Ojas Expanding Knowledge Horizon

ISSN No: 2279-0373
Online-ISSN No: 2321-726X

Special Issue
January 2015

An International Journal
of Research in Management

तमसो मा ज्योतिर्गमय
JAIPURIA
110 Years of Excellence

Jaipuria School of Business
Indirapuram, Ghaziabad
(Approved by All India Council for Technical Education)

OJAS

Expanding Knowledge Horizon

AN INTERNATIONAL JOURNAL OF RESEARCH IN MANAGEMENT

Send your feedback/Enquiry to:
The Editor-In-Chief
Jaipuria School of Business
Shakti Khand IV, Indirapuram Ghaziabad
Phone: 0120-488 11 00, 08860852754
Email: ojas@jaipuria.edu.in

OJAS: Expanding the Knowledge Horizon, an international Journal of research management (ISSN No: 2279-0373 Online-ISSN No: 2321-726X)- A peer reviewed international journal of Jaipuria School of Business, Ghaziabad, invites original research papers, case studies, perspectives and book reviews on themes/issues of current concern in all areas of management including HR, Marketing, Finance, IB, IT, Retail, Hospitality, Travel & Tourism, Energy Management & Entrepreneurship.

The journal welcomes innovative research based papers, perspectives, case studies and book reviews in functional areas of management. All submissions are reviewed in terms of their contribution to literature, research, empirical evidence and appropriate methodology. For any further query, please contact

OJAS: ojas@jaipuria.edu.in

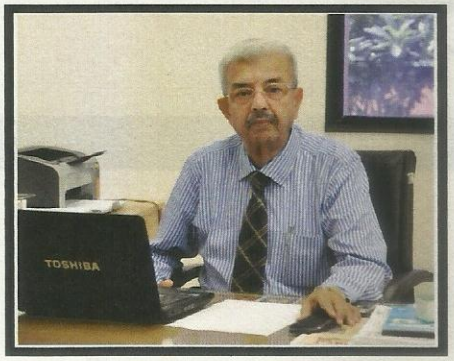
Dr. Rajaram Jaipuria
(16.01.1934 - 17.01.2015)

" When one performs his prescribed duty only because it ought to be done, and renounces all material association and all attachment to the fruit, his renunciation is said to be in the mode of goodness" …."Bhagwad Gita". In his autobiography he has mentioned: "We make a living by what we get, but! We make a life by what we give":

This issue of OJAS is to commemorate our beloved Chairman Late Dr.Rajaram Jaipuria, who has given us the real meaning of service to the humanity.

OJAS
Expanding Knowledge Horizon
AN INTERNATIONAL JOURNAL OF RESEARCH IN MANAGEMENT
Special Issue - January 2015

Contents



From The Editor

We are deeply shocked on the sudden bereavement of our adored Chief Patron Dr. Rajaram Jaipuria. We are in the bereavement period.

Coming to the subjects:
FDI in Indian Telecommunication Sectors - dampener or Booster is a quite interesting feature to be understood logically.

Banking Service is an unfathomable Phenomenon rightly described by Dr. Prashant Sharma, Dr. Vipul Yadav & Mr. Puneet Sharma.

Kuala Lumpur Stock Market is an interesting topic rendered by Dr. Satish Kumar & Dr. Lalit Kumar.

The Article by Dr. Abhishek Maheshwari, Dr. Devesh Gupta & Dr. Geetika Shukla on special economic zone is quite interesting.

The article of Comparative Studies in the matter of Somany Ceramics. Gurgaon by Mr. Hitesh Maheshwari & Dr. Rachna Sharma may be interested to the researchers.

And lastly the Challenges in Management Education in India by Ms. Sonal Mehta & Ms. Sumedha Tuteja is interesting.

We look forward to hear in what you think about this.

Prof. (Dr.) S. Durgaaprosad
Editor-in-chief
OJAS:Expanding Knowledge Horizon

FDI in The Indian Telecom Sector: Dampener or Booster?

Ankur Bhatnagar*
Dr. Sanjeev Mehrotra**

Abstract

Being the third largest economy of world, India's telecommunication sector placed second in world it involves more than half a dozen players and every one of them is in alliance with a foreign investor. In the context of the current liberalized economic environment, where economies of various countries are interdependent and interlinked, foreign investment has an important role to play. One of the rapidly growing but debt laden telecom sector of India is also a very charming destination for foreign telecom players. This has received FDI of US$ 12,500 million in last 13 years which contributes 7% of overall FDI inflow. This paper presents the status of FDI in Telecom Sector and evolve that FDI in telecom is reflecting mixed experiences, citizens by and large seems winner terms of vailing affordable quality services whereas telecom companies are struggling in later stage of the sectorial boom to take heavy debts and low profitability. Further paper discuss various factors responsible for won-loss situation of the sector.

Keywords: FDI, telecommunication, telecom sector

Introduction

Telecom services have been acknowledged globally as an essential tool for the socio-economic development of a nation. India is currently the world's second-largest telecommunications market and has registered exceptional growth in the past few years. Telecommunications is one of the prime support services needed for rapid growth and modernization of various sectors of the economy. Driven by strong adoption of data consumption on handheld devices, the total mobile services market revenue in India will reach US$30 billion in 2015 and is expected to touch US$37 billion in 2017, registering a compound annual growth rate (CAGR) of 5.2 per cent, according to research firm IDC. The rapid strides in the telecom sector have been facilitated by liberal policies of the Government of India that provides easy market access for telecom equipment and a fair regulatory framework for offering telecom services at affordable prices.

The deregulation of foreign direct investment (FDI) norms have made the sector one of the fastest growing and a top five employment opportunity generator in the country.

Research Problem

Telecom Sector is witnessing rapid slowdown in terms of profitability and growth. It will create challenges for companies to outperform in extreme adverse conditions. Foreign players are investing and looking with a hope of growth and forward steps at government level. Still various opportunities are there in Indian telecom sector which are yet to be tapped so it will be interesting to watch how telecom players and government will play their role.

Research Methodology

This research is a descriptive study in nature to attain the objective secondary data have been used. The secondary data was collected from various journals, magazines, and websites particularly from the Department of Industrial Policy & Promotion (DIPP), Telecom Regulatory and authority of India (TRAI), Department of Telecommunication (DoT), Ministry of Commerce and Industry Rural and Urban performance of Telecom Sector was studied. FDI Guidelines for this sector was also analyzed to find out the implications on the growth of this industry. The research

*Research Scholar, Faculty of Commerce, Govt. P.G. College, Ramnagar (Uttarakhand) Email: ankurr.bhatnagar@gmail.com
**Professor, Faculty of Commerce, Govt. P.G. College, Ramnagar (Uttarakhand) Email: drsanjeev.pngpg@yahoo.com

methodology also includes compilation of research article of the experts in the field and reflections of the various books on FDI. Graphs and tables have also been used where ever required to depict statistical data of FDI during the study period.

Objectives of the Study

- To explore telecom sector in light of FDI to analyze its impact on the sector
- To study the trends of FDI inflow in telecom sector of India
- To understand the role of FDI in the growth of telecom sector
- To examine competitiveness of Indian telecom sector in global perspective

Indian Telecom Sector: An Overview

Communication has grown to be an essential infrastructure for socio-economic development in an increasingly knowledge intensive world. The reach of telecom services to all parts of the country is integral to development of an innovative and technologically driven society. Studies have shown that there is a positive correlation between the FDI inflows in telecom on the growth of gross domestic product (GDP) of a country. As a result of the measures taken by the Government over the years, the Indian Telecom Sector has grown exponentially and has become the second largest network in the world, next only to China.

Present Status of the Telecommunication Sector (as on March 31, 2014)

Indian telecom network is the second largest in the world after China. Following trends can be draw for present status of the sector:

- Overall tele-density in the country is 75.23%.
- Urban tele-density is 145.46%, whereas rural tele-density is 44.01%.
- The share of wireless telephones in total telephones is 96.95%.
- The share of private sector in total telephones is 87.13%.
- Number of Broadband connections is 60.87 million.

FDI Policy in Telecom Sector

Telecom Sector is considered to be one of the most attractive sectors for FDI in the country. To make telecom sector more investor friendly, the Government has raised FDI limit for all telecom services from 74% to 100%. The current FDI policy for the Telecom services, subject to observance of licensing and security conditions by licensee as well as investors as notified by the Department of Telecommunications (DoT) from time to time.

FDI Inflow in Telecom Sector

Table 1 is depicting that after service sector and construction development sector telecom has been is third largest source of FDI inflow in India. It contributed around 7% in total FDI receipts. Its impact can be seen in the adaptation of foreign technology in the sector. It is also important to mention that telecom plays significant role in infrastructure building of a nation. Telecom sector is base of communication and broadcasting. Recent trends shows that with the help of foreign equity reach of affordable communication has spread to masses and it is also helped in creating inclusive growth of the country. One big reason of attracting FDI by telecom sector is that sector was largely untapped.

Table 1: Sectorwise FDI Inflow in Indian economy

Rank	Sector	*FDI Inflow 2013-14 (Rs. Crore)*	Cumulative Inflow (Apr'00 - Sept 2014)	Percentage of total inflow
1	Service Sector	13,294	1,92,936	18%
2	Construction Development	7,508	111,966	10%
3	Telecommunication	7,987	81,407	7%
4	Computer Software & Hardware	6,896	62,202	6%
5	Drugs &Pharmaceuticals	7,191	62,089	5%

Telecom has been one of the major catalysts in India's growth story. Intense competition technological advancements in mobile devices have contributed to the unprecedented growth in this sector. Table 2 states that the share of the telecom services industry in the total GDP of the nation has been on the rise during the past three yrs. (contribution to GDP went up from 3.5 in 2011 to 3.9% in 2013).

In Figure 2 we can find CAGR of subscribers is increased from 10% to 35% in 20 years by passing the two phases of FDI which are responsible for multifold jump in subscriber base. Initially Indian government in National Telecom Policy (NTP) 1994 allowed FDI up to 49% and then after a new NTP 1999 government increased the limit up to 74% in 2005. In 2012 central government announced NTP 2012 and in 2013FDI up to 100% is increased from 74%. Thus this sector is now fully open for foreign investment impact of recent change will be depict in coming years in the form of penetration in sector.

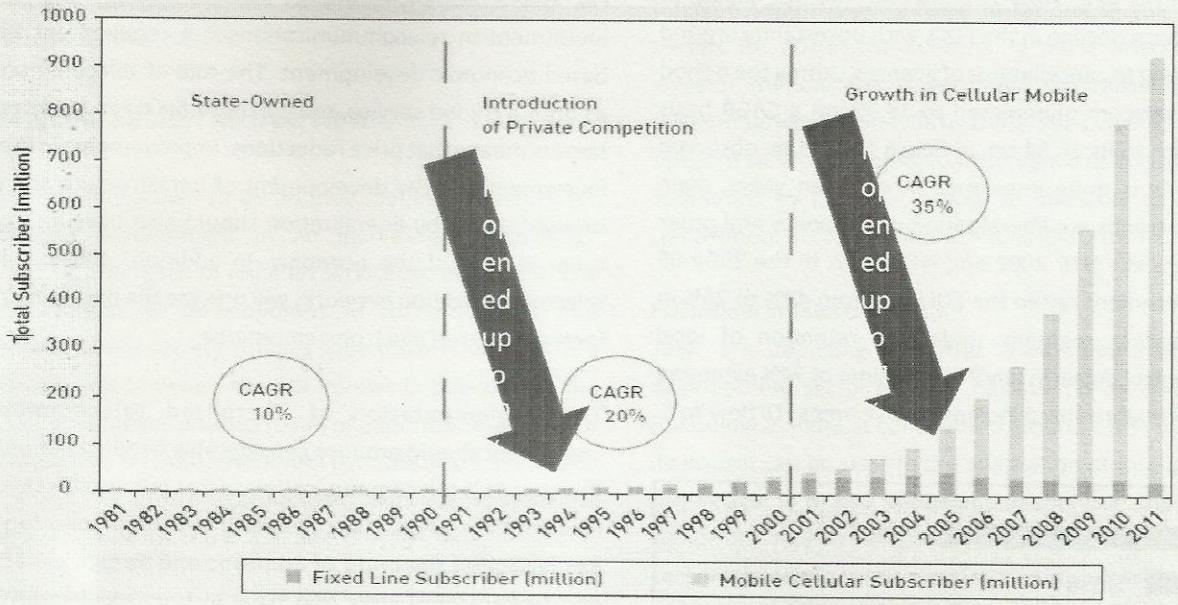


Figure 2: Impact of opening FDI limit on subscriber in India, 1981-2011 (million)

Sources: World Development Indicators. Available online at www.worldbank.org
Telecom Regulatory Authority of India.

Global Scenario of Telecom Sector

Some international trends in telecommunication sector are as follows:

- India stood at second position in terms of subscriber base. During December 2011, India recorded 873.6 million subscribers.
- India stood first in terms of subscriber additions during January 2011 - December 2011. It added 121.6 million subscriber to its subscriber base.
- India stood seventh with 72 per cent wireless penetration
- India stood second after China with 329 average minutes of usage per subscriber per month
- A 10 per cent increase in Broadband penetration leads to 1.4 per cent increase in GDP, 37 per cent increase in education revenue and 42 per cent increase in healthcare revenues

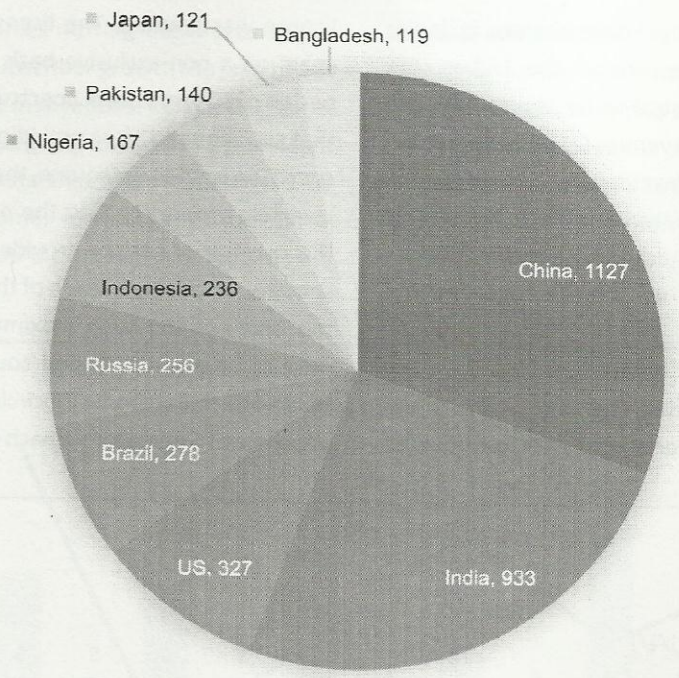


Figure 3: List of countries by number of mobile phones in use (in million)

Source: OECD

Challenges of Telecom Sector

License Fees, Spectrum Fees, and other Regulatory Charges

Table 3 states that the Indian mobile industry is burdened by multiple duties and levies, both at the central as well as the state level. Central levies include annual license fees including Universal Service Obligation (USO) fees, annual spectrum usage fees, and service tax. Over and above these levies, various states of India also apply additional taxes/duties such as Octroi, VAT, stamp duty, and levies on towers. Whereas in other Asian developing countries like China, Malaysia and Pakistan a less heavy burden system is adopted. Especially in China government not only restricted number of players up to 4 but also duties and taxes are also kept very minimum.

Table 3: Regulatory charges in Some Asian Countries

Regulatory Changes (as % of revenues)	India	China	Malaysia	Sri Lanka	Pakistan
License Fees	6 to 10%	Nil	0.5%	0.3% of Turnover + 1% of Capital investment	0.5% + 0.5% R&D
Spectrum Fees	3 to 8%	~0.5%	Nil	~1.1% to turnover	Cost recovery
USOF	5% of license fees	Nil	1%	Nil	1.5%
Service Tax	10.3%	3%	5%	Telecom Levy	GST
Total	**19 to 28%**	**3 to 3.5%**	**6.5%**	**1.3% turnover + 1% invested capital + Telecom Levy**	**2.5% + GST + Cost recovery**

Source: TRAI, DoT

As evident from the table above, regulatory charges in India, including license and spectrum fees, are on the higher side compared with other countries. Central levies themselves are around 19%-28% of Adjusted Gross Revenues (AGR) of operators. In contrast, telecom players in other developing countries such as China, Malaysia, Sri Lanka and Pakistan pay only ~3%-7% of revenues as regulatory fees/levies. Additionally, the industry is also subjected to State Levies such as Octroi duty on Capital Goods.

Number of Operators in major countries

There was no restriction on the number of operators to whom the license was granted. The license was issued for a period of 20 years on a non-exclusive basis and could be extended up to a period of 10 years once. Spectrum is the most important resource that is required for providing mobile services. Given that spectrum is a finite resource, the availability of the same would be inversely proportional to the number of operators. Thus, larger the number of service providers smaller will be the amount of spectrum available to each of them. In figure 4 we can see India is the only country with maximum operators of 14 whereas all developing and developed countries' telecom operators are in range of 3 to 5. In India 22 circles are handling 14 operators with presence of 6 operators in each circle.

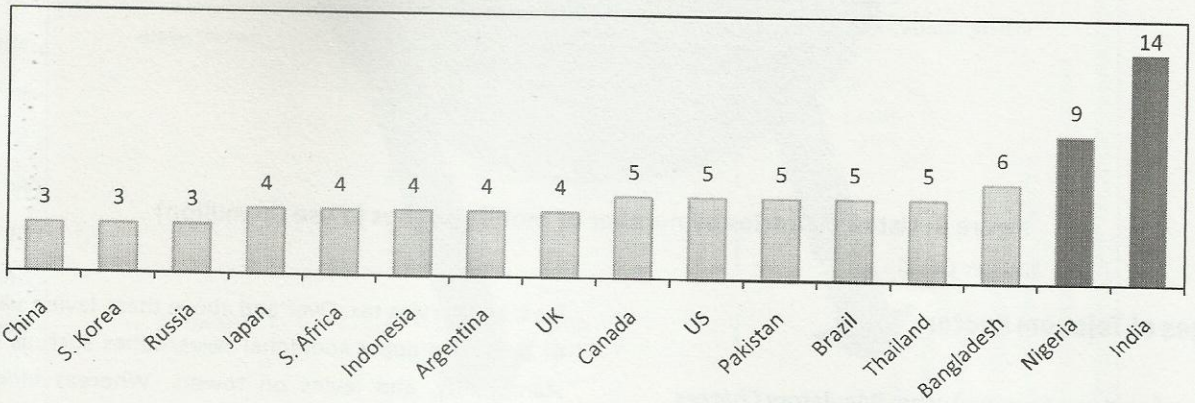


Figure 4: Comparison of Number of Players in India and Selected Other Countries, March 2011

Source: Merrill Lynch Global Wireless Matrix 2011

Rapidly Falling ARPU and MOU

The drop in revenues derived from calls can also be attributed to the drop in call charges witnessed on account of competitive pricing across players from all segments. Further, rising competition in the telecom sector has resulted in declining Minutes of Usage (MoU) which has further affected the Average Revenue per User (ARPU) in the last few years. The competitive intensity in the telecom industry in India is one of the highest in the world and has led to sustained fall in realisation for the service providers. Intense competitive pressure and cut throat pricing has resulted in declining ARPUs. With increasing number of new entrants in the telecom space the competitive intensity is likely to continue, putting further downward pressures on the telecom tariffs. Thus, the telecom companies might have to grapple with further decline in ARPUs, going forward.

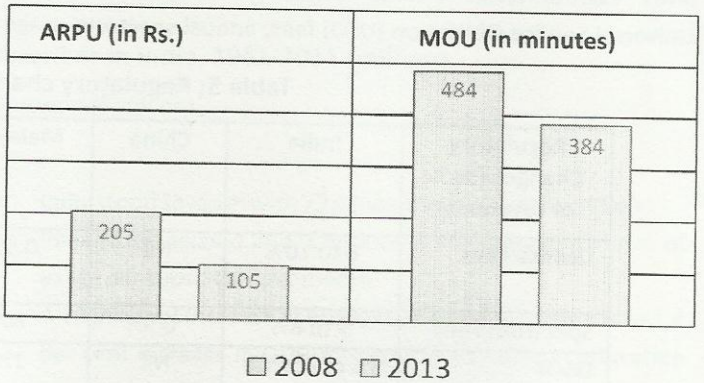


Figure 5: ARPU and MOU in five years

Source: Merrill lynch global wireless matrix 2013

Further, with the telecom companies moving their focus to the rural areas for driving the future subscriber growth they might not witness a commensurate increase in revenues. In fact, the risk of steep decline in ARPUs will increase going forward as the telecom companies penetrate rural markets that are characterised by higher concentration of lowincome, low-usage customers. A higher-than-expected decline in ARPU poses a risk of reduction in margins of service providers.

Revenue and Growth

According to the TRAI, the total gross revenue of the Indian telecom services recorded a CAGR of 10.5% in the last five years. In FY13, the gross revenue of the industry was at Rs 2,125.9 bn, up from Rs 1954.4 bn in FY12 and registering a YoY growth of 8.8%. There are number of reasons of this uneven growth in the sector.

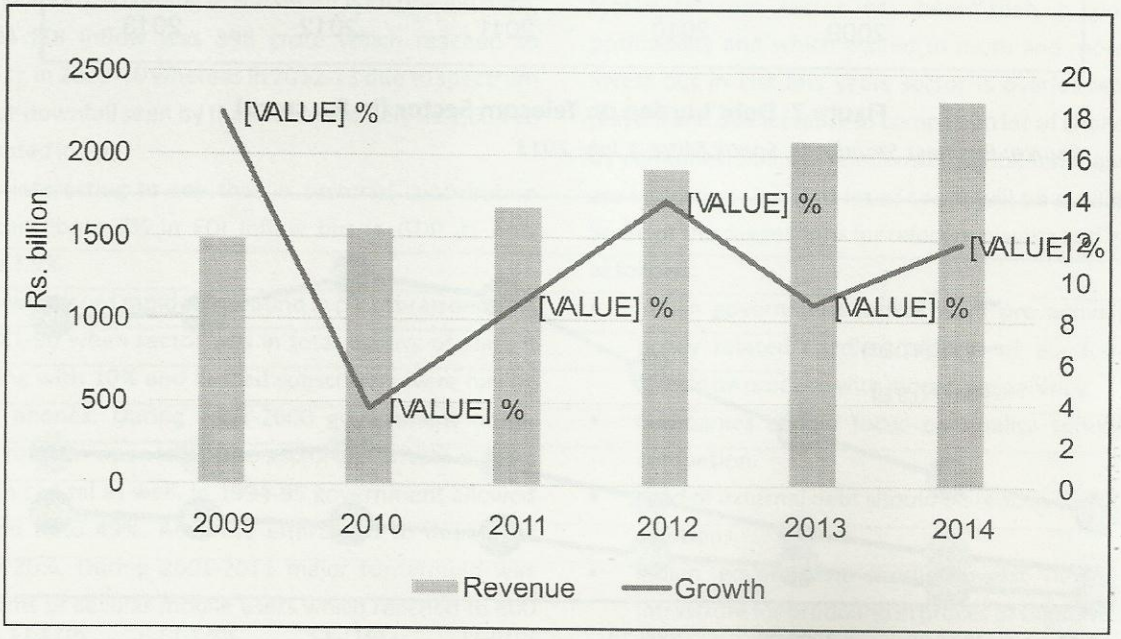


Figure 6: Telecom Sector - Revenue & Growth

Source: 'Indian Telecom Industry', Dun & Bradstreet

Telecom industry cracking under financial pressure

The cumulative debt of telecom companies has risen a little over 200 per cent to an estimated Rs 2.5 lakh crore in 2012-13 from Rs 82,726 crore in 2008-09 .Also, their cumulative external debt had increased to 49 per cent of total debt in 2011-12 from 34 per cent in 2009-10, according to the Cellular Operators Association of India (COAI). Sector analysts say this might have risen further during 2012-13 to about 55 per cent. COAI recently sought intervention of the department of telecommunications (DoT) to improve the financial conditions of telecom companies. "High debt coupled with policy uncertainty is keeping FDI (foreign direct investment) away.

Rural Areas Continue to Remain Under Penetrated

In figure 8 a rural tele density of merely 44% point towards the fact that a majority of Indian population still do not have access to telecom services. The rural India seems to have remained untouched by the telecom revolution witnessed in the last few years. A huge 'digital divide', which is reflected by the enormous difference of 100% between the urban and rural tele density, reiterates this fact.

However, with the urban markets reaching a saturation point, the telecom service providers are penetrating rural areas for driving future growth. Thus, the service providers entering new rural markets might witness substantial increase in subscriber base.

