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This is a very special issue of Cosmos; it is a compilation of the Research papers presented at the BCUD Sponsored International Conference entitled "Strategies for Managing VUCA (Volatility, Uncertainty, Complexity and Ambiguity: Challenges and Opportunities". The conference witnessed four technical sessions. This issue of Cosmos contains papers presented in first two Technical sessions. The first technical sessions dealt with Volatility and the business cycle, Risk Management, Financial services, financial inclusion-Microfinance, FDI & FII, Strategies to manage uncertainty, Stock market and capital market, Demonetization & economic growth and the second Technical session covered Uncertainty and Business decision-making, Insurance, Capital Restructuring of Commercial Banks, Banking- issues and challenges, New trends in Accounting, Taxation and Finance, Merger and Acquisition, GST conundrum.

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Dr. AftabAlam
Managing Editor
Head, Dept. of Business Economics
Abeda Inamdar Senior College, Pune

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SHGs: Weapon for Poverty Alleviation in Maharashtra

Dr. Smt. Asha Dadasaheb Kadam
Assistant Professor of Commerce,
K.P.G. College
Igatpuri,Nashik

Abstract

Maharashtra is the second largest state in India both in terms of population and geographical area. The state has a population of around 10 Crore (2001 census) which is 9.4 percent of total population of India. The population is expected to reach 11.5 Crore by 2011. The state is highly urbanized with 42 percent people residing in urban areas and 58 percent people residing in rural areas. The gross state domestic product (GSDP) at current prices for 2009-10 is estimated at Rs. 9,014,330 Crore and contributes about 14.7 percent of the GDP. The GSDP has been growing at a rapid pace over the last few years. The state boosts of a very vibrant industrial ad services sector both these sectors presently contribute about 89 percent of the states domestic products. The agriculture and allied sector contributes 11 percent of the state income. The state is well known for its administrative acumen and innovative ideas. The state is first to implement women's policy and engendering the budget by establishing separate woman and child development department. It means Maharashtra is one of the developed states which have always implemented the policy to empowerment of women.

Keywords: SHGs, Indian Economy, Poverty, Progress

Introduction

National Bank for Agriculture and Rural Development (NABARD) launched the SHG Bank linkage program with the view to facilitate smoother or more meaningful banking to the poor. Before this program the first SHG was formed in 1947 in Amravati district, where women members contributed 25 paisa per day. Present form of SHG has come in existence from 1970 when Elaban Bhatt published his book micro finance for women. Further in 1984-85 such SHG was in existence in Vodasha Taluka in Gadchiroli district. With the help of International Agricultural Development Fund, Maharashtra Government and Central Government implemented Maharashtra Rural Credit Fund Project for four districts. It was operated by women members.[1] This movement is now spread all over Maharashtra. Many government and

non-government agencies are involved in micro finance through SHG movement. This movement is mooted in Maharashtra Mahila Arthik Vikas Mahamandal, (MAVIM), District Rural Development Agency (DRDA) etc. are government agencies, which are mostly involved in this movement. SHG is an ideal medium to empower the women. Through SHGs, women not only come together but gain economic empowerment there by participating in the development of family and society. By the end of December, 2010, 7.34 Lakh women from 12,243 villages were participating in 57,733 SHGs. The total savings of these women was about Rs. 146 Crore and the total internal loan was Rs.420 Crore. Loan received from various banks to SHGs accounted to Rs.312 Crore.

Objectives of the Research Paper

1. To define the poverty in Maharashtra
2. To study the progress and position of SHGs in Maharashtra

Poverty in Maharashtra

The success of the agriculture and industrial revolution did not translate into improvement in the standard of living of poorest of the poor. The concept of the poverty is associated with socially perceived deprivation with respect to basic human needs i.e. the lack of basics required for quality of life. These basics begin with food, clothing, shelter, safe drinking water and also education, employment and health. Poverty indicates a condition in which people fail to maintain a living standard adequate for their physical and mental efficiency which ultimately results in poor economic development. The poverty estimates based on NSS 61st round (2004-05) were prepared and published by the planning commission. The estimates were based on outdated basket, crude price adjustments and discrepancies in data on health and education expenditure. Therefore, the planning commission appointed the expert group under the chairmanship of Prof. Suresh Tendulkar. According to this report the head court ratio for Maharashtra is 38.1 percent (combined), when it is 47.9 percent for rural areas and 25.6 percent for urban areas. For India it is 37.2 percent (combined) and 41.8 percent for rural areas and 25.7 percent for urban areas[2]. According to BPL census 2002, 35.7 percent families in rural areas were in BPL group in urban areas. From above information we can say that majority families from

rural areas are living in poverty. Latest available criteria for deciding poverty line as given by NSSO (2004-05) for rural population is Rs. 356.0 per capita.

Human Development in Maharashtra

A new concept of Human Development evolved with people at the centre of development. A healthy and educated population leads to increased productivity and hence development strategy needs to be aimed at being inclusive and broad based. The basic capabilities for human development are to lead long and healthy lives, to be knowledgeable and to have access to the resources needed for a decent standard of living by participating in economic and political decision making system. The concept of Human Development is an external social process creating environment in which people can develop their potential and lead productive and creative lives.

HDI for Maharashtra improved from 0.363 in 1981 to 0.523 in 2001 and it ranked fourth in India, the top most position being acquired by Kerala with HDI at 0.638.[3]

Progress of SHGs in Maharashtra

The progress of SHGs in Maharashtra during the period from 2004-05 to 2009-10 is given in the From Table. 1, it is observed a tenfold physical growth of SHGs in Maharashtra during recent 5 years. This is quite encouraging. In 2005 number of SHGs are 71,146, it increase to 7,70,6, 695 in 2010 with an average annual growth of over 55 per cent[4]. The highest growth rate of 101.8 per cent was recorded in the year 2009 and the least in the previous year 2008 at 5.4 per cent. Around 1.4 Lakh SHGs are being added each year in Maharashtra.

Table-1
Physical Growth of SHGs in Maharashtra

Year	Cumulative growth in SHG Bank linkage (as on 31st March)	Net Growth	Growth Rate
2005	71146	-	-
2006	131470	60324	84.79
2007	225856	94386	71.79
2008	339596	113740	5.36
2009	685324	345728	101.80
2010	770695	85371	12.46
Average	**430588**	**139910**	**55.2**

Source: NABARD Report 2006, status of micro finance 2008-09, 2009-10[5]

Position of SHGs under SGSY

Swarnjayanti Gram Swarojgar Yojana (SGSY) is an employment generation programme that provides income generating assets through the mix of Bank Credit and government subsidy. It is an employment programme designed to stimulate self employment activities and ensure that every assisted BPL family Swarojgar is able to earn a minimum monthly income of Rs. 2000. Funding of this scheme is 75: 25 in between centre and state DRDA (District Rural Development Agencies) receive funds directly from the centre. SHGs receive training as well as income generating assets designed and delivered by DRDA.

Once formed, groups are trained and observed by DRDAs along with banks for six months to develop and strengthen saving credit activities. They are encouraged to open for bank accounts and also to lend from the groups corpus to members within the group. At the end of this period, DRDA assess if groups are ready to avail credit (Grade I). Viable groups are given revolving funds of Rs. 25,000 per group from banks as credit to augment the group corpus, thereby enabling more members to take loans and also increase the per capital loan amount, after another six months, groups are evaluated again to determine if they are viable to undertake economic activities with larger investments (Grade II). Viable groups and individuals are eligible for loan cum subsidy assistance for group and individual activities, respectively. DRDA monitor progress at the block level and submit monthly reports to the Department of Rural Development in the Ministry of Rural Development. Panchayat must monitor loan use and repayment as well as asset creation and income generation through SGSY.

Position of SHGs, women SHGs, gradation, economic activities undertaken and number of BPL families covered by SHGs under SGSY since 1999 to 2010 in Maharashtra under SGSY is given in the Table 2:

Since 1999, 2, 40,173 SHGs were formed under the scheme SGSY from different governmental and non-governmental agencies. Out of these 18,030 (7.51 per cent) SHGs have become inoperative since inception. 1, 62,247 (67.55 per cent) have passed Grade I and 86.925 (36.19 per cent) have passed Grade II. It means they are able to get revolving fund, loan and subsidy for the economic activities. Out of them, the groups passed Grade I, 77,252 (32.16 per cent) groups and the groups passed

Grade II, 66,045 (27.50 per cent) have taken up economic activities out of total SHGs formed by SGSY, number of women SHGs are 1,96,720 (81.91). Out of them 36,038 (18.32) have taken up economic activity during the year.

Table-2
Position of SHGs in Maharashtra as on 01/04/2010

1	Total number of SHGs formed during 1.4.1994- 2010	2,40,173	% to total
2	Number of SHGs that have become defunct since in caption	18,030	(7.51)
3	Number of SHGs that have passed Grade I	1,62,247	(67.55)
4	Number of SHGs that have passed Grade II	36,925	(36.19)
5	Number of SHGs that have taken up economic activities After Grade I After Grade II	77,252 66,045	(32.16) (27.50)
6	Number of Women SHGs formed	1,96,720	(81.90)
7	Number of Women SHGs that have taken Economic Activities during the year	36,038	(15.00)
8	Number of BPL families that have crossed the poverty line	1,83,618	(76.44)

Figures in brackets show per cent to total
Source: www.rural.nic.in[6]

Progress of Saving of SHGs with Banks in Maharashtra

In the financial year 2008-09 and 2009-10 are compared in the following table for savings of SHGs in public sector commercial banks Regional Rural Banks (RRBs) and co-operative banks as on 31st March.

From the Table.3 ,it is observed that, number of SHGs saving linked are increasing in all the three types of banks of banking sector but in public sector and in RRBs saving amount is decreasing, but co-operative sector's role is increasing.

Number of SHGs saving linked by Commercial Banks in 2009 were 3,73,900 it increase to 4,10,864 in 2010, but saving amount of commercial banks was Rs. 32,511.50 Crore in 2009 it decreased to 29,42,856 in 2010. So growth rate is 9.87 for Number of SHGs saving linked, but -9.48 for saving amount. For RRBs Number of SHGs increased from 83,496 in 2009 to 91,762 in 2010, the growth rate is 9.90 for SHGs saving linked but saving amount is Rs. 6,551.23 Crore in 2009, it falls to Rs. 703.82 in 2010, the Growth Rate is -89.25 per cent.

Table-3
Bank wise savings of SHGs in Maharashtra

Name of the Banks	2008-09		2009-10	
	Number of SHGs	Saving Amt. (Crore Rs.)	Number of SHGs	Saving Amt. (Crore Rs.)
1) Commercial Banks	**373900**	**32511.50**	**410864** (9.87)	**29428.56** (-9.48)
2) RRBs	**83496**	**6551.23**	**91762** (9.90)	**703.82** (-89.25)
3) Co-operative Banks	**227928**	**20262.49**	**268069** (17.61)	**26695.64** (31.75)
Total	**685324**	**59325.22**	**770695** (12.46)	**56328.02** (-4.21)

Figures in brackets are showing Growth Rate
Source: Status of Microfinance in India- 2009-10, pp 21, 25, 33)[7]

For co-operative banks, Number of SHGs saving linked in 2009 were 2, 27,928 it increased to 2, 68,069 in 2010, the Growth Rate is 17.61. Saving Amount of co-operative banks was Rs. 20262.49 Crore in 2009 it increased to Rs.26695.64 Crore in 2010, the Growth Rate is 37.75. The overall growth rate for number of SHGs saving linked is 12.46, but for amount it is -4.21. The amount of savings must be increasing for SHGs. It is also necessary to increase the role of public sector banks and RRBs in saving amount of SHGs.

Progress of Bank loans disbursed to SHGs in Maharashtra:

In the following table loan disbursed by public sector, RRBs, co-operative banks in Maharashtra is given

Table 4
Bank Wise Loan Disbursed to SHGs in Maharashtra

Name of the Bank	2008-09		2009-10	
	Number of SHGs	Loan Amt. (Rs Crore.)	Number of SHGs	Loan Amt. (Rs. Crore)
1) Commercial Banks	**870**	**647.50**	**40742** (4532.99)	**30073.85** (4544.61)
2) RRBs	**17033**	**9586.31**	**12768** (-25.04)	**2513.87** (-73.78)
3) Co-operative Banks	**51408**	**13498.81**	**56,777** (10.44)	**18696.52** (38.50)
Total	**69311**	**23732.62**	**110287** (59.12)	**51284.24** (116.09)

Figures in brackets indicates growth rate over previous period
Source: Status of Microfinance 2009, pp 10, 49, 53, 60

It is observed from Table 4, that role of public sector banks is tremendously increasing in loan disbursement, but role of RRBs is negatively detected. Role of Co-operative is also increasing in loan disbursement to SHGs. Number SHGs bank loan disbursed by commercial banks in 2008-09 were 870, it increased to 40,742 in 2009-10, the growth rate is 4532.99. The loan amount disbursed by commercial banks was Rs.647.50 Crore in 2008-09, it increased to Rs.30073.85 in 2009-10, the growth rate is 4544.61 it is a tremendous growth. But for RRBs number of SHGs loan disbursed were 17033 in 2008-09 it reduced to 12768 in 2009-10 the growth rate is -25.04. The loan amount disbursed by RRBs was Rs. 9,586.31 Crore in 2008-09 it reduced to 2513.87 in 2009-10, the growth rate was -73.78. It means RRBs are reducing their participation in loan disbursement to SHGs. For Co-operative banks number of SHGs were 51408 in 2008-09, it increased to 56,777 in 2009-10, the growth rate was 10.44. The loan amount disbursed by co-operative banks was Rs. 13,498.81 Crore in 2008-09 it increased to Rs. 18,696.52 Crore, the growth rate is 38.50. The overall growth rate of number of SHGs loan disbursed is 59.12 and for amount it is 116.09. Except RRBs role of commercial and co-operative bank is significantly increasing in the development of SHGs.

Loans Outstanding of SHGs in Maharashtra

In the following table, the position of loan outstanding of SHGs with Banks is given –

Table -5
Bank wise SHGs Loans Outstanding in Maharashtra

Name of the Bank	2008-09		2009-10	
	Number of SHGs	Outstanding Amt. (Rs.)Crore	Number of SHGs	Outstanding Amt. (Rs Crore.)
1) Commercial Banks	**256758**	**116159.66**	**272010** (5.94)	**92560.83** (-20.32)
2) RRBs	**36992**	**13104.93**	**29482** (-20.30)	**11329.74** (-13.55)
3) Co-operative Banks	**59816**	**12988.62**	**83273** (39.20)	**16440.42** (26.58)
Total	353566	142253.23	**384765** (8.82)	**1120330.99** (-15.41)

Figures in brackets indicates growth rate
Source: Status of Microfinance 2009, 10, pp 75, 81, 8

From the Table 5, it is observed that, repayment of loans are donating negative growth rate. It shows that repayment of loans for SHGs are more regular for all three

banks. Customer SHGs are successfully returns their loans to banks. For commercial banks Number of SHGs having loan outstanding were 2, 56,758 in 2008-09, it increased to 2, 72,010 in 2009-10, the growth rate is 5.94.

For the amount loan outstanding of commercial banks was Rs. 1,16,159.66 Crore in 2008-09, it reduces to Rs.92,560.83 Crore in 2009-10, the growth rate is -20.32. For RRBs number of SHGs having loans outstanding were 36,992 in 2008-09, it reduces to 29,482 in 2009-10, the growth rate was -20.30. For the loan amount RRBs outstanding was Rs.13, 104.93 Crore in 2008-09, it reduces to Rs.11, 329.74 Crore in 2009-10, the growth rate is -13.55. For the co-operative banks, number of SHGs having loan outstanding were 59,816 in 2008-2009 it increased to 83,273 in 2009-10, the growth rate is 39.20. For loan outstanding amount co-operative banks have the outstanding of Rs.12, 988.62 Crore in 2008-09, it increased to Rs.16, 440.42 Crore in 2009-10, and the growth rate is 26.58. The overall growth rate for number of SHGs having loans outstanding is 8.82 and for loan amount -15.41. Loan outstanding of co-operative banks are positively increasing so, there is need to take effort for reducing outstanding**.**

Conclusion

From above information, it is observed that there is major fluctuation in SHG movement of Maharashtra. SGSY is playing important role in the SHG movement and economic development of women. Different government and non government agencies are involved in group forming. 67.55 percent groups of SGSY passed Grade I and 36.19 percent groups of SGSY passed Grade II up to 31st March 2010. Out of them 32.16 percent and 27.50 percent SHGs have taken up economic activities out of total SHGs of SGSY 81.90 percent groups are women led groups. Activities like saving, credit, training, production are started for rural women development. SHGs are playing more important role in rural development and women empowerment.

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Managerial Philosophy for the Business Environment of Volatility, Uncertainty, Complexity and Ambiguity (VUCA)

Dr. Kapil Kathuria
Assoc. Professor
Dr. Y.S. Parmar University of Horticulture and Forestry,
College of Horticulture, Solan (HP)
Ms. NipunDhaulta
Teaching & Research Assistant

Abstract

The world is transitioning from the stable environment that prevailed after the industrial revolution to a post-industrial, post-capitalist, knowledge basedeconomy, which is giving rise to an environment of Volatility, Uncertainty, Complexity and Ambiguity (VUCA). As the zeitgeist changes, so does the dominant philosophy of management, in response to the forces within and outside the organisation. The managerial philosophy of the knowledge based economy seems to espouse close symbiotic connection with the external environment through openness, proactive effort to create change, learning, adaptability, leveraging the capabilities of the knowledge worker and above althoughleadership that inspires and empowers.

Key Words: Managerial Philosophy, Management Thought, Management Paradigm, Leadership, Meta-Organisation, Zeitgeist, Post-Modern, Knowledge Economy, Knowledge Worker, Fourth Industrial Revolution, Changing External Environment, Organisation, Organisational Design.

1. Volatility, Uncertainty, Complexity and Ambiguity (VUCA)

Alfred, Lord Tennyson wrote in the poem, "Idylls of the King":

“The old order changeth, yielding place to new, And God fulfils himself in many ways, Lest one good custom should corrupt the world."

Is VUCA a sign of old order changing? Perhaps it is, as even Professor Klaus Schwab in his book ‘The Fourth Industrial Revolution’ seems convinced that ‘we are at the beginning of a revolution that is fundamentally changing the way we live, work and relate to one another’ (Rifkin, J (2016)) . The pace of change engendered by technological change is impressive; many of us remember the days when telephone connections were rare. That we need a

management philosophy, a paradigm suited for this age is evident too. We find support when Schumpeter argues that 'Management theory is becoming a compendium of dead ideas' (Schumpeter (2016)). Schwab and Schumpeter have divergent view of the business environment, but both call for change in management practices. Schumpeter does so explicitly.

Leaving the bigwigs and their differences aside, for a moment, we see for ourselves rise of the post-industrialsociety in the west, rise of services and post-modernism, evidence of fast pace of change in technological, economic, politicalforces. We can all concur that it is this fast-paced change that is resulting in Volatility, Uncertainty, Complexity and Ambiguity (VUCA) and it is these attributes of the business environment that are calling for a different paradigm of management, a different managerial philosophy so to speak.

2. Managerial Philosophy: What is it?

Managerial philosophyis person specific and is aboutindividually held beliefs about how it is best to manage. Yet, it can be seen that managerial philosophy may be shared by a cadre of managers depending on the organisation, culture, generation or the times. The person's assumptions about the world existing outside and the nature of human beings form the basis of her managerial philosophy.It answers the questions pertaining to what the manager is trying to do and the rationale for doing so (Ohmann, O.A. 1957). It is seen as an attitude, a predilection to look at the world in a certain way (Teele S.F cited in Ohmann, O.A. 1957, p3). That managerial philosophy has an impact on the practice of management, has been attested to by Ohmann, O.A. (1957) and is seen to be an approach to management which rests on assumptions (Yang, B. 2012, p 7). This paper argues that as the external environment is marked by changes as evidenced by Volatility, Uncertainty, Complexity and Ambiguity (VUCA), we need to examine the managerial philosophy and the management practices that emanate from the managerial philosophy, as may be relevant to the times and the near future.

3. Why have a Normative Managerial Philosophy for VUCA?

Zeitgeist leads to the dominant business strategies, which in turn leads to the dominant management paradigm and relevant managerial philosophy of the era. Industrial revolution as a zeitgeist led to a specific set of management philosophy and management practices. In fact some believe that industrial

revolution ‘provoked’ the need for modern management thought or philosophy (C. I. Jones, 2001; Wrege& Greenwood, 1991 cited in Gulzar, A (2015)). Scientific Management is said to be a response to this era of modernism and reason that marked industrial revolution. Weber’s ideas of bureaucracy were also grounded in industrial economy of mass-production(Gulzar, A. 2015). Scientific management was as much a response to the managerial issues faced, as it was a product of the dominant thinking of the times. It is interesting to note that with the great depression of 1930s Taylorism started losing ground and Human Relations Movement came into being (Anteby, M & Khurana, R. N.D.). Zeitgeist had changed as a result of the depression and the new era called for a new set of managerial philosophy and management thought.

VUCA marks an era much like the era marked by scientific management, i.e. a set of external conditions are prevailing which require a specific managerial responsethat is seen to be relevant and matches the external conditions. A response that is termed as managerial philosophy and is predicated on assumptions and the external environmental (VUCA) forces. Such a philosophy helps in selecting managers who either have relevant philosophy or have the potential to imbibe it. Thus, it helps develop managers suited to the era of VUCA. Inherent in the idea of normativemanagerial philosophy for VUCA are elements of management thought that can guide strategic responses of the organisations and their sub-units to survive and thrive in the age of VUCA. This In addition to aligning the most important resource of all i.e. human resources with the strategic intent of the organisation.

4. Normative Managerial Philosophy for VUCA

Review of literature on management ideas and practices that are gaining traction seem to suggest the managerial philosophy that is relevant to the era of VUGA. The important aspects of managerial thought for the age of VUGA as discerned are:

4.1 Stay Tuned-In

That organisation should be market oriented, has been a constant cadenceof marketing text books. Nadler and Tushman (1999, p 46) opine “The organization's capacity to understandits environment and to make the rightkinds of strategic changes at the appropriatepoint in the cycle will determine its competitivestrength.”. The seminal book “In Search of

Excellence" (1982) exhorted listening to customers and employees by identifying, 'Close to the customer - learning from the people served by the business.' and 'Productivity through people- treating rank and file employees as a source of quality.' As features of excellent companies, Macnamara, J (2016) too points to the 'crisis of listening' within the organisation even today and calls for creating'architecture of listening' within organisations. Listening only to customers has proven to be a limitation too, as many an 'excellent' company have faced challenges, since the time of "In Search of Excellence" including the big elephant IBM. Many of the challenges faced by renowned companies have been traced to swift changes having roots in the Volatility, Uncertainty, Complexity and Ambiguity (VUCA) marked external environment. BlackBerry and Nokia have been more recent examples. These companies were found to be deficient in listening. External Orientation, which means paying close attention to the external environment, has found resonance more recently.Ancona, D. &Bresman, H. (2007) argue "By being so externally focused, X-teams are far better able to identify the forces out there in the world and their own large organization that can affect their success. They're better able to identify emerging needs and opportunities they can exploit". Such teams may be able to discern 'weak signals' of the future mega trends.

4.2Openness

Listening is of limited utility if not accompanied by openness to consider and weigh what has been heard. One of the original excellent companies was 3M, and 'in 2009, 3M reinvigorated its Markets of the Future process, which provides critical input to its strategic planning. The company's crowdsourcing of the strategy process to more than 1,200 employees in 40 countries helped energize creative talent' Aghina, W., Smet A. D., & Heywood S. (2014), which reflects not only 'external orientation' but also 'openness', much like the exhortation of Ancona, D &Bresman, H (2007). Our very own TV Rao has given the OCTAPACE (Openness, Confrontation, Trust, Authenticity, Pro-action, Autonomy, Collaboration, and Experimentation) framework as a prescriptive culture for organisation, which resonates the need for openness.

4.3 Proactivity-Adaptability-Flexibility

Proactive moves create the change, the disruption that engendersVolatility, Uncertainty, Complexity and Ambiguity (VUCA). Proactivity may lead one to create a 'Blue Ocean' (Kim, W. C. &Mauborgne, R. (2005)), sharp focus is required after that by way of incremental and discontinuous improvements. We have seen Microsoft implement incremental improvements in a focused manner in its operating systems and more recently Google has done the same with the Android. Android has had many versions, namely Alpha, Beta, Cinnamon(2008), Doughnut, Éclair, Froyo, GingerBread, Icecream Sandwich, JellyBean, KitKat, LolliPop, Marshmellow, Nogut, Oreo, all these in its relatively short life. Lessons are evidentfirst create the change and then be a moving target, as a stagnant opponent is a sitting duck for competition.

Focus on Horizon 1 (Coley, S. 2009) to quickly amortise investments made in creating the change, prepare for Horizon 2by usingAmbidextrous Organisations and for Horizon 3 keep the organisations flexible possibly with the use of asset light strategy, which also aids in quicker amortisation of the investments by higher ROI(Kachaner, N.&Whybrew, A. 2014). It is evident that flexibility that facilitates adaptability is at a premium.

Organisations canalso be adaptive and flexible by using 'Workforce Platforms' as argued by Smet, A. D., Lund, S., and Schaninger, W. (2016). 'Workforce Platforms' act as internal markets for talent, as they facilitate bringing together appropriately staffed teams quickly. This seems to align well with the idea of meta-organisations becoming the norm as suggested by Gulati, Puranam& Tushman (2012) that organisations seek to work with external partners which makes them more agile and adaptive, than their own business units that are hampered by bureaucracy.

4.4 Learning & Fast-learning

Adapting quickly is imperative both for organisations and people. Organisations thus need to have the absorptive capacity(Larsen, K. R., Eargle, D. (Eds.) 2015) to learn quickly to merely stay abreast and relevant. The same holds for people, who need the capacity to comprehend the new, so as to be able to assimilate and use the new. It is opined by Cohen, W. M. &Levinthal, D. A. (1990) that "An organization's absorptive capacity depends on individual capacities". STEM (Science, Technology, Engineering and

Mathematics) literacy, if not education thus becomes important for learning and absorption both by individuals and organisations. Speed of adaptation being facilitated by faster learning, which is said to be facilitated by the presence of internal R&D of the organisation.

4.5Empowerment&Partnership

Dependence on knowledge workers has been on the rise, as is evident in the ability of the organisations to adapt and create depends on the absorption capacity of i.e. knowledge of the employee i.e. knowledge worker.

Nadler and Tushman (1999, p 48) state "we have truly entered the Post-Industrial economy. That shift, in turn, places an "unprecedented premium on "knowledgeworkers, a new class of affluent, educated, and mobile people who view themselves as free agents in a seller's market".

As per Drucker (as cited in Wartzman. R (2014)), in the post capitalist world that we are in "increasing the productivity of knowledge workers was "the most important contribution management needs to make in the 21st century." One of the ways that can make this happen is by "embracing employee autonomy" as "In a knowledge economy, top-down direction is particularly detrimental because employees are bound to know more than their supervisors do, about the specialized fields in which they operate". Thus, it is imperative to empower knowledge workers (Forrester Research, 2011), beyond abdicative delegation for them to innovate & create. Role of the managers is being relegated to supporting the employees as partners, rather than commanding then like chieftains of the yore.

4.6 Leadership and Not Just Management

That the knowledge worker is ruling the roost is making it evident that managers need to exercise less of direction and control and more of motivation and inspiration, something expected more of a leader and less of a manager. Further the pace of change has made it evident that we need more leaders, with managers only acting in a supporting role to organise the change that leaders engender and lead. The quote "Hire good people and leave them alone." by William McKnight of the original creative organisation 3M seems to reflect this stand.

4.7Discerning Judgement

Be it the outsourcing partner or the associates (contract employees) or knowledge workers that are on roll, evolved sense of judging people and organisations is required for only when capable and well intentions people and business firms are associated with the organisation that empowerment beyond mere delegation can work. Steve Jobs had very famously said "it doesn't make sense to hire smart people and tell them what to do; we hire smart people so they can tell us what to do.", for this to happen it is a must that organisation know for sure that they have smart people are on board and that their interests are bonafide.

5. Conclusion

Volatility, Uncertainty, Complexity and Ambiguity (VUCA) are a result of the world in transition from the industrial age to the post-industrial, post-capitalist, knowledge economy. It calls for a management philosophy that rests on proactive action, learning, adaptability, empowerment, partnership and leadership. These may turn out to be some of the attributes of managers and organisations that may help them survive the age of organisational Darwinism. As the quotation attributed to Charles Darwin (perhaps wrongly) goes:

"It is not the most intellectual or the strongest of species that survives; but the species that survives is the one that is able to adapt to and adjust best to the changing environment in which it finds itself."

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Foreign Direct Investment: An Analysis of Trends and Patterns

Akhtar Hussain
Assistant Professor
Department of Economics
Poona College, Camp, Pune

Dr. Abdul Hannan
Assistant Professor
P.G. Dept. of Economics
Magadh University, Bodh Gaya

Abstract

Foreign direct investment (FDI) is a direct investment into business or production in a country by a company or investor belongs to another country, either by establishing a company in the target country or by expanding operations of an existing business in that country. Emerging economies, considered FDI as the safest type of external finance as it not only supplement domestic savings, foreign reserves but promotes growth through technology, skills, improved innovative power, and domestic contest. In this study, the trends and pattern of FDI in India is analysed by explaining the country wise FDI inflow, region wise FDI inflow and sector wise FDI inflow. And findings are categorized accordingly. The highest investment was invested by Mauritius in India which covers 34 per cent of the total investment into India. The lowest among the top ten nations investment million was invested by U.A.E in India which covers 1 per cent of the total investment of the top ten investing countries in India from April 2000 to June 2017s. Singapore invests 17% of FDI inflows into India and stood second important source of FDI. The second country Singapore's share is 13 percent. The RBI's Regional Offices with state covered is analysed above and among the various RBI's Regional Offices, was recorded in Mumbai Regional Office. The lowest FDI inflow of US $ 6 million was received in Jammu Regional Office which covered Jammu & Kashmir viz. US $ 96 million GuwahatiRegional office.

Key words: FDI, Sector, trends, patterns of FDI

Introduction

Foreign direct investment (FDI) is a direct investment into business or production in a country by a company or investor belongs to another country, either by establishing a company in the target country or by expanding operations of an existing business in that country. Foreign Direct Investment (FDI) is fund flow between the countries in the form of inflow or outflow by which one can able to gain some benefit from their investment whereas another can exploit the opportunity to enhance the productivity and find out better position through performance.

Objectives of the Study

The study covers the following objectives:

- To understand the concept of FDI in India.
- To analyzethe trends and patterns of flow of FDI from April 2000 to June 2017.

Hypothesis

The study has been taken up for the period April 2000 to June 2017 with the hypothesis that FDI has a positive trend in the country.

Research Methodology

This study is based on secondary data. The secondary data was collected from various journals, magazines, websites , annual reports, bank reports, research reports, fact sheet on FDI, press notes of government of India, FDI database etc. The required data also have been collected from various sources various Bulletins of Reserve Bank of India, publications from Ministry of Commerce, Govt. of India. It is a time series data and the relevant data have been collected for the period 2000 to 2017.

Foreign Direct Investment in India

The introduction of economic reforms amidst of serious balance of payment deficit and financial crisis has opened the way for liberalization of foreign direct investment in India.In fact, India today is acknowledged as the one of the fastest growing 'emerging economies'. Under this background, in this Paper an attempt has been made to discuss the concept of foreign direct investment; to examine the trend in FDI over the years - with emphasis on Post-reform period and specially from 2000 to 2017; to discuss the Policies adopted by the Government and to mention the positive and negative impact of FDI on India.

Foreign Direct Investment in India: The Trends and Patterns

One of the most important and conspicuous feature of today's globalised world is the tremendous growth of FDI in both developed and developing countries. In the last two decades the rate of FDI flows are growing faster than about all other indicators of economic activity worldwide. Emerging economies, in particular, considered FDI as the safest type of external finance as it not only supplement domestic savings, foreign reserves but promotes growth through technology, skills, improved innovative power, and domestic contest. Nowadays, FDI has become a mechanism of international economic assimilation. India is the 7th largest and the 2nd most populated country in the world. India is known for the diversity of its culture, for the inclusiveness of its people and for the natural features. Today, India has become forefront as a global resource for industry in manufacturing and services. In this study, the trend of FDI in India is studied under two heads: pre reform era and of post reform period (since 1991). The study specially focused on the country wise inflow, region wise inflow as well as a short analysis of sector wise inflow of FDI in India.

Foreign investment was introduced in 1991 under Foreign Exchange Management Act (FEMA), driven by then finance minister Manmohan Singh. As Singh subsequently became the prime minister, this has been one of his top political problems, even in the current times. India disallowed overseas corporate bodies (OCB) to invest in India. As per the data, the sectors that attracted higher inflows were services, telecommunication, construction activities and computer software and hardware. Mauritius, Singapore, USA and UK were among the leading sources of FDI.

The main intention of the economic reforms policy was rapid and sustained improvement in the quality life of the people of India. Central to this aim was rapid growth in income and employment and lessening in poverty. Such growth required

investment. It is supposed that foreign capital particularly FDI has the most efficient way of obtaining most modern equipment from abroad as a substitute of direct purchasing of capital goods. Thus, apart from some structural modification both in the domestic and peripheral economy, the new economic policy intended at attracting more FDI into the economy.

Country Wise FDI Equity Inflows

India boarded the sources of FDI since the period of reforms. There were only 15 countries investing in India in the year 1991, it was increased to 120 countries in the year 2008, further, the source of FDI in India increases to 140 in January 2015. Thus the number of countries investing in India increased after reforms. FDI is the sum of equity capital, other long-term capital, and short-term capital as shown in the balance of payments. Foreign investors have begun to take a more active role in the Indian economy in recent years. By country, the largest direct investor in India is Mauritius, largely because of the India-Mauritius double-taxation treaty. After liberalization of economy Mauritius, South Korea, Malaysia, Cayman Islands and many more countries mainly appears on the list of major investors apart from United States of America., United Kingdom and France which are not only the major investor now but were also the bigger investor during pre- liberalizations era.

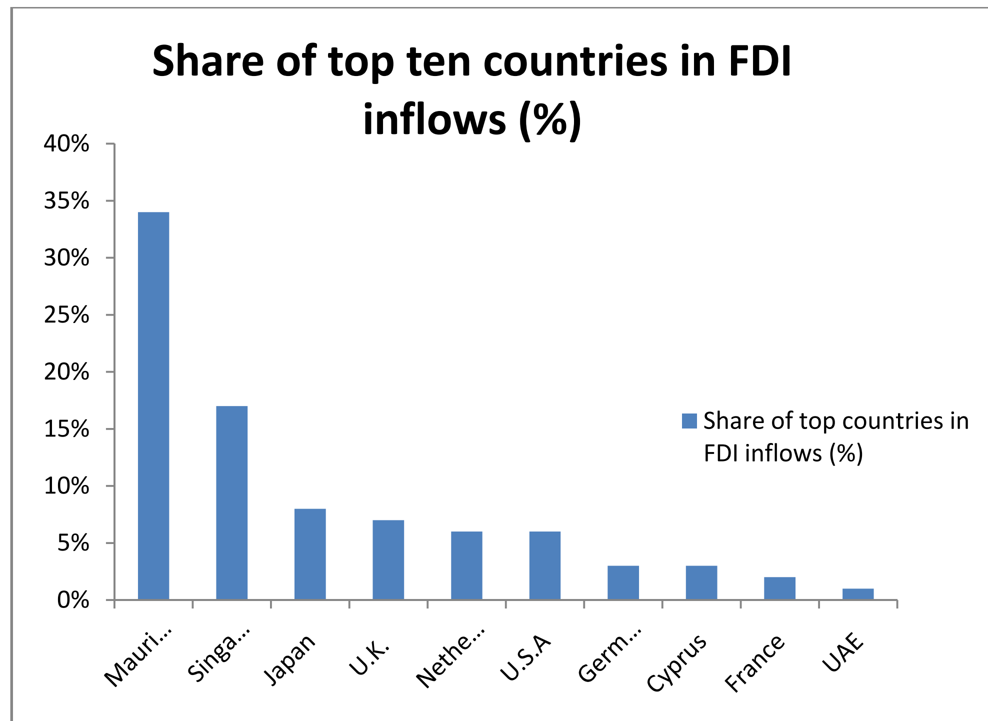
It is proposed to analyze the country-wise share of foreign direct investment in India from 2000-2015. The data relevant to the analysis is presented in the following table:

Table 1
Top Ten Country's Contribution in Total FDI Inflows from April 2000 To June 2017

S. NO	Name of the country	Share of top countries in (in US$ million)	Share of top ten countries in FDI inflows (%)
1	Mauritius	114931	34%
2	Singapore	57600	17%
3	Japan	26125	8%
4	U.K.	24731	7%
5	Netherlands	21266	6%
6	U.S.A	20983	6%
7	Germany	10496	3%
8	Cyprus	5824	3%
9	France	5824	2%
10	UAE	4765	1%

Source: Quarterly fact sheet on FDI, Ministry of Commerce, GOI, June, 2017

FIGURE 1



The above table and figure represents the major investing countries in India during April 2000 to June 2017. Mauritius is the largest investor in India during 2000 to 2017. Mauritius emerged as the most dominant source of FDI, contributing 34% of the total investment in India and enjoying the top position since 1995. This is because of the Double Taxation Treaty i.e., Double Taxation Avoidance Agreement (DTAA) between the two countries which attracts routing of investment through this country

Singapore is the second largest investing country in India. DTAA treaty is also made up with Singapore. But the interesting fact is that though Singapore is second there is a huge difference between FDI inflows to India from Mauritius and Singapore. Singapore becomes the second dominant source of FDI inflows with 14% of the total inflows.

The other major countries are Japan, U.K, Netherlands, U.S.A, Germany, Cyprus, France and UAE. However, Japan holds third position by contributing 8% of the total inflows. U.K. occupied fourth position with 7% followed by Netherlands with 6%, U.S.A slipped to sixth with 6%, followed by Germanywith 3%, Cypruswith 3%, France with 2%, UAE with 1%.

It has been observed that some of the countries like Israel, Thailand, Hong Kong, South Africa and Oman increased their share gradually. It is also interesting to note that some of the new countries such as Hungary, Nepal, Virgin Islands, and Yemen are making significant investments in India.

The volume of FDI received from Mauritius is about double than the FDI flows from Singapore. Thus the analysis of last eighteen years of FDI inflows indicates that only five countries accounted 72% of the total FDI inflows in India.

Region Wise FDI Inflow into India

FDI inflows within India are heavily concentrated around two major cities, Mumbai and New Delhi, with Chennai, Bangalore, Ahmedabad and Hyderabad also drawing significant shares of FDI inflows. For statistical purposes, India's Department of Industrial Policy and Promotion (DIPP) divides the country into 17 regional offices. The top 6 regions account for two-thirds of all FDI inflows to India between April 2000 and June 2017, with the Mumbai and New Delhi regions together accounting for more than one half of the total. The key industries attracting FDI to the Maharashtra region are transportation, services, energy, telecommunications, and electrical equipment. Maharashtra's transportation industry holds a particular concentration of MNC affiliates in auto components manufacturing. The key sectors attracting FDI inflows to Delhi are similar: transportation, telecommunications, electrical equipment (including software), and services.

Table-2

RBI's Regional Office wise FDI Equity Inflows[1] (April 2000 To January 2015)

RBI's-Regional Office	State covered	Cumulative inflows (April'00 to June '17)	% to total inflows (in terms of US $ Million)
Mumbai	Maharashtra, Dadra & Nagar Haveli, Daman & Diu	104415	30%
New Delhi	Delhi, Part Of Up And Haryana	70384	21%
Chennai	Tamil Nadu, Pondicherry	24757	7%
Bangalore	Karnataka	24633	7%
Ahmedabad	Gujarat	17010	5%
Hyderabad	Andhra Pradesh	14137	4%
Kolkata	West Bengal, Sikkim, Andaman & Nicobar Islands	4029	1%
Kochi	Uttar Pradesh, Uttrancha	1791	1%
Jaipur	Rajasthan	1547	0.5%
Bhopal	Madhya Pradesh, Chattisgarh	1390	0.4%
Chandigarh	Kerala, Lakshadweep	1366	0.4%
Panaji	Goa	960	0.3%
Kanpur	Chandigarh, Punjab, Haryana, Himachal Pradesh	614	0.2%
Bhubaneshwar	Orissa	416	0.1%
Patna	Bihar, Jharkhand	113	0.03%
Guwahati	Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura	96	0.03%
Jammu	Jammu & Kashmir	6	0
Region not indicated[2]		74729	22%

Source: Quarterly fact sheet on FDI, Ministry of Commerce, GOI, June, 2017

1. The Region-wise FDI inflows are classified as per RBI–Regional Office received FDI inflows

2. Represents, FDI inflows through acquisition of existing shares by transfer from residents to non-residents. For this, RBI regional wise information is not provided by RBI.

Delhi ranks second in total FDI inflows behind Maharashtra. U.S. owned IBM is not only the largest computer services company in India, but is also the MNC with

the largest number of employees in India (approximately 53,000), second only to IBM's work force in the United States. In addition to Delhi, IBM also has facilities in Bangalore, Chennai, Kolkata, Pune, Gurgaon, and Hyderabad. Goodyear, one of the largest global tire manufacturers, has built two manufacturing facilities near Delhi, entering into a joint venture with Indian company Ceat Ltd. and acquiring India-based South Asia Tyres.

Other sectors attracting FDI include port electronics, ICT, and infrastructure. The bulk of projects in Andhra Pradesh, which includes the city of Hyderabad, are associated with software and, to a lesser extent, hardware for computers and telecommunications. The same is true of projects in Karnataka, where Bangalore is located; Karnataka also has a large number of projects in the automotive sector. India's more rural areas have attracted a smaller number of high-value projects. Large Greenfield FDI projects in Odisha include bauxite mining and associated aluminum smelting operations as well as steel and automotive facilities.

