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# INDIA'S TRADE WITH ASEAN

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**Abstract:**

*The importance of India's current relationship with ASEAN and its future potential for mutually beneficial growth will require greater political, economic, and diplomatic engagement with ASEAN. ASEAN's geostrategic importance stems from many factors, including the strategic location of member countries, the large shares of global trade that pass through regional waters. Indo ASEAN economic engagement should not be viewed from a purely merchandise trade perspective, but from the future potential of trade in services and investment flows.*

**Keywords:** ASEAN, Development, Trade, Tariff.

## Introduction

ASEAN is a fast expanding trade bloc in Asia with a growing economic clout. With a combined population of more than 620 million, ASEAN's aggregate economic size surpasses US$2.5 trillion. ASEAN economies have generally remained buoyant thanks in part to the bloc's expanding intra-Asia trade. Investment has played a key role in spurring GDP growth in many ASEAN economies. In the past decade alone, intra-Asia trade has tripled by value, rising more rapidly than either extra-Asia trade or global trade, which has just doubled in value. India announced its "Look East" policy in 1991 in an attempt to increase its engagement with the East Asian countries. Consequently, in 1992, it became a sectoral dialogue partner of the Association of Southeast Asian Nations **(**ASEAN). ASEAN, which is a geo-political and economic organization with 10 member countries, was formed in August 1967 by Indonesia, Malaysia, the Philippines, Singapore and Thailand. Since then, the membership has expanded to include Brunei Darussalam (1984),Viet Nam (1995),the Lao People's Democratic Republic(1997), Myanmar(1997) and Cambodia(1999). ASEAN's objectives are to accelerate economic growth, social progress and cultural development among its members, protect the peace and stability of the region, and provide opportunities for the member countries to discuss their differences peacefully.

## Objectives of the Study

1. To study the ASEAN's current economic status.
2. To study the India's trade with ASEAN.

## Research Methodology

This Research is based on secondary sources. The nature of research is descriptive, explanatory and analytical. The data collected from various books, journals and websites.

## Review of Literature

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Lee and Liew (2007) studied to measure the impact of the then proposed India-ASEAN Free Trade Area (FTA). The main implication of this finding is that the impact of liberalization will be great on financial markets. Due to the weak PPP evidence, the goods and services markets will also experience a substantial impact from liberalization. Therefore it was suggested that the two regions could further exploit their FTA partnership in their complementary areas, particularly in both the goods and services markets, and financial markets. Sen, Asher and Rajan (2004) studied the then status and future prospects of India-ASEAN economic relations, and suggested that significant potential existed for greater economic cooperation between the two sides. However, their study was not based on any theoretical model building exercise.

Karmakar (2005) studied the opportunities in services trade that might arise out of Indian-ASEAN economic cooperation, and assessed the net gains that could arise from liberalization of the service sector. They analyzed the economic scenario in the Asia-Pacific region and took a macro overview of the trade creation potential of an agreement on trade in services between India and the members of ASEAN. They suggested that, at least in the medium
term, much could be gained from a bilateral engagement between India and ASEAN in services, especially as the latter region remains relatively closed to foreign service providers. However, their study was also not based on any theoretical model. Although some studies taken to study the possible impact of the India-ASEAN FTA, few were based on theoretical model building. Some of the more recent studies that have used models to analyse the likely impact of India-ASEAN FTA are discussed below.

Veeramani and Saini (2010) studied a quantitative assessment of the impact of AIFTA on selected plantation commodities, i.e., coffee, tea and pepper, in India. A partial equilibrium modeling approach (SMART and gravity models) was used to simulate the likely increase in imports of the plantation commodities by India under the proposed tariff reduction schedules of the India-ASEAN FTA. The results suggested that AIFTA would lead to a significant increase in
such imports by India, driven mainly by trade creation rather than trade diversion. The analysis showed that the proposed tariff reductions under the India-ASEAN trade agreement might lead to a significant loss of tariff revenue for the Government of India. However, the gain in consumer surplus (due to falls in domestic prices and the consequent reduction in dead-weight loss) would outweigh the tariff revenue loss, leading to a net welfare gain. However, Veeramani and Saini (2010) only discussed and analysed the likely impact and welfare implications of the India- ASEAN FTA for India for some selected plantation commodities only, using a partial equilibrium model to do so.

**India-ASEAN Free Trade Area**

(AIFTA) was signed on 2003 in Bangkok during a meeting of the Economic Ministers of ASEAN. The agreement, which only covers trade in goods between India and the ASEAN members, came into effect on 1 January 2010 in the case of Malaysia, Singapore and Thailand. For the remaining ASEAN members it will come into force after they have completed their internal requirements.

AIFTA will boost bilateral trade between the two regions. ASEAN is a major trading

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partner of India and it accounted for 9.27 per cent of India's global trade in 2008. In 2008/09, bilateral trade between India and ASEAN was worth almost US$ 45 billion. India and ASEAN set a target of achieving bilateral trade of US$ 100 billion by 2020, a goal that is likely to be achieved. India's trade with ASEAN is mainly concentrated in Indonesia, Malaysia, Singapore and Thailand. These four countries remain the largest markets for Indian 5 exports in the ASEAN region as well as the largest sources for India's imports from the ASEAN region. Among them, Singapore is the largest destination for Indian goods (45.6% of total exports to ASEAN in 2008) and the largest source of imports for India (31.1% of India's total imports from ASEAN in 2008), followed by Malaysia, Indonesia and Thailand.

**ASEAN's Total trade with Globe:**

| **Share of Major Trade Partner in ASEAN Trade** | | | |
|---|---|---|---|
| | Year 2000 (%) | Year 2013 (%) | Difference (%) |
| ASEAN Intra | 22.1 | 24.2 | +2.1 |
| Aus and Neznd* | 2.6 | 3.1 | +0.5 |
| Canada | 0.6 | 0.5 | -0.1 |
| China | 4.3 | 14 | +10.3 |
| European Union | 13.5 | 9.8 | -3.3 |
| **India** | **1.3** | **2.7** | **+1.4** |
| Japan | 15.3 | 9.6 | -6.3 |
| Republic of Korea | 3.9 | 5.4 | +1.3 |
| Russia | 0.2 | 0.8 | +0.6 |
| USA | 16.1 | 8.2 | -8.1 |
| Pakistan | 0.5 | 0.2 | -0.3 |
| Others | 19.7 | 21.4 | +2.3 |
| Total Share | 100.00 | 100.00 | - |

***Source: ASEAN Integration Report, 2015 * Australia and Newzealand***

**According to above table....**

The dominance of developed countries in ASEAN trade has been on a decline. In particular, the trade shares of USA (-8.1), Japan(-6.3) and European Union(-3.3) have been reduced, while China has increased. ASEAN's biggest trade partner since 2011. China's share in ASEAN trade increased from 4.3% in 2000 to 14% in 2013, while the shares of USA, Japan and European Union declined from around 16%. India increased from 1.3 % in 2000 to 2.7 in 2013 that why India has chance to expand self-trade with ASEAN. The tariff liberalization schedule for AIFTA has five components–(i) Normal Track; (ii) Sensitive Track; (iii) Special Products; (iv) Highly Sensitive List; and (v) Exclusion List. Brief descriptions of the modalities are outlined in bellow.

**Tariff Liberalization Schedule of ASEAN- India FTA**

1. **Normal Track**:

   Gradual reduction and subsequent elimination of custom tariffs on 4000 products that account for 80 percent of traded goods.

   1.1. Normal Track 1 (January 01, 2010 to December 31, 2013): Tariffs will be eliminated on 3,200 products under 7,788 tariff lines. These are mostly products with 7.5 to 10 percent duties and the average reduction rate will be 1.5 to 2 percent per

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year.

1.2. Normal Track 2 (January 01, 2010 to December 31, 2016): Tariffs will be eliminated on 800 products under 1,252 tariff lines. These are mostly products with 7.5 to 10 percent duties and the average reduction rate will be 1 to 1.5 percent per year;

2. **Sensitive Track:**

Tariffs will be reduced on about 560 products that account for 10 percent of traded goods. Applied MFN Tariff rates above 5 percent will be reduced to the level of 5 percent.

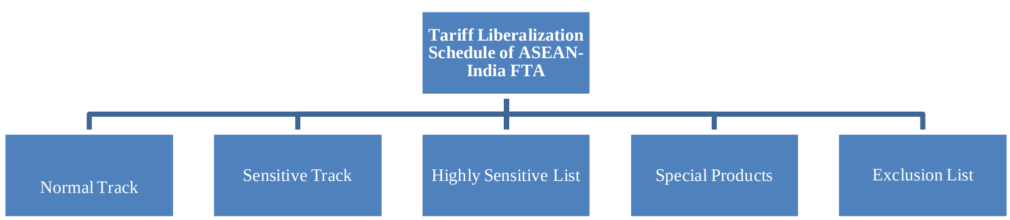
2.1 Structure 1 (January 01, 2010 to December 31, 2016): Duties on items with MFN applied tariffs of more than 5 percent will be reduced to 5 percent. This can be maintained up to 50 tariff lines;

2.2 Structure 2 ( January 01, 2010 to December 31, 2016): For remaining products from tariff lines beyond 50, duties on products with MFN applied tariff rates higher than 5 percent will be reduced to 4.5 percent and then eventually to 4 percent;

2.3 Structure 3 (January 01, 2010 to December 31, 2019): For products with 4 percent duty rates in the sensitive list (products to be identified), tariffs will be eliminated in a phased manner.

3. **Special Products (January 01, 2010 to December 31, 2019**)

Tariff reduction for products such as crude and refined palm oil, coffee, black tea and pepper phased over ten years for India.




4. **Highly Sensitive List**:

Reduction of tariffs for products in a phased manner for Asean countries.

4.1 Category 1: Reduction of applied MFN tariff rates to 50 percent of the base rate

4.2 Category 2: Reduction of applied MFN tariff rates by 50 percent of the base rate.

4.3 Category 3: Reduction of applied MFN tariff rates by 25 percent of the base rate.

**5. Exclusion List**:

List contains 489 items out of which 302 are from agriculture sector, 81 from textiles, 52 items from machinery and auto, 17 from chemicals and plastics

**ASEAN India Key features of the Trade in Services Agreement**

The Trade in Services Agreement with the ASEAN contains all features of a modern and comprehensive agreement on services and is in line with the other bilateral agreements

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that India has signed so far. Some of the important Articles contained in the Agreement are ones on transparency, domestic regulations, recognition, market access, and national treatment, increasing participation of developing countries, joint committee on services, review, dispute settlement and denial of benefits. Both India and ASEAN member states have taken General Agreement on Trade in Services (GATS) plus commitments in various services and modes of supply. Each ASEAN member state has tabled individual schedule of commitments which are equally applicable for India and other ASEAN member states. India on the other hand has tabled three schedules of commitments one for Philippines, one for Indonesia and one for the remaining eight ASEAN member states. It was also agreed by India that in order to increase participation of the least developed countries no additional requests would be tabled to the CLMV countries (Cambodia, Lao, Myanmar, and Vietnam). All the three schedules tabled by India are well within the existing autonomous regime of India.

A brief annex on Movement of Natural persons (one of the key areas of interest for India) has been included in the Agreement. This Annex defines Business Visitors, Intra Corporate Transferees (Managers, Executives and Specialists) and Contractual Service Suppliers. This will help provide commercially meaningful market across in ASEAN for our professionals, including those from the IT/ITES sector. Independent professionals have not been defined in the Annex.

## Conclusion

The present study provides an analysis of, and insight into the impact of the India-ASEAN FTA on the macroeconomic variables, trade variables and welfare position of India and the countries of the ASEAN region. India increased trade from 1.3 % in 2000 to 2.7 in 2013 that's why India has chance to expand self-trade with ASEAN. India increased trade growth +1.4 in only 13 financial year. The tariff liberalization schedule for AIFTA has five components–(i) Normal Track; (ii) Sensitive Track; (iii) Special Products; (iv) Highly Sensitive List; and (v) Exclusion List. This steps are very important for trade's bright future.

The country's welfare improves as liberalization expands. India's total bilateral trade with the ASEAN region increases.

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# Human Rights and Children

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## Introduction

Since 18th century some or other form of Human Right Movement was going on in England to protect the oppressed people, war prisoners hardships and windows problems etc. It was found thatelsewhere also there were problems of inhuman treatment to soldiers, women and children during war and to foreigners and refugees. There was also problem of court cases and punishments to foreigners. There was a need to have a human policy at global level. On 10th December 1948 the UN General Assembly proclaimed the universal declaration of human rights. It has 30 articles on various human aspects at global level and in his chapter effort is made to touch only what is relevant to IHRM studies.

Protection of Human Rights is an important precondition for the development of a harmonious society. Peace and Security are invariably interlinked with human rights and relationship between harmonious world and human rights can be a virtuous-circle. Harmony requires peace, security and happy coexistence between different people, community and nation. Social Harmony relies on social justice and right to development, because poverty and injustice are the roots of disharmony. All disparities between human beings, urban and rural, rich and poor are attributing to neglect and ignorance of human rights. The Universal realization of human rights is impossible without harmonious coexistence of the society with different cultural, political and religious believes. Denial of human rights has its effect on peace, harmony and tolerance. The protection of individual rights may be viewed in the light of Peace and Harmony in the Society at large.

Although children are regarded as God’s Apostles who come to this world bringing messages of God. Actually, only during this century, “Children have been discovered”. Children were not regarded as separate entities with distinct interests and attitudes and were taken for granted. Children were not recognized on their own rights and were looked upon as properties that could be handled in any way. They were taken as merely the members of the family not of the society as a whole. They had to suffer or enjoy lives according to the status and conditions of their parents.

We all love our children. We all know that they are the actual assets and they are the future of our nation, future of the world. But they are neglected, their needs are not fulfilled: their thoughts and felling are not appreciated. We impose our ideas on them to the extent that they are ignored, illtreated and tortured. They are taken as mini-men and women, mini not only in body, but also in mind. We do not realize that the child has a separate identity with different needs and conditions. They live in a world different from ours and they will live in a world beyond our imagination.

The child has no right actually. He is given what we adults want to give him. He cannot demand as he is small and innocent. We decide his fate, we allow the facilities that we want. We give him whatever we like, The ground reality is that we ignore the child, his feelings, his sentiments and his dreams because we labour under the impression that he is ignorant and weak. That is why, we have to decide his fate and give him whatever we can, without taking his physical, mental, emotional and other conditions into account. Thus, we have decided to give them certain rights which are still a vision, an illusion always eluding the grasp.

It was perhaps Eglantyne Jebb of England who first started an international movement for providing the child with a status. The debates she initiated, culminated in a Declaration adopted by the League of Nations on

September 26, 1925. But unfortunately the Declaration could not be given effect to as the League itself died. It was only in the fifties of the 20th century that the United Nations decided to draft once again a charter of the rights of the child and after certain modifications it was adopted unanimously at a plenary session of the UN General Assembly on November 20,1959. According to the UN Declaration, a child has to be given 10 basic rights as follows.

1. The child shall be brought up in a spirit of understanding friendship, peace and universal brotherhood and shall not be exposed to racial, religious or other forms of discriminations.
2. The child shall be protected against all forms of neglect, cruelty exploitation and traffic and shall not be permitted to be employed before appropriate age.
3. The child shall, in all circumstances, be among the first to receive protection and relief.
4. The child is entitled to free and compulsory elementary education and such an education as in his best interest and for which parents are to be responsible.
5. The child is entitled to grow up in an atmosphere of affection and moral and material security, with public authorities taking care of children without families or other support.
6. The physically, mentally or socially handicapped child shall be entitled for special treatment, education and proper care.
7. The child shall have rights to adequate nutrition, housing, recreation and medical services, including special health care and protection and pre-natal and post-natal care for mother.
8. The child shall be entitled to a name and nationality.
9. The child shall enjoy special protection to be able to develop In every way in conditions of freedom and dignity.
10. All children irrespective of their race, colour, sex or creed of their parents shall be entitled to these rights.

In passing the 86th Amendment to the Constitution of India, education is a fundamental right. This has implications for fulfillment of the obligation of the State to ensure that every child is in school. Since most children who do not attend schools are engaged in some form of work and mainstream them into schools. In other words the labour department has a crucial role to abolish child labour in all its forms and ensure that children enjoy their right to education. This is indeed a challenging task, but can be attained with concerted effort and a clear perspective.

Child Labour in India

India continue to host the largest number of child labour in the world today. According to the Census 2001, there were 12.7 million economically active children in the age-group of 5-14 years. The number was 11.3 million during 1991(Population Census) thus showing an increase in the number of child labourers. Workers in general are classified into main and marginal workers by the population census. Census data shows that there is a decline in the absolute number as well the percentage of children (5-14) to total population in that age group, classified as main workers from 4.3 percent in 1991 to 2.3 percent in 2001. But there was a substantial increase in marginal workers in every category of worker irrespective of sex and residence. As a result, despite the number of main workers declining from 9.08 million in 1991 to 5.78 million in 2001, the total number of children in the work force increased. A large part of the increase was accounted for by the increase in marginal workers, which increased from 2.2 million in 1991 to 6.89 million in 2001. The trends between 1991 and 2001 of declining main child workers along with increasing marginal workers may indicate the changing nature of work done by children. This is also to be seen in the context of decelerating employment growth in general in the economy during the last decade.

According to NSSO estimates WPR for children in the 5-9 age group is negligible and for children in the age group of 10-14, it still continues to be significant thought declining.

**STATUS OF INDIAN CHILDREN**

The legal conception of a children varies depending upon the purpose. For instance, according to Criminal Law (Indian Penal Code,1860 "nothing is an offence which is done by a child under the seven years of age" (Section 82) and "Nothing is an offence which is done by a child above 7 years of age and under 12(Section 83). As per juvenile Law(The Juvenile Justice Act, 1986) "Juvenile is a boy who has not attained the age of 16 and a girl who has not attained the age of 18. According to Family Law(child Marriage Restraint Act, 1929). "Child" means a person who, if a male, has completed 21 and if a female a person who, if a male, has not completed 21 and if a female not completed 18 years. Labour Laws and Factory Laws (Apprentices Act, 1951) says that a person shall not be qualified to be engaged as an apprentice, unless he is less than 15 years. But the Mines (Amendment) Act, 1983 states that no person below shall be allowed to work in mines. The handicapped and deprived children are viewed as burden to the family and also to the society. Under different situations, the child is regarded as a commodity, as an insurance, as a source of labour force or a social burden.

In India, the definition a child also varies under circumstances. The Census of India treats persons below the age of 14 as children. The social scientists include females in the age-group of 15 to 19 years under the category "Girl Child". The Constitution of India debars a child below 14 years to be employed in any factory of mine or any other hazardous employment (Art.23). Despite the reduction in the birth rates from 41.9 per 1,000 population in 1960-61 to 29.5 in 1990-91 the child population has continued to increase. It was expected that in 1996 the total population would increase and reach as high as 307 million and in 1991 it was estimated that there would 7.8 million less girls than boys. The Census of India 1991 indicates that there were 150 million children between 0 and 6 years of age out of which 70 million were girls and 77 million were boys. 78% of children resided in rural areas.

In the National Nutrition Policy (1993) Government of India have discussed serious problem of malnutrition among the children in our country. Although there has been drop in the population below the poverty line to 29.2% in 1987-88 in terms of number. There has been a staggering growth of 250 million people presently suffering from various diseases due to malnutrition. Children are particularly affected adversely and their data are as follows. (The Right to be a Child, UNICEF,1994,pp.12-13).

I) nearly 43.8% of children suffer from moderate degrees of PEM (protein energy malnutrition) and 8.7 per cent suffer from extreme from of malnutrition.

ii)roughly 56 per cent of pre-school children and almost 50 per cent of expectant mothers in the third semester of pregnancy suffer from iron deficiency.

iii) no state in India is free of iodine efficiency.

iv) an estimated 30 per cent of all infants born in India are low weight babies, and the situation has not improved since 1979.

V) iodine deficiency alone accounts for an estimated 90,000 still births and neo-natal deaths every year.

**ILO-International Programme for Elimination of Child Labour (IPEC)**

ILO launched IPEC Programme in 1991 to contribute to the effective abolition abolition of child labour in the World. India was first country to sign MOU in 1992. The INDUS project envisages direct Interventions in the identified 21 districts spread across five states for identification and rehabilitation of child labour. The strategy under the project is to complement and build up on the existing government initiatives

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# An Edgeworth Box Approach toward Conceptualising Economic Integration in India and Bangladesh

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**Abstract**

*The joint-communiqué originating from the January 2010 summit between India and Bangladesh has opened new doors of opportunities for addressing economic integration not just between India and Bangladesh, but across the South Asian region. In this article, an Edgeworth Box approach has been deployed to help conceptualise the various Pareto-optimal solutions that are to be realised through close bilateral cooperation in particular. The article attempts to address some of the issues deterring establishment of trade and transport integration between Bangladesh and India, which are also relevant from the perspective of the entire South Asia region.*

**Keywords:** Economic Integration, Game Theory, Edgeworth Box, Cooperation, Trade, Transport, Connectivity

## 1. Introduction

South Asia is considered to be one of the least integrated regions in the world today [1]. Though the region inherited an integrated transport system from the British, this was fragmented not only by the partition of India in 1947 but also by its political aftermath. South Asia now needs to be re-integrated within the context of greater political harmony as it has entered into the second era of *South Asian Association for Regional Cooperation* (SAARC). However, due to lack of integration of the transport system in South Asia, logistic costs are high and ranges between 13–14.0 per cent of GDP, compared to 8.0 per cent in USA [2]. Intra-regional trade among the SAARC member states was only US$ 14.7 billion in 2008 or around 6.3 per cent of their total global trade, compared to 60.0 per cent in NAFTA and 26.0 per cent in the ASEAN region. In order to augment trade flows within SAARC, integration of the transport network in South Asia is, therefore, crucial for landlocked countries such as Nepal and Bhutan and regions such as North-East India which shares 98.0 percent of its border with Bangladesh and only 2.0 percent of its border with the mainland India. This is also especially imperative from the perspective of Nepal since it holds the highest share of intra- industry trade within the SAARC community.

The joint-communiqué originating from the January 2010 summit between India and Bangladesh is a key to unlock the potential that a unified South Asian market could offer to its members [3]. It is also evident that the communiqué has opened new doors of opportunities for improving trade and transport relations, not just between India and Bangladesh, but across the South Asian region.

This is critically important for stimulating the SAARC regional integration process. The summit declaration offered the North-East Indian states access to Chittagong port and, West Bengal access to Mongla port in South- West Bangladesh. In turn, India has agreed to provide unrestricted transit to Nepal and Bhutan not just for their bilateral trade with Bangladesh but to use its ports for third country trade. These agreements will need, in due course, to be operationalised for initiating economic integration not just between India and Bangladesh, but

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across South Asia. It is in the aforesaid context that this paper makes an attempt to theorise South Asia's regional cooperation agenda by focusing on the two key actors, India and Bangladesh, which possess substantial comparative advantage with regards to their export basket and geographical location respectively. Suffice to mention that in view of Bangladesh's geo-strategic advantage as a result of its location and India's important role as a source of import for the region's other countries, we will closely examine the Indo-Bangladesh bilateral relationship since it has wider implications from the regional integration perspective.

**1.1. Objectives and Methodology**

The overarching objective is to contribute towards theoretical knowledge on economic integration by using empirical evidence to support the case of close cooperation. The paper's point of departure is based on the premise that bilateral non-cooperation is undermining the physical integration of South Asia and deterring the efforts of establishing a single market in the SAARC region. The researchers consulted two key resource persons, Dr. M. Rahmatullah, Former UNESCAP Director and currently (2010), Policy Adviser for Transport Sector Management Reform of the Planning Commission, Government of Bangladesh, and Professor Mustafizur Rahman, Executive Director, Centre for Policy Dialogue (CPD), in order to elicit latest information in the context of transport and trade respectively. Relevant literature dealing with trade facilitation measures was reviewed to better understand the interplay of different institutional and market forces influencing the economic integration process in the SAARC region. Using secondary sources of information such as recent studies that have been carried out on the economic integration topic by renowned economists and researchers, we have argued that bilateral cooperation can help to operationalise the SAARC regional integration agenda as envisaged in its mandate – creation of a single market in the region. This article deploys a game theoretic approach to help conceptualise the various possible strategies that partner countries may consider in arriving at their Pareto-optimal solutions, and thereby improve their prevailing status quo in terms of their trade and transport relations. The explanation derived from the game theory has been extended by the Edgeworth Box to put it in the wider context of bilateral/regional cooperation.

**1.2. Layout of the Paper**

The paper is organised into four sections. The following section provides a brief literature review relevant to the topic of this paper given the already large volume of work that been done on this discipline. Section 2 has been prepared in a manner that helps to set the tone of the present paper, *i.e.*, non-cooperation, at bilateral and regional level is no longer a viable option for countries in South Asia, especially for Bangladesh. Section 3 identifies key issues undermining regional cooperation and also discusses the provisions relating to South Asia's economic integration process as stipulated in the Indo Bangladesh Joint Communiqué 2010. Section 4 then substantiates on the discussion and presents the conceptual framework to highlight the theoretical underpinnings of bilateral and regional cooperation. Section 5 concludes.

**2. Cooperation and Economic Integration**

**2.1. State of Trade Integration**

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As is known in economics, there are five stages of economic integration: a) preferential trade area; b) free trade area; c) customs union; d) free market; and, e) economic union. The SAARC region is on stage 2 of the economic integration process and as a result of the high export similarity, the scope for intra-South Asia export has been narrowed down. India records the highest export similarity index which reduces its neighbouring countries' opportunities to explore its large market [4]. Inevitably, export similarity is also reflected in the similar kinds of tariff structures in South Asia which have also choked the scope of intra-industry trade between the SAARC member states. South Asia remains far behind most other regions in terms of share of overall trade. Extra-regional trade dominates South Asia's overall trade structure accounting

for 93.7 per cent of the region's total export and 96.1 per cent of import (**Table 1**). The share of intra-regional export for any country is calculated by taking its total export to a region (SAARC in this case), divided by its total exports which is then multiplied by 100. In estimating the share of extra-regional export, since we already calculated the intra-regional export, the remainder accounts for the share of exports earnings generated from the global market. The similar methods are used to calculate the share of intra-regional and extra-regional import. Although small economies such as Afghanistan and Nepal maintain relatively higher level of trade within the region, overall trade is skewed due to low level of intra- regional trade of large economies like India and Pakistan. Most of region's export is destined to developed countries: European countries accounted for 23 per cent of region's export while the US for 16 per cent during 2008. However, the share of export to these two regions registered a decline over time (from 53 per cent in 2000 to 39 percent in 2008) while export to other regions has considerably increased.
Leading export destinations of the region such as Europe and North America involve large markets, offer diversified export opportunities and provide preferential market access for LDCs of the region. India, and in some cases, Pakistan are two of the major export destinations for Afghanistan, Nepal, Bhutan and Sri Lanka mainly because of geographical proximity, common borders and bilateral partnership/trading agreements. The region's

**Table 1. South Asia's intra and extra-regional trade in 2008.**
**Export Import**

| **Countries (SAARC Member States)** | *Total export* | *(mil. US$)* | *Share of* | *intra-regional* | *export* (%) | *Share of* |
|---|---|---|---|---|---|---|
| Afghanistan | 421.95 | 41.75 | 58.25 | 5734.71 | 40.65 | 59.35 |
| Bangladesh | 13907.4 | 3.1 | 96.9 | 23756.9 | 16.93 | 83.07 |
| India | 187405 | 5.1 | 94.9 | 300539 | 0.8 | 99.2 |
| Maldives | 202.63 | 8.78 | 91.22 | 1426.17 | 15.13 | 84.87 |
| Nepal | 1179.67 | 73.89 | 26.11 3 | 540.44 | 59.59 | 40.41 |
| Pakistan | 21762.9 | 13.36 | 86.64 | 46292.8 | 2.75 | 97.25 |
| Sri Lanka | 8688.02 | 8.39 | 91.61 | 14051.1 | 22.87 | 77.13 |
| **Total** | **233567.57** | **6.29** | **93.71** | **395341.12** | **3.94** | **96.06** |

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**Source:** Authors' estimate based on IMF, 2009 [5]

sources of import, on the other hand, are widely diversified among countries of Europe, North America and East Asia.

Over the recent past, Bangladesh has witnessed a yawning trade deficit with its neighbour India. The bilateral trade deficit has more than tripled from US$ 659 million in 1995 to US$ 2.1 billion by 2009 which would be US$ 3-3.5 billion if the informal trade is added to Equation [6]. However, with significant reduction in formal tariff rates and formalisation of illegal trade through establishment of markets near the Indo-Bangladesh border, informal trade is set to decline. It needs to be underlined here that about 12 per cent of imports from the global market in Bangladesh is accounted by India, while its share is less than 0.1 per cent in India's global import demand (Ibid). Imports from India, particularly of fabrics and other industrial raw materials, supports Bangladesh's export-oriented sector (mainly the garments sector) and thereby helps the country to maintain healthy trade balance with some of its other major trading partners (e.g. US$ 3.6 billion trade surplus with the US in 2008-09). Therefore, in the context of reducing the bilateral trade deficit with India, an informed approach would seek to increase Bangladesh's exports share in India vis-à-vis trade in both goods and transport services, and not reducing its import

**2.2. State of Physical Integration**

Rahmatullah (2004) affirmed that, 'an increasingly integrated transport system at the regional/subregional level is essential to facilitate and sustain the economic integration process in today's interdependent world economy' (p. 365) [7]. The lion's share of South Asia's merchandise trade is carried overland through land borders such as those between India and its neighbouring countries. However, goods also need to be transhipped since direct movement of goods and vehicles (transit) is neither allowed across borders between India and Pakistan, nor between India and Bangladesh. Afghanistan, Nepal and Bhutan, being landlocked countries, have to entirely depend on connectivity through neighbouring countries, which are not in operation. Only transhipment, between India and Bangladesh, is operational which is not sufficient to bring about efficiency in managing movement of cargoes and vehicles across borders. In short infrastructure in SAARC should be conceived as a regional public good, enabling seamless movement of factors of production within and across regions, thereby helping the member states to attain productivity and growth [8]. De, Khan and Chaturvedi (2008) has demonstrated, using empirical evidence, the existing linkages of trade costs, transit and trade flows [9]. That is the higher the transaction costs between each pair of partners, the less they trade. Their study shows that a 10 percent fall in transaction costs at border has the effect of increasing a country's exports by about 3 percent. Similarly, the World Development Report (2009) estimates that a 10 percent increase in trade costs reduces trade volume by 20 percent [10]. In view of Bangladesh's geographical location in South Asia which can help SAARC members to connect to the ASEAN and beyond, the country can be perceived as a prospective Singapore of the land routes and its transformation will hinge upon two crucial factors: 1) development of a land link connecting South East Asia with South Asia; and, 2) the extent of political concessions, in terms of sovereignty loss. Whilst the former is a matter of transport policy and economic estimations, the latter will demand close cooperation in order to sustain a

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healthy Indo-Bangladesh bilateral relation. Rahmatullah (2010) has emphasised the importance of regional connectivity in South Asia and the potential gains that a transit agreement could accrue to both India and Bangladesh and for the region in general.

**3. Urgency for Regional Cooperation**

**3.1. Costs of Non-Cooperation**

De (2009b) demonstrates that there is a positive and direct relationship between infrastructure stock and per capita income in South Asia, which has grown over time: a 1 percent increase in the stock of infrastructure has been associated with a 1 percent increase in per capita income in South Asia [11]. On the other hand, rising inequality in infrastructure stock has also been responsible for widening the inequality gap in South Asia. In such a backdrop, the urgency for cooperation in order to promote a strong growth process need not be overstated. According to Sobhan (2000), physical integration of the marginalised countries in South Asia into the global system with more dynamic adjacent regions (through trade facilitation measures), will cumulate to much more than the sum of its parts and such close cooperation can be expected to unleash certain economic synergies, which could have a transformatory impact on the fortunes of these countries linked by the transport network [12]. This hypothesis has been quantified by Wilson and Ostuki (2007) who estimate that if South Asia and the rest of the world were to raise their levels of trade facilitation halfway to the East Asian average, the gains to the region would be US$ 36 billion [13]. Out of these gains, about 87 per cent would be generated from South Asia's own efforts (leaving the rest of the world unchanged). In overall terms, regional expansion of trade in South Asia can be substantially developed with concrete programmes of action to address barriers to economic integration. It needs to be recalled here that as an integral part of
the Asian Highway Network and Trans Asian Railway development, intermodal interfaces has been proposed at vantage locations to serve industrial and other clusters, and centres to facilitate seamless movement of goods and services across borders. However, in order to make effective
utilisation of these routes through intermodal transport connectivity, relevant government authorities need to put a concerted effort in reducing the high transaction costs associated with the movement of vehicles and cargoes. ADB (2008) summarises some of the key issues pertaining to the lack of physical, industrial and communication infrastructure impeding growth in South Asia [14]. Air and maritime ports are ranked as less competitive in South Asia as compared to East Asia. While it takes 2 hours to clear a vessel in Singapore and Laem Chabang, Thailand, it takes to 2-3 days in Chittagong (Ibid). At Delhi airport average cargo dwell time is 2.5 days. Furthermore, a journey of 34 days by landcome- sea routes could be performed within 9-10 days if appropriate policies and infrastructure are put in place [15]. The cost of transport for one 20 foot loaded container from Delhi ICD to Dhaka is US$ 2,500 which comes down US$ 1,900 if the shipping route is via Mumbai, Kolkata and then Chittagong instead of the Mumbai, Singapore and then Chittagong (Ibid).

**3.2. Indo-Bangladesh Joint Communiqué 2010**

It needs to be recalled here that the government of India, in the Joint Communiqué 2010, has committed to provide Bangladesh with US$ 1 billion credit for a range of projects which include development of railway infrastructure, increasing supply of locomotives and passenger coaches. Bangladesh and India have already allowed transit to each other for

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bilateral traffic and it will be in Bangladesh's interest to resolve connectivity issue subregionally, by providing connectivity to all the 3-landlocked countries/territory at a time (Nepal, Bhutan and North-East India). Since heavy Indian trucks cannot enter Bangladesh as a result of its highways' physical weakness, it has been suggested that inter-district Bangladeshi truckers could provide logistic support to carry
goods using multi-axle vehicles and/or truck-trailers to carry containers. The government of Bangladesh has agreed to allow use of Mongla Port by Nepal, Bhutan and India, and at present, it is estimated that the port has 80 percent spare capacity (Rahmatullah, 2010). Nepal and Bhutan are using the already congested Kolkata port and the use of Mongla Port could help to ease traffic flows between the Indo-Bangladesh which will enable Bangladesh to trade in transport services, and earn port charges, rail charges, road transport charges, and transit fee. Also, the government has permitted the use of Chittagong Port by the North-East Indian States, which has 40 percent spare capacity at present level of management efficiency (Ibid). In recent times, November 2010, a British firm, Port Evo, has offered US$ 800 million investment proposal for developing the Mongla port under Public-Private Partnership (PPP). Indeed, development of Mongla port will play a significant role in promoting trade and commerce as Bhutan and Nepal will use this port when transit facilities will be launched. Notwithstanding the many positive interventions by both Bangladesh and India, until expressways can be built, railway is the preferred mode of transport for moving goods across Bangladesh (and also India). The Indo-Bangladesh Joint Communiqué 2010 envisages establishment of two rail links: a) Birgunj-Rauzal-Kathihar-Rohanpur-Khulna (connecting Nepal and Bangladesh via India); and, b) Akhaura-Agartala (connecting North-East India with Bangladesh). In case of the former, though transhipment facility for containers/cargo at Khulna will be carried forward by truck (38 km to Mongla Port), it would greatly assist Mongla port to remain competitive with Kolkata port in terms of managing export- import traffic. Overall, the Khulna-Mongla project can play a bridging role in providing greater access to Mongla Port for goods coming from or going to Nepal. The Akhaura-Agartala rail link will be strategic in the near future in connecting North-East India with its mainland (via Bangladesh). Finally, it is imperative to examine the Inland Water Transport (IWT) related provisions in the IBJC 2010 which stipulated 'Ashuganj in Bangladesh and Silghat in India shall be declared ports of call. The IWTT Protocol shall be amended through exchange of letters. A joint team will assess the improvement of infrastructure and the cost for one-time or longer term transportation of ODCs (Over Dimensional Cargo) from Ashuganj' (para 22). IWT is the cheapest mode of transportation and prevails only between India and Bangladesh; however, due to poor implementation and underutilisation of the facilities, between 1995 and 2002, the goods transported were slightly more than a hundred thousand metric tons a year (Sikri, 2009). India is expected to provide investment in Ashuganj port development where Bangladesh will have the scope to earn considerable foreign exchange through IWT charges, port charges, road transport chares and transit fees, which will need to be negotiated ex-ante and specified in the agreements. Having highlighted the high costs of non-cooperation, in the following section, the status of regional and bilateral (Indo-Bangladesh) cooperation has been conceptualized in terms of their trade and transport relations, two key factors responsible for facilitating regional economic integration.

## 4. Theorising Bilateral and Regional Cooperation

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### 4.1. Background

There is no doubt that much empirical work has been done on the topic of regional cooperation and economic integration. However, few have attempted to deploy a theory which could help provide a conceptual framework to better comprehend the complex nature of cooperation in the SAARC context. In this section, the paper's point of departure, *i.e.*, bilateral non-cooperation is no longer a viable option, is conceptualised using two frameworks - the game theory and Edgeworth Box. Both the frameworks are deployed in order to help conceptualise the urgency and scope for regional and Indo-Bangladesh cooperation, reflecting the prevailing status quo in terms of their export and transport relations (which have been discussed in the previous section). As maybe recalled, India has its interest to utilize Bangladesh's geographical advantage to connect to its North-East region, comprising the seven sisters and beyond to the ASEAN region; on the other hand, Bangladesh is keen to reduce the ever growing bilateral trade deficit with India through increasing its exports (both in goods and transport services). Inevitably, development in the bilateral status quo between India and Bangladesh will carry unpredictable consequences for regional integration but since the paper conceives the Indo-Bangladesh Joint Communiqué 2010 as the key to catalyse the SAARC regional integration process, we will initially focus on these two countries' agendas and later extend it to the wider region.

### 4.2. Game Theory

Game theory is a branch of applied mathematics which attempts to capture the behaviour of agents in strategic situations, in which an individual's success in making the right choice is directly dependent on the others' preferences. In equilibrium, each player of the game adopts a strategy that they prefer the most. Two key equilibrium concepts have been developed (the Nash equilibrium and Prisoner's Dilemma) in an attempt to decipher the decision- making process of agents in strategic situations which are often conflicting in nature. The game theory is applied from the perspective of SAARC regional and Indo-Bangladesh cooperation in two ways – 1) where countries/member states know the equilibrium strategies of the other players (Nash Equilibrium); and, 2) where one country faces difficulties in comprehending the others' strategies (Prisoner's Dilemma). In the following table, we have illustrated the urgency for cooperation under both the assumptions and in doing so, we have identified two dominant strategies. To keep matters coherent, let us start with the bilateral cooperation case. India and Bangladesh have to take part in a cooperation game with an example payoff matrix shown in **Table 2**. It is to be mentioned here that the numbers have been established arbitrarily in view of the logic that non-cooperation carries high costs for both Bangladesh and India.

**Table 2. Nash equilibrium and prisoner's dilemma.**

| | India | |
|---|---|---|
| | Cooperate (A) | Defect (B) |
| Bangladesh Cooperate (A) | 100, 100 | 0, 50 |
| Defect (B) | 50, 0 | 0, 0 |

In other words, if India cooperates, Bangladesh will be able to increase its export earnings through trade in both goods and transport services. On the other hand, India will defect when Bangladesh is not keen to let it connect with its seven sisters. Similarly, Bangladesh's

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cooperation will imply that it is willing to bridge mainland India with its North-East region. If, however, India is not ready to provide means by which Bangladesh could reduce its bilateral trade deficit, the latter will defect. In the backdrop of the prevailing high costs of non-cooperation, which have been discussed in the previous Section 2, the players should cooperate, both adopting strategy A to receive the highest payoff, *i.e.*, 100 (dominant strategy 1). If both players chose strategy B though, there is still a Nash equilibrium, although each player is awarded less than optimal payoff. If India decides to cooperate and Bangladesh defects (strategies A and B respectively), the pay-off would be lower than what would have been realized through under cooperation. Thus, Nash equilibrium occurs when both parties either cooperate or defect and no agent can benefit by changing only his or her own strategy unilaterally. However, when information asymmetry prevails (e.g. absence of technical details, political uncertainty, etc), both parties can enter into a prisoner's dilemma (PD) situation. In such cases, where countries are not aware of each other's strategies, both will be inclined to defect and adopt strategy B with a zero payoff (dominant strategy 2). The paradox is that both states are acting rationally, but producing an evidently irrational result. Therefore, in case of India and Bangladesh, governments and concerned policymakers will need to play a strategic role in bridging the information gap and political uncertainty. To put it in the regional framework, we could simply replace Bangladesh as SAARC. Given India's growing role in the international arena, if all member states of SAARC are willing to cooperate, India should also follow the same suit and maximise the pay-off (strategy A). On other hand, if India is not willing to cooperate, all
other member states will also defect since the gains realized under strategy A is significantly less than what would be generated by adopting strategy B. Therefore, given India's increasing leadership in global relations, it has to take the lead role by prioritising regional interests.

**4.3. Edgeworth Box Analysis**

In economics, an Edgeworth box is used to represent distribution of different resources. It is used frequently in general equilibrium theory and can aid in finding the competitive equilibrium of a simple system. It is a useful tool to help conceptualise the scope for both regional and Indo-Bangladesh cooperation using a set of preference (indifference) curves where the competitive equilibrium may take place. It brings together two agents and two factors (trade and transport in this case) in a 2 × 2 diagram, depicting areas where Pareto improvement can take place. Ceteris paribus, *i.e.*, assuming all other things remain the same, the theory makes the following three assumptions:

a) The indifference (preference) curves are non-identical, *i.e.*, India wants to expand its transport connectivity outreach to the North-East and beyond, while Bangladesh and other South Asian countries want to reduce their bilateral trade deficit with India.

b) No increasing returns, *i.e.*, a zero-sum gum whereby all players stand to gain or lose.

c) No asymmetry information, *i.e.*, zero transaction costs implying that parties are well-informed about their strategic decisions. These assumptions allow a researcher to get on with the task of putting the regional cooperation and Indo-Bangladesh relations in a conceptual framework. The last two assumptions inherits the Nash Equilibrium principles where with zero transaction costs, countries can reach a mutually beneficial situation (a Pareto optimal equilibrium). All these three assumptions offer a first-best world scenario which can then be used to understand the real world scenario, and subsequently explore second best alternatives.

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To illustrate this first-best world scenario, let us start with the Indo-Bangladesh bilateral relations.