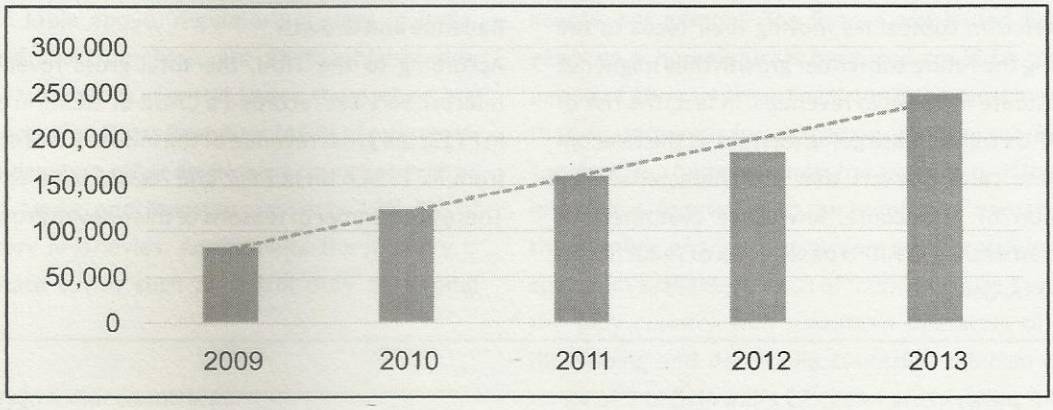


Figure 7: Debt burden on Telecom Sector (in Rs. crore)

Source: Business Standards, Sonak Mitra 1 July, 2013

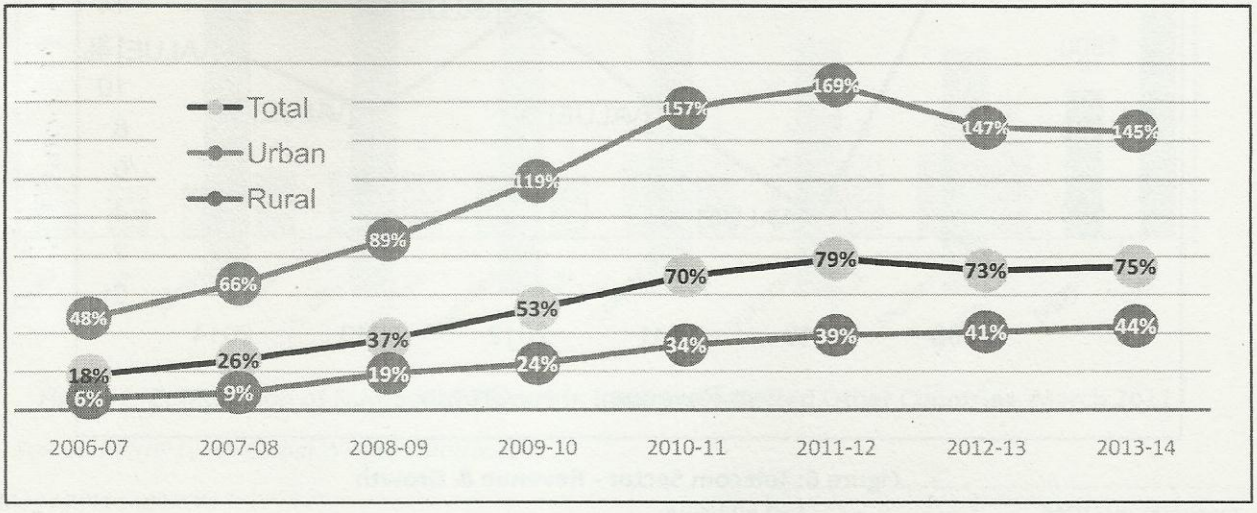


Figure: 8 Tele-density in Rural & Urban

Source: TRAI, Annual report

The expansion in the rural areas, however, has increased the risk of further decline in the ARPUs. Nonetheless the revenue growth from these regions is unlikely to match the surge in the subscriber base.

Price War between the Service Providers Putting Pressure on Margins

The ever-increasing competitive intensity in the sector, with licenses and spectrum in several circles allotted to newer operators, is also a concern and could lead to unrealistic pricing levels to grab subscribers. The pricing strategy of per second billing already has taken the price war between telecom operators to the next level. The intensifying price war could put significant downward pressure on the industry revenue growth. Further, the ongoing price war and the concomitant decline in telecom traffic could raise the entry barrier for new companies.

Findings

On the basis of above data following findings can be drawn:

- Telecom sector is one of the key sector in attracting FDI it is third after service and construction sector in terms of receiving FDI. If we look at all the sectors in attracting FDI telecom sector's contribution is 7%. Total FDI inflow stock has crossed Rs.81,500 cr.
- In past 10 years FDI is coming to the sector with uneven pace, in 2003-04 FDI inflow was 398 crore which reached to Rs.12,270 cr. in 2009-10 whereas in 2012-13 due to spectrum scam major downfall seen by the sector and only Rs.1,654 cr. was accounted in FDI.
- It is quite interesting to see that in sectorial contribution telecom contribute 7% in FDI inflow but in GDP its only contribute 3.9%.
- Sector has witnessed rapid turnaround in past three decades during 1981-90 when sector was in total control of state it was growing with 10% and limited subscribers were having fixed line phones. During 1991-2000 government under economic reforms opened up the sector for private players and foreign capital as well. In 1994-95 government allowed FDI allowed upto 49%. All these efforts led to double its growth to 20%. During 2001-2011 major turnaround was seen in terms of cellular mobile users which reached to 800 million connections and growth increased to 35%.
- In global perspective telecom sector of India is always has sweet point of attraction with large population and constant growth in economy but if we compare with other countries we find that it is second largest after China in terms of subscribers. In terms of regulatory charges Indian companies are paying 19-28% which is very high in compare with China 3-3.5% Malaysia 6.5%. It is very interesting to notice that at an average 3-5 players are exist in all major telecom market whereas in India 14 players are exist.
- ARPU is one the important parameter for revenue point of view it states that in last five years it was Rs.205 in 2008 and now it has declined to Rs.105 in 2013. MOU is also declining it was 484 minutes in 2008 now it has fallen to 384 minutes in 2013.
- Telecom sector is having a total debt of Rs.2,50,000 which has doubled in two years.
- In term of inclusiveness telecom sector is also has a gap in rural and urban areas, tele density in urban area is 144% whereas in rural it is only 45%.

Suggested Recommendations

Indian telecom sector has been seen a glorious time of profitability and which leaded to more and more corpatrate to invest but in last few years sector is overloaded with telecom players and due increase in competion lot of challenges are faced by compnies. Still the teledensity, digital India and other factors are indicating that that lot of space will be available for growth. Some of the suggestions for telecom players and government are as follows:

- Indian government should work pro actively to move the policy related hardles, process of auction for specturm should be proceed with more transparency.
- Companies should focus on quality services to stand in competion.
- Load of external debt should be reduce by adopting financial solutions.
- Indian government should invetst heavily in providing infrastrure for brodband in proces of Digital India campaign.
- Companies should focus on increasing broadband/3G/4G for increasing ARPU.
- Conducive environment should be provided to Foreign investors to increase FDI.

Conclusion

Policy initiatives in the last decade have helped transform the telecom industry in India. In the years to come, telecom services are expected to see deeper penetration with mobile subscriptions, broadband, and the Internet gaining prominence. The government targets to provide wide spread, highly effective and low cost telecommunication services across the length and breadth of the nation. 'Digital India' and 'Make in India' campaigns have "tremendous potential" that could transform the country's telecom sector. Thus it can be concluded that the recent upward

swing in the telecom sector in India due to introduction of FDI in this sector by the government since 1991 but at the same time we must also be careful and not get carried away by the development and should have proper regulations in place to actually utilize the situation to our advantage.

Reference

1. *"TRAI releases Quarterly Performance Indicators of Telecom Services for the quarter ending Dec, 2014", Press Release No. 68/2014, TRAI, 7 Nov 2014.*
2. *Bharatkumar J Acharya, "An Overview Transition of Indian Telecom Industry", Global Research Analysis, Vol: 2 | Issue: 5 | May 2013 • ISSN No 2277 - 8160.*
3. *Sagar R., Lalitha, "Sectoral Trends And Patterns of FDI In India", International Journal of Marketing, Financial Services & Management Research ISSN 2277- 3622 Vol.2, No. 7, July (2013) Online available at www.indianresearchjournals.com.*
4. *Afrah Fathima, Badiuddin Ahmed, Mr. Satya Sai Kumar, "FDI in Indian Telecom Sector a Perspective", International Journal of Scientific Engineering and Technology (ISSN: 2277-1581) Volume No.2, Issue No.10, pp: 982-985 1 Oct. 2013.*
5. *Singh S., Sharma M. "Foreign Direct Investment in India: Regulatory Framework, Issues and Current Status", International Journal of Management and Social Sciences Research (IJMSSR) ISSN: 2319-4421Volume 2, No. 8, Aug 2013.*
6. *"TRAI releases Highlights of Telecom Subscription Data as on 30th Sep, 2014, Press Release No. 73/2014, Telecom Regulatory Authority of India, 20 Nov 2014.*
7. *"Indian mobile services sector- struggling to maintain sustainable growth", PwC & COAI Aug 2011.*
8. *"The Indian Telecom Services Performance Indicators",Apr - Jun 2014, 7 Nov 2014.*
9. *"Indian telecom history", Vol I, Telecom India Daily.*
10. *The Indian Telecom Services Performance Indicators, KPMG, 9 Jul 2014.*
11. *'Indian Telecom Industry', Dun & Bradstreet Sectorial Round Table Conferences'*
12. *Fact Sheet on Foreign Direct Investment (FDI) April, 2000 to Sep, 2014, DIPP.*
13. *ICT and Economic Growth, Rekha Jain, IIMA Idea Telecom Centre of Excellence, IIM Ahmedabad, India.*
14. *"Country-Wise FDI Equity Inflows From Apr 2000 to Aug 2014 Sector: Telecommunications", DIPP.*
15. *"Annual Report 2012-13". TRAI. 18 Nov 2013.*
16. *"Annual Report 2013-14". Department of Telecommunication.*
17. *"Telecom Sector in India: A Decadal Profile", TRAI, 3 May 2012.*
18. *"Annual Report 2013-14". Department of Planning and Promotion (DIPP).*
19. *"Annual Report 2011-12". TRAI. 18 Oct 2012.*
20. *"Telecommunication". IBEF. Aug 2014.*
21. *"India's Telecom Industry an overview", Vijayaragvan, Market Survey.*
22. *Vatsal Goyal, Premraj Suman. "The Indian Telecom Industry". IIM Calcutta.*

Abbreviation:

DIPP	*Department of Industrial Planning and Promotion*
TRAI	*Telecom Regularity and Authority of India*
OECD	*Organization of Economic Collaboration and Development*
DOT	*Department of Telecommunication*
UNCTAD	*United Nation Conference on Trade and Development*

A Comparative analysis of the services quality of Public Sector, Punjab National Bank and Private Sector, Axis Bank in Meerut city

Dr Prashant Sharma*
Dr Vipul Yadav**
Mr Puneet Sharma***

Abstract

In the modern era, Banking services have assumed an important role in the economy of a nation. Strong and efficient banking system is an indicator of growth and of a Nation. As today it is competitive markets all around us banks have to devise new strategies, new products in order to survive, to penetrate in the market. The customers are quality conscious. Banks have to come up with attractive qualities in their services. In this open economy Public sector banks have to compete with new emerging Private sector banks. In our study an effort is done to compare and analyze the services quality of Public sector, Punjab National Bank and Newly emerging Private sector, Axis Bank. An analysis has been done on various services quality dimensions of both the banks. To have a better insight regarding Services quality they are offerings, where they have edge, where they are week, how much they are customer friendly. The steps they should take where they are week. The area of research taken is Meerut city very near to national capital, an emerging city with lots of prospects for banks and a growing number of educated working people.

Introduction

The modern competitive business world is competing for the customer's money in exchange of the goods and services offered by them. Enterprises are coming up with new innovative techniques to attract the customers. The marketing of tangible products is comparatively easy in nature in comparison to the marketing of intangible products that are known as services. Today the services marketing organizations are aggressively coming up in the market with new strategies to market their products. The extra's P's have been added to the services marketing mix known as Physical evidence, Process and People. All this has been added to make services more attractive and could be delivered with more quality. In Services marketing quality is a very important issue. If services are delivered with more quality definitely their chances of success in the market becomes more and the quality depends on the physical tangible evidences in a Service being offered, the process or the way, the method of delivery of that Service and the person offering and receiving the services known as people. All around the world as the country becomes more developed Services play more important part in a nation's economy. The economy of U.S.A, U.K, France etc are the example of it. For our country also Services are becoming more important. In our GDP now they constitutes more than fifty percent. So Services sector is of more importance to our economy now and banking sector is the backbone of an economy.

Objective of the Study

Banking sector offers hope of growth to the economy of a country. Specially a developing country such as India. If banking sector grows definitely the industry of our country will grow. In banking services quality is of immense important since it the quality of delivery of banking products due to which the customers get attracted and attaches itself to a particular bank. The services quality of banking products constitutes the components of assurance given by the bank, the responsiveness of the bank, the reliability of the bank, the tangibility of the bank and the empathy component of the bank towards the customers. All these components together can make a bank successful or

*Associate Professor, Dewan institute of management studies, Meerut. Email: prashantsharmavm@gmail.com
**Professor, Bharat Institute of technology, Meerut
***Research Scholar

unsuccessful. In our country after the nationalization of banks the Public sector banks were important players in the economy but in the era of liberalization the Private sector banks are also playing important role. Both sector banks are competing against each for share of Indian market and since quality of services is an important issue in banking sector it has been decided to make a comparative analysis of services quality of both sector banks and for that the strong Punjab National Bank of Public sector and emerging Axis Bank of Private sector has been considered for the study. The area taken is of Meerut an emerging city adjacent to the National capital.

Hypothesis

- All the five dimensions of services quality that are tangibility, assurance, responsiveness, reliability and empathy are taken for the construction of hypothesis. It has been assumed that there exists significant difference in all these five dimensions of services quality for both the banks.
- There exists significant difference in time taken for providing financial products to customers by both the banks.
- There exists significant difference in satisfaction status of customers for the procedure (form filling, documents to be provided) to obtain financial products.
- There exists significant difference in satisfaction status of customers regarding internet banking facility provided by both the banks.

Research Methodology

For the study a proper frame work to conduct the research work was designed.

Research design: As our research work is related towards, measuring of customer attitude for services quality Descriptive research design was chosen through it an in-depth analysis into the customers mind is possible, analyzing the consumer on several dimensions was possible.

Sampling technique: For it the simple random sampling technique is chosen. The idea for non probability sampling was rejected as it leads to inferior quality of research work restricting the scope of statistical analysis technique. The technique adopted provides every element of population equal chance of being selected in sample.

Sample size: For it fifty customers from one branch and fifty from another branch of Punjab National bank are taken. Fifty customers from one branch and fifty customers from another branch of Axis bank were chosen. All the branches are located in prime locations of the city.

Data collection: Both secondary and primary data is collected for the study. The secondary data is collected through books, journals, magazines, news papers and websites. The primary data is collected through construction of questionnaire. Non comparative rating scale was used. In it rating on a scale of one to seven is provided. In it the ascending numbers indicate the positive attitude of customers towards the services quality.

Data analysis: It is done through Z test for difference between the means of two samples. As our sample size is greater than thirty customers Z test is suitable to know the difference. Our sample size is sufficient we can consider the standard deviation of sample when standard deviation of population is unknown.

Review of Literature

In the early 1980s, banks started thinking in terms of product development, market penetration and market development (Ajit, 1986, Bhattaracharya and Ghose 1989). Quality in products & service is very important especially for the growth and development of service sector business enterprises (Radhakrishnan and Baber, P., 1984). The prime function of banks is the creation and delivery of customer needed service in a customer-satisfying manner (Sundaram, 1994). Delivering higher levels of service quality is the strategy that is increasingly being offered as a key to service provider's efforts to position themselves more effectively in the marketplace (Buzzell, R.D. and Wiersema, F.D (1991). The costs of poor quality relate to lack of responsiveness to the customer, dissatisfied customers complaints and adverse word-of-mouth communication, and dissatisfied employees (Crosby, 1979; Goodman, Marra and

Brigham 1996). Parasuraman, A., Zeithaml V.A. and Berry. L.L. (1985) offer the most widely reported set of service quality dimensions: tangibility, reliability, responsiveness, communications, credibility, security, competence, courtesy, understanding/knowing the customer, and access. Shah (1982), while studying customer products & service in banks, stressed the need for training of staff in areas like prompt cash payments and receipts at the counter, efficient pass book and statements service, prompt collection and remittance services, early decisions on credit applications and patient attention to complaints as he finds them major sources of customer dissatisfaction. With a view to improve customer satisfaction/ services, Bhattacharya, B.N. and Ghose, N.K. (1989), Nageswar (1987) and Muniraj (1994) stressed on market oriented banking which the authors mean a new culture, a disciplined, dedicated, professional and committed manpower, specialized bank employees, provision of quick redressed measures, extending personalized service, streamlining the age old systems and procedures. Chidambaram (2006) in his study suggested Total Quality Management (TQM) as a means to improve customer service in banks. Barnes, J.G. (2001) observed that banks have to design their working to create client confidence for better services. Joshua A J and Moli P Koshi (2005) that expectations and perception of service quality in old and new generation banks observed that the performance of the new generation banks across all the service quality dimensions are better than those of old generation banks. Sandip Gosh Harsha and B L Srivatsava (2009) in their study indicated that the bank should pay attention to the service quality and pay more attention to dimensions of responsiveness and empathy to increase the loyalty to company willingness to pay, customer commitment and customer trust.

Characteristics of banking services

There are several characteristics of banking services. That has value in context to marketing

Intangibility: This is a unique trait of services. They are intangible in nature. Customers can't touch them. The banking services are Savings account, Current account, Credit cards, different types of loans etc. We can feel them only through touching documents. We can't say that this particular service (product) is being put or lying there. So in order to market banking services effectively the quality in delivering them is essential.

Inseparable: The banking services efficiency depends on the employee who delivers them they way, the manner in which the bank employee deals with the customer the more assuring, more caring, more energetic is the employee while delivering the service the more will be generated in banking service. We can say that the benefit or service offered is inseparable from the person who is delivering the service. Definitely there are several dimensions in service quality. That need to be looked on.

Variability: Banking services are variable in nature there heterogeneity depends on person to person who delivers service. An employee while delivering the loan to the customer may be very prompt and responsive in his actions, thus increasing the services quality while the other employee, during delivering loan may be negligent in his attitude thus decreasing the services quality. The banking services quality varies from employee to employee also.

Data analysis and findings

Customers were asked to rate all these five dimensions of services quality on a non comparative rating scale of one to seven, here the ascending numbers show more positive view of customers towards that dimension.

Tangibility: This dimension is very important in context of banking services. As the Banking products are intangible in nature banks effort to make them tangible through constructing more attractive building, parking space, equipments, printed materials about their products, nicely dressed employees is vital for the promotion of their product. Question targeted with the tangibility aspect of both P.N.B and Axis Bank gave the result as per table No 1on computing the Z value it was -6.3544. It comes under rejection region for two tailed test at 5% level of significance. So the null hypothesis that the tangibility aspect of services quality of both the banks is same stands rejected and the alternative hypothesis that there is significant difference in services quality of both the banks is accepted.

Table 1

Dimensions of Services quality	P.N.B		AXIS		Z Value
Tangibility	Mean	S.D	Mean	S.D	
	3.49	1.49	4.67	1.22	6.1275
Reliability	5.03	1.22	3.86	5.52	2.0696
Responsiveness	4.47	1.15	4.86	1.01	-2.5481
Assurance	4.00	1.63	4.24	1.47	-1.0934
Empathy	2.73	1.39	4.28	1.54	-7.1745
All five dimensions	3.94	1.58	4.38	1.36	-4.7195

Reliability: When the question related with reliability was asked, customers show more faith with the P.N.B. The mean score of P.N.B was high than the mean score of Axis bank. On calculating the Z value it was found that it lies outside the +1.96 and -1.96 value of Z at 5% level of significance. So again the alternative hypothesis was selected. It indicates that there exists significant difference in reliability factor of both the banks.

Responsiveness: For responsiveness the mean score of P.N.B and Axis Bank was 4.47 and 4.86 respectively. On calculating the Z value it is -2.5481 it comes under rejection region for two tailed test at 5% level of significance. The null hypothesis is rejected and alternative hypothesis that there exists significant difference in responsiveness factor for both the banks is selected.

Assurance: For assurance factor the mean scores for P.N.B and Axis bank are 4.00 and 4.24 respectively. The Z value on calculation is -1.0934 as it lies in between +1.96 and -1.96 the null hypothesis is accepted. So there is no significant difference for the Assurance factor of P.N.B and Axis Banks.

Empathy: Here Empathy indicates for the caring attitude of bank employees. The mean score of Axis bank is far more than the mean score of P.N.B. The Z value is -7.1745 this value does not lies between +1.96 and -1.96. So alternative hypothesis is accepted. Here lies significant difference in the empathy factor for both the banks.

All the five quality dimensions: The composite mean and standard deviation for all the five dimensions of services quality were calculated for P.N.B and Axis bank. Z value was calculated it come to be -4.7195. It lies in the region of rejection. So alternative hypothesis is selected. We can say that there exists overall difference in services quality of both the banks.

Table 2

Areas in which Comparison is to be done	P.N.B		AXIS		Z Value
Time taken in providing financial products	Mean	S.D	Mean	S.D	**Z** value
	3.15	1.00	5.55	.83	-18.4675
Customer satisfaction regarding procedure to obtain financial products	3.75	1.27	4.38	1.24	-3.5494
Customer satisfaction regarding internet banking services	4.58	2.10	4.93	.76	-1.2336

Time taken in providing financial products: Customers were asked to rate the banks regarding the time taken by the banks to provide financial products. On applying the test on values obtained through customers survey. The z value comes in the region of rejection. So we can say that significant difference exists in the time taken by both the banks to provide financial products.

Customer's satisfaction regarding procedure to obtain financial products: Customers view regarding the procedure of obtaining banking products was taken and it was found that the difference is significant in case of both the banks. Though the procedures were more or less same but difference existed in satisfaction status of both the banks.

Customer's satisfaction regarding internet banking facility: Views of customers from both the banks were taken for the internet banking facility they are using. On calculating the z value it was -1.2236. This calculated value is within the value of z at 5% level of significance. So there is no significant difference in this case.

Conclusion

On the basis of our findings we can conclude in the way as under

- The hypothesis undertaken that there exists significant difference in the tangibility component of services quality of both the banks holds true. As mean of Axis bank is higher it is much better in this dimension than P.N.B.
- The hypothesis undertaken that there exists significant difference in the reliability component of both the banks holds true. Here customers have shown more faith in the Public sector Punjab national Bank.
- For responsiveness shown by the bank employees has significant difference for both the banks. The employees of Axis bank are more responsive than that of P.N.B.
- The hypothesis undertaken by us for the difference in Assurance component does not holds true. It is rejected and the assurance factor is same for both the banks.
- For Empathy component there exists significant difference in case of both the banks. The employees of Axis bank are more caring and concerned for customers than the employees of axis bank.
- The overall services quality provided by the Axis Bank is far better than that of P.N.B.
- The time taken for providing financial products is more in case of P.N.B. Axis bank has come up as an efficient bank, providing speedy services.
- The procedures for obtaining products may be more or less same but there exists significant difference in satisfaction status of customers of both the banks. The Axis bank has provided the satisfaction more than the P.N.B to customers.
- The internet banking facility of both the banks has no significant difference for satisfaction status of customers.
- Due to much better services of Axis bank it is providing more customer satisfaction leading to spurt in its growth in Meerut area.

Suggestions:

After the research work several suggestions have evolved out

- The P.N.B should improve its tangibility, responsiveness and empathy component of services quality in order to remain competitive. They are vital services quality dimensions.
- The overall services quality should be improved by P.N.B.
- The time taken in providing products by P.N.B. should be improved in order to provide better customer services.
- The procedure to obtain financial products should be made more customers friendly by P.N.B.
- The Axis bank should make efforts to create more reliability for its customers.

References

1. *Ajit, S. (1986) "Training for Bank Marketing", Financial Express, Bombay, December 31, p.6.*
2. *Bhattacharya, B.N. and Ghose, N.K. (1989) "Marketing of' Banking Services in the 90s, Problems and Perspectives", Economic and Political Weekly, February 25, Vo.24, No.8.*
3. *Radhakrishnan and Baber, P. (1984) "Mechanization: Better Cheque Handling", The Economic Times, October 15, p.5.*
4. *Sundaram, S. (1994) "Customer Service in Banks at Crossroads", The Journal of the Indian Institute of' Bankers, Vol.55, No.4, pp.217-223.*

5. *Buzzell, R.D. and Wiersema, F.D (1991), "Successful Share-building Strategies", Harvard Business Review, January-February p.1 35.*
6. *Parasuraman, A., Zeithaml V.A. and Berry. L.L. (1985), "A Conceptual Model of Service Quality and its Implications for Future Research". Journal of Marketing, Vol.49, Fall, pp.41-50.*
7. *Kumar, Manoj, (2008), "Measuring customers satisfaction in the Banking industry", www.indiamba.com*
8. *Devlin, S.J. and Dong, H.K. "Service Quality from Customer Perspective", Marketing Research, Vol.6, No. 1, pp. 5-13.*
9. *Valarie A Zeithamal, "Services Marketing", 2011, TATA McGraw-Hill.*
10. *R. Srinivasan, "Services Marketing-The Indian Context", 2012, PHI.*
11. *Naresh K. Malhotra & Satyabhushan Dash, "Marketing Research", 2010, Pearson Education.*

An Empirical Study of Random Walk Hypothesis of Kuala Lumpur Stock Market (Composite Index) - Bursa Malaysia

Dr. Satish Kumar*
Mr. Lalit Kumar**

Abstract

As long as financial markets are concerned, for many years' economists, statisticians and financial analyst have been interested in developing and testing models of stock price behaviour and their forecast. This study examines whether the Kuala Lumpur Stock Market, Malaysia is efficient if the Stock Returns follow a random walk. The study employs daily closing prices of Kuala Lumpur Stock Exchange - Bursa Malaysia Composite Index for a time period of 28 Apr 1998 to 30 Dec 2014. The existence of random walk for Bursa Malaysia Index has been examined through autocorrelation, Q-statistics and the run test and finds that the Kuala Lumpur Stock Market was not efficient in the weak form during the testing period. The results suggest that the stock prices in Malaysia do not reflect all the information in the past stock prices and abnormal returns can be achieved by investors through exploiting the market inefficiency.