SECTOR WISE TRENDS AND PATTERNS OF FDI

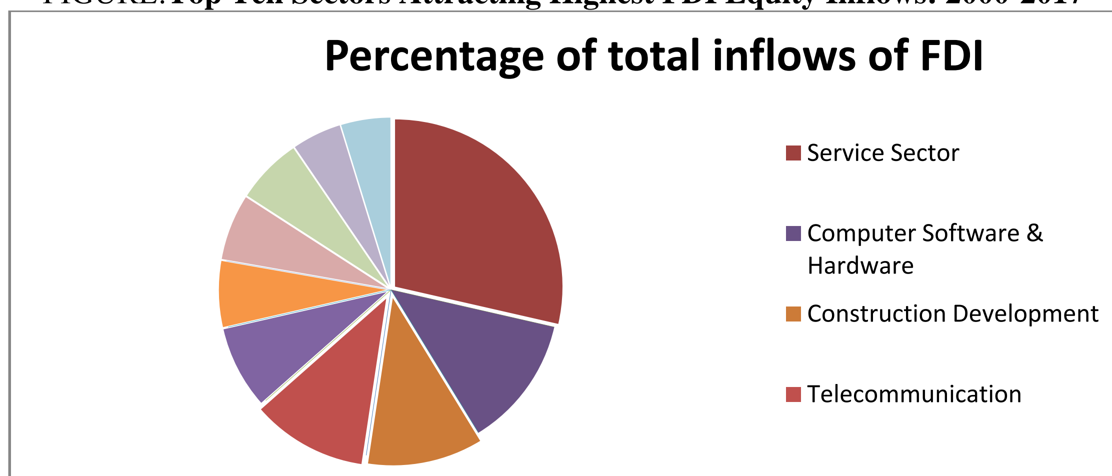
Table 3

Top Seven Sectors Attracting Highest FDI Equity Inflows: 2000-2015

SECTOR	Amount of FDI inflows (In US$ million)	Percentage of total inflows
Service Sector	61359	18%
Computer Software & Hardware	25985	8%
Construction Development	24544	7%
Telecommunication	24034	7%
Automobile Industry	17390	5%
Drugs & Pharmaceuticals	14988	4%
Trading	14979	4%
Chemicals (other than fertilizers	13972	4%
Power	11766	3%
Hotel and Tourism	10477	3%

Source: Quarterly fact sheet on FDI, Ministry of Commerce, GOI, June, 2017

FIGURE:**Top Ten Sectors Attracting Highest FDI Equity Inflows: 2000-2017**



Services sector is one of the key sectors contributing to the sustained economic growth. There is a continuously increasing trend of FDI inflows in services sector with a sharp rise in the inflows from 2005 onwards. Service sector received an investment of US$ 61359 million which is 18% of the total FDI inflows from April 2000 to June 2017. Service sector include FDI inflows received through financial services, banking services, insurance and non-financial services. Banking, financial, information technology oriented services make rigorous use of human capital. FDI would be much more proficient and outcome oriented in these services, i.e., services which make intensive use of semiskilled and unskilled labour. Services sector ranks 1st in the list of sectors in terms of cumulative FDI approved from April 2000 to July 2017.

Computer Software and Hardware sector received US$ 25985 million which comprise 8% of the total FDI inflows during the period April 2000 to June 2017. Computer Software and Hardware sector shows a continuous rising trend of FDI inflows. The top Indian companies which received FDI inflows in this sector are: I Fliex Solutions Ltd, I Flex Solutions ltd, Tata Consultancy Services Ltd, Infrasoft Technologies Ltd, Mphasis BFL Ltd, I- Flex Solutions Ltd, Digital Global Soft Ltd, India Bulls Financials Services P. Ltd, IFLEX Solutions Ltd, Unitech Reality Projects Ltd.

Construction development Sector includes construction development projects viz. housing, commercial premises, resorts, educational institutions, recreational facilities, city and regional level infrastructure, township. The amount of FDI in construction activities sector received during April 2000 to June 2017 is US $ 24544 million which is 7 percent of the total FDI inflows received during that period.

Telecommunications Sector comprises Telecommunications, Cellular Mobile/ Basic Telephone Services, Radio Paging etc. India received cumulative FDI inflows of 24034 million during April 2000 to June 2017. Telecommunication sector ranks 4th in the list of sectors in terms of cumulative FDI approved from April 2000 to June 2017. This sector contributes 7 percent to total FDI flows in India during said period.

Automobile Industry Sector comprises Passenger cars, auto ancillaries etc. FDI inflow in the automobile Industry sector, during April 2000 to June 2017 is US$ 17390 million which is 5% of the total inflows in India. Major Indian companies which received highest percentage of FDI inflows in automobile industry are Escorts Yamaha Motor Ltd, Yamaha Motors India Pvt. Ltd, Punjab Tractors Ltd., Yamaha Motor Escorts Ltd, Endurance Technologies P. Ltd, General Motors India Ltd, and Fiat India Automobile P. Ltd.

The other sectors among top ten sectors are attracting FDI inflow into India are trading, chemicals (other than fertilizers), power and hotel and tourism which are attracting FDI as 4%, 4% and 3% respectively.

Findings

- **Country wise FDI and findings**: The highest investment viz. US$ 114931 million was invested by Mauritius in India which covers 34 per cent of the total investment of top 10 investing countries in India. The lowest among the top ten nations investment viz. US $ 4765 million was invested by U.A.E in India which covers 1 per cent of the total investment of the top ten investing countries in India from April 2000 to June 2017s. It is interesting to note that the liberalisation process motivated higher FDI inflows into India. Singapore invests US $ 57600 million which is 17% of FDI inflows in India and stood second important source of FDI. The FDI inflow in India is from Japan, U.K, Netherlands and U.S.A. above 5 percent from each country of total FDI inflows. The difference between the Investment of Mauritius and other countries investing countries in India can be seen from the percentage share of Mauritius and others, Mauritius share alone is 34 percent and the second country Singapore's share is 13 percent; Hence Mauritius has occupied a vital role in Foreign Investment in India.

- **Region wise and findings:** The RBI's Regional Offices with state covered is analysed above and among the various RBI's Regional Offices, the highest FDI inflows Viz. US $ 104415 million was recorded in Mumbai Regional Offices with coverage of 30% of the total FDI inflows of all region. New Delhi Regional office placed second with FDI inflows of US $ 70384 million with 21% of the FDI inflow of all regions for the years April 2000 to June 2017. The lowest FDI inflow of US $ 6 million was received in Jammu Regional Office which covered Jammu & Kashmir followed by the second lowest FDI inflow viz. US $ 96 million Guwahati Regional office. Mumbai Regional office which covered the states, Maharashtra, Dadra, Nagar Haveli, Daman and Diu and New Delhi Regional office, which covered the states, Delhi part of UP and Haryana in Mumbai and New Delhi Regional offices covered 51% of the FDI inflows among all the regional offices and states, while all other regional offices FDI inflow coverage is only single digit percentage to the total inflows of all regions.

- **Sector wise FDI and finding**: The highest investment viz. US $ 61359 million was invested in the service sector which covers 18% of top FDI attracting sectors from April 2000 to June 2017. Computer software and hardware sector is the second most attracting sector of India during the study period which attracts FDI of US $ 25988 million and of 8% FDI of total inflows. Among top ten sectors hotel and tourism is tenth sector attracting FDI of US $ 10477 million which is 3 per cent of total FDI inflow.

- The study reveals that the Indian Economy is one of the most favorable investment destination for most of the developed and developing countries.

Conclusion

In theglobalisedworld, the world marked is reduced as a small market. There is a wider transaction of goods and services among the countries in the world. Each and every country in the world has of necessity to depend other countries in the world for the development of their country. The impact of FDI inflows into India in recent years is highly significant. But, thereis low flow of FDIinto India both at the macro level as well as at the sectoral level. It implies that the spirit in which the economy has been liberalized and exposed to the world economy at the last eighties and early nineties has not been achieved after so many years. This calls for a well judged policy decision towards FDI both at the macro level as well as at the sectoral level.As foreign investors doesn't look for financial concessions or special incentives but they are more of a mind in having access to a consolidated document that specified official procedures, rules and regulations, permission, and opportunities in India.

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Micro Finance - Self Help Groups in India

Dr.Anjali R.Kadam-Narayane
S.N.D.T. Arts and Commerce College for women
Department of Economics,
Karve Road. Pune

Abstract

The United Nations had declared the year 2005 as the International Year of Micro Credit. It considers the importance of microfinance as a process of collective efforts to meet Millennium Development Credit Goals (MDGs). Availability of micro finance helps poor people to generate income and improve their standard of living. The SHGs are important media through which banks are disbursing micro credit. .SHGs play important role in employment to women. To develop standard of living of rural women is one of the objective of planning in India. Productivity of self-employed increases with the help of micro finance in informal sector of the economy. This financial system is toll for social changes, especially for women. Sustainability of SHGs is the main issue and hence NGOs, banks and government officials should help them, so that SHGs will make faster and sustainable progress. SHG – Bank Linkage Programme in India has emerged as a core strategy for banking system to extend their outreach to the poorest among poor.

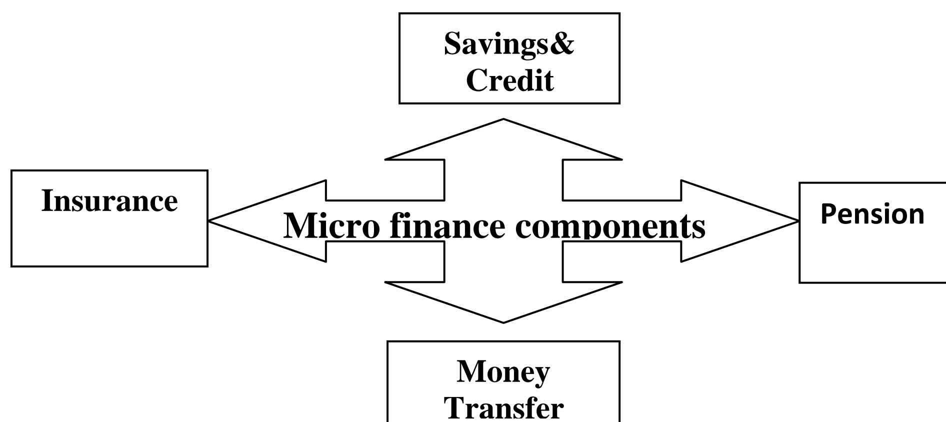
Introduction

Access to capital is a major constraint for poor households' face in rural areas. Commercial banks often reject services for the "poor" mainly because .it is considered too expensive, long distances, small loans, etc.) and risk is considered too high. Most of the developing countries from 1950's to 1980s pursued rural finance policy on providing subsidized credit through state controlled or directed institutions to rural people. This "Supply led" approach in rural finance caused various qualitative issues such as cornering of subsidy by well off people and, inability to reach the core poor led to a re-orientation in the thinking around 1980s. Emergence of micro credit in late 1970s and early 1980s and initial micro credit institutions in the different settings of Bangladesh, Bolivia, and Indonesia, demonstrated the success of micro lending to poor without collateral requirement (Mishra, Alok 2006)

Difference between Micro Finance and Micro Credit

Micro Credit	Micro Finance
Micro credit means providing to very poor families with very small loans to help them to grow their tiny business	The term micro finance is much broader than micro credit. The main components of micro finance are micro –savings (deposit), micro- credit (loan), micro-insurance, micro-money transfer(Remittance), micro-pension etc.

Micro finance has been defined by the “Task Force on supportive Policy and Regulatory frame work for Microfinance, as the provision of thrift, credit and other financial services and products by very small amounts to the poor in rural , semi-urban as or urban areas for enabling them to raise their income levels and improve living standards.”



The term Microfinance refers to the range of financial services provided to the poor and includes skill and entrepreneurial development, in order to help them to over come poverty. Microfinance may be described as providing credit support, in very small amount along with training and other related services to people with poor resources and skills and who are in a position to undertake economic activities.

Micro finance is based on the following principles

1. Self-employment / enterprises are a viable means for poverty alleviation.
2. The main constraint is capital.
3. Although poor people have very low level of per capita income still if they decide , they can save part of their income.

Micro credit loans are dispensed through village or community-level self-help groups. SHGs create a pressure on the individual borrower to perform as per contract which is called as peer pressure.

In India micro finance has been dominated by SHGs-Bank Linkage Programme aimed at cost effective mechanism for providing financial services to the poor people.

Genesis of Self Help Groups (SHGs) movement in India

Self Help Groups (SHGs) movement in India gained momentum through pioneering attempts like that by SEWA (Self Employed Women's Association). The roots of the SHG movement in fact be traced to the various survival strategies and the informal support system. Providing access to Micro credit through the media of unregistered entities of Self Help Groups have largely been inspired by the Grameen Bank set up in Bangladesh in 1977 by Professor Mohamud Yumus.

Involvement of with NABARD Self Help Groups (SHGs) came about in 1986 when the sixth General Assembly of APRACA (Asian-Pacific Rural and Agricultural Credit Association) at Kathmandu in Nepal considered a proposal for Promotion of Linkages between Banking Institutions and Self Help Groups in rural savings, mobilization and credit delivery to the rural poor. As a consequence NABARD launched action research with the key role of the NGOs/VAS in organizing and promoting SHGs. It organized workshops and National Consultations to share the experiences and to chalk out the future strategy for specialized micro- finance programmes., based on the feed back obtained, NABARD launched a pilot project in 1992 for linking 500 SHGs with Commercial Banks (B.Jayaram)

The Government of India also launched self-employment programme 'Swarnjayanti Gram Swarojar Yojana (SGSY) on 1 April,1999. The SGSY programme links the rural poor to the formal Micro Finance institution via SHGs; The Self Help Groups have become the focal point of the development schemes under the unified poverty alleviation programme.

Concept of Self Help Group

The Self Help Group is a registered or unregistered small group of socially and economically homogeneous poor. They save small amounts regularly, on mutually help basis, which are deposited in a common fund to meet members' emergency needs and to provide collateral free loans decided by the group. They have been recognized as useful tool to help the poor to meet the urgent credit needs of poor through thrift. SHGs enhance the equality of status of women as participants, decision makers and beneficiaries in the democratic, economic, social and cultural spheres of life (Singh, Pankaj,2010)
Simplicity in receiving and approving loan application , delivery of credit and related services in a user friendly way, quick disbursement of small and short term loans, clear recovery procedure and maintaining high repayment rates have made micro finance a popular form of finance particularly for the rural people.

There are two models of microfinance in India.

1) SHG – Bank Linkage Programme.
2) MFI- Bank Linkage Model.

1) SHG – Bank Linkage Programme

The basic philosophy of the ' SHG – Bank Linkage Model' promoted by NABARD is to establish synergy between the banks who have the financial strength and the NGO's who have the ability to mobilize the poor and build up their capacity to avail loans from the banks . There are three different models of SHG – Bank Linkage Programme in India.

Model 1 Banks – SHG Members (without NGO Intervention)
In this Model SHGs formed and financed by banks. Under this model, banks themselves act as Self Help Promoting Institutions i.e. forming

and nurturing the groups.

Model 2 NGO or other SHPI (as a facilitating agency) –SHG Members
SHGs are formed by NGOs or formal agencies but directly financed by banks. Under this model NGOs and formal agencies in the field of microfinance act as facilitators. They propagate the message, organize groups and train them.

Model 3 NGO (as financial intermediary) MFI - SHG Members.
In this model NGOs act as financial intermediaries. NGOs are taken on the dual role of facilitators and financial intermediaries. They help in formation of SHGs. , nurturing them, training them in thrift and credit management- Eventually the NGOs approach banks for bulk loan assistance for on lending to these SHGs,

2)MFI – Bank Linkage Model

The model covers financing of Microfinance Institutions (MFIs) by banking agencies for on lending to SHGs and other small borrowers covered under microfinance sector .MFIs act as an important conduit for extending financial services to the micro finance sector in the county by raising resources from banks and other institutions. MFIs could be i) NGO /MFIs- registered under the Societies Registration Act 1960 or the Indian Trusts Act, 1880 ii) Cooperative MFIs – registered under the State Cooperative Societies Act or Mutually Aided Cooperative societies Act or Multi State co operative Societies Act. Iii) NBFC MFIs incorporated under Indian campanies Act 1956. Rs. 5206.20 crore loan disbursed to 465 MFIs during 2012.

Progress of the SHG – Bank Linkage Programme:

SHG – Bank Linkage Programme has expanded rapidly from 1998 and it is acclaimed as largest micro credit programme in the world in terms of its outreach, (Jalan B,K,, 2008). As on 31st March 2012 there were 79,60,349 lakh SHGs under the SHG – Bank linkage programme having saving bank account with banking system. Efforts were made by NABARD to popularize the project among the bankers and NGOs through organizing series of workshops, training programmes, seminar at different levels. The response received from banks and NGOs were encouraging and positive, besides building mutual trust and confidence between the banks and the rural poor. The linkage is expected to promote thrift and inculcate credit discipline among the rural poor (Nanda, 1999)

Table 1
Cumulative Progress in SHGs Linkage Programme (Up to 31st March 2012)

Year (Up to March)	No. of SHG	Growth %	Cumulative No. of SHGs linked	Bank loan (Amount Rs.crore)	Growth %	Cumulative Bank loan (Amount Rs.crore)	Average loan availed by SHG colum (7) devided by colum(4) (in Rs.)
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(5)**
1992-93	255	-	255	0.29	-	0.29	11,373
1993-94	365	43.1	620	0.36	24.1	0.65	10,484
1994-95	1502	311.5	2,122	1.79	397.0	2.44	11,499
1995-96	2635	75.4	4,757	3.62	102.0	6.06	12,739
1996-97	3841	45.8	8,598	5.78	60.0	11.84	13,771
1997-98	5719	48.9	14,317	11.92	106.0	23.76	16,596
1998-99	18678	226.6	32,995	33.31	140.0	57.07	17,297
1999-00	81780	337.8	1,14,775	135.91	238.0	192.98	16,816
2000-01	149050	82.0	2,63,825	287.89	112.0	480.87	18,232
2001-02	197653	33.0	4,61,478	545.47	89.0	1026.34	22,333
2002-03	255882	29.0	7,17,360	1022.34	87.0	2048.67	28,561
2003-04	361731	41.0	10,89,091	1855.53	81.0	3904.20	36,179
2004-05	539365	49.0	16,18,456	2994.25	62.0	6898.46	42,620
2005-06	620109	15.0	22,38,565	4499.09	50.0	11397.55	50,915
2006-07	684408	10.4	29,24,973	6570.39	47.7	18040.74	61,678
2007-08	2084821	204.5	50,09,794	8849.26	33.2	26890.00	53,675
2008-09	1111353	-46.7	61,21,147	12253.51	38.5	39143.51	63,948
2009-10	832103	25.1	69,53,250	14453.30	18.0	53596.81	77,082
2010-11	508696	38.87	74,61,946	31221.16	116,0	84818.97	1,13,669
2011-12	498403	-2.0	79,60,349	16534.77	-47.04	1011353.74	1,27,049
Sources : NABARD Status of Micro Finance in India (1992-2012)							

In the above table we can observe that, table No.1 shows that SHG bank linkage progrmme started in 1992 with only 255 SHGs, got substantial boost from 1998 . The number of SHGs linked with the programme has continuously increased year after year reaching a recorded number of 79,60,349 lakh by 31March,2012. Similarly, the amount of bank loans disbursed increased from a meager amount of Rs.0.29 crores in Rs. 1992-93 to Rs. 16,534.77 crores during 2011-12, leading to a cumulative disbursement of Rs. 1011353.74 crore by 31 March 2012. Average loan disturbed to SHGs is varying from Rs. 10,484 in 1993-94 to Rs 1,27,049 in 2011 – 2012. The NABARD's refinance assistance to bank has been increased from Rs, 0-27 in 1992-93 to Rs. 18,479.60 crore in 2011-2012. Average loan amount has been decreased 1999-2000 and 2007-08, However it has increased from Rs 10484 in 1993 -94 to Rs 127049 in 2011-12. But in complaining 2011 and 2012 bank loan decreased from 116.0 percent to -47.0 percent similarly the saving link SHGs decreased to -3.0 percent to 2010-11 percent 38.87 .

By the end of year 2015 NABARD have planned to link nearly 9.2 crore household which would ensure coverage of more than 50 percent women through SHG bank linkage programme.NABARD has proved to be a

decentralized cost –effective and the fastest growing microfinance initiative in the world. As 31 March 2011, there were more than 79.6 lakh saving –linked Self Help Groups(SHG) and more than 52.6 lakh SHGs have been credit linked SHGs covering 10.3 crore poor households under the micro finance programme (NABARD). But still observed some problems as below.:

Conclusion

Considering the position of SHGs up to 2011-12 it seems that average loan available to SHG amounting Rs. 1,27,049 lakh is insufficient , Because, there are minimum 10 to maximum 20 members in one SHGs. If there are ten members in a SHG the available loan per members is Rs. 12,704.00 and if there are 20 members in a SHG the available loan per member is Rs. 6,325.00. Considering the present situation the amount mentioned above is too low to run a small business with this amounts. The members will not get attracted and encouraged for the business. To encourage the women members in rural the available loan amount should be increased sufficiently. This point may be noted by banks and NGO's and take necessary action so that the members will be encouraged for the business. Banks can increase the loan amount but for this the SHGs has to follow necessary norms and rules strictly, keep the record up to date, make repayment properly so that banks will enable to increase the loan amount to encourage the women in rural area, resulting the improvement in their finance position more and more women's will get attracted toward and members of SHG will increase.

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Financial Inclusion through Business Correspondents in India

Snehal Bhaskar Bhosale
Asst.Professor
Abeda Inamdar Senior College, Pune

Abstract

Access to financial services (in the form of savings, credit, insurance, transfers or welfare payments) is a fundamental tool for managing a family's well being and productive capacity, to smooth expenditure when inflows are erratic, to build surplus when the demand for expenditures is heavy (school fees, marriages, buying farm equipment) or to protect against emergencies. However only one-quarter of financial households have any form of savings with formal banking institutions. Universal Financial Access is the objective of Indian banking sector and they have long been grappling with this issue. The objective of this case study is to understand the new innovative techniques initiated by many banks with the support of RBI, Central bank of India. Reserve Bank of India launched Financial Inclusion by Extension of Banking Services - Use of Business Facilitators and Correspondents in the year 2006 with the objective of increasing the outreach in banking sector. Under this scheme Business correspondents (BCs) model and branch free banking is launched by various nationalized and private sector banks in Rural Areas. The key focus is- how to mobilize deposits for priority sector lending to make a financial revolution. The approach for this research work is to know the pros and cons of BCs. The study also studies in detailed the various BCs working in India. The cost of Financial Exclusion is very high and this case study will discuss success stories of various BCs that have addressed this and are making this dream a reality.

Key words: Financial Inclusion, Business Correspondents, RBI, Banks, Unbanked areas.

Introduction:

Over the recent times, there has been a global drive to deliberately promote financial inclusion. Amidzic et al. (2014) explain, "Financial inclusion has emerged as an important topic on the global agenda for sustainable long-term economic growth. A number of central banks both in emerging and developed countries have put in place various initiatives to promote financial inclusion in their countries. In addition to the central banks' initiatives, the International Monetary Fund, G20, International Finance Corporation, the Alliance for Financial Inclusion, and the Consultative Group to Assist the Poor are assuming an increasingly active role at the international level in collecting the data and setting standards to improve financial inclusion." Internationally, financial inclusion has gained currency as an important element of social andeconomic inclusion, and is broadly understood as an "economic state where individuals and firms are not denied access to basic financial services based on motivations other than efficiencycriteria" .In India, financial inclusion has been considered a critical policy goal for state intervention, whereby universal access to a wide range of financial services is available at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products. This refers to the broadening of financial services to those people who do not have access to the financial services sector. The Reserve Bank of India (RBI) as

the major policy maker in the banking sector has laid special emphasis on financial inclusion since 2005 when it used the term for the first time in India in its Annual Policy Statement for FY 2005-06 and urged banks to review their existing practices to align them with the objective of financial inclusion. Pursuant to this, the Reserve Bank has undertaken a number of measures with the objective of attracting the financially excluded population into the structured financialsystem.

Review of literature:

Around 2 billion people do not use formal financial services and more than 50% of the adults in the poorest households are unbanked. In response to this World Bank Group(WBG) with private and public sector partners set an ambitious target to achieve Universal Financial Access(UFA) by 2020. The UFA goal is that by 2020, adultsglobally have access to a transaction account or electronic instrument to store money, send and receive payments. Financial access is the first step toward broader financial inclusion, where individuals and firms can safely use of a range of financial services, including savings, payments, credit and insurance. In accordance to financial inclusion in the Philippines, Smart Money and GCASH have enabled large amount of money transfers between urban and rural areas and overseas, leveraging the distribution advantages of Mobile Network Operator(MNOs) .Low income segments in South Africa use their bank accounts to receive salaries. For the unbanked, cash-out facilities are provided by government. This explains the low uptake of e-/m-enabled financial transactions. In Brazil, utility and other payments including welfare payments have been tapped by large banks using branchless banking methods. Initially started and incentivized by the State for social and welfare payouts, the services gradually scaled and became mainstream financial services. The utilitypayments were regulated as a bank-service and hence became another catalyst. State also efficiently utilized resources in enabling the formation of a dominant agent network. ‘*Enhancing Financial Inclusion through Technological Innovations’- Stephen.M:*The author states that bringing financial services to the poor and especially rural customers is the biggest challenge for broad-based financial inclusion. Poor infrastructure and telecommunications, and heavy branch regulation restrict geographic expansion of bank branch networks. M-PESA in Kenya has made great strides with retail agents, who cash-in and cash-out money transfers all over the country. Allowing banks to operate through agents, including partnerships with postal networks and retailers, reduces the fixed costs associated with geographic expansion and holds great promise for improving access to financial services, especially in poor and remote areas. ‘*Business innovations in Indian banks for Financial Inclusion’- Prof. Kaur.S &Dr.Sure.Y:*The authors have shown that how technology via Business Correspondents has led to financial Inclusion in India. The implementation of BCs model and the success stories of the banks (Axis Bank & Canara Bank)who have opted for this model and achieved to reach the unbanked areas in India. They have tried to explain the pros and cons of the model.*‘Financial Inclusion in India – a Review of Initiatives and Achievements’*- Garg .S, Dr. Agarwal P(Jun. 2014) the analyses the various initiatives taken by RBI and GoI for financial inclusion like bank led approach, technology based approach ,knowledge based approach etc . In January 2010, all public and private sector banks adopted various financial inclusion plans (FIPs) for three years which started April 2010 to march 2013 ,wherein the data analysis states that how with either branch expansion or business correspondents they have achieved Basic Savings deposit accounts(BSDA). The number accounts opened has been increased from 60 million in March 2010 to 101million in March 2013

through bank branches and BSBD accounts which open by BCs has increased from 13 million in march 2010 to 81 million in march 2013 respectively. Thus, Innovative products, out of the box service models, effective regulatory norms and leveraging technology together could change the landscape of the current progress of the much needed and wanted, Financial Inclusion Program. It has quite evident that as it is not only in India but also across the globe if the banks are not able to reach in physically but with help of technology they are trying to reach the unbanked areas.

Objectives of the study:

This research paper objectivesare : .
1. To understand the financial inclusion and its importance
2.To understand the steps taken by RBI for financial Inclusion
3.To study in detail the business correspondents..

Research Methodology:

- Based on the information available on official websites of Business correspondents

Financial Inclusion in India:

Financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low-income groups at an affordable cost (The Committee on Financial Inclusion, Chairman: Dr. C. Rangarajan).Financial inclusion widens the resource base of the financial system by developing a culture of savings among large segment of rural population and plays its own key role in the process of economic development of the country. Additionally, by bringing low-income groups within the perimeter of formal banking sector. Taking into account the need for plan action In 2006, RBI announced guidelines for banks to use the services of non-governmental organizations, microfinance institutions (but not thoseregistered as NBFCs), retired bank employees, ex-servicemen, retired government employees, Section 25 companies, and other civil society organisations as Business Correspondents (BCs) in providing financial and banking services.In 2008, RBI announced the operative guidelines for mobile banking transactions.Between April and November 2009, RBI further enlarged the scope of the BC model by increasing the maximum distance permitted between the place of business of a BC and the link bank branch, from 15 to 30 kilometers and by permitting banks to charge customers ‘reasonable fees’ for using services through the BCs, to improve their business case. In 2010-11, RBI has further expanded and liberalized the Business Correspondent (BC) model by permitting ‘for profit’ companies to serve as BCsand subsequently by allowing cooperative banks to use the services of BCs.

Business Correspondent (BC) Model

Banks have been allowed to employ retired bank employees, ex-servicemen and government employees, individuals, kirana/medical/fair price shop owners, individual public call office (PCO) operators, agents of small savings schemes and insurance companies, individuals who own petrol pumps, retired teachers and SHGs linked to banks as BC by banks.Bearing in mind the high transaction cost and low profitability, the banks are gradually relying more on such intermediaries based on business correspondent model to fund borrowers in rural or remote areas.The

bankspermitsBCs to do *'cash in - cash out'* transactions at a location much closer to the rural population, thus overcoming 'the last mile problem'. With a view to ensuring the viability of the BC model, banks have been permitted to collect reasonable service charges from the customer, in a transparent manner under a Board-approved policy. SBI being the giant public sector banks have taken initiative to recruit as many BCs as possible. Several other banks such as Indian Bank, Canara Bank, Union Bank of India, Corporation Bank, Punjab National Bank, Oriental Bank of Commerce, Andhra Bank, Axis Bank, ICICI Bank and HDFC have also tested the model. Banks have taken on NGOs and Micro Finance Intuitions(MFIs) as BCs. In some cases, even individuals such as village grocers, dealers in agricultural inputs and retired bank officials are also engaged as BCs.

The BC model aims at developing and strengthening the relationship between the poor/excluded people and the organized / formal financial system. The BC model has become necessary since it is not economically reasonable to set up concrete branches in all areas. Its a model where a technology driven banking agent manager (or individual agents) dovetails with a prudentially regulated well capitalized financial entity (bank). A bank brings trust and robustness whereas a BC brings low cost access, technology and new tailor made products to masses at base of the pyramid and makes banking possible at their doorstep.

Advantages of using BCs

- **A better alternative than bank branches•** - Normally a rural bank branch can serve 3,000 to 4,000 families in 12 to 15 villages within a radius of 15kms. A Public Sector Bank branch may require more than 5 years to breakeven in unbanked areas in India, while a private sector & foreign bank with IT connectivity may require about 5 times more. Further, obtaining permission to open a branch is a long and protracted process. The BC option potentially enables banks to reach out much faster and at a much lower cost.
- **Reaching the unreached** • - The model enable banks to extend financial services to the unreached clients beyond their branch network as beneficiaries of the BCs are mostly located at unbanked and underbanked areas.
- **Doorstep banking•** - Disbursement and loan recovery at the doorsteps of the beneficiary.
- **Better quality of assets•** - Target clients are well known to local NGOs, Post Offices, BDOs and similar local social bodies, thus loan facilitation by the NGOs/BCs (who are the promoter/builder of the groups) enhances quality of assets.

Challenges faced/Issues

- **Financial literacy**:The beneficiaries need to be financially literate to make apt use of banking services and services need to be more specifically designed to meet demand.
- **Dormant accounts•** - BCs report that more than 80% of saving accounts opened by clients can be inactive, thus transactions after account opening can be minimal.
- **Viability problems•** – The commission paid by banks for BC services is not adequate to produce viable business models. There are costs involved in staff salaries and training and the current compensation structure does

not cover costs. A majority of BCs reported significant losses and some have already suspended their operations.

- **Community mobilization•** - Mobilizing communities for banking services especially savings is a big challenge for the BCs
- **Training requirements•** - In some relationships, banks are providing training to BC staff but still capacity for internalizing new technologies, new products and systems remains a big challenge.
- **Technology integration•** - Integrating their existing technology with the bank's technology is also a challenge in many cases.

A few business correspondents in India are as below*:*

1.)EKO MODEL—BANK ACCOUNTS FOR EVERYONE

Total Customers: 1,100,000

Eko Aspire Foundation (EKO) was appointed as a BC by State Bank of India (SBI) on February 23, 2009, starting with SBI Mini Savings Bank Account at Uttam Nagar, New Delhi. Where in the account holders can do host of financial transactions including deposit and withdrawal from their accounts at SBI Eko Custmer Service Point (CSPs). This EKO model works on the very elementary premise of giving everyone a bank account. The challenge is to build a scalable model by using mobile technology. EKO belives that technology will try cut down the cost of operations and effective use of existing distribution networks which will make the model workable.Features:Providing all services across products like :1) Simply dialing of numbers 2) Leveragesmissed call behavior 3)24X7 availability through mobile 4)No SMS, GPRS or application installation5)Works well with very weak signals 6)Single string for all types of transaction**. Products** provided are as follows:

1. No-Frills Savings Account (Savings)(i) SBI Mini Saving Account, (ii) ICICI Apna Bachat Khata

Prominent Feature: Maintainingzero minimum average balance. Rate of Interest @ 4% p.a. All transactions are done by simply dialing into a mobile phone with minimum cost.

2. Money Transfer (Remittance)

Prominent Features: Types of Remittance services like Tatkal, Outstation Deposit and Outstation Withdrawal and all this by using One Time Use Key. Direct connectivity with SBI CoreBanking System allows CBS No Frill Customers to make ONLINE deposit and withdrawals as well as to make deposits into branch based regular account holders.

Direct Transfers (Electronic Benefit Transfers)
Prominent Features: Government bodies, Large, Medium and Small Scale Enterprises can pay outbenefits, wages, salaries, expenses via Eko BC to the beneficiary/employee by No-frills account and the beneficiary can withdraw funds at any CSP. This helps ease out cash management for theenterprises and in case of Government disbursals, ensures that the benefits reach those that theyare intended for, thus preventing leakage.

2) FINO

Total Customers**:** Over 41,000,000 customers

Founded in July 2006 and headquartered in Mumbai, India, FINO has pioneered the bank-led model of branchless banking across India. FINO is not a bank; it is a technology and operations provider that acts as a conduit between financial services providers and their customers. In a short span of time, the company has begun to play a vital role in bringing financial inclusion to the financially underserved population in India. Acting as a business correspondent for various banks, FINO is a market leader in enabling these institutions to source and service low-value transaction customers and deliver financial services (savings, credit, remittance, insurance) to customers' doorsteps. The people employed by FINO locally and are known as *bandhus* (friends) or agents. FINO's *bandhus* are a critical link between formal financial institutions (such as banks and insurance companies) and the masses of people in urban and rural areas who lack access to financial services. In addition, FINO offers a complete suite of products (savings, credit, insurance, remittance) to meet the financial needs of people without access to banks. A multiple-product suite offering enhances a *bandhu's* chances of increasing the number of transactions per customer, and thereby achieving higher earnings. Along with the financial services, FINO has developed a delivery platform for a unique assortment of value-added e-services to its customers. These doorstep services, offered through partnerships with different service providers, make available yet another avenue for commissions for *bandhus*. They include: Mobile recharge ,DTH (direct-to-home television) recharge ,Railway ticket booking and bus booking ,Insurance premium collection ,Payment of utility bills (mobile and electricity), municipal taxes, and so on

The FINO experience shows that, with the right combination of resources, innovation, and implementation, such an initiative can deliver strong development impact right at the doorstepOur business model derives its strength from robust in-house technology, versatility of operations, scale of the channel, and customer know-how. The challenges of serviceability and scalability of the traditional banking channels have been addressed by way of innovation. In ten years, we have touched the lives of over 100 million customers through over 25000 touch points in 499 districts across 28 states in India.

3) EK GAON EK NETWORK

Total customers: 100,000 approx

Ekgaon services have enriched lives of over a million rural households in India alone over the last thirteen years of efforts. ekgaon is a unique 'For Profit' social enterprise focussed on providing utility services for farmers, rural businesses, under-served rural women and the large urban migrant labour population of aspiring consumer. Ekgaon provides IT-enabled solutions for financial services, agricultural services and e-governance in rural areas. The company provides software solutions to Banks and Insurance Companies to deal with rural markets. Ekgaon Technologies has developed technologies to facilitate savings, including hand held devices to transfer field data to a central server to help, minimize risk and fraud. The project Mahakalasm MIS aims to implement a complete and modular Management and Information System (MIS) for village-based savings and lending groups (SHGs). The MIS will allow central tracking of the accounts, financial position, loan repayment performance and related information for a community of SHGs. The project provides a complete end-to-end system for managing SHG information management and processing needs.

4)Samvriddhi Inclusive Growth Network

Total Customers: 55000

SIGN is holisticallycollaborated with all the stake holders i.e. its Principal Banks, Technical Service Providers, numerous BC Agents, other Civil Societies, NGOs etc. who are engaged into providing Livelihood support to the *Bottom of the Pyramid* masses.They are dedicated towards facilitating Social and Financial Inclusion ameliorating the poverty causes and issues for the un-served and under-served. Super-objectives i.e. SIGN Goal is to create a low-cost and robust delivery channel at affordable costs. They have accepted responsibility for the developmental agencies, Governments, principal Banks and are striving to identify, analyze and resolve issues while meeting deadlines in delivery of financial services and various Social Transfer Schemes. They have so far made decent inroads into 2 large States in India viz. Bihar and Odisha partnering two major Public Sector Banks and one Regional Rural Bank. Principal objective is to facilitate and bring millions of Bottom of the Pyramid (BOP) people under formal and institutional banking arena.**Product Offered are as follows**

1) Savings.- SBI – Tiny Account**,**Central Bank – Vikas Khata**,**Axis Bank – No Frill Account

Union Bank of India – Union Inclusion Card

2) Key Feature and Benefits of the Product : Biometric Authentication-Biometric Smart Card Based in Odisha enrollment by bottom of the pyramid(BOP)people as the bank clients.

;Zero Balance Operations,Disbursementof MNREGS, Indira Awas Yojana, .Pension etc.

3) **Credit-** SB Cum OD Account (SBI and Central Bank)

Key Feature and Benefits of the Product :OD facility after 6 months satisfactory transactions.

4 times Avg. fortnightly balance repayable in 24 EMI.

Insurance- General Insurance, SBI Life for SBI TINY A/C.

4. Remittances - Inward & Outward remittances constrained to max.10, 000 in onetime

Overall Agenda of SIGN is that each family must have at least one Bank Account with affordable cost.

4) SEED Financial Services

Total Customers**:** 1.8 million

SEED has successively reached across 17 states. Their business correspondent services facilitated by both public and private banks have reached the underserved and unserved rural masses by offering a range of financial services. They have also facilitated government's Electronic Benefit transfers (EBT) and Remittance schemes to beneficiaries across India. Under Financial Inclusion projects, SEED created a customer base of 1.5 million smart-card savings accounts holders. Thier business model derives its strength from the versatility of operations, scale of the channel and customer know-how.**Product Offered:**

1. Savings: No frills Savings Account

• **Key Features:**It is no frills zero balance account designed to mainstream the unbanked customer andincrease the outreach of the banking industry to the last mile customer.

2. Insurance

• **Key Features:**It is a hybrid product with a combination of Savings and Risk with low premium, speciallydesigned for the rural customer.

3. Pensions

• Key Features:It isPension Fund Regulatory and Development Authority(PFRDA) product under which small/regular savings upto Rs.1000 attracts an equalcontribution from the Government which after a specific period of time culminates into apension account.

Conclusion:
Financial inclusion strategies of financial services delivery can have atransformer effect on unbanked areas. The access to finance in small amounts ofcredit can dramatically improve welfare – such as women being able to buy a sewingmachine and establish a small business. Awareness is growing that access to a widerset of financial services provides the bottom of the pyramid with capacity to increase or stabilizetheir income, build assets and have much greater resilience to economic shocks. Thiswill help in providing customers with quality banking services at their doorstep and atthe same time generating investments avenues in India. The above BCs are striving very hard on their path to in clinch more towards financial inclusion but the success of programme with depend upon the sustainability of the financial services or product which provided to the unbanked areas. The organizations or Individuals who are working, as BCs need to be motivated more by monetary benefits and should try to overcome the challenges faced by them to uplift the programme to another level. The banks on their behalf should think beyond numbers of customers(Quantity) but the services they are provide to the customers should be satisfactory(Quality).

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Impact of FDIon Employment in India

Jyotsna Borate
Head, Dept. of Commerce,
Mudhoji College, Phaltan

Abstract

Job creation is one of the main challenges for developing countries. Many people believe that FDI can generate many benefits to help solve the capital shortage problem in developing countries. But in terms of job creation, the effects seem more complicated. It has direct and indirect effect on employment. The effect of the FDI on employment is one the most direct expressions of FDI. A substantial amount of development has been observed in the inflows of Foreign Direct Investment (FDI) in India over the last two decades. The extraordinary growth of FDI in 1990 around the world has made it an essential constituent of development strategy for both, developed and developing countries.

Key Words: - Foreign Direct Investment, Development, Growth, Employment.

Introduction

Employment generation is one of the major priorities drawing the attention of the Governments and Economic Planners all over the world. India is no exception. The approach to tackle unemployment problem has varied from time to time. In the initial years of development planning, unemployment was not expected to emerge as a major problem; yet care was taken to see that employment of a reasonable magnitude is generated in the development process to productively employ the growing labour force. Planning in India focused at realizing a high rate of growth of output in the long term. A basic assumption was that shortage of capital goods in relation to employable persons constituted a fundamental constraint on growth in the economy. Therefore the planning process made no attempt to define an independent employment strategy; the focus on economic growth was viewed as essential for improving the employment situation. Initially, labour force expansion was not seen as a problem to be contented with. Thus, in the Five Year Plans, the generation of employment was viewed as part of the process of development and not as a goal in conflict with, or to be pursued independently of economic development. However, it was observed that the rate of growth of employment was generally much lower than the GDP rate of economy. Seasons of severe drought and failure of monsoon exposed large section of population

to extensive deprivation. Successive plan strategies, policies and programmes were, therefore, re-designed to bring about special focus on productive and gainful employment generation as a specific objective. Lack of decent and remunerative employment lowers the self esteem and leads to denial of basic needs of the individual and family and can lead to social instability. It is, therefore, imperative to work towards the goals of decent and remunerative work for all men and women seeking such work in condition of freedom, equality, security and human dignity.

