on their debt financing decisions in times to come. Hence, it becomes imperative to study the objectives with which Indian firms – private, public or otherwise raise funds via the credit route since the operational model of businesses in India evolved with the macro-economic environment.

Sumit K. Majumdar, Kunal Sen in their research paper 'Debt in the Indian Corporate Sector: Its Effects on Firm Strategy and Performance' examined the effects of debt structure on firms' strategic behaviour and performance for the Indian economy, which is one of the largest and most important economies of the world today.

Majumdar and Sen also stated that India has a large number of firms in the industrial sector, with a variety of ownership structures, for example state versus private ownership, foreign versus domestic ownership and firms which are members of business groups and those which are independent. Debt financing is particularly important in India. Unlike in the West, where debt ratios are more than half of nominal equity capital values are considered high, in India very high debt to equity ratios are the norm.

They found that there is arm's-length debt such as debentures and fixed deposits are most likely to have a positive impact on firm diversification and advertising expenditures. Borrowing from term-lending institutions was most likely to have a dampening effect of diversification and spending on advertising. Finally, reliance on fixed deposits was most likely to have a positive impact on firm profitability.

Their results suggested that firms which were the most aggressive and dynamic such as those who have diversified their investments or engaged in higher intensity of advertising are more likely to see funds from private arm's-length creditors, even though these types of funds tend to be more expensive than loans from banks and term-lending institutions. They also found reliance on unsecured arm's-length debt such as fixed deposits make these firms more profitable.

On the other hand, more conservative firms which have chosen not to diversify as much or engage in high levels of advertising expenditures have relied on bank and term-lending institution debt. The fact that these institutions tend to be mostly state-owned in India suggest that these institutions have chosen not to be risk-taking with their lending, in spite of the informational and monitoring advantages they hold over arm's-length creditors.

Overall, their results suggested that the pervasive presence of state owned financial institutions in the Indian financial sector has inhibited risk taking by Indian firms and has not had a positive impact on their performance, in spite of the informational and monitoring advantages that commercial banks and term-lending institutions possess. This leads to study the risks associated with the lending businesses of banks; the philosophy by which investments were made into businesses by the financial sector firms in India and the scope & performance of banks in their lending businesses with the given risks.

Sonia Singh and Hiranmay Saha in their research paper 'Centralization of Microfinance' found out that microfinance is one of the most effective techniques for poverty alleviation in developing and underdeveloped countries. According to them, if microfinance is managed, organized and planned well, then it should be supported by non-governmental organizations and socially-oriented investors with low default rates, encouraging greater commercial involvement because of attractive returns. Through microfinance it will be easy to include this section of society into the economic mainstream to achieve balanced growth, which is critical for social development and economic prosperity.

Singh and Saha also state that the key context of the paper is how poor people can easily avail the micro-financial services under one umbrella in the fastest way. While discussing the factors and the theoretical position associated with innovation in microfinance, this paper also brought out the missing link between the lender and borrower in the Indian context. As per the authors, filling of this gap is a precondition for poverty reduction on account of the influence of new paradigm of institutional viability under commercial microfinance. This led us to study the performance of the mainstream financial sector into investing in the rural areas of India which is mainly based on agriculture and associated activities. Also, another factor linked to the agriculture is the micro, small and medium-sized enterprise (MSME) industries which is fast spreading as a sustainable alternative model for banks to invest in.

The book 'Strategic Financial Management' authored by Ravi M. Kishore discusses in detail the various financial planning strategies adopted by companies for raising funds. It provides comprehensive details of the various inorganic and organic methods of growth for businesses and the role financial institutions in providing the required capital. This book helps us to understand the various reasons and modes of fund-raising done by businesses.

The book 'Principles of Corporate Finance' co-authored by Richard A Brealey, Stewart C Myers, Franklin Allen and Pitabas Mohanty describe the theory and practice of corporate finance. The book spells out why the management needs to bother with theory while focusing on the practical aspects. The book provides a theory of taking an inclusive decision which takes into consideration the changing factors in the economy and its impact on the businesses. This book helps us to understand the changes brought in by RBI while letting businesses raise funds via ECB and FCCB route.

The Reserve Bank of India issued a circular on the External Commercial Borrowings (ECB) Policy – Revised Framework (A.P. DIR Series – Circular No. 32) provided a more detailed note on the changes in the fund-raising method along with the industry guidelines and specific orientations. With the help of this circular, we try to understand the trends and reasons of the ECB and FCCB funds raised by Indian business.

Objectives

- To understand the various reasons and modes of raising funds via debt by businesses.
- The changes incorporated by RBI in raising funds via ECB (External Commercial Borrowing) and FCCB (Foreign Currency Convertible Bond) route by businesses.
- The borrowing trends in ECBs and FCCBs from May 2014 onwards.
- The current and comparative trend of investments made by the domestic financial sector into various other sectors for gaining a view on Indian economy.

- The risks associated with lending from a lender's perspective.

Methodology

For this research paper, the data collection was done via two ways:

1. RBI External Commercial Borrowings Monthly Data – May 2014 to July 2016.

2. RBI – Handbook of Statistics on Indian Economy 2015-16.

For the first point of RBI External Commercial Borrowings Monthly Data – May 2014 to July 2016; please note the following:

There is no specific methodology applicable. Hence, we have done the following:

- A consolidated table of the monthly numbers of ECB/FCCB from the RBI website from May 2014 to July 2016. (Source Link: https://rbi.org.in/Scripts/ECBView.aspx)
- A sum of the amounts sourced through automatic and approval route.
- A pivot table with the unique reasons for the requirement of funds.
- A corresponding pie diagram using the Pivot functionality within Microsoft Excel.

For the data from the RBI – Handbook of Statistics on Indian Economy 2015-16; below are the tables which were analyzed for this paper:

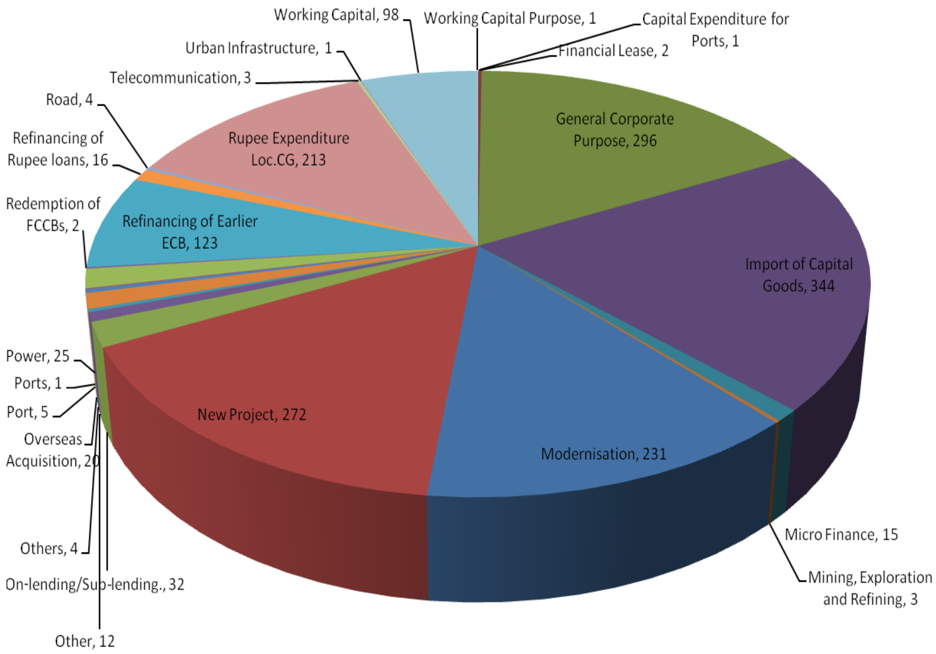
- Table 64: Consolidated Balance Sheet of Scheduled Commercial Banks (Excluding Regional Rural Banks).
- Table 39: Sector-wise Cost Overrun of Delayed Central Sector projects (End-March).
- Table 61: Scheduled Commercial Banks' Direct Finance to Farmers according to size of land holdings (outstanding) - Short-term and long-term loans.
- Table 60: Scheduled Commercial Banks' Direct Finance to Farmers according to size of land holdings (disbursements) - Short-term and long-term loans.
- Table 65: Gross and Net NPAs of scheduled commercial banks - Bank group-wise.
- Table 178: Industry-wise Deployment of Bank Credit.
- Table 177: Deployment of Bank Credit by Major Sectors.
- Table 63: Scheduled Commercial Banks' advances to Agriculture – Outstanding.
- Table 62: Scheduled Commercial Banks' advances to Small-Scale Industries and Allied Services – Outstanding.
- Table 181: Commercial Bank Survey.

There are two methodologies applied – Median and Mean. These are based from Ashish Kumar Rastogi, P.K. Jain and Surendra S. Yadav; in their paper Debt Financing In India In Public, Private And Foreign Companies.

The Median and Mean were calculated in an Excel file since there could be two or three ways of calculation of same and hence, we have applied the Microsoft Excel formulae – MEDIAN (for calculating Median) and AVERAGE (for calculating Mean).

Analysis

For the data on ECBs and FCCBs, below is the pie chart showing the allocation of funds:



The results clearly reflected that while banks continue to face risks both from NPA perspective, credit worthiness of borrowers and repayment discipline; they (the banks) have upped their lending businesses with a bullish view on Indian economy. The credit businesses have grown manifold to support multiple industries – both in priority and non-priority sectors.

Businesses have also sourced funds via ECBs and FCCBs to support their growing respective businesses. This method of raising funds especially gained momentum in the wake of easing of norms with respect to automated and approval routes.

The banks have their work cut out in terms of focusing lending businesses towards, Agro, MSME and SSI sector which requires financial support since many of them work on sound business fundamentals and a sustainable business model.

It needs to be seen how the banking sector accommodates the growing expectations of businesses and government while RBI works on easing of rules/procedures to aim at an increased financial inclusion and supporting the growth of industries at a micro/rural level.

To conclude, in a global economy which is facing a slowdown, India has emerged as a favourable destination for investors to come and invest in. While the mainstream focus remains on that, the Indian financial sector faces challenges in terms of reformative practices, technology and inclusion.

The government of the day introduced radical financial reforms from November 8 onwards, the results of which should soon be visible, the focus for the banks should be on expanding reach, connecting people & businesses to the mainstream & regulated banking and providing funds for expansion of worthy businesses in India.

Recommendations

Although the numbers suggest that since the sourcing of funds via ECBs and FCCBs has been increasing over time, it may or may not mean that businesses are growing. While the numbers suggest the possible reasons of sourcing funds for new business projects, modernization of existing projects and importing of capital goods indicating a growing and expanding manufacturing base; banks need to delve deeper into companies, before lending more, who take this route for general corporate purposes, working capital and rupee expenditure LOC which suggest that the short-term financing of companies is not optimum. At the same time, it also reflects inaccurate expense and credit management.

