



# COSMOS

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## A Compilation of Research Papers on Contemporary Issues in Commerce Management and Economics

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## EDITORIAL

Dear Readers,

One of the important events of this decade was the major depression of 2008. As we all know the world economy is just recovering from this event. This recovery is credited to the relief packages put in place by governments and central banks around the globe. It is also a known fact that the developing countries are recovering at a faster pace than the developed countries. India and China are projected to develop at the rate of 8.2% and 9.5% respectively in the current year. Thus India has finally found its place in the Global Scenario and is soon becoming a factor to reckon with in many international corporate decisions. Happenings in India thus gain importance. This issue of Cosmos focuses on the development in Higher Education in India, Development in Tourism and Management of Labour Welfare, Dynamics of Labour Migration, and the importance of Leadership and Management in the success of a business.

Another very important happening in India in the last one decade is the expansion and explosion of the organized retail sector. As such we are carrying the abstracts of two doctoral dissertations. One abstract is about "How to invest in the share market", and the second one is about consumer behavior. I am sure you will enjoy this issue of Cosmos.

I would like to place on record the hard work done by our Junior Editorial team consisting of Miss Anisa Khan, Ms. Saman Gore and Ms. Eram Khan for their efforts in compilation, and a basic English language edit.

Dr. Shaila Bootwala

Managing Editor



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# APPLICATION OF SWOT ANALYSIS FOR DIAGNOSING THE PROSPECTS OF TOURISM IN MAHARASHTRA

**Dr.A.V.Kamble,**

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## **Introduction:**

Maharashtra is one of the largest and fast developing states in our country. It has historical, religious, cultural and educationally rich heritage. It has mountains, hill stations, rivers, thick forest cover, beaches and forts of living history. It has globally integrated IT sector, education sector, bollywood sector, sports sector and hospitality sector. It has emerged as a global destination for medical tourism. It has developed an innovative agri-tourism sector. Mumbai is the gate way of Maharashtra and the commercial capital of India. Therefore, Maharashtra has emerged as a high growth potential prospects of tourism business in India. In view of this an attempt is made to analyze its tourism prospects by applying the SWOT analysis technique.

The SWOT analysis is a technique / method of analyzing the strengths, weaknesses, opportunities and threats in the tourism business. It is a means to achieve the organizations objectives mix. This technique was invented by ALBERT HUMPHREY of STANFORD UNIVERSITY in 1960 and 1970 for his research project of FORTUNE 500 companies. The main objective of his research project was to make recommendations for improving the competitive business performance. Therefore, he collected the data and information of FORTUNE 500 companies. In his research methodology he identified two strong indigenous parameters and two exogenous weak parameters. He further classified the two indigenous parameters viz. STRENGTH and WEAKNESS and two exogenous parameters viz. OPPORTUNITY and THREAT respectively.



## SWOT Model Equation

$$Y = (EGT + IA + ETI + CTB + AMB + FRT + RLT + HLS + BES)$$

$$Z = (DTS + BUD + NRI + SIDDD + FTG + GOP)$$

$$(S+O) = (EGT + IA + ETI + CTB + AMB + FRT + RLT + HLS + BES) \\ + (DTS + BUD + NRI + SIDDD + FTG + GOP)$$

$$X = (VLM + TAP + IT + PB + LAC + LACC + LDI + AHY)$$

$$N = (COP + PTR + TSM + PER + SAS)$$

$$(W+T) = (VLM + TAP + IT + PB + LAC + LACC + LDI + AHY) \\ + (COP + PTR + TSM + PER + SAS)$$

$$SWOT = (Y+Z) - (X+N)$$

44

Where

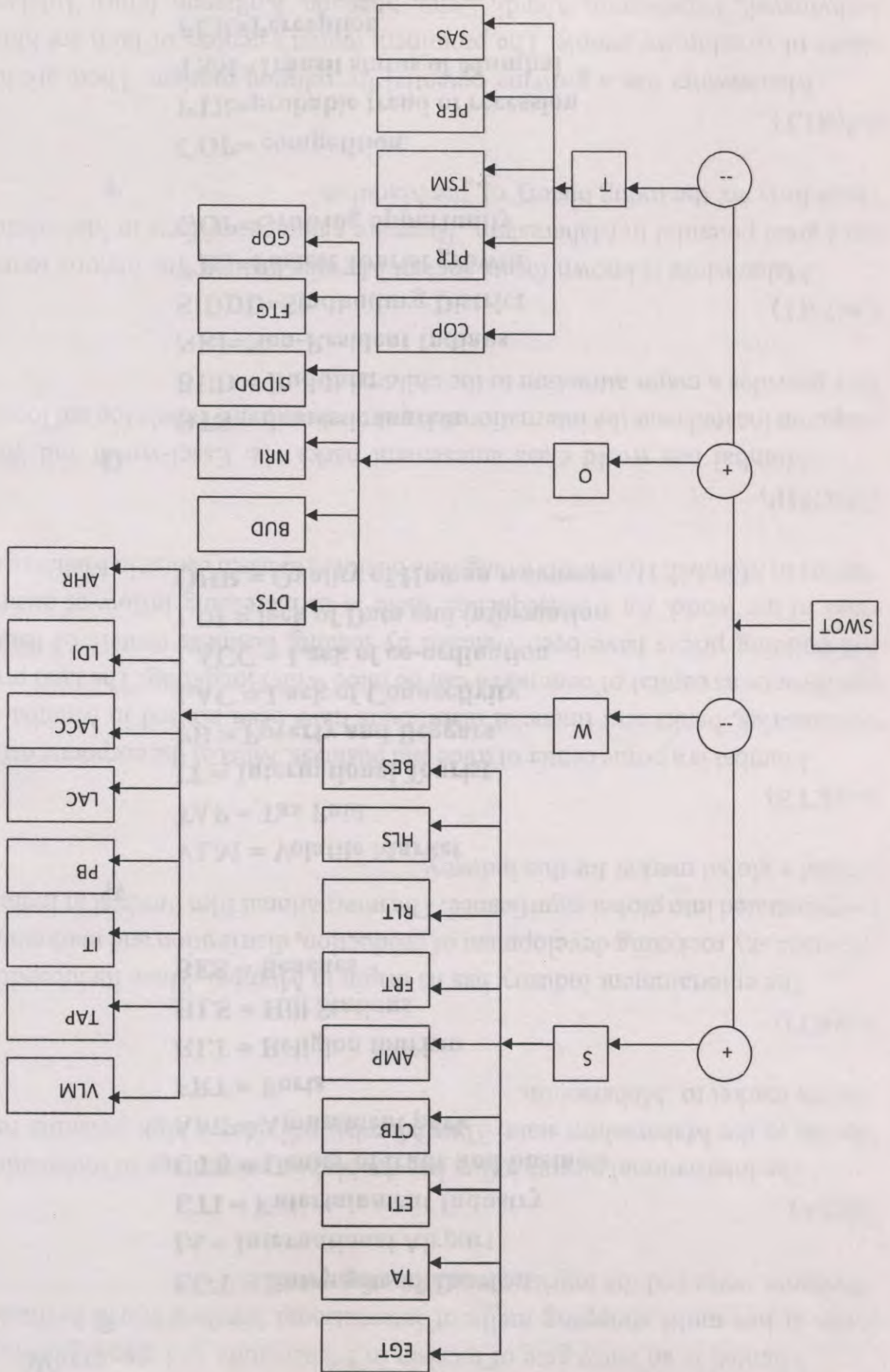
$$S = Y,$$

$$O = Z,$$

$$W = X,$$

$$T = N$$







## SWOT Model Exhibit

Where

**S**

**EGT = Entry gate of Tourism**

**IA = International Airport**

**ETI = Entertainment Industry**

**CTB = Center of trade and business**

**AMP= Amusement park**

**FRT = Forts**

**RLT = Religion tourism**

**HLS = Hill Stations**

**BES = Beaches**

**W**

**VLM = Volatile Market**

**TAP = Tax Paid**

**IT = International Tourist**

**PB = Poverty and Beggars**

**LAC = Lack of Connectivity**

**LACC = Lack of co-ordination**

**LDI = lack of Data and information**

**QHR = Quality of Human resources**

**O**

**DTS = domestic tourism**

**BUD = Buddhist**

**NRI=Non-Resident Indians**

**SIDDD=Sindhudurg District**

**FTG=Fastest Tourist growth**

**GOP=Growing opportunity**

**T**

**COP= competition**

**PTR=probable trend of recession**

**TSM=Transit status of Mumbai**

**PER=Perception**

**SAS=Safety and Security**



### **S-1(EGT)**

Mumbai is an entry gate of tourism in Maharashtra and also a gateway of India. It has multi shopping malls of international levels a world heritage of Elephanta caves and the tourist attractions of museums.

### **S-2(IA)**

The international airport influx has the highest percentage of multinational tourists to the Maharashtra state. Thus Mumbai provides a high potential ready tourists market to Maharashtra.

### **S-3(ETI)**

The entertainment industry has its origin in Mumbai. Since its inception it has made sky rocketing development of production, distribution and marketing. It has penetrated into global significance. The international film Festival in India has created a global market for this industry.

### **S-4(CTB)**

Mumbai is a prime center of trade and business. Most of the corporate offices of industries, banks and financial institutions have been housed in Mumbai. Its significance as capital of commerce can be rated with Hongkong. The land prices and building prices have been watched by leading business centers of leading cities of the world. As a consequence, there is an increasing inflow of business tourists in Mumbai. Hence it is a magnetic business tourism center in Maharashtra.

### **S-5(GMP)**

Mumbai has world class amusement parks viz. Essel-world and Water Kingdom located near the international airport, where many hotels too are located. This provides a major attraction to the children.

### **S-6(FRT)**

Maharashtra is known for its ancient Maratha history. The historic tourism has a great potential in Maharashtra. There are a number of forts in Maharashtra. These forts are the living history of the Marathas

### **S-7(RLT)**

Maharashtra has a growing potential for religion tourism. There are holy places of worship for people. The prominent tourist's centers of faith are Shirdi, Asthvinayak, Pandharpur, Alandi, Dehu, Shegaon, Kolhapur, Jejuri, Tulajapur, Nashik, etc.



### **S-8(HLS)**

Maharashtra has been gifted by nature the beautiful hill stations viz Matheran, Mahabaleswar, Panchgani, Lonavala and Khandala. These hill stations attract a large number of tourists every year.

### **S-9(BES)**

Beaches are the growing tourism assets in Maharashtra. Maharashtra has a long coastline. These beaches have been an attraction for tourists all over the world . Therefore the development of cluster of facilities on the beaches provides a magnetic attraction to the tourists.

### **Weaknesses**

#### **W-1(VLM)**

Maharashtra relies very heavily on leisure tourist's long haul market. This kind of market is very volatile. Moreover there are serious issues of security and safety of foreign tourists.

#### **W-2(TAP)**

A research study has shown that the tax paid by the tourist is highest in the world. Therefore tourist tax structure needs to be restructured. This will provide a boost to tourism in Maharashtra.

#### **W-3(IT)**

It is a recorded evidential fact that 50% of all tourists travelling to India, land at the Mumbai airport, but only 6-8% international tourists travel to Maharashtra.

#### **W-4(PB)**

The international tourists have a discouraging impression on account of beggars, poor infrastructure and congestion.

#### **W-5(LQC)**

Many tourists during interviews have revealed that there is a lack of connectivity between railways, roadways and air. As a result lot of time is wasted. It results into inconvenience to the tourists.

#### **W-6(LQCC)**

During the field survey, it has been observed that there is a lack of co-ordination between various agencies involved in the promotion of tourism.



### **W-7(LDI)**

The effective policy and success of the action plan for time bound development of tourism needs data and information. Data and information are the basic inputs of policy and planning. However, during the field visits it has been noticed that there is a lack of data and available information. Even there is a non-existence of 'data bank'.

### **W-8 (AHR)**

Human resource management (HRM) is a core functional area of tourism industry. During the process of interviews and interactions with personnel it has been notice that there is a lack of quality, expertise, skill mix and committed human resources.

## **OPPORTUNITIES**

### **O-1(DTS)**

The growth strategy of tourism should focus on promoting the domestic tourism. India is a big country with a vast population of different casts, religious, languages, and with different geographical as well as natural endowments. Since economic reforms and digital revolution, the growth rate has gone up to record level of 9%. There is a paradigm shift in per capita income and radical change in the choice and style of living. The mall culture has also introduced a trend of excessive spending. All these are induced forces for prompting high growth of tourism.

### **O-2(BUD)**

Our neighboring countries viz Japan, China and Sri Lanka have the Buddhist religion. The ancient 'cave architect' with effective marketing mix, marketed to this market segment, can function as a golden opportunity to induce their Buddhist population. Thus a holistic strategy of promoting religion tourism in Maharashtra can boost up the inflow of foreign tourists in Maharashtra.

### **O-3(NRI)**

A Number of countries have a NRI population eg USA, UK, Australia, Canada, Malaysia, Dubai, Singapore etc. The NRI population has a very high propensity to spend for tourism. Therefore, a strategic action plan of attracting NRI populations should be launched to increase the inflow of foreign tourists.



#### **O-4(SIDDD)**

The MTDC should plan a package approach to develop 'Sindhudurg District' as a high growth potential area of tourism. The government of Goa is manning an international air port near Sindhudurg district.

#### **O-5(FTG)**

India is emerging as the fastest tourist's growth center in the world. The tourism sector will provide a big push to our economic development.

#### **O-6(GAP)**

Maharashtra has growing opportunities in exploring and developing tourism in the following areas.

1. spiritual tourism
2. heritage tourism
3. cultural tourism
4. sun and beach tourism
5. water and adventure tourism
6. nature tourism
7. urban and rural tourism
8. golf tourism

### **THREATS**

#### **T-1(COP)**

Maharashtra is facing competition from Kerala, Goa, Rajasthan, Delhi and Tamilnadu. The governments of these states are providing all sided increasing support for tourism development.

#### **T-2 (PTR)**

The main source of tourism is the rate of growth of economies in the world. The trend projections of economic growth of different countries published by International Monetary Fund (IMF) show a distraction /downswing. Particularly there is reduction in economic growth of developed countries. Thus an emerging probable trend of recession is a big threat to the tourism industry.

#### **T-3(TSM)**

The transit status of Mumbai has a strong threat from the international airports of Hyderabad, Chennai and Tiruanantpuram. Even Goa will soon have an international airport.



#### **T-4(SASE)**

Safety and security are the strongest factors influencing the potential tourists. The Mumbai bomb blast and frequency of bomb blasts in different metros are a threat to the tourism business.

#### **T-5(PER)**

The perception of potential tourists about environment, water, air, pollution law and order, infrastructure, public health conditions, medical facilities, conditions of public places, socio-economic conditions of people etc have a strong positive/negative influence on tourists.

#### **Conclusion:**

The SWOT analysis of tourism of Maharashtra has revealed the strength and opportunities of the tourism business. The MTDC as a nodal agency should design a focus driven strategy, market segment approach and marketing mix to exploit the business prospects fully. It has also shown the weaknesses and provided the threat perception. The MTDC should formulate a time framed action plan to solve the problems and equip itself to overcome the threats/competition faced by the business. The public-private partnership should be introduced for construction of roads, holiday homes, up gradation and maintenance of tourism identity. The local people should be encouraged to participate through leasing programs of historical identities. The BOT approach should be practiced in promoting tourism in Maharashtra.

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# QUALITY IN HIGHER EDUCATION

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*“Education means enabling the mind to find out that ultimate truth which emancipates us from the bondage of the dust and gives us the wealth, not of things but of inner light, not of power but of love, making this truth its own and giving expression to it”.*

*Rabindra Nath Tagore*

## Objectives

Pursuit of integral knowledge and liberation, which has been a constant endeavour of Indian culture, is the central objective of education. Education is also visualised as an evolutionary force so that each individual is enabled to evolve from purely material consciousness towards superior planes of intellectual and spiritual consciousness. Education is also perceived as a bridge between the past, present, and the future and as a means by which the best of the heritage is transmitted to the new generations for its further progression.

In receiving the modern message of learning to be, our endeavour is to harmonise it with the insight of our ancient Indian wisdom according to which this goal can be achieved only by the realisation of our internal and imperishable being. Our educational system also aims at promoting environmental protection, universal peace, and international cooperation; and since harmony and unity in external space can best be realised through internal purification and perfection, our educational system endeavours to promote harmonious relationship between both the inner and outer dimensions of the individual, environment and the cosmos.

Our objective in higher education is not only to promote equality and social justice, but also to provide the right kind of work ethos, professional expertise and leadership in all walks of life. Above all, our endeavour is to foster among teachers and students and, through them in society generally, integral development of values inherent in physical, emotional, rational, aesthetic, ethical and spiritual education.



**A Very Large System :** -Despite serious handicaps of means and resources, the country has built up during the last 50 years a very large system of education and has created a vast body of men and women equipped with a high order of scientific and technological capabilities, robust humanist and philosophical thought, and creativity.

Though riddled with explosion in the growth of population, a large illiterate population and problems of economic poverty affecting one-third of the people, modern India is still set to forge a bright future and to contribute significantly to the higher goals of world peace, human unity and universal welfare. Much credit for this goes to the ancient but ever-young spirit of the nation and to what higher education has striven to fashion in terms of determining great objectives and implementing them under very difficult conditions.

**Quality Improvement:** A number of measures have been taken for quality improvement. These include the development of infrastructure, curriculum, human resources and research and establishment of centres of excellence and interdisciplinary and inter-institutional centres. The scheme of academic staff colleges was started in 1986-87, under which 45 such colleges have been set up. These colleges conduct orientation programmes for training new teachers and also refresher courses in various disciplines for in-service teachers to enable them to update their knowledge.

To enrich the quality of higher education, a country-wide classroom programme was launched. Under this scheme, special films on various subjects are prepared and telecast for the benefit of students and teachers. Twenty one centres have been set up to produce special films, and a large number of video tapes are being produced for transmission on the national TV network.

**Autonomous Colleges:** Apart from these initiatives, a number of regulatory measures have been taken to bring about structural reforms and ensure quality in higher education. A scheme of autonomous colleges has been launched under which teachers in the colleges themselves prescribe the curriculum and conduct the evaluation of their students through a system of continuous evaluation. The UGC constitutes review committees in order to oversee and assess the quality of the university programmes.

The UGC and the Council of Scientific and Industrial Research have also set up the National Educational Testing Programmes. UGC has also set up a national level institution for quality assessment and accreditation.



**Tasks Ahead:** India, like other countries, visualizes that a new age is dawning, that will be characterised by unimaginable advances in knowledge and synthesis of knowledge, triggering major changes in the objectives, contents, and methods of higher education. Great emphasis will fall upon lifelong education and the realization of a learning society. Complete education for the complete human personality will come to be emphasized more and more imperatively. Building up the defences of peace in the minds of men and women will continue to make tremendous demands on all levels of education, and higher education will have to bear the responsibility.

India also visualizes that contemporary problems can be resolved only if human nature is so changed that mutual goodwill and spontaneous drive to cooperation become ingrained in the human consciousness. India, therefore, visualizes a number of tasks that relate to the creation of a new society that is non-exploitative and non-violent in character by virtue of the integrated personalities of the constituents.

**Pertinence and Quality:** In this age of a techno-scientific revolution, when the sheer quantity of knowledge and information is expanding exponentially, when the needs of a constantly growing and increasingly varied student population are burgeoning, the quality of training for teachers and the quality of teaching in higher education institutions demand top priority.

The higher education system in India recognises its key responsibility in training teachers, in establishing links with teacher training institutions at other levels and in training teacher trainers. Efforts are being made to bring in teachers from the commercial and social sectors to facilitate interchange and build links with the education system. The higher education system in India is facilitating access to the common heritage of knowledge and research. It is fulfilling its moral obligation to society in exchange for the resources assigned to it by society. Recently, a Task Force on Fundamental Duties laid down in the Constitution has been constituted so that the same can be reflected in the curriculum. This would also lay down a code of accountability of all stakeholders in the educational system.

The University Grants Commission [UGC] was set up in 1956 as an agency for coordination and maintenance of the standards of teaching, examination and research in universities. During the last 50 years, the UGC has taken a number of measures to improve quality and to introduce innovations.

**Quality improvement through infrastructural development:** Here the policy is to ensure a minimum level of facilities such as laboratories, libraries, classrooms



and hostels, by the provision of development grants. Special grants have also been provided to improve in quality humanities, social science and science streams.

**Curriculum, human resources and research development:** Another quality assurance measure is the provision of resources in the form of Research Fellowships for M.Phil. and Ph.D. programmes undertaken by university and college teachers, University leadership programmes (ULP) for college teachers, and Seminars, workshops, summer schools in various subjects so as to help the teachers upgrade their knowledge.

Such programmes reach a large number of teachers in the system. In 1987, Academic Staff Colleges (ASC) were set up to provide opportunities for general orientation and subject refresher programmes for academic staff. Under the scheme, more than hundred thousand teachers have received orientation and subject refresher programmes of 3-4 weeks duration. Such measures are expected to have greater impact on the quality of teaching and learning in the system of higher education in the country.

Other measures within this broad category are restructuring of courses, improving the quality of research and curriculum development by constituting various subject panels and encouraging universities to undertake constant revision and improvement of curriculum. In order to implement relevant curricula, a scheme of restructuring of undergraduate programmes was initiated. The scheme envisaged flexible and socially relevant undergraduate curricula with a provision for foundation, core, application and skills-oriented course components.

A recent innovation has been the introduction of the vocational education scheme, at the undergraduate level. Under this scheme one of three subjects required for having a Bachelor's Degree could be a vocational education subject. The scheme has suggested 35 vocational subjects and recently some more vocational subjects related to agriculture and rural areas have been introduced.

**Financing of Higher Education:** Demand for higher educated manpower will increase substantially in the near future and this will impel central focus on the quality and quantity of manpower produced by the higher education system. Both for quantitative expansion and improvement in quality, the system requires large additional resources. Increasing needs stemming from population growth, need for modernisation and the limited nature of resources, are problems facing financing of education.



The concept of 'investment in education' was explicitly adopted by the Government of India in the National Policy on Education, 1968. Keeping in view the growing requirements of the education system, the Government of India has promised to allocate at least six per cent of national income to education from the public exchequer.

Besides its social and cultural dimensions, education is also an economic and political investment yielding long-term benefits. It is, therefore, not only justifiable but desirable to raise money from private sources in order to ease pressure on public spending. This, of course, is not meant to release the state from its financial commitments, which have been substantial in India.