Objectives

1. To study FDI and its impact on employment generation
2. To study Trend and pattern of Agriculture, Manufacturing and Service sector.
3. Factors determining the long term employment generation

Research Methodology

The present study is purely based on secondary data .The data for this study has been taken from various sources such **as books, journals, and websites.**

FDI and Employment Generation

Job creation is one of the main challenges for developing countries. Many people believe that FDI can generate many benefits to help solve the capital shortage problem in developing countries. But in terms of job creation, the effects seem more complicated. It has direct and indirect effect on employment. The effect of the FDI on employment is one the most direct expressions of FDI. A substantial amount of development has been observed in the inflows of Foreign Direct Investment (FDI) in India over the last two decades. The extraordinary growth of FDI in 1990 around the world has made it an essential constituent of development strategy for both, developed and developing countries. However, the most profound effect has been observed in developing nations. Macroeconomists have performed various studies in order to prove that FDI plays an important role in generating employment and improving the economic development.

Apart from being a critical driver of economic growth, foreign direct investment (FDI) is a major source of non-debt financial resource for the economic development of India. Foreign companies invest in India to take advantage of relatively lower wages, special investment privileges such as tax exemptions, etc. For a country where foreign investments are being made, it also means achieving technical know-how and generatingemployment.The Indian government's favourable policy regime and robust business environment have ensured that foreign capital keeps flowing into the

country. The government has taken many initiatives in recent years such as relaxing FDI norms across sectors such as defense, PSU oil refineries, telecom, power exchanges, and stock exchanges, among others. According to Department of Industrial Policy and Promotion (DIPP), the total FDI investments in India during April-September 2017 stood at US$ 33.75 billion, indicating that government's effort to improve ease of doing business and relaxation in FDI norms is yielding results. Data for April-September 2017 indicates that the telecommunications sector attracted the highest FDI equity inflow of US$ 6.08 billion, followed by computer software and hardware –by 2025. India has become the fastest growing investment region for foreign investors in 2016, led by an increase in investments in real estate and infrastructure sectors from Canada, according to a report KPMG.

The following are four different effects of FDI on Job creation:

1-**Employment Creation**: It means the FDI bring new production capacity and new jobs. Meanwhile it can improve the development of relevant industries.

2- **Employment Crowding-ou**t: It means the inflow of the FDI makes the competition more intensive. So some domestic enterprises have had to reduce employment to improve their competitiveness.

3- **Employment Shift:** It means the cooperation between foreign and domestic companies will create joint ventures. That will make workers transfer to new enterprises.

4- **Employment Loss:** It means the foreign-invested enterprise have their own management methods. Those who have not efficiency or are not suitable for this corporate environment will lose their jobs.

Current Scenario

FDI to India has increased significantly in the last decade. However, the growth in FDI flows has been accompanied by strong regional concentration. The findings of the study reveal that market size, agglomeration effects and size of manufacturing and services base in a state have significant positive impact on the regional distribution of FDI flows in India. The impact of taxation and cost of labour is negative. While the impact of quality of labour is ambiguous, infrastructure, however, has a significant positive impact on FDI flows. Mining has a positive

influence on FDI flows, but lacks statistical significance. In September 2017, 15 Japanese companies including Moresco, Toyoda Gosei, Topre and Murakami, signed memorandums of understanding (MoUs) with an intention to invest in the state of Gujarat. Singapore's Temasek will acquire a 16 per cent stake worth Rs 1,000 crore (US$ 156.16 million) in Bengaluru based private healthcare network Manipal

Hospitals which runs a hospital chain of around 5000 beds. France-based energy firm, Engie SA and Dubai-based private equity (PE) firm Abraaj Group have entered into a partnership for setting up a wind power platform in India. US-based footwear company, Skechers is planning to add 400-500 more exclusive outlets in India over the next five years and also to launch its apparel and accessories collection in India. The government has approved five Foreign Direct Investment (FDI) proposals from Oppo Mobiles India, Louis Vuitton Malletier, Chumbak Design, Daniel Wellington AB and Actoserba Active Wholesale Pvt Ltd, according to Department of Industrial Policy and Promotion (DIPP).Cumulative equity foreign direct investment (FDI) inflows in India increased 40 per cent to reach US$ 114.4 billion between FY 2015-16 and FY 2016-17, as against US$ 81.8 billion between FY 2011-12 and FY 2013-14. Walmart India Pvt Ltd, the Indian arm of the largest global retailer, is planning to set up 30 new stores in India in next three years. US-based ecommerce giant, Amazon, has invested about US$ 1 billion in its Indian arm so far in 2017. Kathmandu based conglomerate, CG Group is looking to invest Rs 1,000 crore (US$ 155.97 million) in India by 2020 in its food.

The World Bank has stated that private investments in India is expected to grow by 8.8 per cent in FY 2018-19 to overtake private consumption growth of 7.4 per cent, and thereby drive the growth in India's GDP in financial year 2018-19.

Following sectors attracted FDI as follows

1. **Agriculture Sector:** - The primary sector employs 50% of the total employment directly while 12% indirectly, it has received about 0.16 % in agriculture services and 0.16% in agriculture machinery of FDI, though it is a small fraction of FDI it led to a steady growth in agriculture sector. Capital Intensive technology should be used more to improve productivity. Indian food processing sector has potential to attract US $ 33 billion of investment and generate employment of 9 million persons days by FY 2024 and expected to generate about 8000 direct and 80,000 indirect jobs in the state. Indian food and retail market is projected to touch US $ 482 billion by 2020 from current level of US $ 265. With globalization and increasing trade across about 460 tons valued at US $ 3 billion is traded annually. India has potential for global trade in agriculture and processed food products. The unorganized sector accounts for 42% of India's food processing industry. The sizable presence of small scale industry points out the sector's role in employment generation.

India is second largest producer of food after China. The available land area of159.7 mn hectares are the second largest in the world. India has a strong raw material base for food processing industry. Large agriculture sector, abundant livestock and cost competitiveness makes India strong food processing hub. Lot of opportunities are available in agriculture, food infrastructure and contract farming.

2. **Manufacturing Sector:-** India is an attractive hub for foreign investments in manufacturing sector Size of the manufacturing sector has asignificant positive impact on FDI flows. This implies foreign investors' preference for states witha strong industrial base. Therefore, it is essential forthe less industrially developed states to catch upwith the developed ones to attract larger share of FDI flows. Several mobile phone, luxury and automobile brands have set up or looking to establish their manufacturing bases in the country. With impetus on developing Industrial corridors and smart cities, the government plans enormous development of the nation. India is ranked 4thin the world in terms of manufacturing capability The National Manufacturing Policy(NMP), recently announced by the Government ofIndia is a welcome step and may help in thisdirection if properly implemented. The equity anddistributive justice would be best fulfilled if underthe NMP, the Government gives top priority to thestates with lower industrial base to give them achance of catching up with the others. The budget of 2017-18 has provided for sizable allocation of Rs. 3.96 lakh crore for Infrastructure. It will boost up the cement and steel industry. 12 million youth is ready to join workforce every year. So manufacturing sector should be boosted up. Large manufacturing plants or a big infrastructure projects creates lots of ancillary jobs opportunities which in turn give opportunity for start ups. For any country to generate adequate employment, its manufacturing sector's contribution to GDP has to improve at faster rate.. but this is not the case in Indian manufacturing sector as its contribution is only 16% to GDP. Researchers say the manufacturing sector has the potential to reach USD 1 trillion by 2025 and contribute 25% to India's GDP. So it is expected to generate approximately 90 million jobs by 2025. Currently India has a contribution of 2.2% of world's total manufacturing output. Government of India's Make in India, Pradhan

Mantri MUDRA Yojana Campaign also boosting the manufacturing sector which will definitely create job opportunities in India.

3. **Service Sector: -**The services sector has attracted a largeshare of FDI flows to India in the recent period. Theeconometric analysis also reveals that services sectorhas a significant positive impact on FDI flows. Inaddition, growth of the services sector can createmore employment for skilled, semi-skilled andunskilled people. It has been observed that in therecent period, it is the IT/BPO services which hascreated the largest job opportunity in India and not manufacturing industries. Service sector employs nearly 40% of the population in the economy. The employment in the service increased from 23.7% to 29% in 2016-17. State-wise, there are wide differences in employment of different sectors in rural India. It is found that some west-eastern states like Sikkim, Tripura and Manipur have high share of employment in service sector and again some cities like Delhi and Chandigarh also have high shares of employment in services like 826 and 879 respectively out of 1000 employed people.

   In urban area share of employment in services in most states varies like 833 in Assam, 877 in Meghalaya, 732 in Bihar, 787 in Jharkhand, 716 in Maharashtra, 743 in Rajasthan, 653 in U.P., 641 in Gujarat, 586 in Tamil Nadu, and 683 in W.B. out of 100o employed people. There is a need for promotional and marketing activities for service exports like setting up a portal for services, showcasing India's competence also in non-software services in trade exhibitions, and engaging dedicated brands ambassadors and experts in International level. So that more FDI will be attracted and more employment generation is possible.

Factors determining the employment situation in the Long Term

Taking into consideration the changing situation the following points should paid more attention i.e. Agriculture & allied sectors, Greening the country through Agro Forestry, Energy Plantation for Biomass power Generation, Rural Sectors and Small and medium enterprises(SMEs). These are the sectors which are going to play an important in creating employment opportunities. Even foreign companies are coming to India and lots of

employment opportunities will be created. India is moving towards becoming the world power but some points should be given attention. They are

1. **Labour Force skills:** - Income of labour is determined by productivity. It is not easy to quantify the level of skills in the labour force because data on skill levels are not readily available. Skill development should harness inclusivity and reduce economic and social divisions among Indian workforce particularly across rural-urban, male-female, organized- unorganized and traditional/ contemporary. Understanding of the emerging demands for skills across various industries and economic enterprises will be very useful. Framing National Vocational Qualification Framework comparable with international standards. Demand for multi skilling is increasing.

2. **Education:**-In the modern age, information is knowledge and knowledge is power. Education is a continuous process. It is every human beings right and requirement throughout life.One time learning is no longer enough and continuous learning has become necessary business trends. Those who were looking for potential job opportunities locally are now trying for the global opportunities. Revolutionary development in IT like internet, web, e-mail have virtually reduced distance between people of different nations which helps local population to work for foreign company anywhere in the world without having to leave their country. Business education all over the world has become volatile and rapid gap between the taught and the relevant need is being observed. Quality human resource is asset of the country which is created, shaped by the education system of the country. Modern business education is criticized for its contents and context. The feature of borderless society is free flow of education which is opening up new vistas in the field of conventional and professional education. For maintaining competitive edge in the field of higher education it is necessary for India to develop long term vision, share information and build networks, ensure quality assurance, productivity improvement and technology development. To do this it is necessary to think globally and act locally with foreign universities. Knowledge is power so it should be supported by wisdom and vision.

Conclusion

FDI is an important stimulus for the economic growth of India Government policies Skill development, start up India, make in India, Pradhan Mantri MUDRA Yojana are giving opportunities for the youth and they just have to grab the opportunities and create employment for others. India is going to become economic power in the world as it is having youngest population in the world. Development of the country depends upon the industry development and industrial development is possible with the help of this skilled, enthusiastic and innovative young generation. Development in the field of the technology has opened new vistas. Job opportunities are decreasing day by day in govt and corporate sector also. Development of entrepreneur is the need of the day. The problem of unemployment arises when an adequate response by way of a change in the composition of labour supply is presented either by lack of access to training and education. FDI is providing large opportunities for employment in agriculture, manufacturing and service sector. It has tremendous potential to grow with the help of policies of the government. Self employment opportunities have increased and world market is open for the product and services. Skill development programmes are empowering the youth to face the challenges of the global world. In order to achieve the objectives of full employment industries creating large employment should be encouraged.

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Role of Microfinance in Socio-economic Development of Women

Dr. Ajit Shivaputra Ashte
Assistant Professor
Department of Commerece
SCS College, Omerga
Osmanabad

Abstract

Microfinance is the term that has been used interchangeably with micro-credit.Microfinance refers to loans, savings, insurance, transfer services, micro-creditloans and other financial products targeted at low–income clients (United Nations. 2005a:1). According to Menon (2005:1), microfinance or micro-credit is the extension of small loans to individuals who are too poor to qualify for traditional bank loans, as they have no assets to be offered as guarantee.Microfinance is the provision of financial services to low-income clients, including consumers and the self-employed, who traditionally lack access to banking and related services (Christen, Rosenberg and Jayadeva 2004:2–3). The Association of Microfinance Institutions in Uganda stated that microfinance can be defined as a form of banking service that is provided to low income individuals or groups who would otherwise have no other means of gaining financial services fromformal financial institutions (Understanding the microfinance industry in Uganda2008:3). The researcher therefore used the term 'microfinance' to mean smallloans that are provided to the low income and or poor people.

Microfinance institution/MFI: Microfinance institution is the term that has been used to mean institutions that provide microfinance services. Microfinance institutions also known as MFIs, offer financial services to undeserved, impoverished communities and these services include savings accounts, insurance, health care and personal development (Brennan 2008:1). In Uganda, the microfinance institutions are registered formal financial institutions that register depending on the legal status taken by the person/people registering the institution provided that it falls in any of the tiers under the Financial Institutions Statute (Understanding themicrofinance industry in Uganda 2008:8). This paper aims at to review the picture of microfinance its types and its role in case of the women empowerment.

Key words: Microfinance, women empowerment, co-operative societies, financial institutions etc.

1. Introduction

There are basically the formal and informal types of microfinance servicesprovided by specific institutions. According to Goodland, Onumah, Amadi and Griffith (1999:12), the formal sector comprises those institutions which are subjected to government and central bank regulation and include commercial banks and special agricultural financial organisations, savings and credit cooperative unions and finance programmes operated by NGOs. It is also explained by Goodland et al (1999:16), that the informal sector operates unofficially and escapes regulation and comprises a multitude of different institutions and activities that together play a significant role in Sub Saharan Africa. They include sophisticated but unregulated institutions (credit unions, indigenous banks, and pawn shops), money lenders, merchants, shopkeepers, pawnbrokers, loan brokers, landlords, friends and family, money guard, savings groups, rotating savings and credit associations, accumulated savings and credit associations and employers.In Uganda, there are three common types of microfinance that include the savings and credit cooperative societies (SACCOS), village savings and loan associations and rotating savings and credit associations (microfinancing/the microfinance sector in Uganda 2003:3). It has been found that the SACCOS are member based and owned, organised around a parish, village, profession, activity or district. The village savings and loan associations are self selected groups of fifteen to thirty members. The rotating savings and credit associations are also commonly known as the merry-go-rounds and are organized around a community or work place and members meet regularly to give contributions to a different member each week or month (microfinancing /the microfinance sector in Uganda 2003:3).

2. The progress of microfinance and how it targets women

It has been argued by Massey & Lewis (2003:2) that the topic of women and microfinance has been written about from the perspective of a number of different fields of study and/or practice. They further mention that initial studies viewed microfinance and or micro-credit as a social strategy only often in the context of poverty alleviation in developing countries followed by those in which microfinance was viewed as a potential tool for economic development and most recently, there has been a growing recognition that microfinance has a role in both economic and social development.

It has been observed that the microfinance community and the mainstreamfinancial sector were largely separate throughout the 1980s and early 1990s, but are now converging to create the conditions that are transforming microfinance(Rhyne & Christen 1999:1). It was not until the early 1980s that the microfinance community began to identify itself as a distinct development field when pioneering institutions such as Grameen Bank, Bank Rakyat Indonesia (BRI), and the early ACCION International affiliates began to produce surprisingly positive results (Rhyne & Christen 1999:1). They further explain that these institutions demonstrated products and service delivery methods that reached the poor, generated high payments, covered costs and could be taken to significant scale. According to Goodland et al (1999:23), women have a special position in the provision of microfinance because they are often among the poor and yet they make a substantial contribution to a country's development.

Massey & Lewis (2003:8) observe that much of the literature on microfinance and women deals with perceptions of what barriers exist and details the ways in hich different microfinance programmers operate particularly in the context of the developing countries. They argue that the result of this is a sort of received wisdom that permeates the field at all levels. Vickers (1994:71-75), points out that the micro-credit initiatives of United Nations Development Fund for Women (UNIFEM) that provide loans to purchase raw materials, supports by; providing low cost items which have local market and training women in small scale home industries in Swaziland, while in Gambia, it provides 'coos' mills to reduce the four to six hours a day women spend hand-pounding sorghum and millet.It was observed that women borrowers generally tend to have higher repaymentrates than men in microfinance institutions and they tend to utilise the credit for the purpose it was acquired and exercise higher repayment discipline (UNDP 2005:17)). Women's access to credit comes with the ability to borrow, save and increase incomes which enhances the poor women's confidence and enabling them to better confront the systemic gender inequities (UNDP. 2005:17).

Women also acquire skills of money management, greater control over resources and access to knowledge which lead to greater economic choices (UNDP 2005:17).In addition, they use the proceeds from their income generating activities for the benefit of the family as a whole. Thus the investment of micro-credit in women tends to yield better socio-economic returns (UNDP 2005:17).In Uganda, the

microfinance institutions target women as their clients as a result of donor policy. The NGOs start with solidarity group credit with weekly meetings and instalment period and insist on weekly repayment of all group members and the refusal to accept any repayment unless every single member meets his obligations (Seibel & Almeyda 2002: 3).

3. Microfinance and benefits to women

According to an analysis of findings from South Asia by Kabeer (2005:4711), a review of microfinance efforts from various parts of the world suggest that access to microfinance has had a positive economic impact as members begin to invest in assets rather than consumption. Kabeer (2005:4712), reports that the studies of the Imp – Act (improving the impact of microfinance on poverty) programme in South Asia confirmed that access to financial services improved the economic position of households. The improvement involves; improving asset base and diversification into higher return occupation, promoting the adoption of new agricultural practices, increasing ownership of livestock and levels of savings and reducing reliance on money lenders.

Muzaale (1994:19) explains that in assessing the benefits of the credit scheme to the participating grassroots women, it is useful and appropriate to distinguish between expressed benefits and inferred benefits. Muzaale (1994:19) further explains that the expressed benefits are those benefits of the scheme that are mentioned most frequently by the beneficiaries themselves during focus group discussions and individual interviews. The inferred benefits are those benefits that are analytically discerned from available facts by the researcher. For example, Muzaale (1994:19) further identified expressed benefits to include, reduced dependence on husband support, support husbands to pay children school fees and medical expenses, ability to renovate or move to a better house, giving new vitality to a previously declining project, having money to work with and feeling respected. The inferred benefits identified by Muzaale (1994:19-21) included a linkage to banking system through depositing loan cheque on their project bank account, expansion of business resulting in a lengthened radius of social and economic interaction, expansion or rejuvenation of income generating project which increases social status e.g. being elected to leadership positions in communities, educational experience through training and new concepts articulated and positive self image and confidence especially after loan repayment.

According to UNESCO, over eight million very poor people especially women are benefiting from different microfinance programmes (UNESCO.1997:3). Experiences of these programmes show that provision of micro-credit and savings facilities when efficiently utilized, enables the poor to build strong micro-enterprises, increase their incomes and participate in economic growth (UNESCO 1997:3). It also contributes greatly to the empowerment of the poor, especially women and helps raise awareness and aspirations for education, health care and other social services. In light of these achievements, microfinance is increasingly being considered as an important tool for poverty reduction (UNESCO 1997:3).

According to a study of microfinance in the Asian countries, it was found that the borrowers of microfinance tend to make more money over time through profitable investments that eventually lift them out of poverty (Meade 2001:2). This particular study mentions that the members of the Bangladesh Rural Advancement Committee (BRAC) can expect to see their poverty fall by an average of fifteen percent after three years of participation and for Grameen Bank participants, there is a reduction of poverty by five percent after four years of participation (Meade 2001:2). The study by Meade (2001:3) also revealed that the micro-credit programmes help borrowers to insure themselves against crises by building up household assets and such assets can be sold if needed or used as security or proof of credit worthiness when dealing with businessmen or more traditional lending agencies.

Vonderlack & Schreiner argue that the success of microfinance has been to supply production loans to women who run tiny business enterprises thereby decreasing their disadvantage in the market and increasing their bargaining power in the household (2001: 15). The authors further argue that the mere receipt of loans does not empower women financially or socially but expands women’s access to economic opportunities and resources (Vonderlack & Schreiner 2001:15). Vonderlack & Schriner argue that these loans must be paid and unless a woman has a business or a job to provide cash for debt service, lenders are unlikely to risk loans for reproductive purposes (2001:15).

The aim of the research is to establish the role played by microfinance in the socio-economic development of women in Mpigi Town Council. Thus, it is important to establish whether some of the above benefits that accrue to women elsewhere in the world, have been experienced by the women in Mpigi Town Council.

4. Microfinance and the Millennium Development Goals

The Millennium Development Goals (MDGs) are globally adopted targets for reducing extreme poverty by 2015 and they address income poverty, hunger and disease, lack of education, infrastructure and shelter, gender exclusion and environmental degradation (United Nations 2005c:3). It has been stated that while the MDGs do not formally set targets for financial sector access, low-income countries need microfinance to achieve the MDGs (United Nations: 2005c:3). This is because microfinance underpins the achievement of many MDGs and plays a key role in many MDG strategies. Microfinance fosters financially self-sufficient domestic private sectors and creates wealth for low-income people (United Nations: 2005c:3).

It has also been pointed out that the G8 leaders also support microfinance as an avenue of achieving the MDGs (United Nations: 2005c:12). This is evidenced by the high level conference on enhancing access to microfinance that took place in Paris on 20 June 2004, where they agreed that microfinance is a powerful tool to use in helping to reach the Millennium Goals and discussed how best to promote access to finance globally (United Nations: 2005c:12).

5. The International Year of Micro-credit 2005

The year 2005, was declared the International Year of Micro-credit in order tostress the importance of access to finance and particularly microfinance(United Nations 2005c:4-5). The key objectives for the international year of micro-credit were designed to unite member states and agencies and microfinance partners in their shared interest to build sustainable and inclusive financial sectors and achieve the Millennium Development Goals (United Nations. 2005d: 1). The objectives were to; assess and promote the contribution of microfinance and micro-credit in the MDGs, increase public awareness and understanding of microfinance and micro-credit as vital parts of the development equation, promote inclusive financial sectors, support sustainable access to financial services and encourage innovation and new partnerships by promoting and supporting strategic partnerships to build and expand and outreach the success of micro-credit and microfinance.

Conclusions:

1. Microfinance or micro-credit is the extension of small loans to individuals who are too poor to qualify for traditional bank loans, as they have no assets to be offered as guarantee.
2. The rotating savings and credit associations are also commonly known as the merry-go-rounds and are organized around a community or work place and members meet regularly to give contributions to a different member each week or month.
3. Women also acquire skills of money management, greater control over resources and access to knowledge which lead to greater economic choices.
4. the G8 leaders also support microfinance as an avenue of achieving the MDGs
5. The key objectives for the international year of micro-credit were designed to unite member states and agencies and microfinance partners in their shared interest to build sustainable and inclusive financial sectors and achieve the Millennium Development Goals

Risk Bearing

Prathis R
Sri Krishna Adhithya College of Arts and Science,
Coimbatore

Abstract

Risk management is an activity which integrates recognition of risk, risk assessment, developing strategies to manage it, and optimising the risk using managerial resources. Some traditional risk managements are focused on risks stemming from physical or legal causes (e.g. natural disasters or fires, accidents, death). Financial risk management, on the other hand, focuses on risks that can be managed using traded financial instruments. Objective of risk management is to reduce different risks related to a pre-selected domain to an acceptable. It may refer to numerous types of threats caused by environment, technology, humans, organizations and politics.Risk management occurs everywhere in the financial world. It occurs when an investor buys low-risk government bonds over more risky corporate bonds, when a fund manager hedges his currency exposure with currency derivatives. Stockbrokers use financial instruments like options and futures, and money managers use strategies like portfolio and investment diversification, in order to mitigate or effectively manage risk.Many organisations have spent small fortunes on setting up risk processes and supporting tools, which then fail to deliver the expected value. This is because self-evidently correct process doesn't necessarily work well when trying to get collections of human beings to agree on how to manage potential future events. This applies to projects and programmes of change as well as to organisations as a whole.This paper introduces the concept of risk facilitation as part of the role of the project manager and looks at where this can add the most value. The paper also describes the different steps in the risk management process which methods are used in the different steps, and provides some examples for risk and safety management.

Keywords:*Risk assessment, Threats, Potential future events*

INTRODUCTION:

Two different safety management principles are possible: consequence based safety Management will claim that the worst conceivable events at an installation should not have Consequences outside certain boundaries, and will thus design safety systems to assure this. Risk based safety management maintains that the residual risk should be analysed both with respect to the probabilistic and the nature of hazard, and hence give information for further risk mitigation. This implies that very unlikely events might, but not necessarily will, be tolerated. One description of risk is the following: risk refers to the uncertainty that surrounds future events and outcomes. It is the expression of the likelihood and impact of an event with the potential to influence the achievement of an organization's objectives. Thus this paper deals with the steps to reduce risk factor on the side of an company as well as the project manager.

RISK MANAGEMENT:

Risk management is not new tool and a lot of standards and guidance documents are available. It is an integral component of good management and decision-making at all levels of an organization. All departments in an organization manage risk continuously whether they realize it or not, sometimes more rigorously and systematically, sometimes less. More rigorous risk management occurs most visibly in those departments whose core mandate is to protect the environment and public health and safety. At present, a further generic standard on risk management is in preparation as a common ISO/IEC standard describing a systemic top down as well as a functional bottom up approach. This standard is intended to support existing industry or sector specific standards.

INTEGRATED RISK MANAGEMENT:

The current operating environment is demanding a more integrated risk management approach. It is no longer sufficient to manage risk at the individual activity level or in functional silos. Organizations around the world are benefiting from a more comprehensive approach to dealing with all their risks. Today, organizations are faced with many different types of risk (e.g., policy, program, operational, project, financial, human resources, technological, health, safety, political). Risks that present themselves on a number of fronts as well as high level, high -impact risks demand a coordinated, systematic corporate response. Thus, integrated risk management is defined as a continuous, proactive and systematic process to understand, manage and communicate risk from an organization-wide perspective. It is about making strategic decisions that contribute to the achievement of an organization's overall corporate objectives. Integrated risk management requires an on-going assessment of potential risks for an organization at every level and then aggregating the results at the corporate level to facilitate priority setting and improved decision-making. Integrated risk management should become embedded in the organization's corporate strategy and shape the organization's risk management culture. The identification, assessment and management of risk across an organization help reveal the importance of the whole, the sum of the risks and the interdependence of the parts.

RISK MANAGEMENT STEPS AND TOOLS

The risk management steps are:
1. Establishing goals and context,
2. Identifying risks,
3. Analysing the identified risks,
4. Assessing or evaluating the risks,
5. Treating or managing the risks,
6. Monitoring and reviewing the risks and the risk environment regularly, and
7. Continuously communicating, consulting with stakeholders and reporting.

Establish goals and context:

The purpose of this stage of planning enables to understand the environment in which the respective organization operates, that means to thoroughly understand the external environment and the internal culture of the organization. The analysis is undertaken through:

- establishing the strategic, organizational and risk management context of the organization, and
- Identifying the constraints and opportunities of the operating environment.

Identify the risks:
Using the information gained from the context, particularly as categorised by the SWOT and
PEST frameworks, the next step is to identify the risks that are likely to affect the achievement of the goals of the organization, activity or initiative. It should be underlined that a risk can be an opportunity or strength that has not been realised. Key questions that may assist your identification of risks include:

- For us to achieve our goals, when, where, why, and how are risks likely to occur?
- What are the risks associated with achieving each of our priorities?
- What are the risks of not achieving these priorities?
- Who might be involved (for example, suppliers, contractors, stakeholders)

Analyse the risk:
Risk analysis involves the consideration of the source of risk, the consequence and likelihood to estimate the inherent or unprotected risk without controls in place. It also involves identification of the controls, an estimation of their effectiveness and the resultant level of risk with controls in place. Qualitative, semi-quantitative and quantitative techniques are all acceptable analysis techniques depending on the risk, the purpose of the analysis and the information and data available.

Evaluate the risk:

Once the risks have been analysed they can be compared against the previously documented and approved tolerable risk criteria. When using risk matrices this tolerable risk is generally documented with the risk matrix. Should the protected risk be greater than the tolerable risk then the specific risk needs additional control measures or improvements in the effectiveness of the existing controls. The decision of whether a risk is acceptable or not acceptable is taken by the relevant manager. A risk may be considered acceptable if for example:

- The risk is sufficiently low that treatment is not considered cost effective, or
- A treatment is not available, e.g. a project terminated by a change of government, or
- A sufficient opportunity exists that outweighs the perceived level of threat.

Treat the risk:

An unacceptable risk requires treatment. The objective of this stage of the risk assessment process is to develop cost effective options for treating the risks. Treatment options which are not necessarily mutually exclusive or appropriate in all circumstances, are driven by outcomes that include:

- Avoiding the risk,
- Reducing the risk,
- Transferring the risk, and
- Retaining the risk.

Monitoring the risk:

It is important to understand that the concept of risk is dynamic and needs periodic and formal review. The currency of identified risks needs to be regularly monitored. New risks and their impact on the organization may to be taken into account. This step requires the description of how the outcomes of the treatment will be measured. Milestones or benchmarks for success and warning signs for failure need to be identified. The review period is determined by the operating environment (including legislation), but as a general rule a comprehensive review every five years is an accepted industry norm. This is on the basis that all plant changes are subject to an appropriate change process including risk assessment. The review needs to validate that the risk management process and the documentation is still valid. The review also needs to consider the current regulatory environment and industry practices which may have changed significantly in the intervening period. Clear communication is essential for the risk management process, i.e. clear communication of the objectives, the risk management process and its elements, as well as the findings and required actions as a result of the output. Risk management is an integral element of organization´s management. However, for its successful adoption it is important that in its initial stages, the reporting on risk management is visible through the framework. The requirements on the reporting have to be fixed in a qualified and documented procedure

TIPS FOR PROJECT MANAGER TO AVOID RISK:

- **CAREFUL PLANNING TO AVOID PITFALLS:**

Remember that preparation is key to success. Ensure that there is a clear purpose for each part of the risk process. Think through the possible issues, conflicts and politics that might get in the way. Think about the best way to breakdown the risk process into workshops, small meetings, one -to-one sessions and individual work. What are you trying to achieve at each stage? What makes the most sense in terms of timing? Who needs to be involved and when? How will it flow?

- **POINT OF RISK FACILITATAION IS TO MAKE IT EASY:**

One of the most important roles for a risk facilitator is to make sure that everyone has a clear understanding about the steps in the risk process, their own role in it and the

chance to ask questions if they want to. Once this is in place, the risk facilitator should design the risk work to make it easy for people to play their part. This means bringing risk meetings to life and engendering ownership of risk.

- **MAINTAIN A RANGE OF QUALITIES FOR RISK MANAGEMANT:**

Exhibit 4: Some of the personal qualities required by a risk facilitator

Risk is about perception and each individual in a project team is likely to have a different perception from all the other team members of how risky their project is up to. The following tells it up,

- Have I seen this before?
- What is my automatic reaction?
- How do I feel about it?

Thus it can be used to notify the need.

- **KEEP GROUP ENERGISED AND ENGAGED:**

Risk workshops and the whole risk management process are often considered tedious, dry and detailed. It doesn't need to be like this as project situations change all the time. Risk management needs to keep pace and be dynamic, responding to changes. To achieve this, ideally, the whole team from the project sponsor down need to live the risk process, making it part of daily work. When this happens, discussions about risk become day-to-day conversations and part of governance and decision-making. Workshops need to be designed to be effective and fun for the participants. Project managers who facilitate risk need to work on maintaining their own level of energy, as well as that of the group.

- **CAREFUL PREPARATION IS THE KEY TO SUCCESS:**

Project managers need to be clear on their role when facilitating risk. First of all, they should assess whether they will be able to stay 'vegetarian', out of details of their project, as they run detailed risk workshops. If not, they should invite another project manager or risk facilitator to run their workshops, and take part as a participant.

CONCLUSION:

Risk management is, at present, implemented in many large as well as small and medium sized industries. In it is outlined how a large company can handle its risks in practice and contains a computer based method for risk analysis that can generate basic data for decision-making in the present context. In that study, Trelleborg AB has been chosen as an example to illustrate the difficulties that can be encountered concerning risk management in a large company with different business areas. One typical difficulty is reaching the personnel. Another typical weakness is a missing system for controlling and following up on the results of the risk analysis that has been performed. However, not only industries but also governmental organizations, research institutes and hospitals are now introducing risk management to some extent. Risk management is very important if organisations are to make good decisions in risky and important situations. Projects involve a huge amount of uncertainty and change, and need good decision-making. Facilitating Risk Management is a key role

for project managers and can make the difference between success and failure. By facilitating risk management, project managers can add real value by making the process easy for their colleagues, so they can be creative, productive and have fun while reducing waste, increasing confidence and making better decisions

Endnote:

- what is risk bearing by Wikipedia
- Risk management tools by social review about increased risk
- Risk management on the side on project manager by literature review on research paper
- Tips of project manager by online review

Demonetization and its impact on Indian Economy

VelekarLaxmikantChandrakant
Mudhoji College, Phaltan

Abstract

India's demonetization scheme was a unilateral initiative that was planned in secret-in a back room of Prime MinisterModi's home, in fact by a small group of insiders tied-in with the upper echelons of Indians Government. The strategy was to instantly nullify all 500 and 1,000 rupee bank notes, the most common currency denomination in the country, and then eventually replace them with newly designed, more secure 500 and 2,000rupee notes. This endeavor instantaneously becomes policy when the prime minister announced it via a surprise television address at 10.15 Pm on November 8.

One of Modi's main brands is that of a corruption Fighter, and his demonetization initiative was rushed into effect in an attempt to catch the black market of guard which could potentially lead to a big payday for the central bank if large amounts of illicit cash weren't redeemed. That plan flopped, as almost all of the recalled notes were officially accounted for one way or another.

But this surprise demonetization also did something else; it pushed millions of new user onto the country's digital economic grid by virtual fiat. Not even the banks were notified in advance of modi's plan and even the banks were notified in advance of modi's plan, even with strict exchange limits that prohibited people from exchanging over $ 60 worth of rupees at a time, they simply didn't have enough of the newly designed bank notes on-hand to distribute to the masses looking to the redeem their canceled notes rather than being a 50 day transition, as the Indian government projected it is looking as if it will take Four months to a year before the country's currency supply is restored.

This paper identifies concept of demonetization, Historical background of demonetization, Advantages and disadvantages and impact of Demonetization on Indian Economy.

Key words: Demonetization, Cashless Economy, cash seizures.

Introduction:-

In 2016 the Indian government decided to demonetize the 500 and 1000 rupees notes, the two biggest denominations in its currency system; these notes accounted for 86% of the country's circulating cash with little warning, Indian's Prime minister Narendra Modi announced to the citizenry on Nov. 8 that those notes were worthless, effective immediately and they had until the end of the year to deposit or exchange them for newly introduced 2000 rupee and 500 rupee bills.

Chaos ensued in the cash-dependent economy (some 78 % of all Indian customer transactions are in cash), as long, snacking lines formed outside ATMs and banks which had shut down for a day. The new rupee notes have different specifications, including size and thickness, requiring re-calibration of ATMs; only 60 % of the country's 2, 00,000 ATMs were operational. Even those dispensing bills of lower denominations faced shortages. The government's restriction on daily withdrawal amounts added to misery, though a waiver on transaction fees did help a bit.

Definition of "Demonetization" –

"Demonetization is the act of stripping a currency units of it's status as legal tender it occurs whenever there is a charge of national currency. The current forms of money is pulled from circulation and retired, often to be replaced with new notes or coins. Sometimes, a country completely replaces the old currency with new currency." www. wikipedia.com

Objectives of the study:-

1) To study Historical background of demonetization.
2) To study Advantages and Disadvantages of demonetization.
3) To study impact of demonetization on Indian economy and suggest a conclusion.

Research Methodology-

The descriptive methodology has been used to collect data. Secondary data has been collected from various published sources, reference books, journals, periodicals, newspaper, internet websites.

Historical background of Demonetization in India :-

1) The first currency ban –

In 1946, the currency notes of Rs.1000 and Rs.10,000 were removed from circulation. The ban really did not have much impact, as the currency of such higher denomination was not accessible to the common people. However, both the notes were reintroduced in 1954 with an additional introduction of Rs. 5000 currency.

Rs.500 and Rs.1000 notes were introduced in 1934 and after four years in 1938, Rs.10,000 notes were introduce.

2) The second ban –

That came in 1978; the then prime minister of India Morarji Desai announced the currency ban taking Rs.1000, Rs.5000 and Rs.10, 000 out of circulation. The sole aim of the ban was to curb black money generation in the country.

3) Similarities in 1978 and 2016 ban –

The note ban by morarji Desai also aimed to drive away black money out of circulation in the economy. Hence, the high denomination bank notes Act were implemented.

NarendraModi announced the currency ban in an address that was broadcasted across all news channels.

Advantages of Demonetization:-

1) Elimination of counterfeit currency –

It is not rocket science to understand that counterfeit currency is generally circulated in highest demonetizations notes to impact most. So, by demonetizing the highest currency notes India could almost eliminate 100% fake currency out of circulation in one stroke.

2) Abolish Black Money –

People having black money generally keep their black money in highest denomination currency notes. This step would abolish black money from the economy as the owners will not be in a position to deposit the same in the banks.

This step would make black money kept in cash which generally used to create chaos and terror or terrorists, Maoists, naxalites, scrap.

3) Financial inclusion for Jan Dhan account holders –

Government opened Jan Dhan accounts for financial inclusion purpose, but people were reluctant to keep money in the bank, but after this step of government people will start depositing their cash into banks thereby strengthening Indian Banking system, citizen are and will become beneficiaries of financial inclusion.

4) Strengthen Indian Banking System –

This will automatically lead to more amount being deposited in saving and current account cash laying out of economy flow is now coming into circulation. This turn will enhance the liquidity position of the banks.

5) Price cut in real estate –

As we all know the hype in real estate prices is because of the circulation of black money would get out of circulation from this sector. Eventually the sky touching prices of the properties will come down to the reach of a common man. Finally a common man can buy his dream home soon. Hopefully!

6) Deflation –

Price level is expected to be lowered only marginally and temporarily due to moderation from demand side.Small vendors who generally deal in cash would now start using cashless modes for transactions or digital methods.

Disadvantages of Demonetization:-

1) Stock market crash –

As a combined effect of demonetization and US presidential election the stock market indices dropped to an around six month low in the week following the announcement. BSE SENSEX crashed nearly 1,689 points and NIFTY 50plunged by over 541 points.

By the end of the intraday trading section on 15 November 2016, the BSE SENSEX was lower by 565 points and NIFTY 50 index was below 8100 intraday.

2) Agriculture –

Transaction in the Indian agriculture sector is heavily dependent on cash and was adversely affected by the demonetization of Rs. 500 and Rs.1000 banknotes.

3) Impact on Business –

By the second week after demonetization ofRs.500 and Rs.1000 banknotes, cigarette sales across India witnessed a fall of 30-40%.

While E-commerce companies' saw up to a 30 % decline in cash on delivery orders. Several E-commerce companies held the demonetization decision as an impetus to an increase in digital payments. They believe that would lead to a decline in code returns which is expected to cut down their costs.

4) Banking Sector –

Banking sector in not well equipped with such demonetization move affecting it's day to day function although governments is taking adequate steps in this regard.

5) E-mode of payments –

Although in benefits E-mode of payment but it largely for educated people, No specific provision for uneducated/ village people living in interior areas of cities/ villages.

Impact of Demonetization on Indian Economy :-

Demonetization is a generation's memorable experience and is going to be one of the economic events of over time. Its impact is felt by every Indian citizen. Demonetization affects the economy through the liquidity side.

Demonetization technically is a liquidity shock; a sudden stop in term of currency availability. It creates a situation where lack of currencies jams consumption, investment, production, employment etc. The intensity of demonetization effects clearly depends upon the duration of the liquidity shocks. Following are the main impacts –

1) Liquidity crunch –

Liquidity shock means people are not able to get sufficient volume of popular denomination especially Rs.500. This currency units is the favorable denomination in daily life. It constituted to nearly 49 % of the previous currency supply in terms of value.

2) consumption will be hit –

When liquidity shortage strikes, it is consumption that is going to be adversely affected first.

3) Loss of growth momentum –

India risks its position of being the fastest growing, largest economy reduced consumption income, investment etc. may reduced India's GDP growth as the liquidity impact itself may last three four months.

4) Corruption –

Corruption in India is not merely an evil of the society, but an accepted part of every person's life in the country. Removing that part with banning and changing currency seems impossible. But the concept of cashless economy, has came up an idea of ' corruption and black money free India' and has managed to reduce the instance of corruption to a remarkable extent by bringing transparency in the transaction.

According to transparency International's corruption Index, even though India is still the most corrupt country in Asia , Corruption related reports have reduced by 10% since 2015.

5) Unaccounted Wealth –

India Ratings and Research has concluded that only 12 % of the ill-gotten money could be extracted with idea of demonetization while 88 % of the black money is still in circulation in Indian markets. It is evident that the decision of the demonetization has not been able to hit ill-gotten money holders, hard instead some of them have used it to legitimize their black money.

6) Economic sector of India –

Scarcity of cash forced many small scale industries to burn down to ashes. Commercial banks found it difficult to bridge the gap between the supply of banned notes from people and the supply of currency notes from RBI. Moreover, the National Statistical Commission revealed that demonetization hampered the growth of the construction industry, which is the second largest employment generating industry in the country.

7) Stock Market -

The share market indices dropped to an around six month low in the week following the announcement. The day after the demonetization announcement, BSE SENSEX crashed merely 1,689 points and NIFTY 50plunged by over 541 points, By the end of the intraday trading section on 15 November 2016, the BSE SENSEX index was lower by 565 points and the NIFTY 50 index was below 8100 intraday.

8) Agriculture –

Transactions in the Indian agriculture sector are heavily dependent on cash and were adversely affected by the demonetization of Rs.500 and Rs. 1000 banknotes. Due to scarcity of the new banknotes, many farmers have insufficient cash to purchase seeds, fertilizers, and pesticides needed for the plantation of rabbi crops usually sown around mid-November. Farmers and their unions conducted protest rallies in Gujarat, Amritsar and Muzaffarnagar against restriction imposed by the reserve Bank of India on district co-operative central banks which were ordered not to accept or exchange the demonetized banknotes.

9) Banking Sector –

The State Bank of India reported to have received more than Rs.300 billion in bank deposit in first two days after demonetization. A spike in the usage of debit card and credit card post demonetization was also reported. According to the Economic times, more than 80% of fake currency in India originates from malda district in west Bengal.