**4.4. Theoretical Shortcomings**

Both the above discussed theories, in their static form, have attempted to illustrate the urgency and scope for cooperation. The game theory is a version of a 'tit-fortat' or 'give and take' game and it is only designed to provide a framework to recognise when countries are likely to cooperate with each other. Similarly, in assuming zero transaction costs, the Edgeworth theory reflects a Nash Equilibrium situation to the extent that both countries are informed about each other's strategies. Nevertheless, if we allow for some dynamics to take place, all such propositions, inevitably, will be rendered irrelevant. If India is not willing to allow more exports from Bangladesh and other countries to enter its market whereby the latter may not be too keen on granting connectivity, both countries can look for alternative options to move their respective agendas forward. What this best-world scenario reveals that there is ample of scope for improving the Indo-Bangladesh relations through improved trade and transport connectivity. In recent times, one of the most controversial issues has been the 'transit fees.' Though the Indian government prefers to waiver such fees for movement of its transport across Bangladesh, the latter will have little to gain if it is not able to at least reap some benefits from such integration. Therefore, one of the policy implications for the Indo-Bangladesh policymakers is that there is an urgent need to cooperate (see Section 3 for more quantifiable reasons). The enabling conditions to create such an environment also remain a key to bridging the political distrust, which could be another area of research topic. There are also other external factors, discussed below, which could undermine Indo-Bangladesh bilateral negotiations. Currently, India has a bilateral relationship with the ASEAN and negotiations with the EU are at their ongoing stage. This shows that irrespective of whether Bangladesh proceeds with a transport connectivity agreement or not, India has sufficient capacity and diplomatic leverage to go forward with an agenda that is, after all, in its best interest. With India's focus on availing access to the North-East and given the already established bilateral agreement with Bhutan, land routes can be easily paved to make way, though it would entail high opportunity costs by consuming more time and money. India will be able to craft avenues to reach the Far East, whether by land (via Bhutan) or by sea (via Myanmar) excluding Bangladesh from the integration process which would take place within a broader Asian Community through regional cooperation in order to strengthen transport connectivity. It is indeed imperative that Bangladesh do not miss out on this opportunity to connect with the global markets. A further raison d'être for bilateral cooperation between India and Bangladesh arises due to the ongoing bilateral negotiation between the former and the EU. Raihan (2009) has estimated that if the bilateral free trade agreement (BFTA) between the EU and India comes into effect, Bangladesh would experience a loss of nearly a full percentage point in exports in the EU market, since there is no bilateral agreement with India in place to protect its imports from the latter [16]. A BFTA between India and EU could also cause a long-term loss in competitiveness for Bangladeshi products in the EU market. However, if a bilateral trade and transport agreement between India and Bangladesh can be reached in the near future, the latter would be able to benefit through the technicality of rules of origin (Roo) in its exports to the EU. Hence, moving forward with the Joint Communiqué 2010 is in Bangladesh's best interest where all other parties must play a proactive role since it is also in their best interest. Therefore, the potential benefits of economic integration which

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could be unleashed by close cooperation within the entire SAARC region, is not predictably and therefore, it could be more than what has been encapsulated by the Edgeworth Box.

**5. The Way Forward**

Thanks to Bangladesh's geographical advantage, the government has a certain degree of political leverage to set the terms of reference in regional connectivity agreement. At the time when this paper is going to the press, the government of Bangladesh has not been able to agree on the terminology to be deployed in extracting the gains through transit charges. To be successful, the regional trade facilitation agenda must include measures that are mandatory on the contracting parties and set a specific time-frame for achievement of these measures. According to Sobhan (2000), Bangladesh will prefer to use the patronage of SAARC and also ALTID to upgrade its transport links, both to the West and East with India, rather than to pursue this as a purely bilateral exercise. For Bangladesh (and North East India), the primary link remains their regional grouping of SAARC. Finally, it may be noted that in the EU, economics have successfully trumped politics and it remains the driving force behind decisions on regional expansion through integration into the Single Market. After a long time South Asia's political leadership is demonstrating an awareness that the future is impinging on its present much more rapidly than it did in the past. Their main challenge may therefore be to seize the moment and lead the way into the future rather than being content with the prevailing status quo by allowing long-term economic considerations to trump short-term political impediments.

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# Small and medium Sports enterprises - An Engines of Economic Growth with Special Reference to Indian Economy

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**ABSTRACT**

*SME is the abbreviation for Small and Medium Enterprises. These enterprises can be rightly called as the backbone of the GDP of India. The SME sector in India is growing at an exceptionally fast rate due to which it is proving to be beneficial to the Indian Economy.. Let us first analyze the current figures related to the SME sector in India As the small and medium enterprises (SMEs) play quite very significant role in the growth of the Indian economy, accounting for 45% of industrial output, 40% of exports, employing 69 million people, the contribution of these units to GDP may touch 22% in 2013. In 2011, SMEs contribution towards GDP stood at 17%."Increase from 17% to 22% is a pipe dream without putting in place the enabling factor to foster growth of SMEs in India. in recent years the SME sector has consistently registered higher growth rate compared to the overall industrial sector. The major advantage of the sector is its employment potential at low capital cost or this three critical enablers are required. Firstly, better infrastructure, second is increased access to risk capital and third is creating a culture of innovation."*

*As such sports sectors play a huge role in Indian economy this can be understood that amount of money involved in IPL, Common wealth games, 20-20- world cup, Indian Hockey League and CCL (Celebrity cricket league) the success of these events let to a huge demand of sports equipments. Is Sports SGI India managing business processes to add social, environmental and economical value in order to produce a positive sustainable impact for economic growth? Which exports nearly 60% of its total domestic output to the sports loving people the world over, has matured into a globally competitive & creative entity. India is fast emerging as an important supplier of quality sports goods and toys to the global markets. The industry is rapidly embracing new technology and adapting its products to keep up with the fast changing global trends. The major manufacturing centers of the Industry in India are in and around the following cities: Jalandhar, Meerut, Delhi, Mumbai, Calcutta and Chennai. The main sports equipment exported from India include, Inflatable balls, Protective Equipment for Cricket, Cricket Bats,Boxing Equipment, Cricket and Hockey Balls, Bladders.*

**Key words:** Economic growth, SME, s, GDP, Export, Sports goods industry, Indian economy.

## Introduction

### Sports industry in India

Indian Sports Goods industry, which exports nearly 60% of its total domestic output to the sports loving people the world over, has matured into a globally competitive & creative entity. Be it a cricket bat or a hockey stick or a football, the contribution by the Indian sports goods industry to the international sports goods market has been remarkable. The sports goods industry in India is largely concentrated in the cottage and small-scale sector. Hence there is a paucity of resources for technology up gradation and effectively marketing of the

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products. This industry is highly labour intensive, providing employment to the weaker sections of the society and also employs a large number of women work forces Steps towards Development.A creative approach and a sense of responsibility to the society at large, characterizes the Sports goods industry. It has devoted itself to meet future demand by innovating new products, for new markets. The economic reform process underway in India and the liberalized industrial policies have motivated the small scale units, which have remained the hallmark of the industry, to achieve the goals set forth by the Government. India is fast emerging as an important supplier of quality sports goods and toys to the global markets. Indian sports goods are being exported to the more than 100 countries and are in demand in some of the most developed nations of the world.

The words 'sports goods' have become synonymous with the passion that India has for sports. The sports goods industry in India is nearly a century old and has flourished due to the skills of its workforce. Being labour-intensive in nature, the industry provides employment to more than 500,000 people.

**Exports - A Momentous Growth**

- India's share of the global sports goods export market is expected to grow manifold, with the country establishing the credibility of its goods in the international market. Indian sporting goods are well known around the world and have made a mark in the global sports goods market. The industry exports nearly 60 per cent of its total output to sports- loving people the world over. The sports goods market in India was valued at US$ 1 billion in 2010-11. The market is growing as 35-40 per cent a year and is expected to reach US$ 3.6 billion by 2015. The growth is expected on account of increasing awareness about health and fitness in the country

- Industry exports were valued at approximately US$ 143.7 million in 2011-12, registering a growth rate of 5 per cent over the period 2006-07 to 2011-12.

**Methodology**

A study is focusing on Indian SME,s with reference of Indian Sports Goods Sector. Study basically focus on impact on SME,s on GDP, Export, and employment generation. The proposed study would be based on secondary data collected through various sources such as industries publication, annual reports of banks working for SME,s sectors, journals, news papers articles, on-line resources.

The sports goods industry in India has witnessed a phenomenal growth over the past five decades and now occupies a place of prominence in the Indian economy in view of its massive potential for employment, growth and export. There has been an increasing emphasis on its planned development, aimed at optimal utilization of resources for maximizing the returns, particularly from exports.

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**Table 2.1: Major Sports Goods Production Centers/Clusters and Product Categories**

| Location | Cluster Major Product Categories |
|---|---|
| Jalandhar | • Inflatable ball ( • Boxing Equipment• Cricket Equipment• Sports ware• Track and Field Equipments• Sports Training equipment• Hockey Equipment |
| Meerut | Weight Lifting Equipment• Cricket Equipments• Athletics Equipments• Boxing Equipments• Table Tennis• Badminton |
| Jammu & Kashmir | Cricket Bats |
| Delhi | Football• Carrom Board• Chess• Cricket Equipment• Billiards/Snooker/Pool Tables • Accessories• Football Bladders• Boxing equipment• Punching• |
| Gurgaon | Golf Equipment• Board Games |
| Mumbai | Water Park Slides• Carrom Board• Payground • Fitness Equipment |
| Kolkotta | • Carrom Board• Magic tricks & magic apparatus |
| Chennai | Tennis Balls, Sports Shoes and Apparels |
| Bangalore | Bowling Equipments• Sports Medals & Trophies• Gym & Health Equipments |

The Sports SME play significant role in the growth of the Indian economy.The industry exports nearly 60 per cent of its total output to sports-loving people the world over. The industry provides employment to more than 500,000 people.SMEs contribution towards GDP stood at 17%."Increase from 17% to 22% is a pipe dream without putting in place the enabling factor to foster growth of SMEs in India.

**The Rising Sports Industry In India:-**

- **All India Football Federation** and **IMG-Reliance** have sealed commercial rights deal in football for Rs. 7 billion for next 15 years.
- **Jaypee Group** has become a force to reckon with in developing state-of-the-art sporting systems in their Sports City.
- **Cisco** and **Mahindra** are exploring opportunities to collaborate on comprehensive differentiated offerings in the Sports and Entertainment.

**Reasons Of SME Growth:-**

- Foreign and local fund providers are taking huge interest in the small and medium enterprises of India.
- Banking sector has also shown a keen interest in lending credit to these enterprises.
- Many recent mergers have taken place in the sector.
- The sector has significantly contributed towards the domestic production as well as the export earnings.

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- Low investment is required to start and maintain these enterprises.
- The sector has contributed impressively towards job creation and increase in individual incomes.
- Technological growth is also a factor for growth of SME's in india as there are several **trade portals** and **business directories** available online with huge database of buyers, sellers, manufacturers who are basically back bone of SME's.

Though the SME industries are spread all over the urban areas, proper infrastructure needs to be developed in the rural areas to establish these industries there. The SME units are functioning efficiently and effectively, but even now there is lack of information regarding the inputs of these industries, like the raw materials, skills, machinery and equipment.There is need of high level research and development required to develop these sectors in both the urban and rural areas.

**Conclusion:-**

Foreign and local fund providers are taking huge interest in the small and medium enterprises of India. Banking sector has also shown a keen interest in lending credit to these enterprises. The sector would have potential of export earnings creation and increase in individual incomes. Low investment is required to start and maintain these enterprises. Due to advancement in ICT several trade portals and business directories available online with huge database of buyers, sellers, manufacturers who are basically back bone of SME's. Jalandhar and Meerut are important suppliers of quality sports goods in India and more than 130 countries including some of the developed nations in the world. The industry is steadily embracing new technology and adapting its products to keep up with the changing global trends so as to become the most important centre for sports goods manufacturing in India

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# The Determinants of Trade Credit: Evidence from Indian Manufacturing Firms

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**Abstract**
*Trade credit (accounts receivable and accounts payable) is both an important source and use of funds for manufacturing firms in India. This paper empirically investigates the determinants of trade credit in the In-dian context. The empirical evidence presented suggests that strong evidence exists in support of an inven-tory management motive for the existence of trade credit. Highly profitable firms both give and receive less trade credit. Firms with greater access to bank credit offer less trade credit to their customers. On the other hand, firms with higher bank loans receive more trade credit. Holdings of liquid assets have a positive influ-ence on both accounts receivable and accounts payable.*
**Keywords:** Trade Credit, Inventories

## Introduction

Trade credit (measured by accounts receivable and ac-counts payable in the balance sheet of a firm) is an ar-rangement that allows firms to buy goods or services without making an immediate payment. It thus allows the separation of the exchange of goods and money over time. It is well recognized that trade credit is likely to be a very expensive source of credit1. Trade credit (with respect to both the amounts and terms) varies substan-tially across firms and industries and a substantial body empirical research exists that attempts to explain this variation.

Many theories have been put forward to explain the existence of trade credit. Trade credit may be used as a source of funds if raising capital through other sources is more expensive. Price discrimination being illegal in many countries, firms may choose to discriminate be-tween buyers using trade credit. Some firms may choose to make early payments to take advantage of discounts while others may have an incentive to pay towards the end of the credit period. Suppliers may have some fund-ing advantage over banks in evaluating and controlling credit risk. If suppliers are likely to interact much more closely and more often with buyers compared to banks then this is likely to give them a better idea of the busi-ness prospects that the buyer faces. If the good supplied cannot be resold by the buyer then the supplier could hold of the threat of stopping supplies if payments are not made in time. Suppliers may also have an advantage over banks with respect to repossessing and reselling the goods supplied in case of default. Trade credit may arise as a financial response to variable demand. Trade credit can be seen an outcome of interaction between product and financial markets which arises because it provides the seller with an advantage in inventory management. Sellers can reduce their finished good inventories by offering trade credit. When business conditions are bad (*i.e.* inventories pile up) firms may choose to postpone payments for raw materials purchased. Trade credit may also enable firms to lower transactions costs.

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At an empirical level most studies relate accounts payable and accounts receivable to various accounting ratios and firm and industry characteristics. A few stud-ies have attempted to examine variations in the terms and conditions of trade credit. Widely cited empirical studies like Petersen and Rajan and Ng, Smith and Smith have uncovered many empirical regularities but over-whelming support or rejection for any particular theory has as yet not been possible.
Trade credit has been generally recognized as an im-portant component of corporate finance in many coun-tries. Recent data, from the Reserve Bank of India, shows that accounts receivable accounted for 10.86% and accounts payable accounted for 11.59% of total as-sets/liabilities respectively in 2008 for a sample of large public limited companies. The comparable figure of short term bank credit was 10.75%. Evidently, in India, trade credit is at least as important as bank credit. In most advanced countries accounts receivables can be easily collateralized. This makes it possible for firms to obtain additional bank credit against their accounts re-ceivables. Consequently, a firm providing trade credit does not necessarily have to reduce its investment in other avenues. In India banks have always been some-what reluctant to lend against accounts receivable. Bills discounted accounted for less than one percent of total credit advanced by Scheduled Commercial Banks in In-dia as of March 20095. This institutional feature is likely to have a significant impact on the determinants of trade credit in India.

Unfortunately no systematic empirical evidence on the determinants of trade credit in India is available. This paper makes a small beginning in that direction. We do not deal with the issue of terms and conditions of trade credit due to lack of information in this regard in the In-dian context. We estimate a model similar to Bougheas, Mateut and Mizen to study the determinants of trade credit in India. It is found that trade credit arises essen-tially as a financial response to variable demand and variables suggested by other theories compliment this basic explanation. In the next section a brief summary of the existing theories of trade credit and empirical work that seeks to explain inter firm differences is provided. Section 3 outlines the empirical model used, data sources and results. Section 4 concludes.

**Theories of Trade Credit**

Many reasons have been put forward to explain why firms may offer or accept trade credit. We provide below a short outline of the main arguments.

Metzler [12] was possibly the first to point out that large firms use trade credit instead of direct price reduc-tions to push sales in periods when monetary conditions were tight. Further, he argued that firms would accumu-late liquid balances in periods of loose monetary policy and utilize these to extend trade credit in periods when monetary conditions were tight. These macroeconomic implications of trade credit have been recently further investigated by Guariglia and Mateut [13] and Mateut, Bougheas and Mizen [14] who conclude that in the UK trade credit increases in periods when monetary policy is tight and bank lending falls.
Brennan, Maksimovic and Zechner [15] argue that if the product market is non-competitive and there exists an adverse selection problem in credit markets then this makes price discrimination through trade credit poten-tially profitable. Imperfections in the product market allow sellers to use trade credit to discriminate between buyers who have different reservation prices. When the credit characteristics of firms to whom the supplier (who has market power in the product market) is attempting to sell cannot be observed by him, trade credit makes it possible to provide incentives for firms to self select. “Good firms” might find it profitable to buy on a cash basis or repay as soon as possible (given the high cost of trade

credit) while risky firms may find it advantageous of buy on credit because other source of funds may be even more costly for this firm. An empirical implication that arises from the price discrimination arguments is that more profitable firms are more likely to grant more trade credit.

The possibility that sellers who have easier access to the capital market may have an incentive to offer trade credit to their buyers (who may not have access to capital markets on the same terms) was first pointed out by Schwartz [16]. The supplier's greater ability to raise funds is used to pass credit to their customers. If banks are the main source of credit then this suggests that firms offering trade credit would borrow from banks and pass this on as accounts receivable (on their books of accounts) to the buyers. Biais and Gollier [17] have pointed out that in a situation where banks are forced to ration credit (which arises due to adverse selection), trade credit can transmit a seller's private information to banks. If the seller is willing to offer trade credit to a firm this tells the banks that the supplier has private information regarding this firm which makes it credit worthy. This would lead to a reduction of credit rationing. In addition, Jain [18] has argued that suppliers may have a monitoring advan-tage over banks because in the course of their transac-tions with the firm they have access to information which banks may not.

Burkart and Ellingson [19] argue that this monitoring advantage arises because of an intrinsic difference be-tween inputs and cash. Inputs cannot be as easily (if at all) be diverted as cash. It is the fear of diversion of funds that induces banks to restrict lending. Trade credit be-comes a means to overcome a moral hazard problem created by this possibility. The fact that the firm has re-ceived trade credit signals that the firm has bought inputs that cannot be diverted and this opens up the possibility that returns from investing would be higher than the re-turns from diverting funds. Thus if a bank observes that a firm is receiving trade credit it may be willing to lend. Consequently, firms whose investments are constrained by their access to external funds, trade credit and bank credit may be compliments. Firms whose investments are not constrained by availability of external funds the fact that a firm has/or has not received trade credit is of no consequence, and, bank credit and trade credit may be substitutes. Even though firms can use accounts receiv-able as collateral there would always be a ceiling on the amount a bank would lend through this channel. Burkart and Ellingsen [19] argue that "… firms that are credit constrained but highly profitable abstain from investing in receivables, leaving the extension of trade credit to firms either have better access to funds or are constrained and relatively unprofitable (pp. 570)." This conclusion would be reinforced in a context where banks do not accept account receivable as collateral.

Cunat [20] argues that firms offering trade credit may have an advantage over banks in enforcing debt repay-ment in a situation where it is difficult for the buyer to find alternative suppliers and it is costly for the seller to find alternative customers. This condition would be met if the product in question has some technological speci-ficity. This advantage arises because suppliers can threaten buyers with stoppage of supplies of the interme-diate good which in turn would hit production. Suppliers would be in a position to help buyers overcome tempo-rary liquidity shocks by offering trade credit. Lee and Stowe [21] point out that trade credit when offered represents an implicit product guarantee of the products quality. The buyer is able to verify the quality of the product before making a payment. In the presence of information asymmetry large discounts (inducements to make quick payments) would covey

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information on quality. Firms, whose products are of a lower quality, other things being equal, would offer large discounts.

From a transactions cost perspective, a supplier can reduce inventory carrying costs if the buyer's costs of holding inventories are lower. Emery [22] argues that trade credit arises as a financial response to variable de-mand. Consider a situation where a firm experiences a sudden dip in demand. The firm has two choices. Either to accumulate costly inventories (which may or may not be sold in later periods) or offer trade credit to its cus-tomers who may be finance constrained. There clearly exists a trade-off between holding inventories and offer-ing trade credit. For trade credit to be a mutually benefi-cial arrangement the firm offering trade credit must have an advantage in bearing the financial cost (of the dip in demand) but must be at a disadvantage in terms of the operational cost for holding higher finished goods in-ventories. The firm that accepts trade credit gains from the fact that implicitly he receives a lower price (if the payment is made within the stipulated period) and the seller gains because of lower inventory costs. Bougheas, Mateut and Mizen [11] incorporate this basic idea in a formal two period model which incorporates the trade- off between inventories and trade credit under conditions of stochastic demand. Using this model they derive em-pirically testable propositions with respect to accounts payable and accounts receivable and their relationship with changes in costs of inventories, profitability, risk profile, liquidity position of firms and bank loans. They show that:

a) firms with higher stock of inventories would have lower accounts receivables and accounts payables.

b) profitability will be positively related to both ac-counts payable and accounts receivable.

c) The relationship of accounts receivable and ac-counts payable with riskiness of a firm and its liquidity position is indeterminate.

d) Accounts receivables would be positively related to bank loans *i.e.* they are compliments. Accounts payable can either be positively or negatively related to bank loans.

The empirical literature has unearthed quite a few ro-bust relationships between extent of trade credit offered and received and various firm characteristics. A large variety of variables measuring various firm characteris-tics have been used to explain inter firm variations in both accounts receivable and accounts payable.

A large number of papers [Petersen and Rajan [1], Deloof and Jegers [7], Miwa and Ramseyer [23] and Bougheas *et al*. [11], among others] report a positive relationship between accounts payable and accounts re-ceivables and size (usually measured by total assets or log of total assets). Size is typically interpreted as re-flecting the credit worthiness of the firm. Thus, larger firms are seen to both receive and give more trade credit.

Profitability according to Petersen and Rajan [1] could reflect a number of firm characteristics. Net profit could be taken as a proxy for internal cash generation, and thus one would expect profitable firms to extend more trade credit. Surprisingly, they report a negative relationship between net profits and accounts receivable. Gross prof-its on the other hand would be an indicator of the incen-tives to sell. If firms have the ability to discriminate be-tween buyers through the use of trade credit (leading to higher gross margins) then higher the gross profit the higher the incentive to sell. They report a positive rela-tionship between gross profits and accounts receivable. Net profits are found to be negatively related to accounts payable. As the firm's ability to generate internal funds increases its tendency to buy on credit decreases. Given that trade credit is extremely expensive this is as ex-pected. Deloof

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and Jegers [7] also report a negative rela-tionship between net profits and accounts payable. Bougheas *et al*. [11] find that profitability is positively related to both accounts receivable and accounts payable. This finding is interpreted as extra profit being channeled to accounts receivable and more profitable firms being more credit worthy receive more credit from their sup-pliers.

Petersen and Rajan [1], report that firms who can se-cure enough credit from institutional sources have lower accounts payable and point to the possibility that trade credit is a substitute for credit from financial institutions. Other papers like, Kohler, Britton and Yates [5] and Nil-sen [24] using different data sets and time periods come to a similar conclusion. Deloof and Jegers [7] using data on Belgian firms provide persuasive evidence that short term bank credit is a substitute for accounts payable. On the other hand, Demirguc-Kunt and Maskimovic [25], in a cross country setting empirically demonstrate that trade credit is a compliment to lending by financial institutions. Cunningham [2] finds that for medium wealth firms (*i.e.* those firms whose investment is less likely to be con-strained by availability of external funs) trade credit and bank credit are substitutes and for low wealth firms (firms whose investments are more likely to be finance constrained) trade credit and bank credit are compliments. This paper provides strong support for the arguments put forward by Burkart and Ellingson [19]. Bougheas *et al.* [11] find that accounts receivable are compliments to bank loans and accounts payable are substitutes for bank loans. This they argue is clearly indicative of the fact that trade credit is more expensive than bank loans and fits in nicely with the pecking order hypothesis. Thus firms who can borrow from banks are seen to pass on bank credit to their buyers on the one hand and they take less credit on the other.

Inventories have not been used as explanatory variable in empirical studies of trade credit very often. Petersen and Rajan [1] relate the ratio of finished goods invento-ries to total inventories in the regression analysis with respect to accounts payables and find a strong negative relationship between the two. They argue that the ratio of finished goods inventories to total inventories reflects the "supplier's advantage in liquidating the borrowers as-sets". If the ratio of finished goods inventories to total inventories is large this reflects a lowering of the sup-plier's advantage in repossessing and selling supplied goods because the buyer has transformed the raw mate-rial supplied into finished goods. Both banks and suppli-ers may face the same level of difficulty in selling re-possessed finished goods. Thus accounts payable of firms with a high ratio of finished goods inventories to total inventories turn out to be lower. Cunat [20] uses inventories as an explanatory variable while explaining accounts payable of firms. He finds a significant and positive relationship. He argues that accounts payable are higher for firms with higher inventories because invento-ries act as collateral. Bougheas *et al.* [11] relate finished and semi finished goods inventories to both accounts receivable and accounts payable. They find a strong negative relationship between inventories and accounts receivables. They interpret this as providing strong evi-dence that firms use trade credit (*i.e.* allow buyers to delay payment) to increase sales and thus reduce inven-tories. Inventories turn out to be insignificant when re-lated to accounts payable.

A firms holding of liquid assets (cash and other short term securities) has been used as a determinant of trade credit in a number of papers. Van Horne [26] has argued that firms adopt what is called the matching approach to finance *i.e.* finance short term needs with short term fi-nance. If such an approach is actually followed by firms then accounts payable should have a positive relationship with holding of liquid assets. Deloof and Jegers [7] find that liquid

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assets have no influence on accounts payable of Belgian firms. Cunat [20] reports a negative influence of liquid assets on accounts payable. Cunat further shows that when liquid assets fall, this is accompanied by a rise in accounts payable. This finding is interpreted as an adjustment in accounts payable whenever there is an unexpected liquidity shock. Bougheas *et al.* [11] use liq-uid assets as an explanatory variable for both accounts payable and accounts receivable. The holding of liquid assets is assumed to have a direct relation to the cost of extending trade credit but theoretically the expected sign for this variable remains indeterminate. They report that liquid assets have a negative and significant influence on accounts receivable and a positive and significant influ-ence on accounts payable.

**The Empirical Model and Estimation Results**

**The Empirical Model**

A model very similar to Bougheas *et al.* [11] is estimated. They explain trade credit extended (accounts receivable divided by sales) and trade credit received (accounts payable divided by sales) by the same set of explanatory variables. The difference between accounts receivable and accounts payable (net trade credit) is considered, in this paper, as an additional dependent variable which shows whether the firm is a net receiver (if this variable has a negative sign) or net giver of trade credit (if this variable has a positive sign). The importance of this variable becomes obvious once it is recognized that firms typically are a part of a credit chain both receiving and offering trade credit. The same set of dependent variables is used to explain this difference as well. The main dif-ference (apart from the fact that an additional variable, net trade credit is considered) in the model estimated in this paper and Bougheas *et al.* [11] lies in the treatment of inventories. Bougheas *et al.* [11] define inventories as the level of finished goods and work in progress invento-ries while our data allows us to segregate inventories into finished goods inventories on the one hand and semi fin-ished goods and raw materials on the other. Finished goods inventories are more likely to influence accounts receivable (AR6) while semi finished goods and raw ma-terial inventories are more likely to influence accounts payable (AP7). By including them separately into the analysis helps in isolating the influence of variable de-mand (for the firm's product) on accounts receivable and accounts payable. Following Cunat [20] we include the level of collateralizable assets (ratio of fixed assets to total assets) as an explanatory variable. Firms having higher collateralizable assets are expected to have easier access to other sources of credit (including banks) and thus would use less trade credit. Profitability (profits before depreciation interest and taxes) divided by sales, size (log of total assets), liquid assets8 and short term bank loans are another standard explanatory variables that we include9. The estimated equations take the fol-lowing form10.

$$\begin{aligned}
\text{ARi,t/Salesi,t} = {} & \alpha\text{i} + \beta\text{1Stocksit/Salesit} + \beta\text{2Sizeit} \\
& + \beta\text{3Collateralit} + \beta\text{4Profitsit/salesit} \\
& + \beta\text{5 liquid assetsit/salesit} \\
& + \beta\text{6 short term bank loansit/salesit} + \text{eit}
\end{aligned}$$

$$\begin{aligned}
\text{APi,t/Salesi,t} = {} & \alpha\text{i} + \gamma\text{1Stocksit/Salesit} + \gamma\text{2Sizeit} \\
& + \gamma\text{3Collateralit} + \gamma\text{4Profitsit/salesit} \\
& + \gamma\text{5 liquid assetsit/salesit} \\
& + \gamma\text{6 short term bank loansit/salesit} + u\text{it}
\end{aligned}$$

$$\text{(ARi,t – APi,t)/Salesi,t} = \alpha\text{i} + \tau\text{1Stocksit/Salesit} + \tau\text{2Sizeit}$$

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$$+ \tau 3\text{Collateralit} + \tau 4\text{Profitsit/salesit}$$
$$+ \tau 5 \text{ liquid assetsit/salesit}$$
$$+ \tau 6 \text{ short term bank loansit/salesit} + \nu\text{it}$$

In two other specifications we replace stocksit by fin-ished goods inventories and semi finished goods inven-tories plus raw materials inventories.

$\alpha$i, is a firm specific effect, $\beta$i, $\gamma$i and $\tau$i are the coeffi-cients and eit, $u$it and $v$it are the idiosyncratic error terms. The equations are estimated using a first difference GMM approach which controls for firm specific time invariant effects and for possible endogeniety of regres-sors11. Lags of all the independent variables are used as instruments. Time dummies are included in all the re-gressions.

We use data from the PROWESS database provided by the Center for Monitoring the Indian Economy (CMIE), Mumbai. This data base contains accounting details of a very large number firms operating in India. The data we use pertains to the 14 year period between 1993 and 2006. From this data base we chose firms which met the following criteria.

(a) Firms with at least five years of continuous data.

(b) Firms whose ratio of manufacturing sales to total sales was in excess of 75 percent for at least half the years for which data were available. This was done to drop firms who had diversified into non manu-facturing activities.

(c) Firms with a positive net worth for at least half the number of years for which data were available. This was done to drop firms in financial distress.

(d) Firms with accounts payable and accounts receiv-able in excess of their total assets were not chosen. This was again done with a view to excluding dis-tressed firms.

(e) Firms needed to be in the private sector. All firms owned by the central and state governments were dropped.

These filters yielded an unbalanced panel of 1522 firms with an average of 10.66 years observations for each firm. The descriptive statistics are provided in **Ta-ble 1**. In general, the mean and medians of accounts re-ceivable are far larger than accounts payable. This is also reflected by the fact that net trade credit has a positive mean and median. The firms in our sample thus, on av-erage, give more trade credit than they receive.

## Estimation Results

**Tables 2**, **3** and **4** report the empirical results with re-spect to accounts receivable, accounts payable and the ifference between accounts receivable and accounts

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**Table 1. Summary statistics (mean, standard deviation and median).**

| Table 1. Summary statistics (mean, standard deviation and median). | | Bottom 25% | Middle 50% | Top 25% | Whole sample |
|---|---|---|---|---|---|
| Accounts Receivable/sales | Mean | 0.357 | 0.213 | 0.175 | 0.240 |
| | Std. Dev | 3.620 | 1.496 | 0.172 | 2.101 |
| | Median | 0.184 | 0.165 | 0.144 | 0.162 |
| Accounts Payable/sales | Mean | 0.210 | 0.157 | 0.157 | 0.170 |
| | Std. Dev | 0.496 | 0.299 | 0.306 | 0.361 |
| | Median | 0.120 | 0.116 | 0.125 | 0.120 |
| (Accounts Receivable-Accounts payable)/sales | Mean | 0.147 | 0.057 | 0.018 | 0.070 |
| | Std. Dev | 3.496 | 1.456 | 0.302 | 2.036 |
| | Median | 0.050 | 0.042 | 0.018 | 0.038 |
| Inventories/sales | Mean | 0.193 | 0.127 | 0.113 | 0.140 |
| | Std. Dev | 0.846 | 0.262 | 0.218 | 0.476 |
| | Median | 0.079 | 0.079 | 0.079 | 0.079 |
| Finished good inventories/sales | Mean | 0.119 | 0.086 | 0.081 | 0.093 |
| | Std. Dev | 0.438 | 0.230 | 0.195 | 0.290 |
| | Median | 0.041 | 0.045 | 0.052 | 0.046 |
| Raw material inventories/sales | Mean | 0.245 | 0.127 | 0.107 | 0.152 |
| | Std. Dev | 2.614 | 0.317 | 0.176 | 1.331 |
| | Median | 0.086 | 0.090 | 0.079 | 0.086 |
| Fixed assets/Total assets | Mean | 0.637 | 0.636 | 0.670 | 0.645 |
| | Std. Dev | 0.348 | 0.279 | 0.264 | 0.295 |
| | Median | 0.601 | 0.631 | 0.670 | 0.634 |
| Profit/sales | Mean | 0.035 | 0.101 | 0.159 | 0.099 |
| | Std. Dev | 4.508 | 1.544 | 0.158 | 2.508 |
| | Median | 0.087 | 0.120 | 0.149 | 0.121 |
| Liquid Assets/sales | Mean | 0.363 | 0.088 | 0.100 | 0.160 |
| | Std. Dev | 6.708 | 0.697 | 0.342 | 3.399 |
| | Median | 0.028 | 0.027 | 0.043 | 0.031 |
| Bank loans/sales | Mean | 0.351 | 0.205 | 0.154 | 0.229 |
| | Std. Dev | 3.722 | 2.335 | 0.319 | 2.495 |
| | Median | 0.105 | 0.120 | 0.105 | 0.113 |
| Size | Mean | 2.023 | 3.822 | 5.916 | 3.894 |
| | Std. Dev | 0.662 | 0.670 | 0.931 | 1.566 |
| | Median | 2.111 | 3.805 | 5.716 | 3.803 |

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Note: Firms are separated into size categories by using a dummy variable which takes the value of 1 in a given year if the firms total assets are in the top 25, middle 50 and bottom 25 percentile of the distribution of total assets of all the firms in that year.

payable (net trade credit) respectively. Column 1 refers to the specification where total inventories are used as an independent variable and column 2 refers to the specifi-cation where inventories are bifurcated into finished goods and raw material inventories12.

The inventory to sales ratio is negatively (the coeffi-cient is significant at 5%) related to accounts receivable. When inventories are split into finished goods invento-ries and raw material and semi finished inventories the coefficient on finished goods inventories has a negative sign and is significant at 1%. The coefficient of raw ma-terial inventories turns out to be positive but insignificant.

| **Table 2. Accounts receivable.** | 1 | 2 |
|---|---|---|
| Inventories/sales | –0.715** (0.312) | |
| Finished good inventories/sales | | –0.915*** (0.306) |
| Raw material inventories/sales | | 0.032 (0.041) |
| Fixed assets/total assets | 0.622* (0.376) | 0.209 (0.481) |
| Profit/sales | –0.455** (0.195) | –0.557*** (0.202) |
| Liquid assets/sales | 0.833*** (0.013) | 0.823*** (0.016) |
| Bank loans/sales | –0.034 (0.022) | –0.049** (0.023) |
| Size | 1.427*** (0.530) | 1.013 (0.663) |
| No. of observations | 11609 | 11609 |
| m1(p) | 0.00 | 0.00 |
| m2 (p) | 0. 281 | 0.231 |
| Hansen/Sargan | 0.958 | 0.988 |

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| **Table 3. Accounts payable.** | 1 | 2 |
|---|---|---|
| Inventory/sales | 0.103***<br>(0.061) | |
| Finished good inventories/sales | | 0.256***<br>(0.049) |
| Raw material inventories/sales | | 0.104***<br>(0.010) |
| Fixed assets/total assets | –0.171<br>(0.131) | –0.073<br>(0.118) |
| Profit/sales | –0.079**<br>(0.034) | –0.025<br>(0.027) |
| Liquid assets/sales | 0.033***<br>(0.002) | 0.034***<br>(0.001) |
| Bank loans/sales | 0.024**<br>(0.011) | 0.027**<br>(0.011) |
| Size | –0.070<br>(0.172) | –0.218<br>(0.158) |
| No. of observations | 11609 | 11609 |
| m1(p) | 0.084 | 0.269 |
| m2 (p) | 0.333 | 0.374 |
| Hansen/Sargan | 0.410 | 0.870 |

This indicates that firms with lower finished goods in-ventories have higher accounts receivable and thus firms offer more trade credit to boost sales and lower finished goods inventories. Inventory management is thus an im-portant motive for firms to offer trade credit to other firms.

Profits have a negative coefficient which is significant in both specifications. Profitable firms thus do not offer higher trade credit. This finding is contrary to what is found in the literature where generally speaking a posi-tive and significant coefficient is common [Petersen and Rajan [1] and Bougheas *et al*. [11]. The result is con- sistent with the Burkart and Ellingsen [19] argument that profitable but finance constrained firms would prefer not to offer trade credit. The relevance of this argument is strengthened by the finding of a number of papers that investment by firms in India is finance constrained13. The negative coefficient also calls in question the relevance of the price discrimination motive for offering trade credit.

The coefficient of bank loans is negative and signifi-cant in specification 2. Bougheas *et al*. [11] report a positive and significant coefficient for bank loans. Bank loans and accounts receivable turn out to be substitutes. The fact that banks do not accept account receivables as collateral could be driving this result. Clearly those firms having access to bank finance do not pass this on as ac-counts receivable to their customers.

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| **Table 4. Accounts receivable-accounts payable.** | 1 | 2 |
|---|---|---|
| Inventory/sales | –0.354** (0.172) | |
| Finished good inventories/sales | | –1.185*** (0.287) |
| Raw material inventories/sales | | –0.065** (0.038) |
| Fixed assets/total assets | 0.713 (0.448) | 0.249 (0.548) |
| Profit/sales | –0.0.401* (0.223) | –0.558*** (0.202) |
| Liquid assets/sales | 0.795*** (0.015) | 0.790*** (0.015) |
| Bank loans/sales | –0.056** (0.023) | –0.074*** (0.021) |
| Size | 1.375** (0.664) | 1.039 (0.782) |
| No. of observations | 11609 | 11609 |
| m1(p) | 0.377 | 0.352 |
| m2 (p) | 0. 661 | 0.128 |
| Hansen/Sargan | 0.997 | 0.998 |

Liquid assets have a positive and significant coeffi-cient in both the specifications. This again is contrary to what Petersen and Rajan [1] and Bougheas *et al.* [11] report. The coefficient of collateralizable assets turns out to be positive and significant at the 10 percent level in specification 1 and insignificant in specification 2. Size turns out to be positive and significant at 10 percent in specification 1 and insignificant in specification 2. This again is contrary to the general finding that large firms offer more trade credit.

As regards accounts payable the coefficient of inven-tories has a positive sign but is significant only at the 10 percent level in specification 1. When we bifurcate in-ventories both finished goods and raw material invento-ries have a positive and significant sign with the coeffi-cient of finished goods inventories being much larger. When firms pile up both types of inventories they take more trade credit. Trade credit is thus offered to firms who encounter a negative shock to sales. In this case too profits turn out to be negative and significant. This is contrary to what Bougheas *et al.* [11] find. More profit-able firms thus neither offer nor take more trade credit. Liquid assets have a positive and significant sign and this time this result in line with Bougheas *et al.* [11]. This turns out to be consistent with the Van Horne [26] view of a matching approach to finance. Moreover possession of liquid assets could signal an ability to pay back on time.

The coefficient of bank loans has a positive and sig-nificant sign. This is consistent with the Burkart and El-lingsen [19] view that bank credit and trade credit would be compliments for firms who are likely to face binding finance constraints. This again is contrary to Bougheas *et al.* [11] findings. Size does not turn out to be significant in any of the specifications.

Turning to results for net trade credit (accounts re-ceivable-accounts payable) the coefficient of total in-ventories is negative and significant at 5 percent. Once the inventories are bifurcated both finished goods and raw material inventories have a negative and significant coefficient. What is important is that the finished goods inventories have a much larger coefficient. Thus it is finished good inventories that are more influential in determining net trade credit given. The coefficients of profits and bank loans have a negative and significant sign while liquid assets have a positive and significant sign. Size turns out to be insignificant in both specifica-tions.

**Conclusions**

The empirical evidence presented suggests that in the Indian context strong evidence exists in support of an inventory management motive for offering trade credit. Firms attempt to increase sales and lower finished goods inventories by offering trade credit both on a gross and net basis. When inventories of finished goods and semi finished goods and raw materials rise firms tend to post-pone payments to their supplier and this shows up on their books of accounts as higher accounts payable. This is likely to help firms tide over negative shocks to sales. Thus trade credit in general can be seen to arise as a fi-nancial response to variable demand for their finished goods. Highly profitable firms are found to both give (on both net and gross basis) and receive less trade credit. There could be many underlying results for this finding. Firstly more profitable firms may not face a major prob-lem with respect to variability of demand for their prod-uct. The need to offer trade credit for inventory man-agement is thus smaller. Moreover the need to accept trade credit for such firms would also be lower, as in-ventories would rarely he high. Secondly, as argued by Burkart and Ellingsen [19], profitable but finance con-strained firms would prefer not to offer trade credit. The fact that the coefficients of profitability are negative, price discrimination does not seem to be a motive for the existence of trade credit in India.

Firm's holdings of liquid assets have a positive influ-ence on accounts receivable and accounts payable and net trade credit. Firms with greater access to bank credit offer less trade credit to their customers. Firms with more access to bank funds do not pass them on to their buyers as accounts receivable. On the other hand, firms with higher bank loans receive more trade credit. The empirical results on the determinants of trade credit in India are very different from those for advanced coun-tries.

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IRJMS

## INDEX

# "The study of working capital management"

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**Introduction:**

The current study assigned of working capital management in Bahety Chemicals & Minerals pvt ltd Dandeli. Decisions relating to working capital (Current assets-Current liabilities) and short term financing are known as working capital management. It involves the relationship between a firm's short-term assets and its short term liabilities.

The goal of working capital management is to ensure that the firm is able to continue its operation and that it has sufficient cash flow to satisfy both maturing short term debt and upcoming operational expenses.

Working capital is used in BCM private ltd., for the following purpose:-

Raw material, work in progress, finished goods, inventories, sundry debtors, and day to day cash requirements. The BCM private ltd., keep certain funds which is automatically available to finance the current assets requirements.

The various information regarding "Working Capital Management" such as classification, determinants, sources have been discussed relating to BCM private ltd.,

Ratio Analysis has been Carried out using Financial Information for last five accounting years i.e. from 2006 to 2010 Ratios like Working capital Turnover Ratio, Quick Ratio, Current Ratio, Inventory Turnover Ratio, Debtor Turnover Ratio, Creditors turnover rario have also been analyzed. A Statement of Changes in Working Capital has also been analyzed.

At BCM private ltd., the working capital management has shown increase in the period of study. This shows working capital is managed effectively and all the other departments are working in perfect co-ordination to ensure the progress of BCM private ltd., but I have given some Suggestions & Conclusions on the basis of my Project Study.

## INDUSTRIAL PROFILE

The chemical industry is one of the oldest domestic industries in India, contributing significantly to both the industrial and economic growth of the country since it achieved independence in 1947. The chemical industry currently produces nearly 70,000 commercial products. The industry covers a large spectrum of categories including inorganic and organic chemicals, drugs and pharmaceuticals, plastics and petrochemicals, dyes and pigments, fine and specialty chemicals, pesticides and agrochemicals and fertilizers.

## COMPANY PROFILE

Bahety chemicals and Minerals (Pvt) Limited is a small-scale industry. The company purchased and constructed building in the year 1993. It started production in the year 1996. Its main product is Aluminium Sulphate. It is a private company situated in the Industrial estate, Ambewadi. On the outskirts of Dandeli city which is enjoying all the required facilities like water, power, transport, labors and good environment and materials.

## NEED FOR THE STUDY

- The study has been conducted for gaining practical knowledge about Working Capital Management & activities of Bahety Chemicals & Minerals pvt ltd.,
- The study is undertaken as a part of the MBA curriculum from 01 June 2010 to 31st July 2010 in the form of summer in plant training for the fulfillment of the requirement of MBA degree.

## OBJECTIVES OF THE STUDY

- To study the sources and uses of the working capital.
- To study the liquidity position through various working capital related ratios.
- To study the working capital components such as receivables accounts, Cash management, Inventory management.
- To make suggestions based on the finding of the study.

## SCOPE OF THE STUDY

The scope of the study is identified after and during the study is conducted. The main scope of the study was to put into practical the theoretical aspect of the study into real life work experience. The study of working capital is based on tools like Ratio Analysis, Statement of changes in working capital. Further the study is based on last 5 years Annual Reports of Bahety Chemicals & minerals pvt ltd.

## LIMITATIONS OF THE STUDY

- The study duration (summer in plant) is short.
- The analysis is limited to just five years of data study (from year 2006 to year 2010) for financial analysis.
- Limited interaction with the concerned heads due to their busy schedule.
- The findings of the study are based on the information retrieved by the selected unit.

## METHDOLOGY

In preparing of this project the information collected from the following sources.

**Primary data:**
The Primary data has been collected from Personal Interaction with Finance manager i.e., Mr. Mahesh Nadkarni and other staff members.

**Secondary data:**
The major source of data for this project was collected through annual reports, profit and loss account of 5 year period from 2006-2010 & some more information collected from internet and text sources.