**New Challenges:** India recognises that the new global scenario poses unprecedented challenges for the higher education system. The University Grants Commission has appropriately stated that a whole range of skills will be demanded from the graduates of humanities, social sciences, natural sciences and commerce, as well as from the various professional disciplines such as agriculture, law, management, medicine or engineering.

India can no longer continue the model of general education as it has been persisting in for the large bulk of the student population. Rather, it requires a major investment to make human resource productive by coupling the older general disciplines of humanities, social sciences, natural sciences and commerce to their applications in the new economy and having adequate field based experience to enhance knowledge with skills and develop appropriate attitudes.

Responding to these emerging needs, the UGC stated: "The University has a crucial role to play in promoting social change. It must make an impact on the community if it is to retain its legitimacy and gain public support". It seeks to do so by a new emphasis on community based programmes and work on social issues.

Concepts of access, equity, relevance and quality can be operationalised only if the system is both effective and efficient. Hence, the management of higher education and the total networking of the system for effective management, has become an important issue. The shift can occur only through a systemic approach to change as also the development of its human resource, and networking the system through information and communication technology.

Emphasis has to be laid on curriculum change; interdisciplinary courses gradually replacing discipline oriented learning, especially at the master's degree level; greater emphasis on field based learning experiences for students both in undergraduate



and postgraduate programmes; more career oriented courses and response to local needs for human resource in specific work-related opportunities. The university is required to be seen not only as a seat of learning and new knowledge through its research and extension functions but also as a focal point for the dissemination of information to the community through continuing education, extension education and through field outreach activities. It will have a major role to play in directly impacting on the community for social development and change. It should be facilitated in this task which is described by the UGC as the third dimension of education.

As universities abandon their isolationist existence and increasingly interact with other segments of society, there is a need for them to adopt a more professional management. This includes opting for a new type of leadership capable of interfacing with user and other groups in society, and at the same time, capable of providing academic and administrative leadership within a decentralised system of administration, and making increased use of information technology.

The above implies that there will be greater interaction with the user community of both employers and the public to create relevant programmes, to develop greater autonomy in a decentralised structure and to develop a professional management system which has autonomy as well as accountability, and maximising the use of information technology for both effective and efficient management.

As a very small proportion of the relevant age group (around 6 per cent ) is enrolled in higher education in India, compared to the developed countries (about 40%) with which the country is going to engage itself in the international market, efforts will need to be directed towards raising the enrolment in higher education sector and meeting the increasing costs of such enrolment.

Access means costs but access cannot be overlooked when the base is narrow, not in absolute numbers but in the percentage of the educated in the country's structure. We have to acknowledge the need to prepare a human resource capable of accepting the challenges of the new millennium.

We have also to realise that social changes and transformation can only be brought about by people and not through technology alone which itself is a product of human endeavour. Hence, human resource development, at all levels, needs to be given priority and made a part of the nation's overall strategy.

**Vision and Tasks Ahead:** India realizes, like other nations of the world, that humanity stands today at the head of a new age of a large synthesis of knowledge,



and that the East and the West have to collaborate in bringing about concerted action for universal upliftment, and lasting peace and unity.

In this new age, great cultural achievements of the past have to be recovered and enriched in the context of the contemporary advancement so that humanity can successfully meet the evolutionary and revolutionary challenges and bring about a new type of humanity and society marked by integrated powers of physical, emotional, dynamic, intellectual, ethical, aesthetic and spiritual potentialities.

Frontiers of knowledge are, therefore, bound to expand unimaginably, and new researches will oblige humanities, sciences, technologies, and fine arts to arrive at new equations and new combinations.

**Need for Vast Changes:** All these factors will impel higher education to undergo vast changes in respect of objectives, contents and methods. It will have to bear momentous responsibilities for generating new vistas of knowledge and wisdom, bolder forms of courage and heroism, unprecedented arts of harmony and beauty, and unimaginable skills suited to developing technologies and crafts. It will also be required to set more exacting standards of excellence and perfection.

**Coming of Information Age:** The world is entering into an Information Age and developments in communication, information and technology will open up new and cost-effective approaches for providing the reach of higher education to the youth as well as to those who need continuing education for meeting the demands of explosion of information, fast-changing nature of occupations, and lifelong education.

**Sovereignty of Young People:** We also feel called upon to encourage and support the forces and developments relating to the learning society and to the theme of the sovereignty of learners, particularly young people.

**Operation Knowledge:** India has already decided to launch "Operation Knowledge" as a part of the Information Technology Action Plan. This will mean not only continuous expansion and improvement of the facilities of modern equipment but also a gigantic task to redesign teaching-learning materials in every discipline appropriate to the special demands of the new technologies and media of transmission and new teacher-pupil relations.

**Determining New Objectives:** A most difficult task ahead is to conceive certain new objectives of higher education. It will not be enough to promote specialized knowledge and skills of professional excellence; a deeper and subtler aim will be to develop abilities to think globally and to resolve emerging tensions between



rationalistic, ethical, aesthetic and spiritual elements of personality. The objective of a complete education for a complete human being will need to be underlined as of highest importance.

**Designing New Contents:** Another major task will be to change the contents of higher education. Appropriate courses have to be designed so as to achieve a proper blending of wide general knowledge and such specialization, which would have in-built facilities to renew relevant knowledge and skills at increasingly shorter intervals and even on a continuous basis. Increasing freedom of choice in selecting subjects of studies has to be ensured, and interdisciplinary studies will have to be so devised that they will foster understanding and appreciation of national history in the context of the goal of multicultural understanding and of creating in the world a harmonious human family.

**Student-Centred Education and Dynamic Methods:** Methods of higher education also have to be appropriate to the needs of learning to learn, learning to do, learning to be and learning to become.

Student-centred education and employment of dynamic methods of education will require from teachers new attitudes and new skills. Methods of teaching through lectures will have to be subordinated to the methods that will lay stress on self-study, personal consultation between teachers and pupils, and dynamic sessions of seminars and workshops. Methods of distance education will have to be employed on a vast scale.

**Teachers – New Dimensions of their Role:** Special emphasis on value-oriented education will impart a new dimension to the role of the teacher. For value-orientation cannot be imparted without teachers' own value-orientation. Again, the objective of integral development of personality cannot be fulfilled without teachers developing their own integral personality.

It is increasingly recognized that if the defenses of peace are to be built in the minds of men and women, and if the qualities of cooperation, mutuality and harmony are to be fostered in humanity, the role of the teacher will include the task of changing the tendencies of egoism and domination that are the ultimate causes of division and war. It is particularly for this reason that a new programme of teachers' training has to be envisaged, and this programme will not only cater to the continuous development of professional skills but also continuous development of teachers' ethical and spiritual abilities. Appropriate to the new and difficult demands on teachers, we have to constantly raise the status of teachers in the country.



**Wider Access (Conclusion):** India recognizes that access to higher education will have to be so broad-based that the system of open universities has to continue to grow and it will not only have to be extended vastly but also to be so designed that it can foster among students constant motivation to learn and to develop not only academic abilities but also practical skills and talents that are being demanded by the modern world.

*“At present mankind is undergoing an evolutionary crisis in which is concealed a choice of its destiny”.*

*Sri Aurobindo*

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# **SUSTAINABLE TOURISM DEVELOPMENT - A CASE STUDY OF LONAVLA**

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## **1-A. Development and environmental conservation:**

All through the stages of the history of civilizations through ages, human beings have never been satisfied with their existing environment. The pursuit of a better home on earth has driven the society to pursue scientific discoveries, inventions, artistic and literary explorations, architectural planning and policy administration. Nowadays some nations in the world have grown very wealthy and advanced and many others are developing at a fast pace. Environmental problems have loomed large. The planet Earth is being driven towards its resource limits. The call is not to focus on economic and urban growth alone. Instead, 'development' must be sustainable development.

Given the traditional perception that development and environmental conservation are two incompatible goals, 'sustainable development' has evolved as a modern utopian concept. It responds to the appeal for a survival solution that would not sacrifice development (at least not completely) but can save the planet Earth from the verge of resource collapse. According to the World Commission on Environment and Development-WCED (1987) "Sustainable development" refers to "development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

Central to the concepts of sustainable development is the idea of needs. It encompasses the message of balancing the needs of economic development and conservation of natural resources and also raises concern for inter-generational and intra-generational equities as well as equities between human and other species.

## **1-B. Agenda 21- The Universal Goal:**

Agenda 21 is the document of Rio de Janeiro Conference on "Save the Planet Earth" held from 3<sup>rd</sup> June to 14<sup>th</sup> June 1992. It is a document of 27 Articles. The first article proclaims that human beings are at the centre of concern for sustainable



development. They are entitled to a healthy and productive life in harmony with nature. Not to damage the environmental framework is the second article. The third article asserts that the right to development must be fulfilled so as to meet equitable development and environmental needs of the present and future generations. The next article reaffirms, that environmental protection shall constitute an integral part of the development process and cannot be considered in isolation from it. The task of eradicating poverty is an indispensable requirement for sustainable development. Enacting effective environmental legislation is expected. The involvement of local communities, women and youth is solicited for their effective participation in the achievement of sustainable development. It is finally emphasized that peace, development and environmental protection are interdependent and indivisible. The universal ideals of mankind have been determined from the days of the French Revolution to be 'Liberty, Equality and Fraternity.' These ideals are now replaced by the twenty-seven Articles of Agenda 21 universally accepted by all the countries of the world in the Rio de Janeiro summit on 'save Planet Earth'. The watch word of the 21<sup>st</sup> century is not just development, but sustainable development; Eco-friendly environment protecting, survival-oriented economic, political, social and cultural development. Gandhi's dream of Hind Swaraj –the rural reconstruction based on the ideals and practices of self- reliance is implicit in Agenda 21- the universal goal that needs a common pursuit by all the members of the community together with those who are involved in planning and policy- making.

### **1-C Sustainable Tourism Development:**

The Global Code of Ethics for tourism was adopted unanimously at Santiago, Chile on 1<sup>st</sup> October, 1999. The aim of promoting and developing tourism with a view to contributing to economic development, international understanding, peace, prosperity and universal respect for all without distinction as to race, sex, language or religion. All the members of WTO (world tourism organization) believed in the rationale of reconciling environmental protection, economic development and the fight against poverty in a sustainable manner as expressed in Agenda 21 adopted in 1992 at the Earth Summit of Rio de Janeiro. The member countries affirmed the right to tourism and the firm wishes to promote an equitable, responsible and sustainable world tourism order. For this purpose the member countries resolved solemnly to adopt the principles of Global Code of Ethics for tourism which include tourism's contribution to mutual understanding and respect between peoples and societies, tourism as a vehicle for individual and collective fulfilment, tourism as a factor of sustainable development, tourism as a user of the cultural heritage of mankind and a contributor to its enforcement and tourism as a beneficial activity



for host countries and communities. These include obligations of shareholders in tourism, liberty of tourist movements, rights of the workers and entrepreneurs in the tourism industry and implementation of the principles of the Global Code of Ethics for Tourism. These ten Principles have prepared the groundwork of the roadmap of sustainable tourism development in tourist destinations all over the globe.

The environmental pledge is taken by all the member countries. The use of recycled paper, the discrimination of the use of polythene bags, the garbage disposal systems, the recycling of water through water treatment sources, use of local ethnic materials, and the schemes of enhancing the economy of the area through the involvement and employment of local communities are some of the measures to be adopted to attain the goal of sustainable tourism development of the area.

#### **1-D. Building Sustainable Future:**

The conference "Tourism 2000- Building a Sustainable Future for Asia-Pacific" was held at Male, Maldives on 16<sup>th</sup> February 1997. It was resolved at the Male conference to agree to pledge continuing support for the vision and goals of a sustainable future as conceived and articulated in 1987 Brandtland Commission Report, the 1992 Earth Summit, the Rio Declaration and Agenda 21, which was further extended to the tourism industry through subsequent efforts, of The World Conference on Sustainable Tourism and the 1996 International Conference on Tourism and Heritage Management. The following areas of activities promoting tourism are encompassed in sustainable tourism development in a specific area chosen for the same purpose of development. Fostering awareness of environmental ethics in tourism among communities and consumer conservation and sustainable use of resources and public guardianship of the natural environments are the first three areas connected with the awareness of environmental ethics and its protection and conservation. The next three areas are reducing consumption and waste, natural, social and cultural diversity and integrated tourism planning for sustainability which are active stages of implementing the environmental ethics. The local ethnic participation is emphasized in the next five activities such as support for local economies, local community involvement and consulting tourism stakeholders and the public, human resource development and responsible tourism marketing. The measuring and assessing of the last group of three activities such as ongoing inquiry into sustainability issue, measurements to monitor tourism's impacts on environment, culture and heritage and use of environmental impact assessments in tourism planning. These areas will act as a policy tool to measure progress towards tourism sustainability and to assist in the implementation of sustainable practices.



### **1-E. Ecotourism in Lonavla:**

The eco-tourism in Lonavla will have to be made a part of its sustainable development. Ecotourism in Lonavla will touch the naturally beautiful tourist destinations in the region of Lonavla and Khandala towns. The old reversing station which is known as the Amrutanjan point will be the first point of the tour in the Ecotourism category of Lonavla. The scenic beauty of the high hills and thick forests on one hand, the deep valleys in the sylvan surroundings and the view of the township of Khopoli on one hand and the tunnels and trains on another will enchant the tourists by its magic spell. What is necessary is to make it a regular view point with railings, sitouts, standing platforms and accessibility to the spot. Kune waterfall is the point that ought to be made accessible to the tourists in general. The facilities like sit-outs, platforms and railings with watch-out arrangements be provided without any disturbance to the environmental beauty of the spot. Beautification of the spot and grooming trees in this spot are essential to make it a viable tourist spot.

The beautification of the origin of the Indrayani river needs to be carried out as a spot of nature's wonder and as such Lonavla Lake ought to be made a central tourist destination of this region. It has almost become a heritage spot now. The serene atmosphere and the beautiful landscape need to be preserved. This point is in the vicinity of Barometer Hill, which should also be developed into the glory it deserves as a tourist destination. Tiger's Leap and Bhushi dam are visited but there are no facilities at both the spots. The uniqueness of both the spots should be preserved and the tourist facilities of access, attraction and accommodation be developed to the fullest extent to make them advantageous to all. Sakur Plateau should be developed as a full fledged tourist spot. The Bhangarwadi Hill and Walwan dam need to be re-introduced as distinct tourist spots. It is to be in the company of nature and to enjoy its climate that tourists visit Lonavla. All the natural gifts of Lonavla should be made available to the visitors. The central location of Ryewood Park and the Siddeshwar temple should be emphatically asserted in making it a more attractive spot. This is a brief ecologically viewed excursion of the major tourist destinations of Lonavla-Khandala hill stations. It need not be pointed out that the infrastructure in respect of water supply, electricity, roads, accommodation, transport, communication and foreign currency exchange needs to be developed fully. The improvement of tourist destinations must be carried out to make Lonavla a destination of tourist development in a sustainable manner.

### **1-F. Heritage Tourism in Lonavla:**

Heritage cultural tourism is a category of tourism to be developed on the lines of sustainable tourism development in Lonavla There are forts all around this



region known as the Maval region. Rajmachi, Shrivardhan, Lohgad, Visapur, Tung and Korigad are the heritage sites of the Maratha and Peshwa periods of the history of Maharashtra. All these historical monuments need careful attention. The total neglect towards the conservation of the historical monuments is noticed. On the other hand, those who visit damage the ecological balance by throwing plastic material and pollute the place. Writing graffiti is disfiguring the historically valuable site is not at all understood by the 'Literate' visitors. Preservation of these monuments, providing tourist facilities such as accessibility, accommodation, drinking water and food outlets, and thorough guidance will make these monuments true tourist destinations. The heritage tour of Lonavla should include the significant link of the Indian railways- one of the richest of "views of natural beauty" on all sides in the world. The trolley rope way could be used for both the "rail-track sight-seeing and "water-works sight-seeing" excursions.

The Parsi "Agyari" Fire temple is also a rare heritage site as the "holy fire" has been brought from 'Eden' in Oman where a resident of Lonavla constructed in 1844 a fire temple, and later on constructed another fire temple in 1898 and the "holy fire" from Eden temple was transferred to the fire temple at Lonavla on 14-11-1976. This is a rare occurrence of such a transfer of "holy fire" from one country to another across the seas. This heritage site needs to be brought into the limelight to foster the national integration and communal harmony that is the part and parcel of the cultural fabric of India that is the land of ancient, medieval and modern heritage sites.

### **1-G. Pilgrim Tourism in Lonavla:**

The next category of tourism that can be developed in Lonavla is Pilgrim tourism. There is a Shiva temple near Duke's Nose which is at a very attractive natural site. The Siddeshwar temple is the focal point of religious or pilgrim tourism as it is the old Shiv temple. The pilgrim tourism in Lonavla has many splendoured aspects like Ekvira Temple at Karla. This is sure to inculcate the spirit of secularism. The three categories of tourism in Lonavla so far noted are Ecotourism, Heritage tourism and Pilgrim (religious) tourism which are the types which are ordinarily practised though certain modifications with due suggestions have been made to enhance and develop the tourism in Lonavla in a sustainable manner.

### **1-H. Health Tourism on Lonavla:**

Kaivalyadham was founded on 16<sup>th</sup> October 1924 at a site near Walwan dam. In 1929 the institute started imparting instructions on yoga education and in 1950 G. S. yoga institute was established. There are many sanatorium trusts in Lonavla. These can be converted into Health Care Centres. It is necessary that this



conversion of a sanatorium into a health care centre should be carried out on sound scientific principles through the guidance and active involvement of the expertise in the Health Care Management. The tourist facilities in these places need to be upgraded and modernized. This category of Health Tourism has a vast scope in Lonavla.

#### **1-I. Adventure Tourism in Lonavla:**

The category of tourism to be promoted around Lonavla is of Adventure (sports) tourism. There are various rocks climbing site in the region from Karla to Khopoli and the forts can provide additional rock-climbing sites to those who are desirous of pursuing this adventure sport. The training in rappelling can be given at Rajmachi point, Duke's Nose, Barometer hill, and hills around Kamshet. Para-sailing and hang-gliding are being practised from the hills near Kamshet. These can be promoted further by making these adventure sports channelised in an efficient manner at the sites near Lonavla. The "chaotic" crowding of the "rain-walkers" can be duly channelised through the weekend monsoon programmes to be held in Lonavla. The local authorities, educational and social institutions and residents of Lonavla will have to join hands to make Lonavla a centre of Adventure tourism.

#### **1-J. Corporate Tourism in Lonavla:**

It is ambience of Ambey Valley, the five and four star Hotels in Lonavla, the institutes like Kohinoor Hotel Management, Kaivalayadhama and Atmasantulan tourist resorts and other venues that make Lonavla a place ideal for holding conferences. Corporate Events, Conferences, Seminars, Worships, Training Centres, Permanent Camps and other Corporate activities and Lonavla can be developed on the lines on which the city of Geneva has become the Convention Centre of the World. The future of Lonavla lies on the prospects of developing it as a Convention City so that tourism in Lonavla will have round the year Event Calendar with the hustle and bustle of delegates from all over the state, the country and the world jostling enthusiastically in the markets and tourist destinations of Lonavla in their spare hours in the busy schedule of the Conferences and other occasions.

#### **1-K. Infrastructure Needed for Sustainable Development:**

The six Categories of tourism development that will promote Lonavla as a tourist destination are Ecotourism, Heritage tourism, Pilgrim tourism, Health tourism, Adventure Tourism and Corporate Tourism. This will of course need the suitable infrastructure. The development of roads should be given the top priority. The estimates of water supply need to be based on the number of floating population



in the hill station. The public transport system needs to be strengthened. Lonavla is a hill station on the highway but Lonavla- Mumbai and Lonavla- Pune both ways schedules need to be introduced. There ought to be regular shuttle bus service between Lonavla-Chakan, Lonavla- Chinchwad, Lonavla- Karjat at an interval of fifteen –twenty minutes to decongest the traffic in the area. Similarly, sightseeing tours be introduced both by public and private transport services, Karjat-Lonavla-Pune –Daund- Lonavla should be introduced as the suburban railway circuit round the clock at the interval of twenty to thirty minutes. The communication network needs to be expanded. After Pune and Baramati, Lonavla telephone exchange caters to the needs of largest number of subscribers. The broadband connectivity be made stable and strong. There should be the facility of foreign currency exchange in every hotel, shop and STD booth as is available in many countries of Europe. Accommodation facilities be expanded to the maximum possible limit. Education and health services be updated. In addition to these infrastructural changes, the tourist destinations be improved in respect of accessibility, attractiveness, hygienic facilities and transport systems. The development of Lonavla without bringing any harm to its ecology will ensure Lonavla's sustainable tourism development.

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# LABOUR WELFARE MANAGEMENT & LABOUR LAWS

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Labour welfare along with safety, health and social security is a part of social welfare, which is a cherished ideal of all civilized countries like India. Welfare includes the physical, social, psychological and general well-being. The concept of labour welfare is dynamic and varies from country to country due to its value system and social institutions.

The production of commodities on a large scale with the help of the newly developed machines led to the industrial revolution in Europe, beginning with the expansion of the textile and mining industry in England. The first phase of industrial revolution began in England and spread to France and Germany during the period from 1750 to 1850. The second phase of industrialization from 1850-1950 changed the work environment in the European countries, in Russia, Japan and to some extent in India too. It was after 1850 that the railway network and the post and telegraph system started functioning in India. The textile industry in Mumbai and Ahmedabad, the jute industry in Kolkata and the mining industry in Bihar and Orissa mark the growth of industrialization in India. After India became independent in 1947, the efforts of self-reliance have now made India an emerging superpower with the highest production of milk, sugar, and eggs. India is now a remarkable contributor to the steel production, a textile producer and an IT destination. The third phase of industrialization began from 1950 and is still continued in the underdeveloped countries of Asia, Africa and Latin America. One of the features of the process of industrialization is the harmonious relationship between the employers and the employees. It was in the early 19<sup>th</sup> century that Robert Owens demanded the basic amenities for the workers. The early phase of industrialization was marked by the utilitarian principle of production at the cheapest and profit at the highest rate. The portrayal of the "dark hours" and "bleak houses" in the work places in the novels of Charles Dickens like "Hard Times" touched the conscience of the factory owners and the welfare schemes were introduced. The



humanitarian approach and the concept of welfare state and the evolution of the social thought have been the motivation forces of labour welfare measures.