10) Income tax raids and cash seizures –

The finance ministry instructed all revenue intelligence agencies to join the crackdown on forex traders, hawala operators and jewellers besides tracking movement of demonetized currency notes. Income tax departments raided various illegal tax-evasive business in Delhi, Mumbai, chandigadha, Ludhiana and other cities that traded with demonetized currency. The enforcement Directorate issued several. FEMA notices to forex and gold traders. Large sum of cash were seized indifferent parts of the country.

Conclusion

Central government's recent decision to demonetize the high value currency is one of the major step towards the eradication of black money in India. Government need to take all the necessary steps so as to ensure that there will be a smooth flow of currency exchange. It will make a massive change in our economy.

Some economics expert said that positive impact of demonetization will showed in future. Government's has also increased the withdrawal limits. The quiz in front of banks and ATMs has reduced. Somehow black money also comes out. Now we should wait and watch the overall impact of demonetization drive.

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Demonetisation and Economic Growth

Heena Shaikh
Asst. Professor
Department of BBA,
Abeda Inamdar Senior College, Pune

Abstract

In last year, Demonetization was a major economic incident and a bold move by the government. As soon as the PM announced about demonetization, a debate started in the whole country. On the news channel, at the offices, everywhere everyone wanted to understand the effects of demonetization as it was not so obvious. I was also one of them who were interested, curious and excited about the recent event. I thought that I should understand the economic point of view of such a big event as economics student. All these things inspired me to dig into this topic.

Context and Objectives

On the evening of 8th November 2016, Indian Prime Minister Mr. Narendra Modi announced a sudden denomination of ₹ 500 and ₹ 1000 rupee notes. Instead of RBI Governor Urjit Patel, surprisingly Prime Minister announced the news of demonetization that these banknotes would not be legal tender after midnight of the 8th November. means the high value notes will not be legal for transaction. Although the old notes can be exchanged till 31st December 2016. There were set an upper limit of cash withdrawals from bank is ₹ 10,000 per day (up to ₹ 20,000 per week) per account and from ATM ₹ 2000 per day per account from 10 to 13 November which is changed from 14 Nov. to ₹ 24,000 per week from bank and ₹ 2,500 per day from ATM per account till 31st Dec., although a needy person can withdraw with valid reason.

According to RBI report on 31st march 2016, ₹ 500 and ₹ 1000 banknotes consist around 86% of total cash circulation having value of ₹ 15.44 lakh crore. In this process 97% of old notes around ₹ 14.97 lakh crore were deposited in bank before 31st December. (Demonetization and Its Impact on Indian Economy)

The objective is to understand the impact of demonetisation on economic growth.

History

In India, there were many occasions when high denomination banknotes were demonetized.
RBI printed the highest denomination notes of ₹ 10,000 in 1938. After that government demonetize ₹ 1,000 and higher denomination banknotes in 1946. Higher denomination bank notes (₹ 1,000, ₹ 5,000, ₹ 10,000) reintroduced in 1954 and all

of them were demonetized in 1978 to curb unaccounted money. First time ₹ 500 banknotes were introduced in 1987 in order to restrain over increasing banknotes, due to inflation and in 2000 again ₹ 1000 banknotes came back in circulation in order to contain the volume of bank notes in circulation, due to inflation.

However, ₹ 2,000 banknotes were first time introduced in Nov 2016. Along with India many countries in the world had done demonetization in the history. Almost countries that had done demonetization had some common objectives of demonetization which were to curb corruption and black money and their government decided to demonetize their higher denomination notes to rid of these problems. Here is the list of some countries that had done demonetization:

List of countries in the world that had done Demonetization:

Country Name	Year	Objective	Results
Nigeria	1984	to fix, debt burdened and Inflation-ridden economy	economy collapsed
Soviet Union	1991	Fight against unearned income, Smuggling and corruption	The economic system of the USSR was essentially crushed
Ghana	1982	To control black money	People turned to foreign currency
Myanmar	1987	To curb black money	led political dispute died thousands of people
North Korea	2010	lower down the market of black money	miserably Failed
Zimbabwe	2010	Sliding out from Hyperinflation	Failed
Australia	1996	To the curb black money crisis and Improve security features on the notes	Success
Britain	1971	To bring uniformity in currency	failed in other countries except Britain
Zaire	1990	A plan to withdraw obsolescent currency from the system	Failed
USA	1969	Due to black money	Success
Pakistan	2015	To get rid from Black Money, Counterfeit Currency	Messed Up
Germany	1923	Due to high domestic prices	Inflation fell
Philippines	2016	To preserve the integrity of currency	

(Jangid, Rakesh)

Growth

This section assesses the impact of demonetisation on growth and inflation and their outlook in the context of subsequent remonetisation.

The growth of gross value added (GVA) is expected to have been impacted primarily by the liquidity shock, i.e., limited access to currency as a medium of exchange for effecting transactions in the economy. This impact is expected to have worked through two channels: (a) decline in demand due to shortage of cash to make payments, mostly on discretionary spending; and (b) disruption in production activity due to man hours lost as some workers, especially those in the unorganised sector who get their wages paid in cash, experienced temporary loss of work. The construction sector and some of the labour intensive manufacturing sectors such as textiles, leather, gems and jewellery and the transportation sector engage casual/migrant labourers extensively. The loss of wage income for workers is also expected to have caused a drag on consumption demand.

The wealth effect is another channel through which demonetisation could have impacted economic activity. However, the precise estimate of currency that returned to the banking system is not yet available as the reconciliation process is still on. Hence, the adverse wealth effect on account of SBNs not returning to the banking system could be assessed only after the reconciliation exercise is complete.

The Reserve Bank in its Fifth Bi-monthly Monetary Policy Statement on December 7, 2016 placed the GVA growth for 2016-17 at 7.1 per cent, which was lower than 7.6 per cent GVA growth projected in its Fourth Bi-monthly Monetary Policy Statement of October 4, 2016. The 50 basis points (bps) downward revision in GVA growth was on account of 35 bps loss in momentum, which was reflected in GVA growth in Q2 estimated by the Central Statistics Office (CSO) in November 2016 and 15 bps on account of the adverse impact of demonetisation. The CSO in its first advance estimates released on January 6, 2017 placed the GVA growth for 2016-17 at 7.0 per cent.

The overall GVA growth in the Sixth Bi-monthly Monetary Policy Statement on February 8, 2017 was pegged lower at 6.9 per cent. The impact of demonetisation on GVA growth was estimated at about 33 bps for the full year 2016-17. After the peak impact in Q3, GVA growth was estimated to strengthen with the progressive remonetisation in Q4. As per the second advance estimates of the CSO released on February 28, 2017, GVA growth for 2016-17 is pegged at 6.7 per cent, which is about 30 bps lower than what was estimated on January 6, 2017. Importantly, Q3 growth (at 6.6 per cent) was only marginally lower than that recorded in Q2 (6.7 per cent), thereby suggesting that demonetisation had only a modest impact on growth in Q3 of 2016-17.

Impact on Growth: 2016-17

The underlying factors for GVA growth estimate of 6.9 per cent as presented in the Sixth Bi-monthly Monetary Policy Statement on February 8, 2017 are detailed below.

Organised Sector

Although the organised sector on the whole remained resilient, some manufacturing and services segments were adversely affected.

Within industry, electricity generation was expected to have been impacted the least, with the share of the unorganised sector being very low and the share of informal employment close to zero. Weak demand for electricity was already a challenge before demonetisation, with power generation in excess relative to demand. In November and December, however, electricity generation increased by 8.9 per cent and 6.3 per cent, respectively, which was higher than the average growth of 4.5 per cent recorded during April-October, 2016. In January 2017, however, it decelerated to 3.9 per cent. Coal production also increased by 6.4 per cent in November, 4.4 per cent in December and 4.8 per cent in January (as against contraction in the previous three months).

Organised manufacturing was impacted adversely as evident from (i) the decline in the sales of fast moving consumer goods (FMCG) (as per the Nielsen survey) and automobiles in all the months from November to January; (ii) contraction in the manufacturing purchasing mangers' index (PMI) in December for the first time in 2016; and (iii) deceleration in export growth during November (Table 1). The data released by the Society of Indian Automobile Manufacturers (SIAM) suggested that auto sales contracted by 4.7 per cent in January 2017 but returned to expansion mode (by 0.9 per cent) in February. In the two-wheeler segment, the impact was severe, especially in rural pockets. The PMI for manufacturing in January and February 2017 as well as export growth in December 2016 and January 2017 rebounded. As regards sales of consumer goods, the 2016 festival season was the best since 2012, coming as it did on the back of a healthy monsoon and the 7th pay commission award. However, demonetisation impacted sales performance of consumer durables industry.

Manufacturers also cut production due to rising inventories. The adverse impact of demonetisation on disposable incomes and hence on consumer spending resulted in slowdown in domestic demand for apparels and other end-products of textile industry. The impact was reportedly most severe for winter-wear retailers and manufacturers focused on the domestic market, who make a significant part of their annual sales during the period October-February. Although from the manufacturers' end, shipments typically take place by September-October, pressure on sales in the retail space during the subsequent peak season would have indirectly affected

manufacturers. Overall, the impact was expected to have been felt across the textile value chain.

The organised corporate sector appeared to have remained largely resilient to the impact of demonetisation going by the quarterly results announced for Q3 (see Table 17 in Section III), which is the key indicator for estimating growth in manufacturing GVA. However, according to the Centre for Monitoring Indian Economy (CMIE), new investment proposals dropped to ` 1.41 trillion in Q3 as against an average of ` 2.36 trillion in the preceding nine quarters. In terms of number of new investment proposals, Q3 was the lowest in a decade.

Some segments in the services sector also appeared to have been adversely impacted. The services PMI fell sharply from 54.5 in October to 46.7 and 46.8 in November and December, respectively, entering contraction territory for the first time after June 2015. Despite improvement in January to 48.7, it remained in contraction mode. In February, however, the index at 50.3 returned to modest expansion mode. Production of cement, one of the main indicators for the construction sector, decelerated sharply in November, and contracted by 8.7 per cent and 13.3 per cent in December 2016 and January 2017, respectively. Sales of commercial vehicles – an indicator for transportation activity – contracted by 11.6 per cent in November, 5.1 per cent in December 2016, and 0.7 per cent in January 2017, as against an average growth of 6.9 per cent during April-October 2016. In February, it increased by 7.3 per cent. Growth in sales of passenger vehicles also decelerated to 1.8 per cent in November and contracted by 1.4 per cent in December, but rebounded sharply to 14.4 per cent in January 2017 and expanded by 9 per cent in February.

Organised real estate essentially reflected the performance of listed real estate companies. Although the S&P BSE realty index declined significantly after demonetisation till end-December 2016, it rebounded subsequently (see Table 16 in Section III). While real estate prices reportedly held up, sales and new launches declined. According to Knight Frank India, demonetisation move created a real dent in the residential real estate sector, pulling back the last quarter trend of residential sales substantially across the cities. After demonetisation, expectations of downward correction in house prices seemed to have impacted registrations in some of the cities in November. In December, however, registrations appeared to have bounced back, though they were lower than in October.

Two major components of the organised sector under services, viz.; financial services and public administration, imparted significant resilience to the overall GVA growth momentum. The average growth of deposits and credit (a key indicator for financial services) remained largely unchanged after demonetisation. Insurance premiums collected by insurance companies, another key indicator, recorded a year-on-year (y-o-y) increase of 72.1 per cent in November (set out in detail in Section II), before moderating in December 2016 and January 2017. Growth in public administration

(i.e., revenue expenditure net of transfers) exhibited robust growth in H1, which was expected to continue through H2. In these two segments (i.e., financial services and public administration), the unorganised sector's share is zero and informal employment is negligible.

In transportation, domestic air passenger traffic growth was robust at 22 per cent in November and 23.9 per cent in December and 25.6 per cent in January 2017 (similar to the average growth in April-October). Domestic air cargo traffic contracted by 0.6 per cent in November, but revived to 7.5 per cent in December and 10.1 per cent in January. Growth in international air cargo traffic (at 15.4 per cent) and international passenger traffic (at 7.7 per cent) remained strong in November. The upbeat trend continued in December and January. Service tax collections - a lead indicator for communication and other services -registered a growth of 43.9 per cent in November, but decelerated to 13.1 per cent in December and further to 12.1 per cent in January.

Unorganised/Informal Sector

The unorganised sector accounts for about 45 per cent of GVA and 82 per cent of total employment (Table 3). Hard data on the unorganised sector are collected only infrequently and then used for fixing the base period benchmark by the CSO (i.e., 2011-12 for the new GVA/GDP series). For subsequent years, estimates are extrapolated from the base year benchmarks using suitable proxy indicators from the organised sector or by applying past trends. Following the standard "labour input (LI)" methodology, the number of workers (from the 68th round of Employment and Unemployment Survey, NSSO) and the value added per worker (from the 67th round of Enterprises Survey of NSSO) in the industry are used for fixing the base year estimates. For example, for estimating the unorganized manufacturing GVA, labour input (LI) and GVA per effective worker (GVAPEW) are fixed for the base year 2011-12, and subsequent quarterly/annual estimates are generated by applying the IIP growth, until data from the Annual Survey of Industries (ASI) become available (see Annex A and B for details). Similarly, for unorganised services, the indicators used for estimating quarterly/annual GVA are sales of motor vehicles (for maintenance and repair of vehicles); sales tax growth (for retail trade); service tax growth (for repair of personal and household goods); corporate performance (for hotels and restaurants); and growth in registered vehicles (for transportation). Therefore, in the absence of any hard data on the unorganised sector, the assessment was based on the indicator approach used by the CSO.

Growth Outlook for 2017-18

The factors underlying GVA projections for 2017-18 as presented in the Sixth Bimonthly Monetary Policy Statement on February 8, 2017 are explained below.

As the impact of the liquidity shock was assessed to largely dissipate by midFebruary, growth was estimated to bounce back in 2017-18. With rapid remonetisation, pent up demand was likely to boost consumption demand. After demonetisation, some workers were reported to have received wage payments in advance, but in the form of credit to bank deposits. Since the propensity to consume is high for the working class population, their consumption was expected to increase with the improving access to cash. Accordingly, consumption demand was expected to get a boost in 2017-18 as compared with the second half of 2016-17.

Investment demand was also expected to benefit from the improved transmission of the cumulative 175 bps cut in the repo rate to lending rates amidst structural surplus liquidity conditions in the banking system. Many banks reduced their MCLR postdemonetisation (see Section II for details). The positive revenue impact stemming from better reporting of transactions and tax enforcement/compliance was also expected to create space for higher public investment. Economic activity in the cash-intensive sectors such as retail trade, hotels and restaurants, and transportation, as well as in the unorganised sector, was expected to be rapidly restored. The overall business climate should improve with the medium-term positive effects of demonetisation starting to gain traction. Some of the indicators available, such as PMI for manufacturing and services in February, sales of passenger cars in January and February, and an upturn in manufacturing production growth in January pointed to signs of a recovery in growth from the November/December lows. The emphasis given in the Union Budget to curb the parallel economy, and the expected buoyancy in collection of direct taxes as per the budget estimates was expected to ultimately get manifested in greater formalisation of the economy. The measures announced in the Union Budget 2017-18 for the infrastructure sector, MSMEs, low cost housing and agriculture were expected to strengthen the recovery. Taking into account these likely drivers of growth, and the baseline assumptions of a normal monsoon and the budgeted fiscal deficit of 3.2 per cent of GDP, GVA growth was projected to strengthen to 7.4 per cent in 2017-18

Most of the external agencies – both domestic and international – lowered their growth projections for India in 2016-17, from a range of 7.0-7.9 per cent before demonetisation to 6.3-7.3 per cent after demonetisation. For 2017-18, however, they have projected a significantly higher GDP growth, in the range of 6.75-7.8 per cent(Macro Economic Impact of Demonetization- A Preliminary Assessment (Pg.5-Pg. 11))

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Co-operative Movement and Economic Development of Maharashtra

Prof. D.P.Kotkar

Abstract

The Maharashtra state was established on 1st May 1960. Maharashtra has contributing the important role co-operative sector. Co-operative movement is one of the important factor in the development of Maharashtra. Great Social leaders late Yashwantrao Chavan, Vitthalrao V.K.Patil, Dhananjay Gadgil, Late Vasantrao Patil contributed the development of co-operative sector in Maharashtra started in 1904, after the establishment of Maharashtra the importance of co-operative movement grows in economics, politics and sociology. Maharashtra is one of the constituent state in India in the development of co-operation because of favorable leadership and governmental policies.

Keywords: Co-operative movement, leadership, Co-operative Act 1904.

Role of Co-operative Movement in Maharashtra Economic Development:

Agriculture development is the base of economic and industrial development of Maharashtra. Co-operative societies through the fundamental facilities there has done improvement in standard of living is needy and weekly members which is leaving in rural and urban area.Co-operative credit societies, co-operative spinning, co-operative sugar factories, dairy co-operative and other processing industries have given contribution in the employment opportunities.

In Maharashtra co-operative societies are doing help to the weaker sections for the economic growth through the educational development.Co-operative bank business has developed habit of saving to the members and to help for the economic development.

Co-operative societies through the fundamental facilities have done improvement in standard of living in needy members which is leaving in rural & urban area. In the co-operative sector, Maharashtra has given the contribution in the employment opportunities. In Maharashtra co-operative societies are doing help to the weaker sections for the economic growth through the educational development. Co-operative bank business has developed habit of saving to the members and to help the economic development.

Objectives of the Study:

1) To study the role of the co-operative sector in economic development of Maharashtra.
2) To study the role of co-operative movement in economic development of Maharashtra.
3) The important role of co-operative sector in economic development.

Hypothesis of the Study:

1) The regional imbalances in Maharashtra co-operative sector.
2) The important role of co-operative sector in economic development.

Table No.1
Regional imbalances in Maharashtra's co-operative development

S.No.	Division	2005-06	2006-07	2007-08	2008-09	2009-10
1	Mumbai	25134	26839	28188	30129	31121
2	Kokan	31164	32790	32613	32697	34244
3	Nashik	30547	31341	31513	31839	31841

4	Pune	30957	31800	32638	3308	34067
5	Kolhapur	24269	24976	24531	24828	25806
6	Aurangabad	1133	11939	12284	12700	13071
7	Latur	16548	16975	17175	17514	17919
8	Amravati	10624	11347	11717	12118	12475
9	Nagpur	12131	10740	13106	13490	13735
	Total	192797	200740	202352	208023	214279

Source : Maharashtratil Sahakari Chalval, Eka Drushtikshepat 2005-06 to 2009-10

Above Table No.1 shows the regional position of co-operative societies in co-operative development in Maharashtra from 2005-06 to 2009-10. There is increasing trends in co-operative societies in Mumbai, Kokan, Nashik and Pune division Comparatively other divisions. But Nagpur, Amravati and Aurangabad these divisions are showing the slow growth of co-operative societies.

Findings:

1) There is regional inbalance in the co-operative movement of Maharashtra. Mumbai, Kokan, Nashik, Pune and Kolhapur these divisions are developed in co-operative societies and Latur, Amravati, Nagpur and Aurangabad under developed in co-operative societies and it is serious questions.
2) The Share of co-operative credit societies, co-operatives banks and non-agriculture co-operative credit societies is important in the development of co-operative sector in Maharashtra.
3) Government policies, lack of leadership, principles of co-operation are the factors responsible for the regional imbalance of co-operative movement in Maharashtra.

Conclusion:

1) Government of Maharashtra must try to balance the development of co-operative movements.
2) There are challenges before co-operative movements in 21st century in Maharashtra, there is need of favorable government policies for the co-operative movement.
3) Today's co-operative societies and management of co-operative must try to give the benefits and justice to the people of weaker section in the society.

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Demonetization: It's Impact on Indian Economy

Nazir Ahmad Ahmadi
Research Student
Department of Economics
AISC, Pune

Abstract

Demonetization refers to withdrawal of a particular form of currency from circulation. Demonetization is necessary whenever there is a change of national currency. The old unit of currency must be removed and substituted with a new currency unit.

The argument posited in favor of demonetization is that the cash that would be extinguished would be black money and hence, should be rightfully extinguished to set right the perverse incentive structure in the economy. While the facts are not available to anybody, it would be foolhardy to argue that this is the only possibility. Therefore, it is imperative to evaluate the short run and medium-term impacts that such a shock is expected to have on the economy. Further, the impact of such a move would vary depending on the extent to which the government decides to remonetize. The paper focuses about the shift of demonetization taken by Central Government of India First time on 12 Jan 1946 (Saturday), second time on 16 Jan 1978 (Monday), Third time on 8th November 2016 (Tuesday) with regards to its reasons and its impact on economic growth of India.

The economic growth cover high rates of growth per capita output, high rates of structural transformation of the economy, high rates of social, political and ideological transformation, and so on. The research is based on secondary data collected from different newspapers, online sources, and books mentioned in references.

- **KEYWORDS :**

Demonetization, Reasons of demonetization, Economic growth of India.

- **INTRODUCTION :**

Demonetization refers to an economic policy where a certain currency unit ceases to be recognized or used as a form of legal tender. In other words, a currency unit still loses its legal tender status as a new one comes into circulation.

The government can take such decisions to stop the circulation of a denomination of notes or coins in the economy.

The currency unit that has been demonetized is withdrawn from circulation. During the implementation of this policy, the currency unit that has lost its status as a legal tender is deposited with the banks or other authorized financial institutions and replaced with units that still have legal tender status.

Demonetization can also be referred to as the process of moving people from a cash-based system to a cashless system (digital system).

Keeping hard cash is a practice that is not encouraged by the government as well as financial institutions. It is easy for people to evade taxes in an economy where people mostly deal with cash. Keeping cash out of the bank also erodes the deposit base of these financial institutions and drives the cost of credits through the roof. It means that the government has to opt for foreign sources to secure funding and in the process increase the national debt. The economic impacts of which are many and severe. Moving people to a cashless system is, therefore, a favorable economic policy for many stakeholders.

To demonetize in its simplest definition is thus to do away with cash. In a market environment that is mainly defined by technology and efficiency, it is every government's desire to have a huge section of the population embracing electronic and mobile payment methods.

- **OBJECTIVES OF THE RESEARCH:**

The objective of this research is to identify the causes and impact of Demonetization since 1946 on economic growth of India.

- **METHODOLOGY :**

Keeping in view of the objectives, in the present study secondary data has been used. Data has been collected from various research papers, magazines and articles. In addition to this study, data have also been collected from various journals, economic and political weekly and the research is also based on the referred sources- published, unpublished and electronic.

- **THE BIRTH OF A DEMONETIZATION IN INDIA :**

The French were the first to use the word Demonetize, in the years between 1850 -1855. Since then many countries have used the word and the policy with immense restriction and discomfort, for it disrupts economics and population at large.

INDIA HAS DEMONETIZED BEFORE:

First time on 12 Jan 1946 (Saturday), second time on 16 Jan 1978 (Monday), Third time on 8th November 2016 (Tuesday).

In the first time, the measure did not succeed, as by the end of 1947, out of a total issue of Rs. 143.97 crores of the high denomination notes, notes of the value of Rs. 134.9 crores were exchanged. Thus, notes worth only Rs. 9.07 crores were probably 'demonetized', not having been presented. The results of the demonetization measure were summed up by Sir Chintaman in February 1957, as under:

It was really not a revolutionary measure and even its purpose as a minatory and punitive gesture towards black-marketing was not effectively served. There was no fool-proof administrative method by which a particular note brought by an individual could be proved as the life-savings of the hard-working man who presented it or established as the sordid gains of a black-marketer. Another loophole of which

considerable advantage was taken was the exemption of the princely States from scrutiny or questioning when such notes were presented by them. In the end, out of a total issue of Rs.143.97 crores, notes of the value of Rs.134.9 crores were exchanged up to the end of 1947 as mentioned in the Report of the Board of Directors of the Reserve Bank. Thus, notes worth only Rs.9.07 crores were probably "'demonetized", not having been presented. It was more of "conversion", at varying rates of profits and losses than "demonetization".

GOVT. STRIKE AT 'BLACK' CAPITALISTS

NOTES OF RS. 500, 1,000 AND 10,000 CEASE TO BE LEGAL TENDER

Procedure for Exchange By Banks and Others Laid Down

Another Ordinance Issued

NEW DELHI, Jan. 12.

Currency notes of the value of Rs. 500, Rs. 1,000 and Rs. 10,000 cease to be legal tender from today, under the provisions of a new Ordinance issued today, following the one published this morning calling on Banks and Treasuries to declare their holdings of currency notes of the value above Rs. 100.

The Demonetisation Ordinance issued today is a step taken to deal with black marketing in the country.

"The working capital of black market operations," says an official announcement, "is believed to be held ...

... deemed to be the owner of the notes for all purposes. Where the declaration appears to be incomplete in its particulars ...

BANK NOTES ORDINANCE

REACTIONS IN BOMBAY

BOMBAY, Jan. 12.

The promulgation of the Bank Notes Ordinance this morning by the Governor-General came as a surprise to financial and business circles in Bombay. Many people, not understanding the real implications of the ordinance, rushed to their banks at 11 a.m. to exchange their holdings of currency notes of denominations of 100 and above, but they were promptly told by the Bank authorities that it was a Bank holiday and that no notes could be exchanged.

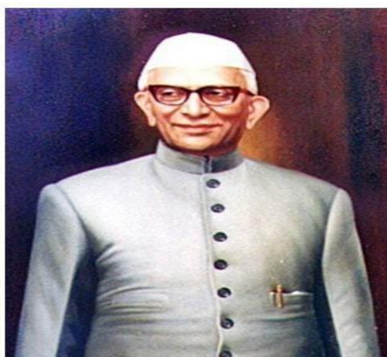
The new Ordinance had its repercussions in the Mahalaxmi Race course today where an announcement was made before the commencement of the races that the race course authorities would permit cashing of only one note of higher denomination mentioned in the Ordinance at a time. This announcement disappointed many punters who had gone to the races with notes of higher denominations and they were unable to exchange them for smaller notes. ...

In the second time, The Finance Minister H.M. Patel in his budget speech on 28 Feb 1978 remarked:

The demonetization of high denomination bank notes was a step primarily aimed at controlling illegal transactions. It is a part of a series of measures which Government has taken and is determined to take against anti-social elements.

As the FM did not say anything about the success of the exercise, one can almost guess that it did not create much impact like in 1946.

In January 1946, banknotes of 1000 and 10000 rupee were withdrawn and new notes of 1000, 5000 and 10000 rupee was introduced in 1954. The Janata Party coalition government had again demonetized banknotes of 1000, 5000 and 10000 rupee on 16 January 1978 as a means to curb counterfeit money and black money.



Demonetization was done by the first non-Congress govt in Independent India by Morarji Desai-led Janata Party in Jan 1978

demonetization of all 500 and 1,000 banknotes of the Mahatma Gandhi Series. The

government claimed that the action would curtail the shadow economy and crack down on the use of illicit and counterfeit cash to fund illegal activity and terrorism. The sudden nature of the announcement—and the prolonged cash shortages in the weeks that followed—created significant disruption throughout the economy, threatening economic output. The move was heavily criticized as poorly planned and unfair, and was met with protests, litigation, and strikes. Prime Minister of India announced the demonetization in an unscheduled live televised address at 20:00 Indian Standard Time (IST) on 8 November. In the announcement, Modi declared that use of all 500 and 1000 banknotes of the Mahatma Gandhi Series would be invalid past midnight, and announced the issuance of new 500 and 2000 banknotes of the Mahatma Gandhi New Series in exchange for the old banknotes.

- **REASONS OF DEMONETIZATION IN INDIA:**

According to The Reserve Bank of India, there were mainly three reasons to take the said initiatives which are like:

1) To address black money in the economy.
2) To control the cash circulation in the country relevant to corruption
3) To remove fake currency and dodgy funds used by terror groups to fund terrorism in India

According to Narendra Modi there are reasons behind demonetization, and its impact on economy

1) To eliminate money laundering from the society
2) To remove inequality of wealth distribution among the poor and reach people
3) To weed out black money from the economy
4) Online method of payment
5) Moving towards a cashless economy

According to Arun Jaitley there are reasons behind demonetization, and its impact on economy

1) Steps against Black Money
2) Increase in income tax
3) To prevent the adverse consequences of Cash
4) Anonymity of black money can now be identified with its owner
5) Availability of more money in the economy to lend for economic growth
6) Large percentage of people have supported the Government's decision.
7) To have a more modern, technology driven cleaner economy.

According to my studies there are reasons behind demonetization, and its impact on economy.

1) **Boost deposit base and savings**
2) Improve monetary transmission and reduce lending rates
3) Create room for further monetary accommodation
4) Ready, steady, *now go*: financial inclusion via Jan Dhan
5) Support government finances

6) Positive impacts from a bond market perspective
7) Rise in GDP growth potential

- **Impact of Demonetization on Economic Growth of India:**

Demonetization has created various impacts on the economic growth of India. According to this research Mostly researchers are in the view that demonetization impacts more positively on economic growth of India than its negative impacts. For the research paper researcher has considered various positive impact where there has been vital impact according to researchers:

1. **Over Black Money:** Black money is considered as a Cancer in any economy. It is a parallel economy, which weakens the foundation of any country. It is estimated that in India, the total amount of black money is Rs. 3 lakh crore. It is huge if we see that the total money in circulation is only Rs.17 lakh crore. With this single master stroke of demonetization, all the black money will either come to account book or will be destroyed.
2. **Over Fake Currency:** According to the ISI (Indian Statistical Institute), the circulation of the total amount of fake currency in India is Rs.400 crore at any given point of time. It is also estimated that around Rs 70 crore fake currencies are being injected into India every year.
3. **Over Bank Deposit:** It is well-known fact that near about 86 percent currency circulation in India was composed of 500 and 1000 currency notes. And demonetization of these notes made people deposit their money which was in the form of 500 and 1000 Rs notes into the banks. RBI had declared Bank had received Rs 5.12 trillion worth of deposits until 18th November. This deposit of money can boost Indian GDP by 0.5 to 1.5 percent. India's largest public sector (SBI) said it had received Rs.1.27 trillion worth of cash deposits.
4. **Over Lending Rates:** This huge cash deposit base will enable banks to cut down the cost of funds because higher deposits will replace the high cost of borrowing and reduce overall costs of funds. It can be expected that banks can reduce deposit rates in near future. The new directives of MCLR (Marginal Cost of Funds based Lending Rate) will instantaneously take into account the lower cost. This will pave the way for a decline in lending rates, which will expedite the economic activity in the medium term.
5. **Over Real estate cleansing:** It is repeatedly said that real estate industry is built on black money. The extent of black money circulation in the sector is huge. According to report at least 40 percent of real estate transactions in Delhi-NCR are being done in black money. The demonetization move will curb the flow of black money into the real estate sector.
6. **Over Hawala transactions:** Demonetization has badly affected the hawala rackets. Hawala is a method of transferring money without any actual money movement. Intelligence reports indicate that Hawala route is mainly used as a means to ease money laundering and terror financing. With black money suddenly being wiped out of the market hawala operations have come to a constant halt.

7. **Over Financial inclusion:** The inflow of cash into the banks will enable them to offer subsidized loans and other facilities to Jan Dhan account holder. The share of Jan Dhan accounts in total deposit base of the banking system is under 1%. The demonetization drive of higher denominated notes might propel cash deposits in Jan Dhan accounts. This move will also make Jan Dhan Account holders to be accustomed to banking system.

➢ **Observation and Findings :**

According to this research we can visibly find out that the Indian Government has demonetized three times for several aspects as mentioned below:

- To track fake currency.
- To cutoff the supply line money, arms and immunizations to terror funding.
- To transform Indian economy into cashless economy.
- To bring tax evasion to halt.
- To unearth and curb the black money.
- To curb illegal and unethical business activities such as, the black marketing, food adulteration, marketing of spurious goods, human trafficking, smuggling of gold and drugs.

➢ **Conclusion :**

Demonetization is a beneficial process even though it has some demerits that may render it unfavorable in various ways. However, before any demonetization program is carried out, it should be carefully though through and its impact on the poor should be considered. In this way, demonetization can be a chance for a fresh new start, or it can be something that causes unnecessary confusion for a country.

The Demonetization undertaken by the government is a large shock to the economy. The impact of the shock in the medium term is a function of how much of the currency will be replaced at the end of the replacement process and the extent to which currency in circulation is extinguished. While it has been argued that the cash that would be extinguished would be "black money" and hence, should be rightfully extinguished to set right the perverse incentive structure in the economy, this argument is based on impressions rather than on facts. While the facts are not available to anybody, it would be foolhardy to argue that this is the only possibility.

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Contribution of Dairy Sector to the Rural Economy

Dr. V. H. Kshirasagar,
Research Scholar
Abeda Inamdar Research Centre, Pune

ABSTACT

India economy is predominantly an agrarian economy. In fact it plays pivotal role in shaping the Indian economy. Traditionally the Indian agriculturists are pursuing their agriculture activities with the help of manual or bullock labour. One peculiarity of the agriculture sector is that by and large it is a seasonal activity and the agriculturists get the sale proceeds of the crops only after the harvesting of the crops grown. Therefore, the agriculturists usually have ready cash crunch to maintain their family's day to day cash requirements. It is in this context the dairy activity which is called activity allied to agriculture comes in picture. Therefore, the Indian farmers are traditionally pursuing dairy activity which satisfies their ready cash requirements. The by-products available from the dairy farming also help the villagers their need for organic fertilizers, biogas plant make available the energy, and light etc. The dairy activity has improved the life style of the villages because of the availability ready cash returns from the sale proceeds of the milk to the societies. This has also changed the mindset and the approach of the villagers to the socio economic development of the villages and now they are coming forward to supplement the governmental efforts of developments. It is in this manner the dairy sector has contributed a lot to the rural economy.

Key Words: Dairy ensures availability of ready cash, by-products add to the returns, socio-economic development of the villages

1. Introduction:

India economy is predominantly an agrarian economy. In fact it plays pivotal role in shaping the Indian economy. Traditionally the Indian agriculturists are pursuing their agriculture activities with the help of manual or bullock labour.

2. Evolution of Dairy Activity:

Earlier in the time of human civilization the culture of utilizing the services of the livestock was practiced for thousands of years they were using very strict & scientific breeding technique where land was made available for grazing of cattle's and the milk produced by than was either used directly for drinking while the version others by product like ghee was used in version Vedic methodologies.

In today's scenario, where these is rise in industrialization and atomization has geared up resulting in need of fast life, fast food and fast money minting techniques this resulted in practice of adulteration of the milk for the more greedy and unhealthy practices.

3. Contribution of Agriculture & Activities Allied to Agriculture

The following table throws light on the contribution of the agriculture sector as well as activity allied to agriculture of which dairy activity is more prominent.

India's GDP growth rates during the period 2010-11 to 2014-2015
F. Y. Ending 31st March of

	2011	2012	2013	2014	2015
India's growth rate of GDP (2004-05 prices) (Factor Cost)	8.91	6.69	5.6*	6.6*	7.2*
Industrial growth GDP (2004-05 prices)	7.55	7.81	5.00*	5.9*	7.3*
Agriculture & Allied Sector (2004-05 prices)	6.60	5.02	1.5*	4.2*	-0.2*
Services Sector Growth	9.67	6.57	7.08*	10.3*	9.2*

(Source: Reserve Bank of India, Central Statistical Organization, Finance Ministry CSO 30/05/2014)
* At 2011-12 prices.

4. Indian Rural Sector:

Following are the specific features of the Indian rural area:

a) **Size of the area:** As compared to the urban communities the villages are smaller in area, and the density of pollution is also less as it comprises of the villages.
b) **Density of population:** As the population density is less in the villages almost everyone knows each other in the village and in the vicinity.
c) **Agriculture is the principle economic activity:** The principle economic activity is agriculture. Majority of the residents own their agricultural lands and there is one more class which is referred to as agricultural labourers. The agriculture labourers do not have their own lands but they earn their livelihood by earning wages from the labour on the agricultural fields.
d) **Living in the natural environment:** In the rural area the residents are in close contact with the nature. There is no air pollution. Their rural routine is revolves with the natural environment. They regard their agricultural land as their mother as it provides food, shelter and clothing not only for them but the surplus generated is marketed.
e) **Homogeneity:** Usually majority of the houses are connected. Their lands are but naturally connected. Their occupations are also the same. Because of the thickness of relationship with each other, they also work on each other lands. In most of the villages the relations are quite harmonious irrespective of the religion, caste, class to which they belong to.
f) **Social stratification:** The rural society is divided amongst various castes which are traditionally based on their occupations.
g) **Social Interaction:** As compared to the urban areas the rural areas witness lower social interaction. In the primary groups the interaction is quite intimate.
h) **Social Mobility:** Social mobility in the rural are relatively less mainly because the society is divided based on the castes which are based on their occupation. The caste hierarchy is predominant. Switching over to a new occupation outside the caste is very difficult.
i) **Social unity:** As compare to the urban and metropolitan areas the social unity is very thick. For any function, even the society comes together and helps each other.

j) **Joint family:** It is a peculiar feature of the rural families. The land ownership is in the name of the head of the family. The lands are usually not divided until the death of the head of the family. The lands are jointly cultivated. Generally the head of the family enforces discipline and control the family.

5. Indian Agriculture:

Indian agriculture is predominantly dependent on the vagaries of monsoon. Majority of the agriculturists peruse dry land farming. Hardly few agriculturists have availability of dependable water supply and can take irrigated crops. The government is trying its best to increase the level of the irrigation facilities across the nation. In the state of Maharashtra the Govt. has taken a massive campaign for construction of small water storage projects at the field level called Jal Shivar Yojana through which with a little investment the agriculturists are able to bring at least part of their land under irrigation and cultivate cash crops. There is no gestation period in this project.

6. Role of Dairy Activity

One peculiarity of the agriculture sector is that by and large it is a seasonal activity and the agriculturists get the sale proceeds of the crops only after the harvesting of the crops grown. Therefore, the agriculturists usually have ready cash crunch to maintain their family's day to day cash requirements. It is in this context the dairy activity which is called activity allied to agriculture comes in picture. Therefore, the Indian farmers are traditionally pursuing dairy activity which satisfies their ready cash requirements.

Apart from the availability of cash, the dairy activity also supplements the dairy activity in number of ways.

a. If a dairy farmer is undertaking dairy activity for a longer period it is expected that he is running the activity profitably. If he is resorting to ploughing back of profits, naturally the income generation from the dairy activity will show an increasing trend which ultimately helps him to improve positively his life style.

b. Whenever an agriculturist or even landless labour pursue dairy activity, it is but natural that from out of the milk produced he will take out part of it for his family consumption. Whatever surplus milk is there, it is then sent to the dairy or to the actual consumer. There may be some agriculturists who are producing milk for their captive consumption only.

c. As has been stated earlier the dairy activity is an activity allied to agriculture. The agricultural crops do require manures for boosting the crop production and at the same time maintain the quality of the agricultural land. The dairy farmer gets the cow dung as a byproduct of the dairy activity. This cow dung is daily collected and stored in a pit nearby which in course of time gets converted into organic manure which is very much useful for the crops. Apart from the cow dung, the dried and fallen leaves on the farm is also collected and dropped in the cow dung pit as a raw material for the manure. The final product that comes out from the pit is called as Farm Yard Manure (FYM).

Sometimes, if the number of livestock is sizable the dairy farmer in the first place uses the cow dung for the biogas plant through which he generates the electricity or gas for the cooking purposes and then slurry left out in the plant is also used as rich manure.

d. Cow dung is the by-product of the dairy activity. If the livestock holding is sizable, naturally the dairy farmer prefers to have a biogas plant at his residence. The Government of Maharashtra is also providing subsidy for construction of biogas plant. The cow/buffalo dung along with the dried and fallen leaves available on the farm freely can be used as an input for the biogas. This biogas generates electricity on which the farmer can accomplish his cooking gas requirement as well as some bulbs in the house as well as in Cattle shed (Gotha) too. The slurry –the residue from the biogas plant is used as Farm Yard Manure which is very much useful. If the size of the dairy is exceptionally large the F.M.Y. can also fetch some income as F.M.Y. is in good demand.

e. The dairy societies give regular payment of the sale proceeds of the milk supplied by the dairy farmers, usually at fortnightly intervals. This is the greatest advantage of the dairy activity.

f. Dairy is an economic activity and the objective of running this activity is naturally is to earn surplus /profit. When the activity is undertaken continuously, naturally it is expected that it will generate surplus/ profit which, will have positive impact on the total earning of the dairy farmer. When the dairy activity is smoothly running there is bound to be overall surplus generation in the village and the dairy is the instrument through which this income generation is taking place. When there is surplus generation / profit the villager's life style also improves.

g. In the rural area because of the disguised unemployment, number of youth from this area is migrating to the nearby urban area. This is because the agriculture activity cannot provide round the year employment. The situation has led to the crisis when farm mechanization is making inroads in the agricultural sector. The dairy activity in the rural area naturally opens new opportunities for the youth. They may either start dairy activity of their own, or they can open milk collection centres, starting of cattle feed mill, shops for supply of veterinary medicines, etc. All these are the self-employment endeavors.

h. In the normal course, agriculturists get seasonal income, as and when the crop is harvested. His main difficulty used to be availability of liquidity, i.e. availability cash in between the harvesting seasons. The dairy activity is such an activity which makes ready cash available at an interval of a fortnight or monthly. The dairy farmer gets the sale proceeds of the milk supplied. The dairy activity supplements the income kitty of the agriculturists. It is but natural that the surplus generated from the dairy activity provides some room for improvement of the life style of the dairy farmer. This increased income level has changed the approach to the socio-economic developmental activities. Their approach towards hygienic conditions has improved. The

increased purchasing power has helped the villagers for education, and communication etc. All this, is the result of the increased purchasing power that has been created by the dairy societies.

7. The Socio Economic Development of the Rural Area:

Over the years the governments both central and state are heavily investing in the development of the rural infrastructure for the development of the regions. The government has recognized the potential offered by the dairy activity and has developed all weather roads, provision of rural electrification, provision of veterinary services, and the skilled staff for Artificial Insemination etc. This has improved the economic condition of the rural masses. The Government efforts as well as the participation of the rural masses have helped in the development of the infrastructure in the rural areas. Now we find there are all weather roads, electricity is available, schools and at the Taluka places higher education facilities are available, primary health centers are available. All this development increase the potential of the rural area for further development.