## SAMPLING DESIGN

Sampling unit : Financial Statements.
Sampling Size : Last five years financial statements.

**Tools Used:** MS-Excel has been used for calculations.

## FINDINGS:

➢ Working capital of the Bahety Chemicals & Minerals Pvt Ltd. was increasing and showing positive working capital per year.

➢ The Bahety Chemicals & Minerals Pvt Ltd has higher current and quick ratios are i.e., 2.87 and 2.30 respectively. So the company's liquidity position is good. It shows that it is able to meet its current obligations.

## SUGGESTIONS

➢ Working capital of the company has increasing every year. Profit also increasing every year this is good sign for the company. It has to maintain it further, to run the business long term.

➢ The Current and quick ratios are almost up to the standard requirement. So the Working capital management. Bahety Chemicals & Minerals Pvt Ltd. is satisfactory and it has to maintain it further.

## CONCLUSION:

The study on working capital management conducted in Bahety Chemicals & Minerals Pvt Ltd. to analyze the financial position of the company. The company's financial position is analyzed by using the tool of annual reports from 2005-06 to 2009-10.

The financial status of Bahety Chemicals & Minerals Pvt Ltd. is good. In the last year the inventory turnover has increased, this is good sign for the company.

On the whole, the company is moving forward with excellent management.

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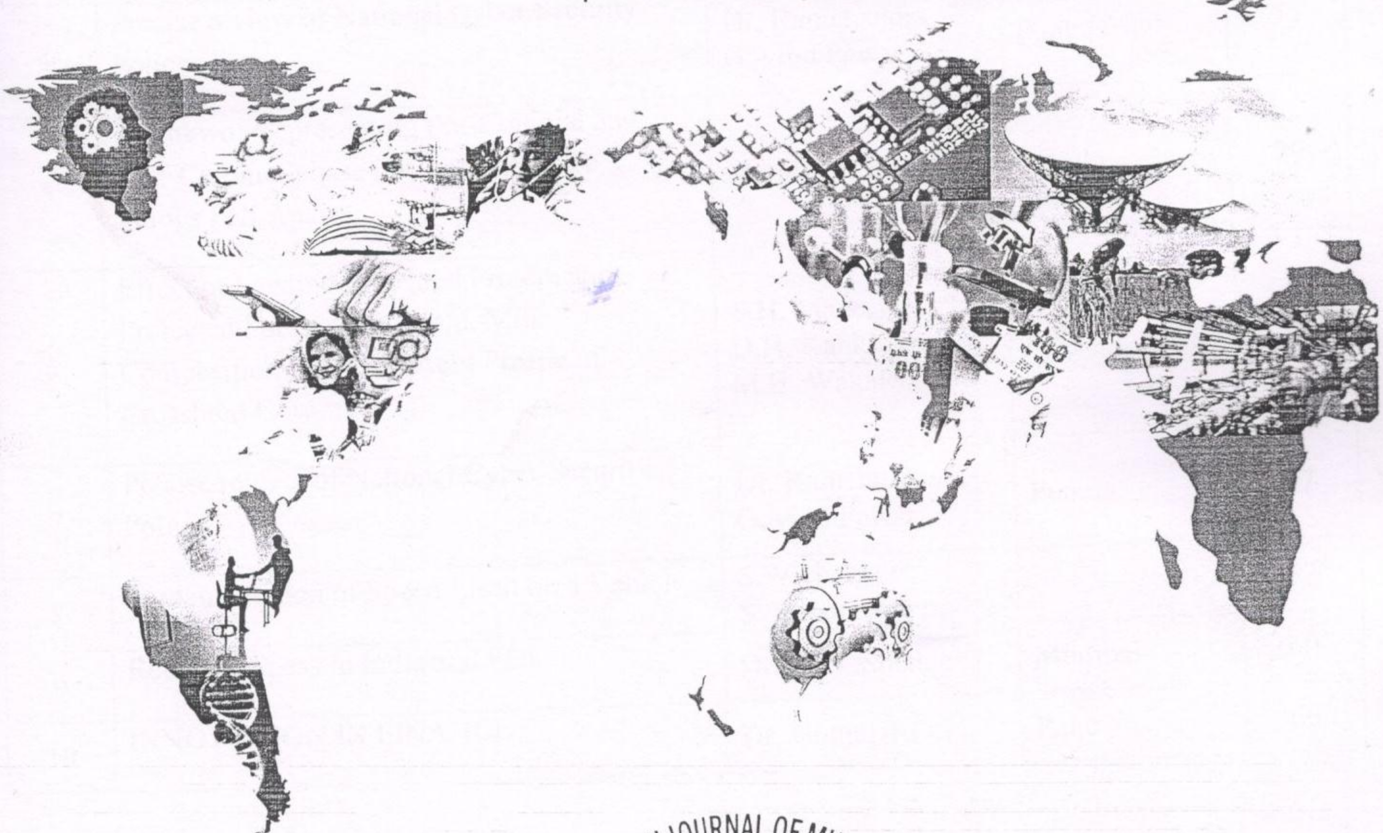

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# INNOVATION IN FINANCE

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**Introduction**

Finance is a field that deals with the allocation of assets and liabilities over time under conditions of certainty and uncertainty. Finance also applies and uses the theories of economics at some level. Finance can also be defined as the science of money management. A key point in finance is the time value of money, which states that purchasing power of one unit of currency can vary over time. Finance aims to price assets based on their risk level and their expected rate of return.

Finance consists of financial systems, which include the public, private and government spaces, and the study of finance and financial instruments, which can relate to countless assets and liabilities. Some prefer to divide finance into three distinct categories: public finance, corporate finance and personal finance. All three of which would contain many sub-categories.

**The role of Technology in financial innovation**

Some types of financial innovation are driven by improvements in computer and telecommunication technology. For example, Paul Volcker suggested that for most people, the creation of the ATM was a greater financial innovation thanasset-backed securitization. Other types of financial innovation affecting the payments system include credit and debit cards and online payment systems like PayPal.

These types of innovations are notable because they reduce transaction costs. Households need to keep lower cash balances—if the economy exhibits cash-in-advance constraints then these kinds of financial innovations can contribute to greater efficiency. Alvarez and Lippi (2009), using data on Italian households' use of debit cards, find that ownership of an ATM card results in benefits worth €17 annually.

These types of innovations may also have an impact on monetary policy by reducing real household balances. Especially with the increased popularity of online banking, households are able to keep greater percentages of their wealth in non-cash instruments.

**Technological Innovation in finance**

**1. ATM Card**

An ATM card, also known as a bank card, client card, key card or cash card, is any payment card issued by a financial institution that enables a customer to access an automated teller machine (ATM) in order to perform transactions such as deposits, cash withdrawals, obtaining account information, etc. Most ATM cards today are bank cards such as debit or credit cards that have been ATM-enabled, although ATM-only cards such as limited-use ATM cards continue to be issued. Interbank networks allow the use of ATM cards at ATMs of financial institutions other than those of the institution that issued the cards.

ATM cards can also be used on improvised ATMs such as "mini ATMs", merchants' card terminals that deliver ATM features without any cash drawer. These terminals can also be used as cashless scrip ATMs by cashing the receipts they issue at the merchant's point of sale.

The first ATM cards were issued in 1967 and 1969 by, respectively, Barclays in London and Chemical Bank in Long Island, New York.

**2. Credit Card**

A credit card is a payment card issued to users as a system of payment. It allows the cardholder to pay for goods and services based on the holder's promise to pay for them. The issuer of the card creates a revolving accountant grants a line of credit to the consumer (or the user) from which the user can borrow money for payment to a merchant or as a cash advance to the user.

A credit card is different from a charge card: a charge card requires the balance to be paid in full each month. In contrast, credit cards allow the consumers a continuing balance of debt, subject to interest being charged. A credit card also differs from a cash card, which can be used like currency by the owner of the card. A credit card differs from a charge card also in that a credit card typically involves a third-party entity that pays the seller and is reimbursed by the buyer, whereas a charge card simply defers payment by the buyer until a later date.

The concept of using a card for purchases was described in 1887 by Edward Bellamy in his utopian novel Looking Backward.

**3. Debit Card**

A debit card (also known as a bank card or check card) is a plastic payment card that provides the cardholder electronic access to their bank account(s) at a financial institution. Some cards may bear a stored value with which a payment is made, while most relay a message to the cardholder's bank to withdraw funds from a payer's designated bank account. The card, where accepted, can be used instead of cash when making purchases. In some cases, the primary account number is assigned exclusively for use on the Internet and there is no physical card.

Unlike credit and charge cards, payments using a debit card are immediately transferred from the cardholder's designated bank account, instead of them paying the money back at a later date.

Debit cards usually also allow for instant withdrawal of cash, acting as the ATM card for withdrawing cash. Merchants may also offer cashback facilities to customers, where a customer can withdraw cash along with their purchase.

**4. Real Time Gross Settlement(RTGS)**

The acronym 'RTGS' stands for real time gross settlement. The Reserve Bank of India (India's Central Bank) maintains this payment network. RTGS system is a funds transfer mechanism where transfer of money takes place from one bank to another on a 'real time' and on 'gross' basis. This is the fastest possible money transfer system through the banking channel. Settlement in 'real time' means payment transaction is not subjected to any waiting period. The transactions are settled as soon as they are processed. 'Gross settlement' means the transaction is settled on one to one basis without bunching with any other transaction. Considering that money transfer takes place in the books of the Reserve Bank of India, the payment is taken as final and irrevocable.

**5. National Electronic Funds Transfer (NEFT)**

Started in Nov.-2005, the National Electronic Fund Transfer (NEFT) system is a nation-wide system that facilitates individuals, firms and corporates to electronically transfer funds from any bank branch to any individual, firm or corporate having an account with any other bank branch in the country. It is done via electronic messages. Even though it is not on real time basis like RTGS (Real Time Gross Settlement), hourly batches are run in order to speed up the transactions.

For being part of the NEFT funds transfer network, a bank branch has to be NEFT-enabled. NEFT has gained popularity due to it saving on time and the ease with which the transactions can be concluded. As at end-January 2011, 74,680 branches / offices of 101 banks in the country (out of around 82,400 bank branches) are NEFT-enabled. Steps are being taken to further widen the coverage both in terms of banks and branches offices.

**6. Inter Mobile Payment System (IMPS)**

Immediate Payment Service (IMPS) is an initiative of National Payments Corporation of India (NPCI). It is a service through which money can be transferred immediately from one account to the other account, within the same bank or accounts across other banks. Upon registration, both the individuals are issued an MMID(Mobile Money Identifier) Code from their respective banks. This is a 7 digit numeric code. To initiate the transaction, the sender in his mobile banking application need to enter the registered mobile number of the receiver, MMID of the receiver and amount to be transferred. Upon successful transaction, the money gets credited in the account of the receiver instantly. This facility is available 24X7 and can be used through mobile banking application. Some banks have also started providing this service through internet banking profile of their customers. Though most banks offer this facility free of cost to encourage paperless payment system, ICICI bank and Axis bank charge for it as per their respective NEFT charges.

Nowadays, money through this service can be transferred directly also by using the receiver's bank account number and IFS code. In such case, neither the receiver of the money need to be registered for mobile banking service of his bank, nor does he need MMID code. IMPS facility differs from NEFT and RTGS as there is no time limit to carry out the transaction. This facility can be availed 24X7 and on all public and bank holidays including RBI holidays.

**Actual innovation in finance**

**1. Savings Account & Current Account**

A current account is always a Demand Deposit and the bank is obliged to pay the money on demand. The Current accounts bear no interest and they account for the smallest fraction among the current, saving and term deposits. They provide the convenient operation facility to the individual / firm. The cost to maintain the accounts is high and banks ask the customers to keep a minimum balance.

On the other hand, Savings deposits , which are also demand deposits, are subject to restrictions on the number of withdrawals as well as on the amounts of withdrawals during any specified period. Further, minimum balances may be prescribed in order to offset the cost of maintaining and servicing such deposits.

**2. CASA Deposits**

CASA Deposits refers to Current Account Saving Account Deposits. As an aggregate the CASA deposits are low interest deposits for the Banks compared to other types of the deposits. So banks tend to increase the CASA deposits and for this they offer various services such as salary accounts to companies, and encouraging merchants to open current accounts, and use their cash-management facilities.

The Bank is High CASA ratio (CASA deposits as % of total deposits) are in a more comfortable position than the Banks with low CASA ratios , which are more dependent on term deposits for their funding, and are vulnerable to interest rate shocks in the economy, plus lower spread they earn.

**3. Term Deposits:**

Term Deposits are of three kinds:

can be concluded. As at end-January 2011, 74,680 branches / offices of 101 banks in the country (out of around 82,400 bank branches) are NEFT-enabled. Steps are being taken to further widen the coverage both in terms of banks and branches offices.

**6. Inter Mobile Payment System (IMPS)**

Immediate Payment Service (IMPS) is an initiative of National Payments Corporation of India (NPCI). It is a service through which money can be transferred immediately from one account to the other account, within the same bank or accounts across other banks. Upon registration, both the individuals are issued an MMID(Mobile Money Identifier) Code from their respective banks. This is a 7 digit numeric code. To initiate the transaction, the sender in his mobile banking application need to enter the registered mobile number of the receiver, MMID of the receiver and amount to be transferred. Upon successful transaction, the money gets credited in the account of the receiver instantly. This facility is available 24X7 and can be used through mobile banking application. Some banks have also started providing this service through internet banking profile of their customers. Though most banks offer this facility free of cost to encourage paperless payment system, ICICI bank and Axis bank charge for it as per their respective NEFT charges.

Nowadays, money through this service can be transferred directly also by using the receiver's bank account number and IFS code. In such case, neither the receiver of the money need to be registered for mobile banking service of his bank, nor does he need MMID code. IMPS facility differs from NEFT and RTGS as there is no time limit to carry out the transaction. This facility can be availed 24X7 and on all public and bank holidays including RBI holidays.

**Actual innovation in finance**

**1. Savings Account & Current Account**

A current account is always a Demand Deposit and the bank is obliged to pay the money on demand. The Current accounts bear no interest and they account for the smallest fraction among the current, saving and term deposits. They provide the convenient operation facility to the individual / firm. The cost to maintain the accounts is high and banks ask the customers to keep a minimum balance.

On the other hand, Savings deposits , which are also demand deposits, are subject to restrictions on the number of withdrawals as well as on the amounts of withdrawals during any specified period. Further, minimum balances may be prescribed in order to offset the cost of maintaining and servicing such deposits.

**2. CASA Deposits**

CASA Deposits refers to Current Account Saving Account Deposits. As an aggregate the CASA deposits are low interest deposits for the Banks compared to other types of the deposits. So banks tend to increase the CASA deposits and for this they offer various services such as salary accounts to companies, and encouraging merchants to open current accounts, and use their cash-management facilities.

The Bank is High CASA ratio (CASA deposits as % of total deposits) are in a more comfortable position than the Banks with low CASA ratios , which are more dependent on term deposits for their funding, and are vulnerable to interest rate shocks in the economy, plus lower spread they earn.

**3. Term Deposits:**

Term Deposits are of three kinds:

1. **Fixed deposits**: A fixed rate of interest is paid at fixed, regular intervals
2. **Re-investment deposits**: Interest is compounded quarterly and paid on maturity, along with the principal amount of the deposit. In the Flexi Deposits amount in savings deposit accounts beyond a fixed limit is automatically converted into term-deposits.
3. **Recurring deposits**: Fixed amount is deposited at regular intervals for a fixed term and the repayment of principal and accumulated interest is made at the end of the term. These deposits are usually targeted at persons who are salaried or receive other regular income. A Recurring Deposit can usually be opened for any period from 6 months to 120 months.

**4. NRO, NE(E)RA and FCNA(A) Accounts:**

There are several kinds of accounts available for non resident Indians , Persons of Indian Origin and Overseas Citizens of India. They are as follows:

1. **Non Resident Ordinary Accounts: (NRO):**
   Any person resident outside of India can open this account. Normally, when a resident becomes a non resident, his domestic rupee account gets converted into the NRO account. This helps the NRI to get his credits which accrue in India, for example rent or interest from investments.
2. **Non-Resident (External) Rupee Account: (NR(E)RA**
   This account was introduced as NRE scheme in 1970. It's a Rupee account and the NRI can remit money to India from the funds abroad. This means that depositor is exposed to the Currency rates risk.
3. **Foreign Currency Non-Resident Account: (FCNR)**
   Foreign Currency Non-Resident Account Bank or FCNR (B) was first introduced in 1993. It replaced the existing FCNR (A) scheme. This account is opened by the NRIs in 6 designated currencies as follows:
   1. US Dollar (USD)
   2. Great Britain Pound (GBP)
   3. Euro (EUR)
   4. Japanese Yen (JPY)
   5. Canadian Dollar (CAD)
   6. Australian Dollar (AUD)

**5. Microfinance**

Microfinance is a source of financial services for entrepreneurs and small businesses lacking access to banking and related services. The two main mechanisms for the delivery of financial services to such clients are: (1) relationship-based banking for individual entrepreneurs and small businesses; and (2) group-based models, where several entrepreneurs come together to apply for loans and other services as a group.

Microfinance is a broad category of services, which includes microcredit. Microcredit is provision of credit services to poor clients. Microcredit is one of the aspects of microfinance and the two are often confused. Critics may attack microcredit while referring to it indiscriminately as either 'microcredit' or 'microfinance'. Due to the broad range of microfinance services, it is difficult to assess impact, and very few studies have tried to assess its full impact. Proponents often claim that microfinance lifts people out of poverty, but the evidence is mixed. What it does do, however, is to enhance financial inclusion.

- **Few Other Innovations in the finance world**

**1.BITCOIN**

For emerging from the shadowy corners of the web into merchants' cash registers. Bitcoin—sometimes known as cryptocurrency, virtual currency, or fool's gold—has turned our notion of money upside down. Created by computers and exchanged from person to person (no middleman, no banks, no Federal Reserve), Bitcoin has regulators worried that the untraceable transactions are perfect havens for terrorists and drug dealers. Be that as it may, you can now use Bitcoin to buy Tesla luxury electric cars, schmattes at Overstock.com, basketball tickets in Sacramento, or a cup of coffee. Its value hit a high of $1,242 in 2013, up from $13.50 at the start of the year, and Bitcoin ATMs are popping up in Vancouver, New York City, and areas of Brazil

**2. TRANSFERWISE**

For slashing pesky foreign-exchange costs by creating a transparent peer-to-peer network. TransferWise drives competitors wild with the foreign-exchange rates it delivers: about 0.5% of the transaction (versus the typical 4.5%) to send someone money internationally. The company was launched in 2011 by Taavet Hinrikus—Skype's first employee—and Kristo Käärmann, Estonians who were working abroad and racking up big exchange bills. TransferWise, which is backed by PayPal cofounder Peter Thiel, has processed more than $400 million in transactions, and services more than 20 currencies, including the U.S. dollar, the euro, and the British pound.

**3. SQUARE**

For creating an email-based payment system that is perhaps the simplest way to transfer money ever. Square shook up the world of payments (again) with Cash, a mobile app that enables users to send and receive money for free via email. Senders link their debit cards, and recipients can deposit the money directly into their bank accounts. (Transactions clear in one to two days.) "We know everybody has email, so we know everybody's able to receive money," says Brian Grassadonia, head of Square's Cash team. Just a couple of years ago, Square probably said the same thing about smart phones.

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# The Study of E- Banking and Customer Satisfaction in Satara City

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**Abstract:**
*Web based e-banking is becoming an important aspect of worldwide commerce. It is an application that has been developed for a well-established regional bank operating primarily in India. Many banks have several branches in key cities and towns in the country. In the world of this competitive environment and technological development, the bank has been totally computerized in the last few years, and to increase its customer base has started planning, for a concept called as e-banking; with this concept the bank wants to move very nearer to the customers and increase its basic operational strategies. It has also changed the way banking is done in India. "Any where banking" and "Any time banking" have become a reality. Through E-Banking, the bank wants to introduce the core concept of IT based Enabled Services (ITES). The major idea is to provide a series of services to the customer through the internet and make the customer feel flexible in calling out simple tasks faster instead of making visit to the bank every time. The focus of this paper is to study the customer acceptance (perspective) with respect to E-banking in Satara. Present Paper is basically concerned with the customer aspect of banking searching for customer satisfaction level.*
**Key words:** E-Banking, Internet banking, Mobile banking, ATM, Customer satisfaction.

**Introduction:** Today, e-banking is used as a strategic tool by the global banking sector to attract and retain customers. Internet is a vast network of individual computers and computer networks connected to and communicate with each other using the same communication protocol – TCP/IP (Transmission Control Protocol / Internet Protocol). When two or more computers are connected a network is created; connecting two or more networks create 'internetwork' or Internet. Internet Banking is a product of e-commerce in the field of banking and financial services.

The focus of this paper is to study the customer acceptance (perspective) with respect to E-banking in Satara. Paper is basically concerned with the customer aspect of banking searching for customer satisfaction level.

**Concept of Online Banking:** Online banking is a process that has evolved because of the development of technology over the years. Internet or simple 'Net' is an interconnection of computer communication networks covering the whole world. Electronic banking is the backbone of business. When the business and commerce tend to be on the electronic modes, banking can never remain isolated. Growth of internet and the emergency of E-commerce will be bound to change the landscape of banking business world over. E-commence imply the ability to conduct business electronically which apparently covers any form of business including banking. But for a logical distinction between commodity transactions and financial transactions, we prefer to use the term E-banking to refer to banking business executed using and information and communication technology. In 21$^{st}$ century banking will no longer be a business restricted to 'cash' and 'risk.' It is going the business related to transmission of knowledge of information on finance and risk management. Modern banking will tend to be more information based, speedy and boundary-less as an impact of e- Revolution. Banks have to well-versed in information (IT) - its use and applications. The IT should be effectively used for enhancing managerially skills and ability in banks.

As E-commerce essentially means conducting business electronically, the E-banking apparently means the conduct of banking electronically. It involves elimination of paper –based transaction and radical charge in the change in the operation of the banking service. E-banking is expected to result in high productivity and efficiency gain for the bank. E-banking will operate through intranet, extranet and over the internet.

**Concept of Customer satisfaction:** Customer satisfaction is a post-purchase evaluation of a service offering. Customer satisfaction is defined as "A state of mind in which the customer's needs, wants, and expectations throughout the product of service life haven been met or exceeded, resulting in future repurchase and loyalty." Researchers support the idea that satisfaction can be measured from a perspective of performance evaluations, making the inclusion of the disconfirmation process needless.

**Internet banking in India:** Internet banking is a medium of delivery of banking services and strategic tool for business development, has gained wide acceptance internationally and is fast catching up in India with more and more banks entering the fray. The Reserve Bank of India constituted a working group on Internet Banking. The group divided the internet banking products in India into three types based on the levels of access granted. They are:

i) **Information Only System:** General purpose information like interest rates, branch location, bank products and their features, loan and deposit calculations are provided in the banks website. There exist facilities for downloading various types of application forms. The communication is normally done through e-mail. No identification of the customer is done.

ii) **Electronic Information Transfer System:** The system provides customer- specific information in the form of account balances, transaction details, and statement of accounts. The information is still largely of the 'read only' format. Identification and authentication of the customer is through password.

iii) **Fully Electronic Transactional System:** This system allows bi-directional capabilities. Transactions can be submitted by the customer for online update. This system requires high degree of security and control. In this environment, web server and application systems are linked over secure infrastructure. It comprises technology covering computerization, networking and security, inter-bank payment gateway and legal infrastructure.

**Means of E-banking:**

- **Internet Banking:** Internet banking, sometimes called online banking, is an outgrowth of PC banking. Internet banking uses the Internet as the delivery channel by which to conduct banking activity.

- **Mobile banking:** Mobile Banking (m-banking) is a service offered together by banks and mobile operators to put forward a new way for their customers to perform remote banking. The idea of this joint operation is to provide a convenient service for account owners to perform banking anytime and anywhere using their mobile phone.
- **Personal Digital Assistant** (PDA): are handheld computers that were originally designed as personal organizers, but became much more versatile over the years. PDAs are also known as pocket computers or palmtop computers.
- **Automated Teller Machine (ATM):** is a computerized machine designed to dispense cash to bank customers without need of human interaction. The ATM can also take deposits, transfer money between bank accounts and provide other basic financial services.
- **Cheque Truncation:** Almost every individual and business has used, and possibly still uses, checks to initiate payment for goods or services. A trend currently in development is called check truncation. In this payment processing method, a payment starts as a check and ends up as an electronic payment transaction.

**Advantages of E-Banking:**

- Conveniences to full banking service
- Low cost banking
- JTI(Just in Time)
- Better customer retention
- World-wide 24 hours, 7 days a week banking services
- Highly beneficial to corporate sector and E-commerce owing to its cost effectiveness.

**Research Methodology:** The methodology adapted to collect the information from a sample size of 100 respondents by Simple Random Sampling method, in order to analyze and interpret the respondent's opinions and views with respect to the welfare measures provided by the various banks in Satara.

- **Primary Data:** It is collected from 100 e-banking customers through questionnaire from Satara city area.
- **Secondary Data:** Collection of information from different kind of books, Websites, Magazine and Journals etc.

**Objectives of the Study:**

- To study the concept of E- banking and customer satisfaction.
- To study the awareness and satisfaction of internet banking among the bank customer of Satara.
- To understand the demographic characteristics of E- banking users in Satara.
- To provide the meaningful suggestions to enhance the applicability of E- banking in Satara.

**Findings of the Study:**

1. **Gender of E-banking customer:** Among 100 sample respondents, 65% are male and 35% female are using E-banking services. The quantum of the Male customers is more as compared to Female customers.
2. **Age Group of E-banking customer:** Majority of the customers who are using E-banking services are between age group of 20-40 years.
3. **Occupation of E-banking customer**: Most of the Customer of E-banking services are Servicemen, businessmen and Students.
4. **Use of E-banking services :**
   - All i.e. 100% respondents used the ATM facility, for withdrawing cash at any time. There is no need to carry cash in travelling. The user can withdraw the amount from any ATM centre.
   - 35% of the respondent used the M- banking facility, The percentage of M-banking user are lower as compare to other e-banking services because of risk and security factor.
   - 63% of the respondents are Internet banking users; Most of these are from IT sector employee and businessman.
   - 57% of the respondents are credit card holders.
5. **Reasons for using E-banking facility:**

| Reasons | % of the Respondent |
|---|---|
| Anytime Anywhere | 86 |
| Saves Time | 90 |
| Low Cost | 60 |
| Low Travelling Risk | 45 |

Above table depicts reasons for using e-banking services, Major reasons for using e-banking facilities are its availability at any time anywhere saving time and cost and low travelling risk.

6. **Purposes of use of Online banking:**

| Type of Transactions | % of Respondent |
|---|---|
| Check balance | 05 |
| Make Payment | 44 |
| Transfer | 48 |
| Other | 03 |
| Total | 100 |

Above this table shows that 48% respondents make transfer type of transaction in online banking, where 44% respondents make payment type of transaction in online banking, 5% respondents make check balance type of transaction in online banking, whereas 3% respondents make other type of transaction in online banking.

7. **Frequency of use of e-banking services**

| Frequency | % of Respondent |
|---|---|
| Weekly | 45 |
| Monthly | 22 |
| Regularly | 23 |
| Rarely | 8 |
| Total | 100 |

Above table shows that, 45% respondents use E-banking services weekly, whereas 22% respondents use monthly, where as 23% respondents use regularly, 5% respondents use E-banking services rarely.

**8. Security of Online Banking System**

| Secured | %. of Respondent |
|---|---|
| Yes | 77 |
| No | 15 |
| Can't Say | 08 |
| Total | 100 |

Above table shows that 77% respondents thinks that E-banking is completely secured, whereas 15% respondents thinks that E-banking is not secured completely, whereas 8% respondents thinks can't say.

**9. Customer Satisfaction about E-banking services:**

| Opinion | % of the Respondent |
|---|---|
| Highly Satisfied | 26 |
| Satisfied | 71 |
| Dissatisfied | 03 |
| Total | 100 |

From the above table, it is clear that majority of the customers are satisfied, some are highly satisfied but only few respondent are dissatisfied for using e-banking service.

**10.Opinion about the potential growth of Online banking in India**

| Potential growth | % of Respondent |
|---|---|
| Yes | 78 |
| No | 17 |
| Can't Say | 05 |
| Total | 100 |

Above this table shows that 78% respondents thinks that E-banking has growth potential in India, where 17 % respondents thinks that E-banking has growth potential in India, whereas 5% respondents can't say about the potential growth of E-banking in India.

**Conclusion and Recommendations:** E-banking can provide speedier, faster and reliable services to the customers for which they are relatively happy. E-banking services not only can create new competitive advantages, it can improve its relationships with customers. The purpose of this research is to understand the impact of variables of e-banking on customer satisfaction in Pimpri-Chinchwad. In a country like India, there is need for providing better and customized services to the customers. Banks must be concerned about the attitudes of customers with regard to acceptance of online banking.

The recommendations to the banks for increasing the level of customers satisfaction are follows:

- Banks should design the website to address security and trust issues.
- Banks should ensure that online banking is safe and secure for financial transaction like traditional banking.
- Banks should organize seminar and conference to educate the customer regarding uses of online banking as well as security and privacy of their accounts.
- Some customers are hindered by lack of computer skills. They need to be educated on basic skills required to conduct online banking.
- Banks must emphasize the convenience that online banking can provide to people, such as avoiding long queue, in order to motivate them to use it.
- Banks must emphasize the cost saving that online can provide to the people, such as reduce transaction cost by use of online banking.

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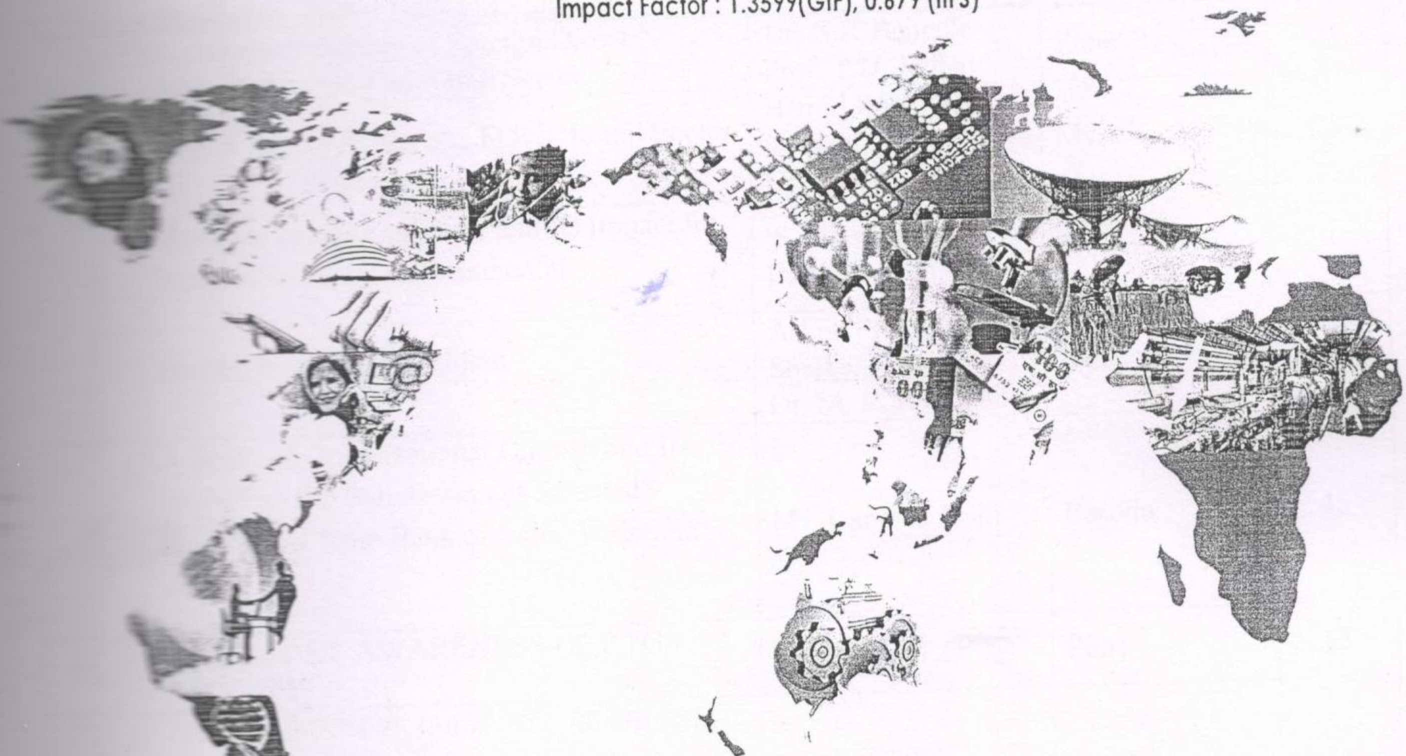

INTERNATIONAL RESEARCH JOURNAL OF MULTIDISCIPLINARY STUDIES

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# A STUDY OF AWARENESS OF RTGS FACILITY

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**ABSTRACT:**
*Banking has gone through several changes. Banking started with benches and nowadays it has reached to the stage of paperless banking. Various methods of remittances have been used by the bankers to remit the funds from one place to another. Initially baker used Negotiable instruments such as promissory notes, bill of exchanges and cheques to remit the funds. Letter of credit, traveller's cheque telebanking, phone banking, followed negotiable instruments.*
*Banking was the first industry in India to adopt Information technology for their operations in India. Use of IT has drastically changed nature of banking activities and bankers started to provide faster remittances of funds. The Payment and Settlement Act was passed in the year 2007. Real Time Gross Settlement (RTGS) facility was innovated by Federal Reserve System in the year 1918. Reserve Bank of India adopted it from the year 2003.*
*The researcher will be studying Awareness of RTGS facility amongst the customers of a selected bank i.e. The TJSB Sahakari Bank Ltd, Pimpri Branch. The researcher will be suggesting measures regarding awareness of RTGS facility.*

**KEY WORDS:**
Methods of remittances, Payment and Settlement Act, RTGS, Use of IT

**INTRODUCTION:**
Real Time Gross Settlement (RTGS) is an electronic facility by which funds can be transferred from one branch of the bank to another branch of another bank. RTGS system aims to do what email did for post card. Instead of sending instructions for making payments through cheques, with RTGS banks can route payments through online message to RBI's Payment gateway. With the help of RTGS payment can be received by payee within maximum two hours. If customer is willing to transfer more than two lakhs rupees, RTGS is a best option. For amount below rupees two lakhs National Electronic Funds Transfer can be used.
RTGS can be defined as the continuous (real time) settlement of funds transfers individually on an order by order basis. 'Real Time' means processing of instructions at the time they are received rather than at some other time. 'Gross Settlement' means the settlement of funds transfer instructions occurs individually.
The RTGS has to go through RBI's Clearing System at Mumbai. All the banks are maintaining current account with RBI. All banks have to get membership for RTGS facility from RBI.
Customer after making payment of nominal charges can transfer the funds through RTGS. This RTGS facility is faster, cheap compared to demand draft, less risky and also helps environment by saving paper.
Inspite of such a great facility very few customers are using it, instead very few are aware about it. The present research paper will be finding out various reasons behind such illiteracy about RTGS facility. The researcher will be giving suggestions to the banker regarding improvement in Awareness about RTGS facility.
**REVIEW OF LITERATURE**

**OBJECTIVES OF THE STUDY:** The Researcher has referred Handbooks on Banking as well as various websites from the internet. There is no enough study material available on this topic. Therefore, the researcher has analysed research papers written by various authors. It is observed that many authors have contributed towards study of methods of remittances by banks. But still there is scope for study of this concept with reference to Indian banking system. India is having complex banking structure. India is also having diversified market with reference to financial positions, economic conditions, agricultural conditions etc.

The objectives of the study can be listed down as follows:

- To study and understand the concept of RTGS
- To understand efficiencies and barriers of RTGS
- To study awareness about RTGS amongst customers
- To draw conclusion and give suggestions

**NATURE AND SCOPE OF THE STUDY:**

The study is descriptive and analytical in nature. The researcher has selected five customers of four different banks. One is Public sector bank, second one is private bank, third one is cooperative bank and last one is foreign bank. Five customers are representative of customers of different types of banks.

**RESEARCH METHODOLOGY:**

Researcher will be collecting Primary and Secondary data in following ways:

**PRIMARY DATA:**

Primary Data means first hand data. It is original in nature. It will be collected by the researcher from the following sources:

- ***Interviews*** of Customers of few banks
- ***Observations***

**SECONDARY DATA:**

Secondary data means data collected from various other sources. It is data collected by someone else. It can be in printed form or it can be collected from internet. Secondary Data will be collected by the researcher from the following sources:

- Books: Handbook of Banking by N S Toor
- Articles of Newspaper, Magazines, EPW etc.
- Websites of respective banks and apex institutions

**RESULT AND DISCUSSION**

***REAL TIME GROSS SETTLEMENT:***

RTGS can be defined as the continuous (real time) settlement of funds transfers individually on an order by order basis. 'Real Time' means processing of instructions at the time they are received rather than at some other time. 'Gross Settlement' means the settlement of funds transfer instructions occurs individually.

Researcher has selected customers of few banks for the purpose of study which can be understood with the help of following table:

| Sr. No. | Name of the Bank | Number of Customers |
|---|---|---|
| 1 | State Bank of India | 5 |
| 2 | ICICI Bank | 5 |
| 3 | The TJSB Bank Ltd | 5 |
| 4 | Citi Bank | 5 |

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***Purposes of RTGS:***

There are several benefits of RTGS. Some of the can be listed down as follows:

- Faster transactions
- Low cost
- Low risk
- Reduce use of cheque/ demand draft
- Paperless Banking

**Details required for RTGS:**

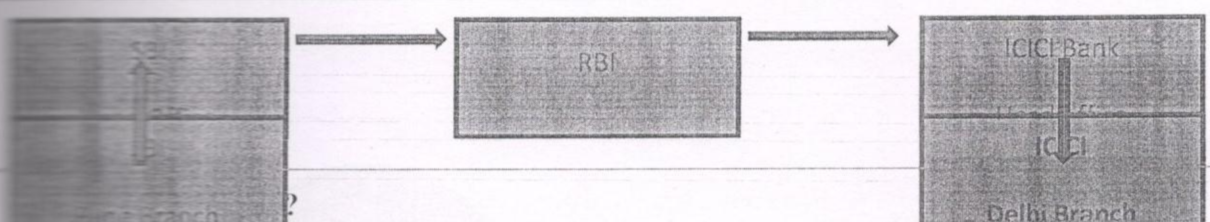
- Account number which is to be debited
- Name of beneficiary bank
- Name of beneficiary customer
- Account number of the beneficiary customer
- The IFSC code

**Process for Transfer of funds through RTGS:**

In India, the RTGS has been implemented by RBI. It has decided to use Y shaped structure out of four message flow structures (V, Y, L, and T). In this structure the following flow of instructions takes flows:

1) Sending of payment instruction/ authority by the issuing/ paying bank to technical operator of the central processor.
2) On receipt of such a message, stripping of the message by the Central Processor and sending of subset of instructions to the central bank along with relevant information for settlement of the transaction.
3) Irrevocable settlement of the transaction by the Central Bank in its records i.e. debit of issuing bank's account and credit to receiving bank's account and passing this confirmation to Central Processor.
4) Re-building of payment message by adding the stripped information by the Central Processor and sending the message with proper details to the receiving bank.

**Pictorial Presentation of RTGS process:**




**?**

World over, the central banks manage RTGS systems because the all banks in a country maintain a current account with the central bank. In India, it is being managed by RBI.

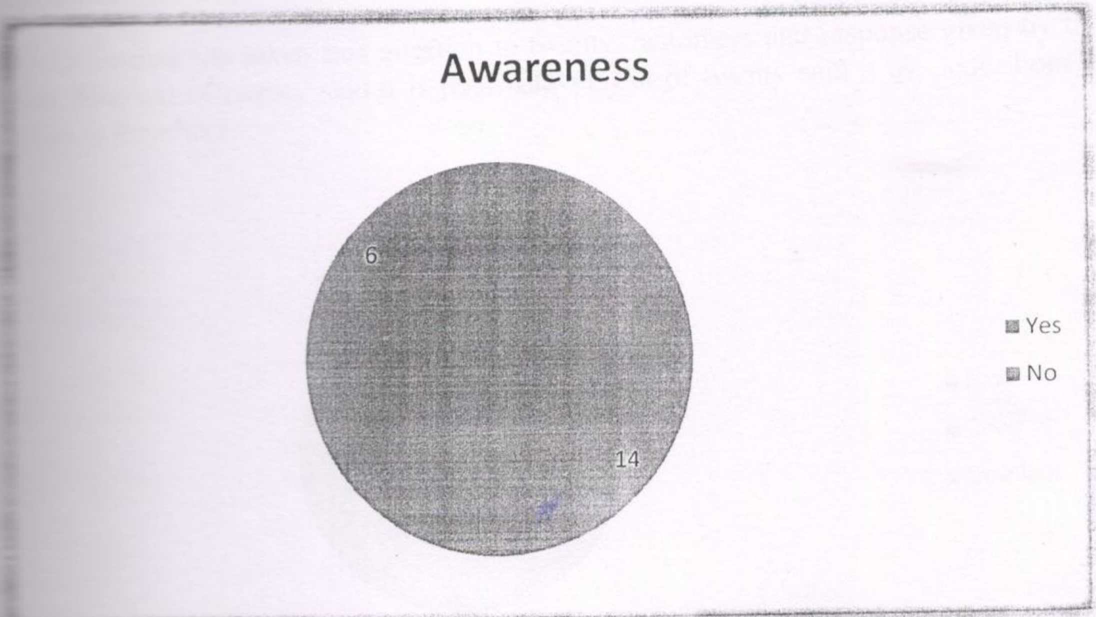
**ANALYSIS OF DATA**

The Researcher has studied twenty customers from four banks. The researcher has prepared questionnaire for customers and responses of them are noted down by the researcher and following inferences are drawn:

Q. 1 Are you aware of RTGS Facility?

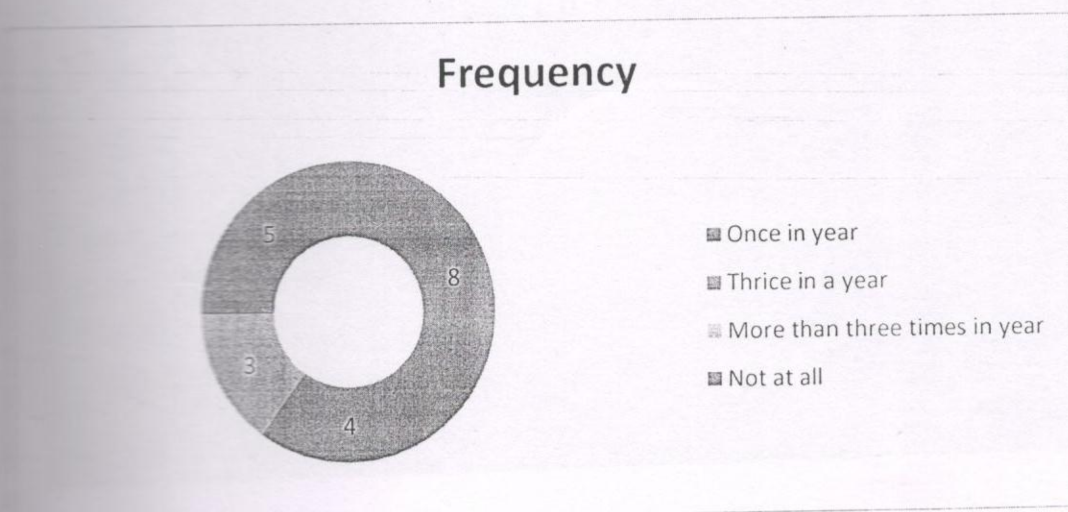
Yes No

The Researcher has asked this question to twenty customers and response given by them are noted down. Fourteen out of twenty said that they know RTGS facility. Remaining Six had no knowledge about RTGS facility.