From the RBI Handbook of Statistics on Indian Economy 2015-16, following would be the recommendations;

- Before lending hook, line and sinker into upcoming infrastructure projects, there has always been a trend of cost overruns in core infrastructural sector, due to many issues, mainly operational and legal reasons.

  - A keen eye needs to be maintained for mapping future growth of the company and the projects which they have initiated on this aspect.

- The numbers for outstanding amounts in farm credit deployment are worrisome with its own reasons such as – natural limitations and limited progress made in the last few decades.

  - Although the credit deployment is being supported by the RBI and the government, the banks need to up their lending business into the farm and farm-related business sectors.

- To tackle the NPA problem plaguing the Indian banking sector, RBI wrote off bad debts worth more than Rs. 1 lakh crore. Currently, there are even talks of setting up of a bad bank. However, these cannot solve the larger issue which is detailed due diligence and credit worthiness checks of borrowers which should be the prime focus of banks.

  - In this regard, Indian banks could emulate other international banks such as JP Morgan Chase or alike. Banks should also be prompt in taking strict action towards delinquent accounts.

- The industry-wise deployment of credit shows that commercial banks are deploying credit in areas which are on the focus of the government since the last three years, viz., infrastructure, oil, metals, power, etc. With the economy in its revival phase as suggested by many, this sector would surely be on the watch-out list of banks, investors, administrators, et al.

  - To add to these, the renewable energy is fast gaining momentum in India with a recent study suggesting that India is the fourth largest producer of renewable energy in the world. This sector should be on the top priority of banks and financial institutions from a lending perspective.

- The sectoral deployment of credit reflects the export sector needing reforms in its process of revival. The current numbers are not really encouraging, however, any investment made currently could not provide the expected returns without the impetus from the RBI and/or the government.

  - The manufacturing businesses are expected to grow more in the next few years by way of various projects and that would be a factor to consider from a lending perspective in the coming times which would ultimately benefit the export sector.

- Credit societies and scores of middlemen had their roles reduced with the rapid expansion mainstream and regulated banking reaching the rural and interior regions of India. The challenge for banks would be to compete against the likes of microfinance institutions such as Bandhan Microfinance which enjoy a premium position and stronghold in these markets.

  - To compete against these institutions, banks need to develop a separate model altogether on the lines of a microfinance institution to first set up their businesses and then reaching the market with a wide array of offerings.

Conclusion

Brealey et al_in their book Principles of Corporate Finance_talk in depth of decision making under risk and uncertainty. The risks could be broadly classified into business risk and financial risk. A company's business risk is determined by how it finances its investments. Financial risk is primarily influenced by the level of financial gearing, interest cover, operating leverage and cash flow adequacy. According to Brealey et al., uncertainty arises from a lack of previous experience and knowledge. Uncertainty could be attached to following factors:

- Level of capital outlay required
- Level of selling prices
- Level of sales volume
- Level of revenue
- Level of operating costs
- Taxation rules

Based on these two broad parameters; we can say that businesses in India and elsewhere inherently have to face these while aiming to grow, both organically and inorganically.

One of the approaches would be through the ECB/FCCB route depending on respective company's reasons, domestic options available, costs associated with raising funds, etc.

Consequentially, we saw that the performance of the commercial banks on various parameters via two simple methods – median and mean. These parameters have been set on the various numbers tabulated by the Reserve Bank of India in their annual publication, the Handbook of Statistics on Indian Economy 2015-16.

While the numbers say a particular story – that of the growth of the economy on all major fronts, there would be a few factors which might require a deep-delving for making a real change.

Also, we could do another research to provide a more in-depth analysis into the change of the governments and their policies and the impact which it renders on the industries and eventually on the economies.

To conclude, we can sum India's growth story with the following –

While we have a long way to go, our story has just begun where some of the world's most formidable businesses are taking a serious note of. Investors are making a beeline for investments and with GST almost on track for July rollout, India is set to project itself as a country to invest in, make in and serve in.

While the focus remains on making India at top-notch investment destination, the financial sector needs to also focus on the MSME, SSI, Agriculture and related industries' sectors which is aptly supported by a robust financial structure, a focused RBI and a huge market of supportive banks which are usually correct in their business practices, the economy just doesn't seem to be a bubble but a force to reckon with.

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- RBI – Handbook of Statistics on Indian Economy 2015-16 – Source: https://www.rbi.org.in/SCRIPTs/AnnualPublications.aspx?head=Handbook%20of%20Statistics%20on%20Indian%20Economy

Teaching of Organizational Behavior with Dramatics

By

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Abstract

The purpose of this study was to determine the effectiveness of interactive drama as a pedagogical way to teach the subject of Organizational Behaviour. The management educators can benefit from the myriad usage of this technique to teach the subject "Organizational Behavior" which is a very important subject for all the would be managers and MBA graduates. The paper presents a result of an experimental study where the students were taught the subject using a different pedagogy for the mid semester exams and the technique of interactive drama after it before the students appeared for the end semester exams. The students of the class were divided into random groups and were given the relevant topics to be developed into role-plays. The results show that the students when taught by using the interactive drama method had better understanding of the concepts and even remembered them for a long time. A lot of students even showed an inclination towards learning more concepts of human psychology.

Key Words:

Teaching Pedagogy, Role-play, Dramatics, Interactive drama

Introduction

The purpose of this study was to determine the effectiveness of interactive drama as a pedagogical way to teach the subject of Organizational Behaviour. The management educators can benefit from the myriad usage of this technique to teach the subject "Organizational Behaviour" which is a very important subject for all the would be managers and MBA graduates. The paper presents a result of an experimental study where the students were taught the subject using a different pedagogy for the mid semester exams and the technique of interactive drama after it before the students appeared for the end semester exams. The students of the class were divided into random groups and were given the relevant topics to be developed into role-plays. The results show that the students when taught by using the interactive drama method had better understanding of the concepts and even remembered them for a long time. A lot of students even showed an inclination towards learning more concepts of human psychology. Interactive drama gives the students the liberty to discuss the scene they just witnessed, replaying the scene after the suggestions given by the audience.

Literature Review:

It started with a methodical literature review on the use of drama to teach the management subjects. Recent efforts to improve higher education have focused on the learning process (Kolb & Kolb, 2005). Boggs, Mickel and Holtom(2007) say that unlike traditional drama,interactive drama is a tool that promotes participation from the audience and fosters experiential learning. It has been used in higher education classrooms in a variety of disciplines and organizational training workshops in numerous fields such as business, law, health care, education, and social work. Kolb and Kolb (2005) described traditional arts education as an experiential learning process of demonstration that emphasizes showing and integrating theory and practice; in contrast, traditional management education is described as a text-driven approach that emphasizes telling and theory. Unlike a traditional management classroom where most of the time is spent conveying information, much of the time in an arts classroom is spent on student expression of ideas and skills (Kolb & Kolb, 2005).

Need for the Study

The subject Organizational Behaviour relies heavily on human psychology to derive it's content and curriculum. It is one of the most important subjects taught to the management students. The beauty of teaching management is that it is highly dynamic and there is no problem that has a single correct answer. No single day in a manager's life is alike. From a long time the management educators have been using the role play technique to teach the management subjects. The technique of interactive drama can be used as a substitute to the role play. It helps the students by making them involved in the happenings of the class room by being an active participant instead of just a passive listener. The paper tries to find out the effectiveness of this pedagogy in teaching the subject of Organizational Behaviour.

Objectives of the study

1. To study the effectiveness of the pedagogy of “Interactive Drama” to teach the subject Organizational Behaviour.

2. To understand the need of using an interactive technique of teaching for teaching a theoretical subject.

Research Methodology

Project Design: It is the specification of procedures and methods for acquiring the information needed. The methodology used for the purpose of study is basically data collection. The data was collected from both primary and secondary.

Data Collection Method

Primary Data: The primary data was collected through survey method by means of questionnaires and by interview method by interacting face to face. Also a difference in the mean was calculated of the marks obtained by the students in the mid semester and end semester exam in the subject of Organizational Behaviour.

Primary data:
a. Through questionnaire – Questionnaire was made and the answers were collected from a sample size of 35 students.

b. Through Interview: Students were interviewed to have a better understanding of their point of view about the impact of this teaching pedagogy on them.

Data Analysis

The methodology of "Interactive Drama" was used for the students of MMS-I after their Mid Semester exams.

Methodology used before Mid semester

Before the mid semester exams of MMS-I students the methodology used to teach them the subject of "Organizational Behaviour" was lecturing method. The students were encouraged to ask doubts and read the text books for enhanced learning and understanding of the subject. The mean of the scores of all the students was calculated and kept for further reference.

Methodology used after Mid semester

After the mid semester exams the methodology for teaching the same subject was changed from the regular lecture method to lecture plus interactive drama method. The concept was first taught to the students and then a few select students were given a topic to be made into an interactive drama session. While this group of students converted the concept into a role-play the other students were instructed to watch the drama and also raise their doubts whenever they felt the topic could have been shown in a better way. This led to a healthy discussion about the concerned topic. After using this pedagogy for teaching the rest of the portion of the subject "Organizational Behaviour" the mean of the scores of the students of their end semester exam was again calculated and this was compared to the mean of the scores of the mid semester exams. The students were also interviewed on one on one basis to understand the effectiveness of this methodology.

And the results were as follows:

Subject	Mean of Scores w/o Interactive Drama (Mid Sem Exam)	Mean of Scores w/o Interactive Drama (End Sem Exam)	Change in the Scores
OB	**29.65**	**38**	**Increase of 8.35**

Apart from this a questionnaire was administered to the same batch to understand their attitude towards the subject “Organizational Behaviour” and it's teaching by the dramatics pedagogy. The responses to the different questions were:

Q.1 Have you participated in any of the role plays before? Please specify.

70% of the students responded in affirmative.

Q. 2 What did you feel about enacting the OB theories in the class?

95% students claimed that it was lots of learning with fun.

Q. 3 Did the entire exercise help you in understanding the subject better?

96% students answered in affirmative.

Q.4 Rate the entire teaching methodology of OB through the medium of dramatics on a scale of 5.

1-- Poor
2-- Average
3-- Good
4-- Very Good
5- - Excellent

82% of students said it was excellent, 10% said very good, 4% said good and 2% remarked it as an average pedagogy.

Findings:

1. The mean of the scores after using dramatics as a way of teaching increased.
2. The increase in the mean that is 8.35 is quite remarkable.
3. A huge percentage of students have admitted to liking this method of pedagogy in the questionnaire.
4. In the one on one interview the students accepted that this methodology helped in enhancing their learning and understanding of the subject.
5. A lot of students showed an inclination towards the subject of psychology and OB after these sessions.