8. Conclusion:

Considering all the above discussion which throws light on the utility of the dairy activity in the rural areas, it can well be stated that this activity has helped the socio economic development of the rural area over the years. This has certainly positive impact on the dairy farmers life style as well as approach towards education, health care etc. which in turn has changed the canvas of the rural area. It will be pertinent to note that where the dairy activity is being pursued in those areas there is absence of farmer's suicide. The government of Maharashtra is also aware of this fact and is now persuading the farmer community from Vidarbh Region to go in for this dairy activity for which government is offering support. Thus the dairy has a bright future in time to come.

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Impact of Demonetization on Economic Growth of Indian Economy- A Micro Analysis

Dr. Farida Mohd Gaus Shaikh
Associate Professor &
Head, Department of Economics
Poona College, Pune

Abstract

Demonetization has been a very controversial policy of the central government with its positive and negative effects on Indian economy. While the facts are not available to anybody, it would be foolhardy to argue that this is the only possibility. Therefore, it is imperative to evaluate the short run and medium-term impacts that such a shock is expected to have on the economy. Further, the impact of such a move would vary depending on the extent to which the government decides to remonetise. This paper elucidates the impact of such a move on the availability of credit, spending, level of activity and government finances.

Keywords: demonetization, cashless transactions, credit, tax evasion

Introduction

The government has implemented a major change in the economic environment by demonetising the high value currency notes – of Rs 500 and Rs 1000 denomination. These ceased to be legal tender from the midnight of 8th of November 2016. People have been given upto December 30, 2016 to exchange the notes held by them. The proposal by the government involves the elimination of these existing notes from circulation and a gradual replacement with a new set of notes. In the short term, it is intended that the cash in circulation would be substantially squeezed since there are limits placed on the amount that individuals can withdraw. In the months to come, this squeeze may be relaxed somewhat. The reasons offered for demonetisation are two-fold: one, to control counterfeit notes that could be contributing to terrorism, in other words a national security concern and second, to undermine or eliminate the "black economy".

There are potentially two ways in which the pre-demonetisation money supply will stand altered in the new regime: one, there would be agents in the economy who are holding cash which they cannot explain and hence they cannot deposit in the

banking system. This part of the currency will be extinguished since it would not be replaced in any manner. Second, the government might choose to replace only a part of the currency which was in circulation as cash. In the other words, the rest would be available only as electronic money. This could be a mechanism used to force a transition to cashless medium of exchange. The empirical extent of these two components will be unravelled only over the next six months. These two would have different effects on the economy in the short term and in the medium term, as will be explored below.

To understand the effects of these dimensions, it is important to first understand what is it that cash does in the economy? There are broadly four kinds of transactions in the economy: accounted transactions, unaccounted transactions, those that belong to the informal sector and illegal transactions. The first two categories relate to whether transactions and the corresponding incomes are reported for tax purposes or not. The third category would consist largely of agents who earn incomes below the exemption threshold and therefore do not have any tax liabilities. The uses that cash is put to for these various segments of the economy can be summarised in the following Table . Finally, there would be demand for cash for illegal purposes like bribes in elections, spending over sanctioned limits, dealings in crime and corruption. If one takes a snapshot of the location of cash at any given point of time, it is difficult to predict what the breakup of the cash according to these categories would be, but it would be safe to say that each of these components would be represented in that snapshot.

Description of the activity	Unaccounted transactions (legitimate transactions but not tax paid)	Illegal transactions (corruption, crime, etc.)	Informal sector transactions	Accounted transactions
Medium of Exchange	Incomes are earned through	Payments for crime	Incomes are earned in cash and spent in	Transaction demand for money

	exchanges in cash, payments are made in cash		cash	
Store of value	Balances held in the interim until alternative investment options become available (there exist a number of instruments which yield better return than cash – real estate, lending in the unaccounted or informal sector, and so on.)	Balances held in the interim until alternative investment options become available (there exist a number of instruments which yield better return than cash – real estate, lending in the unaccounted or informal sector, and so on.)	Savings as well as precautionary purposes (as yet unbanked in the psychological sense)	For emergencies (precautionary demand for money)

Turning to the effects of demonetisation, the first major and sustained effect of demonetisation would follow from the extent to which the currency is extinguished and what this currency was being used for. It is being assumed that all currency which will potentially be extinguished would be currency being used as a store of value in the first and second category of transactions in the table above. If this assumption is correct, then the impact of extinguishing this currency would be limited. On the other hand, if the currency is used for any of the other transactions in the economy, either as

a store of value or more importantly, as a medium of exchange, then the impact on the economy and the agents in the economy could be substantial. If, for instance, the extinguished cash was used as a medium of exchange in financing unaccounted income generation or income in the informal sector, demonetisation would result in these activities closing down and a corresponding reduction in the incomes and employment associated with these activities.

The spillover effect would be felt by the organised sector as well since the consumption from the incomes generated would extend to the formal sector as well. The next question to ask would be: would these activities/agents choose to come within the folds of the formal sector as a result of the changed economic environment or would they remain outside or worsen the activities and would be extinguished along with the losses generated from the cash that was extinguished.

The second change as discussed above, from demonetisation would arise if only a part of the currency deposited in the banks is returned to circulation as cash. This change, if it is executed, would dramatically change the economic environment in the country by forcing agents to move from using cash as a medium of exchange to using cash substitutes. This appears to be a real possibility given that the Finance Minister as well as the Governor of the Reserve Bank of India have repeatedly emphasised that agents should be moving to the use of cashless medium where there are no problems in comparison to the cash based medium. For instance, The Hindu reported that " Reserve Bank of India (RBI) has urged citizens to switch to alternative modes of payments such as pre-paid cards, credit and debit cards, mobile banking, and Internet banking."

In a press conference on November 12, the Union Finance Minister too said that "Those in businesses should start using digital payment gateways, cards and banking system. Life will become simpler in the new financial system that is the only viable option." The effect of this change too would be felt differently across the different segments of the economy – agents operating within the formal sector and agents who are familiar with the modern technology would be placed on different footing compared to other agents who need to make the transition.

In what follows, an attempt is made to present a discussion of the likely effects classified into very short term as in the next two months, the short term as in a six months to a year and the rest as medium term. Within these, an attempt is made to

distinguish between the effects if there is full remonetisation to the extent of deposits made in banks and a scenario of partial remonetisation.

Short-term impacts of demonetisation

- GDP formation will be effected with the reduction in consumption demand. Consumption ↓→ Production ↓→ Employment ↓→ Growth ↓→ Tax revenue ↓
- Certain sections of the society namely agriculture sector, small traders, households, SME's, daily wage earners etc. will face short term disruptions due to absence of liquid cash.
- Money supply will reduce in the short-run until the new 500Rs. & 2000Rs. gets widely circulated in the market.
- Negative impact on disposable income and the consumption patterns of the people is expected.
- Less currency circulation will reduce inflation.
- Short term recession in sectors like real-estate, construction material, textile, handicrafts etc.
- Its impact will be seen on farmers as this is the harvest time and farmers generally deal in cash.
- Rate of capital formation growth will go down as no investments will take place.

Long-term impacts of demonetisation

- Government revenue will boost up as more earnings would be declared. The unbanked people will move to banking like Jan-dhan contributing towards government's efforts of financial inclusion.
- Demonetization will set accountability in motion as service/sales tax is not paid by people like local photographers, tailors etc. and thus their income goes unaccounted.
- Collection of higher taxes will help in nation building like development of roads, infrastructure, transportation and many others.
- Increase in nation developmental projects will demand more labor and other skilled manpower which will give rise to employment opportunities.

- It will bring more business in taxation i.e. GST benefits.
- Cash in system will boost educational loans and business loans thus bringing more opportunities.
- It will lead to better business environment, less corruption and transparency.
- Substantial increase in the demand of Digital transactions system, E-wallets, usage of plastic money, online transactions using E-banking etc.
- Gold imports will be reduced because of the investments in gold by people as an alternative to cash deposit in the bank.

The reason for this move was simple: India's Ministry of Finance claimed that 500 and 1,000 rupee notes are being used to finance terrorism, fund illegal drug sales, fuel the black market, drive counterfeiting, and pay bribes. This so-called "black money" had reputedly built up to such epic proportions that Prime Minister Modi declared that enough was enough, that he would take it upon himself to wash his country's currency supply in one fell swoop. Demonetization can be said as a direct attack on Black Money, Terrorism, Fake Currency, Unorganized trading, Real Estate, Share market etc. on the other hand if we talk about the Indian industry on a broader way it can be categories in three parts Manufacturing sector, Service sector and Agriculture sector. After demonetization only Agriculture sector shows some positive improvement while if we talk about the manufacturing and service sector both were crashed down and these will affect the whole Indian market in 2017 also. As of December 28, official sources said that the Income Tax department detected over 4,172 crore of un-disclosed income and seized new notes worth 105 crore as part of its country-wide operations. The department carried out a total of 983 search, survey and enquiry operations under the provisions of the Income Tax Act and has issued 5,027 notices to various entities on charges of tax evasion and hawala-like dealings. The department also seized cash and jewellery worth over 549 crore out of which the new currency seized (majority of them 2000 notes) is valued at about 105 crore. The department also referred a total of 477 cases to other agencies like the CBI and the Enforcement Directorate (ED) to probe other financial crimes like money laundering, disproportionate assets and corruption.

To conclude the decision of demonetization will prove excellent in long run and our tax consultant will earn a huge profit because now the people will appoint them for the returns and filling and the government can earn huge economic benefit.

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A Study of Stress Asset's and Non-performing Assets (NPAs): Indian Banking

Dr. S. J. Daware
Maharashtra Education Society,
Garware College of Commerce,
Karve Road, Pune

Abstract

Banking sector plays a very vital role to provide credit to the needy. Finance is the main component of the overall development of the economy as well as banks profitability is dependent upon it. Banks profitability is concerned with the stress assets and Non-performing assets (NPAs). Indian banks have shown resilience in the subprime crisis of 2008 and have got many external shocks such as Euro crisis, Brexit etc. Indian banks basically are inadequate of capital and infrastructure. Indian banks are going through transformation phase of digitalization, financial inclusion, demonetization, Goods-Service Tax (GST).

Presently Indian economy finance is driven by the Public Sector Banks (PSBs) share near about 72%. But the situation of the PSBs under NPAs is vulnerable, volatile and continuously rising. This research paper focuses on the PSBs which have heavy pressure of the NPAs. Thus for huge corporate loans it is mandatory for banks to earn more profit to maintain their balance sheet. Banks have shown negligence in identifying worthiness of creditor to pay back loan money. Indian industry sector is slow to respond to growth; delays of the project enhance cost of the banks and its repaying capacity leads furtherNPAs ratio rise. Especially industry sectors such as steel, textile, power and manufacturing have not paid loans.

Keywords: Non-performing assets (NPAs),Public Sector Banks (PSBs),Corporate loans, Indian Economy, Goods-Service Tax (GST).

Introduction

Due to the subprime crisis of 2008 in US, 2011 Euro crisis, Brexit, the global scenario is that there is a gloomy recovery of growth. Global Gross Domestic Product (GDP) is expected to be 3.1% in 2016-17. Global GDP will be hovering around 3 to 4% upto 2020. Advanced countries have GDP around 1 to 2%. In higher growth trajectory China and India are at 7 to 8% with most influencing countries in the world.

Indian economy is recognized as the fastest developing economy in the world. The Central Statistics Office (CSO) released its advance estimates for 2016-17 on January, 6 placing India's real GVA growth at 7.0 percent for the year, down from 7.8 percent (first revised estimates released on January 31) an year ago. Indian economy is growing at a good rate but financial health of banking sector is not good. The total stressed asset in the Indian Commercial Banks was 11.5% as the end of March 2016.

Stressed assets consists of NPAs and restructured loans and written off assets. Ratio of stressed assets to gross advances of the Indian banking system is increasing from 2013 onwards. It has risen from around 6% at the end of March 2011 to 11% at the end of March 2015. Public sector banks is 1.5% in March 2015 and Private sector banks is at 4.6.%

Objectives of the Study

1. To know the present status of financial health of Indian banking.
2. To understand the concept of stressed assets.
3. To make aware about the NPAs ratio.
4. To make findings and suggestions about the NPAs of Indian banking.

Hypothesis

NPAs are important for Indian bankingand is strong correlation with financial sector.

Research Methodology

The present research study is based on the secondary data. Researcher has referred books, journals, national and international publications and internet for the purpose of analysis. Web links official sites of RBI and Government of India are also referred.

Analysis

Table 1.1: Status of Gross NPAs of Indian Banking (Rs. Crore)

Year	Public Sector Banks	Private Sector Banks	Foreign Banks	All Scheduled Banks
1997	43577	2542	1181	47300
1998	45653	3186	1976	50815
1999	51170	4655	2357	58722
2000	53033	4761	2614	60408
2001	54672	5963	3106	63741
2002	56473	11662	2726	70861
2003	54090	11782	2845	68717
2004	51537	10381	2894	64812
2005	48399	8782	2192	59373
2006	41358	7811	1928	51097
2007	38968	9256	2263	50486
2008	40452	12997	2859	56309
2009	44957	16926	6444	68328
2010	59926	17639	7133	84698
2011	74600	18100	5000	97900
2012	117839	18315	6297	142903
2013	165606	21071	7997	194074
2014	228074	24542	11579	264195

Source: Epw time series data

From the above table 1.1, we can see gross NPAs of Indian banking alarmingly rising. In 1997 total gross NPAs of all the scheduled banks was Rs. 47300 crore to Rs. 264195 crore. NPAs is expanding vastly due to the huge credit demand by the borrowers of real estate and corporate sectors.

Chart 1.1: Status of gross NPAs of Indian Banking (Rs. Crore)

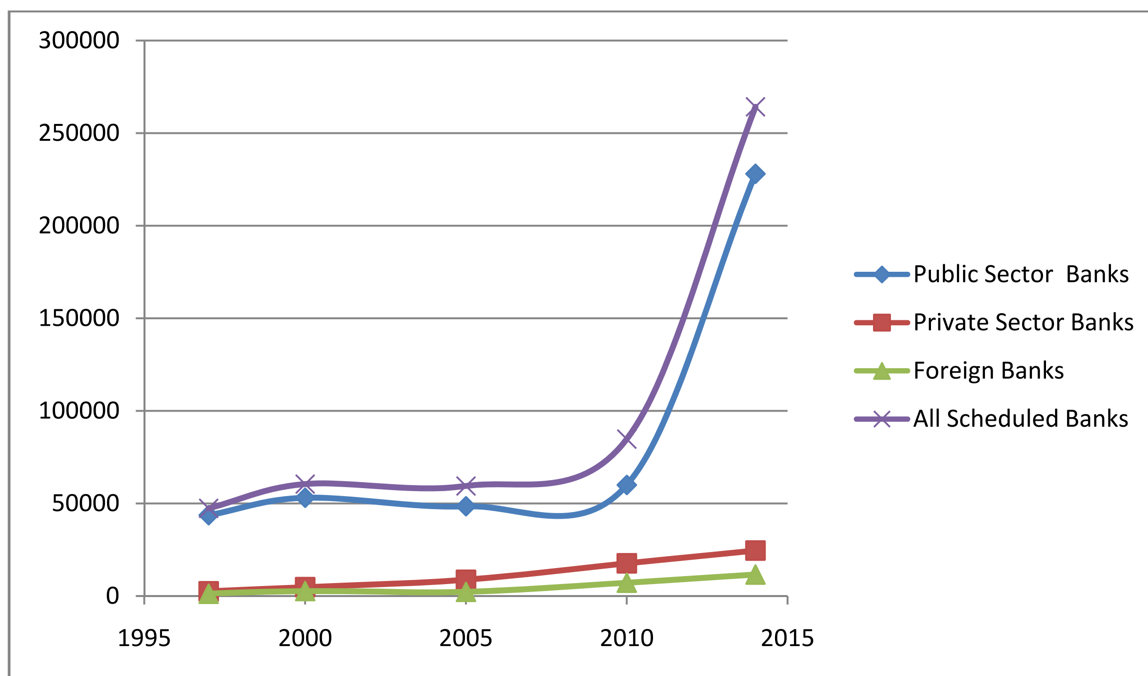

Chart 1.1 shows that the public sector banks gross NPAs are high compared to the other banks. Since public sector banks lent to steel and manufacturing industries and the borrowers could not payback, the banks suffered because of NPAs. In many cases the public sector banks did not carry out the necessary background checks. This is the result of the bad management practices by the public sector banks. Projects delayed of investors and restructuring of loan problem exists in front of the banking institution. If you see the chart, public sector banks' gross NPAs in 1997 was Rs 43577 crore to Rs 228074 crore in 2014.

Table 1.2: Status of Net NPAs of Indian Banking (Rs. Crore)

Year	Public Sector Banks	Private Sector Banks	Foreign Banks	All Scheduled Banks
1997	20285	1539	516	22340
1998	21232	1863	666	23761
1999	24211	2943	866	28020
2000	26187	3031	855	30073
2001	27977	3700	785	32461
2002	27958	6676	920	35554
2003	24877	3963	903	29692
2004	19335	4128	933	24396
2005	16904	4212	639	21754
2006	14566	3171	808	18543

2007	15145	4028	927	20101
2008	17836	5647	1247	24730
2009	21155	7411	2996	31564
2010	29375	6505	2977	38723
2011	36000	4300	1200	41700
2012	59391	4300	1412	65205
2013	90036	5906	2680	98710
2014	130624	8861	3172	142657

Source: Epw time series data

The above table states the status of net NPAs of Indian banking especially public sector banks have increased in the year 1997 and is at Rs. 20285 crore to Rs 130624 crore in 2014. The 17 years net NPAs have increased at Rs 110339 crore. Non-performing loans have rised rapidly after global subprime crisis. If we see the table number of public sector banks 2008 onwards Rs 17836 crore to Rs 130624 crore. Indian economy has revival of external and internal shocks.

1.3Table: Loss of Assets of Indian Banking(Rs.Crore)

Year	Public Sector Banks	Private Sector Banks	Foreign Banks	All Scheduled Banks
1993	3930	-	-	-
1994	4073	-	-	-
1995	3732	-	-	-
1996	4351	-	-	-
1997	5090	-	-	-
1998	5371	343	528	6242
1999	6425	407	612	7444
2000	6398	439	721	7558
2001	6544	424	1033	8001
2002	7061	390	920	8370
2003	6840	1118	954	8911
2004	5876	825	924	7625
2005	5771	900	569	7241
2006	5179	940	446	6565
2007	4510	941	454	5905
2008	3671	1244	387	5302
2009	3802	1345	416	5564
2010	4928	2166	757	7851
2011	5513	2839	1087	9440
2012	5037	2872	1982	9892
2013	5815	3069	2339	11224

Source: Epw time series data

We know from the above table about the loss of assets of Indian banking is quite at a higher side. Especially public sector banks loss is notable in 1993 at Rs 3930 crore to Rs 5815 crore in 2013. Trend of loss of assets is non-linear but upward sloping. Following chart reveals that relationship.

Trend of loss of assets is non-linear in nature but upward sloping. Above chart reveals that relationship. Indian banking makes huge loss and recovery of these assets is a biggest challenge to them. The banking and financial services zone is stressed under the strain of the corporate loan crisis as the number of NPAs in this sector.

Findings and Suggestions

1. Stress assets and NPAs is the biggest challenge in front of the Indian banking.
2. NPAs have rised due to big corporate loans are not paid.
3. Industry sector especially manufacturing, power, textile, steel are in slowdown and their recovery of loans to banks is not satisfactory.
4. Public sector banks recovery of loans mechanism not upto the mark to handle, collect loan money.
5. Unresponsive big businessmen and corporate sectors and banks are eager to earn more and more profits that haveled to rise in NPAs.

Conclusion

The reverse wind of globalization is blowing fastly at the international level such as Brexit, US Trumps foreign policy, Europe tumbling etc. Financial health is the most important aspect of the development of any economy. Credit providing units are especially core work of the banking. These days credits are easily available to financial needy sectors such as individual borrowers, real estate, various industries etc but repaying tendency of the loan takers is not followed strictly.

This research paper shows public sector banks are under heavy pressure of NPAs. Thus huge corporate loans are mandatory to earn more profit by banks, negligence identifying worthiness of creditor to pay back loan money. Industrial sector is slow to respond to growth delays of the project enhance cost of the banks and repaying capacity. It further leads to NPAs ratio rise. Industry sectors such as steel, textile, power and manufacturing have not paid loans. The total stressed asset in the Indian Commercial Banks was 11.5% as at the end of March 2016.

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Understanding Payment Banking and Impact of Demonetization on Payment Banking In India

Dr. AftabAlam [1]
Assistant Professor
HOD, Business Economics
Abeda Inamdar Senior College, Pune
Khalid Arshad [2]
Assistant Professor
Abeda Inamdar Senior College, Pune

Abstract

Banking sector of India is witnessing various changes. The move towards IT-induced banking and changes in regulations are bringing a remarkable transformation in the sector. On 19 August 2015, the Reserve Bank of India gave licenses to eleven entities to launch payments banks. According to RBI guidelines "The objectives of setting up of payments banks will be to further financial inclusion by providing (i) Small savings accounts and (ii) Payments / remittance service to migrant labor workforce, low income households, small businesses, other unorganized sector entities and other users." [1]

Government of India, on 9th November 2016, announced the demonetization of all 500 and 1000 notes. This move directly affected on Indian economy in both short run as well as in long run. The intensity of short run was very high and resulted in increased user base of innovative payment methods. Online payments and remittance service providers seen a remarkable change in their user base and turnovers.

This study attempts to understand the concept of payment banking, scope of activities, Capital requirement and foreign shareholding in the payment banking sector. We also tried to understand the impact of demonetization on payment banking sector of India.

Keywords: Payment banking; Demonetization; Online banking; online transactions; Paytm; online wallets; e-wallet; M-Pesa

OBJECTIVES:

1. To find out demonetization impact on Payment banking in India.
2. To understand the concept of Payment banking in India.
3. To understand the eligibility of payment banks in India.
4. To understand scope of activities of payment banks in India.
5. To understand Deployment of funds and Capital requirement of payment banks in India.
6. To understand Promoter's contribution and foreign shareholding of payment banks in India.

RESEARCH METHODOLOGY:

The research paper is an attempt of secondary research, based on the secondary data sourced from government agencies, journals, magazines, articles and media reports.

Introduction:

On 19 August 2015, the Reserve Bank of India gave licenses to eleven entities to launch payments banks. Below is the list of all those entities:

1) National Securities Depository Limited (NSDL) 2) Reliance Industries 3) Aditya Birla Nuvo 4) Airtel M Commerce 5) Department of Posts	6) Fino Paytech 7) Tech Mahindra 8) Vodafone M-Pesa 9) Cholamandalam Distribution services 10) Paytm 11) Sun Pharma.

According to RBI guidelines "The objectives of setting up of payments banks will be to further financial inclusion by providing (i) Small savings accounts and (ii) Payments / remittance service to migrant labor workforce, low income households, small businesses, other unorganized sector entities and other users." [2]

We can simplify payment banks as a new type of banks, who are expected to reach customers mainly through their mobile phones rather than traditional bank branches. They are allowed to undertake only certain restricted banking functions that the Banking Regulation Act of 1949 allows.

Scope of activities:

- Acceptance of demand deposits. Payments bank will initially be restricted to holding a maximum balance of Rs. 100,000 per individual customer.
- Issuance of ATM/debit cards. Payments banks, however, cannot issue credit cards.
- Payments and remittance services through various channels.
- BC of another bank, subject to the Reserve Bank guidelines on BCs.
- Distribution of non-risk sharing simple financial products like mutual fund units and insurance products, etc.

Capital requirement:

The minimum paid-up equity capital for payments banks shall be Rs. 100 crore.

The payments bank should have a leverage ratio of not less than 3 per cent, i.e., its outside liabilities should not exceed 33.33 times its net worth (paid-up capital and reserves).

Deployment of funds:

- The payments bank cannot undertake lending activities.
- Apart from amounts maintained as Cash Reserve Ratio (CRR) with the Reserve Bank on its outside demand and time liabilities, it will be required to invest minimum 75 per cent of its "demand deposit balances" in Statutory Liquidity Ratio (SLR) eligible Government securities/treasury bills with maturity up to one year and hold maximum 25 per cent in current and time/fixed deposits with other scheduled commercial banks for operational purposes and liquidity management.

Recent Guidelines to Payment Banks:

RBI has issued separate operating guidelines for payments banks in view to focus on financial inclusion. [3]

- Employee of Payment Bank should be available for sufficient duration at a fixed location to attend customers.
- They must at least have 25% of access points in un-banked rural areas.
- The main mandate of Payment Banks is to offer remittance services.
- They will be not allowed to lend.
- Payment Banks can also offer simple financial products like insurance and mutual funds.
- The RBI may place suitable restrictions on the design, functioning, or other features of the product of Payment Banks.
- RBI may even discontinue the product launched by Payment banks if it feels that the product is not suitable for customers.
- RBI it will have no objection to payments banks making arrangements with other scheduled commercial bank or small finance bank.

Demonetization:

Demonetization is the process of ceasing to produce and circulate particular forms of currency. This is often the case when it is determined that the currency is no longer in regular use within the country of origin. While the currency is no longer minted or printed, any of the discontinued currency that is presented is still accepted as legal tender.

Impact of Demonetization On E-Wallets:

After the demonization move, online payment wallets (Most of them applied and received licenses from RBI for payment banking) witnessed a rise in their turnovers. We'll have a look on the change in turnovers after demonetization of few of the online wallets which got licenses for Payment banking.

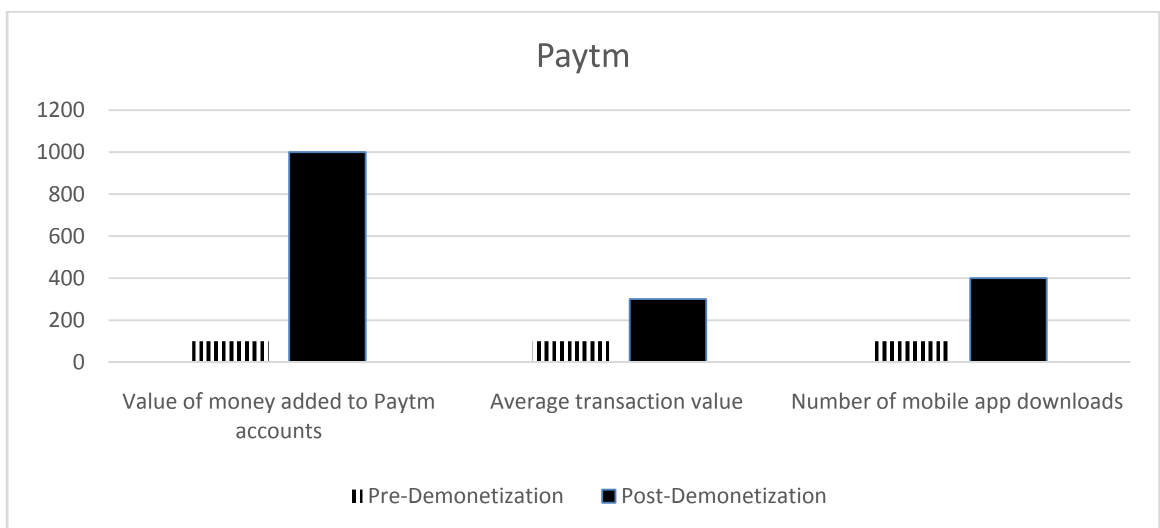
RBI Data:

According to RBI data, in the first four days of December, the volume of transactions done daily through eight leading mobile wallets and prepaid payment instruments (PPI) was about 25 lakh, worth about Rs 60 crore. [4]

PAYTM:

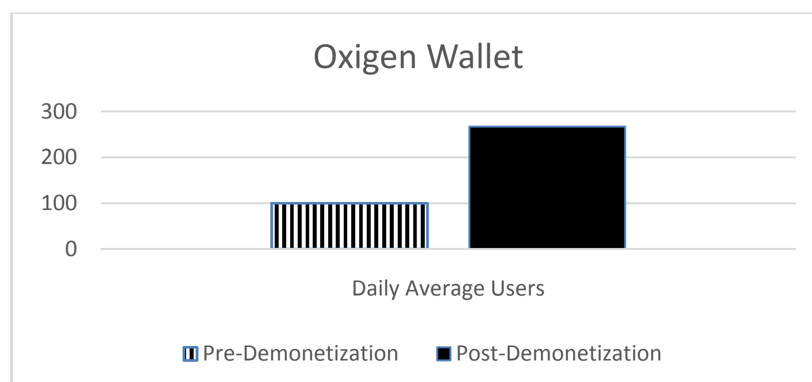
Paytm is one of a largest mobile wallet companies of India. It got the license for paymet banking on 19 August 2015.

Since 9 November, the company claims to have 1000% growth in the value of money added to Paytm accounts. In addition, the average transaction value has increased by 200% and the number of mobile app downloads by 300%. [5]



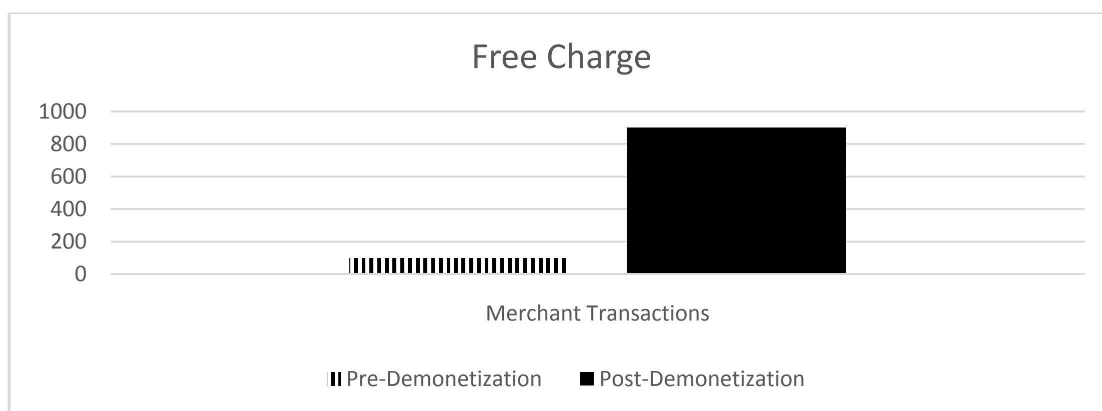
Oxigen Wallet:

Oxigen Wallet is one of the online wallet companies who did not get the license from RBI for payment banking. Oxigen Wallet's daily average users increased by 167% since demonetization began. [6]



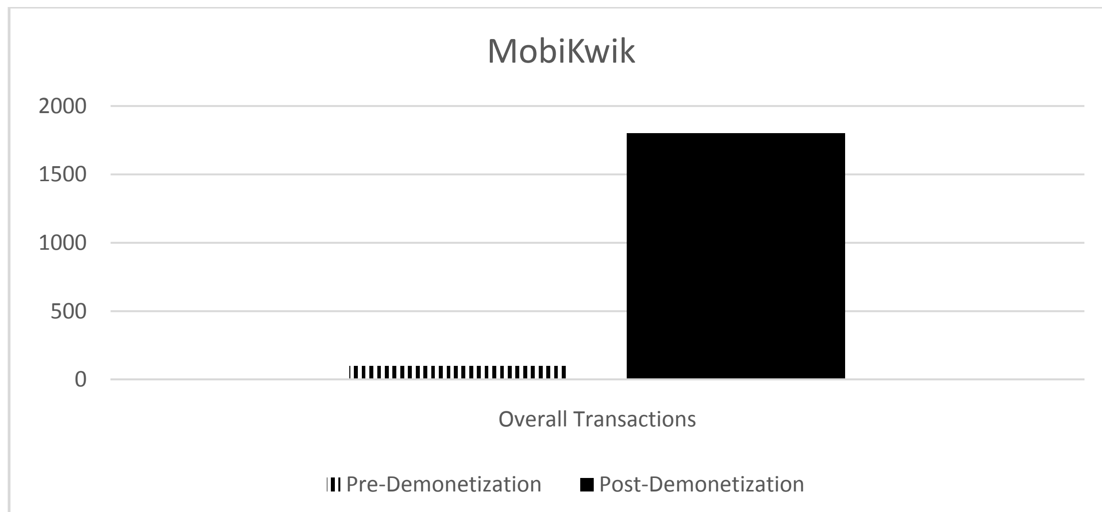
FREE CHAGE:

Free Charge is one of the leading online wallet companies but it did not get the license from RBI for payment banking. According to Free Charge, it has registered a nine-fold jump in merchant transactions on its platform.



MOBIKWIK:

MobiKwik reported an 18-time increase in its overall transaction volumes.



Conclusion:

Reserve Bank of India gave licenses to eleven entities to launch payments banks in India. Payment banks are a new type of banks, who are expected to reach customers mainly through their mobile phones rather than traditional bank branches. They are allowed to undertake only certain restricted banking functions that the Banking Regulation Act of 1949 allows. This new type of banking resulted in ease of utilization of banking facilities to Indian public. Mainly transferring funds from one person to another or having small saving account. Advantages of Payment banking

are mainly to the customers having small scale transactions due to the limitation of Payment bank.

Payment banking sector found a sudden growth in their user base, transactions and amount deposited by customers soon after the demonetization move by government of India.

According to RBI data, in the first four days of December, the volume of transactions done daily through eight leading mobile wallets and prepaid payment instruments (PPI) was about 25 lakh, worth about Rs 60 crore.

Leading payment bank like Paytm experience as much as 1000% growth in the value of money added to Paytm accounts.

In short we can say that payment banking is a good move from RBI and it is going to fulfil the unmet needs of Indian banking sector as well as to bridge a gap between banking and unorganized sector of India.

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Sustainable development of Banks through E-banking

Dr. Walke Deepak Devram,
HOD, Dept of Commerce,
KPG College, Igatpuri
walkedd@gmail.com

Abstract

Bank has made many changes in the system of transaction made by customers. It means Bank have introduced customer services with the emergence of ICT (Information and Communication Technology), and Bankers have realized that the bank's future customers would be computer literate and they would demand for computerized banking transactions. During the post 1991, the Government of India and the Reserve Bank of India have taken several initiatives to facilitate the development of computerized banking in India. For that purpose Government of India has passed a special act in 2000, which is known as The Information Act 2000.

This act has provided the requisite legal recognition and framework for the electronic transactions and other means of electronic commerce. And RBI has issued guidelines on risk and control in computer and telecommunication systems to all banks operating in India, RBI has also extended various issues that fall within the framework of technology, security standards and legal/regulatory issues. ICT refers to the bank with PC Banking, Virtual Banking, On-line banking, and Home banking, Remote Electronic Banking, Phone Banking and Internet Banking etc. Computerization in Banking allows the customers to transfer funds, pay bills, request for check books etc.

Key words: E-banking, RBI, new dimension, finance

Introduction

The economic reforms initiated by Government of India in early 1990s have brought a sea change in operational environment, its functioning and outlook of Indian banks. The Indian Banking Industry has been undergoing a metamorphosis since the commencing of liberalization in 1991. From the decade 1990s, our financial system is rapidly changing. Some of the features of this change are:

i. Increasing sophistication of capital markets
ii. Emergence of global investments.
iii. Industry consolidation

iv. Heightened focus on customer relations.
v. Proliferation of new players entering the market.

Indian financial market is presently undergoing dynamic transformation with many new financial products and delivery systems being experimented with. In accordance with GATS framework, the services negotiated in different formats, bilateral, plural-lateral and multilateral works need to deliver concrete outcome. The Indian banking industry has to re-orient its strategy towards marketing to accommodate the changes and challenges that are taking place in the present globalised scenario.Entry of new banks resulted in a paradigm shift in the ways of banking in India. The growing competition, growing expectations led to increased awareness amongst banks on the role and importance of technology in banking.

New dimensions

Indian financial market is presently undergoing dynamic transformation with many new financial products and delivery systems being experimented with. They play an important role in mobilizing deposits and disbursement of credit to various sectors of the economy. The Indian banking industry has to re-orient its strategy towards marketing to accommodate the changes and challenges that are taking place in the present globalised scenario. Following the recommendation of the Narasimham Committee on the financial system:

i. Reduction in reserve requirements.
ii. Deregulation of interest rate.
iii. Introduction of prudential norms relating to capital adequacy, income recognition, assets classification and provisioning.
iv. Liberalization of banks' licensing policy etc.
v. Force the banks to re-looks' licensing policy etc.
vi. Force the banks to re-look at their business strategies.

Technological Developments in Indian Banks

In recent years, the pace and quality of banking have changed with the adoption of technological advancements. The adoption of technological solutions is particularly useful in expanding the banking network in a cost-effective manner. It is also being utilized to design and provide innovative banking services that enhance the efficiency and help reduce the cost of financial intermediation. Accordingly, the RBI has been encouraging banks to leverage upon the latest available technology to expand and handle their business in a cost effective manner.

Computerization as well as the adoption of core banking solutions has been a major step in improving the efficiency of banking services. Presently almost 98 per cent of the branches of public sector banks are fully computerized, of which almost 90 per cent are on the core banking platform. The ATM first came into use in U.K. in 1972. In India the ATM was first used by the HSBC Bank in 1986/87, the ATMs have become more popular and more widely available from 1990-91 and today both private and public sector banks have a wide network of ATMs across India.

No. of Bank Offices and ATMs Centers in India

(No. in Hundreds)

Bank Group	No of Banks Offices			No. of ATM Centers	ATM Centers in Per cent
	Rural	Urban	Total		
Nationalized Banks	20112	14073	34185	7165	32.8
SBI & its Associates	9272	4559	13831	5443	67.4
Old Private Sector Banks	2383	2183	4566	1547	31.9
New Private Sector Banks	419	1531	1950	6112	63.1
Foreign Banks	01	258	259	880	73.6
Total	**32187**	**22604**	**54791**	**21147**	**52.1**

Source: RBI, Report on Trend and Progress of Banking in India 2005-06. (PP-97)

E-banking: Risk & Management

Recent developments in information and communication technologies, maximum banking operations have been computerized by most of the commercial banks, both in Private sector as well as in Public sector especially in the last ten years and the process is still on for extension and up gradation of computerization by banks in India. The computerization is done for front office operations involving internal interface with customers as well as back office operations involving internal housekeeping i.e. accounting and books balancing, external accounting and settlement with other branches and banks/institutions.

E-banking provides a bouquet of new channels like internet banking, telephone banking, ATM banking-which are different from the traditional ‘brick and mortar’ branch banking and which have made possible ‘anywhere and anytime banking’ and contributed to speed, accuracy and confidentiality of customers’ transactions while enhancing customers’ convenience. Funds transfer, cheques clearing and collection of bills of exchange are also done electronically with accuracy, speed and safety. Internal housekeeping is done accurately and much faster through

programmed packages/software at the branch and also at centralized platforms involving several branches of a region or zone.

Future of Banking in India

With rapid advances in telecommunication systems and digital technology, it is difficult to predict how e-banking will improve and expand in the coming year. For example, internet banking via mobile phones using wireless application protocol (WAP) or banking services through the TV screen via the new interactive TV channels may become established it is likely that the number of customers wanting to bank online will increase which could lead to high street banks offering personalized services and better online customer care. To combat computer crime and increase security levels, banks may consider new security measures such as iris, voice and finger print recognition, smart cards and electronic signatures.

The banking sector, as a whole is undergoing a transformation, primarily because of the advent of the internet. Financial institutions are realizing that e-banking is not just another distribution channel for their services, but a revolution as the internet and its associate development challenges the traditional banking practices and core business units. Corporate banks are carefully considering the best way forward and many are viewing the e-banking phenomenon an opportunity and not a threat. Smaller banks need to look at how they can best compete in their market. Developing their own internet solutions is rarely possible and so they must look at other options to facilitate e-banking and e-commerce initiatives.

Perception of Indian banks in 2020

Change is the only certainty and it would govern the banking industry, graduating from financial intermediary into risk intermediary. The repetition and overlapping systems and procedures have given ways to simple key-press technology, ensuring accuracy and speed of data flow to improve overall efficiency through knowledge management. The emerging IT facilities in utilizing Knowledge management effectively and efficiently have to improve in product range and services quality in the banking sector.

Definitely by 2020, the vast and enormous differences are noticed between PSB and the new generation private sector banks and foreign banks. The dominance of PSB which accounts for nearly 80 % share in the banking sector wants to reduce considerably by 2020. Technology has played a vital role in the evolution of banking sector, through speed creation, accuracy and efficiency of operation and reduction in

the transaction cost. Banking services are now oriented to "anyhow, anywhere, anytime and any type banking with 24*7*365" days banking.

The key drivers in the banking industry are as follow

1. Instead of merely providing what the bank concerned could offer from its fold, banking may encompass extension of all the services that are required and dictated by customers.
2. Clients should get services from the banks on a 24*7*365 basis on an online ATM connected to the network. Whosoever a customer should be able to access his or her bank account through a PC/laptop/mobile or an ATM around the corner.
3. The time spent by the bank with customers would be reduced, thereby improving profitability through low operational cost that would ensure time saving for the customers as a by-product.

Conclusion

Customer services offered by banks facilitates an effective payments and accounting system which enhancing the speed of delivery of banking services considerably. Private sector banks have significantly improved efficiency and convenience. It has also posed certain challenges to the regulatory and supervisors. While for the banks, the issues mostly pertain to adoption of technology, customers' acceptance, cost of technology, for the regulators and bankers security issues and cyber Laws are a matter of concern. In fact, it is to be noted that customer services provided by banks, notwithstanding the constraints and limitations, it would be banking in future.

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VUCA and Sustainability of Defined Contribution Pension Scheme

Dr. M. G. Mulla
Associate Professor,
Abeda Inamdar Senior College,
Pune
Virendra S. Jadhavrao
Researcher scholar
DCRC, SPPU
Pune

Abstract

This paper reviews the strategic need of the public sector to switch over from Defined Benefit Pension Scheme (Old Pension Scheme - OPS) to Defined Contribution Pension Scheme (DCPS) and further merging thereof into National Pension System (NPS). Institutional key features of National Pension System are highlighted and their deficiencies are discussed. It is argued that the Defined Contribution Pension Scheme as based on "Pay As You Go" (PAYG) model has considerably lowered the futuristic burden on exchequer, thereby set benchmark of the best practice of striking balance between the larger public interest and the welfare of the employees. However current fiscal stress on exchequer primarily due to large payouts to growing number of retirees causing financial difficulties in administering the Old Pension Scheme and demands of the employees associations to revert to the Old Pension Scheme may likely pose a threat in the near future. The new experiment of Defined Contribution Pension Scheme though attempts to shift futuristic fiscal burden of pension payouts to current, it is considered as a major step towards pensionery reforms in India. Keeping in mind the market risks, there is a need to define benefits by creating a sustainable Pension Fund. The paper addresses the issues of volatility, uncertainty, complexity and ambiguity concerned with the Defined Contribution Pension Scheme and concludes with indicative measures for Sustainable Pension Scheme.