Q. 2 How frequently do you use RTGS Facility?

Once in a year Three Times in a year More Than thrice Not at all → The Researcher has asked this question to twenty customers and response given by them are noted down. Eight out of twenty said that they use RTGS once in a year. Four out of twenty said that they are using thrice in a year. Three out of twenty replied that they have used three times in year. Five said that they have not used RTGS facility at all.



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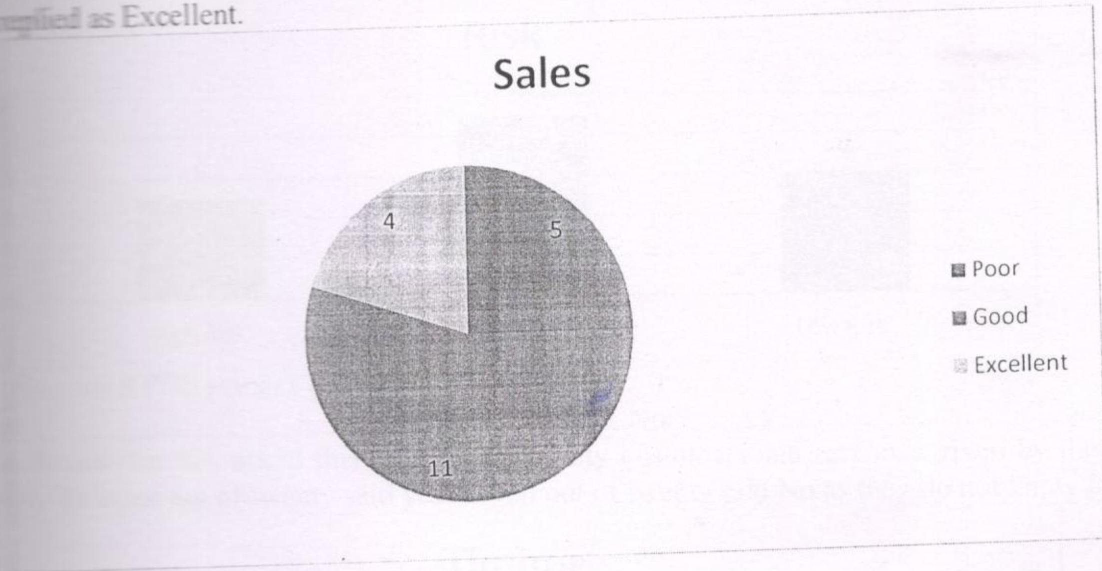
Q. 3 How is RTGS Facility?

Poor Good Excellent

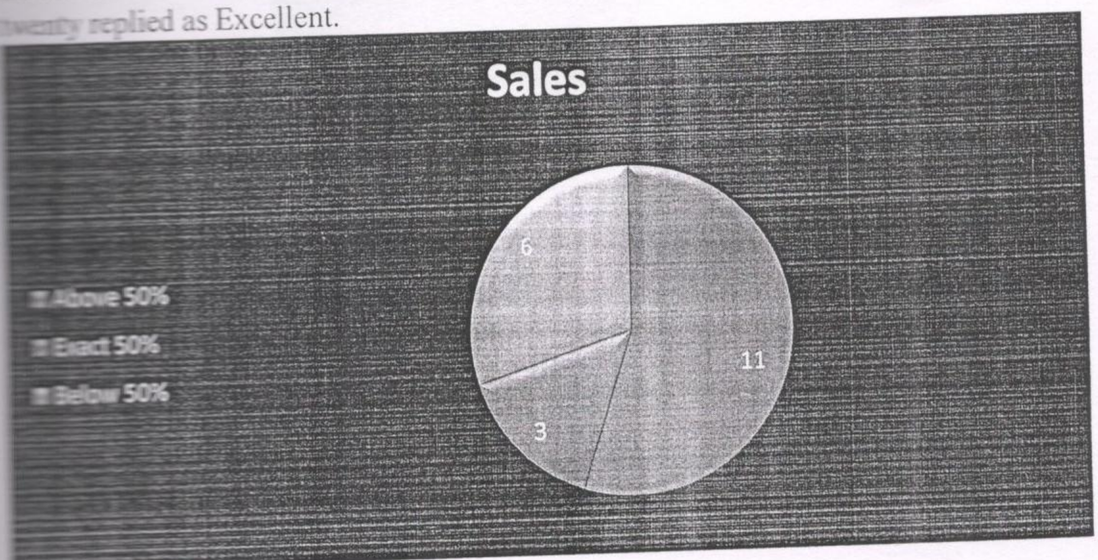
The Researcher has asked this question to twenty customers and response given by them are noted down. Five out of twenty said it is poor. Eleven out of twenty said it as Good. Four out of twenty replied as Excellent.




Q. 4 How would you rate RTGS facility in relation to save commission or charges?

Above 50% Exact 50% Below 50%

The Researcher has asked this question to twenty customers and response given by them are noted down. Eleven out of twenty said it is above 50%. Eleven out of twenty said it as Good. Four out of twenty replied as Excellent.




Q. 5 How would you rank RTGS facility in relation to risk?

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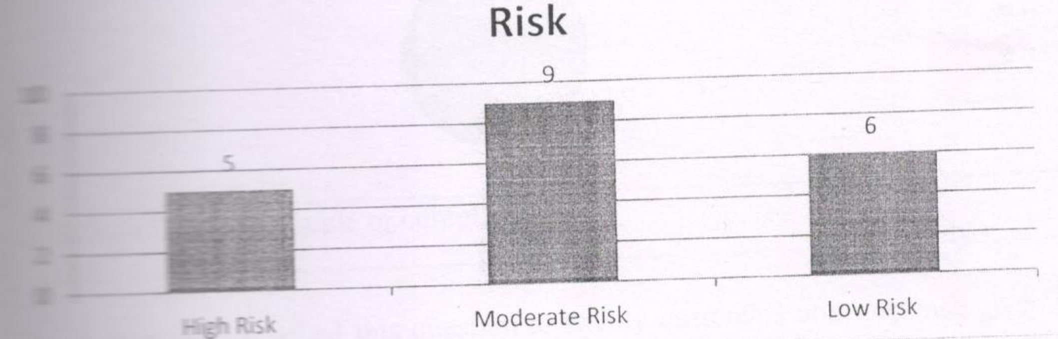
High risk Moderate Risk Low risk

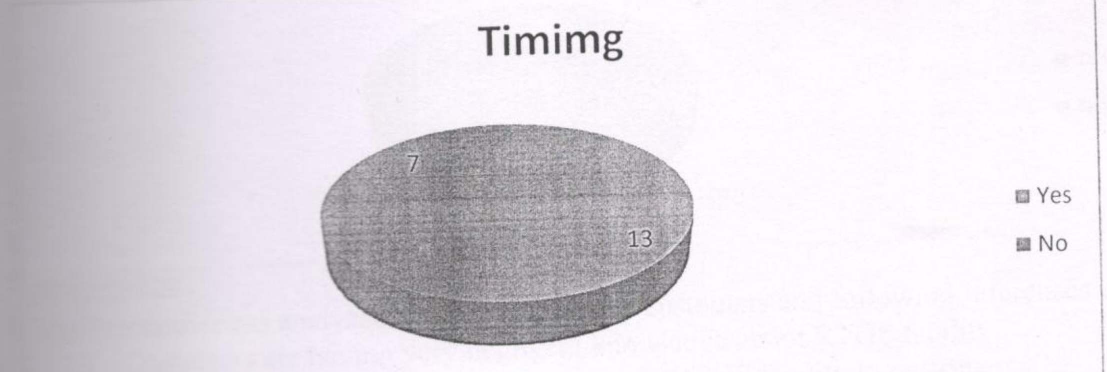
The Researcher has asked this question to twenty customers and response given by them are noted down. Five out of twenty said it as High Risk. Nine out of twenty said it as Moderate Risk. Six out of twenty replied as low risk.




Q) Is your RTGS reaches on Time?

Yes No

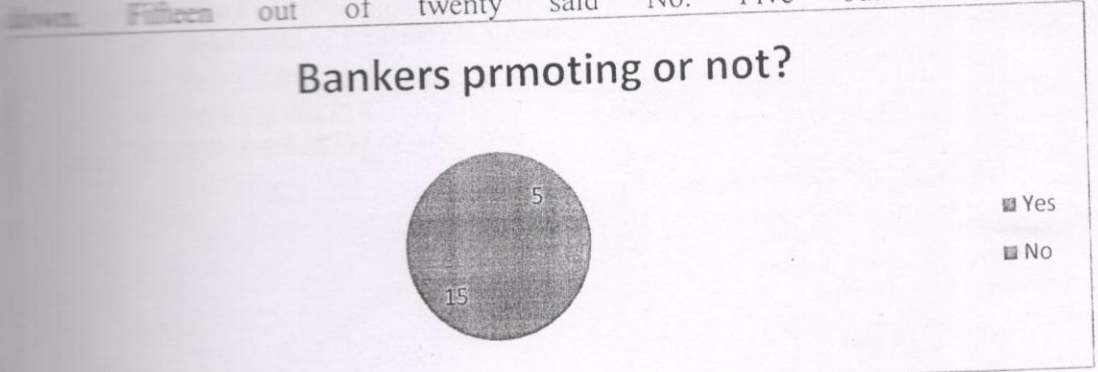
The Researcher has asked this question to twenty customers and response given by them are noted down. Thirteen out of twenty said yes. Seven out of twenty said No as they do not know RTGS itself.




Q) Are bankers promoting you to use RTGS facility?

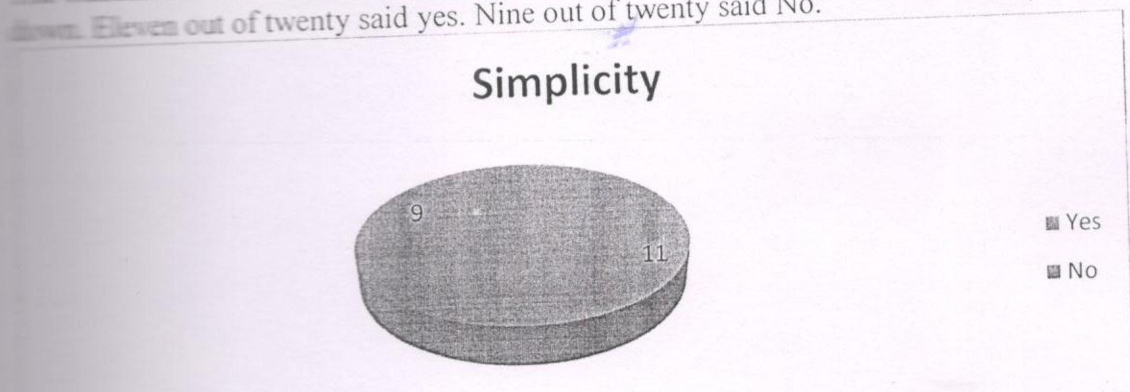
Yes No

The Researcher has asked this question to twenty customers and response given by them are noted down. Fifteen out of twenty said No. Five out of twenty said yes.




Q. 8Is RTGS form is simple or complicated?
Yes No

The Researcher has asked this question to twenty customers and response given by them are noted down. Eleven out of twenty said yes. Nine out of twenty said No.




## FINDINGS

The Researcher has analysed responses given by customers and following inferences can be drawn:

1. Customers are having very negligent knowledge about RTGS facility.
2. Bankers are taking less initiative to explain RTGS facility to customers.
3. Customers think that there is large amount of risk in RTGS.
4. Forms which are prescribed by banks differ from bank to bank.
5. Customers think that commission is higher for RTGS.

## CONCLUSIONS

After studying research findings researcher can conclude that Banks should encourage customers to use RTGS facility. Those customers who are coming for Demand Draft or Cheque, banker should explain those benefits of RTGS facility in a positive way.

RTGS is beneficial to all to the banker as well as customers. The researcher can conclude that if banks are opening a special counter which will provide access to special services such as RTGS it will be more beneficial to them as it reduces their cost of maintenance.

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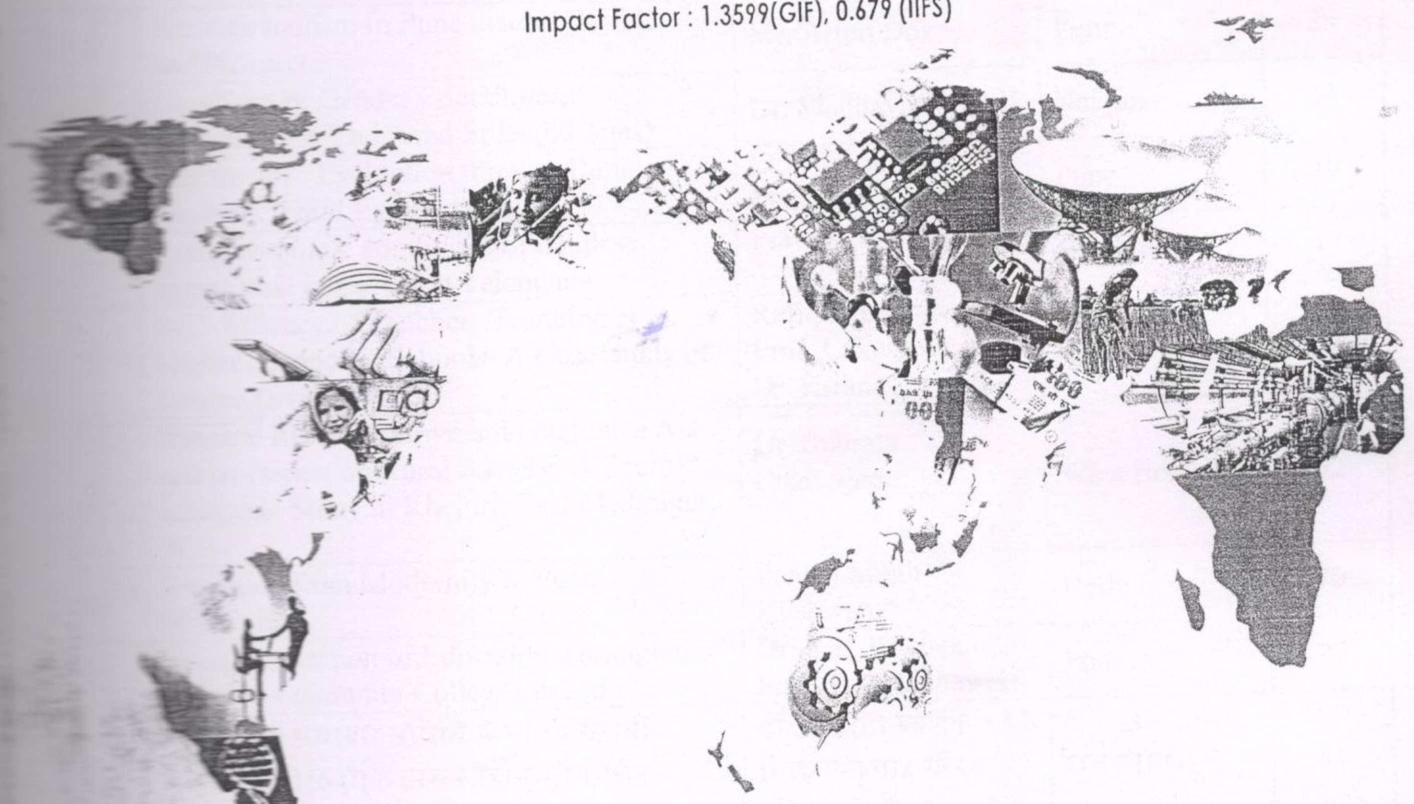

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# CHALLENGES AND OPPORTUNITIES IN RURAL ENTREPRENEURSHIP AMONGST WOMEN IN PUNE DISTRICT

**Dr. T.D. Gunjal**
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**Abstract**

*Women have been identified as potential contributors for fostering the pace of economic development. Female entrepreneurial activities both by way of cooperative and self-proprietorship have a sufficient experience. Education attainment and facilities available in Pune have given further boost to women economic development. It specifically identified and analyzed some selected socio-economic variables influencing women participation in entrepreneurship development. Objectives of the Study is to study social, educational, Technical, economic, background of women entrepreneurs, to evaluate the economic growth of the entrepreneurs development, to study the difficulties faced by the women entrepreneurs in promoting their units. The study was conducted in rural community around Pune city. A total of 50 respondents were sampled and interviewed accordingly. Descriptive statistics method that is Percentage was used to summarized and described the data. Sample is selected from the rural areas of only six talukas in Pune district. The opportunities and challenges to women entrepreneurs are to convince communities alien to take the entrepreneurial route and the benefits of entrepreneurial activities and providing training, know-how, and capital for new ventures.*

## Introduction

The effective utilization of human resources is necessary condition for the developments of any economy. Women occupy nearby 50 % of the total Indian population and they constitute an important segment of human resources. Women have been identified as potential contributors for fostering the pace of economic development. But the opportunities existing are in occupations that are insecure and low paid. Agriculture is the major sector in which 70% of the female working population is engaged. A low wage occupation and income potential from agriculture depends on favorable climate conditions. Alternative employment opportunities are promoting the entrepreneurship among women. The entreprenual orientation to rural development accepts entrepreneurship as the central force of economic growth and development without it other factors of development will be wasted. Pune District in general and the City in particular have a long history of women participation in mainstream of society. Female entrepreneurial activities both by way of cooperative and self-proprietorship have a sufficient experience. Education attainment and facilities available in Pune have given further boost to women economic development. There are many success stories of women education, movement and entrepreneurial activities of the City. The article identified crucial factors influencing rural entrepreneurship development amongst women entrepreneurs in Pune. The topic deals with the analysis of socio-economic status of Women Entrepreneurship in Pune District. It specifically identified and analyzed some selected socio-economic variables influencing women participation in entrepreneurship development.

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**Table 1**
**Taluka wise Distribution of Sample Units**

| Sr. No. | Name of the Taluka | Total units | Sample units | % of Sample to total units |
|---|---|---|---|---|
| 1 | Baramati | 40 | 10 | 25 |
| 2 | Bhor | 24 | 06 | 25 |
| 3 | Daund | 32 | 08 | 25 |
| 4 | Junnar | 32 | 08 | 25 |
| 5 | Maval | 28 | 07 | 25 |
| 6 | Shirur | 44 | 11 | 25 |
| Total | | 200 | 50 | 25 |

Source: - Field survey

Table 2 shows socio-economic conditions of women entrepreneurs covering the aspects like age, education, marital status and family background. Maximum numbers of women entrepreneurs 37(74%) are from the age group 30-39. Literate women entrepreneur score more 42(84%) than that of illiterate women entrepreneurs 8(16%). 36(72%) women entrepreneurs are married while 9(18%) women entrepreneurs are unmarried. Women entrepreneurs' families are literate 42(84%). Majority women entrepreneurs' household responsibilities are handled by their husband 39(78%).

**Table 2**
**Socio-economic Conditions of Women Entrepreneurs**

| | Characteristics | Number | Percentage |
|---|---|---|---|
| Age(in years) | < 20 | 05 | 10% |
| | 20-29 | 09 | 18% |
| | 30-39 | 37 | 74% |
| | 40-49 | 05 | 10% |
| | 50-59 | 04 | 8% |
| Education | Illiterate | 08 | 16% |
| | Literate | 42 | 84% |
| | Primary | 19 | 38% |
| | Secondary | 22 | 44% |
| | Graduate | 01 | 2% |
| Marital status | Married | 36 | 72% |
| | Unmarried | 09 | 18% |
| | Widow | 05 | 10% |

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| | | |
|---|---|---|
| **Family background** | | |
| **Family Size of Women Entrepreneurs** | | |
| Male | 30 | 60% |
| Female | 33 | 66% |
| Children | 36 | 72% |
| **Education of Women Entrepreneur's Family** | | |
| Literate | 41 | 82% |
| Illiterate | 09 | 18% |
| **Household Responsibilities Handled by** | | |
| Husband | 39 | 78% |
| Father and mothering laws | 08 | 16% |
| Father and mother | 03 | 6% |

Table 3 shows information about women entrepreneurs' business. The objectives of starting business are getting profit24 (48%), to be a self-employed 21(42%), use of time 12(24%), use of skill 18(36%).When women entrepreneurs were asked regarding reasons for starting business, they told that due to quick set up of business 21(42%), due to family support 29(58%).The establishment of their business before 1990 were 10(20%), 1990-2000 were 16(32%) and 2000-2010 were 34(68%).

**Table 3**

**Information about Women Entrepreneur's Business**

| Characteristics | Number | Percentage |
|---|---|---|
| **Objectives of starting business** | | |
| Getting profit | 24 | 48% |
| Self employed | 21 | 42% |
| Use of time | 12 | 24% |
| Use of skill | 18 | 36% |
| **Reasons for selection of the business** | | |
| Quick set up | 21 | 42% |
| Family support | 29 | 58% |
| Husband's business | 04 | 8% |
| **Establishment of business** | | |
| Before 1990 | 10 | 20% |
| 1990 to 2000 | 16 | 32% |
| 2000 to 2010 | 34 | 68% |
| **Place of business** | | |
| On rent | 15 | 30% |
| Owned | 17 | 34% |
| At residence | 18 | 36% |

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| | | | |
|---|---|---|---|
| **Nature of business** | | | |
| | Primary | 24 | 48% |
| | Secondary | 26 | 52% |
| **Type of business** | | | |
| | Food products | 14 | 28% |
| | Dairy products | 09 | 18% |
| | Leather products | 03 | 6% |
| | Shop | 10 | 20% |
| | Tailoring | 12 | 24% |
| | Printing | 02 | 4% |
| **Ownership of business** | | | |
| | Owned | 35 | 70% |
| | Husband | 15 | 30% |
| | Father | 05 | 10% |

**Table 4** shows employment of women entrepreneurs' business. Employees at the beginning of the business were male 70(54.7%) and female 58(45.3%).71(45%) employees were trained while 87(55%) employees were untrained. the mode of recruitment of employees were by advertisement 7(14%), by personal visits 12(24%) and by introduction 31(62%).

**Table 4**
**Employment of Business**

| | | | |
|---|---|---|---|
| **Employees at the Beginning** | | | |
| | Male | 70 | 54.7% |
| | Female | 58 | 45.3% |
| **Employees at Present** | | | |
| | **Male** | **72** | **45.6%** |
| | Female | 86 | 54.6% |
| **Types of Employees** | | | |
| | Trained | 71 | 45% |
| | Untrained | 87 | 55% |
| **Mode of Recruitment of Employees** | | | |
| | Advertisement | 07 | 14% |
| | By personal visits | 12 | 24% |
| | By introduction | 31 | 62% |

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**Conclusions:-**

Conclusions have been derived from the data interpretation and analysis. Following are some important conclusions.

- Education is an important aspect which builds foundation of Entrepreneurship. It shows that Women Entrepreneurs' families have better education than other families. This educational atmosphere may lead the women to enter into entrepreneurship.
- Maximum number of women entrepreneurs' household responsibilities are handled by their husband i.e. 39(78%) Husband is one of the important motivational forces to Women Entrepreneurs.
- Maximum number of women entrepreneurs 37(74%) belong to age group of 30-39. Most women become entrepreneurs after marriage. Generally their priority is their family and then their business.
- Due to the ambition of getting self-employed, women enter into business. As Women are giving importance to education, they expect that there should be use of their education. Housewives generally get a lot of time and wish to utilize their time effectively.
- Since last ten years the rate of establishment of Women Entrepreneur's business in rural area has been increased. This increase in entrepreneurship may be due to increasing industrialization and globalization. Therefore many women get different facilities, subsidies from government, as a result women's business increases at a higher rate.
- Different types of business activities are performed by women entrepreneurs. Women Entrepreneurs are involved in manufacturing Food products, Dairy products, Leather products, Shop, Tailoring, and Printing. The maximum preference is given to food products industries i.e. 14(28%). As women are more interested in cooking, they take interest in such business. Thus women started their business from their own kitchen. Most Women prefer any job or profession which is not movable in nature. Nowadays tailoring is called as fashion and designing.
- Maximum numbers of women entrepreneurs have their own 35(70%) business. It means that they had their own place for the business. It shows that these women are settled in their business and have a sound financial position.
- While comparing the employees at the beginning of business and employees at present, nowadays women are actively participating in business.
- There is a tendency to acquire and recruits trained staff in the business as it minimizes expenditure and time on their training.

**Suggetions:-**

- Entrepreneurial Awareness camps need to be conducted in rural areas with a view to make rural women aware of their hidden entrepreneurial capabilities.
- Entrepreneurship awareness must be created in the minds of youth right from the level of primary and secondary school education. Special courses need to be designed at college and university levels to and impart education as entrepreneurial management.

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- In the 21st Century, only those entrepreneurs who have professional approach will survive and prosper. To bring in professionalism, the existing and prospective entrepreneurs should be trained in the modern management skills and techniques.
- In the changing economic scenario, the entrepreneur needs to look upon the worker, as an asset and take cognition of the need to improve their skills by providing better working conditions and the necessary economic security in the form of minimum living standards.

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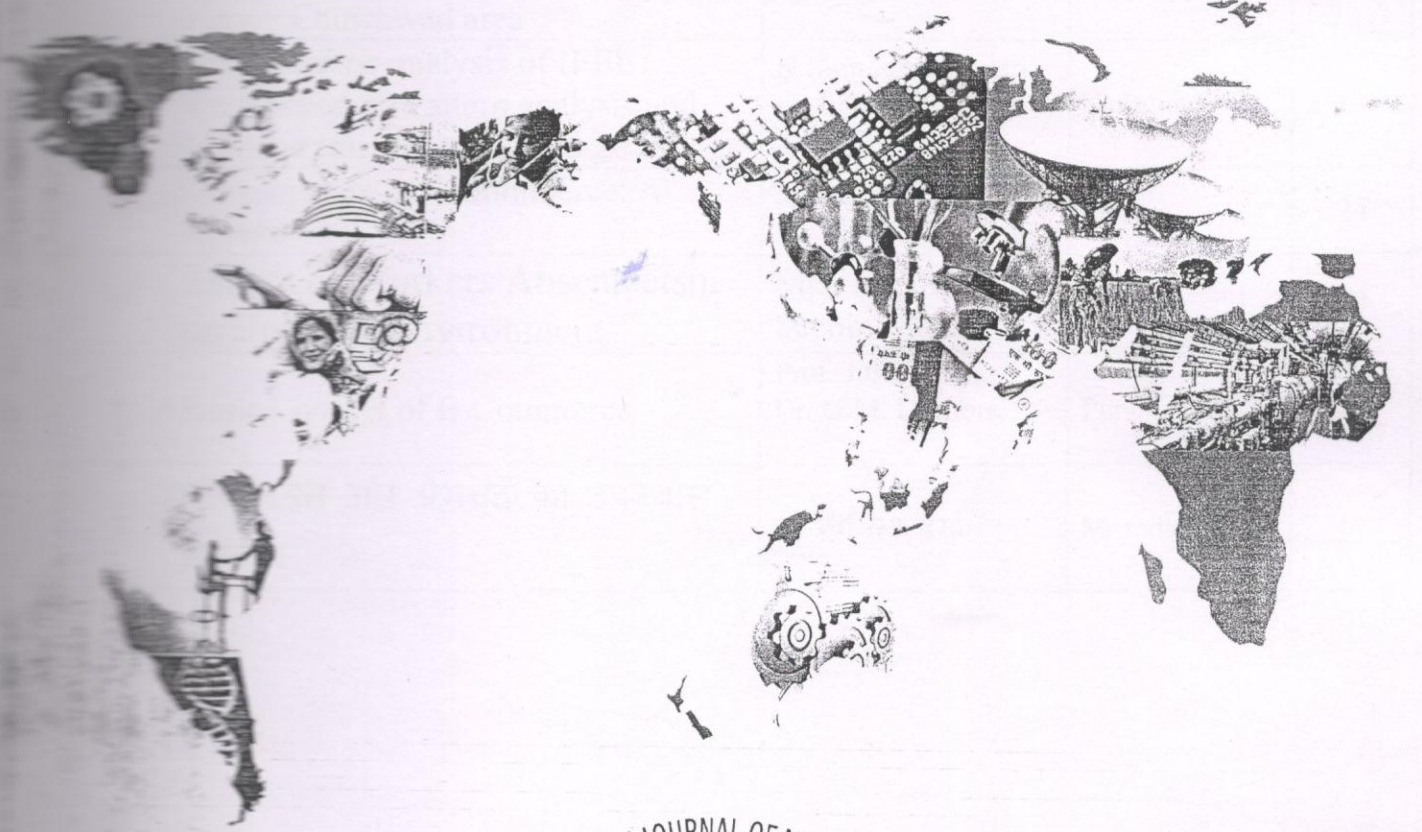

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# The Critical of farmers suicides and its solution in Maharashtra

**Dr. T.D. Gunjal**
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Introduction

India is agricultural country and more than 60% People in India are directly or indirectly dependent on agriculture sector. It is now habitual to hear the case of farmer's suicide in Maharashtra. Despite of portrayal of farming as a healthy and happy way of life, agriculture sector experience one of the highest numbers of suicide. Farmer's suicide is not only others reported in Vidarbha region of Maharashtra, but also from Punjab, Uttar, Pradesh, Kerala and Karnataka. The problem of suicide is not only reported in India, but also reported in different parts of word like England and Wales But the problem of farmer's suicide has become very serious in India especially in Maharashtra. There are several reasons for farmers suicide such as indebtedness personal reasons , cost of cultivation, Repeated crop failures , Lack of cultivated cash crops etc.

Innovation remedies have to be through of which to be implemented with sincerity by the Government and the implementing agencies, along with putting in place ways to rehabilitate the affected farmers. Central and state Government have announced the relief packages to the suicide affected families in Maharashtra. It is encouraging to see that our country is one of the faster growing economics in the world. Reform process in most of the economic sectors is in place. There is healthy competition in almost all the sectors lending to cost reduction. Government of India has planned to achieve 10% growth by 2012, but all this cannot be achieved unless the targeted growth is ensured for agriculture sector. The present paper is therefore discussing this serious problem of farmer's suicide in Maharashtra, its causes and necessary remedies to overcome this problem. It will also discuss the recommendations of various committees appointed on this issue.

**Objectives of study:**

1. To review the farmer suicide in India and Maharashtra.
2. To study the findings of various committees appointed on this issue.
3. To study the cause the farmer's suicides in Maharashtra.
4. 4To suggest5 necessary remedies to overcome the problem of farmer's suicide.

**Condition of farmer's suicide in India:**

It is seen that from the year 2000 to 2010 the figure of farmer's suicide is close to 2,15,000. It is revealed from the various researches that every seventh suicide in the country was a farmer's suicide. We would believe that even this number, shocking as it is, is in fact an underestimation of the actual number of farmer's suicides in the country during this period. On average, one Indian farmer committed suicide every 32 minutes between 1997 and 2005. Since 2002, that has become one suicide every 30 minutes. However, the frequency at which farmers take their lives in any region smaller than the country say a single State or group of States has to be lower. Because the number of suicides in any such region would be less than the total for the country as a whole year. Yet, the frequency at which farmers are killing themselves in in any

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many regions is appalling. In 1997 total number of suicides was 95829 and at that time the number of farmer's suicide was 13622. It means percentage of farmer's suicide was 14.2 of all suicides in India. In 2006 this percentage was increased up to 15.2 percent. This tact reveals that the percentage of farmer suicide is more as compared to other type of suicide. Maharashtra, Andhra Pradesh, Karnataka and Madhya Pradesh have together seen 89,362 farmer's suicides between 1997 and 2005. on average, one farmer took his or her life every 53 minutes between 1997 and 2005 in just these states various researches have been conducted on this issue by various experts and institutions. The findings of their researches very heart breaking important The researches are, the Madras institute of development studies. Study of Agricultural Indebtedness by Expert Group by Prof. Ramkrishna, Tata Institute of Social Science mss Report, Indira Gandhi Institute of Development Research (IGIDR) Report on suicide of Farmers in Maharashtra (Jan 2006) ete. The major findings of these committees are as follows

- The rate of suicide among farmers is also likely to be very high with the rate r the general population
- An overwhelming proportion (nearly 85 percent) of farmer's suicides is by male farmers; and the number of farm suicides by young farmers, accounting for nearly 30 percent of the total
- A large number of farmers. close to 17,000 pea year-commit suicide today in the country. a number we believe is unacceptably large Indebtedness is not the main cause of farmer's suicides but stagnation in agriculture, marketing risks, and collapse bf extension system growing institutional vacuum and lack of livelihood opportunities are the primary causes
- The decline in returns from agriculture has resulted in inability of farmers to repay debt and this has triggered farmer's suicide
- Suicides occurred among large landholders & down to the landless Farmers did not have access to extension machinery of the government in giving sound information on how to deal ith pests and declining productivity of land
- Minimum Support Price has not been available to all fanners, particularly the small and marginal farmers.
- Farmers suicides were neutral to education and social groups
- Breakdown of formal credit structures has led to increased reliance on informal private sources of credit with greater interest burden

**Condition of farmer's suicide in Maharashtra:**

If we analyze the suicides by farmers in Maharashtra it is revealed that it is higher in Vidarbha region of the State where farmers preferred cultivation of "white gold" ie, cotton a risky venture that suffered due to non-availability of quality seeds coupled with the farmers or incapacity to buy costly cotton seeds. They could also not get remunerative price for their produce. To commit suicide is not normal but generally occurred for farmers due to fear of pressure of moneylenders e g. if they fail to repay the loan their land will be forcibly taken a Their economic condition in many cases changes to such as extent that the farmers are unable to face the society. In this situation of localness and in absence of any institutional social

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mechanism to fall back upon, famers were forced to comrnit suicide. For farmers to come out of the stressful situation a system to address the various issues discussed in the earlier paragraphs have to be follow up A evolved through an institutional mechanism w necessary arrangement for review and follow up. A rehabilitation programme which addresses repayment of overdue interest. supply of quality inputs for next crop, insurance against natural calamity, opportunity of supplementary income through non farm activities. Provision etc. has to be devised and provision of forward linkage such as marketing and storage, extension implemented Mal was the worst hit state in terms of suicide by farmers, accounting for 2,872 deaths in 2009, according to the latest data released by National crime Records Bureau ( NCRBU) The state has seen 44,272 suicide deaths since 1997. as per data released last month by NCRB, an institution under the Union Home Ministry, which has been tracking farmers suicide data since 1997 when all the states began reporting the figures o suicides deaths. Though the number of suicides by farmers was down by 9,0 in 2009, the state continued to be the world hit tor 10" year in a row, tie data revealed A total of t004 farmer's suicide in the s affected districts of western Vidarbha as per note.

Circulated by the divisional commissioner to the chief minister Despite the chief minister's Rs 1076 crore special package in 2005, prime ministers Rs. crore package in 2006 and the center's loan waiver scheme die suicides show only a marginal decline. In 2010, western vidarbha logged in 1060 deaths o a which only 213 were due to agrarian crisis, between 2003 and 2007, the state breached the 4.000 mark in farmer's suicide thrice with over 12,000 farmers taking extreme step. The suicides were due to indebt ness The statistics regarding farmer's suicide in Maharashtra for 3 year period is shown by following table.

**Farmer's suicides Maharashtra: for 3-year periods**

| 1997-1999 | 1999-2002 | 2003-2005 | 2006-2008 |
|---|---|---|---|
| 1917 | 3022 | 3836 | 4453 |
| 2409 | 3536 | 4147 | 4238 |
| 2423 | 3695 | 3926 | 3802 |
| **2423** | **3695** | **3926** | **3802** |

From the above table it is clear that there is increasing trend of farmer's suicide in Maharashtra for From the above table it last 12 years.

**Main Reasons for Suicide of Farmers in Maharashtra**

1. Increasing amount of loan- increasing amount of loan i e, indebt ness is very important reason o famers suicide. is loan is mainly from private moneylenders who are lease the farmers for recovery of loan 2
2. Low capital- Farmers have low capital backing and cant invest much for development. It is very difficult to farmers to use other sources of capital
3. Increasing cost of Cultivation- nowadays because of inflation, the cost of cultivation is increasing on immense scale. This in turn is increasing the cost of production of crops
4. Physiological Effect on Mind The incidence of suicide reported in a nearby village also affects their mentality and they also tend to suicide.

5. Crop failures- repeated crop failure is one of the important reasons of farmer's suicide in 5. of same crops over Maharashtra. The productivity of land is reducing day by day due to repetition many years, due to low quality seeds .
6. Absence of adequate social support infrastructure farmers does not get any kind of moral and social support from various sections of the society, It leads them the feeling of loneliness which divert them to suicide.
7. Physiological problems. sometime farmers attempt suicide as a result of psychological effect Suicides of other farmer tri near vicinity lead them toward self suicide.
8. Personal Reasons Personal reasons like various addictions, health problems and quarrels neighbors are also responsible for suicides
9. Reducing Landholding area The landholdings area is reducing day by day. thereby converting the farmers from large land holding farmers to marginal farmers That has result in adverse effects on their status in the society It increase mental tensions to.
10. Unproductive expenditure. it iv seen that in villages, there is large expenditure on daughter's it marriage and its related ceremonies This expenditure is totally unproductive which recoverable. As a result of this expenditure the indebt ness is increased which becomes the cause of farmer's suicide

**Remedies and Measures to overcome the problem**

1. state government should provide compensation for any crop failure, loss doo to draught or any other natural calamities.
2. Farmers should be provided more health, medical and other facilities to make them aware regarding government's policy for benefit of farmers.
3. Programmes of eminent personalities should be arranged to provoke them for their growth and to divert their attention from suicides
4. Every state should be encouraged to establish "Farmers Welfare Funds. out of this fund farmer can get aid for marriages, illness and festivals .
5. In the cases of natural calamities, the loss should be immediately settled
6. The Employment Guarantee Scheme should also be strengthened.
7. Scientific training should be provided to farmers regarding rearing of crops and other activities
8. Marginal farmers should be provided facilities like subsidy for seeds, fertilizer and other equipments
9. For old farmers pension scheme should be formulated so that they can maintain their regular life style.
10. A network of Agricultural Information centers should be established covering every nook and corner villages from India
11. In India and Maharashtra collective and cooperative farming should be adopted. This will reduce cost of production of farm output
12. Farmers should be given minimum support price for their production.
13. Famers should be provided with adequate warehousing facilities. Efforts should be made to create markets more effective for agricultural produce. Chain of Selling centers should be strengthened and efforts should be made to avoid agents.

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14. There should be supply of electricity in rural area for at maximum time. In addition they should provided electricity at a confessional rate
15. The laws against the moneylenders should be made stricter, punishing the moneylenders causing mental harassment.
16. The policy of both central and state government should be in favor of farmers sufficient provisions should be made in annual budget for development of agricultural sector
17. farmers should be encouraged to engage themselves in agro based activities such as dairy. poultry farming sheep rearing, horticulture, sericulture etc. so that they can compensate their losses arisen from agricultural activities
18. The barren and hilly lands should be encouraged 10 be brought under cultivation. The Unemployed Youth from rural areas could be entrusted with the work thereby creating employment for them.
19. There should be tax relaxation for the products which prove input for agricultural activities. By this the cost of production will be decreased .
20. A network of Agricultural Information centers should be established covering every nook and corner villages from India
21. The influence of unorganized finance e.g. savkar should be eliminated. Farmers should be encouraged to borrow loan from banks and especially from nationalized and other agricultural banks Therefore government should provide refinance facility in ample size to these banks so that these banks can provide loan to farmers in adequate amount .
22. there is need to issue kisan credit cards to all the eligible farmers to have them access to get ST, MT and LT loan from all the banks .
23. Arrangements of marketing /forward linkages /contract farming should be made by the government to sell their produce at remunerative prices

**Conclusion:**

India is agro biased country, and farmers are our pride. But it is tragedy nowadays that farmers are attempting suicide on immense scale. The number of farmer's suicide is increasing in all states of India this problem has become very serious in the state of Maharashtra and in Maharashtra vidarbh main region where this number is large hence It is now a time to take necessary steps to eliminate such tendency of framers But if above facilities are given to farmers they may achieve self sufficiency in agricultural production There need for major review of agricultural policy io meet the changing needs of both producers and consumers.

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# Contribution of Corporate Social Responsibility towards School Education in India

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**Abstract:**
*Education is widely recognized as one indicator of development. One of the basic purposes of educations is to produce trained human resource, which can overcome development impediments of a given country.* ***A globalized economy and the privatization of higher education institutions have transformed the nature of academia. Adopting a business-like approach which emphasizes a strategic CSR framework is key to survival in this increasingly competitive arena.*** *CSR education is gaining momentum in the region as business schools begin to recognize the importance of including the concept in their curricula. For many businesses, education is an important part of their plans, since the needs exist in all geographic areas, across all subject areas, and for all kinds of people. The education sector in our country is expending in size but not in quality. As our former president Dr. Abdul Kalam has rightly said that, the next generation of India should be intelligent enough to make India superpower. In order to that the corporate sector can play a very important role for development of educational sector in India by performing its Corporate Social Responsibility in proper direction*

Key Words: Corporate Social Responsibility, education

**Objectives of the Study:**

1. To understand the concept of Education and Corporate Social Responsibility.
2. To study the current scenario of educational development in India and Maharashtra.
3. To study the contribution of Corporate Social Responsibility towards educational development in India.

**Methodology:** The study is based on secondary sources. Various books, Journals, Articles and Websites have been accessed to collect the information for study.

**Concept of Education and Corporate Social Responsibility:** Education is widely recognized as one indicator of development. One of the basic purposes of educations is to produce trained human resource, which can overcome development impediments of a given country. Education is one of the most important factors in achieving the development goals of the country. It is the key to the national development. It is an investment in the human resources.

**According to Mahatma Gandhi**, "Education means an all round drawing out of the best in child and man body, mind and spirit."

**Dr. Zakir Hussain** describes Education as "Education is the process of the individual mind getting to its full possible development it is long school which lasts a life time"

Corporate social responsibility (CSR) also called corporate conscience; corporate citizenship or responsible business is a form of corporate self-regulation integrated into a business model. CSR policy functions as a self-regulatory mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards and national or international norms. With some models, a firm's implementation of CSR goes beyond compliance and engages in "actions that appear to further some social good, beyond the interests of the firm and that which is required by law."CSR aims to embrace responsibility for corporate actions and to encourage a positive impact on the environment and stakeholders including consumers, employees, investors, communities, and others. The term "Corporate Social Responsibility" became popular in the 1960s and has remained a term used indiscriminately by many to cover legal and moral responsibility more narrowly construed. The meaning and definition of Corporate Social Responsibility (CSR) is interpreted by different stakeholders differently. Some of the widely accepted definitions are as follows:

**As per Mallen Baker**, CSR is defined as "a way companies manage the business processes to produce an overall positive impact on society".

**According to Lord Holme and Richard Watts** "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large

**Relation of CSR and Education:** Businesses have begun to take a more targeted approach in their corporate social responsibility programs and are seeking to impact areas that have a correlation with their own business goals. For many businesses, education is an important part of their plans, since the needs exist in all geographic areas, across all subject areas, and for all kinds of people. The bottom line is that educational outreach efforts have the capability to make a real and lasting difference for all players involved. Corporations are getting involved in education sector for a number of reasons, including improved financial performance, building a positive reputation and goodwill among consumers, employees, investors, and other stakeholders; increased ability to attract and retain employees developing brand recognition, whether to increase consumer loyalty, boost sales, or establish the company as an industry leader, easier access to capital; building a more educated workforce; raising consumer awareness about a particular issue; and fulfilling a company mission or mandate. Students, schools, and the general public can benefit from the experience and expertise that corporations bring to the table, particularly if the groups work together to ensure the right.

**The Status of School Education in India and Maharashtra**: In the hundred years preceding Independence, many a social reformer and political leader in Maharashtra actively organised educational opportunities and teaching at different levels even as serious thinking and action on the status of women was taking place. Mahatma Phule started the first school for girls, a pattern that found favour with other social thinkers too, provoking a discussion on women's issues. The aim was to secure social progress at every level. Thus the relative gender equality in contemporary Maharashtra's education system is a legacy of the historical trends. This imprint of historical trends is visible today. Private initiative and voluntary action in facilitating education has been a strong characteristic of Maharashtra. The share of elementary education in the total education outlay was as high as 56 per cent in the First Plan. This share steadily decreased, and in the Seventh Plan this sector was allotted only 34 per cent of the education budget. In the

Eighth Plan, the allocation increased to 42 per cent. The share of expenditure going to higher education and technical education in the period between the Second Plan and the Fifth Plan was in the range of 34 per cent to 49 per cent. Although the share of higher education has dropped considerably, it still remains higher than 20 per cent. Rising salaries of teachers have absorbed much of the higher levels of expenditure on elementary education. Compared to other States, the proportion of total Plan and non-Plan expenditures going to education at 17.3 per cent in Maharashtra is lower than the national average of 19.5 per cent. Maharashtra's annual expenditure per primary school student at Rs 951.90 is considerably lower than the national average of Rs 1,396.30 but the situation with secondary school resource allocation is exactly the reverse and amongst the highest in the country.