The term labour welfare includes all those voluntary efforts of the employers to establish living and cultural conditions for the employees beyond that which is required by law. The term broadly includes all measures which promote the physical, psychological and general well-being of the workers. The committee on labour welfare (1969) defined labour welfare to include such services, facilities, and amenities as adequate canteens, rest and recreational facilities, sanitary and medical facilities, arrangements for travel to and from work, and for the accommodation of workers employed at a distance from their homes and such other services, amenities, and facilities including social security measures as contribute to improve the conditions under which workers are employed.

The Study Team appointed by the Government of India to examine labour welfare activities then existing divided the entire range of these activities into three groups, such as,

- (i) Welfare within the precincts of an establishment, medical aid, crèches, canteens, supply of drinking water etc.
- (ii) Welfare outside the establishment : provision for indoor and outdoor recreation, housing, adult education, visual instructions, etc, and
- (iii) Social Security,

The evolution of industry was quite gradual. During the hunting stage man lived all by himself. He used to go out for hunting and eat whatever he could find even flesh, fish, fruits and roots of trees. He used tree bark, leaves and animal skin to cover his body and he had no fixed residence. He then entered the pastoral stage under which he started domesticating animals to have supply of milk, meat and skin. He lived near the availability of grass and water for the animals. Gradually, man discovered a new use to which land could be put. He entered the agricultural stage. He began cultivating the land to grow food grains. Some people who did not have any work offered to work in the fields of others. Such workers were paid in kind. The exchange of services for goods made the background for the evolution of industry.

The three stages of pre-machine times are the primitive hunting and pastoral stage, the agricultural stage and the handicrafts stage. The next three stages are the stage of the merchants and craftsmen guilds the putting out stage of production and the industrial revolution that took place between 1760 and 1820 in England. The industrial revolution radically changed the techniques of production. James Hargreaves made spinning genny in 1764 and Richard Arkwright introduced water



frame in 1779. Many mechanical inventions then came in quick succession such as mule spinner by Compton and 'power loom' by Cartwright. The invention of steam engine enabled man to drive the machines by power. With the industrial revolution, capital became an important factor of production with the technological advances; the employment in factories rose up tremendously. Two distinct classes emerged namely the capitalist class and the working class. The workers were largely untrained, uneducated, and unorganized and the capitalists of 'hard grind' nature exploited the workers and paid lower wages, working conditions remained unhygienic. There was a total lack of welfare measures. Children were employed in factories as shown in *Oliver Twist* and *David Copperfield* by Charles Dickens. The factories were really "bleak houses" and those were the "hard times". To meet these challenges several management thinkers like Robert Owen, Charles Babbage and Daniel C. McCallum came forward. Though he was a factory owner, Owen introduced many social reforms and started co-operative movement from 1800 to 1828 in Manchester and Rouchdale in England. He is known as the father of personnel management and preached that personnel management, paid dividends to the employers. He took active part in the introduction of British Factory Act in 1819. Charles Babbage invented a mechanical calculator in 1822. He stressed the division of physical and mental labours. He advocated the work measurement, cost discrimination, and wage incentives. Daniel C. Mc Callum's approach to run the railways was that of system, common sense, reports and control.

Trade Unionism in India developed quite slowly because industrialization started late in India after 1850. Textile mills in Bombay started functioning from 1851 and Jute mills in Calcutta from 1854. The railways started operations in 1853 which facilitated the transport of labour and materials. The social workers, philanthropists and the religious leaders were the first to take interest in organizing the factory workers. In 1875, a few philanthropists led by Sorabjee Shahpurjee Bengali started an agitation to draw the attention of the Government towards the need of legislative measures to protect child and women labour in particular and workers in general. In 1878, Sasipad Bannerjee laid the foundation of Bara Bazar organization for the welfare of jute mill workers. There is a record of a strike in Nagpur Empress Mill in 1877. The first Indian Factories Act was passed in 1881. It was inadequate.

Narayan Meghaji Lokhandey, a disciple of Mahatma Jyotiba Phule, emerged as the first labour leader in India. He worked as a storekeeper in a textile mill and devoted his whole life to the cause of labour movement. He presented a memorandum signed by 5300 workers and presented it to the Factory Commission appointed in 1884. Another Factory Commission of which Sorabjee Shahpurjee Bengali was a member was appointed in 1890. Shri N. M. Lokandey now presented



to this Commission a memorandum of 17,000 signatures by as many workers. The Indian Factory Act 1891 was passed that made the provision of 11 hours a day for women with a break of 90 minutes and raising of the age of children employed. The Factory Act, 1911 reduced the hours of work for men and children workers.

One of the recommendations of the Royal Commission was to make the appointment of the Labour Officers in order to establish liaison with employers and to ensure that they followed sound recruitment practices. These officers were expected to ensure that employees were provided good working conditions, canteen facilities for meals, fair price shops, recreation, medical, and housing facilities etc. It was as early as 1931 that the Report of the Royal Commission on Labour recommended the provision of a canteen facility to the industrial workers.

The Royal Commission on Labour in its report found that labourers do not migrate to the city for its attractions or a better way of life. It was found that economic pressure in the village forced them to move to the city. Almost after more than 75 years later, the findings are found to be relevant in the 21<sup>st</sup> century. Few industrial workers would remain in industry if they could secure significant food and clothing in the village.

The Factories Act 1948 covers the obligation of employers regarding the comfort and welfare facilities of staff. This Act applies to all establishments employing more than 10 workers and using power in its operations. It also applies to the premises where 20 or more employees work, even if no electricity is used. It does not apply to premises operated by self employed person or their families.

The Factories Act 1948 and amended in 1976 expects all employers to provide minimum safeguards for safety, health, and welfare of people at work. To fulfill the conditions laid down by the Act every owner or manager of a catering establishment must look after those aspects concerned with welfare of employees. The provision of welfare by an employer usually includes. (a) washing facilities for staff with toilets and rest rooms (b) first aid facilities (c) paid annual leave (d) uniforms including footwear that is comfortable for work (e) working hours not exceeding 10 ½ hours a day including rest periods per week and (f) paid annual leave of one month's salary for every year of service for permanent employees. The Employee State Insurance (ESI) Act 1948 also takes care of the provision of benefits to employees which are financed from contributions of employees, employers and the state. Canteen facilities and meals at subsidized rates are to be provided in the establishment in which more than 250 employees are employed. Housing facilities or house rent allowance is to be given, Financial and legal services involve credit and loan facilities, some establishments set up a scheme for the benefit of employees for purchase of items, Recreational activities such as music on radios or cassettes and other indoor activities are provided.



The Factories Act lays down conditions to safeguard the health and safety of people at work. In order to conform to the Act employers are liable to provide an environment which does not in any way affect adversely the health of any person or injure or disable him in any way. It is necessary to guarantee a healthy environment, proper waste disposal, proper ventilation, lighting, clean drinking water, washing and toilet facilities, good safety policy, fire fighting equipment, and pest control. The Industrial Disputes Act, 1947 makes provision for good working relations.

The Factories Act of 1948 replaced all previous legislation on labour welfare. It brought in many new concepts and may be considered as an important Milestone in factory legislation. The main provisions of the Act of 1948 are -

(i) provisions regarding safety, guarding of machines, (ii) Provisions regarding health and cleanliness, (iii) Drinking water, (iv) washing and latrine facilities, (v) Lunch rooms and rest rooms, (vi) Sitting arrangements, (vii) First aid and dispensary facilities in 811 factories employing more than 500 workmen, (viii) Crèches where more than 50 women are employed, (ix) Welfare Officer where more than 500 workmen are employed (x) Provision of spittoons, (xi) Holidays with wages at the rate of one day for every 20 days worked, (xii) Weekly hours 48 for adults and 27 for younger persons, (xiii) Regulations regarding young persons (xiv) Rate of payment for overtime work, (xv) Rest for half an hour after maximum of 5 hours of work, (xvi) Number of hours of work, and (xvii) Weekly holiday.

The Indian Constitution makes a specific mention of the duties which the state owes to labour. It may be pointed out that, apart from the Factories Act of 1948, the Government of India also passed the welfare Act known as the Employees' State Insurance Act, which provides for benefits to workers in the event of sickness, maternity and employment injury in the form of paid sick leave, hospitalization, etc. About this time, the Plantation Labour Act, 1951 was also passed and was made applicable to coffee, tea, rubber and cinchona plantations. A similar Act for the mining industry was enacted in 1952. This shows that labour laws in India have attained a high level of labour welfare management.

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# DYNAMICS OF LABOUR MIGRATION

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## **INTRODUCTION:**

Ninety million people migrate for work globally every year and an increasing percentage of those workers are moving between economies, rather than industrialized nations. These migrants' workers are filling jobs in manufacturing, agriculture, construction and service industries.

The process of migration is not random but rather embedded in historical, political and economic relationships. Being a highly embedded process that establishes web of translocal lives and exchanges among families, communities and countries.

This review is based on theoretical and research interactions on human migration for understanding the reasons of migration that simultaneously incorporates multiple levels of analysis within a longitudinal perspective.

A detail review of interconnections among individual behavior, household strategies, community structures, and national political economics indicates that inter-level and inter-temporal dependencies are inherent to the migration process and give it a strong internal momentum. The dynamic interplay between growth and individual migration of labour, migrant remittances and local income distributions all create powerful feedback mechanisms that lead to the cumulative causation of migration. These mechanisms are reinforced and shaped by macro level relationships within the larger economy.

The complexity of present day migration stream has intensified with distinction between migrant workers, trainees, tourists, refugees and displaced persons becoming increasingly blurred. The term migrants appears to be broader than the term 'migrant worker' and is increasingly used in International discussion of human rights. Migrants in this sense include both voluntary migrants and force migrants. The IOM/United Nations World Migrants Report 2000 observes:"



Voluntary migrants include people who move abroad for employment study, family reunification or other personal factors. Forced migrants leave their countries to escape persecution, conflict, repression, natural and human-made disasters, ecological degrading, or other situations that endanger their lives, freedom or livelihood" (IOM: United nations 2000).

There is a tendency to refer to voluntary migrants for employments as economic migrants to distinguish them from genuine refugees, although it is increasingly difficult to make such distinctions. The UN High Commissioner for Refugees noted: "In the absence of a migration window, people who are seeking jobs and a better future try to get in through the asylum door."

It is a common practice to describe the nature of work performed by migrant workers in receiving countries as 3-D or dirty, dangerous and difficult (or demanding). Its origin can be traced to the Japanese term '3-K' (kitanai, kiken, kitsui). While there is a little doubt about the arduous and dangerous nature of such employment, there is nothing 'dirty' about the essential task performed by migrants, and the above description fails to reflect the dignity of labour involved. Is in fact some jobs become increasingly unattractive to local labour under condition of fast economic growth and rising living standards? Bohning (1996) has coined the term SALEP (Shunned by ALL Except the very poorest) to refer to this type of work.

The right distinction between skilled labour (profession, technicians, etc) and unskilled labour and not between 'high level' manpower and 'low level' manpower.

Migration flows are characterized by a basic distinction between skilled labour ((profession, technicians, etc) and unskilled labour. This distinction is highly relevant because the two groups interact with the labour market differently and received differential treatment in host countries. Skilled workers face few problems overseas given their qualification and bargaining power. Most protection issues relate to unskilled migrant workers. Some writers have used terms such as 'high level' manpower and 'low level' manpower to refer to the two categories (Stahl, 1993). These terms should certainly be avoided because they again do not reflect the dignity of labour involved. For the trace union movement, all workers are equally important irrespective of their skill levels.

The term 'female domestic helper' does not convey the workload carried out by female domestic workers or housemaids. Yeoh et al. (1999) correctly pointed out that term 'domestic helper' does not do justice to the labour involved: '..... The women do not just "help" around the house but are often employed to bear the



brunt of domestic work including cooking cleaning, childcare' In Hong Kong (China) women recruited as maids are even expected to act as chauffeurs driving children to school. It is more appropriate to describe them as "female domestic workers."

The distinction between stocks of migrant labour and flows of migrant labour is important. The term migrant workers refer to the total number in the receiving country at a given point in time including all who had migrated prior to the date and still inside the country. The flow of migrant workers refers to the numbers going out of a sending country or entering a receiving country during a particular period of time – usually a year. For instance, Thailand generally reports that 125,000 to 150,000 workers leave for overseas contractual employment every year but the total stock of Thai workers overseas is estimated to be around 450,000 at present including irregular workers. The best estimates of the stock of workers have to be obtained from the receiving country sources but many countries do not report these for various reasons (Middle East countries, Singapore). Trade unions may have to deal with all foreign workers resident in the country rather than with only new entrants.

#### Why do workers migrate?

##### ⇒ In search of higher incomes

This is the most obvious and popular reason given- the pull from higher wages in receiving countries. In this sense, high levels of unemployment and property in source countries act as a factor in the decision to emigrate. The economic disparities among groups of Asian countries have been cited as a major factor in this connection with per capita incomes ranging from a low of US\$ 200 in the poorest countries to around US\$3540, 000 in the advanced countries. For instance, Japan, the Republic of Korea, the Taiwan province of china, Singapore and Hong Kong SAR had record growth during the 1970s and 1980 leading to what has been described as 'the East Asian economic miracle ' These countries have achieved more or less full-employment in different stages.

##### ⇒ Lured by friends and relatives and social networks:

Networks of friends and relatives already working in destination countries serve as sources of information and anchor communities for newcomers.

##### ⇒ In search of adventure, exploration, curiosity.

Some are interested in visiting other lands for a sense of adventure or for exploration and the emerging demand for labour may provide the required opportunity.



⇒ Fleeing from persecution and armed conflict

In a number of cases, the migrants have no choice. They may simply be forced out because of armed conflict, persecution at home or environment degradation. The large inflow of migrants from Myanmar to Thailand and from Afghanistan to Pakistan, are example of dislocations caused by armed conflict and suppression of ethnic groups.

There are certain popular myths about migrant workers which are clarified bellow.

- Labour migration benefits only the labour sending country.
- It is a matter of common observation that receiving countries rarely mention the positive contributions made by migrant workers to their economies and societies. This is a very partial account of benefits of migration. "What most people forget is that migrant workers have made generally made a positive contribution to the host countries, both in terms of socio-economic development and in providing labour for jobs which the local people did not want to do." (ILO/ACTRAV, 1996:4)
- We have to look at both sides of the balance sheet-benefits to host countries and benefits to sending countries.
- Benefits of migration cannot be considered as a one way flow favoring the sending country alone. Mr. Juan Somavia, ILO Director-General has stated: "Migrant workers are an asset to every country where they bring their labour.... Migrant workers are an asset too with their labour and furnish an often invisible subsidy to the national economies that receive them.
- They work in factories produce food, provide domestic service, staff hospitals and contribute to a wide range of basic needs, often for low wages and with little recognition of the value of their contribution".
- All migrant workers irrespective of their status contribute to the economic prosperity of the host society (UNFPA, 1999).  
Business and employers in host countries reap enormous profits by exploiting migrant workers, especially irregular workers.
- The brain drain of highly skilled migrants is a major loss of the investment in human resources made by the home country and a windfall gain to the host country.



- Receiving countries also gain by rising labour force participation of women made possible by the engagement of foreign domestic workers at low wages.
- Some government of labour receiving countries earn sizeable revenues through levies on firms employing foreign workers, the burden of which may partly or fully be passed on to the workers themselves. Malaysia and Singapore are examples of countries using selective levies.

⇒ Foreign workers pose a risk to the maintenance of socio-cultural homogeneity of the host country population.

The possible disruptive socio-cultural and economic consequences of having a large foreign worker population are evident in the attitudes of Japan towards entry of unskilled and semi-skilled labour from Asian countries. There is no evidence to back this up; especially since the share of foreign worker population in Japan is significant compared to the shares of countries such as Malaysia and Singapore.

⇒ Migrant workers increase the crime rates in host countries and bring various diseases.

This argument reflects the traditional stereotyping of migrants, which is far removed from reality. Moreover, this type of perception becomes widespread in times of crisis or recession while at other times, there is tacit acceptance of the presence of migrant workers. In fact it is the traffickers who promote transnational crime with impunity forcing women and girls into prostitution and sweatshops when they come looking for decent jobs. The latter persons face high risk of exposure to HIV-AIDS and other sexually transmitted diseases. Moreover, lack of medical insurance and support forces migrants to forego treatment or resort to unreliable self medication. This would naturally raise incidence of disease among them

⇒ Migrant workers steal jobs from the local population.

This argument is again not supported by the evidence. One lesson of the Asian economic crisis is that migrant workers were filling jobs, which were largely shunned by local populations. This explains the less than expected mass deportation from both Malaysia and Thailand. AS Battistella (1999b) explains: "Studies and recent episodes have indicated that unskilled migrants do not compete with nationals because they are employed in sectors that are shunned even by unemployed national workers. On the other hand, highly skilled migrants also do not compete since the



demand for highly skilled workers in Asia is expanding and largely unmet as indicated by the policy of Singapore to actively recruit foreign talents.”

Bill Jordan observes: “.... the argument that immigrants are responsible for the rise in unemployment does not hold up to close inspection. In fact repatriating immigrants would cause a higher number of jobs losses than new jobs available to nationals of the country in question after their departure.”

In the context of the USA, Keith Griffin (1998) has pointed out:

⇒ “Migration it is claimed increases unemployment. This is not true. First, most migrants enter low-wage occupation that are not attractive to the indigenous population. That is, they often do not compete directly with local labour. Second a high proportion of migrants create their own jobs by becoming self-employed. Third and most imp, by stimulating growth, migration reduces unemployment rather than increases it.”

⇒ National workers need to be given preferential treatment even if they perform the same jobs as migrant workers. Such a practice represents discrimination according to ethnicity, race and country of origin which is a basic violation of fundamental human rights. It is inconsistent with ILO Declaration on Fundamental Principles and Rights at Work and international instruments on migrant workers.

⇒ All migrant workers are temporary entrants. Philip Martin (2000) observes: “Most East Asian societies receiving migrants insist that migrants are and will remain temporary workers, not permanent resident. “ The experience of Western Europe clearly shows that a substantial of migrant guest workers chose to settle down in the countries of destination. While Asian countries are quite resistant to such an idea, Castles (1999) and Martin (2000) show that it is happening on a limited scale. In destinations such as Singapore and HongKong , skilled migrants stay much longer and also get accepted as permanent residents over time.

## **Conclusion**

Labour, migration and development are closely intertwined. This highlights the link between the migration and development. Here when we discuss the mobility of labour it is important to understand that migration pattern changes partly result of globalization. Migrant workers contribute to the economies of their host countries, and the remittances they send home help to boost the economies of countries of origin. Yet at the same time today’s migrant workers face many challenges- poor conditions of work, discrimination, little social protection and vulnerability to exploitation and human trafficking. It is becoming more common for migration to be temporary or repeated in nature, rather than permanent. Circular migration is natural pattern of life for many migrants and, if handled properly, can be positive both for host countries and for countries of origin and migrants themselves.



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# JANKALYAN SELF HELP GROUP MEMBER'S CREDIT SOCIETY: A UNIQUE EFFORT FOR RURAL DEVELOPMENT

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(Key Words – Credit Society Model, SHG Model, Economic Activities, Social Programmes, Trainings)

Rural Development in general is used to denote the actions and initiatives taken to improve the standard of living in Non-Urban neighbourhood countryside, and remote villages. These communities can be exemplified with a low ratio of inhabitants to open space. Agricultural activities may be prominent in this case whereas economic activities would relate to the primary sector, production of foodstuffs and raw materials. The analysis of rural development is only possible, if we take into account the multiple dimensions of rural life.<sup>1</sup>

The various dimensions of Rural Development are as follows-

- Human Development
- Natural Resource and Environment
- Economic Growth
- Infrastructure
- Science and Technology
- Policy and Administration

Rural development is a multi-sector process, which not only includes economic change but also requires development of human resources and social structure. Of course, rural development can be only sustainable if it is adapted to the bio-physical conditions and resources of the regions and does not seriously harm the environment. But we must also assume that sustainable development of rural areas requires certain essential infrastructure, such as highways, canals, power plants, etc., which is necessary for human (economic) systems to develop. Finally, we have to take into account the question of political participation, which is also an essential component of sustainable rural development.



The present paper discusses the aspect of economic growth for Rural Development with special reference to the Case Study of Jankalyan Group, Solapur and its activities towards Rural Development through Self Help Group Member's Credit Society.

The present paper is divided into 5 parts. They are

1. Objectives and Methodology
2. Jankalyan Samiti , Solapur and its activities
3. Jankalyan Self Help Group Member's Credit Society Model
4. Evaluation of the Jankalyan Self Help Group Member's Credit Society Model
5. Conclusion

### **1. Objectives and Methodology**

Objectives of the present study are as follows-

- To study the model of Jankalyan Self Help Group Member's Credit Society.
- Compare this model with Self Help Group working as per Government norms for lending activities.
- Suggestion if any.

The methodology adopted for the present study is as follows-

- The primary data collected through interviews of people associated with the Jankalyan Samiti is as follows-
  - Mrs. Vijaya Shelgikar, President Jankalyan Self Help Group Member's Credit Society, Solapur;
  - Mrs. Pramila Kulkarni, Secretary, Jankalyan Self Help Group Member's Credit Society, Solapur;
  - Dr. Jayant Shelgikar, Secretary, Jankalyan Samiti Solapur
  - Other members active in Jankalyan Samiti, Solapur.
  - Beneficiaries of Jankalyan Self Help Group Member's Credit Society, Solapur.
- Secondary data was collected from-
  - Various Annual Reports of Jankalyan Samiti , Solapur
  - Various Annual Reports of Jankalyan Self Help Group Member's Credit Society
  - News items in the news paper about the activities of Jankalyan Samiti Solapur.



- Quantitative techniques were used to analyze the data.