Keywords: Old Pension Scheme, Defined Contribution Pension Scheme, National Pension Scheme, Pension Payment Reform, Pay As You Go, Volatility, Uncertainty, Complexity, Ambiguity, Pension Fund Regulatory and Development Authority, Defined Benefit, Defined Contribution.

Introduction:

The pension systems, both for Civil Servants and other citizens, as evolved over the years have begun to show signs of financial stress in many countries, including India. Since the pension benefits of Government employees are usually paid from the general revenue of the Governments, the steep rise in such liabilities adversely affect the fiscal soundness of the Government entities cutting the share of revenue available for capital expenditure. In India too, the increasing pension liabilities of the Central and State Governments have emerged as a major area of concern in view of funding requirements for infrastructure sector.

The rising number of retirees rapidly jeopardizing long-term financial sustainability of pension schemes of the central as well as various state governments and are facing acute financial crisis due to large pension payouts, therefore unless the current system is aligned to sustainability, the public pension schemes will be financially unsustainable in the near future. The current pension system is heavily regulated by government agencies. The government virtually controls all aspects of major retirement saving schemes like participation criteria, benefit entitlements, investment guidelines, etc.

Objectives of Study:

- To understand the need for reforms in the Pension Payment System.
- To broadly understand the implementation process and issues of the Defined Contribution Pension Scheme and National Pension Scheme.
- To understand the concept of volatility, uncertainty, complexity, ambiguity in relation to public sector pension scheme.

Methodology of Study:

This observational study is based on the compilation of select views expressed on the pension payment systems in the India and analysis thereof authored by various renowned experts. Further study on the recent trends and reforms in the pension system concluded with the help of secondary data collection. The secondary sources of data are books of prominent authors, various reports and government publications, press news items and contents published on prominent websites etc.

1.0 BACKGROUND

1.1 The State Government employees are entitled to a variety of pension schemes such as compensation pension, invalid pension, superannuation pension, and retiring pension differ from state to state. With regard to pension payments of Local Bodies, divergent practices were noticed even within the States. For example, in Karnataka, while major urban bodies provide for the pension of their employees, in Maharashtra, pension facilities are extended to Zilla Parishads and the recognised aided educational institutions including agricultural universities. In Haryana, the pension burden of employees of Local Bodies is met through a Pension Fund created for the purpose.

1.2 In the recent years, following issues have bearing on the pension that has prompted to take reformatory corrective steps.

- Demographic Aging: The age structure of the population is changing drastically with increasing life expectancy and declining birth rates. The result of such demographic transition is larger proportion of older people.
- Changing social pattern: Collapse of joint family system coupled with pressures of urbanization and migration leads to deterioration in traditional means of support for the elderly.
- Inequity in benefits: Defined Pension Contribution Scheme is applicable except Armed Forces to certain class of employees recruited after cutoff date thus resulting in fragmentation of the pension scheme.
- Pressure on public finances: The spiraling expenditure pattern of the non-contributory, unfunded public pension programs under Old Pension Scheme

are putting increasing pressure on government's budgetary allocations likely to make pension scheme financially unsustainable in near future.

- Under developed private annuity market: Lack of pension annuities and health insurance coverage to all categories of pensioners further complicates the old age economic security.

1.3 While the main objectives of pension schemes are stated to be poverty relief, consumption smoothing and insurance in respect of longevity, there could be several alternative pension schemes with different features. For example, the schemes could be voluntary or mandatory; funded or pay-as-you-go; defined benefit or defined contribution or notional defined contribution, public or private, etc. Pension schemes across countries can be categorised in to three pillars based on the need they address and the funding nature. The first pillar schemes, which are mandatory and redistributive, offer defined benefits that are largely financed on a PAYG basis and are publicly managed. The second pillar schemes or defined contribution schemes, in which contributions are placed in individual or group funds, could be managed either by private sector pension companies or by the public sector. The third pillar schemes comprise voluntary personal pensions as contributions to Tier II accounts under the National Pension System. The three pillars can be complementary to each other.

1.4 The rapid increase in States' pension outgo could be attributable to a number of factors which, inter alia, include expansion in the number of State Government employees during the earlier decades, extension of pension facilities to employees of various non-Government institutions, impact of various pay revisions, inflation and introduction of wage indexation and significant improvement in life expectancy. Looking purely from the angle of fiscal sustainability of the States and the magnitude of the problem, structural alteration in the existing pension scheme is imperative.

1.5 Over the years, various models of pension systems were developed throughout the world for providing old age, invalidity and family pensions to civil servants. One underlying commonality, however, was that pension benefits in the Government sector were generally treated as a form of reward for long service. The prospect of receiving an adequate pension upon retirement was traditionally viewed as an inherent attraction of employment in the civil services. Over the years, the pension liabilities have increased sharply mainly due to demographic factors. Populations are aging rapidly due to rising life expectancies and declining fertility rates. As increasing pension liabilities of civil servants are usually paid from the general revenues, the steep rise in such liabilities will have adverse effect on the fiscal soundness of the Government entities.

1.6 The Government of India approved to implement new restructured defined contributory pension system for new entrants to Central Government service from 1.1.2004, except to Armed Forces, in the first stage, replacing the existing system of defined benefit pension system. The new pension system is based on defined contributions (DC), and is mandatory for new recruits to the Central Government service.

1.7 Against the backdrop of the mounting pension liabilities and the deteriorating financial position of the States, the issues concerning reform options to suitably design an appropriate pension scheme for the State Government Employees essentially relates to (i) need for introducing structural changes from the present non-

contributory PAYG defined benefit scheme to a pure defined contribution or a hybrid scheme, (ii) coverage, (iii) investment pattern, (iv) nature and management of pension funds, (iv) institutional, governance and regulatory issues, and (v) need for various parametric changes such as changes in the basis of calculation, indexation formula, commutation, family pension, age of retirement; leave encashment, etc.

2.0 Issues of volatility with Pension Schemes.

2.1 Generally speaking workplace pension schemes can be divided into two different types: (a) Defined Benefit (DB) – where the scheme promises to pay a pre-determined amount of pension to its members based on their salary and years of contribution, independent of investment returns; and (b) Defined Contribution (DC) – where the individual and (often) their employers contribute into a pension pot, and the amount of pension the members receive depends on how much money has been paid into the pot and its investment returns.

2.1.1 DB pension schemes are funded through contributions from both employers and (normally) active members of the scheme, and the returns from investing these contributions. The employer meets the balance of the cost for the scheme and therefore where the assets are forecast to be insufficient to provide for the total liabilities associated with the promised benefits, additional contributions from sponsoring employers are required. On the other hand Defined Contribution (DC) schemes where there is no promised level of benefit in retirement.

2.1.2 In a defined contribution (DC) scheme, annual contributions are defined in advance, but the benefits depend on the return on investments and the length of contribution. There is considerable uncertainty about future rates of return, the duration of working and retirement periods, and, therefore, about future annual benefits. To a large extent, investment returns depend on the economic health of the country and that of other countries in the case of foreign investments. DC schemes generally link more closely the benefits to contributions than DB schemes, although this may not always be the case. There are, quite often, features incorporated in DC schemes which break the connection between contributions and benefits (capital market returns). These features include guaranteed minimum benefits, rate of return guarantees and benefits based on rates of return fixed by the pension fund, which are often lower but less variable than market rates of return. Thus, social insurance features in both DB and DC schemes weaken the link between benefits and contributions, but serve to reduce the risk faced by retirees. DC schemes may, sometimes, have high administrative costs. They are also subjected to capital market risks on account balances and interest rate risks on monthly benefits when they are annuitised.

3.0 An illustrative reference for understanding of implementation issues of the Defined Contribution Pension Scheme (DCPS) of the Government of Maharashtra is summarized as under:

3.1 The Government of Maharashtra, Finance Department, vide Government Resolution No. Aniyo-1005/126/Seva-4 dated 31/10/2005 has made applicable the Central Government based Defined Pension Contribution Scheme for those employees who will be appointed under the State Government on or after 01/11/2005. The Government of Maharashtra, Finance Department, vide Government Resolution

No. Aniyo 1007/18/ Seva-4 dated 07/07/2007 laid down the procedure to be followed to implement the Defined Contribution Pension Scheme. For implementation of this scheme, State Record Keeping Office is established under the control of Directorate of Accounts and Treasuries. Thereafter vide Government of Maharashtra, Finance Department, Resolution No. Aniyo-2012/C.R.96/Seva-4 dated 27/08/2014, the State Government has merged the Defined Pension Contribution Scheme into Central Government regulated "National Pension Scheme". After participation in the Central Government regulated National Pension System, State Record Keeping Office is established as State Nodal Office and Director, Directorate of Accounts and Treasuries is appointed as State Nodal Officer.

3.1.1 As regards to the implementation of National Pension Scheme as per the direction of the Pension Fund Regulatory and Development Authority (PFRDA) established by the Central Government on 10th October, 2014 agreements has been made with National Pension Scheme Trust (NPS Trust) and also as recommended by the PFRDA agreement has also been made with National Security Depositaries Limited-e-Governance Infrastructure Limited (NSDL) as Central Record Keeping Agency (CRA) on 10th October, 2014.

3.2 The Government of Maharashtra, Finance Department, Government Resolution No. Aniyo-2015/NPS/C.R.32/Seva-4 dated 06/04/2015 detailed procedure is laid down to implement this scheme. Under this scheme deduction of employee's contribution and equal employer's contribution is to done at the same time through monthly pay bill and deposited in respective Head of Accounts simultaneously. The monthly deducted employee's contribution is based on 10% of his/her Basic Pay plus Dearness Pay (if applicable) plus Dearness Allowance. After monthly reconciliation by Treasuries of deducted contributions, the said amount is withdrawn monthly through laid down procedure and transfer to Trustee Bank for Investment. These contributions are made available through Trustee Bank for investment to Fund Managers who are appointed by recommendation of Pension Fund Regulatory and Development Authority (PFRDA).

3.3 Vide Finance Department Letter No. Aniyo-2014/C.R. 120/Seva.4 dated 12/01/2015 the State Government has accorded sanction to invest the contributions as per PFRDA letter dated 04.11.2016 in 1) SBI Pension Fund Pvt. Ltd.- 35% 2) UTI Limited – 33.50% 3) LIC Pension Fund Pvt. Ltd.- 31.50%. Thereafter these fund will be invested by Fund Manager in 1) Government Securities) -55% 2) Debt Securities - 40% 3) Money Market instrument - 5% 4) Equity - 15% . In this regard the required records and accounts are maintained by the Central Record Keeping Agency and at the end of every financial year annual statement is made available to every employee. Under National Pension Scheme, as per the direction of Pension Fund Regulatory and Development Authority (PFRDA) and as per the agreement made with National Security Depositaries Limited-e-Governance Infrastructure Limited (NSDL) as Central Record Keeping Agency (CRA) at present following service charges are to be paid to NSDL 1) Registration and issue of PRAN Kit – Rs. 50/- 2) Annual Maintenance Charges - Rs. 190/- 3) Transaction charges – Rs. 4/-.

3.4 The Government of Maharashtra, Finance Department, vide Government Resolution No. Aniyo-2015/NPS/C.R.32/Seva-4 dated 06/04/2015 has laid down following responsibilities of the authorities concerned:

A) **Pension Fund Regulatory and Development Authority (PFRDA):-**

- Duties prescribed under PFRDA Rules, 2013.
- Implementation, Control and Fund Management of National Pension Scheme.
- To decide procedure in respect of Education and training for implementation of this scheme.
- Action to be taken in respect of investment of contribution. Control on Fund Manager on their work procedure.
- To resolve the grievances of Contributors.

B) **Central Record Keeping Agency:-**

- Registration and allotment of Permanent retirement account number (PRAN)
- To issue I-PIN/T-PIN TO contributors.
- To maintain accounts of contributors.
- To update changes in record of contributors.
- To issue annual statement in respect of contribution and return on investment there upon to every contributor.
- To resolve the grievances of Employees.

C) **Office of State Record Keeping Agency Directorate of Accounts and Treasuries:-**

This office works as:-

- Nodal Officer controlling the workings of Central Record Keeping Agency and Treasury Officers.
- To watch and control Treasury Officers/Deputy State Record Keeping officer in respect of time bound transfer of employee's contribution to Trustee Bank.
- To resolve the grievances raised against Drawing and Disbursing Officers and Treasury Officers in respect of deposit of employees contributions, missing credits and PRAN kit.
- To make payment of service charges as per the agreement to Central Record Keeping Agency on the basis of report obtained from Treasury Officers.
- To resolve the grievances raised on Drawing and Disbursing Officers/Treasury Officers in respect of deposit of contributions under Defined Pension Contribution Scheme.
- To sanction Refund Cases which are prior to 31/03/2015 and sent those refund cases which occur after 31/03/2015, to Central Record Keeping Agency.
- To sanction the interest on Tier -2 contributions of Defined Contribution Pension Scheme based on the deposit report received from Treasuries.
- To develop system, to keep data base and training to treasury personnel.

C) **Responsibilities of Treasury Officers in NPS:-**

- To verify and confirm of all Drawing and Disbursing Officers have been registered at Central Record Keeping Agency.
- To verify and confirm obtaining of PRAN to employees who are appointed after 01/11/2005. In this regard to forward duly obtained forms to the Central Record Keeping Agency and to complete the procedure of registration.
- To transfer the contributions of employees deposited through Pay Bills as well as Challans to Trustee Bank within prescribed time limit.

- To resolve the grievances of contributors in respect of this scheme, complete the procedure in respect of Refund Cases and to do necessary procedure to update the record of contributors.
- To update the Annual Statement of Defined Contribution Pension Scheme and complete the procedure of missing credits of refund cases and call back the amount wrongly deposited at Central Record Keeping Agency and reconcile the amount deposited under this scheme.

D) **Responsibilities of Drawing and Disbursing officers in NPS**:-

- To complete the registration procedure of the employees who are appointed on or after 01/11/2005 on regularized pay scales through proper authority sanctioned by State Government. Issue PRAN kit, I-PIN, T-PIN received from Central Record Keeping Agency to concern employees and record it in respective employee's Service Book.
- Recover employee's contribution and employer's contribution through Pay Bill and reconcile the amount.
- To contact and resolve the matters with Treasury Officers in respect of changes of employee's details, refund cases and grievances of employees.

3.5 Year wise number of pensioners and expenditure on Old Pension Scheme of State Government pensioners / family pensioners in the table below.

(Source Performance Budget GoM 2017-18)

Sr. No	Category	2015-2016		2016-2017		2017-2018 (Proposed)	
		No of Pensioners	Amount	No of Pensioners	Amount	No of Pensioners	Amount
1	Pensioners	410764	75803992127	412604	65322749566	435334	123070440483
2	Family Pensioners	189186	21054189276	192603	18380385245	221086	37785527407
	Total	5,99,950	9685,81,81,403	6,05,207	8370,31,34,811	6,56,420	16085,59,67,890

Note :- The information for the year 2015-2016 is for 12 months whereas the information for the year 2016-2017 is for 9 months.

3.6 Year wise details of number of employee's contribution deposited and amount of interest deposited thereon for the period 2007-2008 to 2014-2015 at the office of State Record Keeping Agency :-(Source Performance Budget GoM 2017-18)

Sr. No.	Financial Year	Number of Employees	Employees Contribution (Rs.)	Government Contribution (Rs.)	Interest Rs.	Total Amount Rs.
1	2007-08	31439	140436775	119035201	3124036	262596012
2	2008-09	58786	590604342	590604342	68007004	1249215688
3	2009-10	82223	1199403260	1199403260	205577782	2604384302
4	2010-11	103164	2446760433	2400000000	530500000	5377260433
5	2011-12	117774	3498004408	3100000000	1040000000	7638004408
6	2012-13	162455	3446734672	3912901087	1877141000	9236776759
7	2013-14	183014	4035653174	4035653174	2717582711	10788889059
8	2014-15	202640	4954995993	4954995993	3701518855	13611510841
		Total	2031,25,93,057	2031,25,93,057	1014,34,51,388	5076,86,37,502

3.7 Year wise amount deposited under Defined Contribution Pension Scheme transferred to National Pension Scheme through Trustee Bank for the period 2007-2008 to 2015-2016.

(Source Performance Budget GoM 2017-18)

Sr. No.	Financial Year	Number of Employees	Employees Contribution (Rs.)	Government Contribution (Rs.)	Interest Rs.	Total Amount Rs.
1	2007-08	32767	138900912.00	138900912.00	4453056.16	282254880.16
2	2008-09	57656	505797159.00	505797159.00	39201089.03	1050795407.03
3	2009-10	80172	947224052.00	947224052.00	69033897.64	1963482001.64
4	2010-11	96291	1278163804.00	1278163804.00	98206605.38	2654534213.38
5	2011-12	112414	1801999214.00	1801999214.00	145419543.52	3749417971.52
6	2012-13	153549	2478140411.60	2478140411.60	196091693.48	5152372516.68
7	2013-14	174434	3859190962.30	3859190962.30	365546875.38	8083928799.98
8	2014-15	204849	4885544540.24	4885544540.24	438173315.52	10209262396.00
9	2015-16	201170	512567433.00	512567433.00	102417360.52	1127552226.52
		Total	1640,75,28,488.14	1640,75,28,488.14	145,85,43,436.63	3427,36,00,412.91

4.0 Need for Sustainable Pension Scheme.

4.1 In the context of growing pension liabilities, several countries have initiated modifications in the civil service pension schemes. Many countries have taken measures to reduce the pension liabilities by introducing higher retirement ages and or longer service periods increasing required employee contribution rates lowering rates of benefit accrual and changing the post retirement indexation policy to ensure sustainability of Pension Scheme.

4.2 There are several important issues pertaining to public pension fund management and thereby to generate sustainable income. These relate to: (i) governance of the fund, (ii) objectives of pre-funding (iii) investment policy and process (iv) reporting and disclosure and (v) investment returns and volatility. Based on the evidence collected on the performance of publicly managed pension funds, it has been argued that (i) funds are often used to achieve objectives other than providing due pension (ii) tend to earn poor rate of return relative to relevant indices. It has also been found that the returns on pension funds are especially dismal in countries with poor governance.

4.3 The fiscal stress emanating from the increasing pension liabilities of the Central and State Government employees has emerged as a major area of concern, especially after the decision taken by the Governments pursuant to the recommendations of the Central Pay Commission. While the need for initiating appropriate measures to tackle this situation has been recognised at various levels, moves for major policy initiatives have so far been confined only to Central Government pension scheme. However there is a need to build a strong asset based Pension Fund to make certain that the existing pension schemes achieves the objectives.

4.4 National Pension System (NPS) is a low cost, tax-efficient and flexible retirement savings scheme launched by the Government of India. It is one of the saving scheme where one can invest money monthly or through a systematic saving plan during working life to get an adequate retirement income. All Indian citizens of 18 to 65 years of age, including NRIs are eligible to apply for a pension fund account. A subscriber joining NPS after the age of 60 years will now have an option of normal exit from NPS after completion of three years. In this case, the subscriber will be required to utilise at least 40 per cent of the corpus for purchase of annuity and the remaining amount can be withdrawn in lump sum. NPS is quarterly equity instrument where 40 per cent of the corpus escapes tax at maturity, while 60 per cent of the corpus is taxable. One can open NPS account individually with any of the national banks or as an employee, one can contribute to own retirement account and so does the employer, who can or cannot co-contribute for the social security/welfare of the individual.

4.4.1 In simple terms, investing through NPS means greater the value of the contributions made, the greater the investments achieved, the longer the term over which the fund accumulates and the lower the charges deducted, the larger would be the eventual benefit of the accumulated pension wealth likely to be. It is considered as one of the best tax saving investment however, the annuity income is taxable. As per the latest updates an additional tax benefit of Rs 50,000 under Section 80CCD (1b) of Income Tax Act is provided under NPS, which is over the Rs 1.5 lakh exemption of Section 80C. In 2017 Union budget, 25 per cent exemption of the contribution made by an employee has been announced as a form of premature partial withdrawal in NPS. This amendment is set to be implemented from April 1, 2018 and will, accordingly, apply in relation to the assessment year 2018-19. To ensure sustainability of the pension scheme, the cap on Income Tax exemption need to be reviewed every year keeping in mind the inflation indexing.

4.4.2 NPS is a market-linked annuity product therefore subject to market risks. One can never be sure that the returns from equities would always be better than the guaranteed returns under the Old Pension Scheme. The biggest issues experts have with NPS are taxation and annuitisation at withdrawal. Sixty per cent of the NPS corpus is taxed on withdrawal while the entire EPF corpus is exempt. Forty per cent of the NPS corpus has to be annuitised. Rates of return are low on annuities.

4.4.3 Following are the broad issues in favour of NPS:

- NPS gives more choices to choose the investment option (auto or active), asset allocation, and fund manager also easy tracking of investment.
- Returns of NPS funds are published regularly.
- Pension Fund Regulatory and Development Authority made the process much hurdle free.
- According to pension fund regulator PFRDA the subscribers of National Pension System (NPS) increased by 27 per cent stood at 1.78 Crore at the end of September 2017. The asset under management (AUM) under NPS stood at Rs 2.06 lakh crore at September-end. The growth in subscribers and the AUM jump stood at 27 per cent and 47 per cent, respectively highlighting the returns generated by pension funds since inception, which has

been over 10 per cent. The government has also amended the Income Tax Act providing for tax free migration of superannuation funds to NPS.

- Individuals can subscribe to NPS up to the age of 65 years and can defer the purchase of annuity to three more years post retirement further defer lump-sum withdrawal in phased manner over a period of 10 years. NPS is a voluntary, defined contribution retirement savings scheme designed to enable the subscribers make optimum decisions regarding their future through systematic savings during their working life.

5.0 Issues of Complexity

5.1 National Pension Scheme

- The major risk factors that would affect the viability of the pension scheme could be grouped into macroeconomic shocks, demographic shocks, political risks, management risks, investment risks, and market risks. Lower interest rates lead to lower annuities during the lifetime of the pensioner. The problem is further compounded by the fact that the annuity markets are thin in most countries. Thus opportunity of economies of scale is largely lost leading to high transaction costs and lower value of annuity irrespective of interest rate fluctuations.
- Require to annuitise 80 per cent of the corpus if one withdraws before 60.
- NPS has less favourable tax treatment at withdrawal and 40 per cent has to be annuitised.

5.2 Defined Contribution Pension Scheme

- Petitions filed challenging the implementations of Defined Contribution Pension Scheme within days after it came into force.
- Recovery of 10% of salary of all the government employees who have joined their services from November 1, 2005 and this move is taking serious toll on the take home salary of these employees.
- Defined Contribution Pension Scheme violates the personal liberty of the government employees by mandating them to engage 60% of their accumulated amount in insurance company.
- Discrimination as Defined Contribution Pension Scheme denied regular as well as family pension on the death of the government employee.
- Delay in getting the pension to employees who have retired.
- Disparity in the quantum of pension to an employee retired under Old Pension Scheme and under the Defined Contribution Pension Scheme.
- A big black hole in the entire NPS investment process is knowing the results, unlike other investment options, data is not available in an easy-to-understand format. Sometimes access to data is also a problem.
- Need to build the confidence as the investor will know exactly what is happening to own investments.

6.0 Issues of Ambiguity

6.1 National Pension Scheme:

- The biggest issues experts have with NPS are taxation and annuitisation at withdrawal. At present, social security schemes run by retirement fund body Employees' Provident Fund Orgnaisation are tax free exempt-exempt-exempt (EEE) scheme. That means deposits, accrual of interest and withdrawals are tax free under the scheme. However under the existing provisions of section 80CCD, any payment from National Pension System Trust to an employee on account of closure or his opting out of the pension scheme is chargeable to tax except the annuity fund which goes to the legal heir after the death of pensioner is exempted.
- The return under NPS is market driven.
- There is no guaranteed / defined amount of return.
- The returns generated through investments are accumulated and is not distributed as dividend or bonus.

6.2 Defined Contribution Pension Scheme

- Employees Associations feel that the Contributory Pension Scheme has snatched away the right to pension and financial security they offered with the decision of the government to replace old pension scheme, thus draw protests to implement the old pension scheme this agitation of employees association is not against the government, but against the policy.
- Demand of Employees Associations to restore Old Pension Scheme as per the Article 14 Equality before the law and Article 21 Protection of certain rights regarding freedom of speech and expression of the Constitution of India.
- The return under NPS is market driven and subject to market risk.

7.0 CONCLUSION

7.1 Majority of the publicly mandated pension schemes are still financed on a PAYG basis. However, in recent years, several countries have initiated steps towards partial or full funding of pension liabilities, by setting up dedicated "Pension Funds". Based on the time tested global practice, any Defined Contribution Pension Scheme for the State Government employees - whether pure Defined Contribution or a Hybrid Pension Scheme - would require setting up of a sustainable "Pension Fund" out of the contributions made by the employees and the State Governments to build confidence in the mind of stakeholders.

7.2 With Defined Contribution Pension Systems the focus has to be on processes rather than outcomes as benefits are not guaranteed. The role of the PFRDA is to ensure that the pension fund is managed in a secure way, as if the members themselves were undertaking the task. The focus of the PFRDA should be on risks which impact on the members of the fund themselves and could involve them losing money. As it is the member that bears the risk it is the member outcomes that pension supervisory are seeking to protect and the focus in looking at risks is to reach these optimal member outcomes which would include appropriate contribution decisions,

effective administration, appropriate investment decisions, security of assets and value for money.

7.3 The biggest issues experts have with NPS are taxation and annuitisation at withdrawal, therefore a hybrid scheme is suggested that provides Defined Benefit and Defined Contribution benefits together. The advantage of the DB scheme is that it is simple in administering and can provide a secure and predictable source of revenue to the pensioners, while the employer bears the risk. In comparison, a DC scheme offers more flexible and portable retirement benefits to the participants. Under this, the benefit totally depends upon the employer's and employees' contribution and the returns thereon, while the investment risk is borne by the employees. The State Governments which feel that some appropriate defined benefit should be provided to their new employees from a social security perspective, could adopt a Defined Contribution-Defined Benefit (DC-DB) scheme. This would be a contributory scheme with guarantee of an appropriate level of pension fixed by individual State Governments. The rate of contribution by the employees and the State Governments could be determined on the basis of actuarial calculations.

7.4 India is much better than a large section the majority of the populace, who suffer from poverty, financial insecurity, lack of adequate education and health facilities, etc. Thus, even on equity considerations, Government employees (and others enjoying similar retirement benefits at the cost of the Government) may have to take greater responsibility in future to take care of their post retirement needs by contributing voluntary to Tier II Account of NPS.

7.5 NPS is a market-linked annuity product therefore subject to market risks. One can never be sure that the returns from equities would always be better than the guaranteed returns under the Defined Benefit Scheme; therefore efforts to generate information to build confidence in the mind of employee members regarding assured returns, taxation certainty and annuitisation at withdrawal etc. translated in terms of Defined Benefits are essential. Further to make Defined Contributory Pension Scheme more demanding, a family health care insurance can be suitably linked to take care of contributors family health care expenses to ensure some more relief.

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A Study on VUCA World: VUCA – An Acronym for Volatility, Uncertainty, Complexity and Ambiguity

Ruksar Faizal Sharif,
Assistant Professor,
Abeda Inamdar Senior College, Pune

Abstract

VUCA- an acronym for Volatility, Uncertainty, Complexity and Ambiguity is fast becoming a
Catch phrase in the corporate arena and an often discussed topic for today's adaptive leaders during annual strategy meets. Economic turbulence and the rapid rate of change in our business environment are throwing many organizations and their leaders pretty much off balance as they are unable to keep pace with the vagaries of a VUCA world. In a 'VUCA world', both pundits and executives have said, core activities essential to driving organizational performance
like strategic planning are viewed as mere exercises in futility. The Harvard Business Manager Blog titles their V.U.C.A. article "The Age of Jugglers". In these times, past and present achievements do not always translate into future successes. Or as business expert and former German DAX Company executive Stefanie Voss puts it, "it's becoming increasingly difficult to keep all the balls in the air". Companies big and small face a host of new challenges. The world is becoming more complex and volatile, and these conditions make even short term decisions difficult. Transparent markets and an ever faster pace create high workplace pressures.
In this context the current paper discusses the straits to success in a VUCA environment.

Key words: VUCA world, Business Strategy, Success of VUCA, Leadership, Role of HR & Talent Managers.

Introduction

In The World Is Flat, Thomas Friedman notes that the rate of change today is much different than in the past. "Whenever civilization has gone through one of these disruptive, dislocating technical revolutions—like Gutenberg's introduction of the printing press—the whole world has changed in profound ways," he writes. "But there is something different about the flattening of the world that is going to be qualitatively different from other such profound changes: the speed and breadth with which it is taking hold. This flattening process is happening at warp speed and directly or indirectly touching a lot more people on the planet at once. The faster and broader this transition to a new era, the more likely is the potential of disruption."
"To put it another way, the experiences of high-tech companies in the last few decades who failed to navigate the rapid changes brought about in their market place by these types of forces may be a warning to all the businesses, institutions and nation states that are now facing these inevitable, even predictable, changes but lack the leadership, flexibility and imagination to adapt—not because they are not smart or aware, but because the speed of change is simply overwhelming them."

This rapid flattening, as Friedman calls it, is creating a new environment that strategic business leaders are increasingly calling a “VUCA” environment. Coined in the late 1990’s, the military-derived acronym stands for the volatility, uncertainty, complexity, and ambiguity—terms that reflect an increasingly unstable and rapidly changing business world. This new VUCA environment will require HR and talent management professionals to change the focus and methods of leadership development.

Review Of Literature

Anita Sarkar (2015) views that the ways in which we conduct or think about our businesses have substantially changed within a decade. The term VUCA which stands for volatility, uncertainty, complexity and ambiguity has become common phrase today.

Harish Manwani (2013) observes that we are living in a world where volatility and uncertainty have become the New Normal. Companies that were synonymous with their product categories just a few years ago are now no longer inexistence. We live in a VUCA world surrounded by black swans. This is the New Normal. But even with this unpredictably changing world, there are a few important underlying megatrends that will shape our future.

Kishore Kumar Das & Aftab Ara (2014) finds that we are moving from a world of problems, which demands speed, analysis and uncertainty to solve, to a world of dilemmas, which demands patience, sense making and an engagement with uncertainty. VUCA” is Volatile, Uncertain, Complex and Ambiguous are the characteristics of modern strategic dilemmas which requires a different orientation and a set of skills. Dilemmas span disciplines and frustrate attempts to craft elegant and final solutions.

Sue Todd (2014) observes that the once identifiable boundaries of our market places and industries have become permeable. Now they shift continuously, sometimes slowly, sometimes quickly, but always feeling slightly beyond our grasp. In this environment, leaders realize that a
sustainable future is only possible if organizations can sense, adapt and respond to change; if they can help their organizations evolve with an evolving world.

Nick Petrie (2014) observes that It seemed that the nature of the challenges that managers
were facing was rapidly changing; however, the methods that we were using to develop them were staying the same.

Objectives

- To Study the history of VUCA and how it applies to business strategy and development.
- To understand how VUCA is relevant to leadership development.
- To Study the “VUCA Prime” which flips the acronym to focus on vision, understanding, clarity, and agility
- To identify the keys to success in the VUCA environment

- To study the role of Leadership in a VUCA environment

Research Methodology

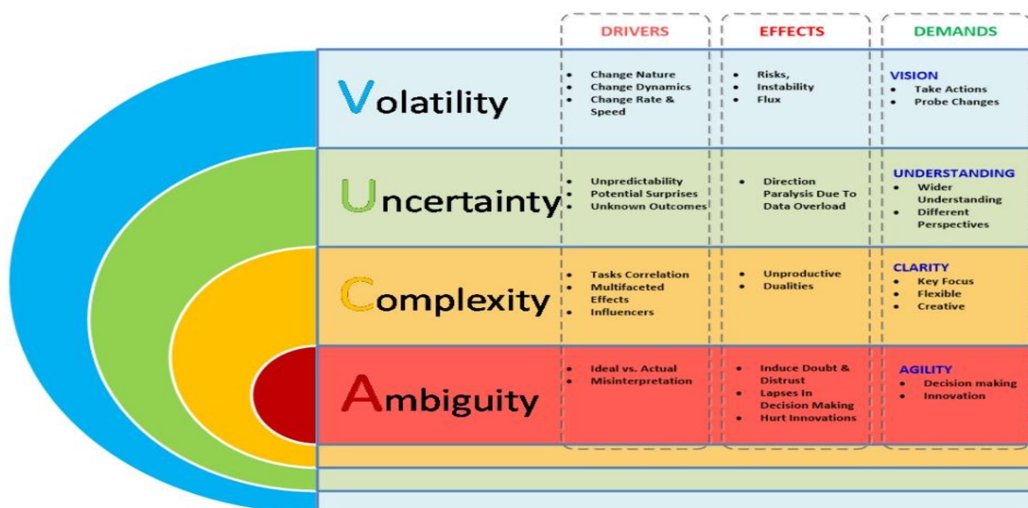
The specific types of information and / or data needed to conduct a secondary analysis will depend on the focus of study. For this research purpose, secondary data analysis is usually conducted to gain in-depth understanding of the study. Secondary data review and analysis involves collecting information, statistics, and other relevant data at various levels of aggregation in order to conduct a requirement analysis of the subject and mostly the paper is based on the information retrieved from the internet via journals, research papers and expert opinions on the same subject matter

The VUCA World

The once identifiable boundaries of our marketplaces and industries have become permeable. Now they are shifting continuously, sometimes slowly, sometimes quickly, but always feeling slightly beyond our grasp. In this environment, leaders realize that a sustainable future is only possible if organizations can sense, adapt, and respond to change; if they can help their organizations evolve with an evolving world. Thriving in this VUCA world means adapting as new business contexts emerge. For leaders, it means:

- Creating an environment of openness that values discovery, diverse perspectives, and experimentation
- Detecting the weak signals that foretell shifts in customer loyalty, or opportunities enabled by new technology
- Conducting iterative dialogues that put new ideas into the context of the company's work, and translate new information into differentiating capabilities
- Unpacking business challenges to reveal the learning gaps for individuals, teams, and the organization's practices, processes, and systems
- Strengthening thoughtful decision making in the organization.

The VUCA world encompasses four similar sounding yet strikingly distinct challenges that deserve a special mention here:



- **Volatility**

The nature, speed, volume, magnitude and dynamics of change. The situation is unstable and maybe of an unpredictable duration. However, it is not an unanticipated situation as knowledge about a similar challenge was already predicted. For instance, a share price fluctuation for an organization following a change in its leadership, or after an internal scam has been exposed.

- **Uncertainty**

The lack of predictability of issues and events. Despite the lack of much information, the basic
causes and likely effects of the event are known and the outcome generally results in a substantial change. For instance, the sudden launch of a similar, yet superior, product offering by a close competitor.

- **Complexity**

The confounding of issues and the chaos associated with this. Some information regarding the
nature of complexity is available or can be predicted. However, the sheer volume and the nature of the problem could prove to be over whelming. For instance, the unique tax and regulatory environments, tariffs and cultural expectations associated with doing business in several countries.

- **Ambiguity**

The haziness of stark reality! Herein, the casual relationships is unclear. The situation is unprecedented and one must brace himself to face the unknown. For instance, you decide to enter unchartered territory by exploring immature or emerging markets or launch products out of your core competency/ comfort zone.
So, the obvious question emerges: is it really possible to prepare for a VUCA world? Well, it certainly is. Applying critical thinking in order to better tackle apparently challenging situations and make well thought through decisions in a VUCA world is the answer you re looking for.

Critical Thinking

This can be very simply defined as “how to think” instead of “what to think”. Here are a few critical thinking pointers that you could use to tackle the sheer dynamism of a VUCA world

- **For volatile situations**

Separating facts from opinions is the key. So is formulating thoughts objectively and precisely as well as ensuring clarity in communication.

- **For uncertain situations**

Listening and comprehension is vital. Being open minded about alternative points of view and dealing with contradiction are also necessary in such situations.

- **For complex situations**

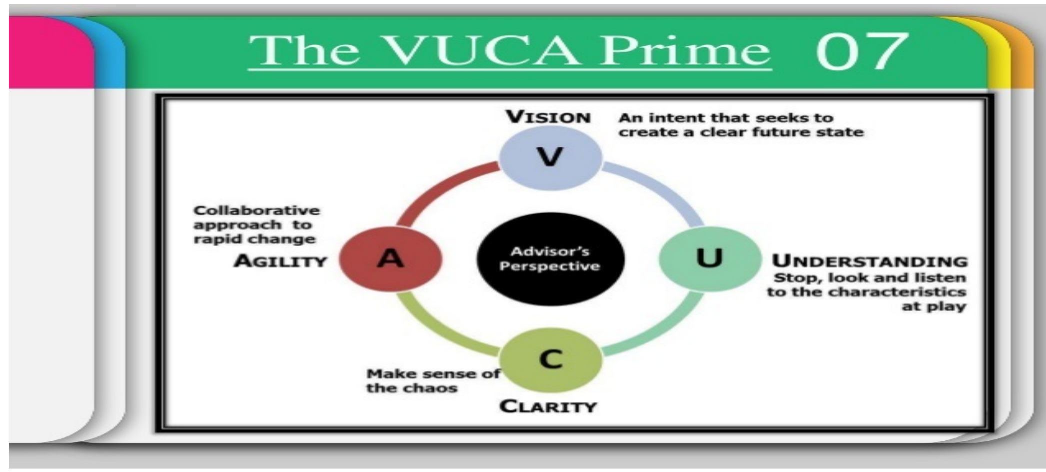
One needs to gather facts from various sources do logical enquiry and reasoning and also weigh the alternatives. Weighing alternatives making decisions under pressure and testing the solutions
against relevant criteria are also vital.

- **For Ambiguous situations**

Curiosity; eliciting and evaluating arguments asking the right questions adaptability and agi
lity in thinking as well as seeing the consequences and likely implications are essential in

such circumstances. Quite simply, critical thinking is excellence in thought processes which precedes excellence in our actions.

VUCA PRIME



VUCA prime proposes that volatility can be combated by having a clear sense of vision. When things are changing rapidly, people need to know where they should be heading, even if the path may be modified or en route. A clear sense of vision helps to keep people focused on what is essential to do and what are the priorities amongst the myriad of activities, demands and opportunities that may emerge. When people have a clear sense of vision, not only do they focus their energy in the right direction and make informed choices about what they do or do not do, they also feel more engaged as a result of knowing what is the goal that their efforts are contributing to. The managers we interviewed talked about having to "dive into the granularity of the operations" in order to understand the challenges at that level, but also having the ability to pull away from that level of detail and see things from a more strategic and long term perspective.

In VUCA environment, **Uncertainty can be countered with understanding**, the ability of a leader to stop, look, and listen. To be effective in a VUCA environment, leaders must learn to look and listen beyond their functional areas of expertise to make sense of the volatility and to lead with vision. This requires leaders to communicate with all levels of employees in their organization, and to develop and demonstrate teamwork and collaboration skills.

Complexity can be countered with clarity, the deliberative process to make sense of the chaos. In a VUCA world, chaos comes swift and hard. Leaders, who can quickly and clearly tune into all of the minutiae associated with the chaos, can make better, more informed business decisions.

Finally, **ambiguity can be countered with agility**, the ability to communicate across the organization and to move quickly to apply solutions (Kinsinger and Walch, 2012). Vision, understanding, clarity, and agility are not mutually exclusive in the VUCA prime. Rather, they are intertwined elements that help managers become stronger VUCA leaders.

VUCA leaders must have foresight to see where they are going but must also remain flexible about how they get there (Apollo Research Institute staff, 2012). They must be self-aware about their strengths and weaknesses as leaders, adaptable, open to

change, and, according to the Center for Creative Leadership, knowledgeable about their organization beyond their function (Management Education Group staff, 2011). Finally, they must work collaboratively and be excellent communicators to thrive in a complex VUCA environment (Kail, 2010 December 3). Above all, VUCA learners must be able to learn fast because change is constant.
These skills and abilities are a far cry from the more function-specific skills and abilities leaders needed in the past to succeed. HR and talent management professionals must refocus their leadership development efforts to hone these more strategic, complex critical-thinking skills.

Winning in VUCA World

Putting the four dimensions of growth together is the key to unlocking not just how business can win in a VUCA world, but also to rediscovering its true role in society. To do this, businesses need to first put in place the right hardware.

- **Foresight and Agility**

Winning in a VUCA world requires the ability to simultaneously manage both the short term and the long term goals of a business. In turbulent and fast changing times, businesses need to be anchored in a long term destination while also dynamically managing the short term.
The role of leadership is to have a clear point of view about the future and build an organisation that can navigate towards that destination through good times and importantly, also in bad times.

- **Consumer Centricity**

As the world changes, consumers are also changing. There are an emerging poor in the developed world and an emerging affluent in the developing world. The way people shop and
consume is also changing. More than ever, businesses must have an insight into the changing needs and aspirations of their consumers to be successful.

- **Think Local and Act Global**

To consistently succeed in the VUCA world, one also needs to be globally leveraged and locally
relevant. A very common phrase used by multinationals is 'Think Global, Act Local'.
In reality there is no such thing as a global consumer. Our mantra is to think local but act
global. Any organization needs to understand what local consumers and customers need or
want. Then leveraging upon the global understanding, technology and knowledge it can provide
the best solutions to meet these local needs. The strength is the ability to combine global scale with locally tailored solutions. Organizations of tomorrow need to be neither hopelessly local nor mindlessly global.

- **Attracting Great Talent**

The ability to attract, develop and retain the best talent is what makes businesses successful in the long term. Increasingly, young men and women want to work for a company that reflects
their own values. If they believe in a common vision and the larger corporate purpose, they are motivated to deliver great performance. It is no longer enough to be working for a business
that is doing well if it is not also doing well.