Keywords: Autocorrelation tests, Run test, Random Walk Hypothesis (RWH), Kuala Lumpur Stock Exchange, Bursa Malaysia, Composite Index.

Introduction

The weak form says that the current prices of stock already fully reflect all the information that is contained in the historical sequence of prices. Therefore, there is no benefit, as far as forecasting the prices/returns behaviour of the capital markets is concerned, in examining the historical sequence of the prices. If a market is efficient, stock price movements should follow a random walk and the price movements in the past should not be related to future price movements. But if the market is not efficient and price movements are not random, some investors can exploit the inefficiency by gaining abnormal returns. They may be able to correctly predict the future price movements by examining the historical price movements. There have been some studies testing the Efficient Market Hypothesis (EMH) in regards to the Kuala Lumpur stock market but the results have been inconclusive.

This study analyzes the daily Kuala Lumpur Composite Index returns from 28 Apr 1998 to 30 December 2014 by using some commonly used methodologies to determine whether the Kuala Lumpur market is efficient in the weak form. The Bursa Malaysia is Malaysia's leading stock exchange covering various cities and towns across the country. Bursa Malaysia was set up by leading institutions to provide a modern, fully automated screen-based trading system with national reach. The Exchange has brought about unparalleled transparency, speed & efficiency, safety and market integrity. The Kuala Lumpur Stock Exchange (KLSE, Bursa Saham Kuala Lumpur in Malay) dates back to 1930 when the Singapore Stockbrokers' Association was set up as a formal organization dealing in securities in Malaya. In 1937, it was re-registered as the Malayan Stockbrokers' Association, but it still did not trade public shares.

By 1960, the Malayan Stock Exchange was formed and public trading of shares began on 9 May. In 1961, the Board system was introduced whereby two trading rooms, one each in Singapore and Kuala Lumpur, were linked by direct telephone lines into a single market with the same stocks and shares listed at a single set of prices on both boards.

*Professor & Director, Dewan Institute of Management Studies, Meerut, Uttar Pradesh Technical University, Lucknow.
**Assistant Professor, Dewan Institute of Management Studies, Meerut, Uttar Pradesh Technical University, Lucknow.

The Stock Exchange of Malaysia was officially formed in 1964 and in the following year, with the secession of Singapore from Malaysia, the common stock exchange continued to function under the name Stock Exchange of Malaysia and Singapore (SEMS).

In 1973, with the termination of currency interchangeability between Malaysia and Singapore, the SEMS was separated into The Kuala Lumpur Stock Exchange Bhd (KLSEB) and The Stock Exchange of Singapore (SES). Malaysian companies continued to be listed on SES and vice-versa. A new company limited by guarantee, The Kuala Lumpur Stock Exchange (KLSE) took over operations of KLSEB as the stock exchange. In 1994, it was renamed Kuala Lumpur Stock Exchange.

In addition, it also fully suspended the trading of CLOB (Central Limit Order Book) counters, indefinitely freezing approximately US$4.47 billion worth of shares and affecting 172,000 investors, most of them Singaporeans.

Kuala Lumpur Stock Exchange became a demutualised exchange and was renamed Bursa Malaysia in 2004. It consists of a Main Board, a Second Board and MESDAQ with total market capitalization of MYR700 billion (US$189 billion).

Bursa Malaysia Derivatives Berhad (BMD), formerly known as Malaysia Derivatives Exchange Berhad (MDEX), is a 75% owned subsidiary of Bursa Malaysia Berhad which provides, operates and maintains a futures and options exchange. BMD operates the most liquid and successful crude palm oil futures (FCPO) contract in the world.

It operates under the supervision of the Securities Commission and is governed by the Capital Market and Services Act 2007. BMD also falls under the jurisdiction of the Ministry of Finance of Malaysia, thus offering investors the security of trading on a regulated Exchange with infrastructure and regulations comparable to that of established markets worldwide.

On September 17, 2009, Bursa Malaysia Berhad entered into a strategic partnership with Chicago Mercantile Exchange (CME) with the view to improve accessibility to its derivatives offerings globally. This includes licensing of the settlement prices of the FCPO to position Malaysia as the global price benchmark for the commodity as well as global distribution of Bursa Malaysia's products through the Globex electronic trading platform. CME now holds 25% of the equity stake in Bursa Malaysia Derivatives Berhad, while the remaining 75% interest is held by Bursa Malaysia Berhad.

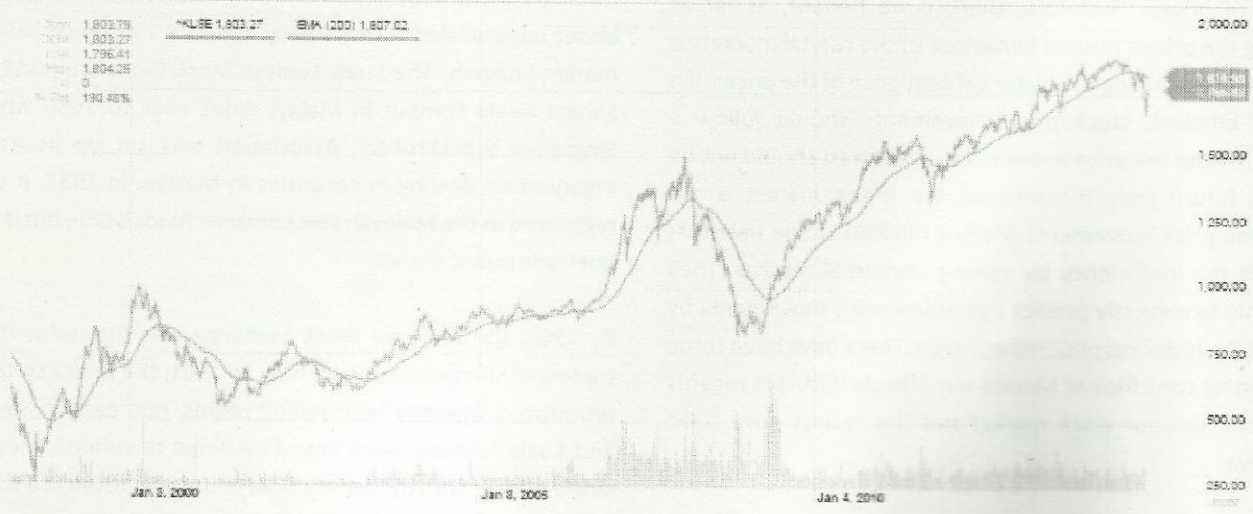


Chart Period: 28 Apr 1998 - 30 Dec 2014

Chart Period: 01 Jan 2014 - 30 Dec 2014

Literature Review

The concept of market efficiency is based on the arguments put forward by Paul A. Samuelson (1965) that anticipated price of an asset fluctuate randomly. Prof Eugene Fama (1970) presented a formal review of theory and evidence of market efficiency and subsequently revised in 1991. He developed the three forms of market efficiency: weak form, semi-strong form and strong form. Since then many studies have been done to examine whether some markets are efficient in the weak form. For instance, Chan, Gup, and Pan (1992) analyzed the weak form hypothesis in Hong Kong, South Korea, Singapore, Taiwan, Japan, and the United States. Their findings indicate that stock prices in these major Asian markets and the United States are efficient in the weak form. Vaidyanathan and Gali (1994) also found that the Indian capital market is weak form efficient using a filter rules test. Ayadi and Pyun (1994) acknowledge that the variance ratio test is more appealing than the traditional test for random walk. They also showed that South Korean market does not follow random walk when tested under homoscedastic error term assumption and follows random walk when the test statistic is corrected for heterocsedasticity. Lo and MacKinlay (1998) use a variance ratio test to analyze the weekly returns of both the equally weighted and value weighted CRSP indices and find that stock prices do not follow a random walk. Ming, Nor & Guru (2000) showed that variance ratio and multiple variance ratio tests reject random walk for Kuala-Lampur stock exchange.

Gu (2004) also studied the weak form efficiency of the NASDAQ composite index by using of the variance ratio test from 1971 to 2001. Using daily returns, he finds evidence that the daily returns of the NASDAQ are not weak form efficient. In contrast, Seiler and Rom (1997) study the random walk hypothesis by using the Box-Jenkins methodology from 1885 to 1962 and find that historical stock price movements are random.

Several researchers have examined market efficiency in India but got the For example, Gupta and Basu (2007) evaluated market efficiency in the Indian stock market from 1991 to 2006. They use the ADF, PP, and KPSS procedures to test for unit roots. Their results indicate that Indian Stock Markets do not follow a random walk. Thomas and Kumar (2010) use the runs test and Kolmogorov-Smirnov test and find the same results using daily returns in the Indian Stock Market from 2004 to 2009. M.R. Borges (2008) tests the existence of the random walk and EMH for European stock markets, namely UK, France, Spain, Germany, etc by using ADF tests, variance ratio and correlation tests for monthly stock prices. In one more study, Khan, Ikram and Mehtab (2011) used a runs test to analyze the daily returns from the BSE Sensex, the S&P CNX Nifty and various publications of the Reserve Bank of India from April 2000 to March 2010. The runs test indicated that both the NSE and BSE do not follow a random walk. However in an earlier study Pant and Bishnoi (2001) found that the Indian stock market in weak form was efficient when using the

Dickey Fuller Test. Another study by Hamid, Suleman, Shah and Akash (2010) tested the weak form of efficiency for the case of Asia Pacific Markets which included 14 countries such as India, Pakistan, Japan, Australia, Taiwan among others. Mall, Pradhan, and Mishra (2011) use daily data from June 2000 to May 2011 and found that the Indian capital market is weak form efficient.

Data

The data used in this study consisted of Kuala Lumpur Composite Index returns for the Kuala Lumpur Stock Exchange of Malaysia. The data is retrieved from KLSE official website www.bursa malaysia.com from 28 Apr 1998 to 30 December 2014. The index returns is then transformed to natural logs with a one period lag. Index closing prices are adjusted to reflect dividends and stock splits. The stock returns are defined as follows:

$$R_t = Log_{pt} / Log_{pt-1}$$

Where, R_t is the return at time t on the National Stock Exchange, Log_{pt} is the logarithmic price at time t and Log_{pt-1} is the logarithmic at time, t-1. The reason for transforming time series is to ensure that the data is stationary. Working with non-stationary data can cause model misspecifications.

Methodology

Research Design

The study aimed to know the random walk of Kuala Lumpur Composite Index; hence the research design of the study is descriptive in nature.

Objective

The objective of the study is to test the validity of RWH in KLSE Segment.

Hypothesis

To achieve the above objective, the following hypotheses have been formulated.

H_0: The return series in KLSE Composite Index is not random.

H_1: The return series in KLSE Composite Index is random.

In testing the market efficiency of the Kuala Lumpur Composite Index, autocorrelations and runs test are employed. Applied methods autocorrelations test and run test examine if time series data exhibits randomness. The methodology used in this study is similar to Thomas and Kumar (2010) and Khan, Ikkram, and Mehtab (2011). But this study uses the more current daily price data from 28 April 1998 to 30 December 2014. The autocorrelation test is a parametric test that makes assumptions about the normality of data. This study also uses a non-parametric procedure to examine randomness, the runs test. We seek to test the hypothesis that the series of returns are i.i.d. (independently and identically distributed) random variables.

If significant autocorrelations are found in times series data, stock returns do not follow a random walk and the market can be considered as inefficient in the weak form because it would be possible to make accurate predictions about the future price movements based on past price movements. However, if stocks returns do follow a random walk, then investors may not be able to successfully predict future returns because future price movements are related to past price movements. The Descriptive & Autocorrelation analysis has been done through EViews 7.0 and Runs Test through SPSS 20 Software.

Results

Table 1 (all tables are in the Appendix) illustrates the calculation of a summary of 4118 daily statistics. The returns range from 2.62% to 18.92%, and exhibit less kurtosis than a normal distribution and a sample standard deviation of .08%. The returns have a positive skewness of 0.38 and a reported kurtosis of -1.053. A kurtosis of 3 is considered to be associated with a normal distribution. In this case the kurtosis is -1.053 and indicates probable tail risk. Tail risk is risk that occurs infrequently; however, when tail risk does occur, the returns are often associated with significant volatility. Kurtosis explains where the standard deviation originates.

Table 2 illustrates the results of the autocorrelations test. There are 16 lag periods associated with the autocorrelation test. The first lag depicts an autocorrelation of -0.035 and a Q-Statistic value of 5.168 and is significant at the 90% confidence level. This

indicates that the stock returns of the Indian stock market do not follow a random walk. Lags 1,6,13, 15 and 16, all exhibit negative autocorrelations. In most of the lags, the p value is less than 0.10 and is significant again at the 90% confidence level that stock returns on the Kuala Lumpur stock market are random. The results are consistent with the results by Thomas and Kumar (2010). The implication is that investors may be able to predict future returns by analyzing the past price movements and thus renders the market inefficient in the weak form. The autocorrelations test is a parametric test and assumes that the data is normally distributed. In order to be scientifically sound, a runs test is conducted which is a non-parametric test that does not assume normality in the data. Table 3 shows the results of the Runs test. This study finds the Z value to be -63.213 and lie outside of the range of 90% confidence level that stock returns follow a random walk. Also, the P value is .000 and is significant at the 90% confidence level. Our results are consistent with the findings by Khan et al. (2011). The findings from the runs test indicate that the Kuala Lumpur stock market follow a random walk and the market can be classified as weak form inefficient.

Conclusion

Many studies have been done to test the efficiency of Asian market in the weak form but the results have been inconclusive. Some studies find the market efficient in the weak form but others find the market inefficient in the weak form. In this study, we use autocorrelation and runs test to analyze daily index returns of the Kuala Lumpur Stock Exchange from 28 April 1998 to 30 December 2014. The results of the autocorrelation and runs test indicate that the Kuala Lumpur stock market is random and hence, inefficient in the weak form during our testing period and imply that it is not possible to achieve abnormal returns by predicting the future price movements based on past stock price movements.

References

1. *Ayadi, O.F., and Pyun, C.S., 1994, "An application of variance ratio tests to the Korean securities market," Journal of Banking and Finance, 18, 643-658.*
2. *Borges, M.R. (2010). Efficient market hypothesis in European stock markets. The European Journal of Finance, 16(7), 711-726.*
3. *Chan, C.K., Gup, B.E., and Pan, M.S. (1992). An empirical analysis of stock prices in major Asian markets and the U.S. Financial Review, 27(2), p. 289-307.*
4. *Fama, E., (1970). Efficient Capital Markets: A review of theory and empirical work. Journal of Finance, 25, p. 289-307.*
5. *Gupta, P.K., & Siddiqui, S. (2010). Weak form of Market Efficiency: Evidences from selected NSE Indices. Available at SSRN 1355103.*
6. *Gupta, R., and Basu, P.K. (2007). Weak form efficiency in Indian stock markets. International Business and Economics Research Journal, 6(3), p. 57-64.*
7. *Gu, A.Y. (2004). Increasing market efficiency: Evidence from the NASDAQ. American Business Review, 22(2), p. 20-25.*
8. *Hamid, K., Suleman, M.T., Shah, S.Z.A., & Akash, R.S.I.(2010). Testing the weak form of efficient market hypothesis: Empirical evidence from Asia-Pacific Markets. International Research Journal of Finance and Economics, 58, 121-133.*
9. *Khan, A.Q., Ikram, S., and Mehtab, M. (2011). Testing weak form market efficiency of Indian capital market: A case of national stock exchange (NSE) and Bombay stock exchange (BSE). African Journal of Marketing Management, 3(6), p. 115-127.*
10. *Lo, A.W. and MacKinlay, C. (1998). Stock market prices do not follow random walks: Evidence from a simple specification test. The Review of Financial Studies, 3(1), p. 41-66.*
11. *Mall, M., Pradhan, B.B., and Mishra, P.K. (2011). The efficiency of India's stock market: an empirical analysis. International Research Journal of Finance and Economics, 69, p. 178-184.*
12. *Ming, L.M., Nor F.M. and Guru, B.K., "Random Walk and Technical Trading Rules: Some Evidence from Malaysia", 2000.*
13. *Pant B. and Bishnoi, T.T. (2001). Testing random walk hypothesis for Indian stock market indices. Proceedings of the Fifth capital markets conference 2001, UTI Institute of Capital Markets.*

14. *Seiler, M.J. and Rom, W. (1997). A historical analysis of market efficiency: Do historical returns follow a random walk? Journal of Financial and Strategic Decisions, 10(2), p. 49-57.*
15. *Thomas, A.E., and Kumar, M.C.D. (2010). Empirical evidence on weak form efficiency of Indian stock market. ASBM Journal of Management, III, (1&2), p. 89-100.*
16. *Vaidyanathan, R., and Gail, K. (1994). Efficiency of the Indian capital market. Indian journal of finance and research, 5(2), p. 35-38.*

APPENDIX

Table 1: Descriptive Statistics of KLSE (Composite Index)

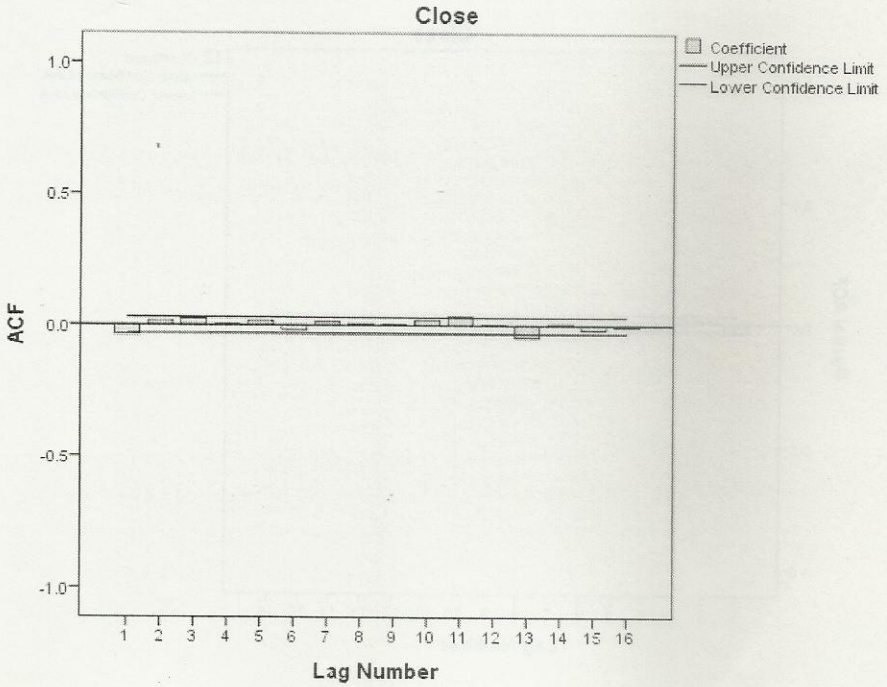
Descriptive Statistics						
	N	Range	Minimum	Maximum	Sum	Mean
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic
Close	4118	1629.95	262.70	1892.65	4494144.23	1091.3415
Valid N (listwise)	4118					

Descriptive Statistics						
	Std. Deviation	Variance	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Close	407.53565	166085.310	.386	.038	-1.053	.076
Valid N (listwise)						

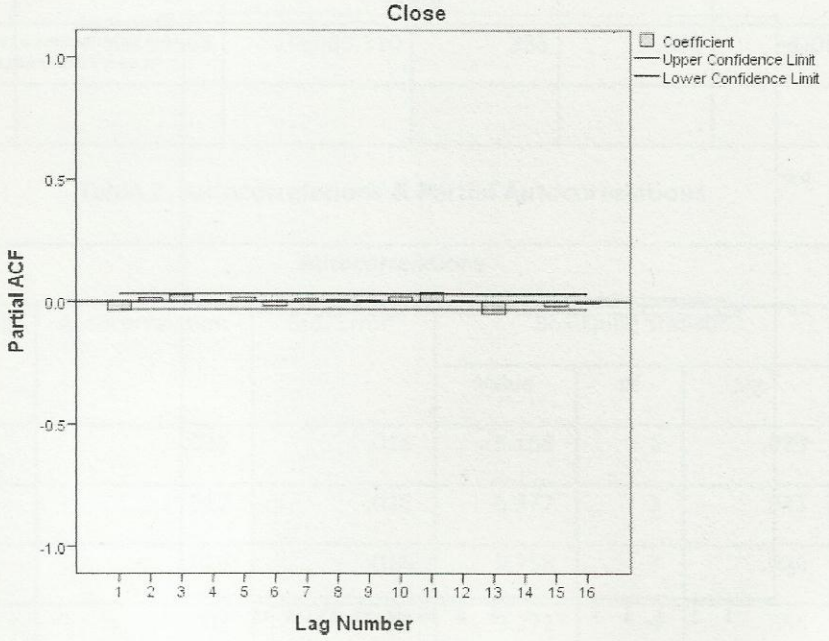
Table 2: Autocorrelations & Partial Autocorrelations

Autocorrelations					
Lag	Autocorrelation	Std. Error[a]	Box-Ljung Statistic		
			Value	df	Sig.[b]
1	-.035	.016	5.168	1	.023
2	.017	.016	6.377	2	.041
3	.026	.016	9.258	3	.026
4	.002	.016	9.272	4	.055

5	.017	.016	10.520	5	.062
6	-.019	.016	12.040	6	.061
7	.014	.016	12.829	7	.076
8	.007	.016	13.006	8	.112
9	.003	.016	13.056	9	.160
10	.020	.016	14.644	10	.146
11	.035	.016	19.836	11	.048
12	.002	.016	19.851	12	.070
13	-.047	.016	28.805	13	.007
14	.007	.016	28.990	14	.010
15	-.017	.016	30.190	15	.011
16	-.006	.016	30.329	16	.016
a. The underlying process assumed is independence (white noise).					
b. Based on the asymptotic chi-square approximation.					



Partial Autocorrelations		
Series: Close		
Lag	Partial Autocorrelation	Std. Error
1	-.035	.016
2	.016	.016
3	.028	.016
4	.003	.016
5	.017	.016
6	-.019	.016
7	.012	.016
8	.007	.016
9	.004	.016
10	.019	.016
11	.037	.016
12	.003	.016
13	-.049	.016
14	.001	.016
15	-.016	.016
16	-.005	.016



a. Based on availability of workspace memory.

Table 3 : **Runs Test**

	Close
Test Value[a]	935.41
Cases < Test Value	2059
Cases >= Test Value	2059
Total Cases	4118
Number of Runs	32
Z	-63.213
Asymp. Sig. (2-tailed)	.000

Convergent Excellence: An Intelligent Approach

Goyal V.K.*
Joshi Deepika Sagta**
Rohila Sundeep***

Abstract

This paper attempts to uncover the basic purpose of understanding "What is it that causes the human beings to stretch, conquer and go beyond the imagination". The term, Convergence, for the purpose of this paper, refers to excellent individuals, who are full of potential and pride for the organization. They are systematic, organized and they take pride in working together as a cohesive team. Their sole purpose is to ensure that the organization for which they are working is the beneficiary of their hard work. "United we Stand, Divided we fall" is main theme.

For, organizations invariably, believe in the following analogy:

- Coming together is beginning
- Staying together is Progress
- Working together is Success!!!

This paper deals with different attributes of convergence and how to create a right balance among these attributes. We conclude, that for the purpose of achieving team excellence, each of the individuals are required to develop several aspects of the personality both as an individual as well as in team with respect to the team excellence and coherence.

Introduction

Since, time immemorial, human beings have always expressed their desire to excel. Excel in terms of weird achievements; excel in terms of defying the basic laws of nature; excel in terms of conquering insurmountable boundaries; excel in terms of building an island over the sea and above all an innate desire to excel, surpass and reach beyond the limitations imposed by nature. But the moot question "What is it that causes the human beings to stretch, conquer and go beyond the imagination" remains unanswered. It stands silhouetted against the ever increasing quest of human beings to find the answer to this question. This paper attempts to uncover the basic purpose of understanding this questions. Hence, this forms the basic objective of this paper.

Convergent Excellence

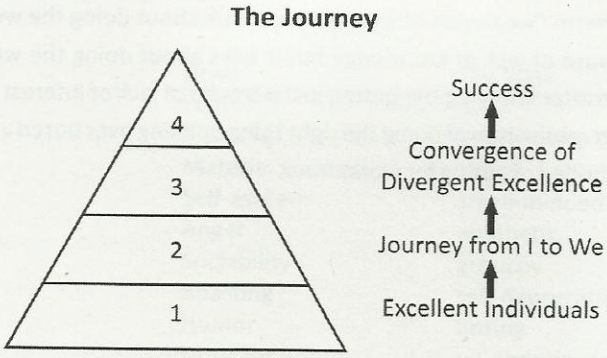
To achieve success in this competitive world, multitude factors are required. For the purpose of this paper, all these multitudes have been clubbed and coined under the term "Convergent Excellence" or CE in short.

The term, Convergence, for the purpose of this paper, refers to excellent individuals, who are full of potential and pride for the organization. They are systematic, organized and they take pride in working together as a cohesive team. Their sole purpose is to ensure that the organization for which they are working is the beneficiary of their hard work. For, they believe that if the organization is growing and prospering they themselves will prosper.

For an organization to achieve success, the adage, "United we Stand, Divided we fall", stands like a rock of Gibraltar. Absence of the application of this core principle renders the organization into oblivion. For, organizations invariably, believe in the following analogy:

- Coming together is beginning
- Staying together is Progress
- Working together is Success!!!