Some statistics regarding the number of Primary Institutions in India and Maharashtra is shown in the following tables;

**Table1:-Number of Institutions in India by Type in the year 2013-14**

| Type of Education | Number of Institutions | No. of Teachers |
|---|---|---|
| Primary | 7,90,640 | 26,84,194 |
| Upper Primary | 4,01,079 | 25,12,968 |
| **Total** | **11,91,719** | **51,97,162** |

Source:U-DISE-2013-2014

**Table2:-Primary Schools by Management Type in Maharashtra in the year 2013-14**

| Type of Management | Number of Primary Schools | Percentage of Primary Schools |
|---|---|---|
| Central Government | 33 | 0.5 |
| State Government | 442 | 1.0 |
| Zilla Parishad | 53,169 | 81.0 |
| Municipal | 4,396 | 7.0 |
| Private aided | 3,743 | 6.0 |
| Private unaided | 3,135 | 4.5 |
| **Total** | **64,918** | **100** |

Source: Education at a Glance, Directorate of Education, Maharashtra State 2013-14

**Role of CSR in educational development in India:** One of the most significant indicators of social progress is education, which also plays a decisive role for a society to achieve self-sustainable and equal development. With an increasing global realization of how business community can (and should) contribute to social objectives, education deserves a higher level of corporate involvement than status quo. Education, especially primary education, is recognized as one of the top priorities by the United Nations as a significant dimension of the goal toward which human beings should head, only second to eradicating extreme poverty. For Indian Corporates in today's world, being involved in social activities related to education can fulfill some of the following corporate strategic objectives.

- CSR activities serve as an effective way for the company to seek better reputation while contributing to the society.
- Participation in educational endeavours gives companies a positive image as being concerned about the younger generations and a hopeful future
- By sponsoring various educational activities; companies gain the opportunity to hire students showing high potentials.
- While the specific actions vary among different levels of involvements, the purposes are generally related to maximizing influence on prospective employees.
- By undertaking activities in education, companies can broaden and enhance their mission and vision by targeting specific goals and objectives in the education ecology.
- By having direct focused programs relating to education, companies can receive high visibility, make large direct impact, and capitalize on the opportunity to really leverage their strengths and resources.

**Some examples of CSR activities in school education by Corporates in India**

**Aditya Birla Group:** The Company has been always focussing on the issues like: Formal and non-formal education, adult education; Scholarships for girls, merit scholarships and technical education for boys; Distance education; Girl child education; Digital literacy / computer education. The BIRLA group has opened many academic institutions and schools and have supported the education of rural children.

**Procter And Gamble:** The company has been supporting project SHIKSHA launched in 2005) from last 8 years and has helped 2,80,000 unprivileged children to access their right to education. The program focuses on empowering girl child with quality education. It aims at providing clean drinking water, building separate toilets for girls and boys, advanced educational aids, computer centres. Company has focussed a lot towards girl's education which is appreciable

**ITC:** It runs Choupal Supplementary Education Programme especially for supporting primary education in rural areas. It has set up learning centres for providing extra classes to students for back up learning. For fostering the reading habit among students ITC has set up mobile libraries and has provided roaming laptops so that students can learn computers. ITC also provides furniture, books, stationery to students of government schools for supporting their education

**Indian Oil Corporation:** For Indian Oil Corporation CSR has been the cornerstone of success right from its inception in year 1964. The foundation offers more than 2000 scholarships every year to students for pursuing graduation, post graduation and other professional courses, out of which few are specially reserved for SC/ST/OBC and few for girls. It has contributed in field of clean drinking water, education, hospitals and health care.

**Infosys:** In 2009, it set up Infosys Science Foundation for honouring outstanding achievements in field of science and engineering. The company also supports health care, culture and rural development cause in India.

**Tata Group**: TATA has significant contribution in educating India since its inception. The company has opened many educational institutes in India namely Indian institute of science

(Bangalore), Tata institute of fundamental research (Mumbai), JRD Tata eco technology centre (Chennai) etc. TATA has opened many libraries in India (Namely Ratan Tata Library in Delhi University, JRD Tata library in Bangalore and Sir Dorabji Tata Memorial library in Mumbai etc. for the keen readers and researchers. The list of their contribution is much more and they have been playing vital role in development of our Nation.

**Mahindra & Mahindra:** It runs a programme "Nanhi Kali"under, KC Mahindra Education Trust which supports education of over 75,000 underprivileged girls. Apart from awarding grants and scholarships the company provide vocational training to youth from socially and economically disadvantaged communities which helps them in earning livelihood. The company also works for causes related to environment, health care, sports and culture.

**Coca Cola:** In January 2011, Coca-Cola India Private Limited launched the 'Support My School' (SMS) public service campaign in association with NDTV network, UN-Habitat, Charities Aid Foundation (CAF), Sulabh International, Pearson Foundation and TATA Teleservices. The main purpose of this campaign is to help underprivileged sections of society by providing sanitation and infrastructural facilities. So far the campaign has been able to raise Rs. 50 million which is being used for transformation of over 100 schools in India. Amenities like separate boys' and girls' toilet, clean drinking water, playgrounds and sports facilities etc. has been provided in schools. The list of such commendable contribution of corporate towards education in India is long but still their efforts have not been able to make India a fully educated Nation.

**Challenges in implementing CSR in India:**

Following are the key challenges which are hindering CSR activities in India which are required to be encountered by corporate in India.

1. Lack of willingness
2. Lack of awareness
3. Lack of government support
4. Non-availability of clear CSR guidelines
5. Narrow perception towards CSR initiatives
6. Unorganised non government organisations
7. Transparency issues
8. Visibility factor

**Conclusion:** The world is changing and the process of changing is a continuous process. It goes according to necessary reforms. Education is leading factor for changes in the world. The function of education is both towards the individual and towards the society. Education is an indicator of a Nation's social and economic progress. It is appreciable that companies have discharged their duties very well in contributing towards economic growth. But the companies do have a social responsibility as well. Major industrial groups have understood this and started supporting various social causes like health programme, green conservation, educating children of poor etc. It is commendable that the major focus has been placed on health and hygiene but more keen efforts are required in education. Enrolment is not enough; we need retention and quality in education. The dropout rates in girls more than boys. Companies could be a major support for funding and investing in school education programmes in India. This will not only add values to the brand of the company but prepare a pool of talent by helping them in their education

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# The Determinants of Trade Credit: Evidence from Indian Manufacturing Firms

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**Abstract**

*Trade credit (accounts receivable and accounts payable) is both an important source and use of funds for manufacturing firms in India. This paper empirically investigates the determinants of trade credit in the In-dian context. The empirical evidence presented suggests that strong evidence exists in support of an inven-tory management motive for the existence of trade credit. Highly profitable firms both give and receive less trade credit. Firms with greater access to bank credit offer less trade credit to their customers. On the other hand, firms with higher bank loans receive more trade credit. Holdings of liquid assets have a positive influ-ence on both accounts receivable and accounts payable.*

**Keywords:** Trade Credit, Inventories

## Introduction

Trade credit (measured by accounts receivable and ac-counts payable in the balance sheet of a firm) is an ar-rangement that allows firms to buy goods or services without making an immediate payment. It thus allows the separation of the exchange of goods and money over time. It is well recognized that trade credit is likely to be a very expensive source of credit1. Trade credit (with respect to both the amounts and terms) varies substan-tially across firms and industries and a substantial body empirical research exists that attempts to explain this variation.

Many theories have been put forward to explain the existence of trade credit. Trade credit may be used as a source of funds if raising capital through other sources is more expensive. Price discrimination being illegal in many countries, firms may choose to discriminate be-tween buyers using trade credit. Some firms may choose to make early payments to take advantage of discounts while others may have an incentive to pay towards the end of the credit period. Suppliers may have some fund-ing advantage over banks in evaluating and controlling credit risk. If suppliers are likely to interact much more closely and more often with buyers compared to banks then this is likely to give them a better idea of the busi-ness prospects that the buyer faces. If the good supplied cannot be resold by the buyer then the supplier could hold of the threat of stopping supplies if payments are not made in time. Suppliers may also have an advantage over banks with respect to repossessing and reselling the goods supplied in case of default. Trade credit may arise as a financial response to variable demand. Trade credit can be seen an outcome of interaction between product and financial markets which arises because it provides the seller with an advantage in inventory management. Sellers can reduce their finished good inventories by offering trade credit. When business conditions are bad (*i.e.* inventories pile up) firms may choose to postpone payments for raw materials purchased. Trade credit may also enable firms to lower transactions costs.

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At an empirical level most studies relate accounts payable and accounts receivable to various accounting ratios and firm and industry characteristics. A few stud-ies have attempted to examine variations in the terms and conditions of trade credit. Widely cited empirical studies like Petersen and Rajan and Ng, Smith and Smith have uncovered many empirical regularities but over-whelming support or rejection for any particular theory has as yet not been possible. Trade credit has been generally recognized as an im-portant component of corporate finance in many coun-tries. Recent data, from the Reserve Bank of India, shows that accounts receivable accounted for 10.86% and accounts payable accounted for 11.59% of total as-sets/liabilities respectively in 2008 for a sample of large public limited companies. The comparable figure of short term bank credit was 10.75%. Evidently, in India, trade credit is at least as important as bank credit. In most advanced countries accounts receivables can be easily collateralized. This makes it possible for firms to obtain additional bank credit against their accounts re-ceivables. Consequently, a firm providing trade credit does not necessarily have to reduce its investment in other avenues. In India banks have always been some-what reluctant to lend against accounts receivable. Bills discounted accounted for less than one percent of total credit advanced by Scheduled Commercial Banks in In-dia as of March 20095. This institutional feature is likely to have a significant impact on the determinants of trade credit in India.

Unfortunately no systematic empirical evidence on the determinants of trade credit in India is available. This paper makes a small beginning in that direction. We do not deal with the issue of terms and conditions of trade credit due to lack of information in this regard in the In-dian context. We estimate a model similar to Bougheas, Mateut and Mizen to study the determinants of trade credit in India. It is found that trade credit arises essen-tially as a financial response to variable demand and variables suggested by other theories compliment this basic explanation. In the next section a brief summary of the existing theories of trade credit and empirical work that seeks to explain inter firm differences is provided. Section 3 outlines the empirical model used, data sources and results. Section 4 concludes.

**Theories of Trade Credit**

Many reasons have been put forward to explain why firms may offer or accept trade credit. We provide below a short outline of the main arguments.

Metzler [12] was possibly the first to point out that large firms use trade credit instead of direct price reduc-tions to push sales in periods when monetary conditions were tight. Further, he argued that firms would accumu-late liquid balances in periods of loose monetary policy and utilize these to extend trade credit in periods when monetary conditions were tight. These macroeconomic implications of trade credit have been recently further investigated by Guariglia and Mateut [13] and Mateut, Bougheas and Mizen [14] who conclude that in the UK trade credit increases in periods when monetary policy is tight and bank lending falls. Brennan, Maksimovic and Zechner [15] argue that if the product market is non-competitive and there exists an adverse selection problem in credit markets then this makes price discrimination through trade credit poten-tially profitable. Imperfections in the product market allow sellers to use trade credit to discriminate between buyers who have different reservation prices. When the credit characteristics of firms to whom the supplier (who has market power in the product market) is attempting to sell cannot be observed by him, trade credit makes it possible to provide incentives for firms to self select. "Good firms" might find it profitable to buy on a cash basis or repay as soon as possible (given the high cost of trade

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credit) while risky firms may find it advantageous of buy on credit because other source of funds may be even more costly for this firm. An empirical implication that arises from the price discrimination arguments is that more profitable firms are more likely to grant more trade credit.

The possibility that sellers who have easier access to the capital market may have an incentive to offer trade credit to their buyers (who may not have access to capital markets on the same terms) was first pointed out by Schwartz [16]. The supplier's greater ability to raise funds is used to pass credit to their customers. If banks are the main source of credit then this suggests that firms offering trade credit would borrow from banks and pass this on as accounts receivable (on their books of accounts) to the buyers. Biais and Gollier [17] have pointed out that in a situation where banks are forced to ration credit (which arises due to adverse selection), trade credit can transmit a seller's private information to banks. If the seller is willing to offer trade credit to a firm this tells the banks that the supplier has private information regarding this firm which makes it credit worthy. This would lead to a reduction of credit rationing. In addition, Jain [18] has argued that suppliers may have a monitoring advan-tage over banks because in the course of their transac-tions with the firm they have access to information which banks may not.

Burkart and Ellingson [19] argue that this monitoring advantage arises because of an intrinsic difference be-tween inputs and cash. Inputs cannot be as easily (if at all) be diverted as cash. It is the fear of diversion of funds that induces banks to restrict lending. Trade credit be-comes a means to overcome a moral hazard problem created by this possibility. The fact that the firm has re-ceived trade credit signals that the firm has bought inputs that cannot be diverted and this opens up the possibility that returns from investing would be higher than the re-turns from diverting funds. Thus if a bank observes that a firm is receiving trade credit it may be willing to lend. Consequently, firms whose investments are constrained by their access to external funds, trade credit and bank credit may be compliments. Firms whose investments are not constrained by availability of external funds the fact that a firm has/or has not received trade credit is of no consequence, and, bank credit and trade credit may be substitutes. Even though firms can use accounts receiv-able as collateral there would always be a ceiling on the amount a bank would lend through this channel. Burkart and Ellingsen [19] argue that "… firms that are credit constrained but highly profitable abstain from investing in receivables, leaving the extension of trade credit to firms either have better access to funds or are constrained and relatively unprofitable (pp. 570)." This conclusion would be reinforced in a context where banks do not accept account receivable as collateral.

Cunat [20] argues that firms offering trade credit may have an advantage over banks in enforcing debt repay-ment in a situation where it is difficult for the buyer to find alternative suppliers and it is costly for the seller to find alternative customers. This condition would be met if the product in question has some technological speci-ficity. This advantage arises because suppliers can threaten buyers with stoppage of supplies of the interme-diate good which in turn would hit production. Suppliers would be in a position to help buyers overcome tempo-rary liquidity shocks by offering trade credit. Lee and Stowe [21] point out that trade credit when offered represents an implicit product guarantee of the products quality. The buyer is able to verify the quality of the product before making a payment. In the presence of information asymmetry large discounts (inducements to make quick payments) would covey

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information on quality. Firms, whose products are of a lower quality, other things being equal, would offer large discounts.

From a transactions cost perspective, a supplier can reduce inventory carrying costs if the buyer's costs of holding inventories are lower. Emery [22] argues that trade credit arises as a financial response to variable de-mand. Consider a situation where a firm experiences a sudden dip in demand. The firm has two choices. Either to accumulate costly inventories (which may or may not be sold in later periods) or offer trade credit to its cus-tomers who may be finance constrained. There clearly exists a trade-off between holding inventories and offer-ing trade credit. For trade credit to be a mutually benefi-cial arrangement the firm offering trade credit must have an advantage in bearing the financial cost (of the dip in demand) but must be at a disadvantage in terms of the operational cost for holding higher finished goods in-ventories. The firm that accepts trade credit gains from the fact that implicitly he receives a lower price (if the payment is made within the stipulated period) and the seller gains because of lower inventory costs. Bougheas, Mateut and Mizen [11] incorporate this basic idea in a formal two period model which incorporates the trade- off between inventories and trade credit under conditions of stochastic demand. Using this model they derive em-pirically testable propositions with respect to accounts payable and accounts receivable and their relationship with changes in costs of inventories, profitability, risk profile, liquidity position of firms and bank loans. They show that:

a) firms with higher stock of inventories would have lower accounts receivables and accounts payables.

b) profitability will be positively related to both ac-counts payable and accounts receivable.

c) The relationship of accounts receivable and ac-counts payable with riskiness of a firm and its liquidity position is indeterminate.

d) Accounts receivables would be positively related to bank loans *i.e.* they are compliments. Accounts payable can either be positively or negatively related to bank loans.

The empirical literature has unearthed quite a few ro-bust relationships between extent of trade credit offered and received and various firm characteristics. A large variety of variables measuring various firm characteris-tics have been used to explain inter firm variations in both accounts receivable and accounts payable.

A large number of papers [Petersen and Rajan [1], Deloof and Jegers [7], Miwa and Ramseyer [23] and Bougheas *et al.* [11], among others] report a positive relationship between accounts payable and accounts re-ceivables and size (usually measured by total assets or log of total assets). Size is typically interpreted as re-flecting the credit worthiness of the firm. Thus, larger firms are seen to both receive and give more trade credit.

Profitability according to Petersen and Rajan [1] could reflect a number of firm characteristics. Net profit could be taken as a proxy for internal cash generation, and thus one would expect profitable firms to extend more trade credit. Surprisingly, they report a negative relationship between net profits and accounts receivable. Gross prof-its on the other hand would be an indicator of the incen-tives to sell. If firms have the ability to discriminate be-tween buyers through the use of trade credit (leading to higher gross margins) then higher the gross profit the higher the incentive to sell. They report a positive rela-tionship between gross profits and accounts receivable. Net profits are found to be negatively related to accounts payable. As the firm's ability to generate internal funds increases its tendency to buy on credit decreases. Given that trade credit is extremely expensive this is as ex-pected. Deloof

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and Jegers [7] also report a negative rela-tionship between net profits and accounts payable. Bougheas *et al*. [11] find that profitability is positively related to both accounts receivable and accounts payable. This finding is interpreted as extra profit being channeled to accounts receivable and more profitable firms being more credit worthy receive more credit from their sup-pliers.

Petersen and Rajan [1], report that firms who can se-cure enough credit from institutional sources have lower accounts payable and point to the possibility that trade credit is a substitute for credit from financial institutions. Other papers like, Kohler, Britton and Yates [5] and Nil-sen [24] using different data sets and time periods come to a similar conclusion. Deloof and Jegers [7] using data on Belgian firms provide persuasive evidence that short term bank credit is a substitute for accounts payable. On the other hand, Demirguc-Kunt and Maskimovic [25], in a cross country setting empirically demonstrate that trade credit is a compliment to lending by financial institutions. Cunningham [2] finds that for medium wealth firms (*i.e.* those firms whose investment is less likely to be con-strained by availability of external funs) trade credit and bank credit are substitutes and for low wealth firms (firms whose investments are more likely to be finance constrained) trade credit and bank credit are compliments. This paper provides strong support for the arguments put forward by Burkart and Ellingson [19]. Bougheas *et al.* [11] find that accounts receivable are compliments to bank loans and accounts payable are substitutes for bank loans. This they argue is clearly indicative of the fact that trade credit is more expensive than bank loans and fits in nicely with the pecking order hypothesis. Thus firms who can borrow from banks are seen to pass on bank credit to their buyers on the one hand and they take less credit on the other.

Inventories have not been used as explanatory variable in empirical studies of trade credit very often. Petersen and Rajan [1] relate the ratio of finished goods invento-ries to total inventories in the regression analysis with respect to accounts payables and find a strong negative relationship between the two. They argue that the ratio of finished goods inventories to total inventories reflects the "supplier's advantage in liquidating the borrowers as-sets". If the ratio of finished goods inventories to total inventories is large this reflects a lowering of the sup-plier's advantage in repossessing and selling supplied goods because the buyer has transformed the raw mate-rial supplied into finished goods. Both banks and suppli-ers may face the same level of difficulty in selling re-possessed finished goods. Thus accounts payable of firms with a high ratio of finished goods inventories to total inventories turn out to be lower. Cunat [20] uses inventories as an explanatory variable while explaining accounts payable of firms. He finds a significant and positive relationship. He argues that accounts payable are higher for firms with higher inventories because invento-ries act as collateral. Bougheas *et al.* [11] relate finished and semi finished goods inventories to both accounts receivable and accounts payable. They find a strong negative relationship between inventories and accounts receivables. They interpret this as providing strong evi-dence that firms use trade credit (*i.e.* allow buyers to delay payment) to increase sales and thus reduce inven-tories. Inventories turn out to be insignificant when re-lated to accounts payable.

A firms holding of liquid assets (cash and other short term securities) has been used as a determinant of trade credit in a number of papers. Van Horne [26] has argued that firms adopt what is called the matching approach to finance *i.e.* finance short term needs with short term fi-nance. If such an approach is actually followed by firms then accounts payable should have a positive relationship with holding of liquid assets. Deloof and Jegers [7] find that liquid

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assets have no influence on accounts payable of Belgian firms. Cunat [20] reports a negative influence of liquid assets on accounts payable. Cunat further shows that when liquid assets fall, this is accompanied by a rise in accounts payable. This finding is interpreted as an adjustment in accounts payable whenever there is an unexpected liquidity shock. Bougheas *et al.* [11] use liq-uid assets as an explanatory variable for both accounts payable and accounts receivable. The holding of liquid assets is assumed to have a direct relation to the cost of extending trade credit but theoretically the expected sign for this variable remains indeterminate. They report that liquid assets have a negative and significant influence on accounts receivable and a positive and significant influ-ence on accounts payable.

**The Empirical Model and Estimation Results**

**The Empirical Model**

A model very similar to Bougheas *et al.* [11] is estimated. They explain trade credit extended (accounts receivable divided by sales) and trade credit received (accounts payable divided by sales) by the same set of explanatory variables. The difference between accounts receivable and accounts payable (net trade credit) is considered, in this paper, as an additional dependent variable which shows whether the firm is a net receiver (if this variable has a negative sign) or net giver of trade credit (if this variable has a positive sign). The importance of this variable becomes obvious once it is recognized that firms typically are a part of a credit chain both receiving and offering trade credit. The same set of dependent variables is used to explain this difference as well. The main dif-ference (apart from the fact that an additional variable, net trade credit is considered) in the model estimated in this paper and Bougheas *et al.* [11] lies in the treatment of inventories. Bougheas *et al.* [11] define inventories as the level of finished goods and work in progress invento-ries while our data allows us to segregate inventories into finished goods inventories on the one hand and semi fin-ished goods and raw materials on the other. Finished goods inventories are more likely to influence accounts receivable (AR6) while semi finished goods and raw ma-terial inventories are more likely to influence accounts payable (AP7). By including them separately into the analysis helps in isolating the influence of variable de-mand (for the firm's product) on accounts receivable and accounts payable. Following Cunat [20] we include the level of collateralizable assets (ratio of fixed assets to total assets) as an explanatory variable. Firms having higher collateralizable assets are expected to have easier access to other sources of credit (including banks) and thus would use less trade credit. Profitability (profits before depreciation interest and taxes) divided by sales, size (log of total assets), liquid assets8 and short term bank loans are another standard explanatory variables that we include9. The estimated equations take the fol-lowing form10.

$$\begin{aligned} \text{ARi,t/Salesi,t} = {} & \alpha\text{i} + \beta 1\,\text{Stocksit/Salesit} + \beta 2\text{Sizeit} \\ & + \beta 3\text{Collateralit} + \beta 4\text{Profitsit/salesit} \\ & + \beta 5 \text{ liquid assetsit/salesit} \\ & + \beta 6 \text{ short term bank loansit/salesit} + \text{eit} \end{aligned}$$

$$\begin{aligned} \text{APi,t/Salesi,t} = {} & \alpha\text{i} + \gamma 1\,\text{Stocksit/Salesit} + \gamma 2\text{Sizeit} \\ & + \gamma 3\text{Collateralit} + \gamma 4\text{Profitsit/salesit} \\ & + \gamma 5 \text{ liquid assetsit/salesit} \\ & + \gamma 6 \text{ short term bank loansit/salesit} + u\text{it} \end{aligned}$$

$$(\text{ARi,t} - \text{APi,t})/\text{Salesi,t} = \alpha\text{i} + \tau 1\,\text{Stocksit/Salesit} + \tau 2\text{Sizeit}$$

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$$+ \tau 3\text{Collateralit} + \tau 4\text{Profitsit/salesit}$$
$$+ \tau 5 \text{ liquid assetsit/salesit}$$
$$+ \tau 6 \text{ short term bank loansit/salesit} + \nu\text{it}$$

In two other specifications we replace stocksit by fin-ished goods inventories and semi finished goods inven-tories plus raw materials inventories.

$\alpha$i, is a firm specific effect, $\beta$i, $\gamma$i and $\tau$i are the coeffi-cients and eit, $u$it and $\nu$it are the idiosyncratic error terms. The equations are estimated using a first difference GMM approach which controls for firm specific time invariant effects and for possible endogeniety of regres-sors11. Lags of all the independent variables are used as instruments. Time dummies are included in all the re-gressions.

We use data from the PROWESS database provided by the Center for Monitoring the Indian Economy (CMIE), Mumbai. This data base contains accounting details of a very large number firms operating in India. The data we use pertains to the 14 year period between 1993 and 2006. From this data base we chose firms which met the following criteria.

(a) Firms with at least five years of continuous data.

(b) Firms whose ratio of manufacturing sales to total sales was in excess of 75 percent for at least half the years for which data were available. This was done to drop firms who had diversified into non manu-facturing activities.

(c) Firms with a positive net worth for at least half the number of years for which data were available. This was done to drop firms in financial distress.

(d) Firms with accounts payable and accounts receiv-able in excess of their total assets were not chosen. This was again done with a view to excluding dis-tressed firms.

(e) Firms needed to be in the private sector. All firms owned by the central and state governments were dropped.

These filters yielded an unbalanced panel of 1522 firms with an average of 10.66 years observations for each firm. The descriptive statistics are provided in **Ta-ble 1**. In general, the mean and medians of accounts re-ceivable are far larger than accounts payable. This is also reflected by the fact that net trade credit has a positive mean and median. The firms in our sample thus, on av-erage, give more trade credit than they receive.

**Estimation Results**

**Tables 2, 3** and **4** report the empirical results with re-spect to accounts receivable, accounts payable and the ifference between accounts receivable and accounts

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**Table 1. Summary statistics (mean, standard deviation and median).**

| Table 1. Summary statistics (mean, standard deviation and median). | | Bottom 25% | Middle 50% | Top 25% | Whole sample |
|---|---|---|---|---|---|
| Accounts Receivable/sales | Mean | 0.357 | 0.213 | 0.175 | 0.240 |
| | Std. Dev | 3.620 | 1.496 | 0.172 | 2.101 |
| | Median | 0.184 | 0.165 | 0.144 | 0.162 |
| Accounts Payable/sales | Mean | 0.210 | 0.157 | 0.157 | 0.170 |
| | Std. Dev | 0.496 | 0.299 | 0.306 | 0.361 |
| | Median | 0.120 | 0.116 | 0.125 | 0.120 |
| (Accounts Receivable-Accounts payable)/sales | Mean | 0.147 | 0.057 | 0.018 | 0.070 |
| | Std. Dev | 3.496 | 1.456 | 0.302 | 2.036 |
| | Median | 0.050 | 0.042 | 0.018 | 0.038 |
| Inventories/sales | Mean | 0.193 | 0.127 | 0.113 | 0.140 |
| | Std. Dev | 0.846 | 0.262 | 0.218 | 0.476 |
| | Median | 0.079 | 0.079 | 0.079 | 0.079 |
| Finished good inventories/sales | Mean | 0.119 | 0.086 | 0.081 | 0.093 |
| | Std. Dev | 0.438 | 0.230 | 0.195 | 0.290 |
| | Median | 0.041 | 0.045 | 0.052 | 0.046 |
| Raw material inventories/sales | Mean | 0.245 | 0.127 | 0.107 | 0.152 |
| | Std. Dev | 2.614 | 0.317 | 0.176 | 1.331 |
| | Median | 0.086 | 0.090 | 0.079 | 0.086 |
| Fixed assets/Total assets | Mean | 0.637 | 0.636 | 0.670 | 0.645 |
| | Std. Dev | 0.348 | 0.279 | 0.264 | 0.295 |
| | Median | 0.601 | 0.631 | 0.670 | 0.634 |
| Profit/sales | Mean | 0.035 | 0.101 | 0.159 | 0.099 |
| | Std. Dev | 4.508 | 1.544 | 0.158 | 2.508 |
| | Median | 0.087 | 0.120 | 0.149 | 0.121 |
| Liquid Assets/sales | Mean | 0.363 | 0.088 | 0.100 | 0.160 |
| | Std. Dev | 6.708 | 0.697 | 0.342 | 3.399 |
| | Median | 0.028 | 0.027 | 0.043 | 0.031 |
| Bank loans/sales | Mean | 0.351 | 0.205 | 0.154 | 0.229 |
| | Std. Dev | 3.722 | 2.335 | 0.319 | 2.495 |
| | Median | 0.105 | 0.120 | 0.105 | 0.113 |
| Size | Mean | 2.023 | 3.822 | 5.916 | 3.894 |
| | Std. Dev | 0.662 | 0.670 | 0.931 | 1.566 |
| | Median | 2.111 | 3.805 | 5.716 | 3.803 |

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Note: Firms are separated into size categories by using a dummy variable which takes the value of 1 in a given year if the firms total assets are in the top 25, middle 50 and bottom 25 percentile of the distribution of total assets of all the firms in that year.

payable (net trade credit) respectively. Column 1 refers to the specification where total inventories are used as an independent variable and column 2 refers to the specifi-cation where inventories are bifurcated into finished goods and raw material inventories12.

The inventory to sales ratio is negatively (the coeffi-cient is significant at 5%) related to accounts receivable. When inventories are split into finished goods invento-ries and raw material and semi finished inventories the coefficient on finished goods inventories has a negative sign and is significant at 1%. The coefficient of raw ma-terial inventories turns out to be positive but insignificant.

| **Table 2. Accounts receivable.** | 1 | 2 |
|---|---|---|
| Inventories/sales | –0.715** (0.312) | |
| Finished good inventories/sales | | –0.915*** (0.306) |
| Raw material inventories/sales | | 0.032 (0.041) |
| Fixed assets/total assets | 0.622* (0.376) | 0.209 (0.481) |
| Profit/sales | –0.455** (0.195) | –0.557*** (0.202) |
| Liquid assets/sales | 0.833*** (0.013) | 0.823*** (0.016) |
| Bank loans/sales | –0.034 (0.022) | –0.049** (0.023) |
| Size | 1.427*** (0.530) | 1.013 (0.663) |
| No. of observations | 11609 | 11609 |
| m1(p) | 0.00 | 0.00 |
| m2 (p) | 0. 281 | 0.231 |
| Hansen/Sargan | 0.958 | 0.988 |

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| Table 3. Accounts payable. | 1 | 2 |
|---|---|---|
| Inventory/sales | 0.103***<br>(0.061) | |
| Finished good inventories/sales | | 0.256***<br>(0.049) |
| Raw material inventories/sales | | 0.104***<br>(0.010) |
| Fixed assets/total assets | –0.171<br>(0.131) | –0.073<br>(0.118) |
| Profit/sales | –0.079**<br>(0.034) | –0.025<br>(0.027) |
| Liquid assets/sales | 0.033***<br>(0.002) | 0.034***<br>(0.001) |
| Bank loans/sales | 0.024**<br>(0.011) | 0.027**<br>(0.011) |
| Size | –0.070<br>(0.172) | –0.218<br>(0.158) |
| No. of observations | 11609 | 11609 |
| m1(p) | 0.084 | 0.269 |
| m2 (p) | 0.333 | 0.374 |
| Hansen/Sargan | 0.410 | 0.870 |

This indicates that firms with lower finished goods in-ventories have higher accounts receivable and thus firms offer more trade credit to boost sales and lower finished goods inventories. Inventory management is thus an im-portant motive for firms to offer trade credit to other firms.

Profits have a negative coefficient which is significant in both specifications. Profitable firms thus do not offer higher trade credit. This finding is contrary to what is found in the literature where generally speaking a posi-tive and significant coefficient is common [Petersen and Rajan [1] and Bougheas *et al.* [11]. The result is con- sistent with the Burkart and Ellingsen [19] argument that profitable but finance constrained firms would prefer not to offer trade credit. The relevance of this argument is strengthened by the finding of a number of papers that investment by firms in India is finance constrained13. The negative coefficient also calls in question the relevance of the price discrimination motive for offering trade credit.

The coefficient of bank loans is negative and signifi-cant in specification 2. Bougheas *et al.* [11] report a positive and significant coefficient for bank loans. Bank loans and accounts receivable turn out to be substitutes. The fact that banks do not accept account receivables as collateral could be driving this result. Clearly those firms having access to bank finance do not pass this on as ac-counts receivable to their customers.

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| **Table 4. Accounts receivable-accounts payable.** | 1 | 2 |
|---|---|---|
| Inventory/sales | −0.354** (0.172) | |
| Finished good inventories/sales | | −1.185*** (0.287) |
| Raw material inventories/sales | | −0.065** (0.038) |
| Fixed assets/total assets | 0.713 (0.448) | 0.249 (0.548) |
| Profit/sales | −0.0.401* (0.223) | −0.558*** (0.202) |
| Liquid assets/sales | 0.795*** (0.015) | 0.790*** (0.015) |
| Bank loans/sales | −0.056** (0.023) | −0.074*** (0.021) |
| Size | 1.375** (0.664) | 1.039 (0.782) |
| No. of observations | 11609 | 11609 |
| m1(p) | 0.377 | 0.352 |
| m2 (p) | 0. 661 | 0.128 |
| Hansen/Sargan | 0.997 | 0.998 |

Liquid assets have a positive and significant coeffi-cient in both the specifications. This again is contrary to what Petersen and Rajan [1] and Bougheas *et al.* [11] report. The coefficient of collateralizable assets turns out to be positive and significant at the 10 percent level in specification 1 and insignificant in specification 2. Size turns out to be positive and significant at 10 percent in specification 1 and insignificant in specification 2. This again is contrary to the general finding that large firms offer more trade credit.

As regards accounts payable the coefficient of inven-tories has a positive sign but is significant only at the 10 percent level in specification 1. When we bifurcate in-ventories both finished goods and raw material invento-ries have a positive and significant sign with the coeffi-cient of finished goods inventories being much larger. When firms pile up both types of inventories they take more trade credit. Trade credit is thus offered to firms who encounter a negative shock to sales. In this case too profits turn out to be negative and significant. This is contrary to what Bougheas *et al.* [11] find. More profit-able firms thus neither offer nor take more trade credit. Liquid assets have a positive and significant sign and this time this result in line with Bougheas *et al.* [11]. This turns out to be consistent with the Van Horne [26] view of a matching approach to finance. Moreover possession of liquid assets could signal an ability to pay back on time.

The coefficient of bank loans has a positive and sig-nificant sign. This is consistent with the Burkart and El-lingsen [19] view that bank credit and trade credit would be compliments for firms who are likely to face binding finance constraints. This again is contrary to Bougheas *et al.* [11] findings. Size does not turn out to be significant in any of the specifications.

Turning to results for net trade credit (accounts re-ceivable-accounts payable) the coefficient of total in-ventories is negative and significant at 5 percent. Once the inventories are bifurcated both finished goods and raw material inventories have a negative and significant coefficient. What is important is that the finished goods inventories have a much larger coefficient. Thus it is finished good inventories that are more influential in determining net

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trade credit given. The coefficients of profits and bank loans have a negative and significant sign while liquid assets have a positive and significant sign. Size turns out to be insignificant in both specifica-tions.

**Conclusions**

The empirical evidence presented suggests that in the Indian context strong evidence exists in support of an inventory management motive for offering trade credit. Firms attempt to increase sales and lower finished goods inventories by offering trade credit both on a gross and net basis. When inventories of finished goods and semi finished goods and raw materials rise firms tend to post-pone payments to their supplier and this shows up on their books of accounts as higher accounts payable. This is likely to help firms tide over negative shocks to sales. Thus trade credit in general can be seen to arise as a fi-nancial response to variable demand for their finished goods. Highly profitable firms are found to both give (on both net and gross basis) and receive less trade credit. There could be many underlying results for this finding. Firstly more profitable firms may not face a major prob-lem with respect to variability of demand for their prod-uct. The need to offer trade credit for inventory man-agement is thus smaller. Moreover the need to accept trade credit for such firms would also be lower, as in-ventories would rarely he high. Secondly, as argued by Burkart and Ellingsen [19], profitable but finance con-strained firms would prefer not to offer trade credit. The fact that the coefficients of profitability are negative, price discrimination does not seem to be a motive for the existence of trade credit in India.

Firm's holdings of liquid assets have a positive influ-ence on accounts receivable and accounts payable and net trade credit. Firms with greater access to bank credit offer less trade credit to their customers. Firms with more access to bank funds do not pass them on to their buyers as accounts receivable. On the other hand, firms with higher bank loans receive more trade credit. The empirical results on the determinants of trade credit in India are very different from those for advanced coun-tries.

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# Issues and Challenges of E-Commerce in Indian Perspective

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**Abstract:**

*History of E-commerce dates back to the invention of the very old notion of "Sell" and "buy" electricity, cables, computers, modems, and the internet. E-commerce became possible in 1991 when the internet was opened to commercial use. Since that date thousands of businesses have taken up residence at websites. E-commerce stands for electronic commerce. E-commerce is doing business online and electronically. This paper attempts to highlight the different challenges faced by e-commerce in India and to understand the essential growth factors required for e-commerce. This paper describes the uses, challenges and opportunities offered by E-commerce to business, Producers, Distributers and Customers.*

**Key Words:** E-Commerce, Challenges

**Introduction:** E-commerce stands for electronic commerce and pertains to trading in goods and services through the electronic medium. B2B, B2C, C2C and similar opportunity help consumer preferences and consumer markets developing electronic infrastructure for challenges of the future. E-commerce has revolutionized business, changing the shape of competition with internet (The NET), the computer communication network creating a e-commerce market place for consumers and business . With developments in the Internet and Web-based technologies, distinctions between traditional markets and the global electronic marketplace-such as business capital size, among others-are gradually being narrowed down. India is showing tremendous growth in the Ecommerce. The low cost of the PC and the growing use of the Internet is one of reasons for that. There is a growing awareness among the business community in India about the opportunities offered by ecommerce.

**Objectives of the study:**

1. To study the concept of E-Commerce and its Growth in Indian Market.
2. To discuss the challenges of E-Commerce in India.
3. To suggest remedies to overcome the challenges and barriers of E-Commerce in India.

**Methodology**: The data for the study have been collected through secondary sources. Various books, Journals, Articles and websites have been accessed to collect the information for study.

**Hypotheses:**

1. Growth of E-Commerce in India is less as compared to other developed countries in the world.
2. Lack of proper infrastructure and public awareness are major causes for slow growth of E-Commerce in India.

**Concept of E-Commerce:** The term e-commerce means the process of execution of commercial transactions electronically with the help of the leading technologies such as electronic data interchange and electronic funds transfer (EFT) which gave an opportunity for users to exchange business information and do electronic transactions. E-commerce refers to the paperless exchange of business information using electronic data interchange, electronic mail, electronic bulletin boards, electronic funds transfer, World Wide Web and other network based technologies. E-commerce not only automates manual processes and paper transactions, but also helps organizations move to a fully electronic environment and change the way they operate. The ability to use these technologies appeared in the late 1970s and allowed business companies and organizations to send commercial documentation electronically. Turban Lee at al defined Electronic commerce as "An emerging concept that describes the process of buying and selling or exchanging or products, services and information via computer networks including the internet."

The scope of E-Commerce can be understood by following diagram

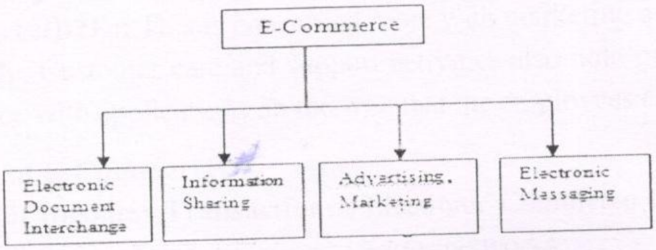


Figure 1: E-Commerce Workflow Diagram

Amazon is one of the first e-commerce businesses to establish an affiliate marketing program and nowadays the company gets about 40% of its sales from affiliates and third party sellers who list and sell goods on the web site. In 2008 Amazon penetrated into the cinema and is currently sponsoring the film "The Stolen Child" with 20th century Fox.

**E-Commerce Market Models:** E-commerce conducted between businesses differs from that carried out between a business and its consumers. There are five generally accepted types of E-commerce

**1.Business to Business (B2B):** Business to Business e-commerce facilitates interorganizational interaction and transaction. This type of e-commerce requires two or more business entities interacting with each other directly, or through an intermediary. The intermediaries in Business to Business e-commerce may be markets and directory service providers, who assist in matching buyers and sellers and striking a deal.

**2.Business to Consumer(B2C):** Business - to - Consumer (B2C) e-commerce offers consumers the capability to browse, select, and buy merchandise online, from a wider variety of sellers and at better prices. The two or more entities that interact with each other in this type of transaction involve one selling business and one consumer.

**3.Consumer - to Business(C2B):** Consumer - to - Business (C2B) can be described as a form of e-commerce where, the transaction, originated by the customer has a set of requirement specifications and specific price for a commodity, service or item. It is the responsibility of the e-commerce business entity to match the requirements of consumers to the best possible extent. C2B enables a consumer to determine the price of product and or service offered by a company.

**4.Consumer to Consumer(C2C):** C2C is the e-commerce activity that provides the opportunity for trading of products and / or services amongst consumers who are connected through the internet. In this category electronic tools and internet infrastructure are employed to support transactions between individuals.

**5.Business to Government (B2G):** It is a new trend in e-commerce. This type of e-commerce is used by the government departments to directly reach to the citizens by setting-up the websites. These websites have Government policies, rules and regulations related to the respective departments. Any citizen may interact with these websites to know the various details. This helps the people to know the facts without going to the respective department. This also saves time of the employees as well as citizens. The concept of Smart city has been evolved from B2G e-commerce.

**Business - to - Employee(B2E):** This is concerned more with marketing a corporation's internal process more efficiently. Customer care and support activities also hold ground the requirement is that are all self service with applications on the web that the employees can use themselves.

**Importance and Uses of E-Commerce:**

1. **Improvement of Business Transaction:** - Electronic Commerce endeavours to improve the execution of business transaction over various networks.
2. **Effective Performance:-** It leads to more effective performance i.e. better quality, greater customer satisfaction and better corporate decision making.
3. **Execution of Information:-**It enables the execution of information-laden transactions between two or more parties using inter connected networks. These networks can be a combination of "Plain old telephone system" (POTS), Cable TV, leased lines and wireless. Information based transactions are creating new ways of doing business and even new types of business.
4. **Incorporating Transaction:-**Electronic Commerce also incorporates transaction management, which organizes, routes, processes and tracks transactions. It also includes consumers making electronic payments and funds transfers.
5. **Greater Economic Efficiency:-** We may achieve greater economic efficiency i.e. lower cost and more rapid exchange i.e. high speed, accelerated, or real-time interaction with the help of electronic commerce
6. **Increasing of Revenue:-** Firm use technology to either lower operating costs or increase revenue. Electronic Commerce has the Potential to increase revenue by creating new markets for old products, creating new information-based products, and establishing new service delivery channels to better serve and interact with customers. The transaction management aspect of electronic commerce can also enable firms to reduce operating costs by enabling better coordination in the sales, production and distribution processes and to consolidate operations arid reduce overhead.

7. **Reduction of Friction:-** Electronic Commerce research and its associated implementations is to reduce the "friction" in on line transactions frictions is often described in economics as transaction cost. It can arise from inefficient market structures and inefficient combinations of the technological activities required to make a transaction. Ultimately, the reduction of friction in online commerce will enable smoother transaction between buyers, intermediaries and sellers.
8. **Facilitating for Organizational Model:-** It is facilitating an organizational model that is fundamentally different from the past. It is a control organization to the information based organization. The emerging forms of techno-organizational structure involve changes in managerial responsibilities, communication and information flows and work group structures

**Growth and Opportunities for E-Commerce in India:** Nowadays, the market place is swamped with several e-commerce options for shoppers to choose from. A variety of innovative products and services are being offered spoiling customers for choice. Online shopping is no more a privilege enjoyed by your friends and family living in the US or UK. Today, it is a reality in India. In the last couple of years, the growth of e-commerce industry in India has been phenomenal as more shoppers have started discovering the benefits of using this platform. There is enough scope for online businesses in the future if they understand the Indian shopper's psyche and cater to their needs.