## **2. Jankalyan Group, Solapur and its activities <sup>2</sup>**

Jankalyan Group was established in Solapur on 1<sup>st</sup> Jan. 2004. It is registered as NGO. It pursues various economic activities and social programmes. As a part of their core drive towards the economic development of rural area, Jankalyan Samiti has set up small business units in and around Solapur. About 400 SHGs are associated with Jankalyan Samiti. The activities of Jankalyan Samiti are as follows-

- Chaitanya Hospital – Medical help and hospital facility
- Arogya Mitra Facility – Offering 20% discount on Medical Services who has kept deposits with Jankalyan Samiti.
- Care and Support for HIV Positive Patients -
- HIV Aids Awareness programs.
- Siddheshwar fair – Every year at the time Siddheshwar Fair in the month of January in Solapur City distribute posters and awareness films on HIV Aids.
- Mahila Bachat Gat –SHG group activities in Solapur and peripheral rural area.
- Cashewnut Production Unit
- Papad Unit – Papad making unit for Ram Bandhu Papad (A professional Group).
- Jankalyan Self Help Group Member's Credit Society – Credit society exclusively working for SHG groups.
- Jankalyan Production and Distribution Organisation and Bachat Bazar – Jankalyan Samiti has been helping to the SHGs to start own business as follows-
  - Selection of the business
  - To make raw material available
  - Awareness of current market situation
  - Information about marketing

Through the Bachat Bazar facility SHG members can sell their products directly in the market.

Out of these activities the present paper focuses on Jankalyan Self Help Group Member's Credit Society activity of Jankalyan Samiti.

## **3. Jankalyan Self Help Group Member's Credit Society Model<sup>3</sup>**

Jankalyan was doing Self Help Group activity for many years. It was experienced that, the amount collected by each groups was very less to start any entrepreneur activity. Thus it was decided to club the amount of all



SHGs working under Jankalyan. Thus Jankalyan Self Help Group Member's Credit Society was established on 1<sup>st</sup> June 2004. The family members of the SHGs also can take loans to write off their debts. Basically the loans are given for entrepreneur activity, but if women do not have ability / willingness to start the business they get employment in the business started by a member from their own group.

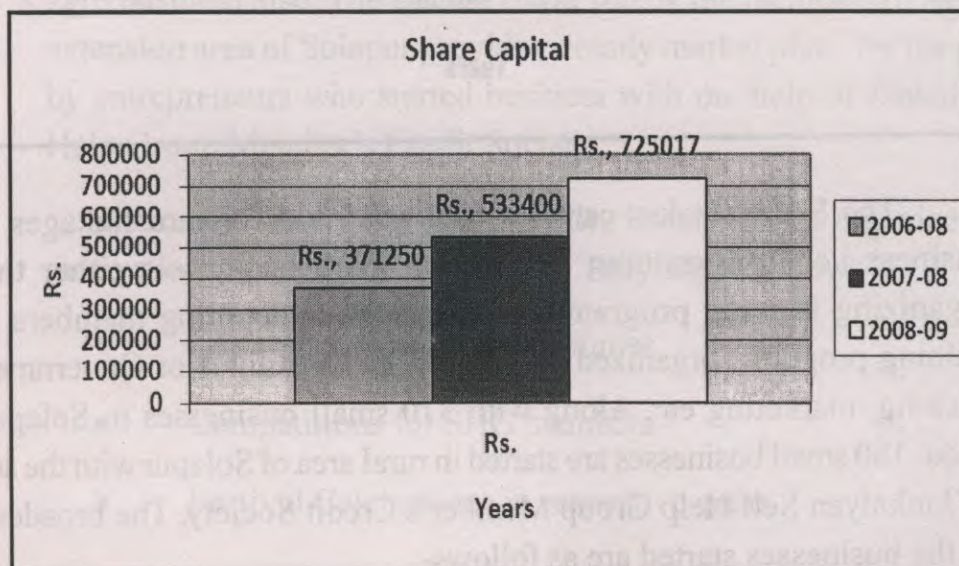
Jankalyan Credit Society works in 11 talukas of Solapur District. The members are about 400 SHGs and 4500 women members. The basic criterion for the membership is SHG group. The following table shows the progress of Jankalyan Self Help Group Member's Credit Society

**Table 1**  
**Performance of Jankalyan Self Help Group Member's Credit Society**

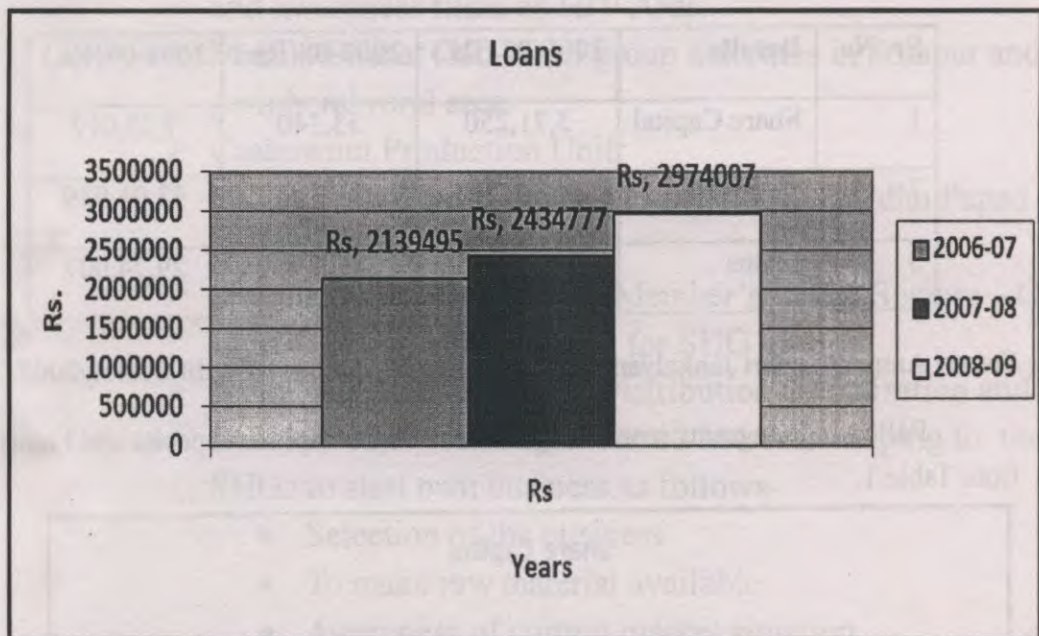
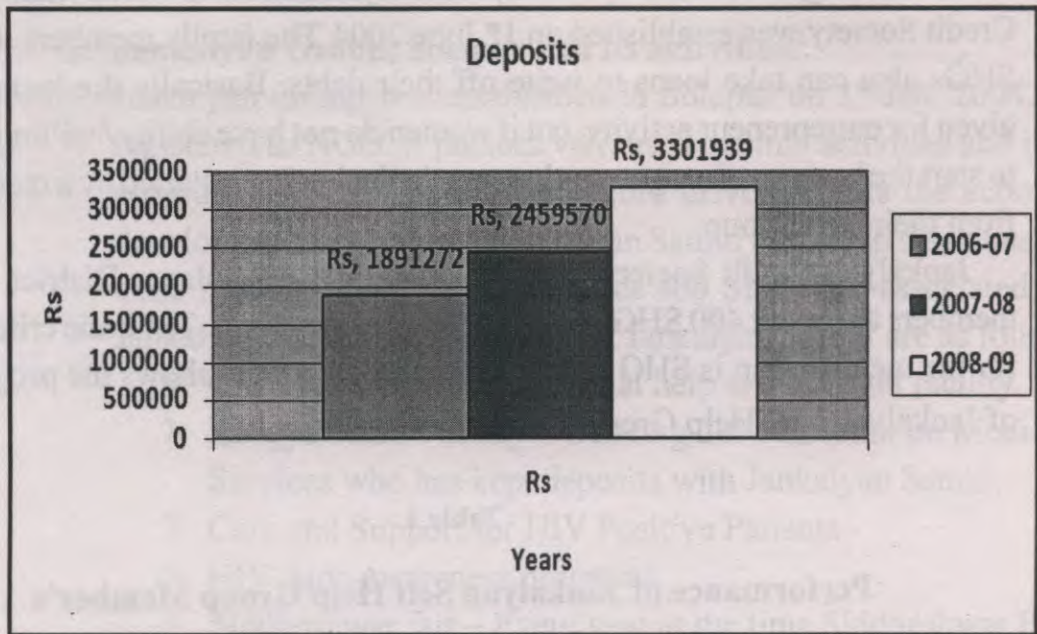
Sr. No.	Details	2006-07 (Rs.)	2007-08(Rs.)	2008-09(Rs.)
1	Share Capital	3,71,250	53,340	7,25,017
2	Deposits	18,91,272	24,59,570	33,01,939
3	Loans	21,39,495	24,34,777	29,74,007

*Soure:* Annual Report Jankalyan Self Help Group Member's Credit Society 2008-2009

Following diagrams represent growth of Share Capital, deposits and Loans from Table 1.







The Society takes care for backward and forward linkages of the business i.e. from training for various small businesses either through organizing training programs for members or deputing members to the training programs organized by professional institutes or Government for packing, marketing etc. Along with 370 small businesses in Solapur city about 180 small businesses are started in rural area of Solapur with the support of Jankalyan Self Help Group Member's Credit Society. The broader areas of the businesses started are as follows-



- Agro based activities
- Cows and buffalo rearing
- Goatry
- Piggery
- Cashew Processing
- Chikki Making
- Papad, Pickle, Chutney making
- Food items making
- Paper, cotton bags making etc.
- Leather bags making
- Stitching
- Decorative items making
- Wax items making
- Phynel Making
- Vermicelli making

Thus the members of the society started not only agro based but non agro business also. The Bachat Bazar run by the members of SHG at the extension area of Solapur provides a ready market place for the products by entrepreneurs who started business with the help of Jankalyan Self Help Group Member's Credit Society.

The credit society not only provides loans but also organizes motivational activities for members. They are as follows-

- Cultural activities / Programmes
- Competitions for SHG members
- Festival Celebrations in respective areas



- Felicitation of Successful entrepreneur Members of the credit society
- Felicitation of members who repaid loan before time.
- Food Festivals
- Guest Lectures by experts / successful entrepreneurs etc.
- Field Visits to various institutes / activities / enterprises etc.

SHG Traders is subsidiary of Jankalyan Self Help Group Member's Credit Society and big enterprises are started under SHG Traders. It has share capital of Rs. 5 Lacs and about 400 women members. The big enterprises started are

- Mahila Bachat Bazar
- Cashewnut Processing Unit
- Papad Making Unit
- Chutney and Pickle making Unit(Under Process)

### **1. Evaluation of the Jankalyan Self Help Group Member's Credit Society Model**

The model Jankalyan Self Help Group Member's Credit Society resembles to any credit society model but the uniqueness lies in the membership as membership is only by SHG group members and the director board is also formed from the members of SHGs.

Following table shows the difference between the traditional SHG Group working and their credit activities and Jankalyan Self Help Group Member's Credit Society Model



**Table 2**

**Comparison Of SHGs Working As Per Government Norms And  
Jankalyan Self Help Group Member's Credit Society Model**

<b>SHGs as per Government Norms</b>	<b>Self Help Group Member's Credit Society Model.</b>
The group of 10-15 women open A/C in Commercial Bank	The group of 10-15 women open A/C in Self Help Group Member's Credit Society
Bank offers interest 3% p.a. on the balance after loan disbursement.	Society offers interest 4 % p.a. on the balance after loan disbursement.
For personal loan in difficulty the interest rate charged 2% p.m..to 3% p.m. or 24% to 36% p.a.	For personal loan in difficulty the interest rate charged 1.16%% p.m or 14% p.a.
Loans are preferably given to women below BPL and SC / ST.	No special criterion for loan disbursement.
Yearly / Six monthly functions with Political leadership	Yearly six functions to motivate, celebrate, cultural prog. etc.
Yearly one or two opportunities for the sale of products through exhibitions.	Entrepreneurs can sell their products in Bachat Bazar throughout the year.
Training Programmes or Melavas are organized by the Govt. thus no close association or interaction among members.	All activities are coordinated by and for all members. Thus closeness and regular interaction is experienced.
High % of closing of the group due to individual problems.	% of closing group is meager.
For liaison and coordination paid personnel is required. This looses the spirit of belonging and also becomes unaffordable for the SHGs.	Initiative by Member coordinator improves the performance of the group

**Source:** Paper by Dr. Jayant Shelgikar, Secretary, Jankalyan Samiti Solapur in Apr. 2008 for private circulation

The comparison in the above table shows that, Jankalyan Self Help Group Member's Credit Society is offering 1% higher interest rate for the



amount balance after disbursement of loans. Also for personal loans taken by members it is charging lower interest rate compared to other SHGs.

It is a fact that, in other SHGs as per government norms, they are charging 2% to 3% interest per month i.e. about 24% to 36% interest rate on the loan taken by members. Thus it is observed that many private companies / agencies / individuals are entering in sponsorship of groups to reap the benefit of high interest rate earnings. Following are the reasons for the entry of those in SHG activity-

1. To earn high interest rate on lending
2. NPA is very low
3. 100% recovery of loans
4. Satisfaction of sharing social responsibility.

Though this model of SHG is becoming popular, there is fear that it may dampen the spirit of starting of SHG groups. This is very serious from the point of view of Rural Development.

It is evident from Table 1 that, even though the Jankalyan Self Help Group Member's Credit Society is charging a lower rate of interest, the profitability is rising in the last three years, which is again utilized for the development of SHGs only.<sup>4</sup> In the model of SHGs as per the norms of the government with high interest rates and the model developed by Janakalyan Samiti, this is the notable difference which has to be studied thoroughly and should be followed by other SHGs in future.

### **5. Conclusion-**

Jankalyan Self Help Group Member's Credit Society is a unique effort to finance SHG groups. A notable fact is that, SHGs are supported by providing backward and forward linkages. Thus Jankalyan Self Help Group Member's Credit Society is empowering rural women and strengthening the SHG movement in their own way and contributing a squirrels share for the Rural development of the country.



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# NEW TRENDS IN RETAILING - SOME INSIGHTS

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**Introduction:** According to Philip Kotler: "Retailing includes all the activities involved in selling goods or services to the final consumers for the personal, non-business use."

Retailing is the final link between the manufacture or other intermediary and the consumers. General stores, Departmental stores are the examples of retailers of Goods while Retailers of services are Banks, Transport Services etc. 30 percent of our total expenditure goes to the Retailers. It is an inseparable part of everybody's life today.

Retailing is one of the profitable sectors in the world. It is the single largest industry by revenues, employment, market share, etc. Thus, it has a major influence on the economy. Retailing is said to be the most potential and upcoming industry in India as well as in the world. It is called as the 'Sunrise Sector'. It has ample of employment opportunities. Retailing benefits the consumers, the government as well as the economy as a whole. It has a positive impact on the way of conducting business in future. Retailing helps the growth of other sectors such as logistics, Banking etc. There is a great demand for the MBA (Retail Management) pass outs from the Retail Sector. Reliance, Baharati-Wall Mart, Tesco, Essar etc. are eager to recruits them. Reliance has proposed 50 % increases in the salary to these Retail Management graduates.

Indian retailing is under the Transformation phase. The family owned traditional small retail business is transforming into the huge organized sector. The Retail sector is the second largest employer in India after the Agriculture sector. Last three years compounded annual growth of the retail industry in the country is 46:44 percent. Thus, it is the fastest growing sector in the Indian economy. India is ranked second in Global Retail.



India tops the AT Kearney's Annual Global Retail Development Index (GRDI) for the third consecutive year<sup>2</sup>. The Indian retail market, which is the fifth largest retail destination globally, is estimated to grow US\$ 427 billion by 2010<sup>3</sup>; out of this, 42 percent<sup>4</sup> consists of food, beverages and tobacco.

In this growing market, organized retail has a whopping growth rate of 49.73 percent<sup>5</sup>. A report by Images Retail estimates the number of operational malls as more than 412 by 2010 and further 715 malls by 2015 in spite of rising real estate costs. In India, currently eighteen retailers<sup>6</sup> are playing in the food and grocery convenience format store and some more are expected to join the race. The number of convenience format retail stores of almost all the retailers is growing tremendously. Big players like Reliance Retail, RPG Group, Further Group, Tata, Wadhawan food Retail, Aditya Birla Group, Subhiksha and others are on a nationwide expansion mode ; we can expect over 15000 "C" stores by 2010<sup>7</sup>.

Trill, Bruce (2006), conducted a study, in which he analyzed the rapid spread of supermarkets in developing and middle-income countries and forecast its continuation. In this article, the level of supermarket penetration is modeled quantitatively on across-section of 42 countries for which data could be obtained, representing all stages of development. This study has found that: GDP, per capita income distribution, urbanization, female labour force participation and openness to inward foreign investment are all significant explicators.

### **Retail Revolution in India:**

In India the concept of organized retailing and better distribution and logistics has set in. The mall infrastructure across the cities and supply chain mechanisms across the country are getting into place. Large activates in the development and operations of retail malls have been driven by many Indian as well as International companies. Malls are the homes to several large Indian and International Brands to spread themselves out across Indian cities in high-profile exclusive brands. The industrial houses like Reliance, Bharati, Aditya Birla and Tata's have planned huge investments in this sector. Global brands have come in and set themselves up as well.

Thus, India's Retail Industry is passing under a changing scenario. It is slowly getting organized and corporate. Giant network of stores are spreading themselves across the Indian landscape. Retailing networks have started with the larger and more populated cities and towns. Traditional Markets are making way for new formats such as Departmental Stores, Specialty Stores, Super Markets, Hyper-Markets, etc. The leading organized retailers such as Food World, Shoppers' Stop, Crosswords, Globus, Pyramid, etc. are now leading the business.



The Food World, Reliance, etc. have earlier entered into rural economy through contract farming. Foreign retailers such as Marks & Spencer, Benetton, Lifestyle, Zegna, etc. are appearing in the market in the form of franchises.

#### Organized Retailing in India

The big Business Houses and MNCs have entered into the organized retailing sector in India. Many big companies are investing in this segment. It has been adopted in a large number of cities in India. Organized retail industry is estimated to be at Rs. 350 Billions. However, it is just 2 per cent of total US \$ 125 Billion retail business in India. It is expected to grow 25 per cent annually as it is driven by changing life styles, strong income growth and favorable demographic patterns. The organized retail in India began with lifestyle retailing while it has moved on now to value retailing.

Table: - 1. Organized and Traditional Retailing in some Countries.

Sr. No.	Country	Organized Retailing	Traditional Retailing	Total Size (US\$. Billion)
1	India	2 %	98 %	180
2	China	20 %	80 %	325
3	Malaysia	55 %	45 %	20
4	Taiwan	81 %	19 %	715
5	USA	85 %	15 %	2325

(Source : Business India .)

#### Reasons for increasing organized retailing in India.

1. There have been demographic changes in India on a large scale. Increasing number of nuclear families in urban areas, large young working population, increasing working women population, emerging opportunities in service sector etc. have necessitated the need of malls.
2. Rising disposable incomes have changed lifestyles and consumer behavior. The concept 'value for money' is fast picking up. Financial boom has changed the spending pattern which encourages spending more.
3. Better access to consumer finance or loans and use of credit cards have made shopping very convenient.
4. Increasing urbanization and literacy-rate increasing affluence in smaller towns have also contributed to encourage organized retailing.



5. Higher aspirations for branded products and availability of a large array of products at competitive prices have helped the emergence of hubs of retail activities.
6. Supermarkets, mall etc. give good shopping experience such as celebration and entertainment to family members of all age groups.
7. The expansion of media and technological impact are also contributing to the increase in organized retailing.
8. Consumer pull and increase in consumer movements have increased the awareness of consumer rights. The consumer today wants good quality branded products only.
9. Entries of MNCs, Foreign Retailers and corporate sector in the organized sector have given a great push to organized retailing in India.
10. India is a country of immense population with the economical, social and cultural varieties. Therefore, there is a very encouraging atmosphere for retailing in this country.

### Challenges for Retailing in India

The retail revolution is not an unmixed blessing. Similarly It is not free from certain critical and challenging situation. A few important challenges have been enlisted here by the author. Here are a few important issues related with growth of retailing in India.

**Table no. 2**

Factors	Description	Implications
Barriers to FDI	FDI not permitted in pure retailing Franchises arrangement allowed	Absence of global players Limited exposure to best practices
Lack of Industry Status	Government does not recognize the industry	Restricted availability of finance Restricts growth and scaling up
Structural Impediments	Lack of urbanization Poor transportation infrastructure Consumer habit of buying fresh foods Administered pricing	Lack of awareness of Indian consumers Restricted retail growth Growth of small, one –store formats, with Unmatchable cost structure



High cost of Real Estate	Pro-tenant rent laws Non-availability of government, land , Zoning restrictions duty(10%)	Difficult to find good real estate in terms of location and size High and cost owing to constrained supply
Supply Chain Bottlenecks	Several segments like food and apparel reserved for SSIs Distribution, logistics constraints-Restriction of Purchases and movement of food grains, absence of cold chain infrastructure Long intermediation chain	Limited product range Makes scaling up difficult High cost and complexity of sourcing and planning Lack of value addition and increase in costs by almost 15%
Complex Taxation System	Differential sales tax rates across states. Multi-point octroi Sales tax avoidance by smaller stores	Added cost and complexity of distribution Cost advantage for smaller stores through tax evasion
Multiple legislations	Stringent labor laws governing hours of work, minimum wage payments Multiple licenses/clearances required	Limits flexibility in operations Irritant value in establishing chain operations; adds to overall costs
Customer Preferences	Local consumption habits Need for issues Cultural issues	Leads to product proliferation Need to stock larger number of SKUs at store level Increase complexity in sourcing
Availability of Talent	Highly educated class does not consider retailing a profession of choice Lack of proper training	Lack of trained personnel Higher trial and error in managing retail operations Increase in personnel costs
Manufactures Backlash	No increase in margins	Manufacturers refuse to dis-intermediate and pass on intermediary margins to retailers



## **What is driving the retail revolution ?**

- Economic growth in the country leading to better disposable incomes (expected to go up by an average of 8.5 % every day until 2015-PWC study finding) coupled with changing lifestyles, and family structure. Rapidly growing middle class, swelling incomes (salaries rising by over 100% in several cases – source Pranav Ansal- Director Ansal API-Consumer life ET July 2008).
- Increase in the number of working women and a trend towards discretionary spend (16% rise among upper urban and middle classes) change in food habits , have all elevated India on the consumerist chart. With Pegging of private consumption at an impressive \$ 549 billion i.e. approximately 59 % of the GDP, the craving for shopping and purchasing is on the rise.
- The level of education has gone up among the young population making India one of the youngest emerging economies in the world. Education has brought about sort of rebellion among an entire generation bestowing them with the power to choose their purchases and live the way wish to.
- Prominent change in the consumer spending basket that indicates a clear preference towards a better quality of life and living in style thus an inclination towards buying lifestyle –uplifting products.
- Major change among retail shoppers in particular is growing spontaneity, speed and aspirations that have inspired them to go in for purchases of newer, innovative and even technologically savvy high end products on the spur of the moment without second thoughts or a well etched out shopping plan.