*Prof. & Dean Admin., Jaipuria School of Business, Ghaziabad. Email: vkg2311@rediffmail.com
**Asst. Prof (IT & HR), Jaipuria School of Business, Ghaziabad. Email: dsagta@gmail.com
***Director General, Trinity Business School, Murad Nagar, Ghaziabad. Email: sundeeprohila@gmail.com



Attributes for Convergence

The following are the attributes for convergence:

- Self Awareness
- Weakness f Will
- Right Balance
- Responsiveness
- Commitment
- Trust
- Role Modeling
- Understanding the Interdependence
- Self Excellence
- Spirituality

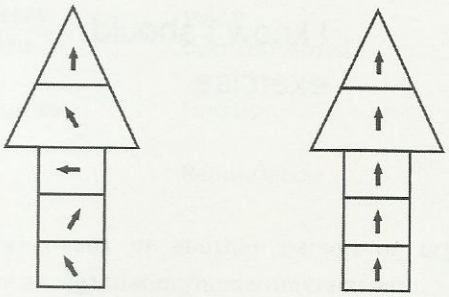
The above are practiced and followed by most of the individuals when they work independently. However, when the individuals work as a team, we observe that most of these attributes are either missing or are partially implemented thereby failing to render the importance of these attributes for the efficient functioning of the team.

Let us take all of these attributes individually, so that we are able to grasp them better for the purpose of understanding them better in order to implement them at the earliest.

Self Awareness

Most of the individuals are very aware of their own SWOT (Strength, Weakness, and Opportunity & Threats) as an individual but are unable to analyze the same for entire team which has to work as a cohesive unit. For, when the teams work as a unit, the same excellence may not be visible and the entire team may produce the desired result. Hence, the need for "Convergence" assumes a greater significance and therefore greater the need for "Self Awareness".

The figure below depicts the two aspects of the self, the divergent self which is represented by an individual and the convergent self which is an integrated self and works in the interest of the team members.



Divergent Self **Divergent Self (Integrated)**

From the above, we infer the importance of the need for thorough self-awareness. Let us now delve into the steps for achieving Self awareness.

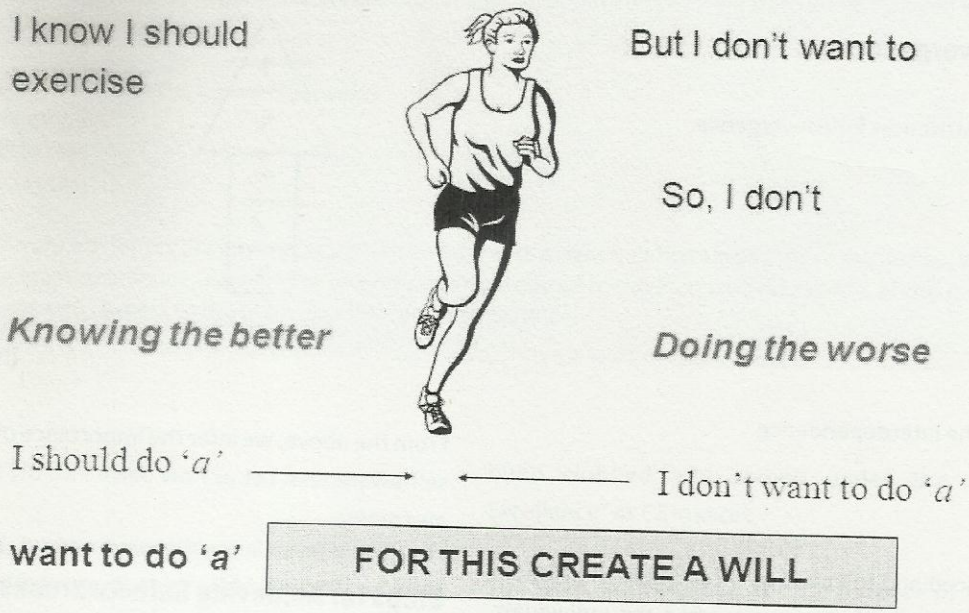
Steps for Achieving Self-Awareness

1. Exercise: What is the one single biggest asset one possesses?
2. Weave vision around this asset
3. Create unique personality brand, socially and professionally
4. Get out-of-fear factor of down sizing
5. Get out of recognition syndrome
6. Focus on how to achieve requisite vision
7. Direct every behavior to the vision
8. Map & Synchronize self vision with the vision of organization
9. Choose the legacy to be left behind
10. Pick a symbol from nature, which is you.

Weakness of Will

The principal vision considers weakness of will a glitch facing the usual premise of prudence. Only atypical thing is that weakness of will is not persistent adequately. Weakness of will is truly the governing approach between existing selves and prospects. Not always easy to do the accurate thing, yet still few people knowingly choose to build up nasty lifestyle.

The term "weakness of will" does not talk about doing the worse because of lack of knowledge but it talks about doing the worse even after knowing the better, just because of lack of interest and inner motivation of doing the right thing or being over bored and a bit thrilled of opting for worst.



"A weak-willed person lacks the ability to do the right thing, even when he/she knows what it is."

Author unknown

Right Balance

There are so many driving forces which pushes our will a lot and the impetus of drive results in entirely different outcomes if the force is too little we are at the dip end and if it is too much then we are on the peak end. So, to maintain a balance and to overcome the weakness of will, authors have coined the expected outcomes, if the just right impetus of drive takes place.

Right balance of all the drives eventually makes us balanced too and makes our personality much more reasonable.

Right Balance

Drive	Too little	Just right	Too much
Fear	rash	courageous	cowardly
Pleasure	insensitivity	self-controlled	self indulgent
Material goods	stingy	generous	extravagant
Self-esteem	small-minded	high-minded	vain
Anger	apathetic	gentle	short temper
Sociability	grouchy	friendly	obsequious
Boasting	self deprecating	truthful	vain
Humor	boring	witty	clownish
Drive for honor	un-ambitious	ambitious	over ambitious
Spending	grudging	magnificent	vulgar
Recognition-Syndrome	Unconcerned	concerned	over concerned
Religiosity	Aethism (Non Believer)	Righteousness	Fanatism
Spirituality	Materialism	Sadhak	Renunciation

"I have missed more than 9,000 shots, lost almost 300 games, on 26 occasions been entrusted to take the game winning shot ... and missed. I have failed over and over again in my life. And that is why I succeed."

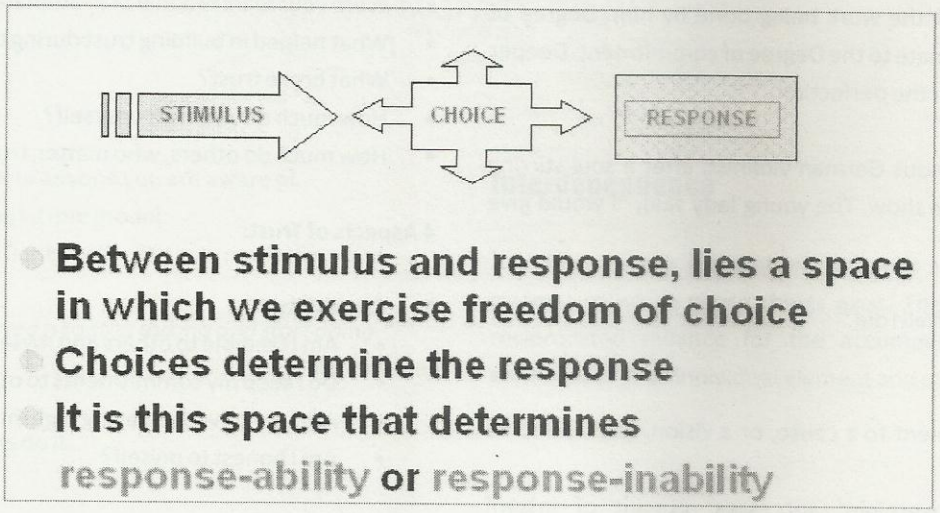
- Michael Jordan

Responsiveness

Responsiveness can be defined as the capability of identifying both the explicit (Clearly stated), and Implicit (unstated or below the surface) needs of another person or organization/ environment an organization/human interacts with.

Response-Ability & Response-Inability

Responsibility is a form of trustworthiness; the trait of being answerable to someone for something or being responsible for one's conduct; whereas when one fails to prove himself for trustworthiness and the trait of being answerable lacks, this shows his response-inability.



"It is not the strongest of the species that survives, nor the most intelligent, but the most responsive to change."

- Charles Darwin

Responsiveness

- The 80-20 principle
  - 80% of life is how you react to what's happened to you
  - 20% of life is what happens to you

- How responsive are you?
  - My friends and family find me dependable
  - I respond to all emails/calls within 24 hours
  - I am always given a lot of responsibility
  - I have the knack of predicting people's needs before they express it openly
  - I see my job as enabling others to do their jobs
  - I'm often occupied with last minute catch ups
  - When I say I need more time, no one challenges me
  - I've never missed a deadline
  - I spend a lot of time planning
  - I value other people's time

Commitment

Commitment refers to the act of binding you (intellectually or emotionally) to a course of action or we may say the complete delusion of oneself for the work being done by him. Degree of Perfection is proportionate to the Degree of commitment. Deeper the commitment better the perfection.

A young fan met a famous German violinist, after a soul stirring performance, after the show. The young lady said, "I would give my life to play like this."

The violinist replied, "Well I did."

Commitment

- Focused commitment to a cause, or a vision, can lead to its achievement
- There are no 'overnight' successes; pursuit of instant gratification leads to frustration
- Commitment leads to success in personal relationships and professional goals
- Vision + Passion = Commitment followed by Success
- Commitment helps you respond, not react
- Perseverance comes from commitment

"If people knew how hard I worked to get my mastery, it wouldn't seem so wonderful after all."

- Michelangelo

Trust

Trust is having both the dimensions emotional and rational. Emotionally, it is about the exposure of one's susceptibility to others, but believes that nobody will take undue advantage of this sincerity. Logically, it talks about accessing the chances of growth and failure, calculating anticipated efficacy based on tough performance data, and concluding that the individual in question will perform in a predictable manner. In practice, trust is a bit of both.

We feel trust. Sentiments linked with trust include friendship, acquaintance, adore, conformity, recreation, placate.

Exercise: The Trust Walk

- How did it feel to trust?
- How did it feel to be trusted?
- Were your fears rational or irrational?
- What helped in building trust during the walk?
- What broke trust?
- How much do you trust yourself?
- How much do others, who matter, trust you?

4 Aspects of Trust:

1. **Credibility**
   - Am I credible to others and myself?
   - Do I keep my commitments to others and myself?
   - Am I perceived as having high integrity?
   - Am I honest to myself?

2. Intent

- Am I transparent?
- Do I walk my talk?
- What is my agenda?

Do my actions reflect my intentions?

"The first key to greatness, is to be in reality what we appear to be."

- Socrates

3. Ability

- What talent/skill do I possess in abundance?
- Is my personal vision in line with my abilities?
- How much do I invest to develop & sharpen my skills/abilities?

4. Results

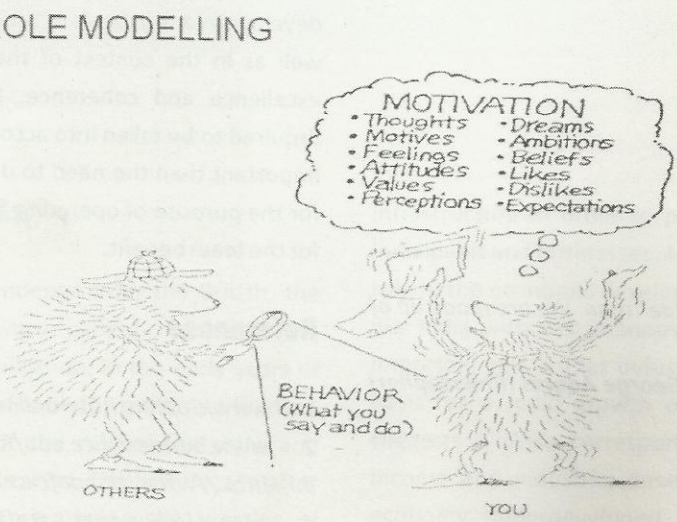
- Do I perform consistently?
- What standards do I set for myself?
- How much do I invest in sharpening my axe?
- Do I own my results?

Role Modelling

A Role Model is a person who serves as a case of the morals, thoughts, and deeds linked with a character. Role models can also be individuals who differentiate themselves in such a way that others have a high regard for them and want to follow them.

"If you want to lead, you must change... If you want to continue to lead, you must continue to change."

- Howard Hendricks



- Are you a role model to anyone you are aware of.
- A true leader is always a role model.
- Even a Dedicated & Trustworthy is a role model for many.

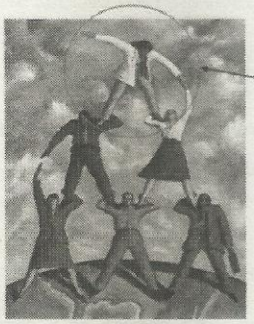
"The best way to get started is to stop talking and start doing."

- Walt Disney

- 'Walking the talk' lets do it.

Interdependence

It is the energetic associations between all living things and the systems in which those things exist. These interactions are of reciprocated reliance for the accomplishment or continued existence of each individual element and of the entire division.



**As is the human body, so is the cosmic body.
As is the human mind, so is the cosmic mind.
As is the microcosm, so is the macrocosm.
As is the atom, so is the universe.
- The Upanishads**

- Who all can help you achieve your vision?
  - Family?
  - Friends?
  - Society?
  - Employees?
  - Customers?
  - Superiors?
  - Government?
  - Strangers?
  - Nature?

"There is no such thing as a "self-made" man. We are made up of thousands of others."

- George Adams (Philosopher)

Self-Excellence

Self-Excellence is a mindset that generates a relentless approach. Excellence is a sense that guarantees you about projection of life's challenges. Forming and retaining this sentiment is the key to self-leadership and personal success. It's a deep feeling stating that we are not living up to our right potential. It is likely to do extra, to be more than we are.

Self-excellence is a journey, not a destination

- It is a habit, not an act
- It is true in the small things I do, not an exception
- It means expecting from myself more than what others do
- It is a battle fought within mind, not outside
- It never ends..

"Excellence means when we asks of ourself more than others do."

- Let us change ourselves or change will change us.
- The more convergent we are - the more convergent my organization is.

Conclusion

From, the above discussions, we conclude, that for the purpose of achieving team excellence, each of the individuals are required to develop several aspects of the personality both as an individual as well as in the context of the work with respect to the team excellence and coherence. But, the greatest, factor that is required to be taken into account is the fact of that none is more important than the need to develop oneself to the utmost both for the purpose of operating as an individual as well as operating for the team benefit.

References

1. *www.cluteinstitute-onlinejournals.com/PDFs/2007159.pdf*
2. *www.business.rice.edu/Research_excellence.aspx*
3. *http://www.islandofexcellence.com/publications.html*
4. *http://www.instituteforpr.org/files/uploads/Measure ExcellentLeadershipPR.pdf*
5. *http://faculty.cbpa.drake.edu/frank/mba_240_2969_ wkend/theme_3_personal_values/links_theme_3/good paster_ ethics_excellence.pdf*

Industrialization in India - The Bumps and Jumps

Siddharth Mathur*
R K Mittal**

Abstract

The paper highlights the trends and progress of industrialisation in India. Taking the global view in respect of industrialisation, comparative analysis has been presented to understand India's position. The gradual growth, competition, problems and resurgence on the global scale has been sketched out. Leading to the position at which India has reached today.

Keywords: Industrialisation, growth, economy.

Special Economic Zones (SEZs)

During India's struggle for independence from the British, the vision for India, once the country gained independence, emphasized planning and industrialization. In the early years of post-colonial India, these continued to be the dominant themes. Ideological differences were about the role of the state and redistribution, not about industrialization. The first decade after independence was all about factories being the temples of modern India, how the mountains had to be moved if they stood in the way (of progress) and the courses of rivers had to be changed. Industrialization, as a short-hand for large scale employment generating activity, has completely disappeared from the big debates in India. Large-scale employment generation is now part of poverty alleviation (such as the Rural Employment Guarantee Act). A major exception, though, is the new-found emphasis on infrastructure creation through public-private partnerships (PPP). Industrialisation is the process of manufacturing consumer goods and capital goods and of building infrastructure in order to provide goods and services to both individuals and businesses. As such Industrialisation plays a major role in the economic development of underdeveloped countries like India with vast manpower and varied resources. The first important role is that industrial development provide a secure basis for a rapid growth of income. The empirical evidence suggests a close correspondence between the high level of income and industrial development. In order to develop the economy underdeveloped countries need structural change through industrialization. History shows that in the process of becoming developed economy the share of the industrial sector should rise and that of the agricultural sector decline. This is only possible through deliberate and continuous industrialization. As a result, the benefits of industrialization will 'trickle down' to the other sectors of the economy in the form of the development of agricultural and service sectors leading to the rise in employment, output and income. Beyond certain limits, the demands of the people are usually for industrial products alone. After having met the basic need of food, income of the people are spent mostly on

*Research Scholar, Teerthanker Mahaveer University, Moradabad. Email: smathur2007@gmail.com
**Professor, Department of Management, Indraprastha University, New Delhi. Email: dr123mittal@yahoo.com

manufactured goods. This means the income-elasticity of demand for the manufactured goods is high and that of agricultural products is low. To meet these demands and increase the economy's output underdeveloped countries need industrialization. Underdeveloped countries like India need industrialization to free themselves from the adverse effects of fluctuations in the prices of primary products and deterioration in their terms of trade. Such countries mainly export primary products and import manufactured goods. The prices of primary products have been falling or are stable whereas the prices of manufactured products have been rising. This led to deterioration in the terms of trade of the LDCs. For economic development such countries must shake off their dependence on primary products. They should adopt import substituting and export oriented industrialization. Research and Development is associated with the process of industrialization. The development of industries producing capital goods i.e., machines, equipment etc., enables a country to produce a variety of goods in large quantities and at low costs, make for technological progress and change in the outlook of the people. This results in bringing about an industrial civilization or environment for rapid progress which is necessary for any healthy economy.

The revolutionary changes in the methods of manufacturing unleashed by the Industrial Revolution transformed economic life, as industrialisation spread to Europe yielding sharp increases in productivity, output and incomes. It also led to the demise of traditional industries in Asia, particularly in China and India, reducing their skill levels and technological capabilities over time. Between 1830 and 1913, the share of Asia, Africa and Latin America in world manufacturing production, attributable mostly to Asia, in particular China and India, collapsed from 60 per cent to 7.5 per cent, while the share of Europe, North America and Japan rose from 40 per cent to 92.5 per cent, to stay at these levels until 1950. The industrialisation of Western Europe and the de-industrialisation of Asia during the 19th century were two sides of the same coin. It led to the Great Specialization, which meant Western Europe, followed by the United States, produced manufactured goods while Asia, Africa and Latin America produced primary commodities. This created and embedded a division of labour between countries that was unequal in its consequences for development. The process was reinforced by the politics of imperialism that imposed free trade, and the economics of the transport revolution which dismantled the natural protection provided by geography implicit in distance and time, to hasten the process of de-industrialisation in Asia with a devastating impact on China and India.

There was a dramatic transformation in just four decades from 1970 to 2010. The share of developing countries in world manufacturing value-added jumped from 13 per cent to 41 per cent in current prices. In 2010, it was close to the level that existed around 1850. Similarly, their share in world exports of manufactures rose from 7 per cent in 1970 to 40 per cent in 2010. Industrialisation also led to pronounced changes in the composition of their trade as the share of primary commodities and resource-based products fell while the share of manufactures (particularly medium technology and high-technology goods) rose in both exports and imports.

The observed outcome in terms of industrial production was attributable, in important part, to development strategies and economic policies in the post-colonial era that created the initial conditions and laid the essential foundation in countries which were latecomers to industrialisation. The import substitution-led strategies of industrialisation, much maligned by orthodoxy that was concerned with comparative statics rather than economic dynamics, performed a critical role in this process of catch-up.However, this industrialisation was most uneven between regions. Asia led the process in terms of structural change, share in industrial production, rising manufactured exports and changing patterns of trade, while Latin America witnessed relatively little change and Africa made almost no progress.

History of Industrialisation in India

Under colonial rule, India, as with most other developing countries, followed a non-industrial model. But many Indians believed that progress was retarded by this. It was believed that true economic progress lay in industrialisation; Smith's and Ricardo's ideas of international specialisation and mutually advantageous free trade were rejected, at least until India

became an exporter of more sophisticated goods. India's first Prime Minister, Jawaharlal Nehru, Premier from 1947 to 1964, saw industrialisation as the key to alleviating poverty. Industrialisation not only promised self-sufficiency for his nation that had just regained political sovereignty, but also offered external economies accruing from technical progress. Believing the potential of agriculture and exports to be limited, Indian governments taxed agriculture by skewing the terms of trade against it and emphasising import substitution, thus giving priority to heavy industry. Nehru believed a powerful state with a centralised planned economy to be essential if the country was to industrialise rapidly. The Industries (Development and Regulation) Act (IDRA) in 1951 laid the foundations for this administrative control on industrial capacity. But, over time, the licensing requirements became increasingly stringent and were accompanied by a gamut of procedures that required clearance by a number of disparate and uncoordinated ministries.

Indian state intervention in industrial development has been extensive. Unlike many East Asian countries, which used state intervention to build strong private sector industries, India opted for state control over key industries. At different times, nationalised industries included chemicals, electric power, steel, transportation, life insurance, portions of the coal and textile industries, and banking. To promote these industries the government not only levied high tariffs and imposed import restrictions, but also subsidised the nationalised firms, directed investment funds to them, and controlled both land use and many prices.

Under Prime Minister Indira Gandhi (1966-77), two major shifts took place in the role of the state. First, the neglect of agriculture was reversed through state activism in subsidising new seeds and fertilisers, agricultural credit, and rural electrification. The green revolution took off and by the mid-1970s India was self-sufficient in grain. The second shift was the further tightening of state control over every aspect of the economy. Banks were nationalised, trade was increasingly restricted, price controls were imposed on a wide range of products, and foreign investment was squeezed. In 1973, dealings in foreign exchanges as well as foreign investment came to be regulated by the Foreign Exchange and Regulation Act (FERA). The act virtually shut out the inflow of new technology from abroad in the 1970s and 1980s, particularly when these involved large equity participation.

The Indian system of state planning went far beyond the usual inward-looking industrialisation policies that most developing countries pursued after World War II. The government regulated the most basic business decisions for all firms above a certain size: borrowing, investment, capacity utilisation, pricing and distribution. The over-restrictive, and often self-defeating nature of the regulatory framework, began to become evident by the late 1960s and early 1970s. Comprehensive planning was increasingly criticised as planned targets were not met and many plans were not even implemented. The lack of success in some dimensions led to a new and more restrictive set of regulations. One example is the attempt to reserve sectors for small industries and to restrict the growth of large firms.

Beginning in the early 1980s, a mild trend towards deregulation started. Economic reforms were introduced, starting to liberalise trade, industrial and financial policies, while subsidies, tax concessions, and the depreciation of the currency improved export incentives. These measures helped GDP growth to accelerate to over 5% per year during the 1980s, compared to 3.5% during the 1970s, and reduced poverty more rapidly. However India's most fundamental structural problems were only partially addressed. Tariffs continued to be among the highest in the world, and quantitative restrictions remained pervasive.

The government expanded antipoverty schemes, especially rural employment schemes, but only a small fraction of the rising subsidies actually reached the poor. Competition between political parties drove subsidies up at every election. The resulting fiscal deficits (8.4% of GDP in 1985) contributed to a rising current account deficit. India's foreign exchange reserves were virtually exhausted by mid-1991 when a new government headed by Narasimha Rao came to power.

In July 1991, India launched a second major economic reform program. The government committed itself to promoting a competitive economy that would be open to trade and foreign investment. Measures were introduced to reduce the government's influence in corporate investment decisions. Much

of the industrial-licensing system was dismantled, and areas once closed to the private sector were opened up. These included electricity generation, areas of the oil industry, heavy industry, air transport, roads and some telecommunications. Foreign investment was suddenly welcomed.

Greater global integration was encouraged with a significant reduction in the use of import licenses and tariffs (down to 150% from 400%), an elimination of subsidies for exports, and the introduction of a foreign-exchange market. Since April 1992, there has been no need to obtain any license or permit to carry out import-export trade. As of April 1, 1993, trade is completely free, barring only a small list of imports and exports that are either regulated or banned. The WTO estimated an average import tariff of 71% in 1993 which has been reduced to 40% in 1995. With successive additional monetary reforms, the rupee, since 1995, can nearly be considered a fully convertible currency at market rates. India now has a much more open economy.

Since independence, new foreign investment has been rigidly controlled in line with established development thinking. Investment was mostly restricted to industries where it was felt that the acquisition of foreign technology was important, or where the promise of exports was convincing. The FERA was a landmark. In most industries, foreign shareholdings in rupee companies had to be reduced to 40%. The relative importance of foreign ownership in the private corporate sector fell significantly in the next decades. The attitude towards foreign investment began to change in 1985 as a part of Gandhi's drive for advanced technology. Despite this, looking at 1988 shows how poorly India fared in attracting private foreign investment. Net Private Foreign Investment to India (in million US$) was $280. This is compared to her Asian competitors with figures of $2344 (China), $1093 (Thailand) and $986 (Philippines).

Since the liberalisation in, mid-1991 India has become a magnet for foreign investment. A noteworthy feature is the dramatic speed of approvals, some taking only a week. Automatic approval of projects in 34 industrial sectors is permitted. The constraint that foreign investment should reach only 40% was relaxed to 51%. In certain sectors, such as infrastructure and computer software, the ownership can also be as high as 74%. In some sectors such as transport infrastructure, full foreign ownership is permitted and even encouraged.