Indian e-commerce industry has evolved over a period of time with innovations that have changed the rules of the game globally. Cash on delivery (COD) is one such example. In a country where credit card penetration is much lower than other developed markets and where e-commerce companies are still working hard to build trust among shoppers, introducing cash on delivery has been one of the key factors for the success of the segment. At present, COD is the preferred payment mode for close to 55-60% of all online transactions in the fashion and lifestyle segment in India. COD is here to stay owing to its convenience and its cultural affinity and will be a major part of payment mechanisms for at least the next four to five years. Executing COD efficiently and painlessly for the customer is critical to the success of any e-commerce player in the country. *Growing the base* Online shopping has seen a lot of traction in the last 12-18 months. India has almost 130 million online users at present, out of which as many as 10% are engaging in online transactions. The online user base is expected to cross 300 million in the next 2 – 3 years and a larger percentage of people are expected to transact online by 2018. This large base will provide vast scope for e-commerce businesses to establish themselves in India. *Growing opportunities* Cities beyond metros are in the limelight for all the good reasons. On an average, almost 50 – 55% of our business come from tier 2 and tier 3 cities and it can be believed that this ratio is similar across other E-Commerce companies in the country. The e-commerce industry is growing at a rapid pace and changing the dynamics of the retail industry. In the coming years, e-commerce is expected to contribute close to 8-10% of the total retail segment in

India. This growth is bound to continue provided e-commerce companies focus on innovating, building strong technology infrastructure and delivering the best customer experience.

**Challenges for E-Commerce in India:** Despite the advantages of e business in India, there are certain challenges to be faced which are as follows:

**1.Cash on delivery is the preferred payment mode:** Low credit card access and low trust in online transactions has led to cash on delivery being the preferred payment choice in India. Unlike electronic payments, manual cash collection is painstaking, risky, and expensive.

**2.Payment gateways have a high failure rate:** As if the preference for cash on delivery was not bad enough, Indian payment gateways have an unusually high failure rate by global standards. E-business companies using Indian payment gateways are losing out on business, as several customers do not attempt making payment again after a transaction fails.

**3.Indian customers return much of the commodities they purchase online:** E business in India has many first time buyers. This means that they have not yet made up their mind about what to expect from e-business websites. As a result, buyers sometimes fall prey to hard sell. But by the time the product is actually delivered, they reveal remorse and return the goods.

**4.Internet penetration is low:** Internet penetration in India is still a small fraction of what is there in a number of western countries. On top of that, the quality of connectivity is poor in several regions. But both these problems are on their last legs. The day is not far when connectivity issues would not feature in a list of challenges to e-business in India.

**5.Feature phones still rule the roost:** Though the total number of mobile phone users in India is very high, a significant majority still use feature phones, and not smart phones. As a result this consumer group is unable to make e-business purchases on the move. Though India is still a couple of years away from the scales tipping in favour of smart phones, the rapid downward spiral in the price of entry-level smart phones is an encouraging indication.

**6.Security Issues:** Fear of making online payment is a universal psychological factor of Indian customers. 60% of the users do not trust the web as payment channel. Web transaction takes place with credit card, but credit card itself is not safe. Anyone who can transfer the data of credit card on the web is not sure about the salesman identity. Buyer is also not sure that card is not used for malicious purpose which also causes big challenge for e-commerce in banking also.

**7.Less Awareness:** Indian customers are more comfortable in buying products comfortable. They tend to choose the product by touching the product directly. Majority of Indian rural population are unaware of internet and it uses. When it comes to ratio of internet consumers, scenario is not so admirable one. Very few are aware of the online corruption and fraud and thus darkness still exists. A reliable survey reveals that 50% of Indian online users are unaware of solution of online security.

**8.Lack of Infrastructure:** E-commerce infrastructure development is at its infancy stage in India. This unsatisfactory development is yet another major bottleneck for successful net business in India.

**9.Preferring Foreign Sites:** Online shoppers in India do not prefer Indian websites to a large extent and prefer US and other foreign websites. There are many reasons for this as they provide better selection, prices, stock, quality products, shipping, payment process security, customer service and wide variety of sites among other things.

**10.Internet for Small Business:** Another problem is that for major project, a large consumer product company needs profiling of customers who undertake transaction through e-commerce. E-commerce is still being dominated by large corporations. Small and medium sized business houses have to take advantage of everything on the net. Online shopping is clearly catching on with consumers and retailers need to keep pace with growing demands.

**Suggestions to overcome challenges:** In order to overcome the above challenges the following suggestions can be suggested for growth E-Commerce business in India.

1. Management should improve its knowledge about E -commerce process.
2. To give the training and information to customers for E -commerce process and operating an E - commerce site.
3. To give the quick online support to customers.
4. To develop employee's managements skills.
5. To improve the co-ordination of producers, dealers and customers.
6. To understand the customers proper behaviour, habits and expectations and then produce and develop the products

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# Practices of Talent Management Strategies With Reference to Institutes working for Blind People

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**Abstract:**
*The purpose of this paper is to developing effective Talent management strategies for Institutional competitive excellence in changing work environment. Talent is something, which is highly on demand. Eventually the term Talent management has become very much popular, especially in today's commercial world. Talent management is simply a process of recruitment of talents, developing the skills of existing workforce, promoting and retaining the Blind employees, attracting highly talented and rated Blind employees from other Institutes etc. Human resources department of each and every company practices talent management. Every Institute needs talented persons in different levels to enhance the efficiency of the Institutes. In this globalize era talented personals are having demand and are offered good remuneration. For discharging specific tasks talented and work ethic specialists are needed. In a competitive marketplace, talent management is a primary driver for Institutional success. Broadly defined, talent management is the implementation of integrated strategies or systems designed to increase workplace productivity by developing improved processes for attracting, developing, retaining and utilizing people with the required skills and aptitude to meet current and future business needs. Talent management is the science of using strategic HR to improve business value and to make it possible for companies and Institutions to reach their goals. Everything done to recruit, retain, develop, reward and make Blind people perform forms a part of talent management as well as strategic workforce planning.*

**Key Words:** A Competitive excellence, talent management strategy, workforce planning and leadership development etc.

**Introduction:** Talent is something, which is highly on demand. Eventually the term Talent management has become very much popular, especially in today's commercial world. Talent management is simply a process of recruitment of talents, developing the skills of existing workforce, promoting and retaining the blind employees, attracting highly talented and rated blind employees from other Institutes.

As a professional term, Talent Management recognized in late 1990s, which reflect as a process of emerging and developing the blind employees as a highly skillful worker for the Institutes. It empowers Institutes to promptly support, cultivate, inspire, and uphold a high-performance work force. It works with its few basic dimensions, which can be development, retaining, motivating, managing, empowering or transmuting. The ability to attract and retain talent is rapidly becoming one of the key issues for human resource managers and their Institutions across the country. Research by Antonucci and Fegley (2005 & 2006 respectively) shows that institutions are increasingly focusing on Talent Management. According to Leigh Branham, Vice President, consulting service at Right Management Consultants and author of the book, "Keeping People Who Keep You in Business", a talent is not rare and precious. Everyone has talent – too many to possibly name all. Talent is behavior; things we do more easily than the next person. We speak of "natural born talent" but those with a gift, knack, ability or flair for something can refine and develop that talent through experience. Talent, however, cannot be taught.

**Objectives of the paper:**

- To present a basic understanding of Talent management and why talent management strategy essential in Institution's.
- To examine the role of effective Talent management strategy in building Institutional

success.

- To present ways to Talent management strategy that can help Institutes to achieve competitive advantage.

**Research Methodology:**

This paper made an attempt to study based on secondary data which includes journals, books, articles, newspapers, websites etc.

**Talent management defined:** Talent management refers to the anticipation of required human capital for an institution and the planning to meet those needs. Talent management is the science of using strategic HR to improve business value and to make it possible for companies and institutions to reach their goals. Everything done to recruit, retain, develop, reward and make people perform forms a part of talent management as well as strategic workforce planning. A talent-management strategy needs to link to business strategy to make sense.

In the broadest sense, talent management has been described as "a deliberate and ongoing process that systematically identifies, assesses, develops and retains talent to meet current and future business needs and objectives." It is about putting the right people with the right skills in the right position at the right time. Talent management begins as soon as recruiters identify potential hires and continues throughout a person's tenure as an employee of the hiring institution.

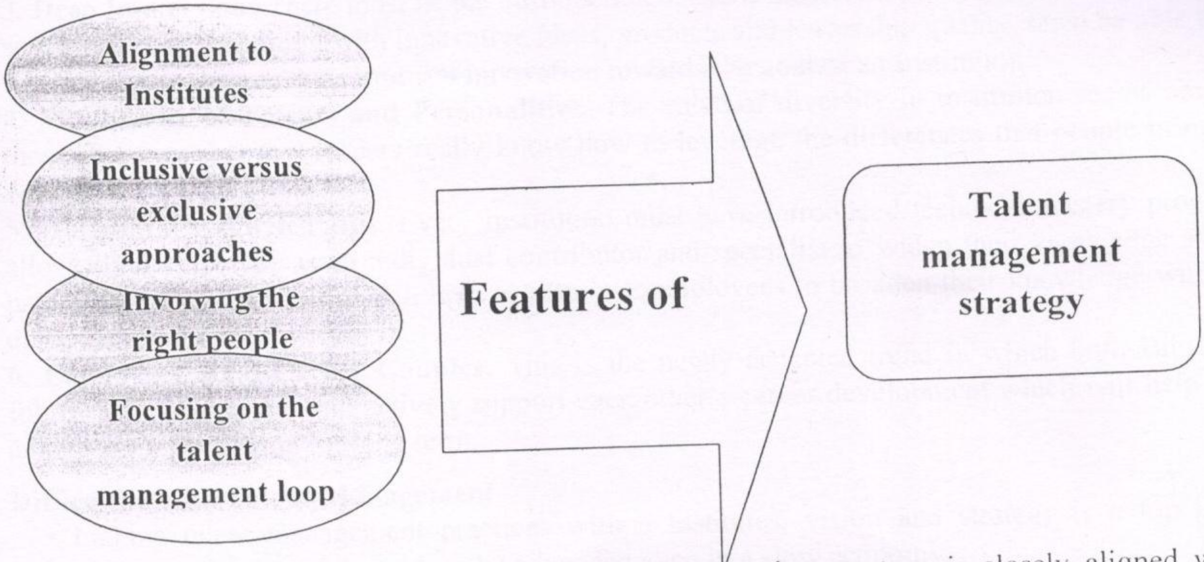
In a competitive marketplace, talent management is a primary driver for institutional success. Broadly defined, talent management is the implementation of integrated strategies or systems designed to increase workplace productivity by developing improved processes for attracting, developing, retaining and utilizing people with the required skills and aptitude to meet current and future business needs. Talent consists of those individuals who can make a difference to institution al performance, either through their immediate contribution or in the longer-term by demonstrating the highest levels of potential. Talent management is the systematic attraction, identification, development, engagement/ retention and deployment of those individuals who are of particular value to an institution , either in view of their 'high potential' for the future or because they are fulfilling business/operation-critical roles.

**Competitive advantage and Talent Management:** This term "Talent Management" is usually associated with competitive based management. Talent management decisions are often driven by a set Institutional core competitive as well as position-specific competencies. The competitive set may include knowledge, skills, experience, and personal traits. New techniques involve creating competitive architecture for the Institution that includes a competitive dictionary to hold the competition in order to build job descriptions.

**Need and Importance of talent management:**

- Leadership
- Fairness
- Strategy
- Comprehensiveness
- Recruitment and retention
- Getting the best of all employees
- Helps to deliver corporate objectives and plans
- Productive, committed working environment
- Succession planning.

**Features of a talent management strategy:**




**1. Alignment to Institutes strategy:** Ensuring that the talent strategy is closely aligned with the Institutes strategy must be a priority. In developing a talent strategy, both internal and external factors should be taken into account.

**2. Inclusive versus exclusive approaches:** Some Institutions adopt an inclusive approach to talent management creating a 'whole workforce' approach to engagement and talent development, while others develop a more exclusive focus segmenting talent according to need. Regardless of which approach Institutes adopt, fairness and consistency must be applied in all talent management processes.

**3. Involving the right people:** Careful consideration needs to be paid to involving the right stakeholders in the talent management strategy. Clearly, HR specialists have an important role to play in providing support and guidance in the design and development of approaches to talent management that will fit the needs of the Institution.

**4. Focusing on the talent management loop:** It is also important to focus attention on the four areas of the talent management loop that is:

- Attracting talent
- Developing talent
- Managing talent
- Tracking and evaluating talent management.

**Talent Management Practices:**

**1. Job Stretch and Mobility:** In order to provide constant escalation to its Blind employees, there must be the need of constant challenges, which enables them to regularly move around the Institution and to frequently take on new tasks and responsibilities.

**2. Mentoring:** It is one of the important practices of talent management, which helps in uplifting the overall progress of Blind employee, related to professional and personal front.

Self-determination and inspiration: Staff must always be given immense freedom to determine when, where, how and on what they work, especially the projects initiating the personal front, which will not only affect the quality of personal development but also speed up the working standard of an employee.

**3. Deep Immersion:** There must be the introduction of merit based recognition and indulgence process, so that the new generation with innovative ideas, products and leadership quality, must be able to come forward and contribute their fruit full innovation towards the goal of an Institution.

**4. Multiplicity of Talents and Personalities**: The value of diversity in Institution seems obvious to most observers, but few leaders really know how to leverage the differences that people bring to the workplace.

**5. Horizontal Growth Paths**: Every Institution must have introduced technical mastery programs to allow Blind employee as an individual contributor and specialist to widen their knowledge and to be paid and recognized for it, which help in empower employees to broaden their knowledge within their disciplines and jobs.

**6. Employing Dual-Career Couples:** This is the newly accepted trend in which both Blind people follow their own career and actively support each other's career development which will help them to adhere to the Institution for long term.

**Difficulties with Talent-Management**

- Linking talent management practices with a Institutes, vision and strategy is a top issue for managers and one, which needs to be advanced even in a slow economy.
- In order to meet the needs of the Institutions it is very tough to attract and retain sufficient Blind employees at all levels, as so many new Institutions are coming and if the talented Blind employees are not satisfied then they will try to find new options.
- One of the biggest threats to any Institution is to develop a strong leadership pipeline. Most of the Institution is facing biggest potential threats of lack of a robust talent pool from which to select future frontrunners. In today's nature it is very difficult to determine whether the individual have people skills, leadership capabilities and global diversity sensibilities which are required in today's competitor as compared to identify and assess the experts in a particular field and technicality knowledge. Thus for developing such broader skills in individuals Institutions are giving training to develop and groom its own leaders.
- The challenge of standardizing talent management practices and programs to attract and engage their young entrants is critically important for all Institutions and particularly so for Institutions that depend on a strong flow of top talent.

**Seven Keys to Effective Talent Management:**

- Develop an integrated, proactive talent management.
- Balance grassroots involvement in talent attraction and retention with management Accountability.
- Know the Institutions business environment and plans--the competitive climate
- Know what factors contribute to difficulties in attraction and retention.
- Keep various retention factors in balance, especially the mix of compensation and nonfinancial motivators.
- Track turnover
- Market the Institutions and its brand to current employees as vigorously as to the outside talent pool.

**Conclusion:** Proper Development and effective implementation of Talent management will make the institution more productive. Failures of Talent Management reflect misconnects of its concept, not the mismatch between the supplies and demand. The goal of Talent Management is to help the institution to achieve its overall objectives with surmount the talent shortages and obstacles, which can directly or indirectly help in burgeon the talent for the institution. Effective talent management calls for strong participatory leadership, institution al buy-in, employee engagement and workplace scorecards with talent management metrics. Companies that master talent management will be well-positioned for long-term growth in workforce performance for years to come.

Every employer needs to understand the importance of talent management and should develop a strategy to attract and retain the talent that the institution needs to succeed. institution s should use talent management technologies to view and set talent management roadmaps, but not rely on them to make talent management decisions, can gain a competitive advantage by actively engaging the core components of talent management– performance, compensation, and learning management; succession planning; and active collaboration with your social networking resources. Talent management is an ongoing journey or process, not a static business objective. Pressure from your competitors and rapid changes in the global marketplace will continually create change and demand your constant attention over the long-term.

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# A SWOT ANALYSIS AND RECENT FDI CONTROVERSY OF RETAIL SECTOR IN INDIA

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**Abstract:** *The retail sector is one of the leading industries globally. Retail industry in India is one of the sunrise sectors in the economy and has witnessed a revolution in terms of employment generation, contribution to GDP and Foreign Direct Investment. With the quantitative growth of FDI in the retail sector has been the centre of recent controversy. It experiences some paybacks, but obnoxious impact can also not be ignored. The paper attempts highlighting the brief SWOT analysis of retail sector in India and recent FDI controversy.*

Key words: *Retailing*, SWOT, FDI.

## INDIAN RETAILING: AN OVERVIEW

Retailing is the most important link between the manufacturer and ultimate consumer. It is the oldest profession of the world, performed by retailer who keeps the stock of producer's goods and sell them to individual consumer on profits. Indian retailing is very old concept and may be traced back to weekly markets and villages fairs which still dominate the scene. The retail trade contributes around 10-11 percent of India's GDP. There are large numbers of small retail enterprise in India. The retailing is divided into two sectors, organized and unorganized sector. In the organized sector, trading activities are undertaken by retailers who are having registration for sales tax and income tax like hypermarkets, supermarkets and discount stores. Unorganized sector involves traditional forms of low-cost retail, like local shops and general stores. The unorganized retailing accounts for 95.2 percent of the retail trade in India. Retailing in India in some centuries old and generally owner operated. Easy entry , low capital and infrastructural needs are its main reasons. This sector provides social security net for the huge unemployed population in India. There are more than 45 million family owned shops and they operate in almost all the segments. The Indian unorganized sector provides maximum employment opportunities compared to other nation. The Indian traditional sector accounts for 95.2% of total trade in comparison to 80% of China, 70% of Indonesia, 60% of Thailand, 45% of Malaysia, 19% of Taiwan, and 15% of U.S. The modern retail trade is still very low but this sector is changing significantly. The share of Indian modern retail in total trade is 4.8% as compared to China's 20% Indonesia's 30% Thailand's 40%, Malaysia's 55%, Taiwan's 81% and U.S.'s 85%

In India the organized retail is growing at a much faster rate presently accounting for 6% of overall sales. It is further expected that it will grow at a compounded annual growth rate of 35% by 2020.

## FDI – PRESENT POSITION

A foreign direct investor is an entity that has a direct investment enterprise operating in a country other than the economy of residence of foreign direct investor. The FIPB (Foreign Investment Promotion Board) is the responsible agency for approving foreign investment in to India. The present policy keep FDI restricted in the retail sector except in private labels, Hi-Tech

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items medical and diagnostic items sourced from Indian small sector and for 2 year test marketing (simultaneous commencement of investment in manufacturing facility required) FDI for virtually all items/activities can be brought in through the Automatic Route under powers delegated to the Reserve Bank of India (RBI), and for the remaining items/activities through Government approval. Government approvals are accorded on the recommendation of the Foreign Investment Promotion Board (FIPB)." At present foreign companies only allowed owning 10 percent of a business in the retail stores.

**INDIAN RETAIL SCENARIO**

India is one of the fastest growing retail markets in the world. Retail wave in India began in Mumbai metropolitan. Amongst the major forms of traditional Indian retail are weekly markets, bi-weekly markets, *melas*, local *kirana shops*, *pan / bidi* shops, *khadi bhandaar*, hand cart, pavement vendors, owner manned general stores, co-operative stores etc. and some modern formats such as shopping malls, big bazaar, hyper city, hyper-marts, retail chain, departmental stores such as shoppers stop, lifestyle, pantaloons, westside and trent, apparel stores, etc. are remarkable. Both organized and unorganized players in this sector collectively contribute 8% of total employment and 10% to GDP has been the greatest achievement. It is the largest employment generator (40 million) of the country. Amongst the key retail players Benetton, Landmark Lifestyle, Woolworths, Wal-mart, McDonalds, Metro AG, IKEA, Nike, Apple, Tesco, Carrefour, Metro, Marks and Spencer etc. are noteworthy. Some of the biggest Indian corporate houses like the Future Group, Raheja Group, Reliance, TATA's, Aditya Birla group, Bharti etc. have made massive investments in India's organized retail business.

**OBJECTIVE OF STUDY**

- To study the strength, weakness, opportunities and threats of retail business in India.
- To study whether FDI should be allowed in retail trade or not.
- To study the effects of FDI new retail business units on old business units.
- To understand the cut throat competition in retail business for survival.
- To understand employment opportunity and GDP growth.
- To study the policy of 51% of FDI in retailing.

**SWOT ANALYSIS**

**SWOT**

stands for strength, weaknesses, opportunities and threats. The present paper has highlighted SWOT of retail business in India to a limited extent.

**STRENGTHS**

Strength of retail sector in India is that retailing is a "technology-intensive" industry, in this front India is well in advance. India has the highest shop density in the world. It has second largest population in the world (121 crore: 2011 census) and a fast growing economy. Population density is relative high which creates huge business opportunities. Per capita income is showing exponential growth trend. India has a large domestic market with an increasing middle class and potential customers with purchasing power. The annual growth of departmental stores is estimated at 24%. Indian customer's tastes and demands for wide range of goods. There is availability of cheap labor for the retail business.

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**WEAKNESSES**

Retail sector in India suffers from limited access to capital, real estate options; low sales volume, retailers follow the low-cost-and-size format, lack of proper marketing, only cater to high-end urban consumers, small size outlets, pay high rentals, very urban-centric approach are some of the weaknesses.

**OPPORTUNITIES**

India is the largest consumer markets of the world and the agro-based mixed economy is gradually shifting to service-based economy. This investment friendly country is having huge untapped and potential market. India is the tenth most industrialized country in the world. It is easiest business to enter, with low capital and infrastructure in India. Organized retailing sales are growing at very high rate. Rural population explosion has created open ground to start ventures where retailers looking for new areas of growth. Indian retail sector is rated fifth most attractive retail market in the world. Indian retail industry is the most dynamic and fast paced industry which is still unexploited. It is one of the largest industries in terms of numbers of employee and quantity of business. The sector is growing more than GDP growth determined by changing lifestyles, rise in income and diverse demographic composition.

**THREATS**

Competition is intensified in this sector like never before and further boosted-up by government policy. Retail saturation in the developed country compelled them looking for penetrating emerging market like India and Indian born retailers are posing threats from them. Indian retail sector inherently lack shopping culture, target small segments of society, non-uniform tax system for organized retailing, inadequate infrastructure across the country, 100% FDI is not permitted, non-accessibility of foreign technologies, dominance of unorganized sector, relatively low retail productivity, higher T & D cost for employee are some of the remarkable threats for this sector. Organized retailing in India is yet to get an industry status.

**RECENT FDI CONTROVERSY**

FDI in retail deal may create trouble and dislocation for conventional supply chain. The panic of FDI in retail trade is that it may perhaps disrupt the livelihood of the underprivileged community engaged in this trade. Starting big markets or foreign-sponsored departmental outlets will not necessarily absorb them; rather they may try to establish the monopoly power in the country. However, many positive aspects are also there in favor of FDI in Indian retail service.

In the recent past government of India announced relaxation of some rules and the opening of retail market and approached for 51% FDI in retail sector. It sparked strong activism which forces the government to hold it till reaches a consensus. In January 2012, India approved reforms for single-brand stores welcoming anyone in the world to innovate in Indian retail market with 100% ownership, but imposed the requirement that the single brand retailer source 30% of its goods from India. Indian government continues the hold on retail reforms for multi-brand stores. In this connection there is a vital but debatable issues remain unsolved such as, should India allow 51% FDI in retail sector? Since there is no dearth of indigenous capital, what is the need for FDI? The entry of FDI in India's retail sector is inevitable for the economic development of the country directly and indirectly despite of many impediments experienced. This labor-intensive sector will generate huge employment opportunity in the country particularly in the rural areas. By 2013 the industry is expected to grow at a rate of 14%. Therefore, FDI in retail in India will have a much wider impact on the economy. To boost-up

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further quantitative growth in this sector FDI policy to be liberalized. In this connection following recommendations may be ensued for greater benefit.
Entry of foreign players must be done slowly but steadily and with social safeguards. Creation of infrastructure for retailing is the need of the hour. Indigenous credit availability for retail traders must be ensured. Government intervention in every retail segment is necessitated. There is need for change in taxation system that favors small retail businesses. Restructuring retail policy will be highly solicited. Retailing as an industry in India still has a long way to go.

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# Presumptive taxation under The Income Tax Act, 1961- An old provision in new avatar

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**ABSTRACT**

*Income tax is a tax on Income earned and received in India by the Assessee. Every person is liable to pay tax on the Income exceeding Rs.2,50,000/- Per annum.But many people does not pay a single rupee of Income tax , but they are ready to pay Indirect tax, like Vat,Octori, Service tax and Excise duty. To reduce the burden of payment of Tax , there are many reforms made by Indian Governments. One of them is presumptive taxation. The researcher has studied the provision of Income tax on presumptive Taxation applicable to Trading Business under section 44 AD of The Income Tax Act,1961.*

## Introduction and Meaning:-

Due to Liberalisation, Privatisation and Globalization (LPG) policy, there are tremendous changes in the operation of Business in India. After demonetization of Indian currency by The Honourable Prime Minster, Shri Narendra Modiji, has made many amendments in Income Tax sections and provisions.

The system of direct taxation in India has been in force since ancient times. One gets several directives in ancient texts which mention as to parameters of taxation as well as the procedure to be followed. Income Tax is a direct tax. It directly impact on income of the person or it is also called that “direct attack on the pocket of the person”. There are many provisions of taxation of Income. To give relief to small taxpayers from the tedious job of maintenance of books of account and from getting the accounts audited, the Income-tax Act has framed the presumptive taxation scheme under sections 44AD and section 44AE. Presumptive taxation is one of them. It was introduced during 1993 and which was subsequently revised in 1998 and also revised in 2009 and there are tremendous amendments in Budget 2016 and after demonetisation of Indian Currency.

Presumptive taxation is one of the methods for encouragement of voluntary compliance by small

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and medium sized tax payers. The administration and compliance cost of the Department of Income Tax is very low as compared to normal business Taxation. This method of taxation is very effective and reduces tax avoidance.

Section 44 AD is related with business of trading and Section 44 AE is related with Transport business. In this paper, the researcher has studied the provisions related with trading business under section 44 AD.

The term “presumptive" is used to indicate that there is a legal presumption that the taxpayer's income is not less than the amount resulting from application of the indirect method. It means assumed or deemed income. Presumptive tax is a tax on assumed or deemed income of the Taxpayers. The presumptive taxation can be used for any tax that is based on normal accounting record, such as Income tax, Value added Tax or sales tax, turnover tax etc.. But most commonly it is used for Income Tax. Various type of presumptive taxation method exists in different countries.

## Objectives:-

1) To know the provisions of presumptive Taxation under The Income Tax Act, 1961.
2) Understand the impact of the provisions on medium and small tax payers.
3) To study the changes made under this system up to the date..

## Research Methodology:-

The presumptive taxation scheme of section 44AD can be adopted by following persons: 1) Resident Individual 2) Resident Hindu Undivided Family 3) Resident Partnership Firm (not Limited Liability Partnership Firm)

This scheme is not applicable to the businesses of -

a) Commission and brokerage agent,
b) Broker,
c) Professional and consultants,
d) Advertising business and
e) Agency business.

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As per the Income-tax Act, a person engaged in business is required to maintain regular books of account and further, he has to get his accounts audited. To give relief to small taxpayers from this tedious work, the Income-tax Act has framed the presumptive taxation scheme under sections 44AD and 44AE. A person adopting the presumptive taxation scheme can declare income at a prescribed rate and, in turn, is relieved from tedious job of maintenance of books of account and also from getting the accounts audited.

The presumptive taxation scheme of section 44AD can be opted by the eligible persons, if the total turnover or gross receipts from the business do not exceed the limit of audit prescribed under section 44AB ( Rs. 1,00,00,000).From the financial year 2016-17, the limit is increased to Rs.2 Crores. In other words, if the total turnover or gross receipt of the business exceeds Rs. 1, 00, 00,000( Rs.2 Crores for F.Y.2016-17) then the scheme of section 44AD cannot be adopted.

For the purpose of computing taxable business income in the normal situation, the taxpayers have to maintain books of account of the business. Income will be computed on the basis of the information revealed in the books of account. In case of a person adopting the provisions of section 44AD, income will be computed on presumptive basis, i.e., @ 8% of the turnover or gross receipts of the eligible business for the year. In other words, in case of a person adopting the provisions of section 44AD, income will not be computed in normal manner as discussed earlier (i.e., Turnover less Expenses) but will be computed @ 8% of the turnover. Income at higher rate, i.e., higher than 8% can be declared if the actual income is higher than 8%. The presumptive income computed @ 8% is the final income and no further expenses will be allowed or disallowed. From F.Y.2016-17 in case of partnership business, deduction for remuneration, commission and interest is not allowed separately. It is assumed that all deduction has been taken by the partnership firm. After demonetisation of Indian currency, The Honourable Prime Minster, Shri Narendra Modiji, has made amendments to this section that, the trader and businessman doing cash less transactions , has to calculate the Income @6 % of the Turnover. It means the person making all transaction by bank (by cheque, debit card , credit card and swipe machine), can declare the Income @6% of the turnover.

Under the normal provisions of the Income-tax Act, taxable business income will be computed after allowing deduction in respect of expenses which are deductible as per the Income-tax Act and after disallowing expenses which are not deductible as per the Income-tax Act. In case of a person who is opting for the presumptive taxation scheme of section 44AD, the provisions of allowance/disallowances as provided for under the Income-tax Act will not apply and income computed at the presumptive rate of 8% will be the final taxable income of the business covered under the presumptive taxation scheme. In other words, the income computed @ 8% will be the final taxable income of the business covered under the presumptive taxation scheme and no further expenses will be allowed or disallowed. However, in case of a taxpayer, being a partnership firm, opting for the presumptive taxation scheme, from the income computed @ 8% of the turnover further deduction can be claimed on account of remuneration and interest paid to partners (computed as per the Income-tax Act, not allowed from A.Y.2017-18). While computing income as per the provisions of section 44AD, separate deduction on account of depreciation is not available. However, the written down value of any asset used in such business shall be calculated as if depreciation as per section 32 is claimed and has been actually allowed. No need to maintain books of account as prescribed under section 44AA.

Section 44AA deals with provisions relating to maintenance of books of account by a person engaged in business/profession. Thus, a person engaged in business/profession has to maintain books of account of his business/profession according to the provisions of section 44AA. In case of a person engaged in a business and opting for the presumptive taxation scheme of section 44AD, the provisions of section 44AA relating to maintenance of books of account will not apply. In other words, if a person adopts the provisions of section 44AD and declares income @ 8% of the turnover, then he is not required to maintain the books of account as provided for under section 44AA in respect of business covered under the presumptive taxation scheme of section 44AD. A person opting for the presumptive taxation scheme of section 44AD will not be liable to pay advance tax in respect of income from business covered under section 44AD.from F.Y.2016-17 advance payment of tax provision will be applicable.

## Advantages of the scheme:-

i) It is beneficial to Individual, HUF and partnership Trading Business.
ii) It is not necessary to maintain books of accounts.
iii) Income is declared at lower rate of 8% or 6% as may be applicable.
iv) The tax payer can change the scheme in any financial year.

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v) Low cost of Income tax compliance to the Tax payers.

vi) The compliance cost of the government is also very low as compared to normal method.

vii) There is less chance of scrutiny of income tax.

viii) Tax audit provisions are not applicable.

ix) Income tax return form is very easy; any body can fill and submit it.

x) The are more chances to increase the number of Tax payers by the Government.

## Suggestions:-

As the scheme is applicable to Individual, HUF and partnership Trading Business, following are the suggestions to taxpayers and The government.

a) The Income Tax return (ITR) filing form must be lesser pages or single page.
b) The rate of declaration of income is same to all business, there should be different rate for different type of business such as Individual retial traders and Whosale traders etc.
c) The tax payers should calculate the gross receipts or turnover in proper manner, otherwise more chances of scrutiny under Income Tax act.
d) The receipts and turnover should be matched under other laws applicable to the business.
e) The taxpayer should take proper guidance and understand the scheme.
f) The Government must provide the guidelines of treatment of capital receipts and expenditures.

## Conclusion:-

The scheme was introduced by the Government in 1993 and still it is applicable. It means the response to the scheme is very high. There fore from the Financial year 2016-17, it will be applicable to professionals also. But the rate of deceleration of income will be 50% and it will be very high. Even though there are certain drawbacks, the administration and compliance cost of the Government is very low. The scrutiny work and workload of the Government officers is reduced tremendously. The rate of Income declared under this scheme is also reduced to 6% of the turnover. There fore the scheme is successful in India.

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# A Study of Presumptive Taxation under Income Tax 1961-A case study of trading concerns in Pune and Pimpri Chinchwad area

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**ABSTRACT:**
*Taxes play a vital role in the development of the country. There are two types of taxes direct tax and Indirect tax. Income tax is a direct tax. It is imposed on income of the persons. There fore it plays very important role. Presumptive Tax is a one type of Income tax. It is calculated on the basis of turnover of the Assessee. The aim of this taxation is to increase tax base and increase in the number of tax payers. It also helps to the government to reduce compliance cost and administration cost. The researcher has studied the concept of presumptive taxation under The Income tax Act, 1961. The researcher has studied and found out how the presumptive tax provisions are tax friendly on various parameters to the Assessee.*

**Introduction:**
Government of India has to play an important role in all round development of society in the modern era. It has not only to perform its traditional functions (defence, maintenance of law and order) but also to undertake welfare and development activities such as health, education, sanitation, rural development, water supply etc. It has also to pay for its own administration. All these functions require huge public finance.
India is a developing country. Indian economy is based on agriculture which is dependent on monsoon. Due to the unpredictability of the monsoons agriculture suffered and slowly people started moving towards industrialization. Post independence, eradication of poverty was given utmost importance in the economic planning. But even after all the planning the country still faces the problem of poverty. For the economic growth and sustainability, India needs to concentrate more on education of the citizens and eradication of poverty. Indian economy is based on agriculture sector and service sector. The Government collects revenue by imposing different taxes and charges. Both the Central and State Governments collect charges and taxes from the public. The taxation structure in India is classified into two parts i.e. direct tax and indirect tax. Two different boards i.e. CBDT (Central Board of Direct Taxes) and CBIDT (Central Board of Indirect Taxes) help the Ministry of Finance to prepare tax laws and also to implement the tax laws regarding collection and administration of taxes from the people of India.
There are two types of taxes in India, known as Direct and Indirect Taxes. Direct taxes are those taxes in which the burden of payment of taxes is own the person who is liable to pay the Tax. But in case of Indirect taxes, the burden of payment of taxes goes to another Person so that, the Dealer is not required to pay taxes in case of indirect taxes. A direct tax includes Income Tax, Wealth Tax and Gift Tax. Indirect Taxes include Excise Duty, Custom Duty, Sales tax, Octori, Service tax, MVAT etc.
Income tax Act has introduced presumptive tax provisions in 2001. These provisions are applicable to small Trading and Transport concerns which have certain limit of turnover or receipt. As discussed in chapter I, different amendments have been introduced time to time by Finance Act.

**STATEMENT OF PROBLEM:**

The researcher wants to finding out the following things:

1. Provisions of presumptive taxation under the existing Income Tax Act, 1961 and different amendments.
2. Understanding the relevance, importance, significance of Presumptive Taxation Provisions for trading concerns under the Income Tax Act 1961.
3. Problems faced by assessees regarding Presumptive Taxation Procedure.

**NEED OF THE STUDY:**

This study examines the changes made under Presumptive Taxation under the Income Tax Act, so it is relevant to Trading business Assessees. Understanding the provisions of the Act the Assessees can figure out how to maximize tax efficiency in their effort to meet them. This study helps to guide the assessees how the law is tax friendly on various parameters and problems faced by the stakeholders. The study is also relevant to know the various approach of the Income Tax act, 1961 regarding presumptive tax provisions.

**OBJECTIVES OF THE STUDY:**

1. To study the provisions of Presumptive Taxation under the Income Tax Act 1961.
2. To understand the relevance and importance of Presumptive Taxation Provisions for trading concerns under the Income Tax Act 1961.
3. To study the provisions of maintenance of accounting system under the Presumptive Taxation Provisions.
4. To study the problems faced by Assessee regarding Presumptive Taxation Procedure.

**RESEARCH PREMISE and STATEMENT OF HYPOTHESES:**

The Presumptive Taxation is tax friendly and easy on following parameters and there are many problems faced by presumptive tax payers.

a) Procedures of assessment and tax collection
b) Maintenance of accounting System
c) Filing of the Income tax returns.

On the basis of research premise the statistical Statements of hypotheses are as follows:

**Hypothesis 1:**

**$H_1$:** There is a significant impact of presumptive taxation provision on tax planning

**Hypothesis 2:**

**$H_1$:** There is a significant impact of presumptive taxation provisions on maintenance of books of accounts

**Hypothesis 3:**

**$H_1$:** There is a significant difference in the opinion of respondents regarding friendliness and easiness of presumptive taxation provision

**Hypothesis 4:**

**$H_1$:** There is a significant difference in the problems and benefits faced by the assessees under presumptive taxation provisions

**Hypothesis 5:**

**$H_1$:** There is a significant difference in the opinion of respondents regarding presumptive taxation assessment and procedures

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**LIMITATIONS OF THE STUDY:**

The following are the limitations of the research study.

1. The study is restricted to Pune and Pimpri Chinchwad area only.
2. Only selective trading concerns are considered for the study.
3. Only those filing return under Section 44AD have been considered for the study

**RESEARCH METHODOLOGY:**

**a) Research Design:**

As per views of various experts and authors, analytical research, uses facts or information already available, and analyse them to make a critical evaluation of the material. While descriptive research, also known as statistical research, describes data and characteristics about the population or phenomenon being studied, descriptive research answers the questions i.e. who, what, where, when and how. Thus, on the basis of the above, researcher has used the tools which were appropriate for the study. This study is related to presumptive tax provisions. The following table no. 1 will explain the research design used for the study.

**Table No. 1: Research Design**

| Research Design | Research Methodology | Details |
|---|---|---|
| Type of Research | Descriptive Research | It is concerned with condition, practices, structures, differences, or relationships that exist, opinions held, processes that are going on or trends that are evident. |
| | Analytical Research | It involves the identification and interpretation of data already existing in documents, pictures and arte facts. |
| Nature of the Study | Quantitative Study | Focuses on measurement and proof, based on scientific approach |
| Data Collection Approach | i) Primary Data | Questionnaire Method, Formal and Informal Discussion |
| | ii) Secondary Data | Related Published Books, Magazine, News Paper Articles, Journals, Published Report Articles and Manuals, Related web sites |
| Interview Type | Formal and Informal interviews and discussions | Verbal questioning for gaining relevant information related to research study |

| | | |
|---|---|---|
| Measurement Technique | Questionnaire Design | **Questionnaire 1:** For Presumptive Tax Payers<br>**Opinion Survey:**<br>**Questionnaire 2:**For Tax Practitioners<br>**Questionnaire 3:**<br>For Office Bearers of Income Tax Department |
| Sampling | Population size | Population = 1880*<br>(Presumptive Tax Payers ) |
| | Sample Size | Presumptive tax payers<br>**Opinion Survey**Tax Practitioner<br>Office Bearers of Income Tax Department |
| Analysis of Data | Software, Statistical Tests and Statistical Tools | SPSS package used (Mean, Percentage Analysis) |
| Testing of Hypotheses | Statistical Tools | Correlation, Z test, Test of Reliability, Test of Normality |
| Presentation of Thesis | Software used | MS Word, MS Excel |

**[(Source: Field Work) (*Source: https://incometaxindiaefiling.gov.in/)**

**FINDINGS OF THE STUDY:**

The summary of major findings is based on the analysis, presentation and interpretation of data collected. The data for the research study was collected through questionnaire, interviews and formal and informal discussions. The important findings are presented below.

**1. Findings of Presumptive Tax Payers:**

1. Even though it is not compulsory to maintain the books of accounts 78.4 percent of the respondents always maintained their books of accounts.
2. The books of accounts of 58.4 percent of the presumptive tax payers were maintained by their chartered accountants.
3. The presumptive tax payers maintained cashbook (91.6 percent), ledger (92.2 percent), vouchers (77.8 percent), purchase book (99.4 percent) and sales book (97.5 percent). They did not maintain petty cash book (91.6 percent) and duplicate copies of bills (98.1 percent).
4. 85.4 percent of presumptive tax payers think that there is a high impact of PTP on maintenance of books of accounts and out of that 66.3 percent say that there is a very high impact.

5. The presumptive tax payers have strongly agreed that accounting is easier under PTP (80.9 percent), accounting under PTP isles time consuming (80.9 percent), document compliance is easier under PTP (80.6 percent) and maintenance of books of accounts is not compulsory under PTP (78.8 percent). The respondents have agreed that maintenance of detailed bills is not necessary (83.4 percent) and true profit is not disclosed due to PTP (79.1 percent).
6. Most of the respondents i.e. 97.5 percent file their income tax return regularly.
7. Around 3/5$^{th}$ of the respondents i.e. 58.8 percent file their return through chartered accountants.
8. Majority of the respondents i.e. 85 percent were only somewhat aware of the presumptive taxation provisions under the income tax act.
9. More than 3/5$^{th}$ of the respondents have been filing their IT return for a period of 3 to 6 years.
10. Majority of the respondents i.e. 93.8 percent were only somewhat aware of the due dates for filing of returns.
11. 96.9 percent of the respondents filed their IT return through electronic mode (online).
12. The respondents strongly agreed that the ITR form under PTP is simple and easy to fill (81.3 percent), submission of IT return under PTP is easy (80.9 percent) and the filing of IT return under PTP is annexure less (80.9 percent). But the respondents disagreed on the Statement that, the assesses do not have to depend on consultants for filing of return.
13. In more than3/5$^{th}$ of the cases i.e. 60.9 percent cases the chartered accountants do the work of payment of tax to the Government.
14. Regarding the payment of tax under PTP the respondents strongly agreed that due to PTP the amount of tax has reduced (80.9 percent), the procedure of payment of tax is simple and easy under PTP (89.1 percent) and calculation and payment of advance tax is not a compulsion under PTP (55.6 percent). The respondents strongly disagreed on the Statement that the Assessee can himself calculate the tax to be paid under PTP since it is easy to calculate (66.9 percent).
15. In majority of the cases i.e. 96.9 percent of the cases the respondents have not received any notice regarding scrutiny of the return filed under PTP.
16. Regarding the assessment and procedures under the PTP the respondents strongly agreed that the assessment of tax return under PTP is easier than normal assessment of tax under other procedures (80.9 percent), there are less scrutiny cases in the case of return filed under PTP when compared with other procedures (80.3 percent) and refund of tax is easier under PTP (79.7 percent).
17. With respect to the friendliness and easiness of PTP the respondents said that the maintenance of books of accounts under PTP is not at all difficult (83.4 percent), procedure of filing of return under PTP is not at all difficult (83.1percent), assessment procedures under PTP is not at all difficult (84.1 percent) and the interest provisions under PTP is also not at all difficult (72.8 percent). Also the respondents said that the payment of tax under PTP is not difficult (95.3percent). Overall it can be said that the PTP is friendly and easy.
18. The problems of the provisions for presumptive taxation are that the visits to the consultants and chartered accountants has not reduced due to PTP (59.4percent) and there is need for tax planning while filing return under PTP (81.3 percent). The benefits of provisions for presumptive taxation are that the consultancy fees has

reduced due to PTP since it is an uncomplicated process (83.4percent), there is an increase in the number of tax payers due to PTP (85.7 percent), tax evasion is easy under PTP (94.1 percent), the Government revenue from income tax has increased due to PTP (98.1 percent) and PTP is the best solution for the tax payers who come under the purview of PTP (98.7 percent).