## **The present status of retail industry in India.**

### **India is heading towards mall overcapacity**

A reason for this opinion is the fact that there may not be sufficient anchor tenants to occupy all the, alls that are being planned. Also all emerging malls have very little differentiated value propositions. Malls need to differentiate themselves clearly and one option may be to specialize.

### **Operations- At a nascent stage of evolution**

Internal processes (supply chain management, private label management and loss prevention) real estate availability and costs, finance availability and costs. Easy availability of finance at competitive rates is a key enabler for growth in India. Retail space availability and costs are also prime issues to be dealt with. With respect to operations management and leveraging technology, retailers in India are



at a nascent stage,. This would be another area of opportunity for winners of the future to distinguish themselves clearly from the rest of the industry.

### **Winners of tomorrow will be those that experiment and innovate.**

While there are obstacles, there is a clear opportunity in modern retailing in India. There are ample lessons India can take from other countries which have moved along the path of retail evolution. There are also several best practice organizations from which Indian retailers can pick relevant learning's and tailor to suit local requirement. Organizations that experiment and innovate across different aspects shall be the ones that emerge as winners.

### **The Winning strategies for Indian Retail**

- Innovations in online retail models: online retailing should be adopted by an entire spectrum of categories ranging from low to medium customer involvement – such as, travel, books, event tickets – to the high involvement categories of jewellery and accessories. Through this format, companies can lower costs on real estate rentals, inventory and overheads to offer a price-sensitive value propositions to customers seeking alternate points of purchases.
- A thorough understanding of customer needs, their relative importance and in-depth knowledge of the value chain to bring in supply chain efficiencies. This format also brings in the added advantage of convenience at points by way of product sales and after-sales service.
- Companies can take advantage of retail business in two ways, (1) by identifying niche opportunities that can be grabbed through physical presence or (2) Through an online, virtual model that is less asset-intensive and will yield higher returns on capital invested.
- A lower pricing strategy compared to competitors and the offer of an equivalent quality product combined with excellent service has made it the most successful coffee chain in India. This thriving forward integration has enables Café Coffee Day to charge around Rs 40 per cup of cappuccino against Rs4 worth of coffee bean ingredients.
- Rural Market Largely Untapped: As the rural economy and people's income continue to grow, the purchasing power of rural residents is rising steadily. The consumer market in rural India now promises great development potential. Currently, large retailers including foreign players hardly have established a presence in the rural distribution network. Individually-owned



business and private enterprises command a 90 % share of the markets at country level and below. The single ownership structure of retailers can no longer meet the needs of rural consumers.

- That the size of Indian retail market very promising. Indian consumer is already behaving differently and more so in the coming years- fresh learning is, needed even by the most experienced consumer oriented business. Disruptive changes in the offing –however, major disruption anticipated for current modern retailers and many consumer product manufacturing and marketing companies. Opportunities for many others. Evaluate investment opportunity on the basis of future change rather than recent history.

### **Conclusions**

1. There are vast opportunities for retailing in India. It is expected to grow rapidly over the next few years.
2. There has been tremendous evolvement in the organized retailing in India in the last 10 years. But still it is the fraction of total potential that exists.
3. Retail industry in India is growing up from Rs. 35,000 crores in 2006 in whopping Rs. 1,35,000 by 2010. It is one of the largest industries and employer in the country. It generates moiré than 10 % of India's GDP.
4. Organized Retailing is growing faster in India, almost at the rate of 200 % per year.
5. There are new opportunities for the world-retailers to open their stores in India in the form of joint venture.
6. Modern retailing is providing a major boost to employment figures and is slated to create 2 million additional jobs by 2010
7. Due to lack of cold chain facilities, 35 percent of the perishable commodities go waste. This is bound to change once efficient cold storage chains are put in place and private players invest in supply chain and back end operations.
8. Still today, the lower-middle class and rural India are finding the small retail outlets suitable for their day to day necessities.
9. Direct relating is the best option for both the manufacture and consumer. It will reduce the number of intermediaries as well as the price of the product.



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# FOREIGN VENTURE CAPITAL FUNDS IN INDIA A STUDY

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## **Introduction**

The emergence of the venture capital industry in India can be traced back to mid 1980s, when the government of India undertook certain initiatives to encourage venture capital investments. In 1973, government of India appointed a committee under the chairmanship of Mr.R.S.Bhatt to find out ways for funding small and medium enterprises. It was called the Bhatt Committee. The committee recommended starting of venture capital industry in India for financing small and medium technology based enterprises. In 1986 the R&D Cess Act was passed under which a Cess of 5% was levied on all imported technology and this was used to create a pool of venture capital fund.

In 1987 the first private venture capital fund was created by ANZ Grindlays.<sup>1</sup>

In November 1988, the government of India with a view to institutionalise venture capital issued certain guidelines, which were very restrictive. The Controller of Capital Issues implemented these guidelines. The guidelines stated that venture capital should be invested only in enterprises developing new technology and promoted by first generation entrepreneurs. This made venture capital investments very unattractive and risky.

Post 1991, CCI guidelines were abolished and venture capital industry became unregulated. In 1995 the government allowed foreign funds to invest in India and many of them therefore started making investments in Indian enterprises.<sup>2</sup> In 1992 SEBI was formed, which today is the nodal agency for regulating and monitoring venture capital in India.

## **Emergence of Foreign Venture Capital funds in India**

Vinod Khosla, General Partner at Kliener, Perkins, Caufield and Bayers came to India in 1993 and spent 3 years in India exploring the environment. He was one of the founders of Sun Microsystems and therefore had entrepreneurial experience. He joined Kliener, Perkins, Caufield and Bayers in 1986. In 1996 he returned to Silicon Valley convinced that the environment was not conducive to



the development of venture capital in India. In 1993 Indian Venture Capital Association was formed to provide a platform to venture capitalists in India to voice their suggestions to the government and to network with each other. Nasscom is another association that lobbies for venture capital reforms in India. Draper International became the first foreign venture capital fund based in India with the objective of investing in Indian companies and American companies having operations in India. It was followed by Walden International.<sup>3</sup> Currently there are around 132 domestic venture capital funds and 129 foreign venture capital funds registered with SEBI as per the SEBI website.<sup>4</sup> This list includes both venture capital funds and private equity funds.

### **Regulatory framework in India**

In India foreign venture capital investments are governed by **SEBI (Foreign Venture Capital Investor) Regulations, 2000.**

The term foreign venture Capital Investor has been defined under the SEBI (Foreign Venture Capital Investor) Regulations to mean an investor incorporated or established outside India, is registered under these regulations and proposes to make investment in accordance with these regulations.

In India, offshore funds or Foreign Venture Capital Investors are very active. Amendments were made to SEBI (Foreign venture Capital Investor) Regulations, 2000 in 2001, 2004 and 2006.

The important provisions in these regulations are:

- The foreign venture capital fund can invest its total fund committed in one domestic venture capital fund. Many foreign venture capital investors invest in a domestic venture capital fund instead of investing directly in venture capital undertakings.
- A circular issued by SEBI dated 03/07/09 states that applicants desirous of registering with SEBI as the Foreign Venture Capital Investors, henceforth, shall obtain firm commitment from their investors for contribution of an amount of at least USD 1 million at the time of submission of applications seeking registration as FVCIs. This has been done to bring about parity between Domestic Venture Capital Funds and Foreign Venture Capital Investors in India.<sup>5</sup> This is an important move and will definitely bring in parity. However, it may discourage smaller Foreign Venture Capital Investors from starting operations in India.
- At least 66.67% of its investible funds are invested in unlisted equity shares or equity linked instruments of venture capital undertaking. Not more than 33.33% of the investible funds are to be invested by way of subscription to initial public offer of a venture capital undertaking whose shares are proposed to be listed, debt or debt instrument of a venture capital undertaking in which the



foreign venture capital investor has already made investment by way of equity, preferential allotment of equity shares of a listed company subject to a lock in period of one year, the equity shares or equity linked instruments of a financially weak company or a sick industrial company whose shares are listed and Special Purpose Vehicles which are created by a venture capital fund for the purpose of facilitating or promoting investment in accordance with these Regulations.

- A foreign venture capital investor is required to appoint a domestic custodian and will have to enter into an arrangement with a designated bank for the purpose of operating a special non-resident Indian rupee or foreign currency account. SEBI is the nodal agency for all necessary approvals including the permission of the Central Bank for operating the bank account.

- Foreign venture capital investors cannot invest in these sectors namely, Non Banking Financial Services (NBFCs, excluding those that have been registered with RBI as hire purchase companies or equipment leasing companies), gold financing and any other activity prohibited under Foreign Direct Investment (FDI) Regulations.<sup>6</sup>

**Benefits of registration with SEBI as a foreign venture capital investor:** It is not mandatory for foreign venture capital funds operating in India to get registered with SEBI. However, registration offers the following benefits to the foreign venture capital fund:

- Investments made in venture capital undertakings made by a registered foreign venture capital investor would be eligible for the automatic route. Otherwise, approval of Foreign Investment Promotion Board (FIPB) and Reserve Bank of India (RBI) would be required. The eligibility for automatic route would be subject to conditions prescribed in Foreign Direct Investments (FDI) Regulations. Approval usually takes 4-6 weeks for clearance.

- The entry and exit pricing regulations are not applicable to foreign venture capital investors registered with SEBI. Otherwise when shares of an Indian company are purchased by a non-resident, the minimum price to be paid is linked to the net asset value of the shares. When a non-resident wants to transfer shares to a resident, the exit price is capped at the price of the shares on the stock exchange if it is listed and the net asset value if it is unlisted. In case of foreign venture capital investors registered with SEBI, they may acquire and sell securities of an Indian venture capital undertaking at a price that is mutually acceptable to both parties. This makes it easier for a foreign venture capital fund to exit via a strategic sale or buy-back arrangements with the promoters.

- Transfer of shares from Foreign Venture Capital Investors registered with SEBI is exempted from the public offer provisions under the SEBI (Substantial



Acquisition of Shares and Takeover) Regulations, 1997, if the portfolio company gets listed on a stock exchange post the investment. This ensures that if the promoters buy-back the shares from the foreign venture capital investor, they will not be burdened with the public offer requirement which would otherwise require an offer to the other shareholders of the company to buy up to 20% of the paid-up capital of the company. This provision will help the promoters in retaining control and avoid dilution of ownership when the foreign venture capital investor makes an exit via the buy-back route.

- A foreign venture capital investor registered with SEBI is accorded the status of Qualified Institutional Buyer (QIB) and is therefore eligible to subscribe to the securities through the book building process when a venture capital undertaking makes an initial public offering. This provision is very useful as Foreign Venture Capital Investors can invest up to 33.33% of the investible funds in the shares of a venture capital undertaking when it makes the initial public offering and which is proposed to be listed. This is a good incentive to venture capital investors for the risks that they undertake by investing at early stages of the life cycle of venture capital undertakings.

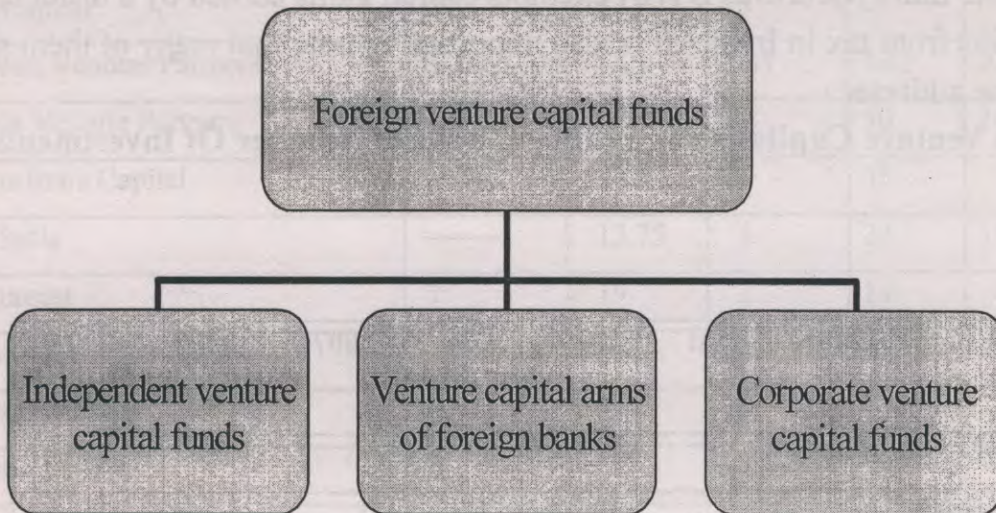
- Under the SEBI (Disclosure and Investor Protection) Guidelines, 2000 (DIP Guidelines), the entire pre-issue share capital for an initial public offering is subject to a lock in period of one year. This means, when investors subscribe to the shares of a company just before it makes an initial public offering, they cannot sell the shares for a period of one year after the initial public offer is made. However, both domestic and foreign venture capital investors are exempted from this requirement and they can make an exit within a year of the venture capital undertaking going public. The venture capitalists will get substantial benefits if the market price of the shares increases post initial public offering. Usually in a bullish market, the prices of shares have a tendency to increase just after the initial public offering and listing.

- There are certain requirements applicable to “promoters” under the SEBI (Disclosure and Investor Protection), 2000, Guidelines. For this purpose, there is a broad definition of the word promoter, which includes any person who has a role to play in the decision of a company to go for an initial public offering. The venture capital investors play a key role in the initial public offering decision of their portfolio firms. However, in case of Foreign Venture Capital Investors registered with SEBI, they are not treated as promoters when their portfolio firms make the initial public offering.<sup>7</sup>

All these benefits more or less make it mandatory for foreign venture capital investors to get themselves registered with SEBI.



## Types Of Foreign Venture Capital Funds



Source: Authors own contribution.

- **Foreign Independent Venture Capital Funds:** Among the independent foreign venture capital funds, Sequoia Capital, Helion Venture Partners, Nexus India Partners etc. are the most active.
- **Venture Capital Arms of Foreign Banks:** Standard Chartered Private Equity and venture capital arm of Citi Group are examples of venture capital arms of foreign banks that have invested in India.
- **Corporate Venture Capital Funds:** Venture capital arms of MNCs are making investments in India. Intel Capital, Siemens, Blue Run ventures (venture capital arm of Nokia) are examples of such funds in India. As per the reported deals among the foreign corporate venture capital funds, Intel Capital has made maximum investments in the last five years.

**SEBI list of Foreign venture capital Investors:** As per the SEBI website there are 135 registered foreign venture capital investors.<sup>1</sup> Out of this two have come through the Cyprus route and two through Singapore and the rest have come through the Mauritius route. This is because based on the jurisdiction from which the FVCI invests in India, it can avail the benefits in the corresponding Double Taxation Avoidance Agreement



("DTAA") that India may have with that jurisdiction. (Section 90 of the Income Tax Act.)

On account of its favorable tax treaty with India, Mauritius has become the most popular jurisdiction for investing into India. Specifically with respect to capital gains, the India-Mauritius DTAA exempts capital gains earned by a resident of Mauritius from tax in India.<sup>2</sup> It is also important to note that many of them share the same addresses.

### Top Venture Capitalists in India in Terms of Number Of Investments

Name of the venture capital firm	2005	2006	2007	2008	2009
Sequoia Capital India	7	12	13	18	3
Ventureast	5	11	4	9	3
Intel Capital	3	7	4	8	1
Helion Venture Partners	0	4	8	8	2
DFJ India	0	3	3	9	2
Nexus India Capital	0	1	4	9	2
NEA IndoUS Ventures	0	0	5	9	0
IDG India Ventures	0	0	6	5	0
Kleiner Perkins	1	3	0	6	0
Norwest Venture Partners	1	3	1	2	3
Canaan Partners	0	1	4	4	1
Inventus Capital Partners	-----	-----	-----	-----	3

Source Prabhudesai. (2009)<sup>1</sup>



**Top Venture Capitalists in India in Terms of Value of Investments in US\$ Million**

Name of the venture capital firm	2005	2006	2007	2008	2009
Sequoia Capital India	42	184	114	138	26
Intel Capital	19	37	15	53	7
Norwest Venture Partners	13.9	8.1	24.1	17.7	92.8
Helion Venture Partners	-----	30	30	30	10
Nexus India Capital	-----	7.5	16	45	7
DFJ India	-----	13.75	4	33	10
Ventureast	7	19	2	17	9
NEA IndoUS Ventures	-----	-----	24	26	-----
Canaan Partners	-----	4	10	12	4
Kleiner Perkins	2	8	-----	19	-----
IDG India Ventures	-----	-----	14	8	

Source Prabhudesai. (2009)<sup>11</sup>

In both, that is, numbers of investments and amount, the same venture capitalists top the list. Out of this nine are Foreign Venture Capital Investors registered with SEBI. Ventureast figures in the list of domestic as well as foreign venture capital funds registered with SEBI. Kleiner Perkins and IDG India Ventures do not figure in either of the lists, probably because they are not registered with SEBI. It is evident from these tables that in India the venture capital industry is dominated by foreign venture capital institutions.



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# CONSUMER BEHAVIOUR AND ADVERTISEMENTS CARRYING SALES PROMOTION MESSAGES; A STUDY OF URBAN WOMEN IN PUNE CITY.

**ABSTRACT OF  
DOCTORAL  
DISSERTATION**

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## I INTRODUCTION

A wall of diversity surrounds the human being. (As this study focuses only on females, human beings for the purpose of this study will specifically refer to women only). By her very nature the woman is a thinking animal and hence each human being thinks and responds in different fashions. Not only do human beings respond in a different fashion in different situations, but different human beings in the same situation respond in different ways and the same human being in the same situation at two different given points of time will respond in a different fashion. Thus the human being is marked by diversity of thought, action, behaviour and response. However there is one thing that is common to all human beings and that is "All human beings are consumers". That is, we use or consume on a regular basis food, clothing, shelter, transportation, education, brooms, dishes, vacations, necessities, luxuries, and services, even ideas. As consumers, we play a vital role in the health of the economy—— local, national and international. The decisions that we make concerning our consumption behaviour affects the demand for basic raw materials, for transportation, for production, for banking; they affect the employment of workers and the deployment of resources, the success of some industries and the failure of others. Therefore consumer behaviour has become an integral factor in the ebb and flow of all business in any consumer oriented society.

Consumer Behaviour is the entire behaviour of a consumer encompassing all of the behaviour that the consumer displays in searching for, purchasing, using, evaluating, and disposing of products and services that she expects will satisfy her needs.

Hence it is very essential for the manufacturers and marketers to study consumer behaviour if they have to survive and compete in a highly competitive society like ours. A comprehensive knowledge of consumer behaviour helps the marketer to



recognize why and how individuals make their consumption decisions. This will further facilitate them to make better strategic marketing decisions.

Sales Promotion Messages are a recognized important marketing strategy in today's competitive world, and are being used by marketers everywhere. If marketers understand consumer behaviour, they will be better able to predict how consumers are likely to react to various informational and environmental cues, and hence will be able to shape their marketing strategies accordingly. Without doubt marketers who understand consumer behaviour have a great competitive advantage in the market place.

However it is important for the consumer herself too, to understand her own behavior when faced by such alluring marketing strategies, herein the study focuses and refers specially to 'Advertisements Carrying Sales Promotion Messages'. The consumer benefits from insights into her own consumption related decisions, as a study of consumer behaviour enables consumers to become better, that is wiser consumers.

## **II Aims And Objectives Of The Study**

The main objective of this study is to find out the effect of advertisements carrying sales promotion messages on consumer behaviour of the urban women in Pune city.

The study would focus on the following effects:

- Effect of advertisements carrying sales promotion messages on Attitudes of Urban Women in Pune City towards future such marketing messages.
- Effect of advertisements carrying sales promotion messages on Consumer Decision Making Behaviour of Urban Women in Pune City.
- Effect of advertisements carrying sales promotion messages on lifestyles of Urban Women in Pune City.
- Effect of advertisements carrying sales promotion messages on family peace and harmony of Urban Women in Pune City.
- Effect of advertisements carrying sales promotion messages on satisfaction derived by the Urban Woman Consumer from the Use of the product/ responding to the scheme.



This study aims at pointing out the benefits as well as problems faced by women when they respond to advertisements carrying sales promotion messages. It aims at pointing out the impact of such schemes on the attitudes, purchase behaviour, lifestyle, and family peace and harmony of women who respond to such schemes.

This study also aims at pointing out the effects of Advertisements carrying sales promotion messages on the urban women consumer with reference to their attitudes, purchase behaviour, lifestyle, family peace and harmony and satisfaction derived from a response to such schemes; when they carry the commercial truth as well as when they do not carry the commercial truth.

This study also aims at pointing out the importance of maintaining ethical standards especially in advertisements carrying sales promotion messages.

### III . Significance Of The Study

This study is important from the point of view of the marketers as well as consumers.

It is important as it aims to point out to the marketers what exact effect (positive and negative) advertisements carrying sales promotion messages have on the attitudes, lifestyles, decision making process, family peace and harmony and satisfaction derived from response to such schemes of urban women in Pune city. This information will tell them the exact extent to which their marketing strategies are successful or not. In today's consumer oriented marketing scenario no marketer can afford to alienate consumers. Knowledge of the effect of such schemes will guide marketers for future planning and development of marketing strategies.

It also aims to point out to the urban women consumers the pitfalls faced by them when they respond, without giving much thought to all variables, to advertisements carrying sales promotion messages, as well as the benefits that are offered by such messages. It aims at making the consumer more aware of the promotional influences that persuade her to buy. This study aims at enabling her to become better, that is a wiser consumer.

### IV Hypothesis

- i. Advertisements carrying sales promotion messages influence the **attitude** of the urban women towards future such messages.
- ii. Advertisements carrying sales promotion messages affect **the purchase decisions** of urban women.