The government in New Delhi is continuing to work toward reforming long-standing policies to make the country more "investor friendly"; a move that continues to heighten US interest in the country. A growing number of US companies, motivated by an increasingly favourable investment climate and the country's huge reserves of both human and natural resources, have seriously begun to consider investing there. US investment has been more than 24% of the total investment since 1991. In 1995 approximately $3.5 billion of US foreign investment flowed into India. The US continues to be the leading investor in India. The US is followed by other more 'traditional' investors like the U.K. (6.4%), Israel (5.9%), Mauritius (4.6%), Japan (4.2%) and Germany (4.1%). Most of the investment interest has been in the telecommunications, oil refining, automobile and transportation sectors, with other projects developing in the electronics, software and electrical equipment industries.

Revitalisation of the Indian Private Sector

India has always been a trading nation. Centuries of alien rule and decades of socialism did not stamp out the Indian entrepreneurial spirit. The Statement of Industrial Policy 1991 reduced the list of industries reserved for the public sector from 17 to 6. In 1992/93, 104 out of a total of 237 central public sector enterprises made losses. With few exceptions, the inefficiency of public enterprises, which generate 17% of GDP, has continued to be a serious issue. It is clear that there is a prima facie case for privatisation on grounds of efficiency. However, the strength of the case for privatisation varies with the type of industry. Now exposed to international competition, Indian companies are forming alliances with each other to face the challenges of the future. It is now even possible for Indian firms to merge with other companies. Procter & Gamble merged its operations with Godrej Soaps. Coca Cola acquired Parle, its erstwhile competitor, thus extending the cola wars to new exotic lands. Companies are enjoying the benefits of economies of scale and synergy. As larger and stronger groups emerge, they will have the resources necessary to invest in upgrading technology and will becomemore competitive.

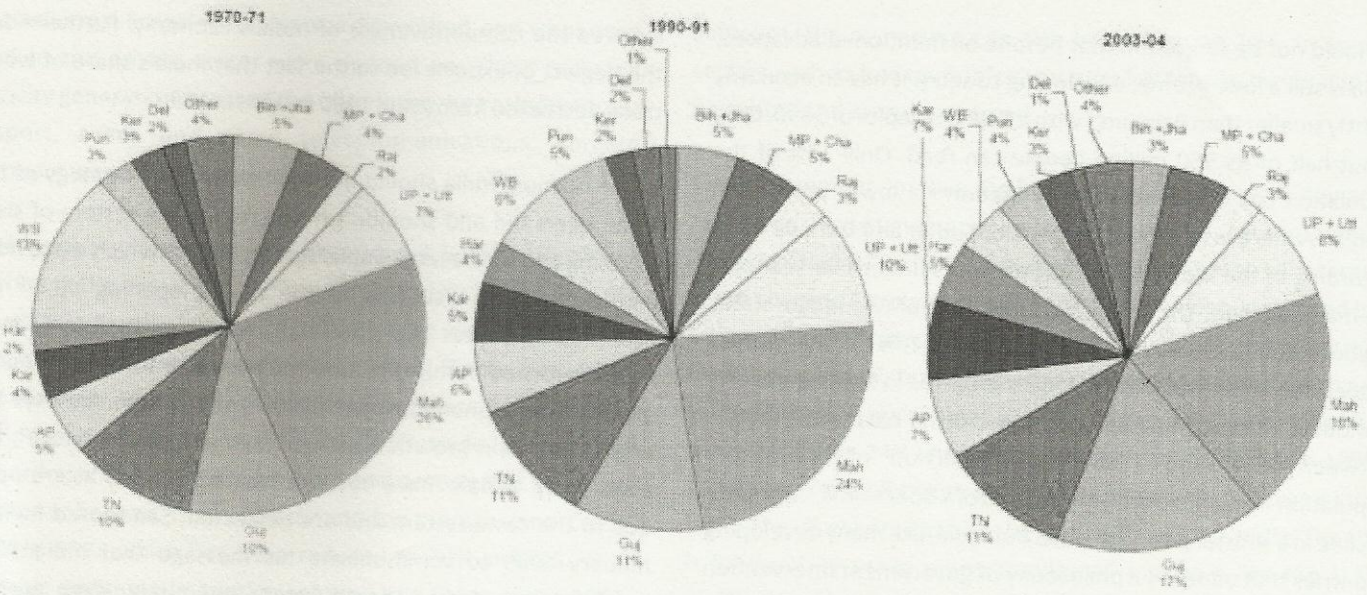
It should not be forgotten, that despite all mentioned advances, India is still a low-income, developing country. It has an economy slightly smaller than Belgium's with a GNP per capita of $390. Only about half of its 960 million people can read. Only 14% of the population has access to clean sanitation - a lower proportion than anywhere else except for parts of Sudan and Burkina Faso. According to the World Bank, 63% of India's under-five-year olds are malnourished. The infant mortality rates of two Indian states is above the sub-Saharan average. About 40% of the world's desperately poor live in India. India's progress in fighting poverty is modest when compared with some of its Asian neighbours. Between 1970 and 1993, the proportion of Indonesia's population living in poverty dropped from 58% to 8% - a greater decline in a shorter period of time. But India, like many developing countries that adopted a philosophy of government intervention with import substitution policies, is finding that economic reform can often be a slow, incremental process. Complications continue. Domestic producers will resist tariff reductions that subject them to increased competition. Government bureaucrats will try to maintain the power and influence they acquired during periods of substantial government involvement in economic decision making. The reforms so far are a positive step but must be extended and accelerated if India is to catch up with the East Asian tigers.

It is not possible to condemn the inward-looking policies as totally wrong. Some advances were made and no one can say what would have happened if India had followed another strategy. In our opinion, the idea that industrialisation was important for India in the 1950s was right, as the share of commodities in world trade is constantly decreasing. However, the view that exports are not important and that India could go its own way was wrong. By protectionism and interventions, India fostered the establishment of industries. India didn't create an efficient private sector but a huge, inefficient public sector, and protectionism lowered the competitiveness of India's economy. Furthermore, the neglect of exports led to the fact that India's share of world trade decreased from 2% in 1950 to 0.5% in 1990.

In the opinion, India should have followed an EP-strategy as the Asian tigers did and shouldn't have created the system of state planning and such a large public sector; both of which led to huge inefficiencies. The success of the recent opening up of the economy illustrates the potential India has. Therefore, India should proceed in this direction to encourage further economic growth. Still, economic growth alone is not enough. Amartya Sen emphasises that growth must be "high and participatory". But even today, India's "have-nots are treated virtually as are-nots" due to the caste-system and are neglected. Sen toured India in January 1999 to communicate his message that Indians are woefully underfed, undereducated and sickly, even by the standards of poor countries. The impact remains to be seen. India's biggest current problems will be covered in the following section.'

Problems Associated with industrialisation

The biggest problem for doing business in India is the woeful state of its infrastructure. In India it takes four days for a truck to travel the 900 miles between India's national capital New Delhi and its commercial capital Bombay. It takes months to get connected to the power supply in any Indian city, and several years to get a telephone connection in large cities. Poor infrastructure is acting as a drag on the Indian economy, and the Indian government is now attracting private domestic and foreign investment to build the backbone of a modern economy. A recent report estimated that investment in infrastructure would rise from 5.5% of GDP in 1997, to about 7% in 2000/01. This includes massive improvements in telecommunications, power, energy, and transport.



State-wise Decomposition of Manufacturing Output

Source: Annual Survey of Industries, Various Issues

India has recognised the vital role telecommunications play in the growth of the economy. The Indian telecom sector was wholly under government ownership and control until recently and was characterised by under-investment and outdated equipment. There is vast potential for extending these services in India, which has one of the world's smallest telephone densities of 1.3 per 100 people, compared with the world average of 10 per 100. Advanced communication services such as fax, data transmission, and leased circuits are becoming increasingly common. Foreign collaboration is also being encouraged in cellular phones and paging systems. In the telecommunications sector, estimates for regional investment needs range from $40 billion a year, to as high as $70 billion a year by the end of the century.

The power problems are severe in India with three-hour-a-day power cuts and damaging voltage fluctuations that require companies to generate their own power. Investment in energy is a sound way of increasing manufacturing activity. If all 49 proposed private sector power projects are implemented, these would add a total of 20,000 megawatts to India's current capacity of 66,000mW. However it should be noted that India's energy demand is growing at 8-10% a year.

As part of India's liberalisation efforts, the transportation sector has been opened to private investment. The government is offering incentives to invest $4.7 billion to construct and operate bypass roads, highways, bridges, railways, and ports.

Another big problem is India's notoriously bloated and inefficient public sector. The World Bank has turned down applications for power loans worth $750 million for projects in some states because of mismanagement in their government. Many electricity boards have become insolvent as a result of providing electricity at extremely subsidised rates and ignoring large-scale thefts of electricity. State governments have been unable or unwilling to take the politically unpalatable decisions needed to make their electricity boards viable. The most telling evidence of the cost of delaying reform is the sheer effort companies have to expend to cope with the country's labyrinthine bureaucracy. For example, foreign investors continue to seek permission from the Foreign Investment Promotion Board, even though their plans are covered by the automatic approvals system.

An immediate threat to India's governance is not the tottering coalition governments or the BJP, but corruption. The

combination of a state-run economy and weak political institutions created all too many opportunities for crooked politicians and bureaucrats. Worse still for the business community is that the government itself is the fountain-head of corruption. This is particularly serious in view of the huge importance of the government sector in India's economy. Corruption has become ubiquitous at all levels and is accepted by everyone. Many Indian businessmen feel that liberalisation of the economy will have no impact on reducing the corruption that has become so well entrenched. The influx of foreign companies is already unleashing a new wave of even greater corruption. A survey of 183 US firms conducted by the US embassy in 1995 revealed that US investors rated corruption in India as the third worst problem they faced after red tape and a lack of electric power. The blame for the deluge of corruption in India lies in the lack of transparency in the rules of governance, extremely cumbersome official procedures, excessive and unregulated discretionary power in the hands of politicians and bureaucrats, who are prone to abuse it, and a lax judiciary.

Tax reforms have been seeking to transform India's tax system from one with high differential tax rates falling on a narrow base, into one with tax rates at moderate levels falling on a broad base. The 1995 fiscal budget reduced taxes on corporate income, and a major reform of excise taxes has been implemented to make it resemble a value-added tax more closely. But the government's income is also constricted by an inefficient taxation system. Rural areas are not taxed because they contain such a large pool of voters and no government has had the political will to change this. Income tax is skilfully dodged. This leaves the government with excise and customs duties, which represent two thirds of all taxes. India needs greater labour market flexibility to make its companies more competitive and its economy more productive. Politically powerful labour unions have stifled most efforts at serious reform or privatisation of India's largest public sector enterprises, including most banks, all insurance companies, and many major industries, even though privatisation would probably cost the jobs of no more than 1.1% of the urban labour market. India's labour laws hinder efficiency and growth.

India's financial sector still cannot effectively mobilise and mediate capital to respond to economic changes. The resulting high cost of capital makes Indian industry and exports less competitive. In spite of recent improvements, India's equity markets are still too thin and volatile to inspire great confidence on the part of domestic or foreign investors. Bond markets are practically non-existent. Liberalisation of the insurance industry, which would greatly improve the investing of India's substantial savings, now 26% of GDP, has been stymied. India's banking system remains flawed, with the dominant state-owned banks still carrying bad loans amounting to 15 to 25% of their total. Foreign investors are not exactly queuing up to enter India, and this attitude will scare away those who are weighing up the possibilities of doing business here," cautions a top executive with a foreign investment bank in Bombay. In its defence, the BJP says that while it seeks to protect domestic industry and reserve "India for Indians", it does not intend to take back the reforms. But approved and actual foreign direct investment already shrank between January and July 1998. Approvals totalled only $4.7 billion, compared with $7.1 billion in the same period in 1997 and actual inflows slid to $1.6 billion from $1.9 billion. On the other hand, the government recently encouraged foreign direct investment. In July 1998 it put forward a plan allowing foreign companies to take stakes of up to 26% in Indian insurance companies, having resisted opening the insurance market to foreigners in the past. "Automatic" approval of foreign investment of up to 100% was extended to more sectors of industry.

The macroeconomic situation is also causing concern. After a year of patting itself on the back for escaping the Asian crisis, the Indian government is now sitting up at some spine-chilling signs that the economy hasn't been unscathed after all. India's gross fiscal deficit will rise to 6.6% of GDP from a planned 5.7% in 1998, forcing the government to keep borrowing and pushing up interest rates. But the government's infighting and inability to push through much-touted economic reform bills raises doubts as to whether it can tackle these problems. The ballooning trade deficit comes on top of sluggish industrial production, high inflation (a 9% annual rate in the first half of November), and an expanding budget deficit. Currency devaluations in the rest of Asia have made Indian exports even less competitive than they were previously. The current deficit of $2 billion has been pushed

to the highest level since 1991. The rising deficit is financed by foreign-exchange reserves, and is expected to put upward pressure on the rupee. On the other hand, GDP growth is forecast to move upwards to 6.4% in 1999. This follows a slowdown to 5.1% in 1998 due to a 1.5% decline in agricultural production, slowing exports, and industrial growth. Factor-cost GDP is forecast to expand by an annual average of 6.7% until 2002-2003. Overall, it remains to be seen how entrenched the reforms are in India in the face of more difficult and troubled economic conditions.

Conclusion

The paper reveals the India's growth strategy to the existence (or its absence) of manufacturing activity. Manufacturing as a share of GDP has remained constant for about two decades. This means it has grown with GDP but not supplanted agriculture as the main source of employment. The Indian government's hope that a PPP based infrastructure growth path may both overcome the government's inability to fund large-scale employment projects, and to give (a supply-side) boost to industry. The preliminary report on such a model is not good. Widespread corruption and the lack of financial markets to provide long-term instruments needed to fund these projects should cause some concern in the circles where this strategy is taken seriously.

Politically growth in gainful employment generation (as opposed to, at most, creating local assets) is not on any political party's manifesto. There are state governments like Gujarat that give priority to industrialization and those who got sacrificed (e.g. The Left Front government in West Bengal) in gingerly moving in that direction. India's politics is based on (competitive) redistribution (usually caste-based).

1950 onwards, industrialisation grew at a very fast pace in the developing world. India was nowhere lagging in this race. Structural changes in the composition of output and employment, which led to a decline in the share of agriculture with an increase in the shares of industry and services, were the major factors underlying this process. As of today the developing countries growth depend on whether developing countries can transform themselves into inclusive societies where economic growth, human development, and social progress move in perfect alignment.

References

1. *Amar, A. D. (1996) "The business opportunity of the next century: India" in The Mid–Atlantic Journal of Business, (December 1996).*
2. *Anonymous (1996) "India: Poised for growth", World Trade, October 1996.*
3. *Basu, K. & P. Patnaik (1995) in D. Mookherjee Indian Industry– Policies and Performance. Oxford University Press: Oxford.*
4. *Bouton, M. M. (1998) "India's problem is not politics" in Foreign Affairs, (May/June 1998).*
5. *Bristow, D. (1998) "A stake in the road to modernisation" in Accountancy Int., (December 1998).*
6. *Daneels, J. (1998) "Slow steps forward" in Asian Business, (May 1998).*
7. *deepblue.lib.umich.edu/bitstream/handle/2027.42/64389/wp897.pdf*
8. *Gaiha, R. & V. Kulkarni (1998) "Is growth central to poverty alleviation in India?" in Journal of International Affairs, (Fall 1998).*
9. *http://www.tcd.ie/Economics/SER/archive/1999/essay20.html*
10. *http://www.thehindu.com/todays-paper/tp-opinion/catchup-in-industrialisation/article5274212.ece*
11. *http://www.answers.com/Q/Impact_of_industrialization_on_economy_of_India*
12. *http://www.preservearticles.com/201106228380/need-for-industrialisation-in-india.html*
13. *http://www.trcollege.net/study-material/24-economics/46-role-of-industrialisation-in-india*
14. *Heeks, R. (1996) India's software industry. Sage Publications: New Delhi.*
15. *Hess, P. & C. Ross (1997) Economic Development. Orlando.*
16. *Javalgi, R. G. & V. S. Talluri (1996) "The emerging role of India in international business" in Business Horizons, (Sept/Oct 1996).*

17. Joshi, V. & L. M. D. Little (1996) India's Economic Reforms 1991-2001. Clarendon: Oxford.
18. Kumar, S. (1996) "Corruption slows growth" in Asian Business, (December 1996).
19. Lane, P. (1998) "World trade survey: India's hesitation" in The Economist, (October 1998).
20. Nayyar, D. (1997) Trade & Industrialisation. Oxford University Press: New Delhi.
21. Sen, A & J. Drèze (1997) Indian Development: Selected Regional Perspectives. Oxford University Press: Oxford.
22. Sen, A. & J. Drèze (1995) India: Economic Development and Social Opportunity. Oxford University Press: Oxford.
23. shodhganga.inflibnet.ac.in/bitstream/10603/169/17/09_chapter2.pdf
24. Shiraz, S. (1998a) "Jettisoned hopes" in Far Eastern Economic Review, (24/9/98).
25. Shiraz, S. (1998b) "No clear winner" in Far Eastern Economic Review, (26/02/98).
26. Sidhva, S. "No escape" in Far Eastern Economic Review, (14/1/99).
27. The Economist (21/1/1995) "A survey to India" in The Economist Supplement.
28. The Economist (12/8/95) "India's Economic Nationalists".
29. The Economist (9/1/99) "Asia: Uses and misuses of Amartya Sen".
30. Todaro, M. P. (1997) Economic Development. Longman: London.
31. World Bank (1982, 1987, 1997b) World Bank Development Report. OUP: New York 1982.
32. World Bank (1997a) Country Study: India - Achievements and Challenges in Reducing Poverty. World Bank: Washington D.C.
33. World Bank "Country brief India 1998". http://www.worldbank.org.
34. World Bank "India at a glance 1997". http://www.worldbank.org.
35. World Bank Book (1994) Trends in Developing Economies. World Bank: Washington D.C.
36. www.epw.in/system/files/pdf/.../social_effects_of_industrialization.pdf

Export Performance of Special Economic Zones in India

Dr. Abhishek Maheshwari*
Dr. Devesh Gupta**
Dr. Geetika Shukla***

Abstract

Economic prosperity of a country depends to a large extent upon its foreign trade and more particularly upon exports. Foreign trade is the foundation of economic structure of a country, particularly in the changing economic environment of today. It has become a necessity of the present day economic order. There are two legs of foreign trade: Exports and Imports. Imports are necessary to get what a country does not have and exports are necessary to pay for imports.

Special Economic Zones (SEZs) are being set up with a view of enabling free manufacturing and trading activities for the purpose of exports. These zones are free from rules and regulations governing exports and imports. SEZs are treated as if they are outside the custom territory of the country.

Present study covers a study of Special Economic Zones in India. Objectives of these Zones have been studied and their working has been analyzed in the light of these objectives. Export performance of these Zones has been the main theme of study.

Special Economic Zones (SEZs)

The concept of Special Economic Zones (SEZs) was suggested by the then Commerce and Industry Minister late Mr. Murasoli Maran while introducing third revision to EXIM policy 1997-2002. The SEZs are in addition to EPZs and FTZs, operating in India. A detailed scheme for setting up SEZs in the country to promote exports was announced by the Government of India in the EXIM policy announced on 31st March, 2000. The SEZs intend to provide an internationally competitive and hassle free environment for exports and are expected to give a further boost to the country's exports.

The idea of SEZs is borrowed from china where such zones are operating efficiently and are contributing nearly 40 percent of total exports. The Government policy is for the creation of SEZs in all the parts for export promotion.

The State Governments are expected to participate in export promotion by starting SEZs in their states. The SEZs can be set-up in the public, private or joint sector or by State Governments. The Government policy is to provide convenient infrastructural facilities and various incentives to such SEZs so as to make them a key engine of export growth.

Features of SEZ

(a) **Domestic Sales/Purchases:** Goods going into the SEZ area from DTA (Domestic Tariff Area) shall be traded as deemed exports and goods coming from the SEZ area into DTA shall be treated as if the goods are being imported.

(b) **Export and Import of Goods:** SEZ units may export goods and services including agro-products, partly processed jewellery, sub-assemblies and components. They may also export by-products, rejects, waste-scrap arising out of the production process.

*Associate Professor, Jaipuria School of Business.
**Astt. Prof., J.P. Institute of Management. Email: icfe.devesh@gmail.com
***Astt. Prof., Dewan Institute of Management Studies. Email: geetikadims@gmail.com

SEZ units may import all types of goods without payment of duty, including capital goods, whether second hand or new. The SEZ units can import goods free of cost or in the form of loan from clients.

(c) **Net Foreign Exchange Earning (NFE):** A SEZ unit shall be a positive net foreign exchange earner. NFE shall be calculated cumulatively for a period of five years from the commencement of commercial production.

(d) **Domestic Tariff Area (DTA) Sales and Supplies:** Sales to SEZs from DTA are to be treated as exports. Sales to DTA from SEZs are to be exempted form special additional duty (SAD). This would make the sales to DTA from SEZ 4% cheaper than imports. DTA sales by service/trading units shall be subject to the achievement of positive NFE.

(e) **Export through Status Holder:** SEZ units may also export goods manufactured by it though a merchant exporter/ status holder or any other EOU/EPZ/SEZ unit.

(f) **Inter-Limit Transfer:** Transfer of manufactured or imported goods from one SEZ unit to another EPZ/EOU/SEZ unit is allowed, but not counted towards export performance.

(g) **Administration and Setting up of SEZ:** SEZ will be under the administrative control of Development Commissioner. A SEZ may be set up in the public, private or joint sector. The existing EPZs may also be converted into SEZ by the Ministry of Commerce and Industry.

(h) **Export proceeds:** SEZ units can bring back their export proceeds in 360 days as against the normal period of 180 days and can retain 100% of the proceeds in their EEFC Account.

Incentives to Units in SEZ

The SEZ offers an attractive package of incentives and concessions to entrepreneurs, gradually introduced over a period of time:

(a) All imports into the zone such as capital goods, raw materials, packing materials, components, office equipments etc. have been placed under OGL system and such imports are permitted duty free entry the zone, subject to the terms of project approval.

(b) Indigenous goods such as capital goods, raw materials and other production requirements can be procured from Domestic Tariff Area (DTA) into the zone free of central excise duty.

(c) There is total waiver of the provision of export trade control order with regard to the products manufactured and exported from an SEZ.

(d) Central excise is also exempted on the products manufactured within the zone for export purposes.

(e) A five year tax holiday is the most significant fiscal benefit to these units.

(f) The import policy permits sales up to 25% of their annual production in the home market without requiring import license but subject to the payment of leviable customs duty. This is in addition to the facility otherwise available to the units for sales in the DTA against valid import licenses subject to the payment of custom and other duties.

(g) For attracting foreign investment, equity participation even up to 100% is permitted in the industrial ventures promoted in SEZ.

(h) Repatriation of dividend and profit is freely permitted, subject to the payment of taxes as applicable.

(i) For export promotion, units in SEZ are given a special facility of blanket permits.

(j) Units in SEZ can give a longer credit period up to 360 days.

SEZ Policy in India

Special Economic Zone Policy was announced in April 2000 with the object of making the Special Economic Zones an engine for economic growth, supported by quality infrastructure and an attractive fiscal package, both at the Central and State level with a single window clearance. The SEZ concept recognizes the issues related to holistic economic development and provides for the development of self-sustaining Industrial Townships so that the increased economic activities do not create pressure on the existing infrastructure.

1. **Special Economic Zones Act, 2005:** Asia's first EPZ was set up in Kandla in 1965. Seven more zones were set up thereafter. However, the zones were not able to emerge as effective instruments for export promotion on account of the multiplicity of controls and clearances, the absence of world-class infrastructure and an unstable fiscal regime. While correcting the shortcomings of the EPZ model, some new features were incorporated in the Special Economic Zones (SEZs) Policy announced in April 2000.

   To install confidence among investors and signal the Government's commitment to a stable SEZ policy regime with a view to impart stability to the SEZ regime and thereby generating greater economic activities and employment through the establishment of SEZs, a comprehensive Special Economic Zones Act, 2005, was passed by Parliament in May, 2005. The Act received Presidential assent on the 23rd of June, 2005. The SEZ Act, 2005, supported by SEZ Rules, came into effect on 10th February, 2006, providing simplification of procedures and single window clearance on the matters relating to the Central and State Governments. As a result of this Act and Rules coming into force, it was envisaged that the SEZs would attract a large flow of foreign and domestic investment in infrastructure and production capacity leading to the generation of additional economic activities and creation of employment opportunities.

   The main objectives of the SEZ Act are:
   - Generation of additional economic activities;
   - Promotion of exports of goods and services;
   - Promotion of investment from domestic and foreign sources;
   - Creation of employment opportunities; and
   - Development of infrastructural facilities.

2. **Amendments to the SEZ Rules, 2006:** Following important Amendments have been made to the SEZ Rules, 2006:
   - Prescribing minimum built up area for Biotechnology and Gem & Jewellery Sectors.
   - Prescribing minimum processing area for Free Trade Warehousing Zone (FTWZ).
   - Inclusion of specific provisions regarding grant of in-principle approval and its extension.
   - Providing for a lease period of not less than five years as against the earlier provision of lease period, being co-terminus with the validity of Letter of Approval.
   - Stipulating the upper limit of the area required for multi product SEZs at 5000 hectares, State Governments having the option to prescribe a lower limit.
   - Revising the minimum processing area uniformly at 50% for multi-product SEZs as well as sector specific SEZs.
   - Type of land to be mentioned in the application form of SEZ.
   - Reimbursement of duty in lieu of drawback for the supply of goods to SEZ developers against Indian Rupees.
   - Term 'vacant land' defined for the purpose of SEZs.
   - Clubbing of contiguous existing notified Special Economic Zones, notwithstanding that the total area of resultant Special Economic Zones exceeds 5000 hectares.
   - A number of other amendments to delegate powers and to simplify the procedures.
   - SEZ Authority Rules, 2009 have been made for the smooth functioning of Zones and SEZ Authority has been set up accordingly.
   - Routing all proposals for setting up of SEZ through Development Commissioner, to facilitate developers and for achieving better administrative efficiency.