**SUGGESTIONS and RECOMMENDATIONS:**

Any research study has its own findings. On the basis of findings certain conclusions are derived. The researcher has given some suggestions on basis of such findings, experiences and observations.

1. The rate of declaration of income must be different for different type of dealers for example wholesalers, retailers, labour contractors etc.
2. The concept of gross turnover in presumptive tax must be properly elaborated i.e. the inclusions and exclusions must be clearly specified.
3. The income tax return filing form under PTP must be in a single page format so that it will be easier for assessees to file their return.
4. The PTP should be applicable to all assessees except cooperative credit societies, housing societies, banks etc.
5. The consumer co-operative societies should be brought under the purview of PTP.
6. The scheme should also cover all Small Scale Industries and Small and Medium Enterprises registered with the District Industrial Centres.
7. Agriculture oriented businesses like poultry farming, goat farming, fish farming, pig farming, milk business etc. should also be covered under the scheme.
8. The Government must take steps to create more awareness regarding the provisions of Presumptive Taxation so that tax evasion and tax avoidance can be reduced. Also the rural assessees are not much aware of the PTP and hence the Government must take steps to ensure that the rural assessees are made aware of the presumptive taxation provisions.
9. The Government must take efforts to remind the presumptive tax payers about their obligation to pay their income tax through various types of media like radio, television, newspapers, internet, SMS on phones etc. The Government must also conduct workshops, seminars, programmes etc. to increase the public awareness regarding PTP at local, district, State and national levels.
10. As per the existing presumptive taxation provisions depreciation, purchases of goods, purchase of fixed assets, land and building etc. are not covered. Such inome and expenditure need to be included in the PTP.
11. The payment of advance tax under PTP should be made compulsory. As per the amendment made in the financial budget of 2016, the advance tax has been made compulsory with effect from the assessment year 2017-18.It should not be applicable.
12. In order to increase the tax coverage the Government must increase the coverage of PTP from the maximum income limit of 2 crores to 5 crores. In the past three –four years the Government has been taking steps to increase the number of tax payers. The PTP taxation system can help in improving the number of tax payers as well as the tax collections.
13. Under the PTP the maintenance of books of accounts is not compulsory. But with respect to the other taxes like service tax, VAT, excise etc. there is compulsion of maintaining books of accounts. There is no synchronization among the taxation provisions since one does not require maintenance of books of accounts while the

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other does require the maintenance of books of accounts. So invariably the assessee has to maintain the books of accounts. The Government must take steps to relieve the PTP assessees from the dilemma of whether to maintain the books of accounts of not. They can either make maintenance of books of accounts compulsory under PTP or relax the rule of maintenance of books of accounts under the other taxes.

14. The cost of maintenance of books of accounts should be allowed as expenditure under PTP.
15. Business invariably runs on loans. The assessees under the PTP do not require maintenance of books of accounts and hence they do not prepare PandL account and Balance Sheet etc. In such cases it becomes difficult for such assessees to avail loan facility from banks since the banks require the financial Statements in order to process the loans. Hence the Government must make provisions to provide loans based on the IT return filed by the assessees.
16. In order to increase the voluntary compliance no scrutiny should be imposed on the assessees filing return under PTP.
17. The Government should frame the policy of treatment of export turnover under the PTP scheme.
18. The PTP should not violate the principle of horizontal equality which means that the businesses of same characteristics need to be taxed similarly.
19. The proposed GST would be expected to expand the tax base and simplify the taxation system at all levels. The PTP compliance will increase the tax base in the GST regime.
20. The Government can appoint a commission agent to find out whether the PTP Assessee has filed his return or not.
21. The Government can also introduce amnesty scheme for small and medium tax payer under PTP. This will increase the tax collection.
22. The effective tax rate under PTP should be reduced so that the coverage of the PTP can be increased and indirectly the Government revenue will increase.
23. The provisions under Presumptive Taxation should be simplified in line with the other requirements of the act.
24. Effective administration and implementation of the act should be done.
25. The punishment for the tax evaders must be strengthened.
26. Promotional schemes should be introduced for those assessees who file their return under PTP regularly and sincerely.

**SCOPE FOR FURTHER RESEARCH:**

1. An industry wise study of the Presumptive Taxation Provisions and its impact can be done.
2. A separate study can be done with respect to section 44AE under PTP can be done.
3. The legal decisions and implications regarding PTP can be studied in detail.
4. It is possible to do further study of presumptive tax payers only Trading Business of single category like Automobile, electrical, Hardware, Medicals, Medicine etc.
5. Study of presumptive Tax payers like Civil Contractors, Labour Contractors etc.
6. Comparative study of Indian presumptive tax payers with any other country or countries in the world.
7. Study of presumptive Tax payers under Whosale category Business Only.
8. Study of presumptive Tax payers under Retail category Business Only.

9. Study of presumptive Tax payers Individuals, Partnership firms and HUF, in each category separately.
10. Study of presumptive Tax payers As Professionals like Doctors, Advocate, Chartered accounts, Cost accountants, Company secretary, architects, Engineers etc, in each category separately.( as amended by finance Act 2016)
11. Study of presumptive Tax payers As all types of transporters under section 44 AE of the Income Tax Act, 1961.
12. Study of presumptive Tax payers based on agriculture Business like Poultry farming, fish farming, Goat farming, Pig farming Nursery etc.
13. Study of presumptive tax payers under indirect taxes.

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# "A new way of Tax Planning of Income from house property under income Tax Act,1961."

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***ABSTRACT:*** *"Income tax is a tax on Income earned and received in India by the Assessee. Every person is liable to pay tax on the Income exceeding Rs.2,50,000/- Per annum.The Income can be received from various sources. Out of them , one source is house property income.Threre are many taxpayers is having this income. But do not show this income in the return of income. Also they do not make tax planning of this income. Under this article , the researcher has tried to find out the sources of house property income and its taxability and tax planning."*

## Introduction and Meaning:-

Income tax is called as direct tax. It directly impact on the income of the tax payer, therefore it is called as direct tax. Another thing is that, it is also not available as a deduction as a expenditure. India is following progressive system of taxation. There are many sources of Income. All these sources are aggregated in to five sources of income. It is called as heads of Income. There are five heads of income.

a) Income from salary
b) Income from House property.
c) Income from Business or Profession.
d) Income from capital Gain
e) Income from other sources.

Every person may earn income from one source or more than one soure.Threre fore , it is necessary to make tax planning of sources of income as well as tax payable. Under this article, the researcher has made tax planing of income from house property of individual person.

## Objectives:-

1) To know the provisions of Income from house property.
2) Understand the impact of the provisions of house property income..
3) Tax planning regarding Income from House property.

## Research Methodology:-

Income from house property is one of the sources of income and a way of tax panning as well as reduction of payment of taxes. Sections 22 to 25 of the income Tax Act, 1961, are related to Income from House property. House property includes a flat, house, bungalow and any structure having a roof.

Income from house property is taxable in the hands of its legal owner in whose name the property stands. Owner for this purpose means a person who can exercise the rights of the owner not on behalf of the owner but in his own right. A person entitled to receive income from a property in his own right is to be treated as its owner, even if no registered document is executed in his name.

The following three conditions must be satisfied before the income of the property can be taxed under the head *"Income from House Property"*:

1) The property must consist of buildings and lands appurtenant thereto;
2) The Assessee must be the owner of such house property;

3) The property may be used for any purpose, but it should not be used by the owner for the purpose of any business or profession carried on by him, the profit of which is chargeable to tax. If the property is used for own business or profession, it shall not be chargeable to tax. Ownership includes both free-hold and lease-hold rights and also includes deemed ownership

The annual value of property consisting of any building or lands appurtenant thereto of which the Assessee is the owner shall be subject to Income-tax under the head ***"Income from House Property"*** after claiming deduction under *Sec. 24*, provided such property or any portion of such property is not used by the Assessee for the purpose of any business or profession, carried on by him, the profits of which are chargeable to Income-tax.

It includes the following types of property.

a) Self occupied property( SOP)
b) Let out property (LOP)
c) Deemed to be let out property. (DLOP)
d) Property used for own business or profession.

## Self occupied property (SOP):

Income from self occupied property means any income from property used for residential purpose. Ts there is no income from this property, the income from this property is not taxable. No deductions of municipal taxes are available from this property. But to promote the citizens to purchase a house property, a deduction from this property is available i.e. interest on loan taken for purchase or construction. The amount of deduction is Rs.2 Lacs.

## Let out property (LOP)

It means the property which is given on rental basis is called as let out property. For this purpose gross annual value is calculated. As per the Act, the annual value is the value after deduction of Municipal taxes, if any, paid by the owner. But for the sake of convenience, the annual value may be determined in the following steps:

***Step I:*** Determine the gross annual value.

***Step II:*** From the gross annual value compared in Step I, deduct Municipal tax actually paid by the owner during the previous year.

The balance shall be the net annual value which, as per the Income-tax Act is the annual value. From the net annual value a deductions under section 24 is available.

**i) *Standard deductions:-*** From the net annual value computed, the Assessee shall be allowed a standard deduction of a sum equal to 30% of the net annual value.

**ii) *Interest on borrowed capital:-*** Where the property has been acquired, constructed, repaired, renewed or reconstructed with borrowed capital, the amount of any interest payable on such capital is allowed as a deduction.

The amount of interest payable yearly should be calculated separately and claimed as a deduction every year. It is immaterial whether the interest has been actually paid or not paid during the year. The maximum amount of deduction available for interest is Rs.2, 00,000/- each year.

**Interest attributable to the period prior to completion of construction:** It may so happen that money is borrowed earlier and acquisition or completion of construction takes place in any subsequent year. Meanwhile interest becomes payable. In such a case interest paid/payable for the period prior to the previous year in which the property is acquired/constructed will be aggregated and allowed in five successive financial years starting from the year in which the acquisition/construction was completed.

Interest will be aggregated from the date of borrowing till the end of the previous year prior to the previous year in which the house is completed and not till the date of completion of construction.

## Deemed to be let out property. (DLOP):

If there are more than one residential house, which are in the occupation of the owner for his residential purpose, then he may exercise an option to treat any one of the houses to be self-occupied. The other house(s) will be deemed to be let out and annual value of such house(s) will be determined as per ***Sec. 23(1)(a),*** i.e., the sum for which the property might reasonably be expected to be let out from year-to-year. The Assessee in this case, should exercise his option in such a manner that his taxable income is the minimum. Such option may changed from year-to-year. However, if the Assessee has a house property which consists of two or more residential units and all such units are self occupied, the annual value of the entire house property shall be taken as *nil* as there is only one house property, though it has more than one residential units.

## Tax planning:

When a person is having more than one house property and it is not given on rental basis, it is deemed to be let out property. From this property, I loan is taken, one can show the interest paid as a deduction deemed rent is shown as income and from this amount deductions can be claimed for interest on loan taken . so that the income will be lower. The tax payable will also be lower. Another way to reduce tax payable is to take a loan for let out property for longer period. So the amount of interest payable is higher .the income is as compared to interest will be lower. So it will show negative income. This negative income can also be setoff against any other income. So it will reduce the tax burden by purchasing as many as new properties on loan and showing it in the income tax return creates wealth of the Taxpayer.

## Advantages of the scheme:-

i) It is beneficial to Individual and HUF.
ii) It is not necessary to maintain books of accounts.
iii) These provisions are also applicable to a business man.
iv) The tax payer can change the method in the next year.
v) Low cost of Income tax compliance to the Tax payers.
vi) Tax audit provisions are not applicable.
vii) Tax planning reduces the loan burden and tax payments.

## Suggestions:-

As the provisions is applicable to Individual and, HUF, following are the suggestions to taxpayers and The government.

1) The Taxpayer can do tax planning as per the above provisions.
2) It helps to the government as the compliance will be increased.
3) It will reduce the burden of huge tax payments to the taxpayers
4) Every tax payers may own their own house by making proper planning.

## Conclusion:-

Income from house property plays a important role while calculating the total income. Tax planing helps tax payers to reduce tax burden and pay minimum taxes to the Government. Tax planning is a tool for reduction of taxes. Therefore while purchasing a house property or taking loan for house property it is required to make tax planning. So that additional burden of taxes can be reduced. Proper tax planning helps to the Assessee. Tax planning made for avoidance of payment of taxes kill the basic aim of taxes. Therefore perfect tax planning makes it easier for payment of taxes.

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# "IMPACT OF MEGA INTERNATIONAL TRADING BLOCS ON INDIA."

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**Abstract**
*"Trade blocs are the necessary for the future of trading business doing Imports and Exports. There is global change and a multilateral trading agreement involves significant proportion of global trade. India is developing country and therefore the potential impact of these trading agreements on India, and contends that Indian policymakers and businesses would need to factor them into their future plans. There are many advantages and disadvantages of the trade blocs on Indian trade. "*

**Introduction-**
A trade bloc is a trade agreement among governments that are typically within a shared geographical region. The agreement is entered into as a means of protecting member nations from excessive imports of non-member nations. For encouragement of trade among member countries, tariffs, taxes, and other trade barriers among them are often reduced or abolished. The most well-known examples of major trade blocs seen around the world today include the North American Free Trade Agreement (NAFTA), the Association of Southeast Asian Nations (ASEAN), the European Union (EU), the Southern Common Market (MERCOSUR), and the Southern African Development Community (SADC).

**Objectives-**
1) To know the meaning of trade blocs and types of trade blocs.
2) To know the possible impact of trade blocs on Indian trade.
3) To find out the advantages and disadvantages of the trade blocs on Indian Trade.

**Literature review -**
The Hanseatic League of the late 12th Century was one of the earliest documented trade blocs. It was implemented to protect the economic interests and political privileges of North European merchant associations. This trade bloc began to lose power in the late 16th Century due to increased trading of English, Roman, Dutch, and Ottoman Empire merchants. Its last formal meeting was in 1669 although it was not officially disbanded until 1871 with the creation of the German Empire. The existence of the German Empire was made possible by the implementation of a new trade bloc, the German Customs Union of 1834. The majority of the German states were members by 1866. This strong trade agreement led to the founding of the North German Confederation of 1867, which eventually became the German Empire in 1871. Other trade blocs did become prominent again until after World War II with the General Agreement on Tariffs and Trade (GATT) of 1948. This agreement originally had 23 member nations, and by 1994 it had grown to include 123 members. The GATT became the World Trade Organization in 1995. This trend toward trade blocs was seen in middle-income countries throughout the 1960's, 1970's, and after the fall of communism in the 1990's. By the end of the 20th Century, over half of the world's nations were members of some sort of a trade bloc agreement.

**Data Analysis- Global Change-**
An interesting transformation is taking place in the global trading environment with the emergence of mega-trading blocs – multilateral trading agreements involving significant

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proportions of global trade - which can change the way trade is conducted in the world. These huge trading blocs are coming up in parallel with the World Trade Organization (WTO). One such trading blocs is Doha Development Round which is, aimed at lowering trade barriers and assisting developing economies to leverage trade for development. However, given the divergent stance of nations depending on their development levels and domestic compulsions, international negotiations on the WTO platform have been protracted.

**Emerging mega-trading blocs-**

The Transatlantic Trade and Investment Partnership (TTIP) brings together two large trading entities of the world, the US and the European Union (EU), to negotiate an agreement on eliminating tariffs and lowering non-tariff barriers to trade and investment. The negotiations commenced in July 2013 and seven rounds of discussions have been held till September 2014. The two sides together constitute about half of the world's Gross Domestic Product (GDP) and 30% of world trade in goods and services. The US and the EU view this trade treaty as a way to kick-start their vulnerable economies and add about 2 million jobs.

The Transatlantic Pacific Partnership (TPP) negotiations, initiated in 2010, are being conducted among 12 countries on both sides of the Pacific. On one side of the Pacific are Australia, Brunei Darussalam, Japan, Malaysia, New Zealand, Singapore and Vietnam; on the other side are Canada, Chile, Mexico, Peru and the US. A fast-track negotiation process aims at completing the treaty this year. These countries account for around 38% of the world's GDP and 25% of global trade.

The third potential trading bloc is the Regional Comprehensive Economic Partnership (RCEP) comprising the Association of Southeast Asian Nations (ASEAN) plus Australia, China, India, Japan, Korea and New Zealand - involving 45% of the world population and a third of world GDP, and including two of the three largest economies in the world. Launched in November 2012, it is proposed to be concluded by 2015, but would probably be delayed.

**Implications on India-**

Although India is not included in the first two mega-trading blocs mentioned above, all of these will significantly impact India. While India has signed multiple free trade and economic partnership agreements, its track record in aligning its supply chains to these treaties has not been outstanding. In fact, in some cases, imports into India have increased faster than its exports. Moreover, the secondary reasons for the trade agreements – incentivizing domestic economic reforms and furthering globalization - have not been achieved as expected. So what should India look at vis-à-vis the mega trade blocs?

First, the rationale for these new trading blocs appears to be two-fold. To begin with, they seem to have been envisaged not as much for trade as for strategic purposes - for example, to strengthen the presence of US in Asia. Secondly, these trade negotiation platforms appear to replace the global trade negotiation platform - WTO, which is widely expected to involve significant delay or not adequately meet aspirations.However, we are seeing a new format in trading rules under the TPP and TTIP, which also include rules on investment. These are, now ,going beyond tariffs to encompass non-tariff issues such as environmental sustainability, technical standards, public procurement rules, labour standards, intellectual

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property etc. In some way, these are luxuries that are affordable by larger and more developed trading nations, but place a compliance burden on emerging economies such as India.

For India, trade diversion arising from the implementation of these mega-trading blocs may be considerable. It is likely that trade would shift to members of the trading blocs and exclude non-members. The TPP in particular includes several of India's proximate neighbours such as ASEAN members. The TTIP, on the other hand, may encourage India's top trading partners – US and EU - to look elsewhere for markets and sources of goods.As a result, there will be an impact of increased trade regulations that India, at this stage of development may not be able to comply with, given the large investments required. An elevated level of environmental and labour standards in the mega-trading blocs could pose a challenge for overall global trade . Consumer preferences in the US and EU – India's major markets - could shift towards the new regulations. The investment component in these mega blocs may also divert some funds that may have otherwise come to India.

However, the impact of these developments might not be all adverse for India. India as a member of RCEP has the opportunity to be part of a mega-trading bloc which is more aligned with its development status. The RCEP encompasses trade, investment and economic cooperation and involves the most dynamic and fast-growing Asian economies. If properly handled, this could prove to be a stabilizing bloc for global trade and the Asian region. India would need to ensure that the concerns of developing nations are met in the RCEP negotiations.

Secondly, India has a number of Free Trade Agreements (FTA) and economic cooperation agreements in place already and is working on several more. For example, our economic cooperation treaties with Japan, Malaysia and Singapore are showing results and will ensure that these countries would remain high on our trade and investment radar. Similarly, the ASEAN-India FTA is being upgraded to include investments and trade in services. Australia and New Zealand are working with India on FTA, and are also members of RCEP. Hence, the potential negative impact on India may be moderated through these agreements.

Third, India is a huge market for global goods and services and is likely to continue growing faster than most other markets for some time to come. It would be difficult for our trading partners to shift economic and commercial strategies away from India. In fact, given the investment opportunities arising across manufacturing, services and infrastructure, India would need to be included in the business strategies of multinational firms.

**What India should do-**

At the same time, Indian policymakers and businesses would need to factor in the mega-trading blocs into their future plans. For example, Indian companies would need to greatly raise their cost efficiency and productivity parameters through firm-level processes in quality management in order to enhance competitiveness on the global stage. A facilitative policy regime would be crucial to this endeavor. The new government must accelerate improvement in the climate for doing business with policies such as the Goods and Services Tax (GST),

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transparent resource allocation (for example, of resources like coal and land), efficient administrative procedures, and faster clearances, among others. The idea should be to infuse competitiveness into the system and minimize transaction costs. Bridging the infrastructure gap would be crucial to this effort.

Another critical policy would be to ensure that sufficient information is provided to Indian industry on emerging trade matters. Opportunities arising from these issues as well as changing standards and regulations need to be properly communicated to manufacturers and exporters so that they can institute response mechanisms well in time.

At the strategic level, the Indian government must examine how to reconfigure the mega-trading blocs to its advantage. One way of doing this is to continue exerting pressure on WTO to complete the Doha Development Round. In July 2014, India played a prominent role in raising the issue of permitted levels of public stockholdings of food grains due to which an agreement on trade facilitation (arrived at during the Bali Ministerial Meeting in December 2013) could not make progress. India should make an effort to arrive at a resolution to the current impasse.

Another way could be to work with other countries on moderating some of the norms pertaining to compliance and standards or, alternatively, seeking expertise and aid to meet such norms. The government should also work towards strengthening the export marketing effort in partnership with Indian industry.

**Advantages of Trade Blocs-**

Economists have identified five general advantages of establishing a trade bloc.

1) The benefits include competition, market efficiency, trade effects, economies of scale, and foreign direct investment.
2) Trade blocs unite several international markets, the manufacturers, producers, and other businesses within member countries are also brought closer together.
3) This puts them in direct competition with one another, which ultimately leads to increased efficiency as they each try to increase their profit margins. Because trade blocs eliminate trade barriers, previously expensive or unavailable products become available in new markets at affordable prices.
4) This changes consumer demand and behavior as most customers turn to the lowest priced goods (known as trade effects).
5) The manufacturers and businesses with the lowest prices are made more successful and able to increase production, resulting in market efficiency. As these economies become stronger, they encourage foreign direct investment.

**Disadvantages of Trade Blocs-**

Despite the inherent advantages of trade bloc agreements, they also have several disadvantages. 1) Many economists believe that regional trade blocs prohibit global economic growth. This is because they promote regionalism, undermining the objective of the World Trade Organization (WTO). The majority of the world's countries are members of the WTO.

2) Belonging to a trade bloc may effectively decrease a country's political autonomy. This is particularly true when the trade bloc expands to cover issues like immigration, human rights, and environmental protection.

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3) Small, local businesses are often put out of business when larger, international corporations are able to produce the same goods at lower costs.

**Conclusion-**

There is, definitely, some impact on Indian Trade of the Trade blocs. The Government should plan to make future trading policies. Indian Economy is agro based economy and it is totally depends on natural changes.

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# PROSPECTS MORE THAN PROBLEMS FOR ENTERING OF THE FDI IN INDIAN RETAIL SECTOR - A STUDY

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## INTRODUCTION

The Indian Retail Industry is the largest among all the industries, accounting for over 14 per cent of the country's GDP and around 8 per cent of the employment. The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. But all of them have not yet tasted success because of the heavy initial investments that are required to break even with other companies and compete with them. The Indian Retail Industry is gradually inching its way towards becoming the next boom industry. The total concept and idea of shopping has undergone an attention drawing change in terms of format and consumer buying behavior, ushering in a revolution in shopping in India.

Modern retailing has entered into the Retail market in India as is observed in the form of bustling shopping centers, multi-storied malls and the huge complexes that offer shopping, entertainment and food all under one roof. A large young working population with medium age of 24 years, nuclear families in urban areas, along with increasing workingwomen population and emerging opportunities in the services sector are going to be the key factors in the growth of the organized Retail sector in India.

Foreign Direct Investment (FDI) refers to capital inflows from abroad that is invested in or to enhance the production capacity of the economy. Foreign Investment in India is governed by the FDI policy announced by the Government of India and the provision of the Foreign Exchange Management Act (FEMA) 1999. The Reserve Bank of India ('RBI') in this regard had issued a notification, which contains the Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000. This notification has been amended from time to time.

The Ministry of Commerce and Industry, Government of India is the nodal agency for motoring and reviewing the FDI policy on continued basis and changes in sectoral policy/ sectoral equity cap. The FDI policy is notified through Press Notes by the Secretariat for Industrial Assistance (SIA), Department of Industrial Policy and Promotion (DIPP). The foreign investors are free to invest in India, except few sectors/activities, where prior approval from the RBI or Foreign Investment Promotion Board ('FIPB') would be required.

It will be prudent to look into Press Note 4 of 2006 issued by DIPP and consolidated FDI Policy issued in October 2010, which provide the sector specific guidelines for FDI with regard to the conduct of trading activities.

- FDI up to 100% for cash and carry wholesale trading and export trading allowed under the automatic route.
- FDI up to 51 % with prior Government approval (i.e. FIPB) for retail trade of 'Single Brand' products, subject to Press Note 3 (2006 Series)
- FDI is not permitted in Multi Brand Retailing in India.

Retailing is one of the worlds largest private industries. Liberalizations in FDI have caused a massive restructuring in retail industry. The benefit of FDI in retail industry superimposes its cost factors. Opening the retail industry to FDI will bring forth benefits in terms of advance employment, organized retail stores, availability of quality products at a better and cheaper price. It enables a country's product or service to enter into the global market. FDI will ensure better operations in production cycle and distribution. Due to economies of operation, production facilities will be available at a cheaper rate thereby resulting in availability of variety products to the ultimate consumers at a reasonable and lesser price. FDI enables transfer of skills and technology from overseas and develops the infrastructure of the domestic country. Greater managerial talent inflow from other countries is made possible. Domestic consumers will benefit getting great variety and quality products at all price points. FDI will provide necessary capital for setting up organized retail chain stores. It is a long-term investment because unlike equity capital, the physical capital invested in the domestic company is not easily liquidated.
Keeping in view the great importance of FDI in retail sector we propose to study on "Prospects more than Problems for entering the FDI in Indian Retail Sector - A Study". The main objective of the study is to explain the role of FDI for prospecting the Indian organized retail sector. The specific objectives are as under:

- To review the evolution of Retail Industry and its growth pattern in recent past.
- To apprise the FDI Policy in Indian Retail Sector and to examine the entry options for foreign players prior to FDI Policy in the country.
- To study the FDI in Single Brand and Multi Brand Retail Operations.
- To analyze the Prospects and Problems for entering FDI in Indian Retail Sector.
- To find out the possible suggestions on entry of FDI in Indian Retail Sector.

**Evolution of Retail Industry**

- The emergence of the neighborhood 'Kirana' stores catering to the convenience of the consumers.
- Era of government support for rural retail: Indigenous franchise model of store chains run by Khadi & Village Industries Commission.
- 1980s experienced slow change as India began to open up economy.
- Textiles sector with companies like Bombay Dyeing, Raymond's, S Kumar's and Grasim first saw the emergence of retail chains.
- Later Titan successfully created an organized retailing concept and established a series of showrooms for its premium watches.
- The latter half of the 1990s saw a fresh wave of entrants with a shift from Manufactures to Pure Retailers. For e.g. Food World, Subhiksha and Nilgiris in food and FMCG; Planet M and Music World in music; Crossword and Fountainhead in books.
- Post 1995 onwards saw an emergence of shopping centers, Mainly in urban areas, with facilities like car parking, Targeted to provide a complete estimation experience for all segments of society.
- Emergence of hyper and super markets trying to provide customer with 3 V's - Value, Variety and Volume.
- At year end of 2000 the size of the Indian organized retail industry is estimated at Rs. 13,000 crore.

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**Growth Pattern of Retail Industry in India**

The growth pattern in organized retailing and in the consumption made by the Indian population will follow a rising graph helping the newer businessmen to enter the India Retail Industry. In India the vast middle class and its almost untapped retail industry are the key attractive forces for global retail giants wanting to enter into newer markets, which in turn will help the India Retail Industry to grow faster. Indian retail is expected to grow 25 per cent annually. Modern retail in India could be worth US$ 175-200 billion by 2016. The Food Retail Industry in India dominates the shopping basket. The Mobile phone Retail Industry in India is already a US$ 16.7 billion business, growing at over 20 per cent per year. The future of the Indian Retail Industry looks promising with the growing of the market, with the government policies becoming more favorable and the emerging technologies facilitating operations.

Purchasing power of Indian urban consumer is growing and branded merchandise in categories like Apparels, Cosmetics, Shoes, Watches, Beverages, Food and even Jeweler, are slowly becoming lifestyle products that are widely accepted by the urban Indian consumer. Indian retailers need to advantage of this growth and aiming to grow, diversify and introduce new formats have to pay more attention to the brand building process. The emphasis here is on retail as a brand rather than retailers selling brands. The focus should be on branding the retail business itself.

**FDI Policy in Indian Retail Sector**

For those brands, which adopt the franchising route as a matter of policy, the current FDI Policy will not make any difference. They would have preferred that the Government liberalize rules for maximizing their royalty and franchise fees. They must still rely on innovative structuring of franchise arrangements to maximize their returns. Consumer durables such as LG and Samsung, which have exclusive franchisee owned stores are unlikely to shift from the preferred route in the right away.

For those companies, which choose to adopt the route of 51% partnership, they must tie up with a local partner. The key is finding a partner which is reliable and who can also teach a trick or two about the domestic market and the Indian consumer. Currently, the organized retail sector is dominated by the likes of large business groups, which decided to diversify into retail to cash in on the boom in the sector – corporatists such as Tata through its brand Westside, RPG Group through Food world, Pantaloon of the Raheja Group and Shopper's Stop. Do foreign investors look to tie up with an existing retailer or look to others not necessarily in the business but looking to diversify, as many business groups are doing?

An arrangement in the short to medium term may work wonders but what happens if the Government decides to further liberalize the regulations as it is currently contemplating? Will the foreign investor terminate the agreement with Indian partner and trade in market without him? Either way, the foreign investor must negotiate its joint venture agreements carefully, with an option for a buy-out of the Indian partner's share if and when regulations so permit. They must also be aware of the regulation which states that once a foreign company enters into a technical or financial collaboration with an Indian partner, it cannot enter into another joint venture with another Indian company or set up its own subsidiary in the 'same field' without the first partner's consent if the joint venture agreement does not provide for a 'conflict of interest' clause. In effect, it means that foreign brand owners must be extremely careful whom they choose as partners and the brand they introduce in India. The first brand could also be their last if they do not negotiate the strategic arrangement diligently.

The concern is that the Indian retail sector, particularly organized retail, is still under-developed and in a nascent stage and that, therefore, it is important that the domestic retail sector is allowed to grow and consolidate first, before opening this sector to foreign investors. Antagonists of FDI in retail sector oppose the same on various grounds, like:

- The entry of large global retailers such as Wal-Mart would kill local shops and millions of jobs, since the unorganized retail sector employs an enormous percentage of Indian population after the agriculture sector
- The global retailers would conspire and exercise monopolistic power to raise prices and monopolistic (big buying) power to reduce the prices received by the suppliers
- It would lead to asymmetrical growth in cities, causing discontent and social tension elsewhere.
- Hence, both the consumers and the suppliers would lose, while the profit margins of such retail chains would go up.

**Entry options for foreign players prior to FDI policy**

Although prior to Jan 24, 2006, FDI was not authorized in retailing, most general players had been operating in the country. Some of entrance routes used by them have been discussed in sum as below:

**1. Franchise agreements**

It is an easiest track to come in the Indian market. In franchising and commission agents' services, FDI (unless otherwise prohibited) is allowed with the approval of the Reserve Bank of India (RBI) under the Foreign Exchange Management Act. This is a most usual mode for entrance of quick food bondage opposite a world. Apart from quick food bondage identical to Pizza Hut, players such as Lacoste, Mango, Nike as good as Marks as good as Spencer, have entered Indian marketplace by this route.

**2. Cash And Carry Wholesale Trading**

100% FDI is allowed in wholesale trading, which involves building of a large distribution infrastructure to assist local manufacturers. The wholesaler deals only with smaller retailers and not Consumers. Metro AG of Germany was the first significant global player to enter India through this route.

**3. Strategic Licensing Agreements**

Some foreign brands give exclusive licenses and distribution rights to Indian companies. Through these rights, Indian companies can either sell it through their own stores, or enter into shop-in-shop arrangements or distribute the brands to franchisees. Mango, the Spanish apparel brand has entered India through this route with an agreement with Piramyd, Mumbai, SPAR entered into a similar agreement with Radhakrishna Foodlands Pvt. Ltd.

**4. Manufacturing and wholly owned subsidiaries**

The foreign brands such as Nike, Reebok, Adidas, etc. that have wholly-owned subsidiaries in manufacturing are treated as Indian companies andare, therefore, allowed to do retail. These companies have been authorized to sell products to Indian consumers by franchising, internal distributors, existent Indian retailers, own outlets, etc. For instance, Nike entered through an exclusive licensing agreement with Sierra Enterprises but now has a wholly owned subsidiary, Nike India Private Limited.

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FDI in Single Brand and Multi Brand Retail

The Government has not categorically defined the meaning of “Single Brand” anywhere neither in any of its circulars nor any notifications. In single-brand retail, FDI up to 51 per cent is allowed, subject to Foreign Investment Promotion Board (FIPB) approval and subject to the conditions mentioned in Press Note 3 are mentioned below:

- Only single brand products would be sold (i.e., retail of goods of multi-brand even if produced by the same manufacturer would not be allowed)
- Products should be sold under the same brand internationally
- Single-brand product retail would only cover products, which are branded during manufacturing, and
- Any addition to product categories to be sold under “single-brand” would require fresh approval from the government.

While the phrase ‘single brand’ has not been defined, it implies that foreign companies would be allowed to sell goods sold internationally under a ‘single brand’, viz., Reebok, Nokia, Adidas. Retailing of goods of multiple brands, even if the same manufacturer produced such products, would not be allowed. Going a step further, we examine the concept of ‘single brand’ and the associated conditions:

FDI in ‘Single brand’ retail implies that a retail store with foreign investment can only sell one brand. For example, if Adidas were to obtain permission to retail its flagship brand in India, those retail outlets could only sell products under the Adidas brand and not the Reebok brand, for which separate permission is required. If granted permission, Adidas could sell products under the Reebok brand in separate outlets.

Brands could be classified as products and multiple products, or could be manufacturer brands and own-label brands. Assume that a company owns two leading international brands in the footwear industry – say ‘A’ and ‘R’. If the corporate were to obtain permission to retail its brand in India with a local partner, it would need to specify which of the brands it would sell. A reading of the government release indicates that A and R would need separate approvals, separate legal entities, and may be even separate stores in which to operate in India. However, it should be noted that the retailers would be able to sell multiple products under the same brand, e.g., a product range under brand ‘A’ Further, it appears that the same joint venture partners could operate various brands, but under separate legal entities.

Now, taking an example of a large departmental grocery chain, prima facie it appears that it would not be able to enter India. These chains would, typically, source products and, thereafter, brand it under their private labels. Since the regulations require the products to be branded at the manufacturing stage, this model may not work. The regulations appear to discourage own-label products and appear to be tilted heavily towards the foreign manufacturer brands.

There is ambiguity in the interpretation of the term ‘single brand’. The existing policy does not clearly codify whether retailing of goods with sub-brands bunched under a major parent brand can be considered as single-brand retailing and, accordingly, eligible for 51 per cent FDI. Additionally, the question on whether co-branded goods (specifically branded as such at the time of manufacturing) would qualify as single brand retail trading remains unanswered.

The government has also not defined the term Multi Brand. FDI in Multi Brand retail implies that a retail store with a foreign investment can sell multiple brands less than one roof. In July 2010 Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce circulated

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a discussion paper on allowing FDI in multi-brand retail. The paper doesn't suggest any upper limit on FDI in multi-brand retail. If implemented, it would open the doors for global retail giants to enter and establish their footprints on the retail landscape of India. Opening up FDI in multi-brand retail will mean that global retailers including Wal-Mart, Carrefour and Tesco can open stores offering a range of household items and grocery directly to consumers in the same way as the ubiquitous '*kirana'* store.

Prospects for Entering FDI in Indian Retail Sector

The UPA government is keen to open up the Indian market for foreign investments despite opposition from other parties in Parliament. According to the government, the 51% foreign direct investment will benefit consumers and farmers, and will also aim at bringing down inflation, along with protecting the interests of small traders.

**Prospects related to consumers**

- The 51% FDI will accelerate retail market growth, providing more employment opportunities and creating competition in general is good for the market.
- Proper procurement and distribution system is fixed, how will the rest fall in place when the giant retailers enter our market.
- The 51% foreign direct investment (FDI) will obviously have a negative impact on small retailers, but it will benefit the consumers, as they will have wider choices at competitive prices.
- It will accelerate the retail market growth and provide more employment opportunities.
- Lot of money will flow out of the country and Indian companies are operating abroad and have successfully contributed to our economy.
- The bigger issue is that with benefits we might end up paying a price hence we must work on a reasonable solution.
- The big companies with huge investment capacity will buy goods at lesser rates and pass on big discounts to consumers.

**Prospects related to farmers**

- The farmers will be able to get better prices for their produce and storage facilities will improve.
- The elimination of the intermediate channels in the procurement process will lead to reduction of prices for consumers.
- It will teach the local retailers about real competition and help in insuring that they give better service to Indian consumers.
- FDI in retail will help farmers secure remunerative prices by eliminating exploitative middlemen.

Prospects related to Small and Medium Enterprises

- The regulation in the FDI Bill that 30% of the total procurement has to come from small and medium enterprises will benefit the domestic businesses.
- The policy is needed to protect the small and medium market channels from Chinese invasion.
- The government in near future can appoint a regulating body to monitor the retail sector just like other sectors.

- The kirana stores operate in a different environment catering to a certain set of customers and they will continue to find new ways to retain them.

Prospects related to Economic Growth

- The FDI Bill will definitely have a positive impact on the retail industry and the country by attracting more foreign investments.
- With big retail giants coming to India, it will surely improve our back-end storage and procurement process.
- Once these multi-chain retailers establish themselves, they will create infrastructure facilities, which will also propel the existing infrastructure.
- Huge investments in the retail sector will see gainful employment opportunities in agro-processing, sorting, marketing, logistics management and front-end retail.
- At least 10 million jobs will be created in the next three years in the retail sector.
- Foreign retail majors will ensure supply chain efficiencies.
- Policy mandates a minimum investment of $100 million with at least half the amount to be invested in back-end infrastructure, including cold chains, refrigeration, transportation, packing, sorting and processing. This is expected to considerably reduce post-harvest losses.
- This will have a salutary impact on food inflation from efficiencies in supply chain. This is also because food, which perishes due to inadequate infrastructure, will not be wasted.
- Sourcing of a minimum of 30% from Indian micro and small industry is mandatory. This will provide the scales to encourage domestic value addition and manufacturing, thereby creating a multiplier effect for employment, technology upgradation and income generation.
- A strong legal framework in the form of the Competition Commission is available to deal with any anti-competitive practices, including predatory pricing.
- In any case, organized retail through Indian corporates is permissible. Experience of the last decade shows small retailers have flourished in harmony with large outlets.

Problems for Entering FDI in Indian Retail Sector

- If 51% FDI is allowed in retail market, it will be a big trouble for the small shopkeepers and small retailers in the market.
- The big giants entering the market will surely impact the small storeowners and small local retailers will not be able to stand against the competition.
- Once these giant foreign retailers have monopoly, they will start exploiting the market.
- In the long run, it will not benefit the Indian economy.
- By attracting consumers and manufacturers, they will create their own monopoly in the market.
- Bringing in big foreign players will, no doubt, give direct competition to big domestic retail chains but small retailers will eventually get eliminated.
- Move will lead to large-scale job losses. International experience shows supermarkets invariably displace small retailers. Small retail has virtually been wiped out in developed countries like the US and in Europe.
- Global retail giants will resort to predatory pricing to create monopoly/oligopoly. This can result in essentials, including food supplies, being controlled by foreign organizations.
- International retail does not create additional markets, it merely displaces existing markets.

- Jobs in the manufacturing sector will be lost because structured international retail makes purchases internationally and not from domestic sources.
- Argument that only foreign players can create the supply chain for farm produce is bogus. International retail players have no role in building roads or generating power. They are only required to create storage facilities and cold chains. This could be done by governments in India.
- Comparison between India and China is misplaced. China is predominantly a manufacturing economy. It's the largest supplier to Wal-Mart and other international majors. It obviously cannot say no to these chains opening stores in China when it is a global supplier to them. India in contrast will lose both manufacturing and services jobs.

**Conclusions and Suggestions**

India remains one of the last frontiers of modern retailing. Conquering the retailing in India will be a challenge, given the problems of the supply chain and consumer readiness as well as the prodigious complexities of so vast a market. At Advantage India, we have set up a special cell to track the retailing Industry worldwide. We are also keenly following how the retailing is taking shape in India. We are bench marking the best practices in retailing and tailoring it to local needs and preferences. The following are the some of the causes for entering FDI in Indian Retail Sector:

- The government must properly discuss the pros and cons of allowing 51% FDI and have a law in place to control unfair competition.
- In principle, governments should not prevent anybody, Indian or foreign, from setting up any business unless there are very good reasons to do so. Hence, unless it can be shown that FDI in retail will do more harm than good for the economy, it should be allowed.
- Frankly, the jury is out on whether this is the case or not, with different studies claiming different findings. Big retail chains are actually going to hire a lot of people. So, in the short run, there will be a spurt in jobs. Eventually, there's likely to be a redistribution of jobs with some drying up (like that of middlemen) and some new ones sprouting up.
- Fears of small shopkeepers getting displaced are vastly exaggerated. When domestic majors were allowed to invest in retail, both supermarket chains and neighbourhood pop-and-mom stores coexisted. It's not going to be any different when FDI in retail is allowed. Who, after all, will give home delivery? The local kirana. Why would anyone shun them?
- The entry of retail big boys is likely to hot up competition, giving consumers a better deal, both in prices and choices. Mega retail chains need to keep price points low and attractive - that's the USP of their business. This is done by smart procurement and inventory management: Good practices from which Indian retail can also learn.
- The argument that farmers will suffer once global retail has developed a virtual monopoly is also weak. To begin with, it's very unlikely that global retail will ever become monopolies. Stores like Wal-Mart or Tesco are by definition few, on the outskirts of cities (to keep real estate costs low), and can't intrude into the territory of local kiranas. So, how will they gobble up the local guy?
- Farmers are getting a good deal right now. The fact is that farmers barely subsist while middlemen take the cream. Let's not get dreamy about this unequal relationship.

- FDI in Retails IT will good for consumer as well as current small honest shopkeeper. How will benefits for consumers:
  - It will give us good quality of food
  - Price will be competitive
  - We will get time to time good offers from them
  - Job market will go ups
  - Different kind of suppliers to get quick platform to introduce there products
  - Different kind of products under on roof available for customers
  - It will help to make new future branding
  - It will give you value of money
  - It will give family once in a month to go shopping together
  - It will give more logistics industry to be organized
- What would be benefit for current small honest shopkeepers?
  - Honest shopkeeper will do more business then nowadays business. After collapse of shopkeeper who is cheating with customer to give different some non-quality products
  - Honest shopkeeper will do clear business with help of current credit policy to the client. They are giving product on monthly payment basis which is impossible to get from Supermarket or hyper market
  - Honest shopkeeper will start supplying to super market because they have good deep buying power. They will be good supplier of supermarket or hypermarket
  - They will get rang of quality products
  - They will get help after full infrastructure reform in logistics
  - They will get more transaction with bank facility
  - They have full chance of growth
  - They have full chance of growth due less cost more profit
  - They will get more clear expansion plan may be next chain of supermarket
  - They will have chance to make there own brands

The Government will help Indian retailers to create a retail revolution by providing them with tools to cope up with challenges. The most interesting aspect of this retail revolution is how the Indian companies leapfrog retail evolution in India.

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# VOCATIONALISATION OF COMMERCE EDUCATION

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**Abstract**
*This paper critically analyses vocationalisation school education, higher education, secondary education and commerce education. The contribution of education depends upon the values it teaches and skills impart. Education will become the foundation stone of a sustainable society only if it succeeds in imparting necessary life skills. The achieved status of being educated is largely appreciated as mobility enabler in traditionally stratified societies like India.*

## Introduction

This continued from Vedic period to Rajput period and remained almost the same during the Muslim period. Vocational Courses, School Guidance Service would be necessary with Career Masters in Schools. The aptitude and interest of pupils should be taken as major factors for choice of vocations. So provision of educational and vocational guidance is essential in higher secondary schools. The Vocational guidance programme will enable students offering vocational courses to acquire competence of high order such that they can enter the world of work with examples for others.