Today's organizations are no longer defined by fixed workplaces, nine to five working hours or by a set of homogenous employees. Organizations are becoming boundary less and often, location agnostic. Operational and business models are being turned on their heads
with the advent of enterprises like Uber, Airbnb, Etsy and Amazon. These complexities will continue to exponentially increase as we enter a hyper digital era with Artificial Intelligence (AI), Robotics, 3D printing, Wearable s and much more looming over the horizon. Going ahead, organizations of the future will function as platforms connecting diverse, distributed, and
multi talented individuals who will come together to create value. It is understood that the workforce today has expanded to include contractual and contingent workers, partners, vendors and suppliers, as well as customers and competitors the extended enterprise. This "extended
enterprise" is as critical to the success of any organization as the permanent employees. However, seamlessly integrating this ecosystem of stakeholders such that they can come together in a purposeful manner to create value for the organization and fulfil their individual potentials is posing to be a challenge. In the Industrial Era, work got done in silos with process adherence and efficiency playing a huge role. This style of working will no longer suffice as we enter an era characterized by flux and ambiguity - the VUCA (Volatile, Uncertain, Complex, and Ambiguous) world.

Role of HR & Talent Managers

Currently, many organizations are caught up in trying to deploy different systems of engagement like social intranets, blogs, enterprise collaboration platforms, and so on. However, these are very often disconnected from the core HR systems where organizational information and data reside. This leads to incongruence and an inability to connect the loops in the value chain. This is also where most of the digital and collaboration initiatives flounder. This is where HR can play a crucial role in bridging the two systems not only through technology but also by re imagining the processes, the organizational design, and other initiatives like community management, empowering employees with digital skills for them to navigate this new world with ease, and enabling and creating a culture of collaboration and sharing
HR Re imagination can happen at multiple levels to empower employees and the organization and form the bedrock of a new organizational culture. Some of these initiatives are briefly described below:

- **Extended Enterprise**

Employees are no longer a homogenous set of people. Contractors, consultants, partners, vendors, customers and competitors are coming together to get the work done. Therefore,
organizations that support communities consisting of this extended enterprise stand to benefit in multiple ways like improved agility, diversity of thought and greater innovation capabilities and increased level of trust among different stakeholders.

- **Enterprise Social Networks (ESNs)**

Organizations are becoming increasingly distributed, diverse, and digital. Employees today expect to be able to work from anywhere, anytime, and from any device. ESNs, once thought of as a "good to have" have transformed into "must haves" to keep this distributed workforce
connected, to enable seamless sharing of explicit and tacit knowledge, and to facilitate conversations across geographies, business units, and domains a critical component of

the future of work. HR must do the mantle of collaboration enablers and community managers to build connected enterprises.

- **Communities of Practices**

Organizations today work across domains and areas of expertise. It is no longer possible for an individual or a small team of people to find solutions to complex problems, exceptions and challenges that businesses are facing today. Practitioners come together in these communities to share the latest and the best, to find innovative solutions and contribute to the growth of the domain. Individuals join communities voluntarily when they see value and can evolve both professionally and personally. By putting communities and collaboration front and centre, HR can highlight the importance of leveraging the advantages of network and emergent technology (social, mobile, analytics, etc.). This new way of
working will include enterprise platforms and other collaboration enablers that, if appropriately used, reduce the cost of communication to almost zero. They can also facilitate self driven learning, a culture of transparency and ongoing feedback, contextual and dialogue driven problem solving. Most importantly, these tools can cut across organizational silos and tap into the organizational hive mind to build a learning agile and future ready workplace.
This shift requires a careful and intentionally designed workplace where collaboration and social
learning is not a bolt on aspect but a part of core business strategy. A culture of participation must be supported where "participation" does not imply bureaucratic compliance and cooperation, but thoughtful conversation and open sharing.

Leadership in a VUCA World

However, winning in a VUCA world is not just about the hardware. It is also about having new
Software a new kind of leadership that is values led and purpose driven and leaders who can redefine the role of business in society. To be values led is more than simply putting your values down on a piece of paper. It is about living and breathing those values every day. As a business leader, it is about having a true north an internal compass with non negotiable. It is also about being clear what those non negotiable are, and most importantly, it is about sticking to them in good times and in adversity. Leaders, from CEO to any other internal manager, therefore have a major role to play in ensuring their organizations are responding to the requirements of the VUCA business environment.

- **More Focus on Vertical Development:**

There are two different types of development
–horizontal and vertical. A great deal of time has been spent on "horizontal" development (competencies), but very little time on "vertical" development (developmental stages).
The methods for horizontal and vertical development are very different. Horizontal development can be "transmitted" (from an expert), but vertical development must be earned (for oneself).

- **Transfer of Greater Developmental Ownership to the Individual**

: People develop fastest when they feel responsible for their own progress. The current model encourages people to believe that someone else is responsible for their development

human resources, their manager, or trainers. We will need to help people out of the passenger seat and into the driver s seat of their own development.

- **Greater Focus on Collective rather than Individual Leadership:**

Leadership development has come to a point of being too individually focused and elitist. There is a transition occur ring from the old paradigm in which leadership resided in a person or role, to a new one in which leadership is a collective process that is spread throughout networks of people. The question will change from, "Who are the leaders?" to "What conditions do we need for leadership to flourish in the network?" How do we spread leadership capacity throughout the organization and democratize leadership?

- **Much Greater Focus on Innovation in Leadership Development Methods**

There are no simple, existing models or programs that will be sufficient to develop the levels of collective leadership required to meet an increasingly complex future. Instead, an era of rapid innovation will be needed in which organizations experiment with new approaches that combine diverse ideas in new ways and share these with others. Technology and the web will both provide the infrastructure and drive the change. Organizations that embrace the changes will do better than those who resist it.

Conclusion

The VUCA world is not going to disappear. As technology develops faster and the world becomes more and more a global market place, there is no place to hide. Change is relentless and the landscape in which we work is constantly shifting. The leadership role becomes increasingly one of creating moments of clarity and focus, whilst at the same time keeping an eye on what is shifting and preparing to react to it. Reacting without having vision leaves people feeling confused and demotivated. Rigidly adhering to a chosen strategy risks missing opportunities or failing to respond to market and environmental changes. Somehow leaders need to walk a fine line between these two positions in order to be flexible and yet sufficiently focused to keep people motivated. VUCA is complex and challenging, but it is also an environment that can allow true leadership talents to emerge at all levels of the organisation. Indeed one of the major lessons of the VUCA world is that leaders need to engage all employees at all levels to gain their trust and contribution in dealing with the great range of challenges that VUCA poses. Seen from this point of view VUCA becomes an opportunity for development and greater collaboration, rather than a risk to be mitigated.

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Corporate Social Responsibility – A Case Study of Tata Group

Wafiya Wahid Wadasadawala
Assistant Professor, Department of Commerce,
Poona College of Arts, Science & Commerce
Pune

Abstract

Corporate Social Responsibility (CSR), even though the concept is not new to the country, its implementation has been a major concern for years. In short, CSR is misunderstood for charity by a large number of Indian companies. It is merely considered a policy that should be implemented in business operations rather than giving importance to social good. Most domestic businesses in India are SMEs and these companies struggle to compete with large foreign multinationals. That highly competitive environment is seen as a reason not to adopt what is perceived as expensive CSR in the eyes of many managers of domestic Indian companies. Though India is one of the fastest growing economies, socio-economic problems like poverty, illiteracy, lack of healthcare etc. are still ubiquitous and the government has limited resources to tackle these challenges. A 2011 study by the Oxford Poverty and Human Development Initiative estimated that approximately 650 million people, or fifty-three percent of India's population, live in poverty. In 2010, the World Bank estimated that about 400 million people in India live on less than U.S. $1.25 a day. This scenario has opened up several areas for businesses to contribute towards social development. Corporates like the Tata Group, the Aditya Birla Group, and Indian Oil Corporation, to name a few, have been involved in serving the community ever since their inception. This research paper is an attempt of exploratory research, based on the secondary data sourced from journals, magazines, articles and media reports. The paper seeks to explain various initiatives taken by Tata Group in the field of CSR.

KEYWORDS Corporate Social Responsibility (CSR),compulsion of CSR, TATA GROUP, Social & Environmental development.

Introduction

The most ambitious attempt at mandated CSR activities for companies came with the enactment of Section 135 of the Companies Act 2013 (MCA, 2013).Section 135 made CSR spending as well as reporting mandatory for the very first time in India and brought the CSR activities of Indian corporate under the purview of corporate law. Specifically, the provisions under Section 135 requires companies with net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more (i) to appoint a CSR Committee of at least 3 directors (one independent director), and (ii) under the guidance of the CSR Committee, spend in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy. While the quantum of CSR

spending along with reporting has been mandatorily set under Section 135, there is some inbuilt flexibility in the law in terms of a company's choice of its CSR activities. Instead of rigidly defining the boundaries of CSR, the act broadly specifies in Annexure VII of the Act, the scope of social responsibility in terms of a list of activities that the corporate can potentially undertake, leaving the choice of activities to its discretion. So far as compliance to Section 135 is concerned, the law adopts a comply-or-explain approach, with no explicit penalties for non-compliance. Subsequent to the passage of the Act, the Ministry of Corporate Affairs notified the Rules with respect to CSR on February 27, 2014. Apart from listing out specific activities on which the companies are free to spend the amount earmarked under their CSR Policy. The Rules guard against self-serving expenditure by companies by specifying that CSR activities that benefit only the employees of the company and their families shall not be considered as CSR spending under the provisions. However, companies may build CSR capacities of their own employees through reputed institutions with the provisons that such expenditure cannot exceed five percent of the total CSR expenditure made by the company in that financial year. The Rules framed under Section 135 of the Act, came into force from April 1, 2014.

Research Methodology

This paper is based on qualitative research design consisting of review of literature through secondary sources of data collection. The data has been examined through content analysis process from various books, newspaper articles and journals.

Objectives of the Study

The study has been geared towards achieving the following objectives:

1. To understand the concept of CSR.
2. To examine Corporate Social Responsibility Practices and its impact on Business.
3. To know the CSR activities undertaken by the various companies of TATA Group for upliftment of masses.
4. To find out various measures adopted by TATA Group for its CSR drive.

Tata Corporate Sustainability Policy

"No success or achievement in material terms is worthwhile unless it serves the needs or interests of the country and its people. - J R D Tata

The corporate policy of the group encompasses the sustainable development of all the stakeholders. The major points included in the corporate policy are following :

- Demonstrate responsibility and sensitivity to biodiversity and the environment
- Comply with rules and regulations relating to environment

- Constantly upgrade technology and apply state-of-the-art processes and practices with institutional arrangements that will combat larger issues like climate change and global warming.
- Create sustainable livelihoods and build community through social program pertaining to health
- education, empowerment of women and youth, employee volunteering,
- Find ways to enhance economic human, social and natural capital for bringing and maintaining a balance among business, society and environment.

Contribution by TATA Group for the Contributions for the National Development

Tata Health Infrastructure

- Tata main hospital at Jamshedpur
- ICU in Joda and Balangpur
- CHC in Bari and Kuhika
- Hospitals in Gobarghati,sukinda, joda, belpahar, belipada and bamnipal

The hospital on wheels

- Lifeline Express
- Mobile health clinics
- Centre for hearing impaired children
- Tata Educational Infrastructure
- Institute of mathematics
- Sukinda college
- Joda college centenary Learning centre at XI MB
- J N Tata Technical Education centre
- School of hope
- Shishu Niketan
- Balwadi schools assisted by Tata Steel

Tata Sports Infrastructure

- Tata athletics academy
- Tata archery academy
- Tata Football academy
- Tata steel adventure foundation
- Sports feeder centres
- Stadium at keonjhar

Preservation of culture & Heritage

- Contribution to setting up national Center for performing arts Mumbai.

- Tribal cultural centers showcases legacy of nine tribes Jharkhand and Orissa.
- Gramshreemela activities

CSR Activities of Tata Group

1) Tata Steel : Tata Steel has adopted the Corporate Citizenship Index, Tata Steel spends 5-7 per cent of its profit after tax on several CSR initiatives. Which includes : Self-Help Groups (SHG's) Over 500 self-help groups are at present operating under various poverty minimizing programs; out of which over 200 are engaged in activities of income generation thorough micro enterprises. Women empowerment programs through Self-Help Groups have been extended to 700 villages.

2) Tata Motors : Pollution Control Tata Motors is the first Indian Company to introduce vehicles with Euro norms. To make environment friendly engines it has taken the help of world-renowned engine consultants like Ricardo and AVL. It has manufactured CNG version of buses and also launched a CNG version of its passenger car, the Indica.

3) Tata Chemicals Ltd (TCL): Tata Chemicals Limited was also the first organization to run world's first hospital on wheels - the Life Line Express, through Jamnagar district for the first time between November 21, 2004 and December 21, 2004.

4) Tata Tea : Tata Tea has been working sincerely since the 1980s to cater the needs of specially-abled people. It has set up the Srishti Welfare Centre at Munnar, Kerala; its various programs provide education, training and rehabilitation of children and young adults with special needs.

5) TISCO : It is the only Indian company trying to put into practice the Global Compact principles on human rights, labor and environment. TISCO was also conferred the Global Business Coalition Award in 2003 for its efforts in spreading awareness about HIV/AIDS.

6) TELCO : It has started community development activities for the benefit of TELCO families and local residents in 1973 like : To help the families of employees develop better living standards by organizing extension education programs, training in various trades/skills and providing opportunities to earn additional income. It is fighting against Leprosy at Jamshedpur.

7) Tata Relief Committee: Tata Relief Committee (TRC) works to provide relief at disaster affected areas. During natural calamities there are two phases of assistance - (a) relief measures and (b) rehabilitation program. After the Gujarat earthquake the group built 200 schools in two years and they rendered help during the Orissa floods when people lost cattles. Even after the Tsunami disaster members of TRC immediately reached the places and supplied the things required.

Conclusion

Every business house owes some responsibility towards the society, nation and world in general which provide it with all human, material and natural resources. Considering the long run growth and sustainable development following the norms of CSR , devising new policies and effective implementation is inevitable to bring a balance between corporate world and society. As far as the Tata group is concerned, it has been very sincere and honest in fulfilling its duty and responsibility towards the social development. It has reached the masses to improve their life standard, to help their dreams come true and to exploit their employable skills.

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Technological Innovations in Banking Sector: Changing Face of Indian Banking

DR. RAHUL P. MORE

Assistant Professor,

Department of Economics

AISC, Pune.

ABSTRACT

The Indian banking system touches the lives of millions of people and it is growing at a fast pace. Banking industry in India is facing number of challenges like changing needs and perceptions of customers, new regulations from time to time and great advances in technologies. The pressure of meeting these challenges have compelled banks to change the old ways of doing business. The research paper focuses on how the technology has transformed the face of banking in India. India's banking system has seen some major financial innovations in the past decades which lead to tremendous improvements in banking services and operations. The various innovations in banking and financial sector are ECS, RTGS, EFT, NEFT, ATM, Retail banking, Debit and Credit cards, free advisory services, online banking, mobile banking and many more value added products and services. This paper also highlights the benefits and challenges of changing banking trends. Banks are investing heavily in adoption of these innovations. The need of hour is to design such a system that encourages the efficiency of investment in innovations and widens the gap between revenues and costs involved with reference to technological up gradation.

Keywords: Indian Banking, Financial Innovations, Technological Changes, Challenges.

I. INTRODUCTION

The Banking Industry in India has a huge canvas of history, which covers the traditional banking practices from the time of Britishers to the reforms period, nationalization to privatization of banks and now increasing numbers of foreign banks in India. Therefore, Banking in India has been through a long journey. Indian Banking Sector has witnessed a number of changes. It has undergone a huge transformation in the years since Independence. The rate of transformation was particularly high in the 1990s and 2000s, when a number of innovations changed the way banking was perceived. In the 1990s, the banking sector in India pronounced greater emphasis being placed on technology and innovation. Banks began to use technology to provide better quality of services at greater speed. Information technology has made it

convenient for customers to do their banking from geographically diverse places which earlier remained uncovered.

II. FINANCIAL INNOVATION :

Financial innovation is key to survival of banks in contemporary banking environment. The importance of financial innovation is widely recognized. For example innovation in product development is one of the forms of innovation that has been used by banks. Right from the beginning stage of financial modernization innovations have been playing major roles in curtailing financial exclusions and improving the ways banking services are rendered to people. Financial innovation is terminology used in banking to describe any change in the scale, scope and delivery of financial services.

The various innovations in banking and financial sector are ECS, RTGS, EFT, NEFT, ATM, Retail Banking, Debit & Credit cards, free advisory services, payments of utility bills, fund transfers, internet banking, telephone banking, mobile banking, selling insurance products, issue of free cheque books, travel cheques and many more value added services.

Intense competition among the banks has redefined the concept of the entire banking system. The banks are looking for new ways not only to attract but also to retain the customers and gain competitive advantage over their competitors. The banks like other business organizations are deploying innovative sales techniques and advanced marketing tools to gain supremacy. The main driver of this change is changing customer needs and expectations. Customers in urban India no longer want to wait in long queues and spend hours in banking transactions. This change in customer attitude has gone hand in hand with the development of ATMs, Mobile phone and net banking along with availability of service right at the customer's doorstep. With the emergence of universal banking, banks aim to provide all banking product and service offering less than one roof and their endeavor is to be customer centric. While banks are striving to strengthen customer relationship and move towards ‘relationship banking,’ customers are increasingly moving away from the confines of traditional branch banking and seeking the convenience of remote electronic banking.

III. REVIEW OF LITERATURE :

Hua G. (2009) investigates the online banking acceptance in China by conducting an experiment to investigate how users’ perception about online banking is affected by the perceived ease of use of website and the privacy policy provided by the online banking website. (Merton and Bodie 2005).Avasthi & Sharma (2000-01) have analyzed in their study that advances in technology are set to change the face of banking business. Technology has transformed the delivery channels by banks in retail banking. It has also impacted the markets of banks. The study also explored the challenges that banking industry and its regulator face. B. Janki (2002) analyzed that how technology is affecting the employees’ productivity. There is no doubt, in India particularly public sector banks will need to use technology to improve operating efficiency and customer services. The focus on technology will increase like never

before to add value to customer services, develop new products, strengthen risk management etc. the study concludes that technology is the only tool to achieve their goals. Technological change and the advent of the internet are among the most dramatic and challenging areas of change for the sector.

IT revolution has brought about a fundamental transformation in banking industry. Perhaps no other sector has been affected byadvances in technology as much as banking & finance. Mittal, R.K. & Dhingra, S.(2007) studied the role of technology in banking sector. They analyzed investment scenario in technology in Indian banks but this study was related to the time period before the Information Technology Act and at that time technology in Indian banks was very low. Padhy, K.C. (2007) studied the impact of technology development in the banking system and he also highlights the future of banking sector. The core competencies will provide comparative advantages.

From the above reviews it is observed that the banking industries itself adopted various innovative schemes for improvement of their business and to attract more and more customers. This has resulted their sustainability and keep their brand image even in the competitive environment. Further, technology is one of the important segments where maximum stresses are provided for dissemination of innovative ideas and it is observed that major innovation took place in this field in recent years.

IV. OBJECTIVE OF THE STUDY :

This paper aims to examine the various innovative instruments introduced by banks in recent times.

- To study how innovations have contributed to the development of Indian banking.
- To study the challenges faced by Indian banks in the changing scenario.

V. INNOVATIONS IN BANKING SECTOR :

Banking industry in India has also achieved a new height with the changing times. Customer services and customer satisfaction are prime responsibilities of banks now days. Information technology has given rise to new innovations in the product designing and their delivery in the banking and finance industries. Technology offers a chance for banks to build new systems that address a wide range of customer needs including many that may not be imaginable today. Banking through internet has emerged as a strategic resource for achieving higher efficiency, control of operations and reduction of cost by replacing paper based and labor intensive methods with automated processes thus leading to higher productivity and profitability. Financial innovation associated with technological change totally changed the banking philosophy and that is further tuned by the competition in the banking industry.

- **ATM :**

An automated teller machine (ATM) is a computerized telecommunications device that provides a financial institution's customers a secure method of performing financial transactions in a public space without a human clerk or bank teller.ATM can

be Onsite or Offsite. Banks need not obtain permission of the RBI for installation of ATMs at branches and extension counters for which they hold licenses issued by the Reserve Bank.

- **DEBIT CARD :**

A debit card is an electronic card issued by a bank which allows bank clients access to their account to withdraw cash or pay for goods and services. This removes the need for bank clients to go to the bank to remove cash from their account as they can now just go to an ATM or pay electronically at merchant locations. This type of card, as a form of payment, also removes the need for cheques as the debit card immediately transfers money from the client's account to the business account.

- **CREDIT CARD :**

A credit card is issued by a financial company giving the holder an option to borrow funds, usually at point of sale. Credit cards charge interest and are primarily used for short-term financing. Interest usually begins one month after a purchase is made and borrowing limits are pre-set according to the individual's credit rating.

There has been growth in issuance of debit and credit cards by public and private sector banks. However Debit cards are more popular mode of electronic money than credit cards.

NEFT :

According to Reserve Bank of India, National Electronic Funds Transfer (NEFT) is a nation-wide payment system to facilitate one-to-one funds transfer. Under NEFT, individuals, firms and corporate can electronically transfer funds from any bank branch to any individual, firm or corporate having an account with any other bank branch in the country participating in the Scheme. The funds under NEFT can be transferred by individuals, firms or corporate maintaining accounts with a bank branch. Even individuals not having a bank account can deposit cash at the NEFT-enabled branches with instructions to transfer funds using NEFT. However, such cash remittances will be restricted to a maximum of Rs.50,000/- per transaction. Such walk-in-customers have to furnish full details including complete address, telephone number, etc. NEFT, thus, also help in transfer of funds even without having a bank account. This is a simple, secure, safe, fastest and cost effective way to transfer funds especially for retail remittances.

RTGS :

Real Time Gross Settlement System(RTGS), introduced in India since March 2004, is a system through which electronics instructions can be given by banks to transfer funds from their account to the account of another bank. The RTGS system is maintained and operated by the RBI and provides a means of efficient and faster funds transfer among banks facilitating their financial operations. As the name suggests, funds transfer between banks takes place on a 'Real Time' basis. Therefore, money can reach the beneficiary instantaneously and the beneficiary's bank has the

responsibility to credit the beneficiary's account within two hours.

VI. CHALLENGES AHEAD FOR BANKING SECTOR :

Technological changes in Indian banking system presents unique opportunities and challenges for the banking industry. Developing or acquiring the right technology, deploying it optimally and then leveraging it to the maximum extent is essential to achieve and maintain high service and efficiency standards while remaining cost effective and delivering sustainable return to shareholders. Managing technology is therefore, a key challenge for the Indian banking sector. Developing countries like India, has a huge number of people who don't have access to banking services due to scattered and fragmented locations. But if we talk about those people who are availing banking services, their expectations are raising as the level of services are increasing due to the emergence of Information Technology and immense competition between the services & products provided by different banks. Since, foreign banks are playing in Indian market, the number of services offered has increased and banks have laid emphasis on meeting the customer expectations.

Technological advancements can bring about close integration between the urban and rural population. The primary challenge is to give consistent service to customers irrespective of the kind of customer whether rural or urban. Retention of customers is going to be a major challenge. Banks need to emphasis on retaining customers and increasing market share. Even with ATM machines and Internet Banking, many consumers still prefer the personal touch of their neighborhood branch bank. Technology has made it possible to deliver services throughout the branch bank network, providing instant updates to checking accounts and rapid movement of money. However, this dependency on the network has brought IT department's additional responsibilities and challenges in managing, maintaining and optimizing the performance of retail banking networks. Specific challenges include ensuring that account transaction applications run efficiently between the branch offices and data centers. Banks in India will now have to work towards a vision to have an enhanced retail delivery system. Such a system would include transformed branches, enhanced telephone services, and leading-edge internet banking functions that provide a consistently positive multi-channel experience for the customer. Some of the challenges that the banks are facing today are:

- Competition from private banks
- Competition from MNCs
- Managing diversified needs of customers
- Diminishing customer loyalty
- Coping with regulatory reforms
- Maintaining high quality assets.
- Management of impaired assets.
- Keeping pace with technology up-Gradations
- Problem of Non-Performing Assets (NPA)

The banking industry is changing at a phenomenal speed. While at the one end,

we have millions of savers and investors who still do not use a bank, another segment continues to bank with a physical branch and at the other end of the spectrum, the customers are becoming familiar with ATMs, e-banking, and cashless economy. This shows the immense potential for market. No doubt, the benefits of technology have brought a sea-change in the outlook of modern banking. With technology occupying a pivotal role in delivery of banking services, the expectations of the consumer have also been growing. Broadly, these expectations are swift service with minimal response time, efficient service delivery, tailor-made and value-added products to suit specific needs, hassle-free procedures and minimum transaction costs, and pleasant and personalized service.

India is one of the top 10 economies in the world, where the banking sector has tremendous potential to grow. The number of ATMs has doubled over the past few years, with more than 1,00,000 in the country. Also, the scope for mobile and internet banking is big. At the start of 2013, only 2 per cent of banking payments went through the electronic system in the country. Today, mobility and customer convenience are viewed as the primary factors of growth and banks are continuously exploring new technology, with terms such as mobile solutions and cloud computing being used with greater regularity. However, Indian banking industry faced the numerous challenges such as increasing competition, pressure on spreads, and systemic changes to align with international standards have necessitated a re-evaluation of strategies and processes in order to remain competitive in this dynamic environment. Banks have to adopt a holistic approach to fulfill the ever changing needs of customers and to grab a better market share. Development of sophisticated products with low cost technology is the key. This calls for in- depth analysis of customer needs the market and competitor trends. This analysis plays a very important role in devising new strategies, products and services. Due care will have to be made while embracing technology and transforming traditional touch points to electronic ones, so that human touch with customers is also not lost. In the end, it can be rightly said that productivity and efficiency will be the watch words in the banking industry in the years ahead. Strategizing organizational effectiveness and operational efficiency will govern the survival and growth of profits; besides bringing changes in the mindset of the employees, which is imperative with the changing times.

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MANAGING IN THE VUCA WORLD: CHALLENGES AND STRATEGIES

Ms. Anisa Abdul Aziz Khan

Asst. Prof, Department of Commerce,
Abeda Inamdar Senior College, Pune

Introduction

What can define better the present global scenario than the acronym 'VUCA'. VUCA is not a trend that might blur away; it has arrived to prevail everlastingly. Although this term is being used more often today, VUCA has always been there, both in human history and as well in the business context. In a business context, the VUCA concept took off after the global financial crisis of 2008 and 2009. Since then, it has featured heavily in the development of leadership skills in various organisations.

We are managing a world where change is ever more prominent, where what's to come is less unsurprising, where the choices increment exponentially, and the way we consider these alternatives has without a doubt changed. In the present business situation, VUCA is unavoidable. Since the VUCA impact fixed its grasp it prompted various adjustments in the systems of organizations, number corporate goliaths that were before the most searched for brands got the boot.

Volatility: A brutal increase in four dimensions of the changes that we face today: the type, speed, volume, and scale. **Uncertainty:** As a result of the Volatility, we are unable to predict future events. **Complexity:** Widespread confusion, with no clear connection between cause and effect, affects all organisations nowadays. **Ambiguity:** There is a lack of precision, and the existence of multiple meanings within the conditions surrounding us.

Developing a disruptive innovation capability is no more an added skill but a necessity in today's VUCA world. Managing with innovation is vital for both; to developing new business and also securing existing businesses. Managers across the globe can lead only through innovations which obliges new mindsets and behaviours.

Managers today, however, face a huge challenge as their performance is measured on the scale of disruptive Innovations. When working in a VUCA universe managers

need to realise that predictability and control as operational management techniques will no more be rewarded or valued. Challenging all prevailing assumptions and beliefs, and helping organisations develop new perspectives, options and ideas is the only way through for the Managers of the VUCA world. Unexpected events, inevitable failures, and a fundamental lack of control are inherent to the process.

Objectives

1. To better understand the context of Management and leadership in today's VUCA business environment.
2. To understand the critical competencies and skills vital towards resolving the various challenges impacting organizations in the VUCA World.
3. To help in creating an understanding of and how Managers can achieve sustainable competitive advantage for their respective organizations when operating in a disruptive VUCA business environment.

Relevance of the study

Organizations in the new VUCA order are finding it difficult to survive and so are the people associated with them. Changes in organizations are no more planned but imposed as a result of the VUCA environment. All presumptions and knowledge of various theories on Change Management have proven to be false in these turbulent times. Managers need to understand and enable Innovation as a tool to deal with unprecedented levels of Complexities. The world today is interconnected through technology and collaborations. As such Managers today need to be ready for complete surprises and be able to survive them. The VUCA world has lots to offer the Managers of this time; New Roles demanding New set of Skills. The study will help Managers to face the challenges and develop a sustainable strategy.

Models on VUCA Management[1]

Many theorists and practitioners have created numerous new concepts that shall help leaders and managers to successfully adapt corporate strategies and personal behaviors to the changed conditions.

1. **The Leadership Agility Model :** Leadership agility is the capability of a leader to dynamically sense and respond to changes in the business environment with

actions that are focused, fast and flexible. The Leadership Agility Model classifies leaders into three levels of leadership agility.

Level 1: Experts wherein leaders have a tactical, problem solving orientation.

Level 2: Achievers under which leaders focus on the strategic outcome of their work and aim to motivate others by giving them challenging tasks that contribute to larger objectives.

Level 3: Catalysts leaders are those who have a visionary and facilitative orientation. They focus on articulating innovative and inspiring visions.

2. **VUCA Prime Model:** VUCA Prime is a strategic reaction to the VUCA context that suggests a set of "flips", in which volatility can be fought with vision, uncertainty with understanding, complexity with clarity and ambiguity with agility.
3. **Resilient Leadership Theory:** This theory is the term used to describe leadership behaviors that help others withstand crisis and adapt to, or rebound from, adversity. The Resilient Leadership Theory suggests that leaders develop the strengths of their teams and individual team members.
4. **Light Footprint Approach:**The Light Footprint Strategy, which is inspired by military tactics and Chinese management strategies describes five important instructions for leaders to succeed.

    - Be a Strategus and not a strategist
    - Unleash Gemba power
    - Keep the equilibrium between yin and yang
    - Be in synch
    - Be enlightened

5. **L.E.A.P. Leadership Approach**: The L.E.A.P approach defines four key capabilities that leaders need to leap through the VUCA world. The specified leadership traits are:
    - Liberal: Being open to new behavior or opinions.
    - Exuberant: Being filled with energy, passion and
    - Agility: Proficiently change and evolve the learning organization
    - Partnership: Build a trust-based partnership with inter- and intra-teams

CHALLENGES TO FACE

1. **Multitasking:** The 'ping' of your messages, the workplaces across the globe, a telephone call while you are reading through a news article or rapidly going through an email before you complete that record…. Yet, did you realize that once you interfere with a task, continuing it takes an additional 20 minutes? In spite of the fact that everything is travelling toward you all in the meantime, monotasking is as yet the approach.

2. **Always connected:** Your private and expert life gets stirred up and you connect them with you wherever you go. Throughout the end of the week, lying around depleted in your couch, you have a snappy take a gander at your messages and ideally answer to them also. Just to wind up behind your PC at any rate since it's more helpful. Is this a peaceful night or an unwinding Sunday? Not in a long shot. Advanced detoxing isn't suited for everybody, except know about the effect of setting aside a few minutes for unwinding.

3. **Infinite choices:** We know great that we are spoilt these days given the present offer of boundless decisions. Picking is much more troublesome in a consistently evolving world. How would you know whether your decision will at present be the correct one of every 10 hours, 10 days or 10 years? Right, you don't. On the off chance that you don't have an individual compass, you end up plainly restless. You feel blocked and each one of those extraordinary open doors influences you.

4. **Lifelong learning:** An age prior, taking up one professional degree would be enough. Be that as it may, our VUCA world requires long lasting figuring out how to have the capacity to go up against various parts inside a specific field. Every skill you learn today will be outdated by tomorrow. Consequently, it is absolutely critical to recognize what your interests are and to do what you adore doing.

5. **Pressure to perform:** The opposition is quicker, more brilliant and greater, the huge number of data you have to process is massive. There is scarcely space for botches in light of the fact that investors need to be held tight at all times. On the off, chances are that if you respond gradually or if you miss the due date, at that point the exit door opens up and you will be no more. Simply envision the weight you bear on your shoulders.

6. **Non-stop worrying:** Digital platforms keep your brain (over)active. Both because of the content and because of the light. When it gets darker, your pineal gland produces serotonin in your brain, a substance that plays a role in the production of melatonin, a sleep hormone. The light of our screens undermines this natural rhythm, making you suffer from sleep deprivation or nightly worrying

KEY REACTIONS TO VOLATILITY:

- Watch for quickly creating openings. Can an expansive change in one region of the business be a flag for a business opportunity somewhere else? Questioning all possibilities will help to identify opportunities.
- During times of quick change, it is essential that the Managers screen the circumstances intently. In spite of the fact that the requirement for visionary initiative remains, the requirement for strategic authority still prevails.
- In unstable circumstances, human connections end up plainly principal. Associations end up plainly basic. Managers need to concentrate on imparting and associating with partners.
- Teams are spurred by building something together. It's critical to feature triumph.
- Too frequently, Managers trust that business disturbance is a clash of advancements and the best innovation will win. Better culture, execution and plans of action beat better innovation each and every time.

KEY REACTIONS TO UNCERTAINTY

- Become clear on what you truly need. When you turn out to be sure about the coveted result, a level of vulnerability is evacuated.
- Environmental examining is basic in a VUCA world. The best managers in a VUCA domain hone tireless, close and long examining the environment.
- Tap into the intelligence of the group. Look for outside points of view. Managers today should look for info and market knowledge from outside of the organisations. Today, there are many devices for increasing outside points of view.
- Experiment and learn. Managers should realized that there is always an opportunity in every wrong decision taken. The only condition being the passion to experiment and learn.

- Look for outrageous clients.. In the present economy, there's significantly more development at the edge than at the center. Search for the edge and see who is there.

KEY REACTIONS TO COMPLEXITY

- Managers in complex ventures inside complex frameworks must have the capacity to hold oppositely restricting idea designs.
- Projects require reductionist reasoning and control frameworks. Ventures must be separated to their most straightforward segments with "what, whom by when" particularly point by point.
- Managers must perceive that associations, groups and people are unpredictable frameworks with new properties. Complex frameworks don't have straight reason and impacts. They are, by nature, not unsurprising, stable nor standard.
- In complex frameworks, systems have rising properties. Inside the association, there are informal communities. These systems are more effective than the chain of command. Utilize informal community investigation to see how your association really functions.
- Simplify where conceivable. Superfluous unpredictability is exorbitant.

KEY REACTIONS TO AMBIGUITY

- Know your why. In the event that you comprehend why you are wandering into an uncertain circumstance, you'll be better ready to persevere amid the intense starting days.
- Begin in light of the end-client. Be sure about the necessities of the end clients and concentrate your endeavors on giving arrangements that address their issues.
- Don't be vexed if the end clients don't perceive the advantage of the arrangement you give when you initially give it. Stay cool at dismissal of new innovation ideas. Take the protests one by one, and simply continue advancing.
- Use configuration thinking philosophies. These can be effectively gained from free online assets, books and hands-on workshops. The embodiment of configuration believing is making bunches of decisions in light of client needs, and afterward choosing from among those decisions.

- Take a trial approach. Design thinking requires a readiness to move among four mental states including dissimilar and concurrent reasoning and examination and union.
- Keep pushing ahead, regardless of whether you need to turn. It's less demanding to direct a moving boat.

CONCLUSION

The VUCA effect is here to last and expected to intensify in multitude. Managers will have to strategize to simplify complexity, or to break volatility, uncertainty, and ambiguity down into smaller and smaller parts. Traditional centres of power and authorities will have to resort to disruptive innovations in management. Managers will now have to step out of their predictive assumptions and not play only safe but also bold. Experimental Managers with paradoxical and agile thinking will survive through the complex systems. On the contrary Managers who lock themselves into fixed positions and fail to adapt will wind up being the losers.

Transformations in organisations are inevitable. Environmental scanning and situational awareness are critical to anticipating disruption. Managers will have to get comfortable in being uncomfortable. The state of being uncomfortable is to be perceived as an indication of growth and learning. The capacity to spot feeble signs is vital to suspecting, adjusting and following up on problematic patterns. Utilize motivation, impact, desires, fortifications and prizes to shape the way of life.

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Awareness of Implementation of Goods and Service Tax (GST) among College Students in Pune City

Assist. Prof. Uzma Ayub Sarkhot
Abeda Inamdar Sr. College
Department of Commerce

Abstract

Introduction of GST would be a very significant step in the field of indirect tax reforms in India. By amalgamating a large number of central and state taxes into a single Tax and allowing set-off of prior –stage taxes, it would mitigate the ill effects of cascading and pave the way for a common national market. Some of them gave positive responds and some others gave negative feedbacks as the implementation has resulted in higher prices for goods and services and thus this tax may cause burden to people. Therefore, this sample comprised of 60 students ranging from different years of study. The sample selection was made randomly. It is an issue if people are still unaware or confused with the tax system of GST and become worst when people ignore and boycott not to pay the tax.

GST is a popular issue that is being discussed by people day to day it is necessary to know whether the students are aware of the government plan and do they have knowledge on this issue. It is concluded that providing adequate and relevant fundamental information is necessary to make them better understand the general principle of GST by organizing seminar, talk, training, course and forum in order to increase awareness and knowledge and also confirm to regulation.

Keywords: GST, Tax, Awareness and knowledge.

Introduction:-

India has witnessed substantial reforms in indirect taxes over the past two decades with the replacement of state sales taxes by value added Tax (VAT) in 2005 making a watershed in this regard. Prior to VAT implementation the tax structure was considered problematic primarily due to "Cascading effect" of taxes" whereby and item is taxed more than once from the production to the final retail sales stage. Exporters were also becoming less competitive in the international market due to the huge input costs involved (tax burdens of a commodity increases manifold as it is taxed repeatedly) through the earlier sales tax mode – reflected in higher prices of products as compared to global competitors to avoid this kind of a tax structure VAT was introduced so that taxes are paid on the "Value Added Portion" by each producer and the hurdles of the cascading effect are done away with. But shortcomings were also noticed in the VAT structure and efforts were made to further rationalize the system. For instance, a number of Central taxes like Custom duty, surcharge were not included in Central Value Added Tax (CENVAT) while indirect taxes at the state

level such as Entertainment and luxury taxes were left out of the purview of VAT. The major problem with VAT is that CENVAT on certain commodities remains included in the value of goods to be taxed under state VAT.

Due to all these problems faced, an introduction of GST would be a very significant step in the field of indirect tax reforms in India. By amalgamating a large number of Central and state Taxes into a single Tax and allowing set –off of prior stage taxes, it would mitigate the ill effects of cascading and pave the way for a common national market.

For the consumers, the biggest gain would be in terms of a reduction in the overall tax burden on goods, which is currently estimated at 25-30%.

Introduction of GST would also make our products competitive in the domestic and international markets.

Studies shows, this would spur the economic growth. This would also bring revenue gain to the centre and states due to widening of the tax base, increase in trade volumes and improved tax compliance.

Way forwards for Implementation of GST

1) The 122nd amendment Bill to be passed by upper house with 2/3rd majority and then will be ratified by at least 50% state legislatures and will be followed by assent of president.
2) After the bill has been passed, GST council to be established.
3) GSTC to advocate GST law and procedure
4) GST law to be introduced in parliament.
5) GST Network a sec 25 company established to design . It infrastructure of GST.

BOTTLENECKS IN THE IMPLEMENTATION Of GST.

Though the Government wants the GST Bill to be implemented by April 2016, there are certain bottlenecks which need to be taken care of before that :-

- Whether the tax – Payers are ready for such a change?
- What will be the impact on the Governments revenue?
- What precautions are needed at the level of central and state Government for implementing the GST?
- How will the manufacturer’s traders and Ultimate Consumers be affected?
- Will GST help the small entrepreneurs and small traders?

STATUS OF IMPLEMENTATION OF GST

GST Bill Needs to be passed by a 2/3rd majority in both Houses of Parliament and by the legislatives of half of the 29 states. In Dec 2014, Finance minister Arun Jaitley introduced the constitutional amendment Bill of the GST in the Loksabha. He announced that the GST would be a major reform in India's taxation system since 1947, which would reduce transactions costs for business and boost the economy. Earlier the Bill was rejected by few states saying that it does not include the issues of compensation, entry tax and the tax on petroleum products. Arun Jaitley while introducing the Bill said that all efforts have been taken to make sure any loss of revenue with the implementation of GST.

By removing number of Central and state taxes, the GST can help in reducing taxation and filing costs and expand business profitability, thereby attracting investments and promoting GDP growth. Simplification of tax norms can help in improving tax compliance and increasing tax revenues.

How GST Works?

- GST is collected and paid at all stages of supply chain.
- GST on taxable goods and services that they provide.
- GST is paid on the purchases (Input tax credit).
- The end consumers is borne to pay the ultimate GST

Literatures Review

- GST introduction will provide simpler and transport tax system with increase in output and productivity of economy in India.
- The new NDA Government in India is positive towards implementation of GST and it is beneficial for central government, state government and as well as for consumers in long run.
- It has been found out that GST is not good for low income countries and does not provide broad based growth to poor countries.

Statement of the Problem:-

GST is deemed as one of the steps in making India as a country which has a high income tax systems, comprehensive, efficient, transparent and business friendly? It is also considered world's best tax system based on the implementation of the country which has implemented GST. GST has just been applied in India. It is an issue, if people are still unaware or confuse with the tax system of GST and become worst when people ignore and boycott not to pay the tax.

GST is a popular issue that is being discussed by people day – to- day.

It is necessary to know whether the students are aware of the Governments plan and do they have knowledge on this issue.

Therefore, the study makes an attempt to analyze the college student's awareness and knowledge on the implementation of Goods and Services Taxes in Pune City.

Why India is Applying GST?

In Indian economy, the service sector contributes over 55%. Separate taxation of goods and services is neither viable nor desirable. Value adds in manufacture and sale of goods require inputs of both – goods and services and vice – versa which is often not separable.

Introduction of GST o replace the existing multiple tax structures of Centre and state taxes is not only desirable but implemented in the emerging economic environment.