- iii. The **life styles** of urban women are affected due to advertisements carrying sales promotion messages.
- iv. Advertisements carrying sales promotion messages sometimes have an effect on the **family peace and harmony** of urban women.
- v. Misuse of ethical standards in advertisements carrying sales promotion messages affects the **satisfaction derived** by urban women Consumer.

## V Methodology And Sampling

### *Selection Of Respondents:*

Almost all Behavioural scientists tend to agree that social class is a valid and useful concept for the study of Consumer Behaviour. However no general agreement exists on how to measure it. To a great extent researchers are uncertain about the underlying dimension of social – class structure. To attempt to resolve this dilemma, researchers have used a wide range of measurement techniques, which fall into the following broad categories: Subjective Measures, Reputational Measures and Objective Measures of Social Class.<sup>2</sup>

Thus for the selection of respondents, the researcher has used the subjective measure of social class identification. 225 women from the Camp area of Pune City which is an Urban Area By the definition of Urban Area as given by the Census Department of India, (which is “An Urban area is an area which has 1. A municipality, Corporation, Cantonment Board or notified town area committee, and 2. All the places with a minimum population of 5000 persons with at least 75% of the male working population engaged in non agricultural activity and with a population of at least 400 persons per square kilometer or 1000 persons per square mile.) From this Urban Area the middle class married working women of societies like Mira Co-op Housing Society, Shankar Shet Road, Pune; Geeta Hsg Society, Synagogue Street. Pune; Mira Co-op Hsg Society, Salusburry Park, Pune; were selected. Some women were selected on the basis of their working in a particular government aided college. Based on the above the researcher selected 225 respondents from the middle class strata of the Society.

### *Source Of Data:*

The study is based on Primary and Secondary Data.

**Primary Data:** Primary data was collected from 225 women of Pune city selected according to the method mentioned above in ‘Selection of Respondents’. Primary



data was also collected through an interaction and discussion with various dealers and marketing managers. The researcher adopted the following techniques for collecting 'Primary Data'.

1. Questionnaires;
2. Interviews;
3. Discussions; and
4. Observation;

### ***Questionnaires:***

A questionnaire was prepared and it was administered to all the respondents. This questionnaire was divided into three sections. Section one elicited information on the socio economic background of the respondents like family income, occupation, Educational qualification, information about class standing, Personal information and information about the spouse.

The second part of the questionnaire consisted of ten questions, which required elaborate answers. These questions pertained to the knowledge, attitude and previous experiences of women towards advertisements carrying sales Promotion Messages.

The third part of the questionnaire consisted of twenty statements on a 5-point scale, on which the respondents were required to tick mark as to how strongly they agree with the statements. These statements pertained to the attitudes, decision-making, lifestyle and satisfaction that the consumers' have/ adopt/ change depending on the response to advertisements carrying sales promotion messages.

### ***Interviews:***

In this study both structured and unstructured interview techniques were adopted to collect information. The researcher conducted interviews with women respondents as well as with dealers and retailers. The interviews commenced on 15<sup>th</sup> October 2002 and continued till 28<sup>th</sup> October 2003. Interviews were conducted at the residence of the women respondents, at dealers' offices and retailers' shops. The Objectives of the study were briefly explained to the respondents before the commencement of the interviews and except for a few retailers most of the respondents were friendly and freely gave the information asked for. The time



taken for each interview with a women respondent ranged from 50 minutes to 1 hour 15 minutes. Where as the time taken for interviews with dealers and retailers ranged from 15 minutes to 30minutes.

### ***Discussions:***

The Researcher held discussions with Marketing Managers on the Marketing Strategy of Sales Promotion Schemes. These discussions lasted between 30 minutes to 2 hrs. A number of issues relating to the main aspects of the study were discussed. Discussions were also held with women's groups at various private Kitty Parties and College and School Staff Rooms. These discussions proved helpful in gaining insights into the thought process of women in Pune city.

### ***Observation:***

The technique of Observation was also used for data collection. Among the researcher's various visits to retail outlets, the researcher quietly observed the buying behaviour of various women consumers. The same consumers were later questioned too. This Observation helped the researcher in gaining an insight into the consumer behaviour of the respondents.

### ***Secondary Data:***

The secondary data for the study was got from various books on "Consumer Behaviour". Magazines, Journals, Research Publications and newspapers were also studied. Pamphlets, and leaflets of various schemes as well as brochures of various products were also used.

## **VI Assumptions Of The Study**

- i. It is assumed that the respondents involved in the study will give reliable and accurate information.
- ii. It is assumed that the respondents covered in the study have a positive or negative attitude towards advertisements carrying sales promotion messages, and their responses would be objective not subjective for the purpose of this study.



## VII. Limitations Of The Study

- i. The study is limited only to urban women of Pune city.
- ii. The findings of the study will depend upon the type of responses received from the respondents.
- iii. The study is limited to the sales promotion schemes available during the period of the study.
- iv. The study targets women of Pune city in general and women belonging to the Middle class of Pune city in Particular. However in order to target the middle class of Pune only the subjective technique to measure of social class was used. Other measures like Reputational Measures and Objective Measures of Social Class measurement were not used.

## VIII Organisation of the study

This study is divided into Six Chapters.

**Chapter One:** This chapter deals with the aims and objectives of the study, significance of the study, research methodology of the study, scope of study, hypothesis, assumptions of the study, and limitations of the study; previous research on the same topic as well as the organization of the study.

**Chapter Two:** This chapter deals with consumer behaviour and focuses on: historical perspective of consumer behaviour, theories of consumer behaviour as well as definitions on related topics and concepts.

**Chapter Three:** This chapter deals with the growth of Pune city and profile of urban women in Pune city with special focus on: attitudes, decision making behaviour, lifestyles, ethics in marketing, family harmony and consumer satisfaction.

**Chapter Four:** This chapter deals with various sales promotion schemes currently advertised in the market.

**Chapter Five:** This chapter deals with the statistical analysis of data with findings of the study.

**Chapter Six:** This chapter deals with conclusions, summary and recommendations for further study.

## IX Findings:

***Advertisements carrying sales promotion messages and theories of consumer behaviour :***

Advertisements Carrying Sales Promotion Messages are an important Marketing Strategy used by Marketers to promote the sale of their products. Such Messages find their base in various theories of Consumer Behaviour like the Economic theory,



## The Pavlovian Theory, The instrumental Learning Theory, Instrumental Conditioning Theory and Observational Learning Theory.

For example If we look at the “Economic Model”, we find that advertisements carrying sales promotion messages in a way have taken something from this model. In the sense that, they focus at the rational human being driven by income and utility. These messages focus on giving more for less and thus it could be said that their base is in the Economic Model.

Advertisements carrying sales promotion messages of the kind “buy one product and take another for free” use the pavlovian theory to sell unknown products by associating them with known products. Thus the unknown product gets the advantage of the goodwill of the known product and gets established in the market with ease.

Advertisements promoting the sale of magazines through a yearly subscription that offers the free gift of a branded product once again have a base in the Pavlovian Model of Consumer Behaviour.

Frequency Marketing Programmes: A popular technique known as “Frequency Marketing” reinforces regular purchases by giving them prizes with values that increase along with the amount purchased. This technique finds its base in Instrumental Conditioning Theory. This instrumental learning strategy was pioneered by the airline industry, which introduced “frequent flyer” programmes in the early 80’s (In America) to reward loyal customers. This practice has spread to other businesses as well, ranging from video parlours to fast food joints. In India the frequent flyer programme has been successfully incorporated by Jet Airways. The frequency-marketing programme is also used by all chain departmental stores like West Side, Shoppers Stop, Crossroads etc.

Consumer’s attitudes towards sales promotion messages are formulated based on their past experiences with similar sales promotion messages. If in the past their experience was positive they tend to believe in future sales promotion messages too. However if their past experience is negative their future attitude and perception towards advertisements carrying sales promotion messages tends to be negative. This finding too finds its base in the Instrumental Conditioning Theory.

During the world cup many an advertisement campaigns focused on sales promotion contests in which the prize was a return ticket for the world cup matches. The advertisements showed happy winners flying for the world cup. This strategy was



capitalized upon by many a marketers and this strategy finds its base in the Observational Learning Theory of Buyer Behaviour.

Thus advertisements carrying sales promotion messages find a base in the various theories of Consumer Behaviour.

#### ***Advertisements carrying sales promotion messages and attitudes:***

Attitudes are built on beliefs and feelings, which are based on experience. Further attitudes are subject to change. This research study studied the beliefs and feelings of Women in Pune city towards advertisements carrying sales promotion messages, formed as a result of their experiences with previous such messages.

The results of the study of the beliefs and feelings of the women in Pune city in relation to advertisements carrying sales promotion messages showed that 42.6% of the women feel that advertisements carrying sales promotion messages lead to satisfied customers. 33.4% of the respondents believe that advertisements carrying sales promotion messages are ethical, and 30.3% of the respondents feel that advertisements sales promotion messages lead to brand loyal customers.

Further the researcher also found out that 42.6% of the respondents had had a positive experience in relation to responding to advertisements carrying sales promotion messages where as 36.3% of the respondents had had at least one negative experience while responding to advertisements carrying sales promotion messages.

#### ***Advertisements carrying sales promotion messages and decision-making:***

Decision Making requires the existence of choice. This is exactly what advertisements carrying sales promotion messages do. They provide the consumer with a choice of buying a product at a discounted price during a particular period or at the full price after the expiry of the period of time. Thus advertisements carrying sales promotion messages are a marketing strategy designed to substantially increase sales and hence do affect purchase decisions.

In the present research study, the researcher found that 58.2% of the respondents agree that they are on the look out for advertisements carrying sales promotion messages and 64.5% of the respondents agree that their purchase decisions are based on such messages.



### ***Advertisements carrying sales promotion messages and lifestyle:***

In this present research study the respondents belonging to the same social classes have shown a similarity in their attitudes towards advertisements carrying sales promotion messages. Further social class does not remain the same. There is upward and downward mobility of people from one social class to another. People from different social classes may have the same life style and people from the same social class may have a different life style. Also lifestyles are constantly changing and there is social mobility both upwards and downwards. Thus lifestyle and social class are both dynamic variables and a person may shift from one to another depending upon a change in various factors like income, education, occupation, activities, interests and opinions. Further there is a general tendency among human beings to aspire for growth and thus move towards a better lifestyle and upward social mobility. Advertisements carrying sales promotion messages capitalize on this tendency of human beings and offer them products/ services which they may not normally be able to afford at affordable prices. Thus "Advertisements Carrying Sales Promotion messages" have an effect on the lifestyles of women consumers.

This research found that 70.1% of the respondents agree that advertisements carrying sales promotion messages have changed their lifestyle and 47.3% agree that such messages have led them to undertake credit purchases.

### ***Advertisements carrying sales promotion messages and family peace and harmony:***

Advertisements carrying sales promotion messages target the human Psychology of wanting something for nothing. The scheme is portrayed in a very attractive manner and hence may sometimes cause a tension in the mind of the individual to purchase leading to credit purchases and liabilities which lead to tension in the family and thus effect the peace and harmony of the family.

The present research study revealed that 11.1% of the respondents faced family tension due to such messages, 28% of the respondents responded that such messages had led them to liabilities, 47.3% of the respondents revealed that that such messages had led them to undertake credit purchases, 12.1% of the respondents responded that such messages caused a tension in them and 17.4% of the respondents agreed that such messages disturb their peace of mind.



### *Advertisements carrying sales promotion messages and ethics:*

Basically three types of deceptions can occur through "Advertisements Carrying Sales Promotion Messages". First the outright lie occurs when a claim is made that is completely false, even from the objective viewpoint. That it is impossible for the consumer to achieve the claimed benefit. Second, the advertiser may be guilty of claim-fact discrepancy, in which a claimed benefit of the advertised product must be qualified in some way for it to be correctly understood and evaluated (but this is not done in the advertisement). Third, the advertiser may deceive on a basis of claim- fact interaction. That is the advertisements claim interacts with the accumulated belief and attitudes held by consumers in such a way that they are misled or deceived by it. When advertising is unethical and deceptive it creates expectations which are not fulfilled on purchase/ consumption of the product. Hence "Advertisements Carrying Sales Promotion Messages" sometimes lead to dissatisfied consumers

In the present research study the researcher found that 54.2% of the respondents disagree that advertisements carrying sales promotion messages are ethical and 36.3% of the respondents disagree that such messages lead to satisfied customers.

### **X CONCLUSIONS:**

1. Advertisements Carrying Sales Promotion Messages find their base in the various theories of consumer behaviour.

- ❖ Advertisements carrying sales promotion messages focus on giving more for less, they focus at the rational human being driven by income and utility, as such they are based in the economic model of consumer behaviour.
- ❖ Advertisements carrying sales promotion messages of the kind "buy one product and take another for free" use the Pavlovian theory to sell unknown products by associating them with known products. Thus the unknown product gets the advantage of the goodwill of the known product and gets established in the market with ease.
- ❖ Advertisements promoting the sale of magazines through a yearly subscription that offers the free gift of a branded product once again have a base in the Pavlovian Model of Consumer Behaviour.



- ❖ Frequency Marketing Programmes: A popular technique known as “Frequency Marketing” reinforces regular purchases by giving them prizes with values that increase along with the amount purchased. This technique finds its base in Instrumental Conditioning Theory.
- ❖ During the world cup many an advertisement campaigns focused on sales promotion contests in which the prize was a return ticket for the world cup matches. The advertisements showed happy winners flying for the world cup. This strategy was capitalized upon by many a marketers and this strategy finds its base in the Observational Learning Theory of Buyer Behaviour.

2. Consumer’s attitudes towards sales promotion messages are formulated based on their past experiences with similar sales promotion messages. If in the past their experience was positive they tend to believe in future sales promotion messages too. However if their past experience is negative their future attitude and perception towards advertisements carrying sales promotion messages tends to be negative. This finding too finds its base in the Instrumental Conditioning Theory. In the present research study the researcher found that that 42.6% of the respondents had had a previous positive experience in relation to responding to advertisements carrying sales promotion messages where as 36.3% of the respondents had had at least one previous negative experience while responding to advertisements carrying sales promotion messages. Respondents who had a negative experience with such messages tended to portray a negative attitude towards such messages and respondents who had a positive experience tended to have a positive attitude. Thus ‘Advertisements Carrying Sales Promotion Messages’ are an accepted marketing strategy. If carried out ethically they tend to affect the attitudes of women consumers positively. If they are not ethical they tend to have a negative effect on the attitudes of women consumers.

3. Further in the present research study the researcher found that Attitudes are built on beliefs and feelings, which are based on experience. The results of the study of the beliefs and feelings of the women in Pune city in relation to advertisements carrying sales promotion messages showed that 42.6% of the women feel that advertisements carrying sales promotion messages lead to satisfied customers. 33.4% of the respondents believe that advertisements carrying sales promotion messages are ethical, and 30.3% of the respondents feel that advertisements carrying sales promotion messages lead to brand loyal customers.



4. Advertisements carrying sales promotion messages offer a choice to consumers where previously none existed. Decision Making requires the existence of choice, and "Advertisements Carrying Sales Promotion Messages" do this. They provide the consumer with a choice of buying a product at a discounted price during a particular period or at the full price after the expiry of the period of time. Thus advertisements carrying sales promotion messages are a marketing strategy designed to substantially increase sales. In today's era of increasing competition, most of the marketers and advertisers are using this winning marketing strategy. This strategy draws in the consumers and usually good sales take place during the period of such schemes, as the purchase decision of women respondents of Pune city depends upon such schemes. In the present research study, the researcher found that 58.2% of the respondents agree that they are on the look out for advertisements carrying sales promotion messages and 64.5% of the respondents agree that their purchase decisions are based on such messages.

5. There is a general tendency among human beings to aspire for growth and thus move towards a better lifestyle and upward social mobility. Advertisements Carrying Sales Promotion messages capitalize on this tendency of human beings and offer them products/ services which they may not normally be able to afford, at affordable prices/schemes. Thus Advertisements Carrying Sales Promotion messages have an effect on the lifestyles of women consumers. This research found that 70.1% of the respondents agree that advertisements carrying sales promotion messages have changed their lifestyle and 47.3% agree that such messages have led them to undertake credit purchases.

6. Advertisements carrying sales promotion messages target the human Psychology of wanting something for nothing, or more for less. The scheme is portrayed in a very attractive manner and hence may sometimes cause a tension in the mind of the individual to purchase leading to credit purchases and liabilities which lead to tension in the family and thus effect the peace and harmony of the family. The present research study revealed that 11.1% of the respondents faced family tension due to such messages, 28% of the respondents responded that such messages had led them to liabilities, 47.3% of the respondents revealed that that such messages had led them to undertake credit purchases, 12.1% of the respondents responded that such messages caused a tension in them and 17.4% of the respondents agreed that such messages disturb their peace of mind.

7. When advertising is unethical and deceptive it creates expectations, which are not fulfilled on purchase/ consumption of the product. Maintenance of ethical standards in such messages is very important if consumer satisfaction is to be achieved. If expectations created from such messages are not fulfilled by responding to such messages or by the use of the product or service then consumer



dissatisfaction tends to take place. Thus use of ethical standards in such advertisements is very important if satisfied consumers are to result from it and if the company is to maintain its goodwill in the market.

In the present research study the researcher found that 54.2% of the respondents disagree that advertisements carrying sales promotion messages are ethical and 36.3% of the respondents disagree that such messages lead to satisfied customers. Hence Advertisements Carrying Sales Promotion Messages sometimes lead to dissatisfied consumers

Thus in conclusion it can be said that advertisements carrying sales promotion messages do affect the attitudes, purchase decisions, lifestyles, family peace and harmony and customer satisfaction of urban women in Pune city.

## **XI SUGGESSTIONS**

### ***Suggestions for Marketers:***

Marketers should take care to see that there exists the most minimum amount of deception in "Advertisements Carrying Sales Promotion Messages." Blatantly false messages should not be advertised. Further care should be taken to see that there is no claim-fact discrepancy. In case the advertised message is qualified in some way then this qualification should be made in a bold fashion, so as not to mislead the consumer. Further all precautions should be taken to see that such messages are made in such a way that there is a minimal chance of them entering the perceptual process of the consumer in the wrong way and thereby leading to a dissatisfied consumer even though the advertisement may itself not be false.

Such messages do generate a lot of response, and consumers do look forward to gaining a lot of advantage from a response to such messages, from gaining more value for money to earning free gifts; right up to an increase in the lifestyle of the consumer. As the expectations of the consumers are very high the probability of feeling dissatisfaction if the scheme does not live up to the expectations created by it, too, are very high. If the scheme does not live up to the expectations created in the mind of the consumer then she is bound to feel dissatisfied and cheated. Further such schemes do sometimes tempt the consumers to purchase beyond their means. Hence it becomes more mandatory on the part of the marketers that they reveal all hidden costs associated with the schemes, as, a failure to do so will get the consumer more enmeshed in debt and liabilities, more than she had bargained for.



Thus the main suggestion of this research study is that "Advertisements carrying sales promotion schemes" should be as free from hidden costs and deceit as far as possible, as, this will increase the faith of the people in marketers and gain a goodwill for the Commercial Business Houses.

### ***Suggestions for Consumers:***

It is human nature to want something for nothing and it is this nature that is used to promote sales promotion messages. Human beings do desire for more than they have and do generally aspire for a better lifestyle. In their fervor to do so they sometimes get carried away and do not analyze the schemes propagated by "Advertisements Carrying Sales Promotion Messages" thoroughly. This may lead them to take on more than they can chew, in the form of being shackled with hidden costs. Thus it is the researcher's suggestion to all consumers when faced with "Advertisements Carrying Sales Promotion Messages" to analyze them properly in dept so as not to fall prey to unethical marketers. Further more, nothing in this world is free. And hence when something is offered for nothing, it is only prudent to try to identify the hidden costs. Most things that are offered free in the beginning have to be paid for at a later stage.

Specially while incurring debt in response to advertisements carrying sales promotion messages it becomes even more essential that all angles of the scheme be thoroughly studied so as to avoid taking on a bigger burden of debt than originally planned for.

In short when attracted by the possibility of major gains from responding to various sales promotion messages, it is prudent to check out all the angles so as to avoid dissatisfaction, disappointment and extra costs.



# RESEARCH ON SELECTED COMPANIES OPERATIONS AND THEIR FINANCIAL RESULT FOR LOCATING EMERGING BLUE CHIP COMPANIES

**ABSTRACT OF  
DOCTORAL  
DISSERTATION**

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## **1 INTRODUCTION :**

The Indian capital market is vibrant and alive. Its growth in the last decades has been phenomenal. In 1983, the market capitalization of the shares quoted in the Bombay Stock Exchange amounted to a mere \$7 billion. It grew to \$65 billion in 1992, to 1220 billion by April 2000 and it is, at the end of 2003, 432 billion. At the end of 31<sup>st</sup> March 2006 Market Capitalization was Rs. 30 Lakhs Crores which comprises of 2540 companies. India ranks 7th in price index and 4th in total return index<sup>14</sup>.

The ride has been tumultuous. The interest and growth of the market began with the FERA dilution, i.e. when foreign companies diluted their interest. The interest grew with speculators and others entering the arena. Though one may question the means, individuals such as the late Harshad Mehta must be recognized as individuals who did much to create an awareness of the market and make the average Indian Ram and Sita invest in shares. The reforms following the liberalization and the entering into this market of Foreign Institutional Investors and Mutual Funds coupled with scams and downturns forced the individual investor out of the market. The bursting of the dotcom bubble and the Ketan Parekh scam punctuated the average investors' fears. It is interesting to note that the individual who is investing in the third quarter 2003 boom in the markets is the young investor - investors who had not lost their finances in the Harshad Mehta or Ketan Parekh scams.

And yet, the investor dreams even after he has been mauled. This is because the share market can make one wealthy beyond their wildest dreams. With the growth of IT Shares, Azim Premji of Wipro was for a brief period the second richest man in the world (after buffeting Warren Buffett for that position) and Infosys Chairman Narayanamurthy of Infosys was, at one time, worth in excess of Rs. 14,000 crore, prices of IT stock plummeted. Others not heard of have also moved to.



During the last two decades the manner of trading has changed - from traditional shop floor (trading ring) to screen-based trading with brokers linked to the major stock exchanges. Most shares are now dematerialized - making sales/purchases and transfers easy. Payment for shares sold is made within a few days.

Information has exploded. At one time there was dearth. Now it is like a tornado. There are very good reports on companies. There are probing analysis done on performance. There are studied forecasts made. There are intelligent conclusions made. The information is there. It can be accessed. The investor must access it and having accessed it, he must manage the information.