- All the existing legislation/rules for the generation, transmission and distribution of power, prescribing a time limit of 10 years for constructing the minimum built up area prescribed will continue.
- Adding a new provision that once an SEZ is notified and becomes operational, the validity of Letter of Approval will continue as long as the SEZ remains notified.
- Prescribing various forms and procedures for smooth functioning.
- Making it mandatory to all the developers and units to use the online system for better monitoring and also for better facilitation in respect of the users.
- Classifying the cities of the country.
- Promoting IT/ITES SEZs in smaller cities of the country.
- Allowing setting up of FTWZs without any minimum area requirement in the existing SEZs.
- Paving way for the import of prohibited items by a unit in a Special Economic Zone or by a Developer of the Special Economic Zone from a place outside India to the Special Economic Zone with prior approval of the Board of Approval.
- Enabling Board of Approval to extend the validity of Letter of Permission of unit beyond 4th year.
- Making the validity of Letter of Approval of a co-developer of SEZ co-terminus with that of the developer.

3. **Current Status of Approvals for Setting Up of Special Economic Zones:** Seven Export Processing Zones (EPZs) set up by the Central Government at Kandla (Gujarat), Santa Cruz (Maharashtra), Cochin (Kerala), Noida (U.P.), Chennai (Tamil Nadu), Falta (West Bengal), and Visakhapatnam (Andhra Pradesh), were converted into SEZs on announcement of the SEZ Policy. Another EPZ set up in the private sector at Surat was also converted into SEZ. In addition to these, 11 more SEZs were set up by the State Governments or private sector during the period 2000-2005 in the States of West Bengal (2), Gujarat (1), Madhya Pradesh (1), Uttar Pradesh (1), Rajasthan (2), and Tamil Nadu (4). After coming into force the SEZ Act, 2005 on 10th February 2006, 577 formal approvals have been granted for setting up of Special Economic Zones, out of which 385 SEZs have already been notified and are at various stages of operation. A total of 166 SEZs are exporting.

While there is some concentration in certain States, the fact that the approved SEZs are spread over 20 States and 3 Union Territories indicates that these zones are not confined to any particular region. State-wise distribution of SEZs as on 11.02.2013 is given in Table 6.1. Total land area involved in the formally approved SEZs including notified SEZs is around 67,787 hectares that is not more than 0.014% of the total land area of India.

Table 1: State-wise Distribution of approved Special Economic Zonea

State	Formal Approvals	In-principle Approvals	Notified SEZs	Exporting SEZs (Central Govt. + State Govt./Pvt. SEZs + notified SEZs under the SEZ Act, 2005)
Andhra Pradesh	109	6	77	38
Chandigarh	2	0	2	2
Chhattisgarh	2	1	1	1
Delhi	3	0	0	0
Dadra & Nagar Haveli	2	0	1	0
Goa	7	0	3	0
Gujarat	43	7	30	17
Haryana	46	3	35	4
Jharkhand	1	0	1	0
Karnataka	61	1	40	21

Kerala	29	0	21	7
Madhya Pradesh	19	2	7	2
Maharashtra	102	16	64	19
Manipur	1	0	0	0
Nagaland	2	0	2	0
Orissa	10	1	5	1
Pondicherry	1	1	0	0
Punjab	8	0	2	2
Rajasthan	10	1	10	5
Tamil Nadu	67	6	52	33
Uttar Pradesh	31	1	21	8
Uttarakhand	2	0	1	0
West Bengal	19	3	10	6
TOTAL	**577**	**49**	**385**	**166**

Source : Department of Commerce, Government of India.

The six major sectors IT/ITES, Hardware, Textiles and Apparel (including Wool), Pharma and Chemicals, Biotech, Engineering and Multi-products account for 82% of the formal approvals granted so far. IT/ITES/Electronic Hardware/Semiconductor is the single most important segment accounting for about 60% of the total formal approvals followed by Biotech and Engineering SEZs. More than half of the 577 formal approvals issued so far have reached the stage of notified SEZs. This ratio is the highest in Pharma/Chemicals sector (100%) followed very closely by engineering sector (81.1%).

Table 2: Sector-Wise Distribution of Approved SEZs

Sector	Formal Approvals	In-principle Aprovals	Notified SEZs	Exporting SEZs (Central Govt. + State Govt./Pvt. SEZs + notified SEZs under the SEZ Act, 2005)
Agro	6	2	5	0
Agro based multi products	4	0	0	0
Auto and related products	2	1	1	1
Aviation/Aerospace/Animation & Gaming/ Copper	2	1	1	3
Beach & mineral/ metals	3	0	2	0
Bio-Tech	31	0	20	1
Building prod./mat./ transport equipments / ceramic and glass	4	2	1	2
Electronic products Industries	3	0	3	1

Engineering	19	1	16	8
Footwear/Leather products	6	0	5	3
Food Processing	5	0	4	3
FTWZ	14	5	7	2
Gems and Jewellery	13	3	6	3
Handicrafts & Carpets	5	0	3	3
IT/ITES/Electronic Hardware/ Semi-conductor	351	1	235	96
Metal/Stainless Steel/Alum/Foundry	8	2	5	0
Light Engineering including Automotive/Automotive Components	1	0	0	1
Multi-Product	6	0	4	18
Multi-Services/Services	0	2	0	0
Non-Conventional Energy	6	0	4	2
Plastic processing	0	2	0	0
Petrochemicals & Petrol/oil and gas	4	1	2	0
Pharmaceuticals/chemicals	20	3	20	9
Port-based multi-product	7	2	2	1
Power/alternate energy/ solar	3	2	3	2
Textiles/Apparel/Wool	15	2	12	5
Writing and printing paper mills	2	0	1	0
Strategic Manufacturing	0	1	0	0
Granite processing Industries and other allied machinery manufacturing	2	0	1	0
GRAND TOTAL	**577**	**49**	**385**	**166**

Source: Department of Commerce, Government of India.

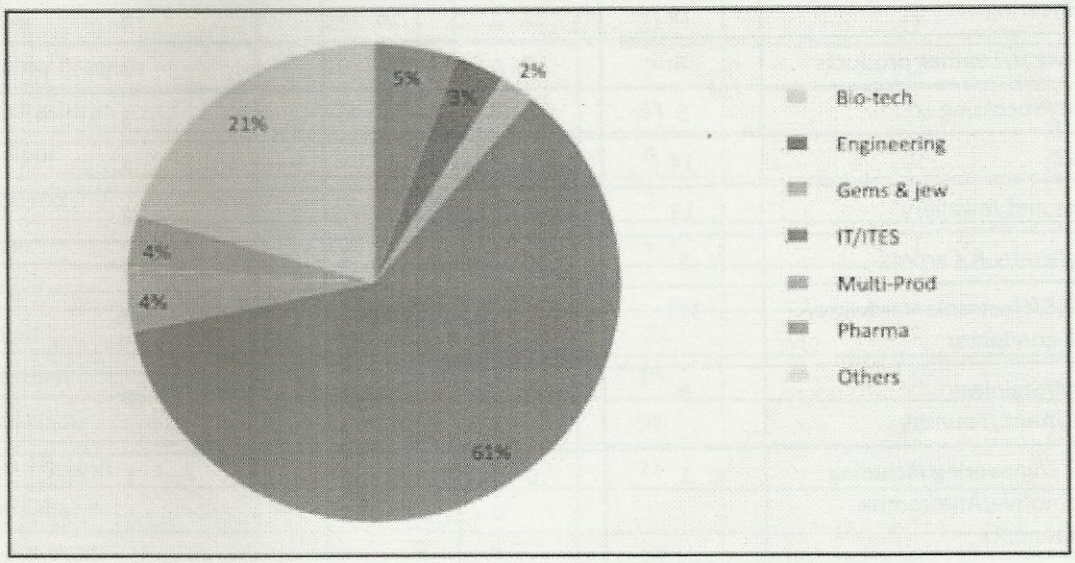


Chart 1: Sector-Wise Distribution of Formal Approval of SEZs

4. **Successful SEZs:** Details of some prominent SEZs which have made significant progress in terms of exports, employment and investment generation, are given below:

- **Nokia Special Economic Zone in Tamil Nadu (Telecom equipments SEZ):**
  - Physical Exports of Rs. 12,136.54 Crores in six years (2006-2007 to 2011-2012).
  - Direct employment provided to 15,264 persons.
  - Investment of Rs. 2,539.28 Crores has already been made in this SEZ, out of which FDI is Rs. 548.80 Crores.

- **Mahindra City SEZ, Tamil Nadu (Apparels Fashion Accessories, IT/Hardware, Auto Ancillary):** A cluster of three sector specific SEZs in Tamil Nadu, for Apparels and fashion accessories, IT and Hardware, and Auto ancillary. Employment, investment and exports together for these three SEZs are:
  - Physical Exports worth Rs. 4,580.85 Crores in six years (2006-2007 to 2011-2012).
  - Direct employment provided to 24,475 persons.
  - Investment of Rs. 1,442.74 Crores has already been made in this SEZ, out of which FDI is Rs. 64.68 Crores.
  - Projected investment of Rs. 1,001.83 Crores and projected direct employment of 37,162 persons.

- **Apache SEZ Development India Private Ltd, Andhra Pradesh (Footwear SEZ):**
  - Physical Exports worth Rs. 216.42 Crores in six years (2006-2007 to 2011-2012).
  - Direct employment provided to 6,622 persons, out of which 2,697 are women employees.
  - Investment of Rs. 130.54 Crores has already been made in this SEZ, out of which FDI is Rs. 130.54 Crores.
  - Projected direct employment of 20,000 persons.

- **Mundra Port and Special Economic Zone, Gujarat (Multi Product SEZ):**
  - Physical Exports worth Rs. 1,706.19 Crores in five years (2007-2008 to 2011-2012).
  - Direct employment provided to 2,807 persons, out of which 53 are women employees.
  - Investment of Rs. 33,300.80 Crores has already been made in this SEZ, out of which FDI is Rs. 309.65 Crores.
  - Projected investment of Rs. 50,475.29 Crores and projected direct employment of 21,217 persons.

- **Moser Baer SEZ, Noida, Uttar Pradesh (SEZ for Non-conventional energy and solar energy equipment):**
  - Physical Exports worth Rs. 266.83 Crores in five years (2007-2008 to 2011-2012).
  - Direct employment provided to 565 persons.
  - Investment of Rs. 1,648.72 Crores has already been made.
  - Projected investment of Rs. 1,378 Crores and projected direct employment of 1,000 persons.

- **Wipro Limited, Andhra Pradesh (IT SEZ):**
  - Physical Exports worth Rs. 2,459.16 Crores in five years (2007-2008 to 2011-2012).
  - Direct employment provided to 12,420 persons.
  - Investment of Rs. 309.27 Crores has already been invested in this SEZ.
  - Projected investment of Rs. 277 Crores and projected direct employment of 9,500 persons.

- **Divi's Laboratories Limited, Andhra Pradesh (Pharma SEZ):**
  - Physical Exports worth Rs. 636.68 Crores in five years (2007-2008 to 2011-2012).
  - Direct employment provided to 1,563 persons, out of which 18 are women employees.
  - Investment of Rs. 449.71 Crores has already been invested in this SEZ.
  - Projected direct employment of 1,300 persons.

- **Flextronics SEZ in Tamilnadu (Electronic Hardware SEZ):**
  - Physical Exports worth Rs. 110.49 Crores in five years (2007-2008 to 2011-2012).
  - Direct employment provided to 1,234 persons.
  - Investment of Rs. 314.37 Crores has already been made in this SEZ.
  - Projected investment of Rs.440 Crores.

- **ETL Infrastructure Services Limited, Tamilnadu (IT SEZ):**
  - Physical Exports worth Rs. 1,989.39 Crores in five years (2007-2008 to 2011-2012).
  - Direct employment provided to 9,713 persons, out of which 2,936 are women employees.
  - Investment of Rs. 110.72 Crores has already been made in this SEZ.
  - Projected investment of Rs. 714.07 Crores.

- **Wipro Limited, Karnataka - Two SEZs in Sarjapur and Electronic City (IT SEZ):**
  - Physical Exports worth Rs. 7,849.45 Crores in five years (2007-2008 to 2011-2012).
  - Direct employment provided to 19,748 persons, out of which 5,542 are women employees.
  - Investment of Rs. 870.25 Crores has already been made in this SEZ.
  - Projected investment of Rs. 1,420 Crores and projected direct employment of 21,600 persons.

- **Biocon Limited, Karnataka (Biotech SEZ):**
  - Physical Exports worth Rs. 349.08 Crores in six years (2006-07 to 2011-12).
  - Direct employment provided to 2,359 persons, out of which 303 are women employees.
  - Investment of Rs. 1,182.36 Crores has already been made in this SEZ.
  - Projected investment of Rs. 1,740 Crores and projected direct employment of 2,325 persons.

- **Serum Bio-Pharma Park, Maharashtra (Pharma SEZ):**
  - Physical Exports worth Rs 964.62 Crores in five years (2007-08 to 2011-12).
  - Direct employment provided to 700 persons.
  - Investment of Rs. 739.11 Crores has already been made in this SEZ.
  - Projected investment of Rs. 835.75 Crores and projected direct employment of 1,622 persons.

- **Manyata Embassy Business Park, Karnataka (IT/ITES SEZ):**
  - Physical Exports worth Rs. 1,072.73 Crores in five years (2007-08 to 2011-12).
  - Direct employment provided to 6,951 persons, out of which 493 are women employees.
  - Investment of Rs. 196.89 Crores has already been made in this SEZ.

- Projected investment of Rs. 250 Crores and projected direct employment of 10,000 persons.

- **Chandigarh Administration, Chandigarh (IT SEZ):**
  - Physical Exports worth Rs. 1,074.89 Crores in four year (2008-09 to 2011-12).
  - Direct employment provided to 5,461 persons.
  - Investment of Rs. 229.24 Crores has already been made in this SEZ.
  - Projected investment of Rs. 440.43 Crores and projected direct employment of 6,000 persons.

- **Hyderabad Gems Limited, Andhra Pradesh (Gems and Jewellery SEZ):**
  - Physical Exports worth Rs. 2,134.76 Crores in four years (2008-09 to 2011-12).
  - Direct employment provided to 7,167 persons, out of which 3,326 are women employees.
  - Investment of Rs. 214.52 Crores has already been made in this SEZ.
  - Projected investment of Rs. 241.56 Crores and projected employment of 97,139 persons.

- Reliance Jamnagar Infrastructure Ltd., Gujarat (Multi Product SEZ):
  - Physical Exports worth Rs. 1,48,495.56 Crores in four years (2008-09 to 2011-12).
  - Direct employment provided to 1,141 persons.
  - Investment of Rs. 37,421.22 Crores has already been invested in this SEZ.
  - Projected investment of Rs. 35,050 Crores.

- Suzlon Infrastructure Ltd., Karnataka (Hi-tech Engineering Products & Services SEZ):
  - Physical Exports worth Rs. 220.19 Crores in four years (2008-09 to 2011-12).
  - Direct employment provided to 1,434 persons out of which 16 are women employees.
  - Investment of Rs. 632.56 Crores has already been invested in this SEZ.
  - Projected investment of Rs. 2,444.32 Crores and projected direct employment of 3,100 persons.

Employment, Investment and Exports in SEZ

Details of employment and investment generated in the Special Economic Zones are as follows:

- **Direct Employment in Special Economic Zones:**
  - SEZs in India provide direct employment to over 10, 19,146 persons.
  - The incremental employment generated by the SEZs in the short span of time since the SEZ Act came into force in February 2006, is of 8,84,442 persons.

- **Investment in Special Economic Zones:**
  - The Special Economic Zones notified under the SEZ Act, 2005 have already made an investment of Rs. 2,38,990 Crores since the SEZ Act came into force in February, 2006.

Export Performance of SEZs

The exports in the current year i.e., 2013-14 from SEZs have been to the tune of Rs. 3,53,195 Crores. Exports from the functioning Special Economic Zones during last six years are given in the following table:

Table 3: Exports from the Functioning SEZs during Last Six Years

Year	Value (Rs. Crores)	% Increase (Over previous year)
2007-2008	34,615	52
2008-2009	66,638	93
2009-2010	99,689	50
2010-2011	2,20,711	121.4
2011-2012	3,15,868	43.11
2012-2013	3,64,478	15.39
2013-2014	3,53,195	Cannot be calculated at this stage.

Source: Department of Commerce (SEZ Division)

SEZ Policy Reform Initiatives

A comprehensive analytical assessment of the performance of SEZs has highlighted the need that certain aspects of the SEZ Policy and Operational framework require a re-look with a view to possible reforms in order to ensure that the objectives of SEZ Policy are better achieved.

Geographical dispersion of the SEZs is mainly limited to six States, namely, Andhra Pradesh, Maharashtra, Gujarat, Tamil Nadu, Kerala, and Karnataka. These States account for nearly 92% of the SEZs established so far. Further, most of the established SEZs, particularly, IT/ ITES SEZs have come up in and around major urban centres. The sectoral dispersion of the SEZs also indicates that manufacturing SEZs are not markedly visible. With the availability of land becoming increasingly difficult, setting up of multi-product SEZ becomes more challenging as it requires minimum 1000 hectares of contiguous and vacant land. The operational issues relating to FTWZs, procedure for the refund of CST, service tax, etc., also need further elaboration.

References

1. *Arora, O.P. (2003) 'Compilation of Circulars on EPZ/SEZ/EOUs issued by CBEC, DGFT & RBI' Published by M/S Anmkur Arora Associates 2003*
2. *Baldwin, R.E. and Krugman, P.R. (1989), 'Persistent trade effects of large exchange rate shocks', Quarterly Journal of Economics, vol. 104, no. 4, pp. 635-54.*
3. *Baldwin, R.E. (1989), 'Sunk cost hysteresis', Working Paper no. 2911, National Bureau of Economic Research, Cambridge, Massachusetts.*
4. *Dixit, A. (1989), 'Entry and exit decisions under uncertainty', Journal of Political Economy, vol. 97, no. 3, pp. 620–38.*
5. *EXIM (1991) Pharmaceuticals : A Sector Study, Occasional Paper OP12, February 1991.*
6. *EXIM (2000) Export processing Zones in select countries : Critical Success factors' Occasional paper 74, Export Import Bank of India, 2000.*
7. *Ferrerosa T, J.H. (2003) 'Free Zones as Logistic Platforms and Their Impact in the Development of Latin American Countries'*
8. *Goswami et al (2002) 'Competitiveness of Indian Manufacturing : Results from a Firm Level Survey'*
9. *Kumar Rajiv (1989) 'Indian Export porcessing Zones: An Evaluation' Oxford University press, New Delhi, 1986.*
10. *Kundra A. (2000) : 'The Performance of India's Export Zones : A Comparison with the Chinese Approach,' Sage Publication., New Delhi.*

Official and Government Publications

1. *Annual Report - Ministry of Commerce, Government of India, Various Issues.*
2. *Draft of Five Year Plane (I Plan to XII Plan)-Planning Commission.*
3. *EXIM Policies -Government of India.*

Journals & Periodicals

1. *Foreign Trade Review*
2. *India Invites 'U'*
3. *Commerce & Trade*

A Comparative Study of Growth Potential of Somany Ceramics Ltd. in Gurgaon with reference to other competitors in Ceramic Industry

Dr. Rachna Sharma*
Mr. Hitesh Maheshwari**

Abstract

This is the study of Somany ceramics limited, the task was reviewing marketing strategies of its competitors; determine the growth potential with in Gurgaon and line up meetings with Architects present in Gurgaon.

The task of field work was to collect data from its Dealers and other dealers with collection of mixed dealership. The task was to observe how the dealing is done with odd customers, orders are placed on targets basis and work styles of accomplishing those targets.

Therefore, it was an overview at large scale of Ceramic industry and its growth potentials in Gurgaon region as well in Haryana. Somany ceramics gives a cut-throat competition to its competitors. It satisfies the need of customers and services render by them to its dealers & architects within Gurgaon on the basis:

1. Industrial relations
2. Branding
3. Reliability
4. Customer handling

Objectives of The Study

- To know the nitty-gritty of Ceramics tile industry as much possible.
- Determine the market size and potential of all the organise and unorganised players.
- To determine about the actual pricing strategies among the competitors.
- To know about the Promotion style of different competitors with its Dealers, Architects and ultimate Customers.
- To evaluate about the performances of competitors esp. Kajaria tiles.

Scope of The Study

This research study is done at Somany ceramics Limited & hence the scope of study is wide towards the dealers of tiles & architects.

Introduction

The history of a company which has captured the memories of millions of its customers as a strong witness to every moment of their joy and emotions bears testimony to the durability of its products. Somany Ceramics Limited is one such company which began as a vision of the future and an adapting, ever-changing companion to every customer ever since and is now a trail-blazer for everyone to follow. Somany Ceramics with the plants in Kadi (Gujarat) and Kassar (Haryana), with the production capacity of 20 million squares per annum is the producer of the highest quality of ceramic glazed tiles, vitrified tiles, sanitary ware or porcelain floor tiles. Somany started off with a clear distinctive position, that of being strong, durable and effectively close to the heart. Since its inception in 1969 as Somany Pilkington's, it was his dream of establishing the closest connect with its patrons that Shri H. L. Somany strived to realize. This dream did not only drive the company towards the path of unparalleled success, but also established its presence as an unchallenged leader in the Indian tiles sector.

With a clear and unique objective to achieve, Somany has always tried to relentlessly set benchmarks and create trends in home interior design. Like every growing family, each Somany home has

*Associate Professor, Jaipuria School of Business, Ghaziabad.
**Student, PGDM, Jaipuria School of Business, Ghaziabad.

stories to tell, which have seamlessly been captured thanks to quality, strength and life of its products.

To sustain a dream of such a magnitude, it is always important to stay ahead of your time. This truth, realized by Shri H.L. Somany was not only executed through the superior and innovative style and quality of Somany products, but also sustained through the wisdom of the following generations of leaders. With Shri H. L. Somany at the helm as Founder, Shri Shreekant Somany as the CMD and Shri Abhishek Somany as the JMD, the company is heading towards an exciting phase of expansion and growth.

Presence

Somany is headquartered in noida (Uttar Pradesh) with four modern manufacturing facilities in Kassar (Haryana), kadi (Gujarat) and morbi (Gujarat, two joint ventures) supported by marketing offices across major Indian cities. The company's shares are listed on the Bombay and national stock exchanges. Market capitalisation was rs. 222.71 Crore as on 31st march 2013.

Research Methodology

Problem Definition: A comparative analysis among major players of this industry, especially in Gurgaon region in terms of Quality, Brand Equity, price and Customer service.

Symptoms of study:

1. Availability of products
2. Branding and promotion techniques
3. Discounts and other offers
4. Pricing with respect to competitors
5. Effect on turnover/sales

Probable Problem:

What's the market share of Somany ceramics ltd in Gurgaon?

Decision Statement:

Company deals with appropriate range and variety of tiles as per customer satisfaction. It even focuses on dealer priorities matching with Architect's preference.

Research Question:

Comparison details of ceramics industry in Gurgaon?

Research Hypothesis:

Somany is a leading company in market of Gurgaon.

Research Design:

Type: Exploratory and Descriptive

Survey Methodology:

The primary data was collected from the administering a structured questionnaire and through observation & interview. Secondary data is information that has already been collected for a purpose other than your current research project but has some relevance and utility for research.

Sample size:

10 Dealers, 10 Architects and 10 Customers

Sample Area:

GURGAON

Sampling Technique:

According to size and area of sample, "Convenience Sampling" is best to solute my problem.

Research tools

A. Collection of Data:

The data required for the study is primary data as well as secondary data.

The various method used for collection of primary data are:

1. Observation method
2. Questionnaires

The secondary data are collected from the various sources like papers, internet, etc.

B. Hypothesis:

Null Hypothesis: $H_0: U_0 =< U_1$

Where U0 is Somany is best among all competitors.

Alternative Hypothesis: $H_1: U_0 > U_1$

In this project, SPSS software would be used, which could prove my hypothesis:

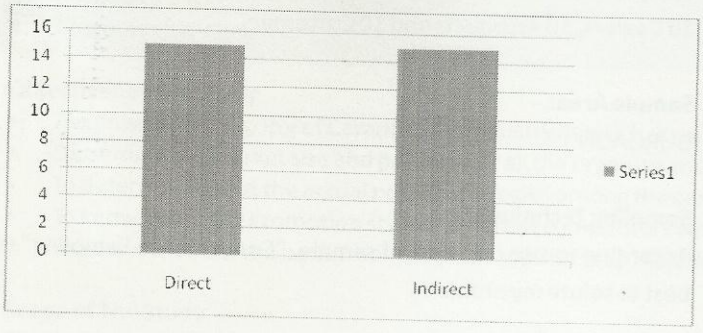
Therefore, we could use "paired t-test, t-test, regression etc." to prove my hypothesis. So, in order to proceed, the data collected from questionnaires, will be converted into coding in Ms-Excel sheet. After coding process, certain test could be applied and then hypothesis could be proved.