Objective of the Study

1) To find out level of knowledge of the students on issues of GST.
2) To identify the level of awareness of the students in implementation of GST.
3) To study about the socio- economic and demographic profile of the respondents.
4) To give suitable suggestion on the basis of findings of the study.

HYPOTHESIS of the STUDY

There is no association between socio- economic profile of the respondents such as age, gender, studied course, education status, occupational status and level of knowledge of the students on issues of GST.

SAMPLING DESIGN

There are four main colleges of Arts and science and commerce taken for study. The researcher has taken all the colleges namely, Abeda Inamdar Senior College, Poona College of Arts, Science Commerce, Arihant College, Vincent College. The total number of students studying in four college is

RESEARCH METHODOLGY:-

The study is based on both Primary and Secondary data. Primary data is collected by Interview schedule and the secondary data has been collected from books, journals and websites and so on.

TOOLS Used for analysis:-

The data are analyzed with the help of SPSS. The following statistical tools are used:-

- Percentage

- Chi-square test.

ANALYSIS of STUDENTS AWARENESS on the Implementation of GST.

In order to identify the awareness of college students and knowledge on the implementation of Goods and Services Tax (GST), the researchers has collected and presented data in the following manner.

SR-No	Item	Disagree	Strongly Agree	Neutral	Agree	Strongly Disagree	Total
1	GST aims to make tax system more efficient, comprehensive and transparent	-	-	24 (20%)	84 (70%)	-	108
2	GST will generate and increase revenue for the country	-	28 (23.3%)	-	80 (66.7%)	-	108
3	GST will not burden people	-	24 (20%)	42(35%)	42 (35%)	-	108
4	GST will result in higher prices for goods and services	24 (20%)	28 (23.3%)	42 (35%)	14 (11.7%)	-	108

CHI-SQUARE TEST:-

Chi- square test is applied to measure the relationship between two variables. The chi-square test for independence also called Pearson's chi-square test of association is used to discover the relationship between two categorical variables.

Following Hypothesis- There is no relationship between socio-economic profiles of the respondents.

Such as age, gender studied course, education status, occupational status and level of knowledge on issue of GST".

Particulars	Pearson's Chi – Square Value	Result
Age	0.000	Not significant
Gender	0.499	Significant
Studied Course	0.000	Not significant
Nature of Course	0.000	Not significant
Occupation	0.000	Not significant

Note:- the Significant value of chi – square which is less than the acceptable level of 0.05 the null hypothesis is rejected and more.

Findings

- It is found that most of the respondents are having the age of 24 to 26 years.

- It is revealed that majority of the respondents were not aware of implementation of GST April this year.
- In order to test the relationship between socio – economic profile of the respondents and have their level of students, knowledge on the issue of GST it is concluded that "There is no relationship between socio – economic profile of the respondents". There is a relationship between gender and their level of knowledge on issue of GST".

SUGGESTIONS

The overall findings show that even though the students were aware of the governments initiative to implement Goods and Services Tax (GST) but they still have medium level of knowledge in relation to this GST.

Therefore, there is also a need for the government to give and provide a comprehensive understanding of relevant GST

Conclusion

Students are young and assets in the country, and leader for the future. They will continue to implement the national development program to achieve vision 2020. For better understanding, it is necessary that the new generation should be enhanced with the general principle of GST by organizing seminars, workshops, short – term GST course, in order to enhance the knowledge of GST and awareness for the same.

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Managing Business Complexity

Subiya Shaikh
Asst. Professor
Department of BBA,
Abeda Inamdar Senior College, Pune

Abstract

As a result of continual pressure for growth, most companies have both expanded their product lines significantly and indulged in what appears to be ever promotional activity in an effort to stimulate customer interest and gain share. One of the consequences of all this activity has been an enormous increase in the complexity of their businesses which tends to increase the fixed costs of conducting their business. This complexity manifests itself in many forms affecting everything from the day-to-day operations of the business to senior management's strategic plans. Economies of scale, scope and skills appear to be wiped out by 'economies of complexity'.

Many companies have expressed serious concerns about their capability to successfully manage complexity and have striven to simplify their business, retrenching to a stable portfolio of core products and processes. Others have attempted to manage complexity through systems, structures, procedures, complex organization, and group decision making. Only a few have come to grips with the strategic challenge: they have learned to manage a complex business in simple ways improving both share of market, innovativeness and profitability in the process.

KEYWORDS: VUCA, Complexity, Business, Growth, Profit

The Origins of Business Complexity

Complexity is a by-product of managers' daily decisions - decisions which are influenced by many factors rooted in a company's internal and external environment. For instance, companies have responded to competitive problems and opportunities by proliferating their product lines, promoting more frequently and aggressively, moving marketing euros and customizing their communication to meet local needs. Customers have been hit by an avalanche of new products as new product introductions have been growing at 10 to 20 percent per year. For the manufacturer this continuous new product extension has meant increasingly unwieldy product ranges. All of these moves increase the complexity of running a business, and, unless special care is taken, may eventually ratchet up costs.

Many large companies with broad product ranges are currently losing money while smaller competitors, specializing either in a few standardized products or in highly customized products, are profitable. Studies in such large companies have shown that poor management of complexity is one major cause. But although additional fixed costs - of which complexity costs are a part - may not matter during growth phases, they are unacceptable in the shrinking or slow growing markets of today. Fixed costs do not decline along with sales. And the share of costs concerned here is substantial: in the course of various studies, I have found that around 15 to 20 per cent of costs is complexity-driven, depending on the structure of the company and its industry. The

multiple burdens of increased costs make excessive complexity a major competitive issue.

Managerial decisions generate complexity in terms of the number of 'challenges' that a company has to handle. Each of these can relate to either physical materials or bits of information. Now imagine the thousands of discrete challenges that a typical business must handle. All of these challenges are generated by the multitude of decisions managers make every day about the company's activities. It is often difficult for (large) companies to make complexity cost/benefit trade-offs because their (decentralized) decision-making is split between (many) managers in different divisions or groups, business units, and departments. Each manager or group of managers does its best with the challenges it receives, and throws its own decisions 'over the wall' for the next manager or group of managers to cope with. In the end, decisions are made which add complexity without creating offsetting customer or competitive benefits. It is the exponentially expanding interaction of all these strategic and operational challenges and decisions that constitutes complexity and leads to severe reductions in competitiveness.

In the face of growing cost problems, more and more companies are now taking steps to identify and reduce complexity costs. The good news is that excessive complexity can be reversed and prevented.

First of all, to assess the extent and sources of excess complexity costs, transparency of cost information is required. This forms a sound basis for developing ways to influence complexity. All complexity-driven cost components have to be taken into consideration.

On the basis of transparent complexity costs, steps for minimizing the cost of product/part/process variety can be developed. Armed with a thorough understanding of complexity costs and with knowledge of the critical benefits valued by customers, managers have to rethink decisions in all areas of a company's business system.

There are basically two approaches to managing business complexity costs. We can attempt to simplify the business by, for instance, pruning the product line and cutting back on programs. Alternatively we can accept that some increasing complexity is inevitable in an era of disaggregation of needs and wants and we reconfigure the business system to better handle it.

Simplification

Simplification may require drastically restructuring the business system to achieve substantial cost savings and seems only a partial or temporary solution. It's a bit like standing in Trafalgar Square in London and clapping your hands. All the pigeons fly away, only three minutes later they are all back, only in new formations at different spots. However, in some situations seeing the Square without pigeons is clearly an essential first step to finding your way across it.

Complexity can be reduced by discontinuing products and/or processes whose complexity costs are higher than the profit contribution they generate, or operationally by increasing standardization (engineering, for instance, can be optimized to meet

market requirements with a higher level of standardization or modularity of parts and products).

Box 1 Operational simplification strategies

Specific actions which simplify the operational business system are:

- Shift customers to standardized products;
- Select and concentrate on important customer segments;
- Link product launch to discontinuation of old products;
- Reconfigure the production process - eliminate stock pools and consolidate activities to achieve economies of scale and scope;
- Limit design changes and introduction of new variants;
- Automate business processes where economic;
- Simplify and streamline administrative procedures, and
- Improve commonality of parts/product modularity.

The first set of decisions which managers reassess when attempting to simplify their business system is the range of products or services and customers. Focus variety on a few features seems to be the name of the game at H&M. H&M, a global fashion retailer, successfully standardised most of its products (and distribution strategies), except for their color, which was added at the last minute in response to the latest tastes.

However, a reduction in the number of products and customers is not usually the most powerful driver of profit improvement. It represents one component of an integrated complexity reduction review. The reassessment process involves generating a true picture of variable profit margins, searching for profit improvement opportunities, and ultimately abandoning those unprofitable products, services and customers which are not required for financial or strategic reasons.

Product or service design simplification can not only reduce costs but also accelerate product or service development processes and improve customer satisfaction. Conventional trade-offs often do not apply. The secrets to success are to deeply understand customer needs, and segmentations, to have cross-functional teams evaluate costs of various design options for meeting these customer needs and to iterate toward solutions using frequent customer input.

Many complexity costs generated throughout the company are actually borne in secondary functions (e.g., administration, IT/IS, et cetera). Simplification of support functions can be realized through a disciplined analysis of the value of support activities. Typically, according to my studies about 20 percent of support costs can be saved by eliminating low-value activities.

Simplifying business system activities often simultaneously leads to the threefold benefits of lower cost, improved customer benefit, and faster response time. The key factor for success, however, is to ensure that new products/services (and business

processes) are optimized before they are launched. Remember Sun Tzu's adage: 'Every war is won before it is ever fought'.

Reconfiguration

Reconfiguration on the other hand may provide a means to seize the opportunities of complexity - opportunity to deliver greater value to trade and consumer by finer, more targeted segmentation. To manage increased complexity through reconfiguration requires managing assets more flexibly, developing new information systems, building people with adaptable skills, and decentralizing decision-making. Approaches like these can substantially reduce the costs of complexity and make the revenue contributions for product and promotion variations more attractive to go for.

The chosen approach to complexity management will influence the company's competitive and product strategy (and vice versa). The approach will also be influenced by industry specifics. For example, the types of complexity occurring in the process and assembly industries vary significantly:

- In the process industries, complexity generally arises from proliferation of individual products (e.g., in paint production or packaged goods) or from 'branching variety'. This means that the production flow branches over several production steps, with variations being introduced in each step (this is the case, e.g., in the steel industry or the chemical industry).
- In assembly industries, with their vast numbers of input variables, complexity arises from 'combination variety', independent of the production steps (e.g., in the automotive industry and machinery industry).

Often, a business complexity reduction process is started by top management with the selection of a cross-functional team consisting of key managers from across the company, who are encouraged to break traditional territorial thinking to make integrated business decisions. The team analyzes the company and its environment to flush out the hidden linkages between costs, activities, and the decisions that generated them. Ideally, this analysis should be extended to include major suppliers and important customers. By involving these partners, the team will not only gain a better understanding of the total industry costs of complexity, but will also win the partners' commitment to business complexity reduction.(Managing Business Complexity, Pieter Klaas Jagersma)

IMPORTANCE OF MANAGEING BUSINESS COMPLEXITY

All companies must grow. It's an imperative that drives companies to create new products and services, enter new regions, and move into new businesses. As they expand, they inevitably become more complex. Their organizational structures develop layers upon layers, their reporting lines become tangled, and their people – from senior management through to the front line – find it harder to get work done. When time, energy, and resources are spent on activities and interactions that don't create value, complexity starts to damage a company's performance.

But complexity isn't always a bad thing. When we analyzed drivers of perceived value creation, we found that some of the most important tend to create complexity as

well as value. The number of customers you have; the number of products or services you deliver; the extent to which people cooperate and multi-task within your organization; the number of countries you operate in; and the number of people you employ all increase the level of complexity in your company as well as helping you to make more money. Handled well, this kind of complexity helps rather than hinders your company's performance.

On the other hand, some factors destroy value as well as adding complexity. The amount of regulation in your industry and how quickly it changes; the extent of duplication of activities, roles, and responsibilities in your organization; the frequency of change in your organization structure; and the rate of new entry and change of strategy by your competitors all tend to make your company less profitable and more complex. This is the kind of complexity that you may well want to tackle.

Managing complexity well can create three major benefits:

Higher returns

In research with 1,150 senior executives of major companies (each of which had at least 1,000 employees), it was found that the companies reporting low levels of complexity (those where it was "easy to get things done") had the highest returns on capital employed and the highest returns on invested capital. (Suzanne Heywood, Jessica Spungin, and David Turnbull, "Cracking the complexity code," The McKinsey Quarterly, May 2007)

Lower costs

Four out of five organizations that reduce complexity also reduce their costs. Some have saved almost 20 percent of personnel costs by eliminating activities that create complexity but add little value.

Improved employee satisfaction

Reducing complexity removes barriers to getting things done. When one retailer managed to cut the time it took to develop and approve some new products by almost half, it also took care of the frustration experienced by product development and operational staff at the same time.

When we talk to executives, they recognize the scope for creating value from complexity, but they are equally aware of the problems it can cause: poor responsiveness to customers, weak risk management, inefficient processes, and confusion and stress among employees. Worse, they feel the problems are becoming more acute, fuelled by such factors as rising levels of M&A, product proliferation, increasing regulation, and greater emphasis on internal collaboration. What can we do, they ask, to manage our rising levels of complexity more effectively?

The advice is simple: focus on the issues that make it hard for employees to get things done and develop their ability to cope with the complexity in their roles. For most employees, dealing with the complications arising from increased regulation and M&A activity is less critical than having clear roles, targets, and accountabilities

within an organization that Encourages Initiative and Cooperation. (How do I manage the complexity in my Organization?, Suzanne Heywood, Ruben Hillar, David Turnball , McKinsey and Company)

Insights to Complexity

Leaders wanting to manage complexity well should be aware of a few insights that could make all the difference.

Not all complexity is bad, Complexity isn't always harmful

There is often value in having multiple business units and operating on a global scale. Complexity can be part of a successful business plan, as Dell shows by custom-building computers at speed to meet individual orders. Similarly, broadening a product offering may bring benefits that far outweigh the costs. Other forms of complexity, such as those resulting from regulatory or trade union demands, may be imposed by the environment in which a firm operates. But there is no denying that complexity can also destroy value: witness the company that ends up being present in a long "tail" of countries that barely break even.

The answer is not to make an organization as simple as possible, but rather to eliminate the complexity that makes it hard to get things done and creates little value. If complexity can been seen not as a problem to be eliminated but as a challenge to be managed and even exploited, businesses can generate additional sources of profit and competitive advantage.

What leaders see as complexity isn't what the organization experiences as complexity

When we asked top executives about the sources of complexity in their business, they focused on external and structural factors: the scale and scope of their company, the design of their organization, and new legislation. But when we talked to people two or three levels down – often key players in charge of clients, projects, or operational units – the story was very different. For them, complexity mainly resided in such things as unclear reporting lines, hazily defined accountabilities, and inefficient internal processes.

So why was there such a wide gap between the view from the top and the view at operational level? Our investigations led to an important insight: what matters most is the level of experienced complexity, or "how difficult it is to get work done." The objective complexity as seen by the CEO was irrelevant for most other people in the organization; it simply did not correlate with what managers and employees experienced in their work. It isn't that anyone was "right" or "wrong"; the point is that different forms of complexity manifest themselves at different points in an organization. That means that any company wanting to tackle complexity must start by looking at how it is experienced throughout the whole organization.

It's easy to mistake symptoms for causes

Many organizations complain of problems such as excessive bureaucracy, proliferating meetings, and slow decision making. But treating these symptoms without treating their root cause leads to a short-term solution at best. 4 Employees at one major financial institution felt that they were spending too much of their time on unproductive work, particularly in meetings that didn't keep to the agenda or make decisions. Before addressing these symptoms, however, the company investigated likely causes and discovered that accountabilities within the organization were both unclear and duplicated between roles. To arrive at a lasting solution, it coupled measures to address the symptoms (such as creating new protocols to keep meetings on track) with work to address the causes (such as redefining which parts of the organization were responsible for what and building the new accountabilities into job descriptions).

Leaders are not created equal in their ability to manage complexity

Our research indicates that the level of complexity an individual experiences doesn't always correlate with the formal complexity of his or her role. Part of the reason is that certain individuals are better at coping with complexity than others. So what sort of capabilities does a manager need to tackle complexity effectively? We call them "ambidextrous" capabilities: the ability to keep the business ticking on a daily basis while looking for ways to expand and improve it. (Julian Birkinshaw, "An even-handed response to an uncertain context," Financial Times, 6 April 2006)

Examples might include going out of our way to collaborate with others on cross-business projects; taking the initiative to pursue opportunities that lie beyond our formal role definition; keeping multiple projects going at the same time; and helping people from different areas to connect with one another. Organizations can build such capabilities through targeted training. Another helpful step is to identify particularly complex roles – those pivotal to strategy delivery – and then look for people with ambidextrous capabilities to fill them.

Carrying on as normal won't make complexity go away

Organizations that report high levels of complexity are poor at creating value. This is not an issue that top management can afford to ignore or delegate to others. Leaving employees to struggle with complexity in the hope that they will eventually learn how to manage it wastes energy and resources. When people find it hard to get things done or decisions made, their morale suffers and frustration sets in. To prevent this downward spiral taking hold, the top team needs to address the issues head on. If complexity is widespread, that might mean clarifying accountabilities and processes throughout the whole organization. More often, though, some areas have more complexity than others. Such cases may respond to a targeted approach: taking people out of a particular process to simplify it, reducing the number of people involved in making key decisions, or moving people with ambidextrous capabilities into complex

roles. Changes like these can make all the difference, but they don't usually happen without active intervention from the top.

A New Approach to Addressing Business Complexity

Business complexity is rising and will continue to do so, while conventional management thinking falls short in this environment. "Hard" approaches that rely on structure, processes, and incentives increase complicatedness and lead to unintended consequences. "Soft" approaches that focus on feelings, relationships, and leadership styles at best deal with symptoms, add to workloads, and don't sustainably improve performance.

Fortunately, there's a third way: Smart Simplicity. It provides a differentiated approach to managing business complexity and changing behaviors—what people do and the way people act, decide, and interact. Performance is what it is because people do what they do. With Smart Simplicity, organizations can turn their ability to manage business complexity into a competitive advantage.

Complexity, as measured by the number of requirements companies have to satisfy, is rising steadily. To address each new requirement, companies often set up a dedicated function, create a new process or report, and then build systems to coordinate with existing functions. That leads to an increase in organizational complicatedness, meaning the number of procedures, vertical layers, interface structures, coordination bodies, and decision approvals. All of these internal complicatedness factors have seen a sharp increase over the past

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Uncertainty And Business Decison-Making

Ameena Sabooni
Asst. Professor
Department of BBA,
Abeda Inamdar Senior College, Pune

Abstract

Headlines over the last couple years have created a heightened feeling of uncertainty and expectation with respect to perceived global risks. Some of the top risks garnering a lot of attention include:

- *Global recession*
- *Loss of liquidity leading to a credit crisis*
- *Regulatory risk attributed to a changing policy environment*
- *Major country/economy failure*
- *Natural disasters/catastrophic weather*
- *Financial market instability*
- *Terrorist acts*
- *Accelerating technological change*
- *Aging population trends in developed economies*

An increasing sense of uncertainty reflects a changing environment that will impact the choices we make. Recognizing and accommodating these changes provides the opportunity to increase decision making effectiveness.

As such the paper aims at understanding Uncertainty and paves the way to find the methods of making effective business decisions in high uncertainty.

The structure of the report shall be

-Context of Uncertainty in VUCA World

-Understand the context of decision-making under Certainty, Risk and Uncertainty

KEYWORDS: VUCA, Uncertainty, Business Decision, Risk

CONTEXT AND OBJECTIVES

Today's business environment is best described as VUCA – Volatile, Uncertain, Complex and Ambiguous. VUCA is, quite simply, the expression of the fact that the rate of change is outpacing our ability to adapt.

As a result of this, businesses, industries and careers are disrupted faster than ever before. We have to seriously rethink about how we lead ourselves, others and our organisations. Old ways of leadership have to give way to newer mental models based on agility in decision making, critical thinking, adaptable learning, people orientation and responsiveness to change.

Whilst none of us is really in control of our environment, most of us are working hard to anticipate the changing conditions of our business.

In his series of blogs in HBR late 2010 – early 2011, the late former US Army Colonel Eric Kail outlined adaptive leadership tactics for operating in a VUCA world –For Volatile Situations

- Communicate clearly
- Ensure that your intent is understood

For Uncertain Situations

- Get a fresh perspective
- Be flexible

For Complex Situations

- Develop collaborative leaders
- Stop seeking permanent solutions

For Ambiguous Situations

- Listen well
- Think divergently
- Set up incremental dividends

While his advice was constructed within the context of small-unit combat activities in the military I believe it is easily convertible into applications for all organisations.

The antidote to VUCA is about moving from Volatility to Vision, from Uncertainty to Understanding, from Complexity to Clarity and from Ambiguity to Agility. This means exercising leadership in every aspect of our lives and exercising leadership

means making wise decisions.[1] ("Adaptive Leadership for the VUCA World: A tale of Two Managers", Paul Kinsinger, June 6, 2016, Global Business Magazine)

DECISION-MAKING

Concept of Decision-Making Environment

The starting point of decision theory is the distinction among three different states of nature or decision environments: certainty, risk and uncertainty.

The distinction is drawn on the basis of the degree of knowledge or information possessed by the decision-maker. Certainty can be characterized as a state in which the decision-maker possesses complete and perfect knowledge regarding the impact of all of the available alternatives.

In our day-today conversation, we use the two terms 'risk' and 'uncertainty' synonymously. Both imply 'a lack of certainty'. But there is a difference between the two concepts. Risk can be characterized as a state in which the decision-maker has only imperfect knowledge and incomplete information but is still able to assign probability estimates to the possible outcomes of a decision.

These estimates may be subjective judgments, or they may be derived mathematically from a probability distribution. Uncertainty is a state in which the decision-maker does not have even the information to make subjective probability assessments.

It was Frank Knight who first drew a distinction between risk and uncertainty. Risk is objective but uncertainty is subjective; risk can be measured or quantified but uncertainty cannot be. Modern decision theory is based on this distinction.

In general, two approaches are used to estimate the probabilities of decision outcomes. The first one is deductive and it goes by the name a priori measurement; the second one is based on statistical analysis of data and is called a posteriorI.

With the priori method, the decision-maker is able to derive probability estimates without carrying out any real world experiment or analysis. For example, we know that if we toss an unbiased coin, one of two equally likely outcomes (i.e., either head or tail) occur, and the probability of each outcome is predetermined.

The a posteriori measurement of probability is based on the assumption that past is a true representative (guide to) of the future. For example, insurance companies often examine historical data in order to determine the probability that a typical twenty-five year-old male will die, have an automobile accident, or incur a fire loss.

Thus the implication is that even though they cannot predict the probability that a particular individual will have an accident, they can predict how many individuals in a particular age group are likely to have an accident and then fix their premium levels accordingly.

By contrast, uncertainty implies that the probabilities of various outcomes are unknown and cannot be estimated. It is largely because of these two characteristics that the decision-making in an uncertain environment involves more subjective judgment.

Uncertainty does not seem to suggest that the decision-maker does not have any knowledge. Instead it implies that there is no logical or consistent approach to assignment of probabilities to the possible outcomes.

Some Characteristics of a Decision Problem:
All business decision problems have certain common characteristics.

These not only constitute a formal description of the problem but also provide the structure necessary for a solution:

1. A decision-maker

2. Alternative courses of action (strategies)

3. Events or outcomes

4. Consequences or payoffs. (Managerial Decision-Making under Risk and Uncertainty, Samia Rekhi)

Decision making under Certainty

A condition of certainty exists when the decision-maker knows with reasonable certainty what the alternatives are, what conditions are associated with each alternative, and the outcome of each alternative. Under conditions of certainty, accurate, measurable, and reliable information on which to base decisions is available.

The cause and effect relationships are known and the future is highly predictable under conditions of certainty. Such conditions exist in case of routine and repetitive decisions concerning the day-to-day operations of the business.

Decision making underRisks

When a manager lacks perfect information or whenever an information asymmetry exists, risk arises. Under a state of risk, the decision maker has incomplete information about available alternatives but has a good idea of the probability of outcomes for each alternative.

While making decisions under a state of risk, managers must determine the probability associated with each alternative on the basis of the available information and his experience.

Decision making under Uncertainty

Most significant decisions made in today's complex environment are formulated under a state of uncertainty. Conditions of uncertainty exist when the future environment is unpredictable and everything is in a state of flux. The decision-maker is not aware of all available alternatives, the risks associated with each, and the consequences of each alternative or their probabilities.

The manager does not possess complete information about the alternatives and whatever information is available, may not be completely reliable. In the face of such uncertainty, managers need to make certain assumptions about the situation in order to provide a reasonable framework for decision-making. They have to depend upon their judgment and experience for making decisions.

Modern Approaches to Decision-Making under Uncertainty

There are several modern techniques to improve the quality of decision-making under conditions of uncertainty.

The most important among these are:

(1) Risk analysis

(2) Decision trees and

(3) Preference theory

Risk Analysis

Managers who follow this approach analyze the size and nature of the risk involved in choosing a particular course of action.

For instance, while launching a new product, a manager has to carefully analyze each of the following variables the cost of launching the product, its production cost, the capital investment required, the price that can be set for the product, the potential market size and what percent of the total market it will represent.

Risk analysis involves quantitative and qualitative risk assessment, risk management and risk communication and provides managers with a better understanding of the risk and the benefits associated with a proposed course of action. The decision represents a trade-off between the risks and the benefits associated with a particular course of action under conditions of uncertainty.

Decision Trees

These are considered to be one of the best ways to analyze a decision. A decision-tree approach involves a graphic representation of alternative courses of action and the possible outcomes and risks associated with each action.

By means of a **"tree"** diagram depicting the decision points, chance events and probabilities involved in various courses of action, this technique of decision-making allows the decision-maker to trace the optimum path or course of action.

Preference or Utility Theory

This is another approach to decision-making under conditions of uncertainty. This approach is based on the notion that individual attitudes towards risk vary. Some individuals are willing to take only smaller risks ("risk averters"), while others are willing to take greater risks ("gamblers"). Statistical probabilities associated with the various courses of action are based on the assumption that decision-makers will follow them.

For instance, if there were a 60 percent chance of a decision being right, it might seem reasonable that a person would take the risk. This may not be necessarily true as the

individual might not wish to take the risk, since the chances of the decision being wrong are 40 percent. The attitudes towards risk vary with events, with people and positions.

Top-level managers usually take the largest amount of risk. However, the same managers who make a decision that risks millions of rupees of the company in a given program with a 75 percent chance of success are not likely to do the same with their own money.

Moreover, a manager willing to take a 75 percent risk in one situation may not be willing to do so in another. Similarly, a top executive might launch an advertising campaign having a 70 percent chance of success but might decide against investing in plant and machinery unless it involves a higher probability of success.

Though personal attitudes towards risk vary, two things are certain.

Firstly, attitudes towards risk vary with situations, i.e. some people are risk averters in some situations and gamblers in others.

Secondly, some people have a high aversion to risk, while others have a low aversion.

Most managers prefer to be risk averters to a certain extent, and may thus also forego opportunities. When the stakes are high, most managers tend to be risk averters; when the stakes are small, they tend to be gamblers. (Decision-Making under Certainty, Risk and Uncertainty, Surbhi Rawat)

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The study of different types of Mutual Funds in the current market scenario

Dr. Vinita Nawalakha,
Asst. Professor,
S.P.College, Pune

Abstract

A mutual fund is a trust that pools the savings of a number of investors, who share a common financial goal. Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost. This study is to focus on the various types of mutual funds prevailing in the current market scenario.

Objectives:-

- To study the importance of Mutual funds.
- To focus on the different types of mutual funds in current market scenario.

A mutual fund is a professionally-managed investment scheme, usually run by an asset management company that brings together a group of people and invests their money in stocks, bonds and other securities. All the mutual funds are registered with SEBI. They function within the provisions of strict regulation created to protect the interests of the investor. A mutual fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is invested in capital market instruments such as shares, debentures, and other securities. The income earned through these investments is shared by its unit holders in proportion to the number of units owned by them. Thus a Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost.

The biggest advantage of investing through a mutual fund is that it gives small investors access to professionally-managed, diversified portfolios of equities, bonds and other securities, which would be quite difficult to create with a small amount of capital. As an investor, you can buy mutual fund 'units', which basically represent your share of holdings in a particular scheme. These units can be purchased or redeemed as needed at the fund's current net asset value (NAV). These NAVs keep fluctuating, according to the fund's holdings. So, each investor participates proportionally in the gain or loss of the fund. Prospective investors who wish to invest in mutual funds have to contact a distributor/agent of mutual funds. Any good agent/distributor would be able to suggest you the appropriate funds from the plethora of funds available.
The normal procedure is to fill-up the required application form and submit the form along with a cheque for the amount to be invested. Cheques and Demand Drafts are accepted. Payment by cash is not allowed. The agent/distributor would submit the application form with the cheque to themutual fund company.

The mutual fund industry in India started in 1963 with the formation of Unit

Trust of India at the initiative of the Reserve Bank of India (RBI) and the Government of India. The objective then was to attract small investors and introduce them to market investments.

The Indian mutual fund industry is one of the fastest growing and \most competitive segments of the financial sector. In the last two decades the mutual fund industry has shown impressive growth not just in the scale of assets under management (AUM) but also in terms of schemes and products. It is observed that there is immense scope for unprecedented growth of the industry with support from innovative technological initiatives and broadened investor participation over time.Mutual funds witnessed impressive growth in terms of net resource mobilization.

The mutual fund industry of India is continuously evolving. Along the way, several industry bodies are also investing towards investor education. Yet, according to a report by Boston Analytics, less than 10% of our households consider mutual funds as an investment avenue. It is still considered as a high-risk option. In fact, a basic inquiry about the types of mutual funds reveals that these are perhaps one of the most flexible, comprehensive and hassle free modes of investments that can accommodate various types of investor needs. Various types of mutual funds categories are designed to allow investors to choose a scheme based on the risk they are willing to take, the investable amount, their goals, the investment term, etc. The following are different types of mutual fund schemes

I.Open-Ended - This scheme allows investors to buy or sell units at any point in time. This does not have a fixed maturity date.

1.Debt/ Income - In a debt/income scheme, a major part of the investable fund are channelized towards debentures, government securities, and other debt instruments. Although capital appreciation is low (compared to the equity mutual funds), this is a relatively low risk-low return investment avenue which is ideal for investors seeing a steady income.

2. Money Market/ Liquid - This is ideal for investors looking to utilize their surplus funds in short term instruments while awaiting better options. These schemes invest in short-term debt instruments and seek to provide reasonable returns for the investors.

3. Equity/ Growth - Equities are a popular mutual fund category amongst retail investors. Although it could be a high-risk investment in the short term, investors can expect capital appreciation in the long run. If you are at your prime earning stage and looking for long-term benefits, growth schemes could be an ideal investment.

3.i. Index Scheme - Index schemes is a widely popular concept in the west. These follow a passive investment strategy where your investments replicate the movements of benchmark indices like Nifty, Sensex, etc.

3.ii. Sectoral Scheme - Sectoral funds are invested in a specific sector like infrastructure, IT, pharmaceuticals, etc. or segments of the capital market like large

caps, mid caps, etc. This scheme provides a relatively high risk-high return opportunity within the equity space.

3.iii. Tax Saving - As the name suggests, this scheme offers tax benefits to its investors. The funds are invested in equities thereby offering long-term growth opportunities. Tax saving mutual funds (called Equity Linked Savings Schemes) has a 3-year lock-in period.

4. Balanced - This scheme allows investors to enjoy growth and income at regular intervals. Funds are invested in both equities and fixed income securities; the proportion is pre-determined and disclosed in the scheme related offer document. These are ideal for the cautiously aggressive investors.

II.Closed-Ended - In India, this type of scheme has a stipulated maturity period and investors can invest only during the initial launch period known as the NFO (New Fund Offer) period.

1. Capital Protection - The primary objective of this scheme is to safeguard the principal amount while trying to deliver reasonable returns. These invest in high-quality fixed income securities with marginal exposure to equities and mature along with the maturity period of the scheme.

2. Fixed Maturity Plans (FMPs) - FMPs, as the name suggests, are mutual fund schemes with a defined maturity period. These schemes normally comprise of debt instruments which mature in line with the maturity of the scheme, thereby earning through the interest component (also called coupons) of the securities in the portfolio. FMPs are normally passively managed, i.e. there is no active trading of debt instruments in the portfolio. The expenses which are charged to the scheme, are hence, generally lower than actively managed schemes.

III. Interval - Operating as a combination of open and closed ended schemes, it allows investors to trade units at pre-defined intervals.

Conclusion:-

The assured return schemes need to be launched so as to provide the guaranteed returns by the sponsor or asset management company and sufficient funds are available with them to meet the guarantee. It is expected that competitive mutual fund schemes will be launched to attract investors with good returns and will be protected from difficulties in the future.

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Role of Stock Exchange in Indian Stock Market

Surekha Narahari Battul
AIHC Department
A. R. Burla Mahila Varisht Mahavidhyalaya,
Solapur

Abstract

In this paper we discuss about the Stock market and stock exchange concepts, Evolution of stock exchange in India and role of stock exchange in stock market.

Introduction

Indian stock market symbols to be one of the oldest markets in Asia.It Dates back to the close of 18th century when the East India Companyused to transact loan securities. In the 1830s, trading on corporate stocks and shares in Bank and Cotton presses took place in Bombay. Though the trading was broad but the brokers were hardly half dozen during 1840 and 1850.

An animal group of 22 stockbrokers began trading under a banyan tree opposite the Town Hall of Bombay from the mid-1850s, each investing a (Then) significant amount of Rupees 1. This banyan tree still stands in the Horniman Circle Park, Mumbai. In 1860, the exchange flourished With 60 brokers. In fact the 'Share Mania' in india began with the American Civil War Broke and the cotton supply from the US to Europe stopped. Further the brokers bigger to 250. The informal group of stockbrokers' oraganized themselves as the Native Share and Stockbrokers Association which, in 1875, was formally organized as the Bombay Stock Exchange (BSE).

BSE was shifted to an pld building near the Town Hall. In 1928 the plot of land on which the BSE building noe stands (at the intersection of Dalal Street, Bombay Samachar Marg and Hammam Street in downtown Mumbai) was acquired, and a building was constructed and occupied in 1930.

Premchand Roychand was a leading stockbrokaer of that time, and he assisted in setting out traditions, conventions, and procedures for the trading of sotcks at Bombay Stock Exchange and they are still being followed.Several stock broking firms in Mumbai were family run enterprises, and were named after the heads of the Family.

The following is the list of some of the initial members of the exchange, and who are still running their respective business

1) D.S. Prabhudas & Company (now known as DSP, and a joint venture partner with Merrill Lynch)
2)Jamnadas Morarjee (now known as JM)
3)Devidas (now called Cifco Finance)
4) Brijmohan Laxminarayan

In 1956, the Government of India recognized the Bombay Stock Exchange as the first stock exchange in the country under the securities contracts (Regulation) Act.The mainly decisive period in the history of the

BSE took place after 1992. In the aftermath of a major scandal with market manipulation involving a BSE member named Harshad Mehta,BSE responded to calls for reform with obstinacy. The foot- dragging by the BSE helped radicalize the position of tthr government , which encouraged the dreation of the National Stock Exchange (NSE), which created an electronic marketplace. NSE started trading on 4 Novamber1994. Within less than a year, NSE turnover exceeded the BSE.BSE rapidly Automated, but it never caught up with NSE spot market turnoverThe second strategic failure at BSE came in the following two years. NSE embarked on the launch of equity derivatives trading. BSE responded by political effort, with a friendly SEBI chairman (D. R. Mehta) aimed at blocking equity derivatives trading. The BSE and D. R. Mehta succeeded in delaying the onset of equity derivatives trading by roughly five years. But this trading, and the accompanying shift of the spot market to rolling settlement, did come along in 2000 and 2001 - helped by another major scandal at BSE involving the then President Mr. Anand Rathi. NSE scored nearly 100% market share in the runaway success of equity derivatives trading, thus consigning BSE into clearly second place. Today, NSE has roughly 66% of equity spot turnover and roughly 100% of equity derivatives turnover. Stock Exchange provides a trading platform, where buyers and sellers can meet to transact in securities.

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Objectives of the study

1) To know the concept of Stock Markets & Stock Exchanges.
2) To study the evolution of Stock exchange in India.
3) To understand role of stock exchange.

Methodology

This paper is totally based on secondary data like Books, Research Articles, Magazine, and other source which is related to secondary data.

Concept

Stock Markets: Stock Market is a market where the trading of company stock, both listed securities and unlisted takes place. It is different from stock exchange because it includes all the national stock exchanges of the country. For example, we use the term, "the stock market was up today" or "the stock market bubble."

Stock Exchanges: Stock Exchanges are an organized marketplace, either corporation or mutual organization, where members of the organization gather to trade company stocks or other securities. The members may act either as agents for their customers, or as principals for their own accounts. Stock exchanges also facilitates for the issue and redemption of securities and other financial instruments including the payment of income and dividends. The record keeping is central but trade is linked to such physical

place because modern markets are computerized. The trade on an exchange is only by members and stock broker do have a seat on the exchange.

ROLE OF STOCK EXCHANGE

Stock exchanges have multiple roles in the economy. This may include the following:

Maximaising capital for businesses

A stock exchange provides companies through the competence to maximizing capital for growth through selling shares to the investing people.

Universal forms of capital growing

The borrowing capacity provided to an individual or firm by the banking system, in the form of credit or a loan, there are four common forms of capital increasing used by companies and entrepreneurs. the largest part of these available options might be achieved, directly or indirectly, by a stock exchange.

Leaving community

Capital concentrated companies, mostly high tech companies, forever require to raise high volumes of capital in their early on stages. Hence, the community market provided by the stock exchanges has been single of the most imperative funding sources for many capital intensive startups. After the 1990s and early-2000s hi-tech listed companies' boom and bust in the world's main stock exchanges, it has been much more demanding for the high-tech entrepreneur to take his/her company public, except any the company already has products in the market and is generating sales and earnings, or the company has completed advanced promising clinical trials, earned potentially profitable patents or conducted market research which demonstrated very positive outcomes.

Limited partnerships

A number of companies have also increases major amounts of capital through R&D limited partnerships. Tax law changes that were enacted in 1987 in the United States moved the tax deductibility of investments in R&D limited partnerships. In order for a partnership to be of interest to investors today, the cash on cash return must be high enough to entice investors. As a result, R&D limited partnerships are not a viable means of raising money for most companies, particularly hi-tech startups.

Venture capital

A third common source of capital for startup companies has been venture capital. This source remains basically available today, but the maximum statistical amount that the venture company firms in aggregate will invest in any one company is not limitless (it was approximately $15 million in 2001 for a biotechnology company).

Corporate partners

A fourth another source of cash used for a private company is a corporate partner, frequently an established multinational company, which provides capital intended for the smaller company in return for marketing rights, patent rights, or equity.

Mobilizing savings for investment

When people start their savings and invest in shares (through an IPO or the issuance of new company shares of an already listed company), it generally leads to coherent allocation of resources because funds, which could have been consumed, or kept in idle deposits with banks, are mobilized and redirected to help companies' management boards finance their organizations. This may promote business activity with benefits for several economic sectors such as agriculture, commerce, and industry, resulting in stronger economic growth and higher productivity levels of firms.

Facilitating company growth

Companies' vision acquisitions as a chance to enlarge produce lines, enhance delivery channels, hedge against volatility, increase their market share, or acquire other necessary business assets. A capture proposal or a merger agreement through the stock market is one of the simplest and most common ways for a company to grow by acquisition or fusion.

Profit distribution

Both casual and professional stock investors, as large as institutional investors or as small as an ordinary middleclass family, through dividends and stock price increases that may result in capital gains, share in the wealth of profitable businesses. Unprofitable and troubled businesses may result in capital losses for shareholders.

Corporate governance

By having a wide and varied scope of owners, companies generally tend to improve management standards and efficiency to satisfy the demands of these shareholders, and the more stringent rules for public corporations imposed by public stock exchanges and the government. Consequently, it is alleged that public companies tend to have better management records than privately held companies (those companies where shares are not publicly traded, often owned by the company founders and/or their families and heirs, or otherwise by a small group of investors).

Although this claim, some well-documented cases are known where it is alleged that there has been considerable slippage in corporate on the part of some public companies. The dot-com bubble in the late 1990s and the subprime mortgage crisis in 2007–08, are classical examples of corporate mismanagement. Companies like Pets.com (2000), Enron Corporation (2001), One.Tel (2001), Sunbeam (2001), Webva n (2001), Adelphia (2002), MCI WorldCom (2002), Parmalat (2003), American International Group (2008), Bear Stearns (2008), Lehman Brothers (2008), General Motors (2009) and Satyam Computer Services (2009) were among the most widely scrutinized by the media. However, when poor financial, ethical or

managerial records are known by the stock investors, the stock and the company tend to lose value. In the stock exchanges, shareholders of underperforming firms are often penalized by significant share price decline, and they tend as well to dismiss incompetent management teams.

Creating investment opportunities for small investors

As opposed to other businesses that require huge capital outlay, investing in shares is open to both the large and small stock because a person buys the number of shares they can afford. Therefore the Stock Exchange provides the opportunity for small investors to own shares of the same companies as large investors.

Government capital-raising for development projects

Governments at various levels may decide to borrow money to finance infrastructure projects such as sewage and water treatment works or housing estates by selling another category of securities known as bonds. These bonds can be raised through the Stock Exchange whereby members of the public buy them, thus loaning money to the government.

Measurement of the economy

In the stock exchange, share prices rise and fall depending, largely, on economics forces. Share prices tend to rise or remain stable when companies and the economy in general show signs of stability and growth. An economic recession, depression, or financial crisis could eventually lead to a stock market crash. Therefore the movement of share prices and in general of the stock indexes can be an indicator of the general trend in the economy.

Conclusion

Stock Exchange and Stock markets include developed much in developed and developing countries more than the last little decades. In our study some topics of stock market development, market. Our study of these aspects from both the domestic area. The role of stock market in raising capital for businesses, mobilizing savings for investment, Facilitating company growth, creating investment chance for small investors, Government capital-raising

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