In terms of investors the largest investor segment is Financial Institutions and Mutual Funds. Foreign Institutional Investors (FIIs) and Non Resident Indians have a significant presence. They account for about 12% of the investments made in the market.

The Indian market is, in spite of all this, still rumour and insider driven. Even after the many scams, shares continue to be bought on the basis of tips, and for the short term. The average investor does little or no research (even though more information than he can handle is available) and makes his purchase or sale decision on the strength of an article that he may have read or a conversation with a friend. This is usually because the average investor is unclear on how to analyze companies and not equipped to arrive at an investment decision. Consequently, he buys and sells with inadequate information and often suffers needless losses. At no time was this more evident than in the first four months of 1992 and later in 2000 when even prices of the "dogs" doubled. It was a period not dissimilar to Wall Street in the mid-sixties which Mr. Harold Q Masur eloquently described in his book, *The Broker*, "In the super heated economy of the late sixties there was an illusion of endless prosperity. On Wall Street the bulls were rampant. Private companies were going public at arbitrary prices that generated huge profits for the promoters. Mutual funds were plunging recklessly into new untested issues. Glamour Stocks soared to premiums that discounted not only the future but the next millennium. Money, it seemed was spermatic. Properly invested in the womb of Wall Street, it would produce wildly proliferating offspring. Thousands of new comers opened accounts. Brokerage firms expanded with quixotic optimism."

J.P. Morgan when asked once by an investor on his view of the market is said to have stated: "It will fluctuate." Some will rise while others will fall. The aim of the investor must be to buy when the price is low and to sell when it is high<sup>6</sup>.

Main aim of research is how to identify the emerging blue chip company with the help of fundamental analysis and technical analysis. Fundamental analysis is not for speculators. It is for those who are prepared to study and analyze a company;



for those who arrive at a decision after careful thought and deliberation. Hegel once said, "To those who look upon the world rationally, the world in its turn presents a rational aspect". Fundamental analysis is for the rational man<sup>3</sup>.

This research is for the investor - be he or she an executive, a housewife, a professional, a student or a self-employed person.

To select the most promising shares the investor faces obstacles. The art of successful investment lies in the choice of those industries that are most likely to grow in the future and then in identifying the most emerging companies in these industries. There are, however, pitfalls in the approach and one must be careful. It must, however, be remembered that: The obvious prospects for physical growth in a business do not translate into obvious profits for investors.

The experts do not have dependable ways of concentrating on the most promising companies in the most promising industries.

There could also be imbalances on account of political happenings, speculations, demand and a host of other reasons. Further, as Adam Smith said, "Even if, by some magic, you knew the future growth rate of the little darling you just discovered, you do not really know how the market will capitalize that growth. Sometimes the market will pay twenty times earnings for company growing at an annual compounded rate of 30 percent; sometimes it will pay sixty times earnings for the same company. Sometime the market goes on a growth binge, especially when bonds and the more traditional securities do not seem to offer intriguing alternatives. At other times the alternatives are enticing enough to draw away some of the money that goes into pursuing growth. It all depends in the psychological climate of the time."<sup>6</sup>

This is why he also said, "You can have no preconceived ideas. There are fundamentals in the market place, but the unexplored area is the emotional area. All the charts and breadth indicators and technical palavers are the statisticians attempts to describe an emotional state."<sup>14</sup>

Benjamin Graham adds, "The investors' chief problem is likely to be himself. More money has been made and kept by ordinary people who were temperamentally well suited for the investment process than by those who lacked this quality even though they had extensive knowledge of finance, accounting and stock market lore.

In summary the purpose of this research is to help the individual investor to invest in stocks that have value; that have good fundamental. Santayana once said, "Those who do not remember the past are condemned to return to it." Benjamin Graham added to this by saying, "To invest intelligently in securities one should be forearmed with an adequate knowledge of how the various types of stocks have behaved under varying some of which one is likely to meet again in one's experience."<sup>2</sup>



## **2 AIMS AND OBJECTIVES**

1. The primary objective of this study is to find out emerging blue chip companies with the help of comprehensive analysis using financial criteria.
2. The construction of portfolio based on different parameters for reducing the risk and to assist in decision-making process.
3. To define and study the effectiveness of fundamental analysis from the investors point of view.
4. To ascertain how technical analysis will help in arriving at decisions as to whether to buy, to hold or to sell the scrips.

## **3. SIGNIFICANCE OF THE STUDY**

Some investors experience a variety of emotions in the stock market. A vision of great wealth - early obtainability - fuels their greed. Their initial reaction to a sizeable paper profit is to feel proud and boast about their achievement. They revel in bull market rallies and fall in love with a stock that multiplies in price. They are caught up in the euphoria as the market approaches a top and speculate with funds they cannot afford to lose.

They become stubborn and disbelieving when their stocks begin to fall. They worry and become fearful as a bear market erodes their confidence. After holding on as long as their fortitude allows, they surrender in mass panic and sell out in despair after listening to those who predict doom at the bottom of a market cycle. Since its inception the stock market has provided both opportunity for the prudent, & informed person and danger for the unwary, impulsive individual. The former type of investor makes a rational decision after considering both the reward and the risk. The latter makes an emotional decision based on hunches, rumours or hot tips.

Investment decisions are based on more than arithmetic calculations and mechanical rules. Inevitably, investors make subjective decisions, influenced by all - too - human emotions. It is natural to hope that a clever investment will yield quick and easy wealth the hope some times turns in greed, blurring vision and dulling common sense. Unfortunately, people who are trusting often invest in dubious plans recommended by virtual strangers. Some investment games and doom - and - groom prophets exploit investor fears and insecurities by predicting the collapse of financial markets and the economy.



From time – to – time, investors are gripped by speculative bubbles and the prices of scrips collapses. There have been several dramatic historical episodes where the stock market was seized by a collective euphoria, as investor seemed to put aside common sense and, instead, were willing to believe whatever was necessary to justify ever-higher stock prices. The subsequent, terrifying collapse of prices not only caused fortunes to evaporate, but also persuaded many investors that they would never buy stock again.

The stock market and the economy are never easy to predict and the crash, the great depression and scams were no exceptions! The scam is basically a deliberate and clinical misuse of public funds through various types of securities transactions with the aim of illegally siphoning of funds of banks and PSUS to select brokers for speculative returns.

In the entire process the common investors becomes the victim of this unwanted practices adopted in the stock and capital market and the common investors without understanding the ins and outs of the market, company performance, they try to invest in ill performed companies and loose their investment

#### **4 HYPOTHESES**

The researcher formulated the following hypothesis while carrying out the study.

1. The ordinary investors do not normally invest on the basis of Fundamental Analysis.
2. Fund Managers, Institutional Investors base their investment decisions on Fundamental Analysis. Hence the Fundamental Analysis provides the framework for identifying the Emerging Blue Chip Companies (EBCS).

#### **5 RESEARCH METHODOLOGY**

##### **1. IDENTIFICATION OF EBCS:**

Research on the Companies' operations and their financial results is necessary for locating Emerging Blue Chip. There is no standard definition of what a blue chip is. It is term that is loosely used for companies that are sound investments in every respect. Companies that are large in size, technologically advanced, have professional management of a high caliber, and have built up a reputation for growth, regular payment of high dividends, and integrity in business dealings would normally qualify to be labelled as blue chip. However, no two investors would ever agree on where to draw the line separating blue chip companies from the others. It all finally boils down to subjective and personal preferences. This can be done through fundamental analysis, which



helps us to decide what to buy and what to sell. This research has been both on the desk and on the field. On the desk, the financial results and Balance Sheets have been examined to locate the potentiality of Company's to emerge as Turnaround Company prima facie, such companies have been in losses for a year or two but due to some expected management changes, or policy changes of Government or demand changes leading to higher capacity utilization or due to new projects in the last phase of completion, these company's show the potentiality for turning into profitable projects in the coming year or two. Research on the field in the form of interviews of the officers of the company was taken to secure the opinions of the experts and stock exchanges etc. This fundamental analysis is to be supplemented by Technical analysis to decide on when to buy and when to sell. Some companies may be building up gross block due to expansion and diversification but sales are not rising fast enough due to low capacity utilization. Then the company may not be making adequate profits to service investors temporarily. A few company many have both gross block and sales raising but Gross Profit Margin is low due to high costs of manufacture or sale and due to inefficiency of management. Any changes in policy to improve efficiency or improvements in technology may be expected to increase the profits and the company may be in the process of growth as a blue chip company.

Here is an example of Turnaround Company or an emerging Blue Chip Company. Amar Raja Batteries, western India Industries etc. are some examples of Turnaround Company. Thus for long in the eighties scrips like Reliance, Orkay, century etc. were blue chips. In the nineties, the Essar Gujarat, Videocon, Dr. Reddy etc. took over the lead and so on. In the twenties Apple Industries, Bharat Heavy Electrical Ltd., BPL Telecom Ltd., Arvind Mills, Apollo Hospitals etc. in beginning of 21<sup>st</sup> Century, Praj Industry, Bharat Forge, Billcare, Alfa Laval, Pricol etc are Emerging Blue Chip Companies. Similarly there is no guarantee that the blue chip of today will be the blue chips of tomorrow.

Thus for fundamental analysis 76's companies that are qualified under the 20 point financial criteria were selected for analysis.

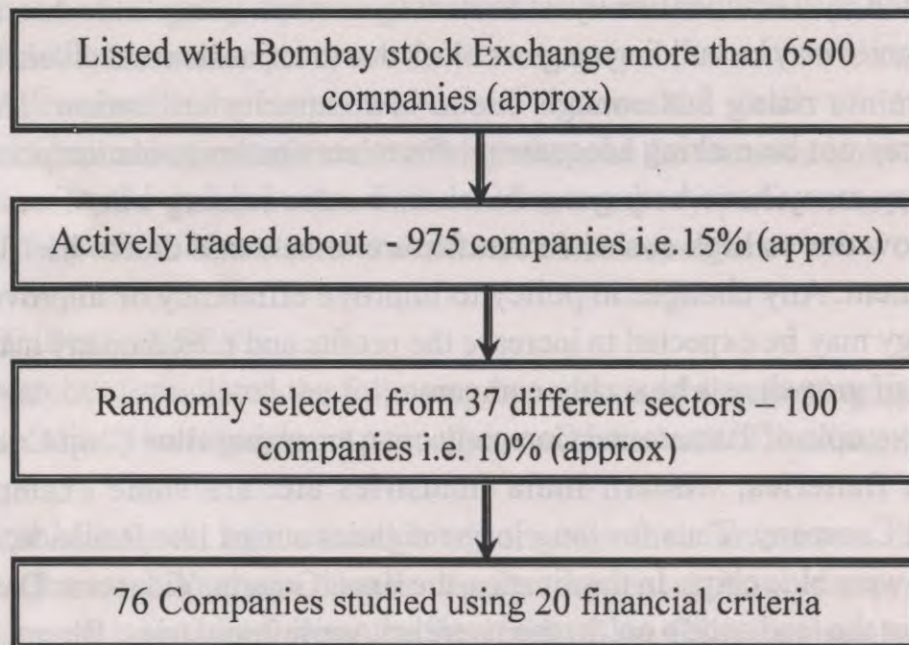
## **2. SELECTION OF DATA:**

About more than 6500 companies are listed with the Bombay stock Exchange, of these 15 to 20 % are actively traded in the stock market. From the actively traded stocks, reliable and up to date financial data is available for 100 companies. Out of 100 companies only 76 companies were selected based on a qualitative analysis of parameters like the background of promoters, quality of management, the perceived image from the investors point of view, the general public image etc.



These 76 companies are selected from 37 different industries or sectors, which includes from pharmaceutical industries to computer software, automobiles, power generation, electronics, personal care, engineering, telecommunication, Banks, fertilizers, tea, aluminium, cement, steel, food processing, textiles and entertainment etc.

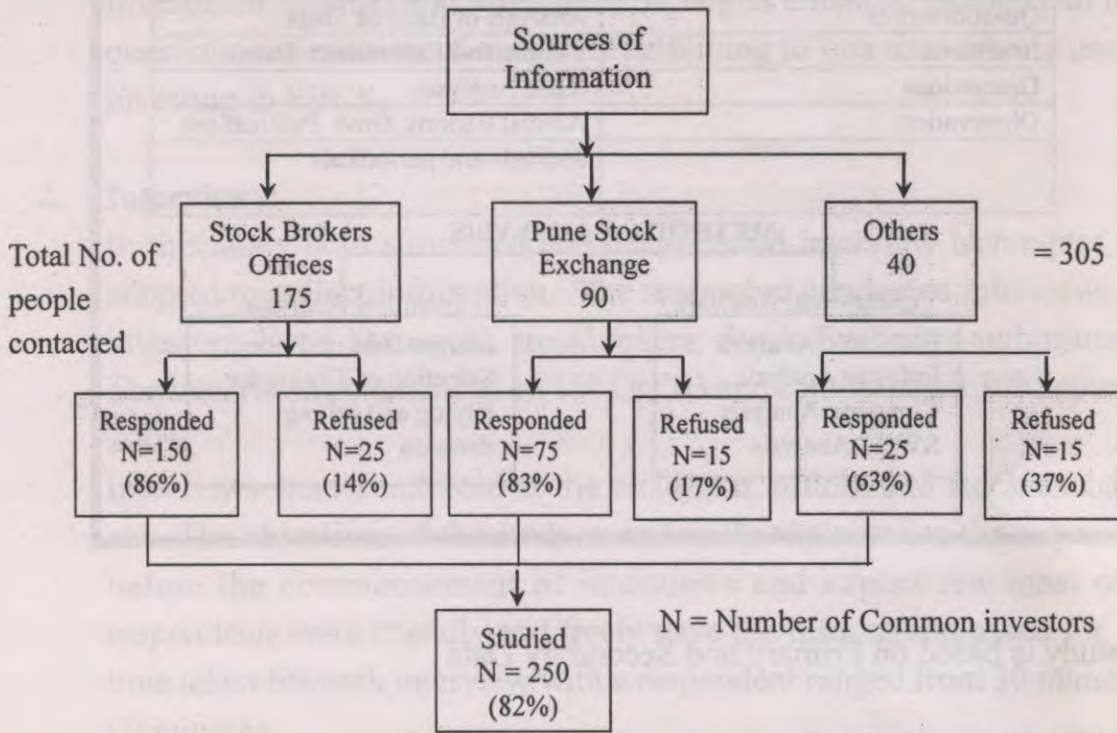
FLOW CHART 1. SELECTION OF 76 COMPANIES



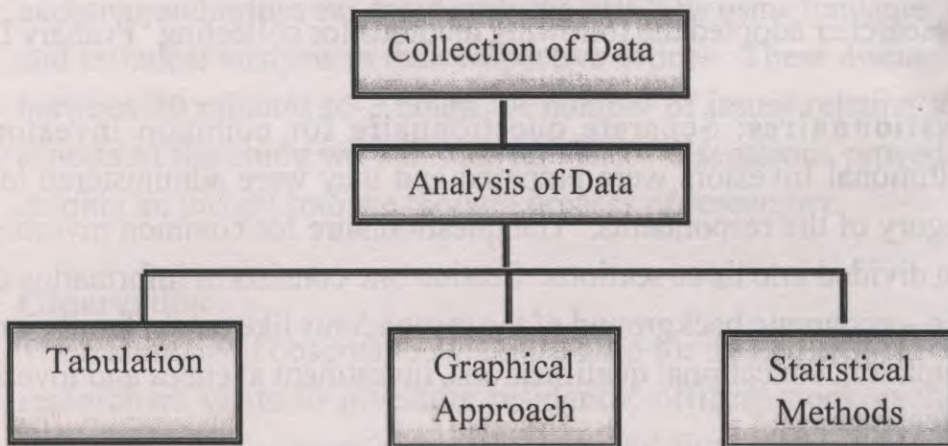
The researcher has used the subjective measure of social class identification. 250 common investors, who have an inclination towards stock market and 30 fund managers, Institutional Investors from Pune city were selected for obtaining and understanding their knowledge about stock market, investment strategic etc.



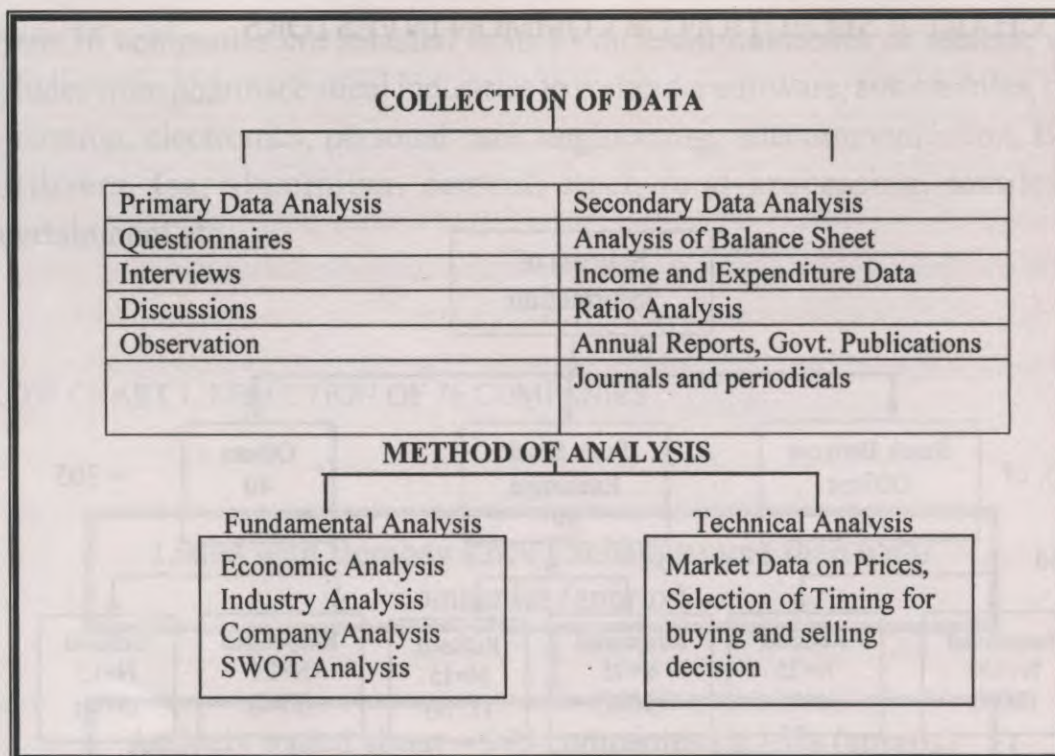
## FLOW CHART 2: SELECTION OF COMMON INVESTORS



### 3. SOURCE OF DATE







The study is based on Primary and Secondary Data

**A. PRIMARY DATA: -**

Primary Data was collected from 250 common investors and 30 Fund Managers and Institutional investors. The primary data was also collected through interaction and discussion with various officers of the company, Fund Managers, Stock Exchanges, Stockbroker and well-informed Investors etc. The researcher adopted the following methods for collecting “Primary Data”.

1. **Questionnaires:** Separate questionnaire for common investor and Institutional Investors were prepared and they were administered to each category of the respondents. The questionnaire for common investors has been divided into three sections. Section one consists of information on the socio – economic background of the respondents like name, family income, occupation, educational qualifications, investment avenues and investment strategy etc.

The second part of the questionnaires consists of understanding or knowing about methods of analysis of EBCS viz. Economic Analysis, Company Analysis, Industry Analysis, selection of diversified portfolio of companies etc. The Third part of the questionnaire consists of questions on financial



criteria on Yes or No basis, on which the respondents were required to tick mark either on Yes or No.

Questionnaire for Fund Manager and Institutional Investor includes, the first part of the questionnaire consists of information from respondent's Investment Avenues and Investment Strategies adopted. Second part of the questionnaire consists of questions pertaining to financial criteria used for investing in EBCS.

## **2. Interviews:**

In this study both structured and unstructured interview techniques were adopted to collect information. The researcher conducted interviews with investors, Fund Managers, stockbrokers, Stock Exchange authorities etc. The interviews commenced on 15<sup>th</sup> Oct'03 and continued till 30<sup>th</sup> September 2004.

Interviews were conducted at the residence, offices and stock exchanges etc. The objectives of the study were briefly explained to the respondents before the commencement of interviews and expect few most of the respondents were friendly and freely gave the information asked for. The time taken for each interview with a respondent ranged from 30 minutes to 90 minutes.

## **3. Discussions:**

The researcher held discussions with investors, managers, stockbrokers, stock exchange authorities etc. for identify the EBCS by using fundamental analysis and technical analysis in their respective offices. These discussions lasted between 30 minutes to 2 hours. A number of issues relating to the main aspects of the study were discussed. These discussions proved helpful in gaining an insight into the thought process of researcher.

## **4. Observation :**

The technique of observation was also used for data collection. Among the researchers visits to investors residence, offices, stock exchanges, the researcher quietly observed the behaviour and discussions of the respondents. This observation helped the researcher in gaining an insight into the research topic.



## **(B) SECONDARY DATA:**

Investors and Market Analysis depend on the timely and correct information for making investment decisions. In order to carry out this research the information is collected from the following sources.

- 1. Economic Analysis:** The daily newspapers particularly financial papers like Economics Times, Financial Express, Business Line etc to contain all the national information; Besides Journals like Economic and Political Weekly, Business India, Dataline Business, Business Today, Fortune India contain the material on economic developments. RBI's Annual Reports, Reports on currency and finance and monthly reports and CMIE reports all contain a wealth of information on the economy and the country. The Economic Survey of the government of India and reports of C.S.O., D.G.T.D. and Department of companies, etc., do provide the information on, economy, industry, trade sectors of the country. The reports of the Planning Commission and annual reports of various ministries also contain a lot of information. For carrying out the research, the above stated information was collected.
- 2. Industry Analysis:** There are various Associations — Chambers of Commerce, Merchants' Chamber and other agencies who publish Industry data. The reports of Planning Commission, government of India, publications from Industry and Commerce Ministries also contain a lot of information. The CMIE publishes various volumes and update them from time-to-time containing data on various sectors of the economy and industries. Directory of Information published by the B.S.E. also contains information on industries and companies and this is updated from time-to-time. Many Daily financial papers bring out regularly studies on various Industries and their prospects. Industry data at macro level is available in Government publications, industry wise, but in view of a large time lag involved in their reports, the monthly reports of various Associations of Industries give more up-to-date and timely information. They are being used for the current research.
- 3. Company Analysis:** The information on various Companies listed on Stock Exchanges is readily available in daily financial papers. Besides the Fortnightly Journals of Capital Market, Dalai Street, Business India contains a lot of information on the industries and companies, listed on stock exchanges. Results of equity and Market Research are also published in these Journals. As referred to earlier the B.S.E. (Bombay Stock Exchange) publishes Directory of Information on Industries and Companies, which are listed on



Stock Exchanges, and the Journals of Capital Market and Dalai Street also publish these data. Researcher used these data for the research.