Conclusion:

The subject Organizational Behaviour relies heavily on other streams of arts for its content. This subject becomes very important for any management graduate as the understanding of self becomes the basis of a good management. It gives students a better understanding of themselves and also the nuances of the behavioural psychology. From the time immemorial the management educators have been searching and using various methodologies to teach this subject. This paper concludes that teaching of this subject through the way of dramatics (interactive drama) can be one of the great means of imparting the knowledge and facilitate the student's learning. The mean of the scores for the students show the effectiveness of this way of teaching. It can also help the students to develop a positive attitude towards this subject.

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Leveraging Mobile CRM - On Time Food Availability

By

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Abstract

This paper presents an e-commerce business model based on a mobile Food Truck Application built to provide mobile food availability over smart devices by leveraging state of the art technology. This application focuses on mobile Customer Relationship Management (mobile CRM) by providing real-time information and delivery of desired food items from a food truck. In addition, the customer can know real-time location of the preferred food truck to plan their order. Also customer gets notification from their favorite food truck about the daily deals and schedule for the day. It is intended to build on Location Based Services and Context Based Services wherein the location of the food truck in particular vicinity and the context of instant food delivery will be of prime importance.

Keywords:

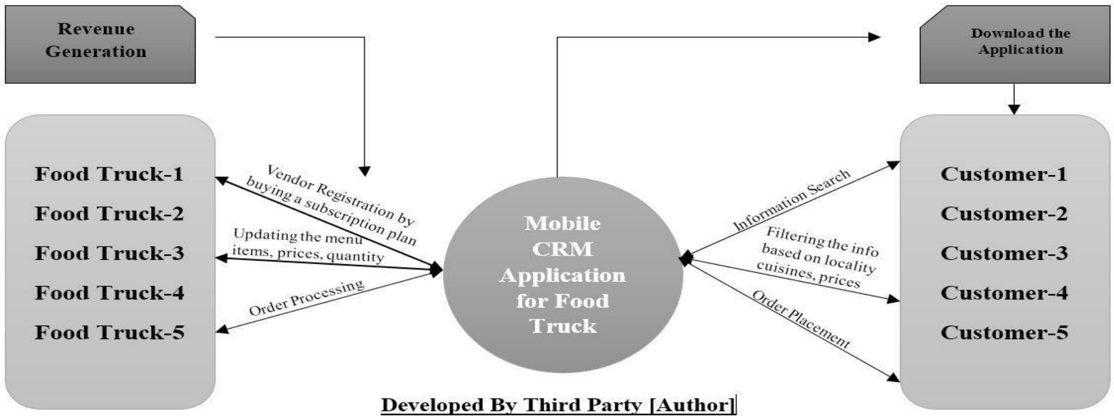
Mobile Customer Relationship Management, mobile CRM, Food Truck, Business model, Location Based Services, Context Based Service

Introduction

The capacity observed by companies in the fact that a mobile phone is a personal object, has enabled mobile technology to enter the business world primarily as a marketing tool (Agrebi and Jallais, 2015; Riivari,2005; San-Martín, 2016). Moreover, collaboration technology, in the form of mobile customer relationship management applications (mobile CRM applications), has emerged and gained increased interest in corporate enterprises (Trainor, 2016) which can be further extend to new start-ups for relatively less developed concepts such as mobile food trucks.

Mobile CRM is designed to be accessed and operated via a mobile device, such as a smartphone or tablet, and enables professionals to not only access customer and prospect information but also update various activities anytime, anywhere in real time (Trainor, 2016). Earlier, mobile technology, as an emerging tool in sales force automation (SFA), has added great value to sales activities by enhancing communication and providing more efficient access to customer information (Sinisalo et al., 2015). Now this study attempts to present a business model on delivering food by leveraging collaborative technology of mobile CRM applications.

Proposed Business Model



This business model deals with three modules: **One-** food truck vendor registration; in this vendor needs to buy a time barred subscription plan and get access to the application through unique Id. This will provide online market place in which vendor can list the menu items, state the price, locality and update the quantity on real time basis. **Second-** customer application; in this customer can search all the food truck nearby, also filter can put on the basis of cuisine, price and timing of the food truck. **Third-** order placement; in this customer gets the live updates on the quantity left for a particular item, so that he/she can make a choice which food truck to go or not.

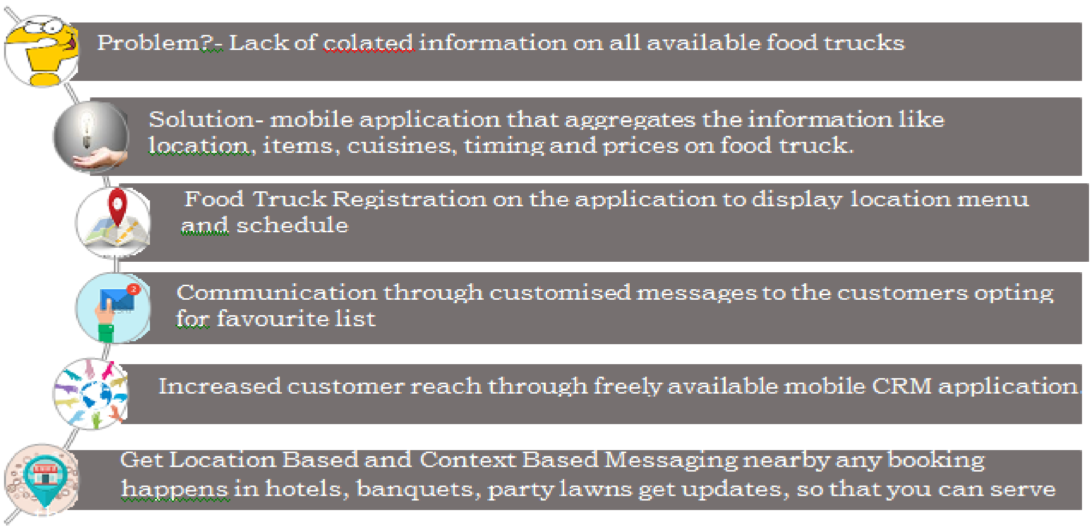


Figure: 2 Proposed Business Model

Mobile CRM Application for Food Truck

Customer is the king: satisfaction of customer is the most important aspect for any business to be successful. Through food truck application we are building a platform in which all the problems of customer and food truck vendor can be catered. Food truck application broadly includes three module customer application, vendor application and order placement.

Customer Application

Customer application is the aggregator of information related to food truck. Customer can search for the food truck nearby within 5 Km.

Figure: 3 Customer Application Screenshot and Details

Vendor Application

In this vendor needs to buy a time barred subscription plan through which vendor can update the location, inventory of food items and receives the orders. Vendor can send customized messages to all the customers who have subscribed to favourite list. Messages related to new schemes, new menu items, daily deals, and location schedule for the day can be send to the customers. Vendors can also prompt for next location schedule and offer private event bookings.

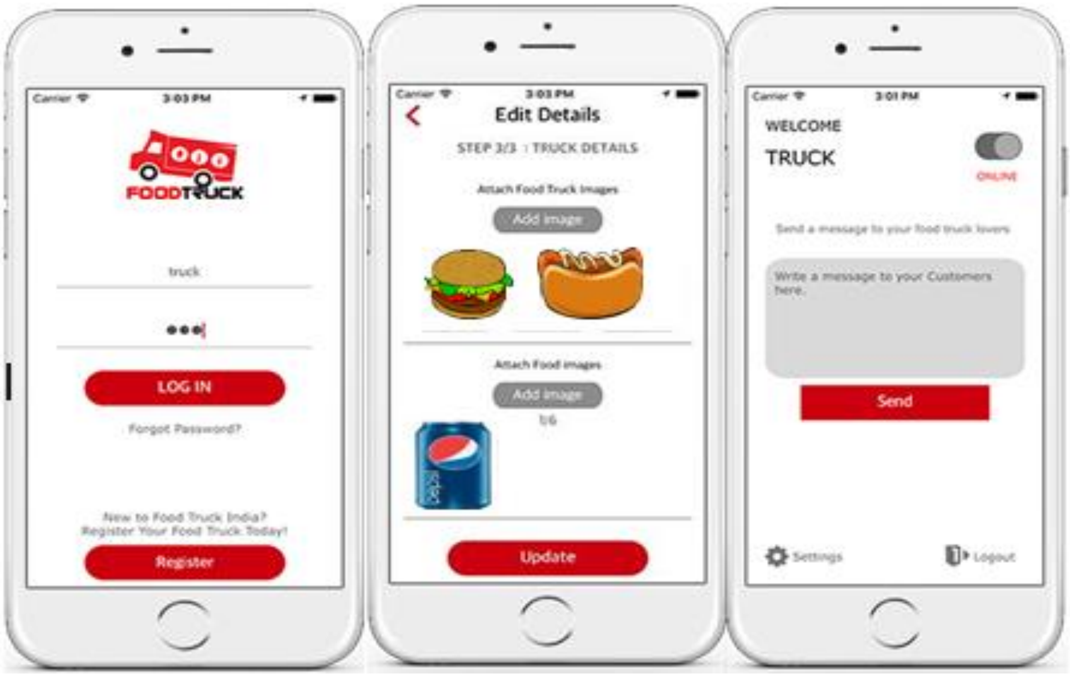


Figure: 4 Vendor Application Screenshot and Details

Order Placement

In this customer gets the live updates on the quantity left for a particular item, so that he/she can make a choice which food truck to go or not.