Data Interpretation and Analysis

Diagram Presentation

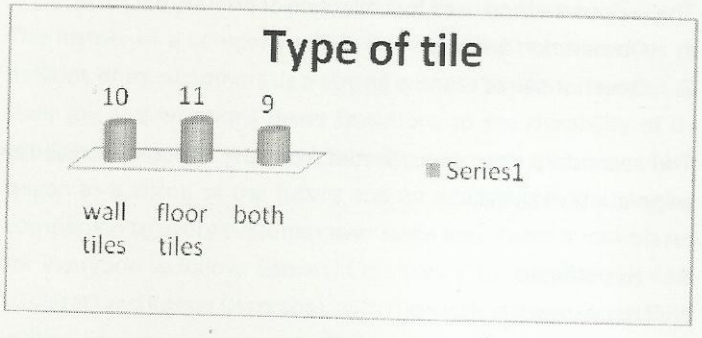
A. Which form of user are you?

a) Direct
b) Indirect (Dealer/ Architect based)



B. Which type of tiles would you preferred?

a) Wall tiles
b) Floor tiles
c) Both

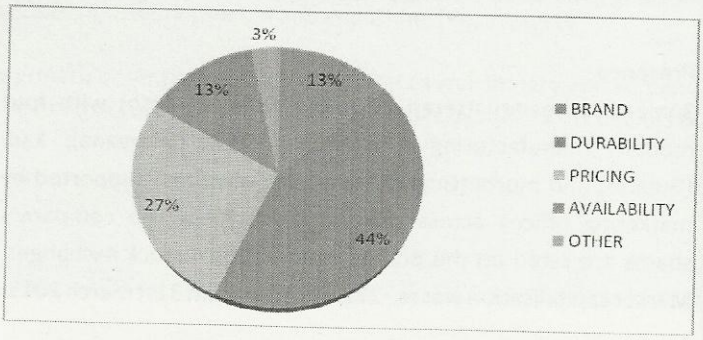


Interpretation:

Around 36.66% people prefer floor tiles, 33.33% are for wall tiles and rest 30% opting both the type of tiles.

C. On what basis you chose the tiles?

a) Brand
b) Durability
c) Pricing
d) Availability
e) Other

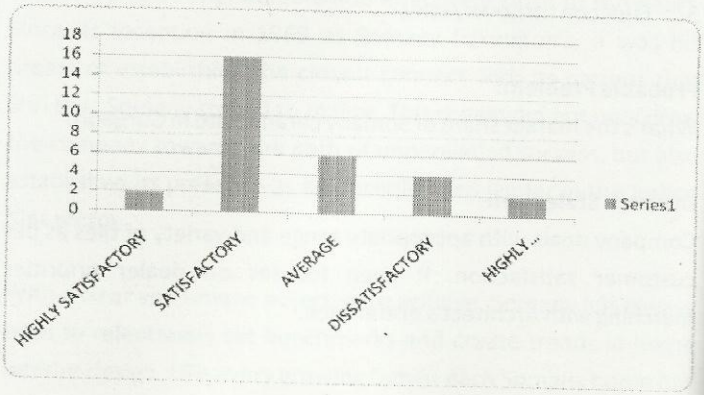


Interpretation:

Around 44% of tiles are chose on basis of DURABILITY, followed by PRICING with 27%.

D. How do you rate the tiles of Somany?

a) Highly Satisfactory
b) Satisfactory
c) Average
d) Dissatisfactory
e) Highly Dissatisfactory

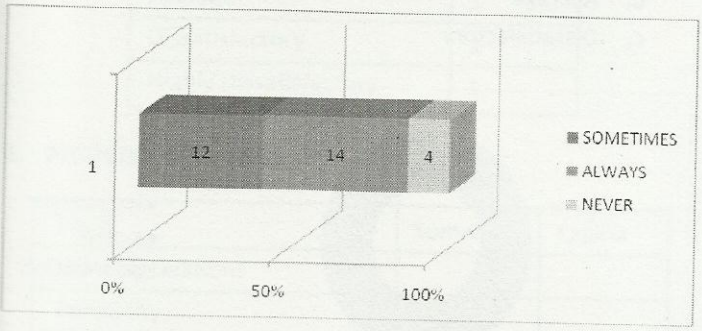


Interpretation:

In above graph, it shows that the most of the user are satisfy with the tiles of Somany ceramics.

E. How often you feel other companies are better than Somany?

a) Sometimes
b) Always
c) Never

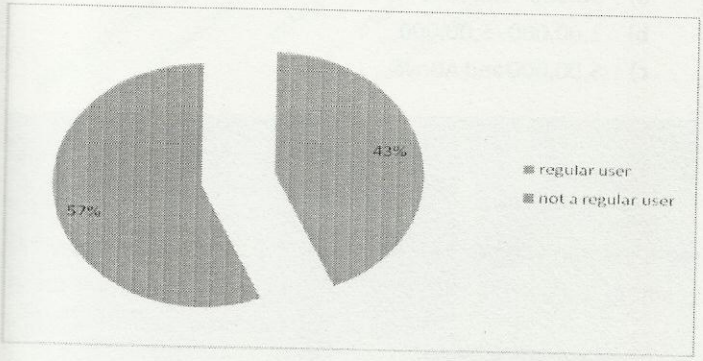


Interpretation:

46.66% people feels that other companies like Kajaria, RAK, etc are far better than Somany ceramics. It could be the reason of pricing strategy or low promotional activities in Somany ceramics.

F. Are you a regular user for Somany tiles?

a) Yes
b) No

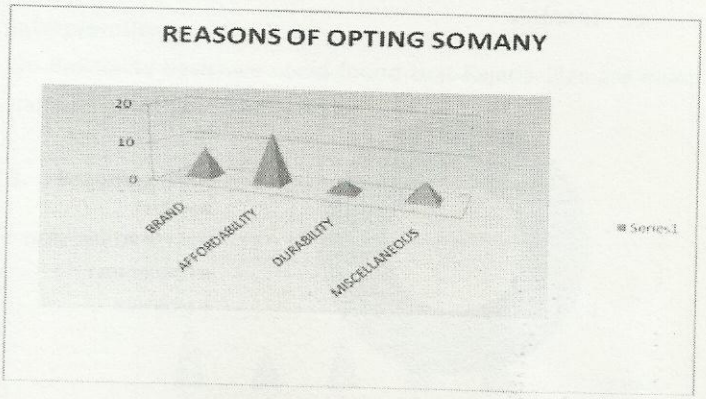


Interpretation:

Around 53% of users are regular for brand like Somany. They prefer of being an old user, where Somany tiles have created an image of best amongst its competitors.

G. What are the reasons for using Somany tiles?

a) Brand image
b) Affordability
c) Durability
d) Miscellaneous

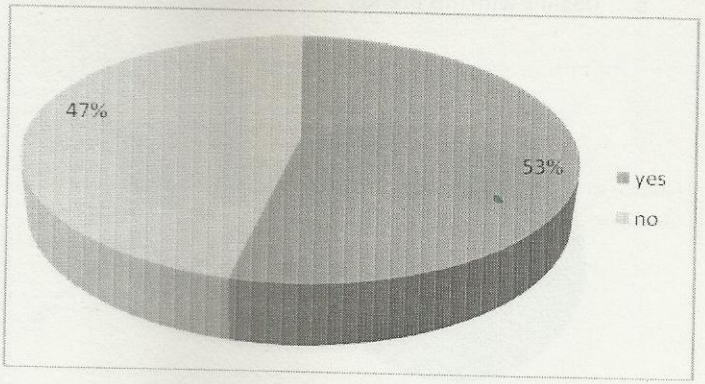


Interpretation:

The most efficient reason for opting Somany ceramics is AFFORDABILITY. Though KAJARIA too sold its products with affordable prices but few designs are costly than Somany tiles.

H. Are you satisfied with the objectives met by the company with your goals?

A. Yes
B. No

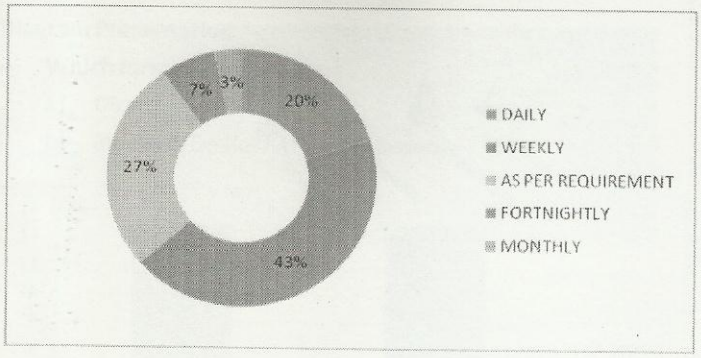


Interpretation:

53% of dealers and architects are satisfied with their completion of objectives laid with respect to achieving profitability and turnover.

I. What is your routine period to place the orders?

a. Daily
b. Weekly
c. As per requirement
d. Fortnightly
e. Monthly

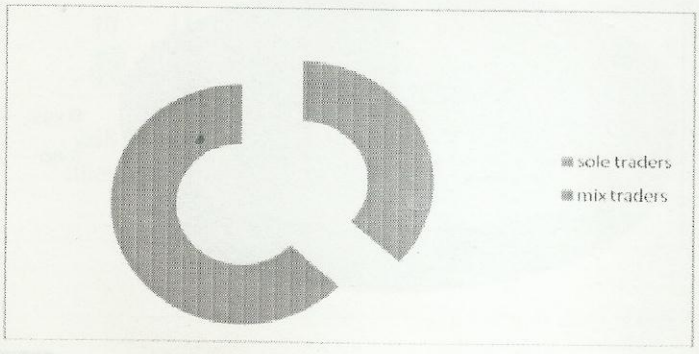


Interpretation:

Mostly dealers order the stock on weekly basis, as they keep the stock the updated and also, order the new kit for display purpose in the showrooms. 3 % of dealers orders the stock by monthly basis , being they are not much habitual of daily transactions or could be the supplier of less material in his/ her area.

J. What about other companies and orders?

a. Acting sole dealers for Somany
b. Dealing with mix brands

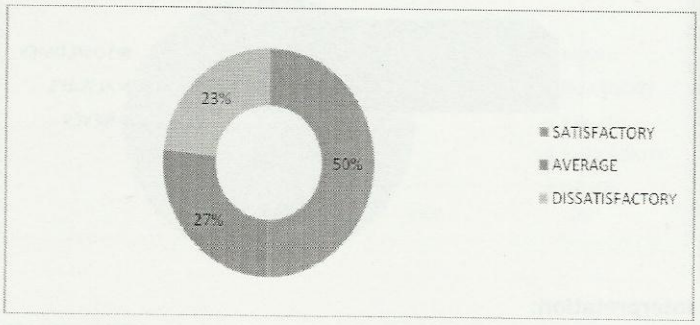


Interpretation:

In Gurgaon, there are 36.67% of dealers and architects which are users of exclusive Somany brands and rest 63.33% deals with mix brands of Ceramic products. They offer the Somany as per requirement of its sub dealer, customer or having a good order with discount provision by company.

K. How would you rate your feedback for Somany?

a. Satisfactory
b. Average
c. Dissatisfactory

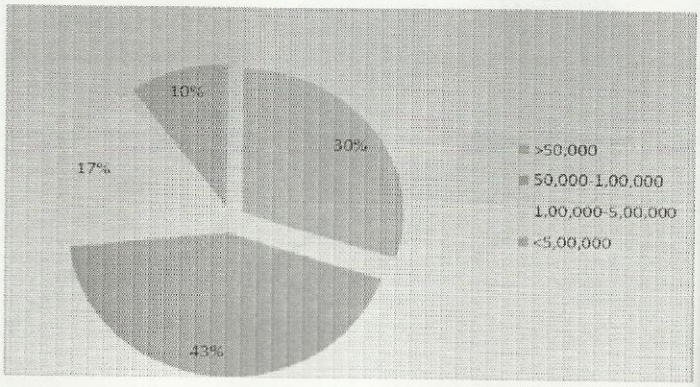


Interpretation:

50% of the people feels that Somany tiles are satisfactory with its competitors as collected feedback from dealers, architects and customers.

L. Your turnover Level, if any:

a) Below 50,000
a) 50,000 - 1,00,000
b) 1,00,000 - 5,00,000
c) 5,00,000 and Above



Interpretation:

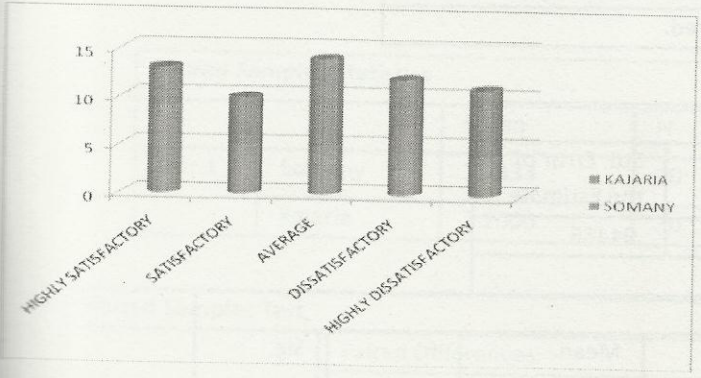
Many of the dealer's turnover is from 50,000 to 1,00,000 per month. They are regular users and most of them are exclusive of Somany tiles.

Please Rate the industry with the help of following Scale-

Highly Satisfactory	5
Satisfactory	4
Average	3
Dissatisfactory	2
Highly Dissatisfactory	1

1. INDUSTRY RELATION

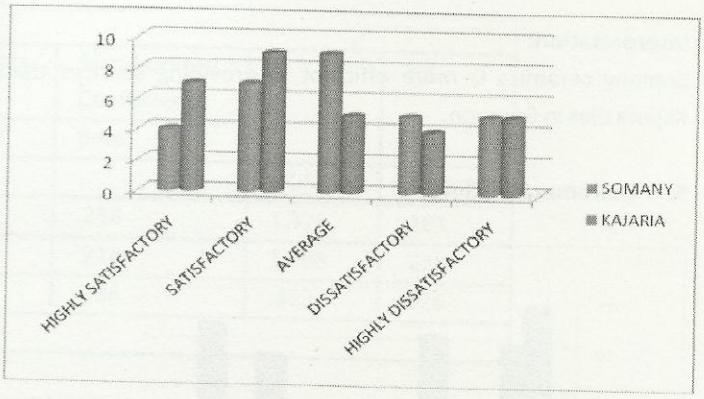
Basis	Somany	Kajaria
Industry relations		
Reliability		
Branding		
Fast and efficient services		
Consumer Help Services		



Interpretation:

On rating on a scale of 1-5, we found that Somany tiles are more highly satisfactory than from Kajaria tiles. Therefore, Somany stood a more ahead of Kajaria tiles.

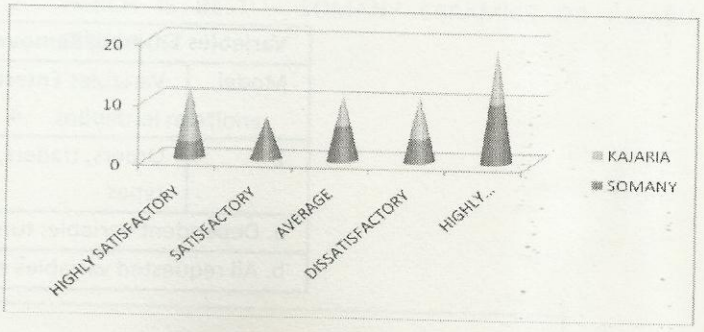
2. Reliability:



Interpretation:

On Reliability basis, we could found that Kajaria tiles are much more reliable than Somany tiles.

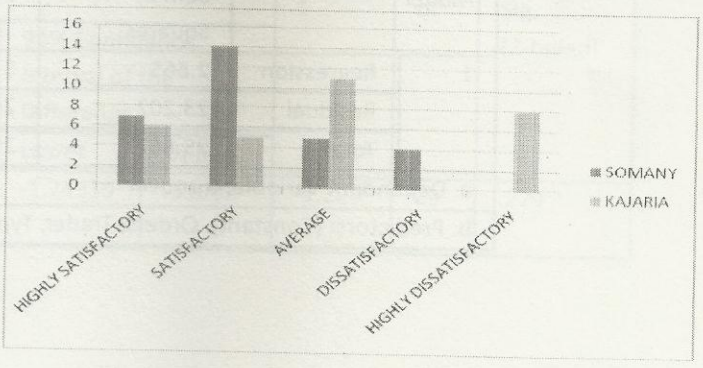
3. Branding



Interpretation:

In branding section, Kajaria stood ahead of Somany. Kajaria has 15 exclusive showrooms in Gurgaon whereas Somany has 8 exclusive dealers for marketing with tiles.

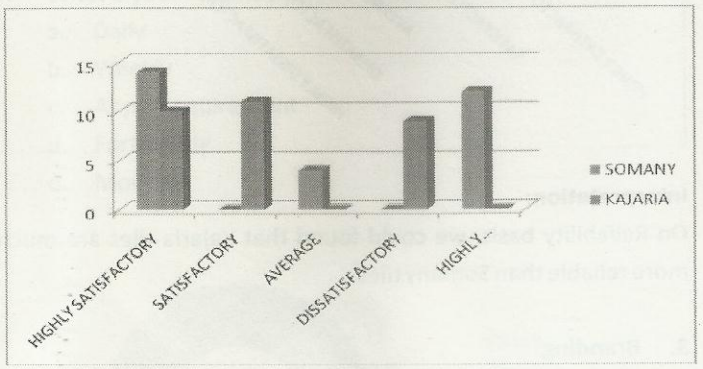
4. Efficient Services



Interpretation:

Somany ceramics is more efficient in providing services than Kajaria tiles in Gurgaon.

5. Customer Handling



Interpretation:

On an average basis, Somany is more ahead, under customer handling from Kajaria ceramics. Their poor dealings with the customer lose the growth and customers. They found Somany more viable in term of services.

Data Analysis

1. WHAT ABOUT THE TURNOVER, ON THE BASIS OF TRADERS, RATING WITH OTHER COMPANIES AND TYPE OF TILES PREFERRED?

Variables Entered/Removed			
Model	Variables Entered	Variables Removed	Method
1	Orders, traders, types		Enter
a. Dependent Variable: turnover			
b. All requested variables entered.			

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.321[a]	.103	.000	.94466
a. Predictors: (Constant), Orders, Trader, Types				

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.665	3	.888	.995	.411[b]
	Residual	23.202	26	.892		
	Total	25.867	29			
a. Dependent Variable: turnover						
b. Predictors: (Constant), Orders, Trader, Types						

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.660	.937		.705	.487
	Order	.498	.362	.258	1.376	.181
	Trader	.292	.263	.214	1.108	.278
	Type	.112	.227	.096	.493	.626
a. Dependent Variable: Turno ver						

Interpretation:

Null Hypothesis: $h_0:u_0=<3$ where it shows that factor on turnover of Somany ceramics ltd. depends on traders, orders placed and types of tiles being dealt.

Alternative hypothesis: $H_1:u_1>3$ where it shows that other factor on turnover of Somany ceramics ltd. Depends but on traders, orders placed and types of tiles being dealt

Level of significance= 5%

While calculating the data, it was found that ORDERS category could raise the turnover by 50%, TRADERS by 30% and type of tiles by just 10%. Overall only 10% is affected by the factors and rest 90% is affected by other factors which could be:

a. Discounts
b. Prices of tiles
c. Transaction of dealers with company

2. WHICH IS BEST – SOMANY CERAMICS OR KAJARIA CERAMICS?

A. Industrial relations

Paired Samples Statistics					
		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Somany	2.7333	30	1.46059	.26667
	Kajaria	3.2000	30	1.34933	.24635

Paired Samples Test									
		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Somany - Kajaria	-.46667	2.08001	.37976	-1.24335	.31002	-1.229	29	.229

Interpretation:

Null Hypothesis: $h_0:u_0=<3$ where Somany Ceramics ltd. is more efficient in maintaining he industrial relations with Kajaria ltd.

Alternative Hypothesis: $H_1:u_1>3$ 3 where Somany Ceramics ltd. is less efficient in maintaining he industrial relations with Kajaria ltd.

Level of significance= 5%

Under this paired t test, it is confirmed that p< 0.05, null hypothesis can't rejected be as it is less than 0.05. It says that Kajaria and Somany ceramics in term of industrial relations.

B. Reliability

Paired Samples Statistics					
		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Reliability	3.0000	30	1.28654	.23489
	Kajaria	2.7000	30	1.41787	.25887

Paired Samples Test									
		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Reliability – Kajaria	.30000	1.60065	.29224	-.29769	.89769	1.027	29	.313

Interpretation:

Null Hypothesis: $h_0:u_0=<3$, where Somany Ceramics ltd. is more reliable.

Alternative Hypothesis: $H_1:u_1>3$, where Somany Ceramics ltd. is less reliable than Kajaria ltd.

Level of significance= 5%

Analysis: Under this paired t test, it is confirmed that p< 0.05, null hypothesis can't rejected be as it is less than 0.05. Kajaria is a bit more reliable than Somany ceramics.

C. Branding

Paired Samples Statistics					
		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Somany	3.3000	30	1.46570	.26760
	Kajaria	3.2333	30	1.63335	.29821

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Somany - Kajaria	.06667	2.70291	.49348	-.94262	1.07595	.135	29	.893

Interpretation:

Null Hypothesis: $h_0:u_0=<3$, where Somany Ceramics ltd. is investing more in Branding.

Alternative Hypothesis: $H_1:u_1>3$, where Somany Ceramics ltd. is investing less in Branding

Level of significance= 5%

Analysis: Under this paired t test, it is confirmed that $p< 0.05$, null hypothesis is rejected be as it is more than 0.05. Somany is ahead from Kajaria in terms of Branding in Gurgaon region.

D. Services

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Somany	2.2000	30	.96132	.17551
	Kajaria	3.1000	30	1.44676	.26414

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Somany – Kajaria	-.90000	1.84484	.33682	-1.58888	-.21112	-2.672	29	.012

Interpretation:

Null Hypothesis: $h_0:u_0=<3$, where Somany ceramics ltd. Provides better services than Kajaria ltd.

Alternative Hypothesis: $H_1:u_1>3$, where Somany ceramics ltd. Provides poor services than Kajaria ltd.

Level of significance= 5%

Analysis: Under this paired t test, it is confirmed that $p< 0.05$, null hypothesis can't rejected be as it is less than 0.05. Somany services are better than Kajaria.

E. Customer handling

Paired Samples Statistics					
		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Somany	2.8667	30	1.88887	.34486
	Kajaria	2.2667	30	1.22990	.22455

Paired Samples Test									
		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Somany – Kajaria	.60000	2.73672	.49966	-.42191	1.62191	1.201	29	.240

Interpretation:

Null Hypothesis: $h_0:u_0=<3$, where Somany ceramics ltd. provides better customer based services than Kajaria ltd.

Alternative Hypothesis: $H_1:u_1>3$, where Somany ceramics ltd. provides poor customer based services than Kajaria ltd.

Level of significance= 5%

Analysis: Under this paired t test, it is confirmed that $p< 0.05$, null hypothesis can't rejected be as it is less than 0.05. Somany's customer handling is not much poor not good with comparison of Kajaria.

3. How do you rate the tiles of Somany?

a) Highly Satisfactory
b) Satisfactory
c) Average
d) Dissatisfactory
e) Highly Dissatisfactory

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
Rating	30	2.60	1.037	.189

One-Sample Test						
	Test Value = 3					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Ratings	-2.112	29	.043	-.40000	-.7873	-.0127

One-Sample Test						
	Test Value = 2.3					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Ratings	1.584	29	.124	.30000	-.0873	.6873

Interpretation:

Null Hypothesis: $h_0:u_0=<3$, where Somany ceramics ltd. Provides affordable prices of tiles to it Dealers, architects and customers.

Alternative Hypothesis: $H_1:u_1>3$, , where Somany ceramics ltd. Provides costly prices of tiles to it Dealers, architects and customers

Level of significance= 5%

First we chose 3, that is average rating which proved that null hypothesis is wrong as it is rejected. Then when we chose 2.3 which says null hypothesis can't be rejected as it shows the rating of Somany tiles are satisfactory.

4. **How would you rate your feedback for Somany?**
   a. Satisfactory
   b. Average
   c. Unsatisfactory

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
Feedback	30	1.7333	.82768	.15111

One-Sample Test						
	Test Value = 2					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Feedback	-1.765	29	.088	-.26667	-.5757	.0424

Interpretation:

Null Hypothesis: $h_0:u_0=<2$, where Somany ceramics ltd. Feedback is average in nature by its Dealers, architects and customers.

Alternative Hypothesis: $H_1:u_1>2$, where Somany ceramics ltd. Feedback is either satisfactory or dissatisfactory in nature by its Dealers, architects and customers.

Level of significance= 5%

Under this single t test, it is confirmed that $p< 0.05$, null hypothesis can't rejected be as it is less than 0.05. There is an average feedback by dealers, architects and customers from Gurgaon in respect of Somany ceramics.

Therefore, null hypothesis is rejected.

Findings

To find out the market potential I used the observation & questionnaire method. The important findings from the Gurgaon market are there is average demand for the designer tiles. Costly tiles are not much demanded. The local brands cover the whole market like Nova, Suncity, and Pioneer etc. There are some of the top most brands in the market like Nitco, Orient and Kajaria and demand for them is far better than Somany. The prices of the Somany tiles are higher as compared to other tiles in that area. The sales promotional technique of Somany is very weak. There is no emphasis on the advertising and marketing activities in this area. Somany and Schablona are losing their dealers in the market. Sales person don't visit to the market in the view for any alteration but to collect the orders. Sample kits are not available in the market. Past experiences with Architects have been inefficient and ineffective. Customers are satisfied with variety available in local brands Somany got a good collection of affordable tiles but not much aware of customer's preference. Tiles from Morbi and Kadi are available in a week's time of order.