The Annual Reports of companies and their half yearly-unaudited results are another source of information on the companies. The financial journalists give write ups on various companies after interviewing their executives and these are published in Economic Times and other financial Dailies, like Business Line & Financial Express.

**4. Security Market Analysis:** A number of big Broker Firms who have equity research are sending newsletters on Market Information with Fundamental and Technical analysis, combined in those reports. The Capital Market, Dalai Street, Business India and few other Stock Market Journals like Fortune India, Investment Week, etc., contain the information on security markets. The ICFAI also publishes a monthly called Chartered Financial Analyst, which contains economic data, company information, and market information, Security analysis, Beta factors and a host of other items, useful for security analysis. The data on Trade cycles and settlements, record dates, book closures etc., are contained in financial papers like Economic Times, Business Line, Financial Express etc., after they are released by stock exchanges and companies. While the newsletter of Merchant Bankers, brokers' firms, Investment Analysts, are also referred.

**5. Security Price Quotations:** The daily quotations on various Stock Exchanges BSE, NSE are published in the daily papers. Each Stock Exchange is publishing its own daily quotations list, giving out opening, high, low and closing quotations of all traded securities. They also publish volume of trade for individual securities and also the total for all securities traded on a daily basis, in terms of shares and value of trades. The price indices, for all securities, industry wise, region wise etc., are published by the RBI, B.S.E. and major Stock Exchanges, in the country. Besides each financial Daily has its own Index published in its paper. All these indices, daily volumes, highs, lows, advances, declines etc., of well traded Companies, Gainers and Losers and such similar information, useful for both technical and fundamental analysis is available from all Stock Exchanges and published in financial Dailies and Journals. The Capital Market and Dalai Street journals also give Company information regarding their fundamentals, P/E, EPS, GPM, etc., along with the price data. Daily highs and lows, can be seen as against yearly highs/lows for each of the securities in financial Dailies.



6. The annual reports of the companies of last 3 years were collected and analysed accordingly.

## **6 ASSUMPTIONS OF THE STUDY**

1. It is assumed that even though the company is commenced by the inexperience or first generation promoter entrepreneurs, after the teething problems are over, the company may emerge as a blue chip company in the very short time.
2. It is assumed that the next stage of EBC is to become established growth stock company.
3. It is assumed that established growth company finally emerges as matured corporate entity.
4. It is assumed that the companies in transition are those undergoing major internal reorganization and external restructuring, and once the transition phase is over these companies are likely to emerge as blue chips.
5. It is assumed that there is no guarantee that the blue chip of today will be the blue chip of tomorrow.

## **7 LIMITATIONS**

1. The behaviours of the market cannot be restricted to any fundamental technical analysis for the fact that the market is dominated by speculator and not retail investor.
2. The entire market movements are dependent on demand and supply of the scrip and therefore the activity by mutual funds and Foreign Institutional Investors (FIIS) dominate the demand and supply activity of the market.
3. The government policy changes from time to time it affects the market either positively or negatively.
4. The analysis has covered the period of 2 – 3 year only. Because of the inherent volatility in the market.
5. Because of availability of quantative information the financial criteria has been taken into consideration for Fundamental Analysis.



## 8. ORGANIZATION OF THE STUDY

This study is divided into nine chapters

1. Chapter One Introduction: This chapter deals with Introduction of Topic, Aims and Objectives of the Study, Significant of the Study, Hypothesis, Research Methodology & Sampling, Assumptions of the Study, Limitations of the Study, Review of the Literature, Organization of the Study.
2. Chapter Two Concepts And Definitions Pertaining To Study: This chapter deals with concepts and definitions pertaining to the study viz. Blue Chips Company, Fundamental Analysis, Technical Analysis, Risk, Speculation and Investment, Beta, Diversification, P/E Ratio, Portfolio, Bull, Bear, Market Capitalization, Par Value, Bonus, Book value, Intrinsic Value Vs Market Value.
3. Chapter Three Investment Avenues: This chapter details with Risk - Return Relationship, Investment versus Speculation, Investors and Investment strategy, How to identify profitable investment opportunities in EBCS, What to look for in EBCS, Types of companies, Selected Case Study of EBCS.
4. Chapter Four Fundamental Analysis Of EBCS: This chapter deals with Fundamental Analysis consisting of Favourable conditions for EBC (a) Economic Analysis (b) Industry Analysis, Capital Market Reforms., Insearch of EBCS, How to find them?, Nine categories of EBCS.
5. Chapter Five Identifying EBCS By Using Numbers: This chapter deals with General Characteristic of EBCS, Identifying EBCS – using 20 financial criteria, SWOT Analysis - of EBCS, The Four Routes Companies Take, Company Analysis (Selected Company).
6. Chapter Six: This chapter deal with the comprehensive analysis of data of 76 EBCS - based on 20 financial criteria
7. Chapter Seven Establishment Of EBC Data Base: This chapter deals with the establishment of EBCS data, which includes Key financial data of 76 EBCS (Data Base - I), Use of standard deviation score (SC – Scores), Ratings and rankings of 76 EBC based on 20 financial criteria (Data



base – II) The 76 best EBCS to own in 2005 – 06 (Database - III) data of 76 EBC with ranks and market capitalization.

8. Chapter Eight Ten Model Portfolios Of EBCS: This chapter deals with Construction Of Portfolio, Technical Analysis (Charts For Timing), Review of selected EBCS past performance 2003-2005, Testing of Hypothesis, A step by step guide to actual investing in EBC.
9. Chapter Nine Conclusion, Suggestions And Recommendations: This chapter deals with Conclusion, Suggestions And Recommendations for further study

### **CONCLUSION:**

Fundamental analysis holds that no investment decision should be made without processing and analyzing all relevant information. Its strength lies in the fact that the information analyzed is real as opposed to hunches or assumptions. On the other hand, while fundamental analysis deals with tangible facts, it does tend to ignore the fact that human beings do not always act rationally. Market prices do sometimes deviate from fundamentals. Price rise or fall due to insider trading, speculation, rumour, and a host of other factors. This was eloquently stated by Gerald Loeb, the author of *The Battle for Investment Survival*, who wrote, "There is no such thing as a final answer to security values. A dozen experts will arrive at 12 different conclusions. It often happens that a few moments later each would alter his verdict if given a chance to reconsider because of a changed condition. Market values are fixed only in part by balance sheets and income statements; much more by hopes and fears of humanity; by greed, ambition, acts of God, invention, financial stress and strain, weather, discovery, fashion and numberless other causes impossible to be listed without omission".

This is true to an extent but the strength of fundamental analysis is that an investment decision is arrived at after analyzing information and making logical assumptions and deductions. And this is where there can be differences in values - the assumptions made by different analysts would differ. Their reasoning will be based on their exposure to the market, their maturity, knowledge and their gut feel of the market.

Furthermore, fundamental analysis ensures that one does not recklessly buy or sell shares - especially buy. One would buy a share only if its intrinsic value is higher than its book value. This also protects one against possible loss since one would



dispose of a share whose market value is higher than its intrinsic value. Hence fundamental analysis supports and encourages safe investing. No system is fool proof. No system has consistently outperformed the market. There is no system that does not call for human judgment and input. All systems require thought and some assumptions. However of all the systems that Researcher has experimented with and tried, and the researcher is most comfortable with fundamental analysis as it's the most logical and the most meaningful.

Besides, Technical analysis is used for making buying and selling decisions in the stock market. It helps in predicting the future price of a particular share on the basis of a study of its price movements in the past.

The growth companies are also called blue chip companies. The blue chips of yesteryears are not necessarily the blue chips of today. The investor has to review and assess the companies from time to time to locate the emerging blue chip, based on fundamental analysis.

In order to enable one to identify these emerging blue chips of tomorrow, one should know the nature and characteristics of these companies.

## **SUGGESTIONS :**

### **1. A FEW SUGGESTIONS IN THIS REGARD ARE SET OUT BELOW:**

**Firstly**, the management should be experienced and efficient; they should have the honesty, integrity and vision for expansion and growth. Such is the case with Aambanis, Tatas and Birlas etc.

**Secondly**, with market share of the company should be substantial and at least more than one-third. The larger the share, the better the prospects of controlling the market and profit margins and expanding the operations Bajaj Auto has a share of two-thirds in the two-wheeler and three-wheeler market. So is the case with Maruti Udyog, Mahindra & Mahindra Co. and Indian Tobacco Co. etc.

**Thirdly**, the company must be well diversified into areas of growth potential. The growth potential changes from time to time. At present, industries with a growth potential are cement, paper, petrochemicals, etc. Thus, a company with a good diversification into such growth areas would do well in sales, profits, and earnings. Some of the consumer product industries producing soaps, cosmetics, toothpaste and powders etc., would generally record a consistent growth A well-diversified



company like ITC, Hindustan Lever, or Century Textiles is a good buy at any reasonable price.

**Fourthly**, the company's policy of expansion should be consistent and has a long-term perspective. Its assets growth should be reasonably good, reflecting its expansion goals. Growth helps the industry to stability its earnings from undue fluctuations and help the diversification process. The companies with a good asset growth are Reliance, L & T, Grasim Industries, Mastek etc.

**Fifthly**, the company should have a consistent and stable distribution policy with good profit margins. The company should distribute a reasonable proportion of its profits as dividends bonus etc. Such companies like Hero Honda Co. Ltd., Colgate, Glaxo, L&T etc., would be in good demand as investors prefer regular dividend paying company

**Sixthly**, such a company services the investors will with bonus or rights issue or convertible debentures, from time to time in addition to increasing dividend payment. The financial structure and utilization of capital are efficient. The profit margins are growing and the company is growing in financial strength. Ranbaxy Lab Ltd., Nicholas Pirmal, ICICI Bank, Matrix Lab etc.

**Lastly**, the industry or industries in which the company is operating should have good growth prospects. The products should be in continuous demand like food products, paper soaps, etc., or consumer non-durable goods, the future outlook of the company and prospects of the industry are interlinked. The prospects would depend also on the government policy and whether it is subject to price and distribution control or any restrictions or regulations. The prospects of the industry in which the company is operating should be assessed from all points of view. Wipro, TCS, Reliance Energy, Force Motors and Alfa Laval etc are the Emerging Blue Chip companies.

Thus, in the choice of blue chips, the investor has to examine the fundamentals of the companies through balance sheet analysis for a period of at least five years before finally selecting the shares. The time of purchase should be decided on the basis of technical analysis referred to later. But for a layman, the purchase time should be in the bearish phase of the market, when an all round decline in prices is recorded. At such times, the companies with strong fundamentals should be picked up at low prices for long-term investment if they can be classified as blue chips as per the above guidelines.



## **2. SUGGESTIONS FOR INVESTING IN EMERGING BLUE CHIP COMPAINES**

### **1. Invest in active shares**

Invest only in shares that are traded frequently on the stock ex-change, preferably at least 3-4 times a week. Give preference to shares that are traded regularly on more than one stock ex-change.

### **2. Diversify Investments**

Do not put all money into shares of any one company or industry — spread it over ten or twenty companies. Diversification minimises risks, lends stability to investors portfolio and ensures safety of capital.

### **3. Don't over-diversify**

Excessive diversification, for example, portfolio of shares of 80 to 90 companies, puts a limit on high returns without commensu-rate compensation in the form of added safety. Over-diversification is nothing more or less than average investing for average returns. Shares in, say, ten companies engaged in eight to ten different industries generally provide sufficient diversification.

### **4. Ensure liquidity of investment**

A liquid investment is one which can be easily sold. Buy only liq-uid shares, not shares which investors may later have difficulty in sell-ing. In other words, do not block money by purchasing shares for which investors may not be able to find ready buyers when investors want to sell them.

### **5. In all investments there is a trade-off between reward and risk**

High-return investments usually carry high risks, whereas low-return investments carry lower risks. Try to strike a balance be-tween reward and risk while making your investment selections.

### **6. Investment risks can be reduced through knowledge and experience.**

Calculated investment decisions carry lower risks than blind, im-pulsive decisions taken without adequate information and analy-sis. Experience and knowledge minimise exposure to investment risk. Therefore, should be well informed, do investment homework and get competent and informed investment advice before investors take a buy or sell decision.



**7. Understanding the stock markets**

The stock markets always over-react

They over-react both when they rise and when they fall. This is a basic truth applicable to stock markets all over the world. Over-reaction is what gives rise to booms and depressions. In a bull or rising market, share prices shoot past their intrinsic values to reach dizzy heights; whereas in a bear or falling market, they plummet to depths far below their intrinsic worth. These over-reactions provide opportunities to intelligent investors for making money.

**8. Stock market prices never go straight up or straight down**

They always move in short up and down spurts, i.e. in a zigzag pattern. Every rise is followed by a fall, called a reaction — and every fall is followed by a rise which is called a rally. Investors should make use of this universally observed stock market behaviour for timing their buy and sell decisions.

**9. Greed and fear are the two most dominant emotions that influence stock market behaviour**

Greed is the dominant, all-pervasive emotion that fuels a boom, whereas fear eclipses all other emotions in a falling market. Greed and fear are what lead to stock market over-reactions.

**10. The stock markets are irrational in the short-run, but rational over the long-term**

Day-to-day, week-to-week share price movements are governed by rumours, gossip, tips, misinformation, crowd behaviour, mass psychology and knee-jerk reactions to news headlines and break-ing news. This is the main reason why it is so difficult to under-stand, interpret and predict short-term share price movements. In the long-term (generally over one year) on the other hand, the price of a share tends to converge towards its intrinsic value. In other words, over the long term violent price fluctuations tend to get flattened out, thus enabling price and value to match. This is also the main reason why it is generally easier to understand and forecast long-term price trends with greater accuracy. Therefore, it is always advisable to bank on the underlying long-term trends while making your investment decisions, and not focus on erratic short-term price fluctuations.



## RECOMMENDATIONS TACTICS AND STRATEGY FOR INVESTING IN EBCS:

### 1. **Investors do not speculate unless they have a natural flair for it.**

Speculators do not always make more money than investors. On the other hand, they have been seen to lose more money, and in a far shorter period of time, than most investors. Speculation includes buying and selling of shares on margins, buying and selling with a view to making money from short-term fluctuations in share prices, and from short selling. Speculation is a high-risk business where the percentage of failure is very high and the potential rewards are not all that attractive to justify the risks taken.

### 2. **When investing in shares go for the long-term investments EBCS**

The long-term equity investor, who has a time horizon of three years or more, is on far safer ground than is the speculator. The former very rarely loses money and his investment returns are generally more certain and assured than those of the speculator. The long-term investor is also in a position to take advantage of the various tax rebates and concessions available on long-term capital gains. On the whole, most long-term investors generally end up making far more money than do most speculators.

### 3. **The stock markets are dominated by short-term traders and speculators**

Stockbrokers are, typically, commission-oriented, and tend to favour short-term traders and investors for obvious reasons. Investment advisors and counsellors also generally favour short-term investments because they function under constant pressure from clients to produce quick results. As a result, long-term investors face very little competition, and this explains why magnificent long-term investment opportunities often go abegging in the stock market. This is another reason in favour of long-term investments.

### 4. **If investors must buy and sell frequently, use the major cyclical swings in the market.**

Watch the stock market indices to find out when such swings are likely to occur. Buy when the market is close to its cyclical bottom, and sell when the market is close to its top. Buying and selling in line with the major cyclical swings is an easy-to-use and fairly successful stock market trading strategy. It also carries lower risks than short-term trading and speculation.



**5. Vertically integrated, single-product companies offer better investment opportunities than diversified companies.**

A vertically integrated company is one which has integrated its operations from the raw material stage to the finished product. Reliance Industries and Tisco (Tata Iron & Steel Co) are examples of such companies.

**6. Companies that manufacture and/or market consumer products are generally steadier and sounder investments**

Shares of such companies are less prone to volatile price fluctuations than of those that operate in the core sectors of the economy. This again is a broad generalisation that admits of many exceptions.

**7. Bank on growth.**

When selecting shares to buy, try to stack the odds in investors favour. A good, time-tested way of doing this would be to buy shares in a growth company, managed or controlled by a growing business house, belonging to a growing industry, and operating in a growing sector of the economy.

**8. Invest in companies with a low price earnings ratios (P/E)**

Companies with low P/E ratios often offer better investment value than those which have a high P/E. When investors invest in a company with a low P/E, they give themselves two chances to win whereas with a company with a high P/E they have only one chance. In the former case, investors gain not only from an improvement in the company's profits and earnings per share but also from an upward re-rating of its P/E ratio. In the latter case, the opportunity to gain from an upward movement of the P/E ratio is limited, if not completely non-existent.

**9. The best investment opportunities always exist in the most unlikely places**

This is an invaluable, rule-of-thumb technique for picking potential stock market winners. Therefore, develop the habit of looking closely at "neglected" and "overlooked" companies operating in the less visible sectors of the economy for high-growth investment opportunities.

**10. Buy shares in companies that are currently out of favour**

Out-of-favour companies, particularly emerging blue chip companies that are temporarily going through a spell of bad luck, can be great investment opportunities. Since these shares are out of favour, their prices cannot fall any further because they have already touched rock-bottom levels.



**11. Don't confuse a share's intrinsic worth with its market price.**

A share is high-priced or low-priced in relation to its intrinsic value and not on the strength of its ruling share price.

**12. "Buy dear, sell dearer" is generally a better investment strategy than "buy cheap and sell dear".**

Quite often cheap shares tend to remain cheap and apparent bargains sink further whereas apparently expensive shares tend to rise even higher over time.

**13. Never hold on to a share which investors wouldn't buy at its current price.**

The reasons for holding on to a share are the same as those for buying it. If y investors are not prepared to buy a particular share at its ruling market price, then there is no reason why investors should hold on to it either. A share is either worth buying or worth selling, there is no such thing as holding on to a share. The mere fact that investors own or possess a particular share should not be allowed to alter or cloud their basic perception of what the share is worth. The decision to "hold" is basically a "buy" decision masquerad-ing in a different garb and under a different name. Try to view and treat all "hold" decisions as different versions of a "buy" de-cision, for clearer investment thinking. (The decision to hold ac-quires a special significance of its own only when extraneous con-siderations like tax payments, set-off of capital losses against capital gains, etc. enter into the decision-making process).

**14. Beware of bargain hunting in the stock markets.**

There is a lot of competition in this field. All investors, specula-tors, stockbrokers, investment analysts and investment advisors are engaged in it all the time. It is the most popular and widely played game in the market. The chances of investors discovering and picking up a genuine bargain or super-bargain before somebody else does are quite remote. Whenever investors spot a share that looks like a bargain, give it a closer look and subject it to detailed scru-tiny and analysis, because there is bound to be a snag in it some-where. Most shares which appear to be bargains generally turn out to be discarded shares with poor saleability and dismal future prospects. Therefore, leave bargain hunting to investment profes-sionals and specialists.



- 15. Don't put too much reliance on charts and technical analysis**  
Charts and graphs do not foretell the future — they only give a picture of the past. Moreover, they function best in free and un-controlled markets where the forces of demand and supply can interact with each other in an unrestricted manner. In the Indian stock markets where there are few effective checks on insider trading, where margin rates are changed frequently to moderate bull and bear pressures, and where financial institutions some-times push up or force down prices on government dictated con-siderations, suitable conditions for the free interplay of market forces do not fully exist.
- 16. Be on the lookout for rights renunciations.**  
A large number of shareholders sell their entitlement to rights shares in the stock market. These rights renunciations are gener-ally available at a price far lower than the ruling market price for that particular company's shares. Take advantage of this by buying rights renunciations of good companies.
- 17. Selecting which share to buy is always easier than when to buy it**  
Selection depends on quantifiable, and calculable criteria, whereas timing depends upon judgement, intuition, understand-ing of mass psychology and an ability to outguess the market. Therefore, always try to undo and offset the possible adverse ef-fects of bad timing through superior investment selection.
- 18. It is harder to take good selling decisions than good buying decisions**  
This is because too many emotional and other extraneous con-siderations tend to enter into a selling decision, which is not the case in a buying decision. This is another reason why long-term investment strategies generally give superior results than short-term, in-and-out trading strategies.
- 19. Averaging up is a sound investment strategy.**  
It works something like this: Once you decide to buy a share don't buy all the number they want at one time. Buy a small number first and closely watch the share's price movements. An upward movement of the share price will help to confirm that their earlier judgement was right. Then investors must buy more shares and expand your shareholding. This process is repeated. Investors buy more and more shares with each upward movement in the share price. This investment strategy is called averaging up or pyra-miding.



**20. Never average down**

It is a poor investment strategy. Most people resort to averaging down in the hope of bringing down their average purchase costs. This is undeniably true, but if share prices continue to slide downwards and do not make the quick U-turn that investors expect then they actually end up multiplying their losses. A better investment strategy would be to wait for the downtrend to reach the bottom of the "U" before they resume buying. Always buy on the upswing and never on the downswing.

Don't invest in new issues of new companies promoted by unknown and untried managements. Such companies have a high percentage of failure.

**21. A company is generally as good or as bad as its management**

Investors will never find a good company with a bad management or a bad company with a good management. The quality of a company's management is often more important than its quantifiable financial indicators. If investors bank on good management, they can never really go wrong with their investment selections. As a corollary to this rule, avoid investing in companies that have a history or a background of factionalism and management infighting.

**22. Invest in companies which have a clearly identifiable plus factor**

A distinct advantage gives a company leadership in its chosen field and makes all the difference between success and failure. This plus factor can be either superior technological skills, superior corporate planning, superior marketing techniques combined with a bigger and more effective marketing network, superior products or superior financial and tax planning.



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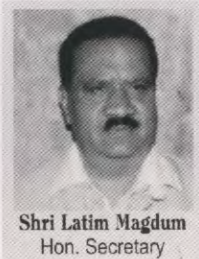
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