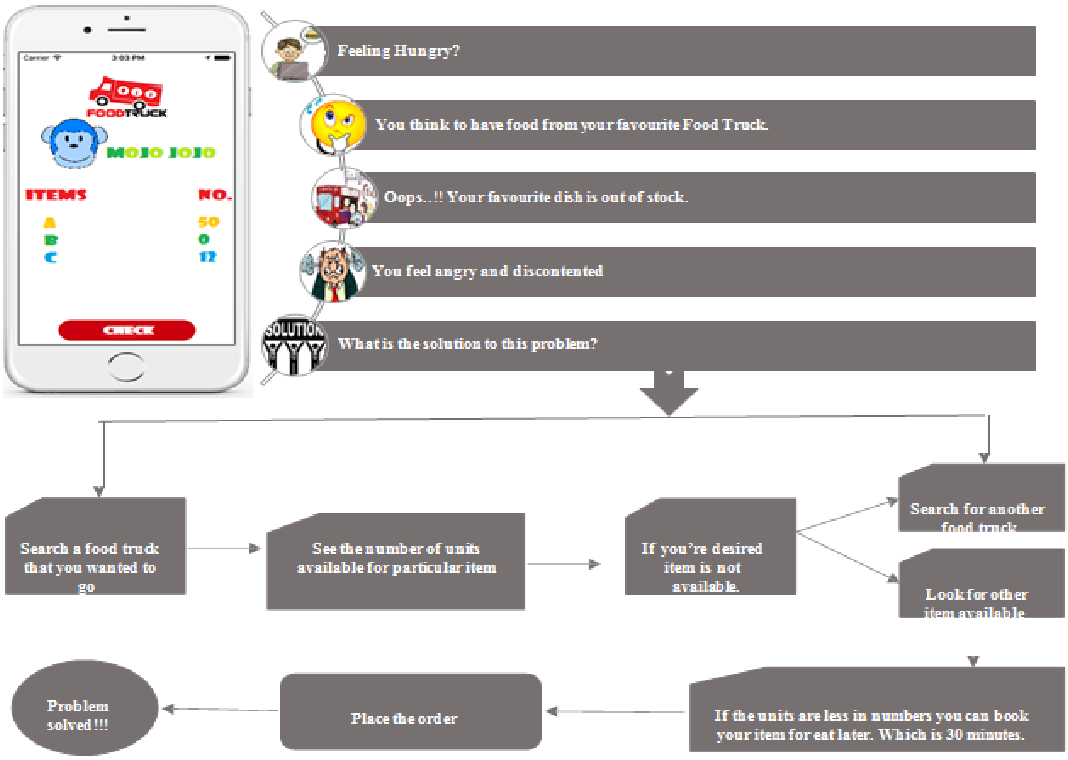


Figure: 5 Order Placement

Conclusion-

Through mobile CRM, the application attempts to bridge the information gap between customer and food truck vendor. The food truck application is providing a market place through which all food truck/mobile food stall comes in the same platform to sell their food items. It is also helping the customer who wants to eat from the food truck which is located in the local vicinity. Through this application we are by passing the feeling of discontentment of not getting your favourite food item by showing the real time updates on the items available on the food truck. This application provides anytime, anywhere access to food services. The idea presented here is in the preliminary stage of developing the blue print of mobile CRM application which is expected to be in place next year. Besides this list of interested food truck vendor is being prepared so that application, once ready, can be tested for different functionality.

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INNOVATIVE BUSINESS PRACTICES ON EMPLOYEE ENGAGEMENT AND EMPLOYEE SATISFACTION

By

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Abstract

In the recent years organisations have been facing a challenge- the requirement to innovate continuously. This requirement puts pressure on organisations to look for new ways for being creativity and innovation in the organisation. Thus, what motivates and enables innovation in organisations have become an important question that every organisation is seeking to answer to survive in today's competitive business world. Today's organisations need to have innovative business practices for survival and growth.

This study was carried out to understand the relationship between innovative business practices and employee engagement and employee satisfaction.The research shows that there is a positive correlation between innovative business practices and employee engagement and employee satisfaction. The study also reveals that statistically there is no significant difference in the perception of male and female employees where it comes to Innovative Business Practices or employee engagement and employee satisfaction.

Keywords:

Innovation, Innovative Business Practices, Employee Engagement, Employee Satisfaction, Workplace

1. Introduction

The term innovation has been used to refer to two related concepts. Some researchers use the term to refer to the process of bringing new products, equipment, programmes or systems into use (Damanpour, 1991) while others have used it to refer to the object of the innovation process, that is, the new product, equipment, programme or system (Rogers,1983). Use of the term innovation has also differed in respect of whether 'objective newness' is considered an important criterion of innovation. While some researchers consider objective newness to be an important criterion, others consider an innovation to be a product, programme or system which is new to the adopting organization (e.g. Damanpour, 1991), arguing that whether an idea is objectively new matters little so far as human behaviour is concerned (Rogers, 1983). Innovation can be viewed as either a process or an outcome. In terms of business, innovation is the generation of fresh ideas, the ongoing development of products, services and processes and their commercial application.

Engagement is about passion and commitment-the willingness to invest oneself and expand one's discretionary effort to help the employer succeed, which is beyond just simple satisfaction with the employment arrangement or basic loyalty to the employer (Blessing White, 2008; Erickson, 2005; Macey and Schnieder ,2008). Therefore, the full engagement equation is obtained by aligning maximum job satisfaction and maximum job contribution. Stephen Young, the executive director of Towers Perrin, also distinguishes between job satisfaction and engagement contending that only engagement (not satisfaction) is the strongest predictor of organizational performance (Human Resources, 2007).

Satisfaction refers to the level of fulfillment of one's needs, wants and desire. Satisfaction depends basically upon what an individual wants from the world, and what he gets. (Morse, 1997). Employee satisfaction is a measure of how happy workers are with their job and working environment. It is sure that there may be many factors affecting the organizational effectiveness and one of them is the employee satisfaction. Effective organizations should have a culture that encourages the employee satisfaction. (Bhatti & Qureshi, 2007).

Sundaray (2011) noted that engaged employees are enthusiastic about their work and will often be fully immersed in their job resulting in creativity and innovation. Unsworth (2003) used inductive methods to investigate factors affecting engagement in the innovation process. Engaged employees would be satisfied and loyal to the organization.

1.1 Problem Statement:

In the recent years organisations have been facing a challenge- the requirement to innovate continuously. This requirement puts pressure on organisations to look for new ways for being creativity and innovation in the organisation. Thus, what motivates and enables innovation in organisations have become an important question that every organisation is seeking to answer to survive in today's competitive business world.

1.2 Objective of the Study:

This study aims at understanding the relationship between innovative business practices on employee engagement and employee satisfaction. The objectives of the study are as follows:

- To find out the relationship between innovative business practices and employee engagement.
- To find out the relationship between innovative business practices and employee satisfaction.
- To find out the relationship between employee engagement and employee satisfaction.
- To understand the difference in perception between genders on innovative business practices.
- To understand the difference in perception between genders on employee engagement.
- To understand the difference in perception between genders on employee satisfaction.

1.3 Purpose of the Study:

Today's organisations need to have innovative business practices for survival and growth. It also possible helps in employee engagement and employee satisfaction. The purpose of this study is to understand how innovative business practices lead to employee engagement and employee satisfaction.

2. Literature review

2.1 Innovative Business Practices

An obvious question that is raised often is – why innovate? Though many organisations in the past have been able to survive even with very limited amounts of innovation, emerging trends like globalisation and outsourcing which push to improve efficiency and effectiveness have driven the innovation process. Organisations need more than good products to survive; they require innovative processes and management that can drive down costs and improve productivity. Workforce retention and need to engage them profitably in achieving organizational goals have also contributed towards the push for innovations.Innovation is important as it is one of the primary ways to differentiate an organisation from its competitors.

2.2 Employee Engagement

Many researchers have tried to identify factors leading to employee engagement and developed models to draw implications for managers. Their diagnosis aims to determine the drivers that will increase employee engagement level. According to Penna research report (2007) meaning at work has the potential to be valuable way of bringing employers and employees closer together to the benefit of both where employees experience a sense of community, the space to be themselves and the opportunity to make a contribution, they find meaning. Employees want to work in the organizations in which they find meaning at work. Penna (2007) researchers have also come up with a new model they called "Hierarchy of engagement" which resembles Maslow's need hierarchy model. In the bottom line there are basic needs of pay and benefits. Once an employee satisfied these needs, then the employee looks to development opportunities, the possibility for promotion and then leadership style will be introduced to the mix in the model. Finally, when all the above cited lower level aspirations have been satisfied the employee looks to an alignment of value-meaning, which is displayed by a true sense of connection, a common purpose and a shared sense of meaning at work. The BlessingWhite (2006) study has found that almost two third's (60%) of the surveyed employees want more opportunities to grow forward to remain satisfied in their jobs. Strong manager-employee relationship is a crucial ingredient in the employee engagement and retention formula.

Most drivers that are found to lead to employee engagement are non-financial in their nature. Therefore, any organization who has committed leadership can achieve the desired level of engagement with less cost of doing it. This does not mean that managers should ignore the financial aspect of their employees. In fact, performance should be linked with reward. Nevertheless, this is simply to repeat the old saying of Human Relations Movement which goes "as social being, human resource is not motivated by money alone." As

Buckingham and Coffman (2005) said, pay and benefits are equally important to every employee, good or bad. A company's pay should at least be comparable to the market average. However, bringing pay and benefits package up to market levels, which is a sensible first step, will not take a company very far- they are like tickets to the ballpark, they can get the company into the game, but can't help it win.

2.3 Employee Satisfaction

Employees are more loyal and productive when they are satisfied (Hunter &Tietyen, 1997), and these satisfied employees affect the customer satisfaction and organizational productivity, Potterfield, (1999). There is no limit for the employees to reach the full satisfaction and it may vary from employee to employee. Sometimes they need to change their behaviours in order to execute their duties more effectively to gain greater job satisfaction(Miller, 2006). Having good relationships with the colleagues, high salary, good working conditions, training and education opportunities, career developments or any other benefits may be related with the increasing of employee satisfaction.

Employee satisfaction is the terminology used to describe whether employees are happy, contended and fulfilling their desires and needs at work. Cranny, Smith & Stone (1992) defined Employee Satisfaction as the combination of affective reactions to the differential perceptions of what he/she wants to receive compared with he/she actually receives. According to Moyes, Shao & Newsome (2008) the employee satisfaction may be described as how pleased an employee is with his or her position of employment. 'Job satisfaction is all the feelings that a given individual has about his/her job and its various aspects. Employee satisfaction is a comprehensive term that comprises job satisfaction of employees and their satisfaction overall with companies‟ policies, company environment etc' as defined by (Spector, 1997).

Companies have to make sure that employee satisfaction is high among the workers, which is a precondition for increasing productivity, responsiveness, and quality and customer service. Human Relations perspective posits that satisfied workers are productive workers (e.g., Likert, 1961; McGregor, 1960). Thus, organizational productivity and efficiency is achieved through employee satisfaction and attention to employees‟ physical as well as socio emotional needs. Human relations researchers further argue that employee satisfaction sentiments are best achieved through maintaining a positive social organizational environment, such as by providing autonomy, participation, and mutual trust (Likert, 1961). Employees‟ job satisfaction sentiments are important because they can determine collaborative effort. Consistent with this reasoning, Likert (1961) has argued that collaborative effort directed towards the organization‟s goals is necessary for achievement of organizational objectives, with unhappy employees failing to participate (effectively) in such efforts.

2.4 Link between Innovation and Employee Engagement:

Organizational culture and organizational commitment plays a very crucial role. The link between these two factors is that an organization's culture affects the organizational commitment and performance. Organizational commitment is developed through organizational culture which is enforced through organizational practices. This simply means that organizational commitment is the outcome of organizational culture (Martins and Martins, 2003). It is the imperative of every organization to understand its own dynamic culture so that managers can capitalize on the insights generated by the cultural perspective to wield greater control over their organizations. The culture of an organization has an important impact on its performance (Naicker, 2008).