Conclusions & Suggestions

Conclusion

The surveyed area has so many problems like people income, source of income, traditional thinking and living style, price consciousness and so on. Some local brands like Bell, Bajaj, Vermora, and Asian Etc. are providing tiles at cheaper rate. This is a biggest problem. These all create problem to introduce costly designer tiles to any company in that particular region. Kajaria is the strongest competitor of Somany in that region. It had overtaken almost part of market. Other than that imported tiles are much more preferred in term of design and cost. The product ranges are time to time updated. Designer tiles from Bagno, Graffiti, and Ratnagiri have major market share in the domestic tile companies.

The Rs 760-crore Somany Ceramics is increasing its dealership base in the non-metros and smaller cities, after facing saturation in demand in the top few metros in the country. Speaking to Business Line, Mr Abhishek Somany, Joint Managing Director, Somany Ceramics, said, "Today most of the metros have become saturated markets and we have been getting most of the growth (at 30 per cent) from the smaller cities. This has made us add near 300 more dealers in the non-metros." Somany has increased the number of its dealers from 11,050 to 11,450; all the additions are in the non metros this year. Besides, it has also added most of its larger showrooms (Somany Exclusive) in the non-metros where rentals are cheaper. "The majority of our larger retail stores under Somany Exclusive are in the non-metros while the smaller formats under Somany Studios are in the big metros as rentals are expensive," added Mr Somany. In fact, the slowdown in the construction industry has led to lower demand.

Suggestions

Company should increase turnover on the basis of prices of tiles and discount offer given to dealers. They should focus more on large scale projects based on Architect's planning and execute them. Since many competitors are in Gurgaon, they should open more outlets and expand their areas in Gurgaon. They have to be more efficient in providing the customer based services and other services as well. Sampling kit provision should be Gurgaon based rather of ordering from other manufacturing places like Morbi and Kadi. More designs of tiles should be launched to capture the market. Branding and other promotional activities should be done on regular basis, as it will attract more people.

Annexure

Questionnaire

Name: .....

Address: .....

Contact Number: Gender: male / female

For Costumers and Architects:

A. Which form of user are you?

a) Direct

b) Indirect (Dealer/ Architect based)

B. Which type of tiles would you preferred?

a) Wall tiles
b) Floor tiles
c) Both

C. On what basis you chose the tiles?

a) Brand
b) Durability
c) Pricing
d) Availability
e) Other

D. How do you rate the tiles of Somany?

a) Highly Satisfactory
b) Satisfactory
c) Average
d) Dissatisfactory
e) Highly Dissatisfactory

E. How often you feel other companies are better than Somany?

a) Sometimes
b) Always
c) Never

F. Are you a regular user for Somany tiles?

a) Yes
b) No

G. What are the reasons for using Somany tiles?

a) Brand image
b) Affordability
c) Durability
d) Miscellaneous

For Dealers & Architects:

1. Are you satisfied with the objectives met by the company with your goals?

a. yes
b. no

2. What is your routine period to place the orders?

a. Daily
b. Weekly
c. As per requirement
d. Fortnightly
e. Monthly

3. What about other companies and orders?

a. Acting sole dealers for Somany
b. Dealing with mix brands

4. How would you rate your feedback for Somany?

a. Satisfactory
b. Average
c. Unsatisfactory

5. Your turnover Level, if any:

a) Below 50,000
b) 50,000 - 1,00,000
c) 1,00,000 - 5,00,000
d) 5,00,000 and Above

6. Please Rate the industry with the help of following Scale-

Highly Satisfactory	5
Satisfactory	4
Average	3
Dissatisfactory	2
Highly Dissatisfactory	1

Basis	Somany	kajaria
Industry relations		
Reliability		
Branding		
Fast and efficient services		
Consumer Help Services		

Bibliography

1. www.kassarmasteroct2013-14.com
2. www.somany2012-13.com
3. www.awaresurvey-2004.com
4. www.google.com
5. www.wikipedia.com

Books:

- Kothari, C.R., (2002), "Research Methodology Methods & Techniques", Wishwa Prakashan, New Delhi.
- Kotler, Philip (2003), "Marketing Management" (11 * Edition), Pearson Education (Singapore) Pvt. Ltd., New Delhi.

Challenges in Management Education in India

Ms. Sumedha Tuteja*
Ms. Sonal Mehta**

Abstract

With the opening up of the Indian economy in the early 90s and the economy moving on from traditionally family managed businesses to a more professional setup, the demand for a qualified management graduate has been increasing. In India, the traditional career choices were to become Engineer, Doctor, and Chartered Accountant etc. With the dynamism in the business environment the students started looking at management education for leading them towards a successful career.

The need to have skilled resources to manage the challenges of the modern day business has seen a splurge in Institutes specializing in management education. There are an estimated 1,300 approved Management institutes in the county churning out over 1,25,000 full time and about 1,50,000 part time or distance learning management students every year.

As per a study done by the Associated Chambers of Commerce and Industry (ASSOCHAM, 2013)on the B-schools and Engineering Colleges in India, the campus placements have decreased by 40% in the year 2012. This in turn has led to decrease in the number of admissions subsequently and thus, over 180 schools have closed down in the major cities Mumbai, Delhi-NCR, Kolkata, Lucknow, Dehradun etc.

This paper investigates the reasons behind this fallout of business schools in India. Further, the paper enlists the challenges faced by management institutes across the country that prevents them from achieving their core purpose of giving skillful resources to corporates. The authors have provided recommendations to improve the current situation of management education in the country. This paper would help policymakers, promoters of the management institutes and academicians in devising ways to improve the employability of the management students in India.

Keywords: Business, Education, Management Training, Skills, Research, Students

JEL Codes: M00, I200, A290, J24

Origin of Management Education in India

Education system in India came into existence after the country gained Independence. Pandit Jawaharlal Nehru, the first Prime Minister of India envisaged the creation of centers of higher education outside the university system. The Planning Commission was set up to direct the development of the country. Pandit Nehru wanted to develop institutions like MIT, CALTECH, Sloan and Harvard Business School, which are seen as the global centers of academic excellence in technology and management. (Sinha, 2004) Management education in India is not very old in India. It began as a part-time education for practicing executives.

In 1959, the Planning Commission invited University of California to guide in setting up management institutes at all India level. Subsequently the idea of Indian Institute of Management was conceived basis the recommendations of the Professor George Robbins from University of California. Later in 1962, Government of India established IIM in Calcutta and Ahmadabad in collaboration with the MIT Sloan School of Management and Harvard Business School respectively.

By 1990, 82 university-based departments of management were functioning in India. Another IIM was established in Lucknow in 1986 and as of now we have more than a thousand institutes

*Assistant Professor, Jaipuria Institute of Management Studies, Ghaziabad. Email: sumedha.tuteja@gmail.com
**Freelance Trainer (Soft Skills& Foreign Language) Email: sonal.mht1@gmail.com

across the country. (Business India, 2010)Once the ranking was introduced by COSMODE in 1988, the business schools started realizing the importance of updating curriculum, innovating teaching pedagogy, developing industry-academia linkage, improving intellectual capital of the institutes, providing covetous placements etc.

Significance of Management Education in India

Since the Indian Economy had undergone a lot of changes since the liberalization of the economy in 1991, the growth rate of the economy improved. With the growth of various sectors in the country, there emerged a need for new age managers and hence for B-schools those teach business concepts and inculcate professionalism in budding managers. The need to have skilled resources to manage the challenges of the modern day business has seen a splurge in Institutes specializing in management education. There are an estimated 1,300 approved Management institutes in the county churning out over 1,25,000 full time and about 1,50,000 part time or distance learning management students every year.

Objectives of The Study

I. To identify the major issues in management education in India
II. To provide suggestions for possible action by policymakers and promoters of B-schools for improving the state of management education in India

Current Scenario of Management Education

However the state of many business schools (B-schools) today is not very promising. According to a study done by the Associated Chambers of Commerce and Industry (ASSOCHAM, 2013) on the B-schools and Engineering Colleges in India, the campus placements have decreased by 40% in the year 2012. This in turn has led to decrease in the number of admissions subsequently and thus, over 180 schools have closed down in the major cities Mumbai, Delhi-NCR, Kolkata, Lucknow, Dehradun etc.

Plummeting Growth of B-schools

As the graph below shows (Figure 1), the growth of B-schools in India have witnessed a sharp fall since 2009(Shah, 2012). The prime reason certainly is the decline in job opportunities for new talent since the Global Financial Crisis of 2008. A further analysis of the growth of such institutions (Figure 2) also shows that on an average annually a whopping 577 institutions got added between the years 2006-2011 (Chaturvedi, 2012). Such a proliferation of educational institutions certainly suggested something was wrong somewhere. Establishment of a business school needs serious envsioning, proper planning, sufficient funding commitment and clarity in terms of target segment. Unfortunately, many of the family-owned business groups missed out on realising the gravity of running a course in higher education and thought of this activity as either philanthropic or even worse, a source of profit.

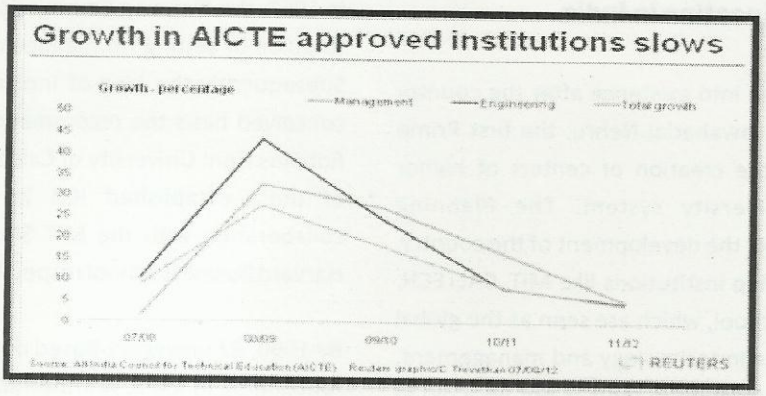


Figure 1: Growth of AICTE approved institutions

Source: http://graphics.thomsonreuters.com

Period	No. of B-schools added	Average Annual Addition
1950-80 (30 yrs)	118	4
1980-1995 (15 yrs)	304	20
1995-2000 (5 yrs)	322	64
2000-2006 (6 yrs)	1017	169
2006-2011 (5 yrs)	2883	577

Figure 2: Growth of B-schools in India during 1950-2011

Source: (Chaturvedi, 2012)

As a result of mushrooming of business schools in the country, the average occupancy rate of B-schools plummeted to 65 percent (CRISIL, 2012). According to CRISIL, the Tier-4 B-schools accounted for merely 50 percent occupancy.

Poor Placement Scenario

To further compound the problem, providing jobs to students in these schools became a daunting task. Figure 3 shows (refer first bar in the graph for each year respectively) a steady decrease in the percentage of students placed after MBA from an institute that is not in the top 20 ranking list(Shah, 2012). Only 29 percent of B-school graduates got a job after completing the course in 2011. Slowdown in the economy due financial crisis led to evaporation of rewarding jobs for students graduating from B-schools. For the class of 2013, even a few IIMs were found struggling for getting lucrative placements for their graduates (Nanda & Pathak, 2013). This article in Live Mint quoted placement officer at IIM-I, "Companies have played safe and some of them have frozen hiring." The chairperson of career development services at IIM-B also admitted that number of offers in 2013 were slightly lower than last year.

An article by NDTV Profit states that in the last five years the number of B-schools has tripled. However, the job opportunities have not grown in the same proportion. (Sinha V., 2013). The ASSOCHAM survey holds the view that many private schools just want to make money out of their investments and hence do not pay much attention to employability of its graduates. The secretary general of Assocham stated, "There is no quality control, the placements are not commensurate with fees being charged, the faculty is not good enough and there is no infrastructure."

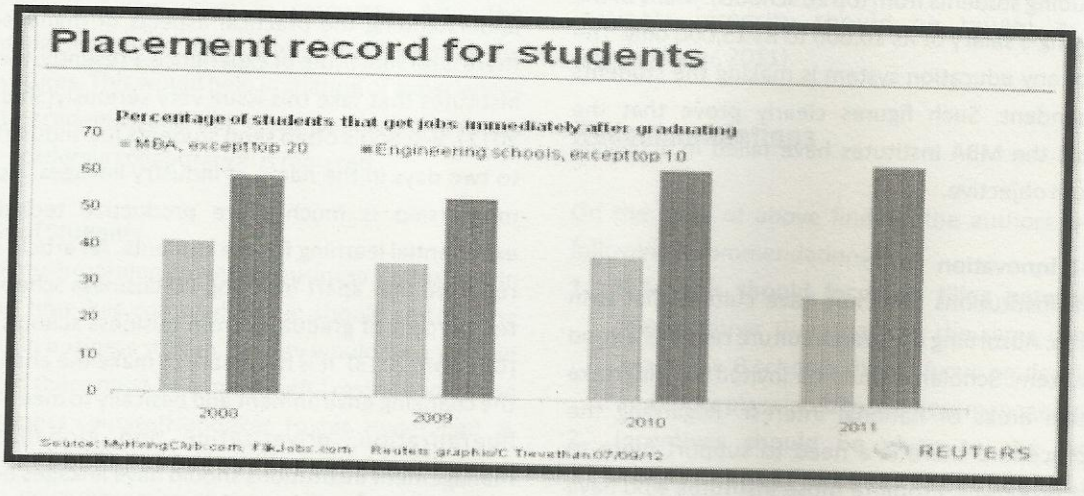


Figure 3: Placement record for students

Source: http://graphics.thomsonreuters.com

Challenges Faced by The Business Schools in India

Owing to such a worrisome state of management institutes in the country, this paper attempts to investigate the reasons behind this plight of management education in India. The management institutes are facing many problems.

Increased Competition

Management institutes today are coming up with many variants of MBA courses, Executive MBA, Advanced Management Programmes, Online MBA, Distance Learning Programmes, Certificate Courses, and Diploma in Management etc. This has led to commoditization of management courses, which in turn has confused the target segment i.e., students. The total number of seats for MBA grew at a CAGR of 30 percent from 95,000 in 2006-07 to 3,60,000 in 2011-12. This has led to hyper competition of the institutes offering such courses. The lack of vision is also a big reason responsible for the present state of Indian management education. Many private schools are viewed by its 'trustees' as a source of minting profits by filling their admission seats mindlessly. The ASSOCHAM study shows that after spending 3 to 5 Lacs on an MBA course, only 10 to 12 % of the students are employable (excluding students from top 20 schools). Many of the students are drawing a salary of Rs 10,000 to Rs 15,000 only. The primary motive of any education system is making the students financially independent. Such figures clearly prove that the barring IIMs, most the MBA institutes have failed in achieving their bare minimum objective.

Lack of Research & Innovation

The management Institutions does not have culture that is in support of research. Absorbing a research culture requires a good library support system. Scholars should be invited to undertake research in certain areas of national interest. Regarding the research grant procedure there is a need to support more to individual project proposals. Promote those institutes who have adequate support system to start Ph.D. Programme. Due to expansion of management regulation there is a shortage of PhD. Guides and thus those who are interested in pursuing PhD. Degree they are enforced to register under the faculty of commerce. And due lack of management knowledge these research guides fails to guide the candidates in the area of management(Saha, 2012). The Business Schools need to promote a milieu of research based growth for its faculty and courses. It would be rewarding to have a two way collaboration with foreign universities and B-schools where in there are a consequential research outcomes to share especially with Indian context (Yashpal Committee, 2008) (NKC Innovation Team, 2007).

Lack of Indigenous Reference Material

Indian authors contributed only 108 papers between 1990 and 2009 in top management journals (Abidi, 2012). This is about five papers a year. This is an alarming figure for a country that has over 20 elite B-schools that have the resources, trained faculty and meritorious students. India has gone a long way in achieving independence but is yet caught in the intellectual colonization for its reference material(IIM Bangalore, 2012). There is also a dearth of indigenous case studies in Indian context. The leaders and faculties of most business schools are fascinated by the so-called 'management-gurus' hyped by the media. We need to introspect before adopting any reference material in our pedagogy, whether it suits our business context or not.

Lack of Industry Linked Training & Mentorship

Although, case based teaching helps a student immensely in understanding the practical aspects of management concepts, there is no substitute of experience. Presently, there are not many institutes that take this issue very seriously(Sharma & Chauhan, 2012). B-schools often send students for 'industrial visits' for one to two days in the name of industry linkages. However, industry mentorship is much more productive technique to ensure experiential learning for the students. An article in Times of India reported that apart from top 20 business schools like, IIMs only ten percent of graduates from business schools get placements (Dhawan, 2013). It is necessary to make the changes according to the changing environment and basically to meet the challenges of liberalization, privatization and globalization. So, the management institutions should have linkages between business and industry and should understand their conditions and reorient teaching, training consultancy and research activities. Longer summer trainings should be essential for the students, perhaps even extended up to one full term. Assessments should be mandatory for the students and should be based on internship (Patel, 2011).

Quality and Development of Faculty

It has now become essential to provide to teachers some sort of training for their development at regular intervals.(Hundekar, Hugar, Hyderabad, & Shollapur, 2001, pp. 25-29).An important handicap faced by Indian B-schools is trained and high quality, experienced faculty members. In India, ironically, a B-school is known by the kind of students it attracts and placements. The need of the hour is to bring boardroom battles in the classroom (Datar, Garvin, & Cullen, 2010, pp. 137-165).Selection of faculty at management institutes is being done by blindly ticking the check boxes for required qualifications. There should be deeper cognition towards checking whether the faculty has gathered degrees in multiple disciplines through easy routes or has the required knowledge in real terms. There is little willingness among the promoters to spend on the development of its faculty. An article in LiveMint professes that faculty should be rated on the basis of cases developed, joint research projects, consultancy assignments and MDPs conducted (Palety, 2009)

Very few academicians are aware of the day-to-day realities of the business. Most of them are strongly discipline oriented and this makes comprehension of business difficult for academicians. (Reddy, 1992) To remedy this, the faculty members should be encouraged to spend a few years in corporate. Also, the practitioners should be invited to spend a few years in the management institutes. This would help in sharing of experiences from corporate to academics and vice versa. In research as well, greater industry-academia collaboration is required.

Selection Process of Students

There has been a mushrooming growth of business institutions in recent years. The time has come when we should restrict the intake of students in business stream. Quality would be preferred to the quantity and there must be a meaningful restriction on the admission to business courses(Hundekar, Hugar, Hyderabad, & Shollapur, 2001, pp. 25-29). Institutes with the aim to fill up the seats in the batch, do compromise on the quality of students they enroll. The students may or may not have the basic skills for management education. Institutes are overlooking that. Government needs to play a big role in providing right opportunities to students with variety of skill sets. Management degree somewhat is a big cushion for students when it comes to securing a job, hence everyone wants a management degree irrespective of the aptitude. This leads to a problem during placements as the employers do not get what they are looking for. The Institutes must guide and screen the students in the right way and tell them what is more suitable for them.

Ignorance of Business Ethics

Students should understand the practical aspects of work ethics, how ethics can be managed and developed at workplace, how individual judges his/her values, what are the contents of ethics. Ethics can be developed to motivate human resources at work place because "organization does not have ethics but the people have." At present there is some difference between recruiter's expectations and B-schools graduates. Institution can only help to enhance the skills, but will not be able to instill values among the future managers, unless the latter understands the importance of the same. Business ethics is something which we cannot compromise as it is very important for every company or organization. Developing values that enable decision-making in grey areas characterized by insufficient information or conflicts is a tricky issue (Patel, 2011). An article in Bloomberg Businessweek states that business ethics has not permeated well enough in the B-school curriculum. The author advocates that leadership and business integrity should be taught as an integrated concept(Beer, 2011).

Recommendations

On the basis of above finding, the authors would like to give following recommendations:

1. **B-Schools should focus on filing patents for innovative ideas:** Rather than teaching the same concepts again and again, the B schools should focus on developing new ideas and concepts related to business management.
2. **Incentives should be given to the faculties devising indigenous case studies:** Since most of the classic case studies for important business management concepts are not from India, there is limited applicability of those for our students. Hence, B-schools should encourage its faculties to develop Indian cases so that most suitable material is used for teaching management concepts to students.

3. **Exchange of international students and faculties to expand the knowledge base of the institute:** There is a lot to be learnt from foreign universities and institutes. Hence, Indian B-schools should facilitate exchange of students and faculties for two to three months a year.
4. **Linking students to industry mentors:** Students often miss out on gauging the practical application of management concepts studies in the class room. The best remedy to this problem is that they are linked to an industry mentor for two years and that they question and apply every concept learnt in classroom.
5. **Encouragement to creativity:** Business management is often perceived as a transactional activity that pursues only greed and profit. However, this not true. There a lot of examples where business have done well due to their creative approach. Hence, there should be a few activities in the curriculum that encourage the students think out of the box and challenge conventional models and approaches.

Conclusion

Advanced education particularly in management faculty in India stands at a turning point. Management education will always be in demand in future but the existence of an educational institution will depend upon the excellence of education and training offered. Management education in today's scenario is leaning towards the manufacturing sectors to meet their needs.

The Management institution must understand the connotations of the adjustments and accordingly must train the students to implement corporate strategies. (John & Panchanatham, 2011). The students should be provided with the necessary talents to compete in the marketplace, we must recognize and accept the challenges before us today. Globalization of the business school curriculum is no longer a luxury. The complications of worldwide markets must be incorporated into the core undergraduate as well as post graduate management educational framework. In accumulation, information technology must be clinched as an opportunity to improve the educational efficiency, as well also respected as an important competitor in the stipulation of educational services.

Hence, it can be concluded that the existence of a good institution depends upon the quality of training, education and values which the institution offers. The management education is largely industry oriented basically to meet the conjugal needs of manufacturing sector. Now it is the requirement to make the education as per the demand of managers for international Business Information Technology (Patel, 2011).

References

1. *Abidi, S. (2012, June 2). Lifting up non-premier b-schools. Business Standard.*
2. *ASSOCHAM. (2013, January 30). Press Releases. Retrieved February 12, 2013, from ASSOCHAM INDIA: http://www.assocham.org/prels/shownews-archive.php?id=3877&month=1&year=*
3. *Beer, M. (2011, Nov). MBA Programs Are Failing in Ethics. Retrieved Dec 29, 2013, from Bloomberg Businessweek: http://www.businessweek.com/debateroom/archives/2011/11/mba_programs_are_failing_in_ethics.html*
4. *Business India. (2010, October 4). Best B-schools Survey 2010. Business India, p. 126.*
5. *Chaturvedi, H. (2012). Making India a hub for management education envisaging a new role for the regulator. Proceedings of National Convention on Indian Higher Education-Vision for Quality, Autonomy & Accountability, 33-35.*
6. *CRISIL. (2012, Feb 01). Press Release. Retrieved Dec 27, 2013, from CRISIL: http://crisil.com/Ratings/Brochureware/News/CRISIL-Research-education-pr_010212.pdf*
7. *Datar, S., Garvin, D. A., & Cullen, P. G. (2010). Rethinking the MBA. Boston: Harvard Business School Publishing.*
8. *Dhawan, H. (2013, Jan 31). Only 10% of B-school graduates get hired: Study. Times of India.*
9. *Hundekar, S., Hugar, S., Hyderabad, R., & Shollapur, M. (2001). Challenges Before Business Education in India. Delhi: Atlantic Publishers & Distributors.*
10. *IIM Bangalore. (2012). Management Research in India: Current State and Future Directions. Second Indian Academy of Management Conference. Bangalore.*

11. John, B., & Panchanatham, D. N. (2011). Management Education in India- Trends, issues and challenges. AMET Journal of Management.
12. Nanda, P. K., & Pathak, M. (2013, Mar 15). Even IIMs struggling to place students. Retrieved 28 Dec, 2013, from Live Mint: http://www.livemint.com/Industry/rGdoMaL6VXQjMJAVfcUuNL/Slowdown-poor-earnings-hitplacementsatnewIIMs.html
13. NKC Innovation Team. (2007). Innovation in India. New Delhi: National Knowledge Commission.
14. Palety, P. (2009, Feb 08). Good industry interface critical for B-schools. Retrieved Dec 29, 2013, from Live Mint: http://www.livemint.com/Opinion/gDPkyBxWVCIEoVJ5RJFQiM/Good-industry-interface-critical-for-Bschools.html
15. Patel, P. D. (2011). The Changing Face of Management Education : Challenges for tomorrow. Indian Streams Research Journal.
16. Reddy, C. M. (1992). MANAGEMENT EDUCATION IN INDIA. Retrieved Jan 12, 2013, from IIM Bangalore: http://www.iimb.ernet.in/research/working-papers/management-education-india
17. Saha, G. G. (2012). Management Education in India: Issues & Concerns. Journal of Information, Knowledge and Research in Business and Administration, 35-36.
18. Shah, A. (2012, Sep 10). India's business schools get tough lesson in supply and demand. Retrieved Dec 28, 2013, from Reuters: http://in.reuters.com/article/2012/09/10/india-education-mba-business-schools-idINDEE88900W20120910
19. Sharma, G. M., & Chauhan, S. (2012). How Talented is our 'Talent Pool':A Study on Indian Management Students Based in B-class Cities. Anveshak International Journal of Management, 32-43.
20. Sinha, D. P. (2004). Management Education in India - Perspectives and Challenges. Hyderabad: ICFAI University Press.
21. Sinha, V. (2013, 30 Jan). Mis-management? B-schools in India are struggling. Retrieved Dec 28, 2013, from NDTV Profit: http://profit.ndtv.com/news/careers/article-mis-management-b-schools-in-india-are-struggling-317066
22. Yashpal Committee. (2008). The Committee to Advise on Renovation and Rejuvenation of Higher Education. New Delhi: AICTE.