A study conducted by Drenth, Thierry and Wolff (1998) found that there is a positive relationship between a high level of organizational commitment and the two dimensions of organizational culture which are support-oriented culture and innovation-oriented culture. This means that support and innovation culture dimensions helps to develop a stronger or higher level of organizational commitment.

2.5 Link between Innovation and Employee Satisfaction:

The concept of “employees’ job satisfaction” was first put forth by Hoppock (1935) as satisfaction displayed by employees both physically and mentally with regard to the working environment. Employee satisfaction is also called job satisfaction. (Wang Song-Hong, 2005). According to Smith, Kendall and Hulin (1969), job satisfaction is the result of a worker explaining the distinctive nature of his/her job based on a particular dimension, and whether a specific work situation affects job satisfaction involves many other factors, such as the comparison of good/bad jobs, comparison with colleagues, how competent an individual is, and the previous work experiences possessed by a worker. Schneider and Zornitsky (1994) defined “employee’s job satisfaction” as an employee’s attitude or feelings toward his/her job, compared to the definition presented by Gerald and Robert (1995) that employee’s job satisfaction is the general attitude an employee holds toward his/her duties. Locke (1973) considers “employee’s job satisfaction” the pleasant/positive emotional response of a person evaluating his/her duties or work experiences. Smith et al. (1969) proposed the five dimensions of job satisfaction, namely the job itself, job promotions, salary, supervisors and co-workers.

3. Hypothesis

The hypothesis for the study is as follows:

Ho1: There is no correlation between Innovative Business Practices and Employee Engagement.

Ho2: There is no correlation between Innovative Business Practices and Employee Satisfaction.

Ho3: There is no correlation between Employee Engagement and Employee Satisfaction.

Ho4: There is no difference in the perception among male and female respondents for Innovative Business Practices.

Ho5: There is no difference in the perception among male and female respondents for Employee Engagement.

Ho6: There is no difference in the perception among male and female respondents for Employee Satisfaction.

4. Research Methodology

The objective of the study was to identify how innovative business practices impacts employee engagement and employee satisfaction. Hence for this purpose, a quantitative study seemed more apt as against a qualitative study. This study solely relies on primary data collected from employees working in different organisations across different industries. The primary data has been collected through a structured questionnaire. It was an objective questionnaire with no room for subjective answers.

4.1. Primary Data

The primary data was collected administering the questionnaire to 76 employees working in different organizations.

4.2. Secondary Data

The secondary data was gathered by reviewing various research papers and articles published by different authors on the same subject.

4.3. Research Instruments

Two instruments were used for the purpose of this research, as follows;
Innovative Business Practices (To measure the level of innovative business practices followed in the organization)
Employee Engagement (To measure the level of employee engagement and employee satisfaction in the organization)

Innovative Business Practices

The first 16 statements of the questionnaire were related to Innovative Business practices. The elements constituted were as follows:

i. Effective leadership and supervision (LS)
ii. Opportunities for learning & advancement (LA)
iii. Promotion of workplace flexibility (WF)
iv. Culture of inclusion (CI)
v. Meaningful work (MW)
vi. Cultivation of teams and social supports (TS)
vii. Competitive compensation and benefits (CB)
viii. Promotion of health and wellness (HW)

Employee Engagement and Employee Satisfaction

The next 17 statements of the questionnaire were related to Employee Engagement. The elements constituted were as follows:

i. Alignment of efforts with strategy (S)
ii. Empowerment (E)
iii. Teamwork and Collaboration (TC)
iv. Development Plans (DP)
v. Support and recognition (SR)

The next 3 statements of the questionnaire were related to Employee Satisfaction and Loyalty (ES).

Each statement had to be responded on a 5 point Likert scale with 1 as Strongly Disagree, 2 as Disagree, 3 as Neutral, 4 as Agree and 5 as Strongly Agree.

4.4. Reliability & Validity of the Study

Cronbach's Alpha Reliability Index was used to evaluate internal consistency of each construct. A minimum of 0.5 is considered as satisfactory level during the early stage of any research and a score of over 0.7 is considered to be a good level. The reliability for the sample collected for the Innovative Business practices was found to be 0.840 and the reliability for the sample collected for Employee Engagement and Employee Satisfaction was found to be 0.916. This indicates that there is a high level of consistency for both the scales. Refer to Table 1a and 1b.

4.5. Logical Analysis

Effective and efficient data analysis is the result of effective data preparation. Data preparation involved transferring the questionnaire into an electronic format, which permitted and enabled data processing. Microsoft Excel was used to compile the data. This data were further used using Statistical Program for Social Sciences (SPSS) software for further analysis and interpretation.

5. Results and Discussion

5.1 Correlation of scales

To understand the impact and the nature of relationship between the innovative business practices and employee engagement and employee satisfaction, Karl Pearson's coefficient of correlation was calculated. (Refer ***Table 2d***).

Table 2a indicates very high correlations between innovative business practices and employee engagement. The result indicates that innovative business practices has a positive impact on employee engagement. Table 2a indicates a high positive correlation at 0.01 significant level therefore we ***reject*** the first null hypothesis that there is no correlation between innovative business practices and employee engagement.

Table 2b indicates very high correlations between innovative business practices and employee satisfaction. The result indicates that innovative business practices has a positive impact on employee satisfaction. Table 2b indicates a high positive correlation at 0.01 significant level therefore we ***reject*** the second null hypothesis that there is no correlation between innovative business practices and employee satisfaction.

Table 2c indicates very high correlations between employee engagement and employee satisfaction. The result indicates that employee engagement has a positive impact on employee satisfaction. Table 2c indicates a high positive correlation at 0.01 significant level therefore we ***reject*** the third null hypothesis that there is no correlation between employee engagement and employee satisfaction.

5.2 Regression analysis

Regression results for innovative business practices and employee engagement is shown in ***Table 3a***. We see that the correlation between innovative business practices and employee engagement is .697 exactly what we see in ***Table 2a***. This indicates a strong association between the two variables. We carried out further regression analysis that will allow us to predict values of employee engagement (variable y) values of innovative business practices (variable x). The prediction equation is Y = a + bx. Thus our prediction equation would be Y' = 1.082 + .726X where Y is the dependent variable and x is the independent variable. So if innovative business practices score is 4 then the prediction for employee engagement would be 3.99.

Regression results for innovative business practices and employee satisfaction is shown in ***Table 3b***. We see that the correlation between innovative business practices and employee satisfaction is .786 exactly what we see in ***Table 2b***. This indicates a strong association between the two variables. We carried out further regression analysis that will allow us to predict values of employee satisfaction (variable y) values of innovative business practices (variable x). The prediction equation is Y = a + bx. Thus our prediction equation would be Y' = -1.366 + 1.389X where Y is the dependent variable and x is the independent variable. So if innovative business practices score is 4 then the prediction for employee satisfaction would be 4.2.

Regression results for employee engagement and employee satisfaction is shown in ***Table 3c***. We see that the correlation between employee engagement and employee satisfaction is .786 exactly what we see in ***Table 2b***. This indicates a strong association between the two variables. We carried out further regression analysis that will allow us to predict values of employee satisfaction (variable y) values of employee engagement (variable x). The prediction equation is Y = a + bx. Thus our prediction equation would be Y' = -1.421 + 1.377X where Y is the dependent variable and x is the independent variable. So if employee engagement score is 4 then the prediction for employee satisfaction would be 4.09.

5.3 Ranking of sub-scales and t-test for Innovative Business Practices among Gender

One of the objectives of this study is to understand the difference in perception of various sub-scales of innovative business practices and employee engagement and employee satisfaction between genders and the overall score. In this sample of 76 respondents, there are 40 males and 36 females. This is done by taking the mean score of each parameter of the two variables and then ranking them accordingly.

For innovative business practices, it is interesting to see that, there are difference in the ranking of sub-scales of innovative business practices. Opportunities for learning and advancement is seen as the top priority for men, whereas female sees this as the sixth priority out of 8 sub-scales. There are differences in terms of perception among male and female respondents in terms of priorities for innovative business practices. (See ***Table 4a***). To find out whether the difference are significant or not a t-test was carried out.

The t-test between genders for Innovative business practices yields a probability of .63, and since this probability is greater than 0.5, we conclude that the variances are not statistically significantly different from one another and that t-test statistics should be based on equal variances. Further results indicates t-value of -.771, with 74 degrees of freedom and a probability of .44. As this is greater than .05, we conclude that males and females had similar mean innovative business practices scores. ***(Refer Table 5).*** Therefore we ***accept*** the fourth null hypothesis that there is no difference in the perception among male and female respondents for Innovative Business Practices.

5.4 Ranking of sub-scales and t-test for Employee Engagement among Gender

Yet again for employee engagement, it is interesting to see that, there are difference in the ranking of sub-scales of employee engagement among male and female respondents. Teamwork and Collaboration which is seen as the top priority for female respondent is the fourth ranking for male respondent. (See ***Table 4b***). However the differences in mean among gender is not too wide, therefore a t-test would give us the significant difference status among gender.

The t-test between genders for employee engagement yields a probability of .88, and since this probability is greater than 0.5, we conclude that the variances are not statistically significantly different from one another and that t-test statistics should be based on equal variances. Further results indicates t-value of -.913, with 74 degrees of freedom and a probability of .36. As this is greater than .05, we conclude that males and females had similar mean employee engagement scores. ***(Refer Table 5).*** Therefore we ***accept*** the fifth null hypothesis that there is no difference in the perception among male and female respondents for Employee Engagement.

5.5 Ranking of sub-scales and t-test for Employee Satisfaction among Gender

The t-test between genders for employee satisfaction yields a probability of .027, and since this probability is less than 0.5, we conclude that the variances are statistically significantly different from one another and that t-test statistics should not be based on equal variances. Further results indicates t-value of -.624, with 59.7 degrees of freedom and a probability of .54. As this is greater than .05, we conclude that males and females had similar mean employee satisfaction scores. ***(Refer Table 5).*** Therefore we ***<u>accept</u>*** the sixth null hypothesis that there is no difference in the perception among male and female respondents for Employee Satisfaction.

6. Limitation and Future Scope of Study

The various limitations to this study are:

1. A lack of time and resources limited our sample group to 76 respondents only. With increased time and resources a greater sample size could have been drawn.
2. The sample was collected only from Mumbai and its suburbs. Sample from other places across the nation would have given more variety and insights to the whole study.

7. Recommendations & Conclusion

The survey conducted depicts that there is a very strong relationship between innovative business practices and employee engagement. In today's time for survival and growth innovation and creativity is very important in organizations. The study proves that innovative business practices leads to employee engagement. The study also depicts a very strong relationship between innovative business practices and employee satisfaction thereby proving the point that innovation business practices also increases employee satisfaction.

The study also states that there is no significant difference between the perception of male and female when it comes to Innovative business practices, employee engagement nor employee satisfaction. Organization needs to give more focus on innovative business practices as organizations today's faces lot of challenges and change and the same can be managed by innovative practices.

Engaged employees are more satisfied and thereby increasing the changes of more productivity and output and positive results. Engaged employees will be less likely to leave their jobs and less likely to remain absent. All these will result to long term sustainable results and success.

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ANNEXURES

Table 1a: Reliability of the Data – Innovative Business Practices

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No. of Items
0.84	0.845	16

Table 1b: Reliability of the Data – Employee Engagement & Employee Satisfaction

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.916	0.915	20

Table 2a: Correlation of Scales

		Innovative Business Practices	Employee Engagement
Innovative Business Practices	Pearson Correlation	1	.775**
	Sig. (2-tailed)		0
	N	76	76
Employee Engagement	Pearson Correlation	.775**	1
	Sig. (2- tailed)	0	
	N	75	76

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

Table 2b: Correlation of Scales

		Innovative Business Practices	Employee Satisfaction
Innovative Business Practices	Pearson Correlation	1	.786**
	Sig. (2-tailed)		0
	N	76	76
Employee Satisfaction	Pearson Correlation	.786**	1
	Sig. (2- tailed)	0	
	N	75	76

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

Table 2c: Correlation of Scales

		Employee Engagement	Employee Satisfaction
Employee Engagement	Pearson Correlation	1	.730**
	Sig. (2-tailed)		0
	N	76	76
Employee Satisfaction	Pearson Correlation	.730**	1
	Sig. (2- tailed)	0	
	N	75	76

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

Table 2d: Correlation of Sub-scales

		LS	LA	WF	CI	MW	TS	CB	HW	IBP	S	E	TC	DP	SR	EE	ES
LS	Pearson	1	.594**	0.075	.457**	.358**	.244*	.299**	.548**	.694**	.447**	.428**	.252*	.488**	0.219	.466**	.450**
	Sig. (2t)		0	0.522	0	0.002	0.034	0.009	0	0	0	0	0.028	0	0.058	0	0
	N	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76
LA	Pearson	.594**	1	.259*	.319**	0.107	.286*	.567**	.381**	.663**	.518**	.410**	.437**	.610**	.248*	.563**	.500**
	Sig. (2t)	0		0.024	0.005	0.358	0.012	0	0.001	0	0	0	0	0	0.031	0	0
	N	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76
WF	Pearson	0.075	.259*	1	0.112	-0.09	.318**	0.162	-0.06	.341**	.334**	.291*	.298**	.289*	-0.006	.298**	0.176
	Sig. (2t)	0.522	0.024		0.337	0.442	0.005	0.161	0.605	0.003	0.003	0.011	0.009	0.011	0.96	0.009	0.127
	N	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76
CI	Pearson	.457**	.319**	0.112	1	.473**	.573**	.593**	.570**	.789**	.448**	.388**	.430**	.535**	.417**	.567**	.622**
	Sig. (2t)	0	0.005	0.337		0	0	0	0	0	0	0.001	0	0	0	0	0
	N	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76
MW	Pearson	.358**	0.107	-0.09	.473**	1	.440**	0.193	.241*	.497**	.511**	.341**	.337**	.389**	.334**	.482**	.445**
	Sig. (2t)	0.002	0.358	0.442	0		0	0.096	0.036	0	0	0.003	0.003	0.001	0.003	0	0
	N	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76
TS	Pearson	.244*	.286*	.318**	.573**	.440**	1	.565**	.389**	.721**	.480**	.465**	.461**	.466**	.478**	.598**	.570**
	Sig. (2t)	0.034	0.012	0.005	0	0		0	0.001	0	0	0	0	0	0	0	0
	N	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76
CB	Pearson	.299**	.567**	0.162	.593**	0.193	.565**	1	.609**	.769**	.376**	.306**	.398**	.576**	.590**	.583**	.657**
	Sig. (2t)	0.009	0	0.161	0	0.096	0		0	0	0.001	0.007	0	0	0	0	0
	N	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76
HW	Pearson	.548**	.381**	-0.06	.570**	.241*	.389**	.609**	1	.730**	.383**	.414**	.299**	.462**	.464**	.521**	.673**
	Sig. (2t)	0	0.001	0.605	0	0.036	0.001	0		0	0.001	0	0.009	0	0	0	0
	N	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76
IBP	Pearson	.694**	.663**	.341**	.789**	.497**	.721**	.769**	.730**	1	.658**	.581**	.548**	.726**	.526**	.775**	.786**
	Sig. (2t)	0	0	0.003	0	0	0	0	0		0	0	0	0	0	0	0
	N	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76
S	Pearson	.447**	.518**	.334**	.448**	.511**	.480**	.376**	.383**	.658**	1	.608**	.448**	.751**	.438**	.816**	.487**
	Sig. (2t)	0	0	0.003	0	0	0	0.001	0.001	0		0	0	0	0	0	0
	N	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76
E	Pearson	.428**	.410**	.291*	.388**	.341**	.465**	.306**	.414**	.581**	.608**	1	.500**	.654**	.396**	.801**	.597**
	Sig. (2t)	0	0	0.011	0.001	0.003	0	0.007	0	0	0		0	0	0	0	0
	N	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76
TC	Pearson	.252*	.437**	.298**	.430**	.337**	.461**	.398**	.299**	.548**	.448**	.500**	1	.495**	.407**	.714**	.624**
	Sig. (2t)	0.028	0	0.009	0	0.003	0	0	0.009	0	0	0		0	0	0	0
	N	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76
DP	Pearson	.488**	.610**	.289*	.535**	.389**	.466**	.576**	.462**	.726**	.751**	.654**	.495**	1	.511**	.875**	.614**
	Sig. (2t)	0	0	0.011	0	0.001	0	0	0	0	0	0	0		0	0	0
	N	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76
SR	Pearson	0.219	.248*	-0.006	.417**	.334**	.478**	.590**	.464**	.526**	.438**	.396**	.407**	.511**	1	.718**	.538**
	Sig. (2t)	0.058	0.031	0.96	0	0.003	0	0	0	0	0	0	0	0		0	0
	N	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76
EE	Pearson	.466**	.563**	.298**	.567**	.482**	.598**	.583**	.521**	.775**	.816**	.801**	.714**	.875**	.718**	1	.730**
	Sig. (2t)	0	0	0.009	0	0	0	0	0	0	0	0	0	0	0		0
	N	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76
ES	Pearson	.450**	.500**	0.176	.622**	.445**	.570**	.657**	.673**	.786**	.487**	.597**	.624**	.614**	.538**	.730**	1
	Sig. (2t)	0	0	0.127	0	0	0	0	0	0	0	0	0	0	0	0	
	N	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76

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

Table 3a: *Regression Analysis – Innovative Business Practices and Employee Engagement*

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.775[a]	.600	.595	.3229209		
a. Predictors: (Constant), IBP						

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.570	1	11.570	110.957	.000[b]
	Residual	7.717	74	.104		
	Total	19.287	75			
a. Dependent Variable: EE						
b. Predictors: (Constant), IBP						

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.082	.256		4.221	.000
	IBP	.726	.069	.775	10.534	.000
a. Dependent Variable: EE						

Table 3b: *Regression Analysis – Innovative Business Practices and Employee Satisfaction*

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.786[a]	.618	.612	.5958744		
a. Predictors: (Constant), IBP						

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	42.420	1	42.420	119.469	.000[b]
	Residual	26.275	74	.355		
	Total	68.694	75			
a. Dependent Variable: ES						
b. Predictors: (Constant), IBP						

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.366	.473		-2.889	.005
	IBP	1.389	.127	.786	10.930	.000
a. Dependent Variable: ES						

Table 3c: *Regression Analysis –Employee Engagement and Employee Satisfaction*

Model Summary							
Model		R	R Square	Adjusted R Square	Std. Error of the Estimate		
1		.730[a]	.533	.526	.6586264		
a. Predictors: (Constant), EE							
ANOVA[a]							
Model			Sum of Squares	df	Mean Square	F	Sig.
1	Regression		36.594	1	36.594	84.359	.000[b]
	Residual		32.100	74	.434		
	Total		68.694	75			
a. Dependent Variable: ES							
b. Predictors: (Constant), EE							
Coefficients[a]							
Model			Unstandardized Coefficients		Standardized Coefficients	t	Sig.
			B	Std. Error	Beta		
1	(Constant)		-1.421	.568		-2.502	.015
	EE		1.377	.150	.730	9.185	.000
a. Dependent Variable: ES							

Linking Social Sustainability to Urban Poverty

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Abstract

Urban development comes with its own opportunities and challenges. The rapid pace of urbanization has dire implications for urban poor for their sustainability in urban areas. This transition has produced an urban crisis resulting in urban poverty and urban slums, which is marked by the lack of adequate infrastructure and growth management. The issues pertaining to urban poverty are migration, labor, the role of gender, access to basic services and the appalling condition of India's slums. This poses distinct challenges for housing, water, sanitation, health, education, social security, livelihoods and the special needs of vulnerable groups such as women, children and the aging. Hence, the issues of urban poverty needed to be addressed distinctly from those addressed in the typical analysis of poverty. The present study is aimed at understanding the problems faced by the poor and focuses on the systemic changes that are needed to address them. It also attempts to link the concept of social sustainability in addressing the issues of urban poverty by creating the physical, cultural and social places that support the community. It aims at bringing together a number of different ideas about social equity, social needs and corporate intervention in bringing social integration to create an inclusive society.

Keywords:
Urban Poor, Social Sustainability, Housing, Poor Infrastructure

Study Background

Urban development comes with its own opportunities and challenges. It brings benefits for urban poor by offering them a pool of unskilled jobs and average income. This led to rural urban migration relying on the livelihood opportunities in urban areas. But this caused income inequalities in urban areas and is one of the reasons for the rise in poverty in urban areas. As per the statistics released by government, urban poverty in India is over 25 percent. Around 81 million people live in urban areas on incomes that are below the poverty line. Although rural poverty remains higher than urban poverty at the national level yet the gap is closing.

The rapid pace of urbanization is having dire implications for these urban poor for their sustainability in urban areas. These people are forced by circumstance to live in the cities in most dangerous and health-threatening environments known as urban slums. The census defines a slum as residential areas where dwellings are unfit for human habitation as they are dilapidated, cramped, poorly ventilated, and unclean. Nearly one in every six urban Indian residents lives in a slum which is significantly lower than the slum growth that had been projected for India. Around 1.37 crore households or 17.4% of urban Indian households lived in a slum in the year 2011 as suggested by data released by the registrar general and census commissioner's office. The 2001 data had set India's slum population at 15% of the total population.

Slums are visual manifestations of urban poverty. According to the 2002 National Sample Survey (NSS), an estimated 8.23 million households in urban areas of the country were living in slums. The rapidly increasing slums have been observed in the four mega cities of Mumbai, Delhi, Kolkata, and Chennai due to expanding employment opportunities. However, even the tier I and tier II cities are undergoing rapid social and economic transformation as they are also getting attention from big businesses. Another common perception regarding the slum dwellers is that they are poor. But a survey of nine slums in Howrah in the state of West Bengal revealed that almost two thirds of the population living in the slums was above the poverty line (Sengupta 1999).

Urban Poor

There is huge heterogeneity in the living standards of urban poor within a city. There are many studies that suggest that large differences exist among the urban poor in modes of livelihood and access to resources (Moser, Gatehouseand Garcia 1996). Urban poverty even today accounts for one quarter of total poverty in India, and this trend is expected to rise in the future. It refers to those urban poor that live with many deprivations like limited access to employment opportunities, inadequate and insecure housing and services, violent and unhealthy environments and limited access to adequate health and education opportunities. It is multidimensional construct that is rooted in a complexity of resource and capacity constraints, inadequate Government policies at both the central and local level, and a lack of planning for urban growth and management. Most of the time, urban poor are defined on the basis of a monthly income cutoff, which is currently Rs 4,824 for a family. But now the government is planning to estimate in terms of parameters like housing, economic, social and occupational.

Urban poverty has its issues that needed attention distinctly from those addressed in the typical analysis of poverty (Baker and Schuler 2004). Predominantly, there are three distinctive characteristics along which urban poverty and vulnerability that make it different from the rural poverty. These characteristic are commoditization, environmental hazard, and social fragmentation (Moser, Gatehouse,and Garcia 1996). Urban households need to pay in cash for all their necessities and do not have the support of production, in particular food. Commuting costs to work in urban areas is on higher side as compare to rural areas. All these aspects of urban life are referred to as commoditization. Environmental hazards are also on higher side for these urban dwellers. Inadequate access to water and sanitation, poor quality housing, and overcrowding poses health risks for the urban poor in particular. Social fragmentation relates to the lack of social security in urban areas as compared to rural areas. Urban dwellers are exposed to higher levels of violence, alcohol, and drug abuse, and greater risk of motor vehicle accidents.

Characteristic of Urban Poverty

Urban poor consists of heterogeneous groups with varied characteristics. Some remain poor as they do not have access to employment, do not have secure shelter and some others fall below the poverty line if their shelter is demolished due to an eviction drive in a city. Urban poor have to pay more for accommodation, food, transport and other services than the rural poor. They faces multiple vulnerabilities like lack of regular income and employment, productive assets, access to social safety nets; lack of access to services such as education, health care, water supply and sanitation; dignity and respect. Understanding intra urban differences across various cities is also very important in light of urbanization of poverty in developing countries (Ravallion et. al. 2007) and the growth of slum population fuelled by migration. In India, between 1983 and 2004-05, there has been decline in poverty (head count ratio), the total number of rural poor has declined by 12.31 percent whereas urban poor has increased by 13.89 percent. Also, it has been found that the mega cities are getting attention and developmental focus whereas other cities are been ignored owing to their size.

Issues afflicting Urban Poor

The urban poverty in India is more than 25 percent where around 81 million people live in urban areas on incomes that are below the poverty line. India has also come up with its report on the nature and dynamics of urban poverty in the year 2009 that is aimed to identify the problems faced by the poor and focuses on the systemic changes that are needed to address them. These issues pertain to migration, labour, the role of gender, access to basic services and the appalling condition of India's slums. This poses distinct challenges for housing, water, sanitation, health, education, social security, livelihoods and the special needs of vulnerable groups such as women, children and the aging. An increasing pace of urbanization and the absence of affordable housing have resulted in proliferation of slums in urban India which is increasing and becoming denser. According to a 2001 census, India's cities have a slum population of 42.6 million (23.7 percent of the urban population). The majority (11.2 million) of them belong to Maharashtra region and that too in Mumbai, Dharavi and Mankurd slum. These slums are illegal urban settlements on public land where slum dwellers reside in sub-human conditions, with little or no access to civic amenities like clean water, sanitation and health care facilities.

Slum dwellers face a constant threat of eviction, removal, confiscation of goods and have virtually no social security cover. Some 54 percent of urban slums do not have toilets; public facilities are unusable due to a lack of maintenance. The conditions often lead to various types of anti-social activities, create environmental problems and, more often are havens for criminals. The problem of slums has attained alarming proportions and had started threatening the sustainability of urban life. The problems and issues that are peculiar to slum dwellers are limited access to income and employment, Inadequate and insecure living conditions, poor infrastructure and services, vulnerability to risks such as natural disasters, environmental hazards and health risks with focus on people living in slums, Inequality closely linked to problems of exclusion, improving quality of life, struggle for recognition and helping to reduce insecurity

General Framework of Action

Addressing urban poverty is not only the onus of central and local governments, but also a responsibility of society, organizations, business, and local communities themselves. It requires support from higher levels of government, provision of public services, assistance for small-scale enterprises with the help of private public partnership and corporate social responsibility of the firms. Corporate can look for the inclusive business models whereby companies can consider long-term values that can be created for society and shareholders. The Impact Assessments commissioned by DFID India in 1997 (IAS, 1999; PIAS, 1997) suggested that poor urban people consider employment, assets and savings, and income as the key determinants of their well-being. This in turn is linked with security and predictability of income, as well as to the security of assets. So, there is need of poverty alleviation programs that aimed at increasing the facilities for education, training and increasing earning avenues for urban poor. In addition to the government role, PPP model can also play an important and significant role in this aspect. Corporate houses should adopt rural areas and urban poverty areas to empower the people at these places. It requires a huge outlay of funds and budgetary provision for development of basic infrastructure.

Social Sustainability

Social sustainability refers to the life-enhancing condition within communities, and a process within communities that can achieve access to key services like health, education, transport, housing and recreation. It combines the design of the physical realm with design of the social world i.e. infrastructure to support social and cultural life, social amenities, systems for citizen engagement and space for people and places to evolve' (Woodcraft et al, 2011 p. 16). Sachs (1999) defined 'social sustainability' in terms of number of constituent elements including social homogeneity, equitable incomes and access to goods, services and employment. He also emphasized on the importance of 'cultural sustainability' which requires balancing externally imposed change with continuity and development. Godschalk (2004) defined social sustainability in terms of urban planning tripartite consisting of 'resource', 'development' and 'property' conflicts. Chiu (2002, 2003) explored social sustainability in the context of housing in Hong Kong. She identified three components of social sustainability based on conceptualisations of social limits, ecological limits and equality.

Today no business can survive without assessing the impact of it is activities on the society in general. People are reluctant to turn a blind eye to socially insensitive acts of the businesses. Companies are shifting their focus from shareholder value (i.e. maximizing profit) to stakeholder value and are striving to balance among people, planet and profit. The societal expectations pressure on companies is making them to act responsible with regards to their external as well as internal environments (Du, Bhattacharya & Sen., 2010; Issaksson & Jørgensen, 2010; Waller & Conaway, 2011). Within this context, the objective of this paper is to reflect on various interventions that needed to be undertaken to mitigate the complex problem of urban poverty through various approaches of social sustainability.

Findings

Urban poverty is a complex process and is multi-dimensional phenomenon which makes it difficult to define and analyze it. Urban poverty presents a different set of issues which are different from general poverty analysis. There are distinctive groups of the urban poor like pavement dwellers, people and others are nearly invisible. There are either homeless or somewhere to be found between homelessness and a stable residence in a slum. The construction sector is mostly characterized by mobile poor, unskilled construction workers who have to search for the work continuously. These workers work on a short term basis, daily or weekly. Before moving to another site, or any other job location, there is never enough time or even the possibility to get settled. They don't have rationed food and remain malnourished. These workers live in tent like structures and lack any access to infrastructure. Many seasonal migrants spent their seasons in big cities under horrendous conditions.

Urban poor always remain in a fear of destitution and homelessness and hence there is a need to get involved the urban poor in the process of urban development. There should be measures to protect them from risks like ill-health, eviction, loss of employment along with need safety nets. The other important aspect is the security associating with income, tenure, access to consumption and investment savings and loans, educational opportunities which are an investment for the future, and strong social networks to support families in times of crisis. For women, it also includes the protection against violence and discrimination. All these measures can help the urban poor to improve their quality of life.

Urban poor can be empowered by imparting skill training programs that offer them a better employment prospects in the future. Even the government has recognized the need of public-private partnership and corporate social responsibility to achieve the objective of providing affordable home to the urban poor. The government has earmarked Rs 35,000 crores to provide affordable housing and for slum development in the 12th Plan. Hence its analysis requires additional tools and techniques for the analysis of urban poverty and how corporates can contribute towards the empowerment of urban poor. For this, a city poverty profile is needed so that it can help policy makers, community members, academics, corporate and government to offer them social sustainability.

Corporates Interventions

Many Indian companies have been taking proactive initiatives to become a part of socially responsible companies. These corporates are running their programs in areas like education, community health, and sustainable livelihood development and building human capabilities, community engagement, women empowerment and protecting environment. Even the employees of these companies volunteer themselves for making a meaningful difference in the lives of urban poor. Some firms are involved in providing clean drinking water, repair existing water resources and manage the new pipelines to transport water to help the community. Large scale cleanliness drives are being organized by these firms in the slum areas to address the deteriorating sanitation conditions. Some of the companies are working towards the concept of recycling that not only offers benefits beyond the environmental benefits but also added business opportunity.

Most of the time, these urban poor are victim of poor health and lack of hygiene awareness and quality education, early marriages of girls, unemployment and lack of women empowerment. Companies can engage themselves in community interaction and work towards these issues that are plaguing the community. They can involve Self Help Groups (SHGs) for getting in touch with this community. Some of the notable works can be observed from the live examples of the corporates undertaking the activities for empowering the economically marginalized social group especially urban poor. Axis Bank Foundation runs Balwadi which are learning places for children living in large slum clusters. It also conducts Skill Development Programs in motor driving, welding, mobile repairing, tailoring etc. for the youth. Hindalco Industries awards scholarships for the poor students. Infosys Science Foundation supports causes in healthcare and culture.

KC Mahindra Education Trust supports education of over 75,000 under privileged girls. It provides vocational training and livelihood training to the youth from socially and economically disadvantage community. HUDCO has extended the support to the local bodies for construction of night shelter facilities in Bhubaneswar, Vadodara and West Bengal. It has extended support for construction of community pay and use toilets at Delhi, Tamil Nadu and Bengal. Apart from this, it has also taken up Skill Development Training Programs at various urban locations. Aptech Ltd. in association with leading NGOs sponsored computers and the education to the underprivileged children at the schools of urban slums.

They also undertook the task of conducted training and awareness-camps for such students. Education is a top corporate priority for Cisco and pursues a philosophy of strong “triple bottom line” which is described as profits, people and presence. The company promotes a culture of charitable giving and connects employees to non profit organizations serving the communities.

Policy Implications

The dynamics of urban inequalities are leading to urban poverty. The qualitative aspect of urban poverty makes it different from its rural counterpart, and therefore may require very different policy interventions. It requires critical attention of the policymakers; otherwise this phenomenon would results in inequality and insecurity that might strain the city life. Social sustainability can ensure the sustenance of the diverse social relations that exist in healthy communities. Creating the physical, cultural and social places that support wellbeing and a sense of community will help the urban poor to move away from poverty traps. It aims at bringing together a number of different ideas about social equity, social needs and to promote sustainable development, and draw upon social capital, social cohesion and wellbeing in urban areas as a means of explicating these ideas.

There is a need for the strategy development for providing quality of life and creating competitive cities. It also calls for a better appreciation for the complexities of these social dimensions which are fundamental to the success of the sustainable development movement. These strategies might relate to City Development Strategies (CDS) where we can identify key urban issues through quantitative measures of urban poverty, and qualitative measures of community priorities. It can also be valuable inputs to the Local Economic Development (LED) where local government, the private sector, the not- for-profit sectors and the local community got an opportunity to work together to improve the local economy so as to ensure inclusive growth. It can set the road map for the requirements for the changes in policies, investments and activities that can be formulated for empowering urban poor. The policy makers should look for the development of social, political and legal structures which are inclusive and provide opportunities for all people.

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THE FUTURE LIES IN INNOVATIVE GOVERNANCE

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Abstract

The last two years have seen a major thrust of Central and State Governments on e-governance. Traditional administrative practices have superannuated. As the country takes a pivotal role in world stage, the contrast between India and Bharat is visible. The scourge of poverty and population made governance challenging for able administrators too. Independent India adopted best practices in Governance from different countries of the world. It helped to serve vast cultural and geographical diversity of Indian people for almost seven decades. The globalization and liberalization of Indian economy in 1991 saw a new thrust in governance. Technology is the single big contributor to transforming India. The country has been quick to adopt new learning in governance and pave way for a new generation. The Central government has tried to create a social, economic and technological infrastructure that shall pave way for better governance and less paper work in the foreseeable future.. E-governance goes beyond mindset issues. This paper attempts to understand e-governance and its impact on efficiency and cutting costs.

KEYWORDS:

E-Governance, optimal utilization of resources

I. Introduction

The spectrum of e-governance initiatives across various states in the country is the reflection of the political to embrace change.The examples are many and varied. The Chief Minister of Maharashtra takes the technology route to govern. It makes his administration more responsive and efficient. The government of Madhya Pradesh uses a geometrics application, i-GeoApproach to monitor construction and maintenance of 100000 kilometers of road.The island city of Mumbai uses its Facebook page where citizens report traffic congestion. Haryana uses a management information system to track child birth. Bihar Police has a web portal to see the status of complaints.

The national e-governance plan initially had 14 of 27 projects like e-passport and national citizen database. Various state governments provide services such as telemedicine, high-quality and cost-effective video and data connectivity. Governancerequires addressing issues of public-private partnership, water supply, waste disposal, power distribution, telecommunications network and industrial development. Logistic hubs, special economic zones for IT and ITES, amusement parks, sports complex are integral to holistic governance.E-governance requires process simplification and the greater co-ordination among multiple departments. It is common knowledge that projects with longer gestation period and uncertain demand are not easy to get financers. Ease of governance eliminates fly–by-night operators.

In modern times, it is easier to know about title of land, environmental issues, infrastructure available socio-political back check and development and planning regulations.Poorland record maintenance led to sale of land to multiple buyers resulting in mental anguish and financial loss to the affected people. It hampered the development of the area, forced industries to reconsider alternative locations. However, a lot needs to be done on computerization and regular update of land title data to make it transparent and efficient.

Road, rail and air connectivity has a bearing on development of any region. E-governance bring technology savvy international citizens closer to fruitful business lines. The Government of Gujarat converted vast areas of barren land useful for cultivation by monitoring the flow of water to parched regions. New Delhi has a Smart city embedded in the heart of the Capital. Karnataka and Andhra Pradesh have shown the rest of India that giant stridescan be made in governance if there is the right leadership .Organizations and industries are lining up in these states in areas of defence production, logistics, IT and many more. Developed nations make a beeline to have their pie, after getting fully convinced on good governance and strong public policy is well in place.

India witnessed a change in Central government in May 2014. Many states elected governments which promised e-governance and sensible utilization of scarce resources.

A flagship scheme on financial inclusion called “Jan Dhan Yojana” became a talking point in governing India the modern way. It added 21million account holders throughout the country. Fertilizer subsidy, educational scholarship, social service initiatives are linked to the scheme. It reduced pilferage and embezzlement of funds. It also ensured that the beneficiaries get maximum advantage with optimal utilization of resources. However, during 50 days of demonetization, there have been reports suggesting misuse of many of these accounts. But stricter laws would mean that the government tracks those who misused the accounts of the less priveledged.

E-governance takes centre stage in areas where development issues tackled poorly in the past. E-governance augurs well for underdeveloped regions, societies that remained outside the benefits of development, the less privileged and also special interest groups.

Oil companies believe in e-auction, housing development boards use technology to become transparent. The bidders, based anywhere in the world, come together as technology cuts across geographical boundaries. The applications of e-governance permeate many sectors & change the history and geography of the region.

Global financial, commercial and entertainment hubs are the transforming element in governance. Special economic zones with single window clearances, expressways and information highways are part of big development agenda followed by each government.

E-district pilot projects have been implemented in Karnataka, Andhra Pradesh, UP to improve efficiency through complete automated system. Online pension distribution and scholarships, procurement and distribution are facilitated by use of technology in governance.

Banks and financial institutions have taken a cue to implement e-governance. ICICI dedicated a digital village recently to the cause. RBI and NABARD extensively use technology to govern better. Multinational and private banks have focused on better implementation of user friendly technologies.

II. Literature Review

It is well established that big decisions of foreign collaborations, partnering growth and investments are based on technology of the country, wisdom, experiences and human resources. E-governance takes centre stage in such a situation, ripe with brilliant possibilities.

In the view of World Bank, e-governance is the use of information technology to transform relations with citizens, business and other arms of government. The use of these technologies results in better delivery of government services to citizens.

The National e-Governance Plan (NeGP) comprised of 27 Mission Mode Projects(MMPs) and 10 components came into force on May 18, 2006. It aimed at the providing access to services, focusing on service delivery while ensuring efficiency, transparency and reliability at affordable cost. The strategy included common support infrastructure, decentralized implementation, public-private partnership and ownership of Central ministries. Bharat Nirman, Rural Employment Guarantee Schemes used e-governance techniques since inception of these initiatives.

The Bhoomi venture in Karnataka, a G2B module, aims at computerized land record, which in turn makes the middleman irrelevant.

The Ministry of Civil Aviation followed a G2B module in the selection of financial advisors in its Mumbai and New Delhi privatization project. The Ministry of Railways follows G2G module for postings to make e-governance work. Its G2B module helps bidders to check their status online.

The Ministry of Finance adopted G2G e-governance model to make transfers/ posting more transparent in Department of Income Tax. Many departments have followed suit. (The Times of India, December 27, 2014)

The state of Uttar Pradesh uses 17500 Common Service Centres to provide services like birth /death certificates, domicile, caste, income among many utilities. Digitization of ration cards, e-villages, e-suvidha for

G2C and G2B usher in better efficiency. Global IT giants like HP help 13 rural incubation centres to encourage entrepreneurship and generate employability among rural youth in UP (The Times of India Advertorial, March 4, 2015)

III. Problem Statement

The focus on Governance is priority for welfare of the people. Technology is the lever which provides efficiency and speed in mass outreach initiatives. It helps to set the following objectives.

IV. Objectives

4.1 To study e-governance as a catalyst in providing socio economic development of people.

4.2 To evaluate the impact of recent initiatives on governance.

V. Hypothesis

5.1 E-governance is one of the potent contributing factor for the development of India.

VI. Methodology

Tools: Qualitative as well as quantitative method of data collection was used. Analysis was done by Questionnaire method and the opinion of 8 experts was also used to conclude the paper.

Sample size: 155 Respondents

Sampling Method**:** Simple Random sampling

Sampling Place: Mumbai

VII. Findings

7.1 The respondents feel that India is ready for e-governance. The areas where e-governance is most helpful are utility services, municipal documents, general administration, land and revenue matters and pension/medical services to senior citizens and the poor.

7.2 E-governance makes life simpler for the ordinary Indian. Greater transparency in administration helps to build trust and stronger bond between people and government.

7.3 Increased efficiency was highest rated among the factors in e-governance. Respondents kept cost cutting, time saving and curb on corruption as the other reasons for implementing e-governance.

7.4 The four key areas of e- governance were agricultural and land revenue records, public-private partnership (PPP), transport /communication and public utility services.

7.5 Technology is a big enabler in governance. It helps to serve people better through greater access to information. Respondents felt that simplified dissemination of important information is critical to governance. Thus, the hypothesis e-governance is one of the potent contributing factor for the development of India holds true.

7.6 The respondents felt that Gujarat is ahead of all other states in e-governance. Maharashtra followed by Karnataka were rated higher than other states which have accepted e-governance as the way forward.

VIII. Conclusions

The view of experts on e-governance too is that it provides better services. Empowering people is a bye product of providing greater access to information at the click of a button. It helps people participation in government and opens new avenues for citizen dialogue. In turn, it strengthens the social fabric.A strong view emerged that e-governance impacts quality of life, Simplicity of operation helps in enhancing efficiency. The expanded reach in governance helps in more responsive and clinical execution of policies.

Governance is challenging in the vast diversity of cultures, languages and ethnicity of India. The results indicate that greater co-ordination and integration of policy initiatives, happens in e-governance. There is roleclarity and evolution of one's responsibility. Fixing the problem in such situations becomes relatively easier.Greater citizen access to public information, create efficiency in the long run. The multiplier effect on efficiency makes the initial cost of installing system, procedures and process insignificant. Developed countries and ASEAN nations have long practiced this model and reaped sizable benefits. Another expert view was that managing voluminous data in governance becomes mandatory as all elements of the population need to be covered. The role of the administrator expands. The pursuit of excellence in governance takes an exponential upswing with accountability in the fore of every action.

IX. Suggestions

Governments and organization should walk the talk with commitment toward simplified systems and procedures, transparency and efficiency. It is a constant dialogue with people beneficiaries which cements partnerships. In a large Indian population with a myriad of procedures and laws, e-governance infrastructure and architecture has to be on solid foundation. Funding should precede proper planning. Course correction, if required, requires seamless processes and without administrative delays. The different PESTEL environments should not be treated as mutually exclusive; rather they could enhance performance by complementing each other.

X. References

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