The Vocational Courses provided in the 11 years higher secondary pattern have one major weakness that vocational content remain weak because the total time available is limited. But in the 10+2 pattern of higher secondary goes for a stable vocational courses. Agricultural Polytechnics at the post-matriculation level, Technical Institutions with higher secondary curricular for vocational education are predominantly terminal in character. School leavers at the secondary stage should be guided for stable vocations in life. An infrastructure should be provided for carrying on planning administration and supervision of the programmes of vocationalisation of education.

Vocational Education (VE), introducing job market oriented courses, making education and training flexible, and developing industry institute linkages. In developed countries VE is used as an effective tool to control Unemployment and Poverty, especially in countries where VE is made an integral part of their general education the VE has played pivotal role in their economic growth. Thus for increasing employability of youth, there is a need of the our that vocational training will be made integral part of general education.

## Objective

This paper tries to resolve some of the issues related to vocational education, vocationalisation of education, skill development, focusing on the needs of Indian population and the challenges it is facing.

## Education

Education in its general sense is a form of learning in which knowledge, skills, and habits of a group of people are transferred from one generation to the next through teaching, training, research, or simply through auto didacticism. Generally, it occurs through any experience that has a formative effect on the way one thinks, feels, or acts Education as the process of educating or teaching. Educate is further defined as "to develop the knowledge, skill, or character of..." Thus, from these definitions, we might assume that the purpose of education is to develop the knowledge, skill, or character of students. Unfortunately, this definition offers little unless we further define words such as develop, knowledge, and character.

**Vocational Education**

Vocatinal education is a form of education focused on direct and practical training for a specific trade or craft. Vocational education may come in the form of an apprenticeship or internship as well as institutions teaching courses such, as carpentry, agriculture, engineering,
medicine etc. Vocational education is an education that prepares trainees for jobs or careers at various levels from a trade to a craft or a position in engineering, accountancy, nursing, medicine, and other healing arts, architecture, pharmacy, law etc. Vocational education may be classified as teaching procedural knowledge. This can be contrasted with declarative knowledge, as used in education in a usually broader scientific field, which might concentrate on theory and abstract conceptual knowledge, characteristic of tertiary education. Vocational education can be at the secondary, post-secondary level, further education level and can interact with the apprenticeship system. Increasingly, vocational education can be recognized in terms of recognition of prior learning and partial academic credit towards tertiary education

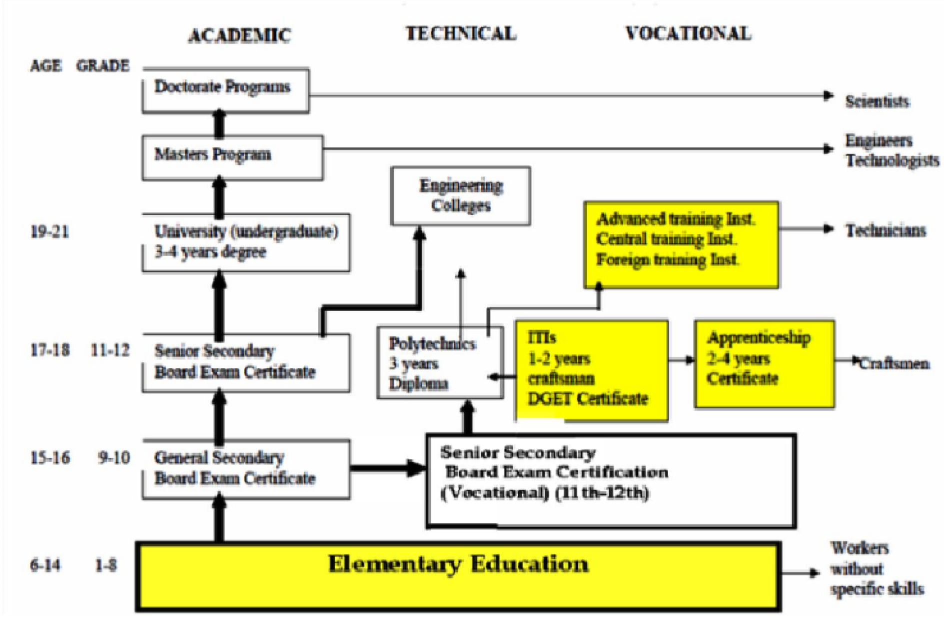
**Vocationalization**

Vocationalisation of education is not synonymous to vocational education. Vocationalisation does not refer to providing vocational training to pupils after completion of certain school level courses in a specific stream. Vocationalisation refers to increasing the vocation oriented skills and components of all education for all students. This is what Mahatma Gandhi intended in his *'Nai Talim'* (New Education) system; this is what was recommended by the Kothari Commission report through 'work experience' and 'Socially Useful Productive Work'. The aim of vocationalisation of education is to give the pupil the skills and confidence that he can make and build things, that he can act on his ideas and that he can acquire many more abilities through his own effort. This is the capability to act and propel him forward.

Both 'vocational education' and 'vocationalisation of all education' will involve skills development. Whereas in vocationalisation, the skills development is intended to build the capability to act in a variety of real life situations, the vocational education gives skills for a specific vocation under well-defined limitations. Without the general skills development, the specific skill cannot help him to survive in the competition that is life. Therefore vocational education can only be useful on a base of general skills development.

**Education System in India**

The structure of current education system can be described as below:-




Education in India at present has become the Fundamental Right of every citizen in India. Since its commencement in the ancient days, education has travelled through a long way. Gradually a time had come that enunciated the need for a developing Structure of Indian Education. This made Indian Education to be categorized into four stages: Pre-primary Education, Primary education, Secondary education and Tertiary education. The Preprimary level is usually composed of Lower Kindergarten and Upper Kindergarten, where primary reading and writing skills are developed. Primary school includes children of ages six to eleven. The secondary Education fulfills the requirement of schools providing education in the rural areas. These schools usually either follow the State or national curriculum. Tertiary education becomes synonymous in technical education.

Among the extensive Structure of Indian Education, Pre-primary Education forms the very basis of learning. A very low percentage of children receive preschool education facilities. Kindergartens facilities are provided and in these there are two stages - lower kindergarten (LKG) and upper kindergarten (UKG). The education pattern of this stage to help the students gets accustomed with reading and developing a writing skill. In rural areas preprimary education in imparted free of cost. After finishing upper kindergarten, a child enters Class one of primary school. Kindergartens are considered an integral part of regular schools. In the primary level students form an idea of their own of the different subjects. According to the Structure of Indian Education, this education system is made available to all citizens of the country. Furthermore, in the 86th Constitutional Amendment Act was passed by the parliament to make the Right to Elementary Education a fundamental right and a fundamental duty. Primary education also involves maximum enrollment of girls. Secondary education follows just after primary education. It is one of the considerable main structures of Indian Education. Secondary education is generally the final stage of compulsory education. Secondary education is the next stage after the compulsory, comprehensive primary education for minors to the optional and selective higher education. In the secondary level called secondary schools are termed as high schools, gymnasia, middle schools, colleges, vocational schools and preparatory schools. The purpose of secondary education is to provide common knowledge, to prepare the students for higher education or vocational education and offer training for profession.

The final level of the Structure of Indian Education is Tertiary education. Tertiary education is referred as the third stage and post-secondary education. Students undergo through this education after the completion of a school providing a secondary education. Colleges, universities, institutes of technology and polytechnics are the main institutions that provide tertiary education for. The introduction of Indian Education Structure has made the educational system more organised and help in imparting proper and systematic training.

In India, skill acquisition takes place through two basic structural streams – a small formal one and a large informal one. Details of major formal sources are listed in table below:

| Type of Source | Institute | Capacity | Quantity |
|---|---|---|---|
| Mainstream education system | Centrally Sponsored Scheme of Vocationalisation of Secondary Education run by the Ministry of Human Resource Development | Enrolling less than three per cent of students at the upper secondary level | 9,583 schools offering about 150 educational courses of two years duration |
| Training institutions outside the school and university systems | Industrial Training Institutes (ITIs) and Industrial Training Centres (ITCs) | Total seating capacity of 7.85 lakh | 5488 public (ITI) and private (ITC) institutions imparting VET, of which 1922 are ITIs and 3566 are ITCs. |
| Diploma level | Polytechnics | 1,244 polytechnics run by MHRD with a capacity of over 2.95 lakhs | 1,747 AICTE approved diploma programs with 294,370 seats |

Status of Vocational Training received: The World Bank report of 2006, shows that among persons of age 15-29 only about 2 per cent reported to have received formal vocational training and another 8 per cent reported to have received non formal vocational training. The proportion of persons (15-29 years) who received formal vocational training was the highest among the unemployed. The proportion was around 3 per cent for the employed, 11 percent for the unemployed and 2 per cent for persons not in the labour force.

**Secondary Education**

Secondary Education in India serves as a bridge between the primary and higher education. Secondary education is mainly aimed at preparing the young students between the age group 14-18 for the world of work and entry into higher education. In India, the Secondary Education starts from the classes 9-10 and leads a student to the higher secondary classes 11 and 12. The Central Board for Secondary Education (CBSE) is in charge of all kinds of activities regarding
secondary education in India.

There are several institutions that provide secondary education in India and the institutions include both the government and private schools. Generally, the schools follow either the State or the National Curriculum for providing secondary education to the students. Some of the top class schools in India also offer an alternative international qualification like the IB programme or the A Levels. The secondary education is provided in almost all the villages and towns in India, through the schools, having a secondary status. The government of India has already taken many steps to attract the students of the primary level to continue their study in the secondary level also. Apart from the Central government, the State Board of Education of the Indian states is also playing their roles in spreading secondary education in their respective states.

**Higher Education**

Higher education is popularly taken to mean education that is imparted in Colleges under Universities. Its external test is the possession of a degree. Its intrinsic quality is the possession of a distinctive attitude to life based on intellectualism. Post Independence, history of higher education in India went through phases of rapid expansion. The number of universities in the country leapt from 25 in 1947 to 348 in 2005. Enrollment rose from 0.1 million in 1947 to 10.5 million in 2005. In present times, the country`s higher educational institutions have an enrolment of 10.5 million students and turn out 2.5 million each year. Approximately 45 per cent of the students pursue degrees in the arts, 20 per cent in sciences and 18 per cent in commerce. The remaining 17 per cent are enrolled into professional courses like law and medicine. The sheer numbers may seem enormous, but that appears pretty small for a country of India`s size.

**Conclusion**

We cannot meet the challenge of an advanced civilization with the outmoded ideas of a feudal age. Our responsibilities today are infinitely greater than what our fathers had to shoulder. This function can be fulfilled only by a higher standard of education.

It is, therefore, a very narrow outlook that judges higher education by immediate material value. The purpose of education is to make one a citizen of the whole world and a leader of the society.

Therefore, it is imperative to organize national education on a high level of efficiency. The foundation of national Universities and institutions (deemed as universities) national laboratories, national academies of art and culture are steps in the right direction. The Universities must prepare our students to play the leading role in building the nation, to fulfill its many-sided functions in the service of humanity.

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# An Analytical study of Foreign Direct Investment In Indian Retail Sector

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**Introduction**

As per the current regulatory regime, retail traiding except under single-brand product retailing- FDI up to 51%, under the government route is prohibited in India. Simply put, for a company to able to get foreign fundings, products sold by it to the general public should only be of a 'single-brand', this condition being addition to a few other conditions to be adhered to. That explains why we do not have a Harrods in Delhi. India being a signatory to WTO's General Agreement on Trade in Services, which include wholesale and retailing services, had to open up the retail trade sector to foreign investment. There were initial reservations towards opening up of retail sector arising from fear of job losses, procurement from international market, compitition and loss of interpreneurials opportunities. However, the government in series of moves has opened up the retail sector slowly to Foreign Direct Investment. In 1997, FDI in cash and carry with 100% ownership was allowed under the government approved route. It was brought under the automatic route in 2006. 51% investment in a single brand retail outlet was aslo permitted in 2006. FDI in Multi-Brand retailing is prohibited in India.

**Definition of Retail-**

The High Court of Delhi (2004) defined the term 'retail' as a sale for final consumption in contrast to a sale for further sale or processing i.e. wholesale. A sale to the altimate consumer. Thus, retailing can be said to be the interface between the producer and the individual consumer buying for personal consumption. A retailor is involved act of selling goods to the individual customer at a margin of profits.

The Indian retail sector is highly fragamented with 97% of its business being run by the unorganized retailors. The organized retailor however is at a very nascent stage. The sector is largest source of employment after agricultural and has deep pentration into rural india generating more than 10% of india's GDP.

**FDI Policy to Retailing in India**

It will be prudent to look into press note 4 of 2006 issued by DIPP and consolidated FDI policy issued in October 2010 which provide the sector specific guidelines for FDI with regard to the conduct of traiding activities.

- FDI up to 100% for cash and carry wholesale and export traiding allowed under the automatic route.
- FDI up to 51% with prior government approval for retail trade of single brand products.
- FDI is not permitted in Multi Brand Retailing in India.

**Entry Options for Foreigners prior to FDI-**

FDI was not authorised in retailing, most general players had been operating in the country. Some of the entrance routes used by them have been discussed as below-

1. It is an easiest track to come in the indian market. In franchising and commision agents services, FDI is allowed with approval of RBI under the Foreign Exchange Management Act. This is most usual mode for entrance of quick food bondage opposite a world.
2. 100% FDI is allowed wholesale traiding which involves buildings of large

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distribution infrastructure to assist local manufacturers. The wholesaler deals only with smaller retailors and not consumers.

3. Some foreign brands give exclusive licences and distribution rights to Indian companies. Through these rights, Indian companies can either sale it through there own stores or enter into shop-in-shop arrangements or distributes the brands to franchisees.
4. The foreign brand such as Nike, Reebok, Adidas etc that have wholly-owned subsidaries in manufacturing are treated as Indian companies and are, therefore allowed to do retail.

**FDI in Single Brand Retail-**

In single-brand retail, FDI up to 51% is allowed subject to Foreign Investment Promotion Board approval and subject to the conditions mentioned-

i. Only single-brand products will be sold
ii. Products should be sold under the same brand internationally.
iii. Single-brand product retail would only cover products which are branded during manufacturing.
iv. Any condition categories to be sold under "single-brand" would require fresh approval from the government.

While the phase 'single-brand' has not been defined, it implies that foreign companies will be allowed to sale goods internationally under a 'single-brand', viz., Reebok, Nokia, Adidas. Retailing of goods of multiple brands, even if such products were produced by the same manufacturer will not allowed. FDI in single-brand retail implies that a retail store with foreign investment can only sell one brand.

**FDI in Multi Brand Retail-**

The government has also not defined the term Multi Brand. FDI in multi brand retail implies that a retail store with a foreign investment can sale multiple brands under one roof. In July 2010 department of IPP, Ministery of Commerce circulated a discussion paper on allowing FDI in multi brand retail. The paper does not suggest any upper limit on FDI in multi brand retail. If implimented, it would open the doors for global retail giants to enter and establish their footprints on the retail landscope of India.

**Concerns for the Government for only Partially Allowing FDI in Retail Sector-**

A number of concerns were expressed with regard to partial opening the retail sector for FDI. The Hon'ble Department Related Parliamentary Standing Committee on Commerce in its 90th Report, on 'Foreign and Domestic Investment in Retail Sector', laid in the Lok Sabha and the Rajya Sabha on 8th June 2009, had made an in depth study on the subject and identified a number of issues related to FDI in retail sector. It includes- it would lead to unfair compitition and altimately result in large scale exit of domestic retailers, especially the small family managed outlets, leading to large scale displacement of persons employed in the retail sector.

Another concern is that the Indian retail sector, particularly organized retail, is still under developed and in a nascent stage and that, therefore it is important that retail sector is allowed to grow and consolidate first, before opening this sector to foreign investors.

Antagonists of FDI in retail sector oppose the same on various grounds, like that the entry of large global retailers such as Wal-Mart would kill local shops and millions of jobs, since the unorganized retail sector employs an enormous percentage of Indian population after the agricultural sector. Secondly that the global retailers would conspire an exercise monopolistic power to raise prices and to reduce the prices received by the suppliers. Thirdly, it would lead to asymmetrical growth in cities, causing discontent and social tension elsewhere. Hence, both the customers and suppliers would lose, while the profit margins of such retail chains would go up.

**Limitations of the Present Set-up-**

i. There has been a lack of investment in the logistics of the retail chain, leading to an inefficient market machenism. Though India is the second largest producer of the fruits and vegetables, it has very limited integrated cold-chain infrastructure. Only 5386 stand-alone cole storages, having a total capacity of 23.6 million MT., 80% of this is used only for potatoes. Storage infrastructure is necessary for carry over the agricultural produce from production periods to the rest of the year and to prevent distress sales. Though FDI is permitted in cold-chain to the extent of 100% through the automatic route in the absence of FDI in retailing.

ii. According to some reports, Indian farmers realize only 1/3rd of the total price paid by the final consumer, as against 2/3rd by farmers in nations with a higher share of organized retail.

iii. There is a big question mark on the efficiency of the public procurement and PDS set-up and the bill on food subsidies in raising. Inspite of such heavy subsidies overall food based inflation has been a matter of great concern.

iv. The Micro Small and Medium Enterprizes sector has also suffered due to lack of branding and lack of avenues to rich out to the vast world market. While India has continue to provide emphasis on the development of MSME sector, the share of organized sector in overall manufacturing has declined from 34.5% to 30.3% in 1999-2000 to 2007-08 respectively. This has largely been due to the inability of this sector to asses latest technology and improve its marketing interface.

**Rationable Behind Allowing FDI in Retail Sector-**

FDI can be a powerful catalyst to spur compitition in the retail industry, due to the current scenario of low compitition and poor productivity. The policy of single-brand retail was adopted to allow Indian consumers asses to foreign brands. Since Indian's spend a lot of money shopping abroad, this policy enables them to spend the same money on the same goods in India. FDI in single-brand retailing was permitted in 2006, up to 51% of ownership. Between then and May 2010, a total of 94 proposals have been received. Of these 57 proposals have been approved. An FDI inflow of US$196.46 million under the category of single-brand retailing was received between April 2006 and September 2010, comprising 0.16% of the total FDI inflows during the period. Retail stocks rose by as much as 5%. Shares of Pantaloon Retail (India) Ltd, ended 4.84% up at Rs. 441 on the Bombay Stock Exchange. Shares of Shoppers Stop Ltd, rose 2.02% and Trent Ltd, 3.19%. The exchanges key index rose 173.04 points, or 0.99% to 17614.48. But this is very less as compared to what is would have been had FDI up to 100% been allowed in India for single-brand.

The policy of allowing 100% FDI in single-brand retail can benefit both the foreign retailer and the Indian partner- foreign players get local market knowledge, while Indian companies can acces global best management practices, designs and technological knowhow. Parmiting foreign investment in food based retailing is likely to insure adequate flow of capital into the country and its productive use, in a manner likely to promote the welfare of all sections of society, particularly farmers and consumers.

Apart from this, by allowing FDI in retail trade, Indian will significantly flourish in terms of quality standards and consumer expectations, since the inflow of FDI in retail sector is bound to pull up the quality standards and cost- competativeness of Indian producers in all the segments. It is therefore obivious that we should not only permite but encourage FDI in retail trade. Lastly, it is to be noted that Indian Council of Research in International

Economic Relations, a primier economic think tank of the country, which was appointed to look into the impact of BIG capital in the retail sector, has projected the worth of Indian retail sector to reach $946 billion by 2011-12 and ICRIER has also come to conclusion that investment of 'big' money in the retail sector would in the long run not harm interests of small, traditional and retailers.

**Conclusion-**

Walmart has a joint venture with Bharti Enterprizes for cash-and-carry business, which runs the 'Best Price' stores. It plans to have 15 stores by March and enter new states like Andhra Pardesh, Rajasthan, M.P., and Karnataka. Duke, Walmarts CEO opined that FDI in retail would contain inflaction by reducing wastage of farm output as 30% to 40% of the produces does not reach the end-consumer. "In India, there is an opportunities to work all the way up to farmers the back end chain. Part of inflaction is due to the fact that produces do not reach the end consumer", Duke said, adding, that a similar trend was noticed when organized retail became popular in the US.

It can be said that the advantages of allowing unrestrained FDI in the retail sector evidentaly outweigh the disadvantages to it and the same can be deducted from the examples of successful experiments in countries like Thailand and China. It is also pertinent to note here that it can be safely contended that with the possible advent of unrestrained FDI flows in the retail market, the interests of the retailers constituting the organized retail sector will not be gravely undermined, since nobody can force a consumer to visit a Megha Shoppy Complex or a small retailer/Sabji Mandi. Consumers will shop in the accordance with there at most convenience, wherever they get the lowest price, max variety and good consumer experience.

The Industrial policy 1991 had crafted a trajectory of change whereby every sectors of Indian economy at the one point of time or the other would be embraced by libralization, privatization and globalization. FDI in multi-brand retailing and lifting the current cap of 51% on the single-brand retail is in that sense a steady progression of that trajectory. But the government has by far cushioned the adverse impact of the change that has insured in the wake of the implementation of Industrial Policy 1991 through safety nets and social safe gods. But the change that the movement of retailing sector into the FDI regime would bring about will require more involved and informed support from the government. One hopes that the government would stand up to its responsibility, because what is at state is the stability of the vital pillars of the economy-retailing, agriculture and manufacturing.

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# FDI IN THE RETAIL SECTOR

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## Introduction

Retail consists of the sale of physical goods or merchandise from a fixed location, such as a department store, boutique or kiosk, or by mall, in small or individual lots for direct consumption by the purchaser. In fact the term retail comes from the old French word 'tailer' which means "to cut off, clip, pare, divide". Like the French, the word retail in both Dutch and German (*detailhandel* and *Einzelhandel*, respectively) also refers to the sale of small quantities of items.

Retail can be defined as a sale for final consumption in contrast to a sale for further sale or processing. (High Court of Delhi in Association of Traders of Maharashtra v. Union of India, 2005 (79) DRJ 426)

In India the retail sector is divided into organised and unorganised sectors. Organised retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. Unorganised retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc. The Indian retail sector is highly fragmented with 97% of its business being run by the unorganised retailers like traditional family run stores and corner stores. In fact the retail sector is supposed to be the largest source of employment after agriculture.

A good talent pool, unlimited opportunities, huge markets and availability of quality raw materials at cheaper costs is expected to make India overtake the world's best retail economies by 2042, according to industry players.

## What is Foreign Direct Investment (FDI)?

Foreign direct investment (FDI) is that investment, which is made to serve the business interests of the investor in a company, which is in a different nation distinct from the investor's country of origin. In fact, FDI constitutes capital provided by foreign investors, directly or indirectly to enterprises in another economy with an expectation of obtaining profits derived from the capital participation in the management of the enterprise in which they invest. FDI inflows can be a tool for bringing knowledge, managerial skills and capability, product design, quality characteristics, brand names, channels for international marketing of products, etc. and consequent integration into global production chains, which are the foundation of a successful exports strategy. FDI is rightly regarded as an important vehicle for economic development particularly for developing economies.

## FDI Policy of India

Foreign Investment in India is governed by the FDI policy announced by the Government of India through press notes issued by the Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce & Industry, Government of India. FDI policy is also notified by the Reserve Bank of India under the provisions of the Foreign Exchange Management Act, 1999. FDI policy is reviewed on an ongoing basis and measures for its further liberalization are taken.

The Consolidated FDI Policy (effective from October 1, 2011) issued by the Department of Industrial Policy and Promotion is presently in force.

**What is a brand / single-brand / multi-brand?**

Before we go into the nuances of allowing foreign direct investment in the retail sector, we need to understand the meaning of certain terms like brand, single-brand, multi-brand etc.

Brand is defined as a name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers. A brand can take many forms, including a name, sign, symbol, colour combination or slogan.

The term single-brand or multi-brand has not been defined in the FDI policy of India.

Single-brand retail are companies that sell products under one brand, such as Nike or Levis.

Multi-brand retail companies are those that sell a variety of products under different brands, like supermarket and chain store operators. Examples of such companies include Wal-Mart and France's Carrefour.

**FDI in Retail Sector**

In 1997, the Indian retail sector witnessed the first footprints of FDI with 100% FDI being permitted in cash & carry wholesale trading under the government approval route, subsequently brought under the automatic route in 2006. As a step ahead, FDI in single brand retail was permitted to the extent of 51% in 2006, while FDI in multi-brand retail remained prohibited till recently. In July 2010, the Department of Industrial Policy and Promotion (DIPP) had put up a discussion paper proposing FDI in multi-brand retail. In July 2011, a Committee of Secretaries (CoS) had cleared the proposal to allow upto 51% FDI in multi-brand retail, which has been approved by the Union Cabinet in November 2011. The Union Cabinet also approved increasing the FDI limit in single brand retail to 100% with government approval. Although the proposal for single-brand was cleared by Parliament in the winter session of 2011, FDI in multi-brand retail was vehemently opposed by all opposition parties, after which the decision was put on hold by the government.

**FDI in Single Brand Product Retail Trading**

According to Press Note No.1 (2012 series), henceforth FDI upto 100% would be permitted in Single-Brand Product Retail Trading subject to the following conditions-

- Products sold should be only of a single brand only.
- Products should be sold under the same brand internationally i.e. products should be sold under the same brand in one or more countries other than India.
- It will cover only products which are branded during manufacturing.
- The foreign investor should be the owner of the brand.
- In case of proposals involving FDI beyond 51%, mandatory sourcing of at least 30% would have to be done from the domestic small and cottage industries which have a maximum investment in plant and machinery of $1 million (about Rs. 5 crore). (The compliance of this condition will be ensured through self-certification by the company, to be subsequently checked, by statutory auditors, from the duly certified accounts maintained by the company.

Application for FDI in retail trade 'Single Brand' products should be made to the Secretariat for Industrial Assistance (SIA) in the Department of Industrial Policy & Promotion. The application should specifically indicate the product/ product categories which are proposed to be sold under a 'Single Brand'. Any addition to the product/product categories to be sold under 'Single Brand' will require a fresh approval of the Government.

**Advantages and disadvantages of allowing FDI in the retail sector**

Some of the disadvantages perceived on allowing FDI in the retail sector are -

- Independent stores will close, leading to massive job losses.
- Domestic brands will be totally wiped out.
- India doesn't need foreign retailers, since homegrown companies and traditional markets may be able to do the job.
- Work will be done by Indians and profits will go to foreigners.
- Global retailers will conspire and exercise monopolistic power to raise prices and monopolistic power to reduce the prices received by the suppliers.
- It will result in asymmetrical growth in cities, causing discontent and social tension everywhere.
- The profit margins of retail chains would go up while the consumers and suppliers will be at the receiving end.

Some of the advantages of allowing FDI in retail are –

- Organized retail will need workers. Hence the retail reforms will be a massive boost to the Indian employment sector.
- Global integration can potentially open export markets for Indian farmers and producers.
- With 51% FDI limit in multi-brand retailers, nearly half of any profits will remain in India.
- States have a right to say no to retail FDI within their jurisdiction. States have the right to add restrictions to the retail policy announced before they implement them. Thus, they can place limits on number, market share, style, diversity, homogeneity and other factors to suit their cultural preferences.
- A well-regulated retail sector will help curtail some of the labour abuses like child labour, working for long hours etc.
- In fact FDI in retail will bring down prices and offer a wider choice of goods.
- Unlike the current monopoly of middlemen buyer, retail reforms offer farmers access to more buyers from organized retail. More buyers will compete for farmers produce leading to better support for farmers and to better bids.
- Organized retail is also expected to initiate infrastructure development creating millions of rural and urban jobs for India's growing population.
- Unorganized small shopkeepers will continue to exist alongside large organized supermarkets, because for many Indians they will remain the most accessible and most convenient place to shop.

**Conclusion**

The Government has finally opened up the doors for hundred percent investment in the single brand retail sector. It is only a matter of time before the Government allows investment in the multi brand retail sector. This could be done by introducing appropriate restrictions to enable more

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# The Impact of Regional Integration in NAFTA on the Member State Economies

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## Introduction:

NAFTA is identified as the largest trade block agreement in the world. It is an agreement between Canada, Mexico and the United States of America which seeks to promote free trade practices by reducing trade barriers between among the three nations. Therefore, the underlying principle of NAFTA is to promote domestic competition as a way of spurring economic development. The agreement has also been thanked for promoting investment both domestic and foreign among the three nations.

According to available statistical evidence on the impact of the NAFTA, it is clear that the agreement has no doubt enhanced the free flow of information, innovation and capital across the involved nations. This has had the end result of promoting technical and economic development particularly in Mexico. Still, evidence has it clear that most American corporations are benefit from outsourcing and foreign direct investment practices in Mexico. However, NAFTA has been blamed for opening up domestic investments to unfair competition.

The sustainable realization of economic development is based on the effectiveness of the government in protecting its internal investments. Nevertheless, this is not the case with the NAFTA which encourages free trade of over 90 percent of the locally produced products in the three countries. Another negative implication is reduced employment opportunities especially for the developed nations such as the US. It has been established that most corporations are transferring their assembling and manufacturing as well as non-core business functions to Mexico due to its low operational costs.

The essay is a discussion on both the negative and positive impacts of regional integration in NAFTA on the member state economies and on businesses in the region. First is a discussion on the positive impacts of NAFTA agreement to the member state economies and on businesses in the region. NAFTA has promoted cross border trade among the member states. Effective and reliable exchange of goods and services across nations is a major boost to the economic development of nations. NAFTA agreement has its sole purpose of dictating for the free flow of locally manufactured products among member nations

According to available statistical evidence on trade, Canada has been the major beneficiary of the agreement in terms of export trade with the United States and. Just to be appreciated is the fact that although Mexico is termed as the least beneficiary of NAFTA, the nation's economy has significantly improved following the enhanced export and import provisions of the agreement. Therefore, NAFTA has had the impact of promoting trade among member nations, thus triggering economic development.

Another positive impact of NAFTA is that it has promoted free flow of labour across member nations. The availability of cheap, reliable and skilled labour is quite important for the sustainable economic development of any nation. However, most developed nations like the

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United States of America are evidently characterised with high cost of labour. Due to this reason, the NAFTA has functioned as a reliable loophole for accessing cheap but highly skilled labour for many corporations.

This is because the agreement provides for the free flow of human resources across the three nations. According to available evidence from a recent research finding, Mexico is identified as a crucial stronghold for providing cheap and reliable labour for big corporations. This has been closely attributed to the fact that the nation is relatively poor developed and with weaker workforce regulations laws. Still, it is worth appreciating the fact that free labour flow is crucial in providing qualified personnel for promoting the innovative economic development of firms in the member nations.

This gives NAFTA member a competitive advantage in the global market trade, a factor that is vital for sustainable economic development. NAFTA has the impact of enhancing information and innovation exchange. Innovation is the major driving force of the current global economy. This is because, with the modern trend of globalisation and its effects on increased marketplace competition, innovation is the only sustainable way of realising a large customer base for the assured competitive advantage of firms.

The free exchange of information and skills provided for by the NAFTA is also important in reducing the cost of reinventing products and technologies by firms. True to the letter, research work is found to be among the most expensive investments by organisations. This is not only because of the funding costs but much due to the uncertainty of the outcome. Indeed, this is the important reason why business alliances are increasingly becoming common in the modern society.

Based on this reasoning NAFTA is to be praised for promoting the easiness of establishing business alliance between organisations from the three member nations. This gives firms the competitive advantage of exchange knowledge, goods and services. It also reduces the costs of research by encouraging joint funding by organisations. All these have been established as playing a crucial role in reducing the operational costs incurred by investors, a move that safeguards sustainable economic development. The agreement is to be thanked for increased foreign direct investment.

Foreign direct investment is currently a major benefit enjoyed by signatory members of the NAFTA. The agreement has evident an increase in the number of foreign direct investments among the three nations. According to a recent research finding, Mexico has been a leading beneficiary of foreign direct investments from Canada and the United States. This has been closely attributed to the low operational costs in the developing Mexican nation. The findings have established that the most corporations from America are transferring most of their operations to Mexico.

Some of the common direct investments in Mexico are assembling and manufacturing industries. Just to be appreciated is the fact that such are driven not only by the availability of cheap human resources but much due to ready availability of raw resources in the nation. Still, America is benefiting from foreign direct investment particularly on the service industry from both Canada and Mexico. NAFTA has led to establishment of a unified cultural union among members of the three nations.

The realisation of sustainable economic development calls for enhanced communication among involved parties. On this pursuit, the NAFTA has served a crucial role in enhancing socialisation, a factor which greatly promotes interaction and creation of business

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partnerships. Such a unified business and social culture resulting from the NAFTA has been praised for the evident reduction in racial segregation among individuals from these nations. It is worth noting that effective conduction of business transactions should be based on concrete understanding and appreciation between the involved parties.

Based on this reasoning, the provisions of the NAFTA on free flow of human resources finds much benefit in enhancing a cross national business culture, an important provision for sustainable economic development for the parties involved in the agreement. Still, NAFTA is closely attributed with increased outsourcing practices across member nations. It has been rightly claimed that man is not an island. This means that the effective functioning of an organisation in the modern competitive market economy calls for contracting of other companies to execute non-core business functions of an organisation.

Such have a number of economic advantages to the outsourcing firm such as channelling its resources in addressing its core business objectives. This can also be praised for ensuring that the organisation gains the competitive advantage of staying up to date with the latest technologies as well as business practices. Therefore, since NAFTA promotes outsourcing practices, then it enhances business development among organisations in the three member nations through specialisation and interdependence of organizations.

Secondly is a discussion on the negative impacts of regional integration in NAFTA on the member state economies and on businesses in the region. NAFTA has received many critics for compromising the sustainable development of domestic industries particularly in the Mexican republic as it introduces unfair competition . The future of an economy is defined by its internal investment worthy. Indeed, this is the reason why the North American Free Trade Agreement is seen as a major threat to the sustainable development of the American textile industry. On the other hand, Mexico is evidently the main victim of finished goods damping from Canada and the United States of America. Just to be appreciated is the fact that with elimination of business tariffs following the NAFTA agreement, Mexico receives cheap products from other nations, a factor that threatens the sustainable growth of domestic industries. As an example is the threat the NAFTA poses on the farming sector of Mexico. According to statistical evidence, in the 2000 financial year, the American government invested an estimated $10.

1 billion as subsidies to its corn sector. Due to this reason, Mexico was marked with increased export of corn products from the US, a factor that poses a major threat not only to its farms but also to its sustainable realisation of secure food supply independence. Such have received many critics as being unfair to the economic independence of the poor majority Mexicans who depend on corn farming for survival. Still, NAFTA has been accused of compromising the industrial independence of Canada.

It is evidently claimed that since the ratification of the agreement, an estimated over 10,000 Canada owned companies have been brought by foreign investors. This is found to threaten the sustainable job security of the Canadian citizens. Another critic of the NAFTA is its provision that once something is sold as a commodity, its trade cannot be negated by the government regardless of its environmental of economic implications to the country. The NAFTA agreement is evidently compromising the future sustainability of its ecosystem.

This is because of the provision of the agreement in chapter 11 which has seen the massive exportation of Canadian waters by American companies. This does not only threaten the ecosystem of Canada but also threatens the future sustainable supply of water to the Canadian

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population. Still on the same provision, the NAFTA compromises the lawmaking process independence of its member nations. This can be evident from the 1996 exportation into Canada of gasoline additive despite the fact that the law in Canada did not allow for additive importations. The NAFTA has significantly compromised employment job market for the developed nations.

The purpose of any investment is to maximise profits. Based on this reasoning, organisation will always opt for the least expensive production process as a way of cutting down its expenditures. True to the word, there is a great variation between the living standards in the three nations involved in the NAFTA agreement. Indeed, this is the reason why most American corporations are transferring their business to Canada and Mexico. In support of this claim is the fact that over 10,000 Canadian companies have over the last one decade been taken over by foreign investors, mainly Americans.

The some is the case in Mexico were most of the assembling and manufacturing works for American corporations are conducted. All these have the implication of compromising the employment sector of the American citizens as companies seek for cheap and affordable labour. The rule of origin is also claimed to be a major barrier to sustainable benefiting from the NAFTA. Importation packaging and exporting the finished products is increasingly becoming a common business practice by many nations. Still, some investments are in purpose designed for conducting business with goods originating from other nations.

However, the NAFTA agreement dictates a certificate of origin for goods to ensure that the imported or exported goods are developed in the particular concerned country. This limits business opportunities among nations. Business products should be judged on quality and safety rather than by a mere question of origin. Therefore, NAFTA provisions on the rule of origin compromises the sustainable engagement of nations particularly Mexico in viable trade. This is because they are evidently marked with low capability of producing high quality goods to effectively compete with those from Canada and the US.

The agreement has been a major source of intellectual property rights infringement. Most developed nations boast economic prosperity due to their wide variety of legally protected intellectual properties of its people. Still, investments are marked with some level of business secrets which give them a competitive advantage over their competitors. However, with increased free flow of information, innovations and the outsourcing practices promoted by NAFTA, companies are opening up their business secrets to other companies.

This is a real threat to the sustainable competitive advantage of the organisation in the marketplace. Therefore, NAFTA and its potential threat to intellectual property rights and business secrets remains a major issue of concern for many. Still, NAFTA and its provisions for elimination of trade tariffs is a threat to the economy of the less developed member nations. Developing nations are faced with the problem of low levels of industrialization. This means that they mainly depend on the revenue gained from export of their low materials rather than finished goods.

Just to be appreciated is the fact such have the economic implication of gaining low for their resources. This has the implication that by dictating for elimination of trade tariffs, the NAFTA is threatening the sustainable revenue collection of the Mexican republic. It has been evidently established that such a move has over time compromised the ability of the nation to effectively fund its public utility as well as engaging in other vital public projects.

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The last negative impact of the North America Free Trade Agreement is that it is currently not holding to its perceived long term benefits to the Mexican nation. According to the available statistics, the business between Mexico and Canada as well as with the United States of America received substantial growth over the 1993 and 2000 period. However, this trend is steadily changing particularly due to the increasing engagement of the United States of America with other developing economies such as China and India.

This trend has significantly affected lower value added segments of the Mexico economy such as the textile industry which previously formed most of its exports to America. Therefore, with increased formation of new business alliances, the Mexican nation is to lag behind significantly from gaining the claimed economic benefits of NAFTA due to increased unfair export competition from other emerging economies. Third is a review the possibilities for future developments in the region.

The future of the NAFTA on its member state economies and business in the region is dependent the effectiveness of resolving a number of underlying problems with the problems. First the member nations should iron out the contention found in chapter 11 of the agreement. The chapter allows individual investors or organisation to sue government for their actions which result in compromising businesses. According to critics of this provision is that it compromises the control of the independent government on dictating matters of social and environmental importance to the nation.

Therefore, the law should be modified to reflect the sovereignty of individual nations in enacting control laws to protect the social and environmental issues of their citizens. Another issue of consideration for the future development of the region is changing the antidumping and countervailing provisions of chapter 19 to reflect the provisions of the international law. As it is now, the convention only allows for the establishment of a panel which serves to examine whether or not a dispute application conforms to the domestic laws of the particular nation. Although the NAFTA law allows for the establishment of an extraordinary challenge committee with the power to affirm or reverse the decision of the panel, none of the cases heard by the committee have ever been reversed. Therefore, since the various nations involved in the agreement are independent sovereign entities, such disputes on antidumping and countervailing duty should be addressed by the provisions of the international law rather than domestic laws. The aim of North America Free Trade Agreement was to promote domestic competition for the common good of the economic developments of its member countries. However, despite the successful elimination of trade tariff barriers by the member nations, the agreement has significantly served as a source of unfair competition for Mexico and Canada. As was evident, the implementation of the convention has witnessed the overtaking of an estimated 10,000 companies in Canada by foreign investors. On the other side, increased American exporting of subsidised corn to Mexico is blamed for evidently threatening the sustainable realisation of self-sufficiency in terms of food supply in the nation. America has also fallen victim of employment threats for its citizens.

Therefore, the convention should be modified to allow substantial control by independent governments to safeguard the social and economic good of its present and future generations. In conclusion, the North America Free Trade Agreement has brought significant benefits to its member nations. The agreement has evident the growth of trade both between Mexico and the US and Mexico and Canada. The NAFTA can also be attributed to the increased free flow

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of human resources as well as foreign direct investment capital across the nations. However, there are a number of critics to the NAFTA convention.

Such include the provisions of chapter 11 which negates the ability of individual nations to prohibit business practices that compromise issues of social and environmental importance. Another limitation is the failure of the convention to provide for a dispute resolution panel which is based on the international. Therefore, the future of the NAFTA and the region economies is highly dependent on the effective resolution of these and any other controversial issue in the convention.

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# The Impact of Regional Trade Agreements on International Trade

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**Abstract :**

*The gravity model of international trade states that bilateral trade flows based on the economic sizes and distances between two units can be used to examine reasons for international trade. Regional Trade Agreements (RTAs) have appeared recently and have increased markedly in number; however, despite their importance, little study has been performed to analyze the effects of RTAs on international trade. The difference between RTAs and world trade organizations (WTO) is important. Studies of currency integration have appeared recently; however, most assume that currency integration varies the level of international trade between countries by making the proportion constant. This paper eliminates this so-called constant hypothesis and indicates that RTAs alters the slope of the relationship between countries and promote international trade. Empirical analysis indicates that the proportion is not constant. Also, this study shows that RTAs promote international trade more in OECD countries than in non-OECD countries.*

**Keywords: International Trade, Gravity Model, RTAs, WTO**

## Introduction

In general, the GATT and WTO have been thought to ensure a level playing field of all, thereby contributing to economic growth and development. However, the proliferation of regional trade agreements (RTAs) in recent decades threatens the future of the multinational trading system because the exclusive trade preference of RTAs, although approved under the provisions of the GATT, are not consistent with an important principle of the multinational trading system, the most favored nation principle, and causes discriminatory trade practices of trade disciplines [1]. RTAs have increased markedly in number and hence have become a very important aspect of the multinational trading system [2]. The gravity model of international trade states that bilateral trade flows are based on the economic sizes (often using GDP) and distance between two units (countries). The model also has been used repeatedly in international relations to examine the effectiveness of currency unions and regional agreements. The model is often extended by including variables to explain language relationships, contiguity, colonial history, exchange rate regimes, and other variables. The gravity model has been introduced and cited many times. Not only academic fields but also real-world researchers have stated that patterns of trade will be determined by aggregate preferences

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for goods within countries. [3] stated that if trade encourages greater specialization in production, industry-specific shocks may cause members' business cycles to diverge and that comparative advantages do not predict the relationships in the gravity model. Alternatively, [4] demonstrated that greater trade integration may help correlate national incomes. [5] showed that the creation of RTAs provides trade preference to member countries to promote bilateral trade. [6] found that expansionary ASEAN + 3RTAs could be a sustainable policy option. [7] demonstrated that the EU may increase trade performance in several industries. [8] showed that pro-labor predictions of the median voter model are supported by the full-fledged FTA. [9] showed that a gravity model suggests that the creation of AFTA, COMESA, and MERCOSUR have increased trade in agriculture between their members. However, [10] showed that RTAs are not an efficient way to promote international trade. On the other hand, there has been little study that has analyzed RTAs using the gravity model in spite of the fact that this model for international trade has been used a lot. One of the reasons is that RTAs are recent phenomenon in the world. In these cases, the slope of the bilateral trade-GDP relationship may change when RTAs are adopted. It is very natural to think so. Moreover, to the extent that trade integration encourages greater production specialization, RTAs might permit the exploitation of economies of scale in transportation; information, communication and technology (ICT); and so on, changing the slope of the bilateral trade relationship. As noted in [11], as existing RTAs are deepened and new ones are being negotiated, it will be important to ensure that trade creation dominates trade diversion. It is therefore essential to examine the effects of RTAs. This article is organized as follows. The next section shows theoretical analysis on this issue. Section 3 demonstrates the empirical methods and the data used here. Section 4 shows the results and performs additional analysis on the results of previous section. Finally this paper ends with a brief summary.

## Theoretical Analysis and Empirical Methodology

This paper's fixed effect model is similar to [12,13]. $\ln(TRADEijt) = a0RTAijt + a1\ln(YiYj) + a2\ln(PCiPCj) + a3CUijt + \mu ij + \varepsilon ijt$ (1) where i and j are countries (units), TRADE is the value of bilateral trade, RTA is a dummy variable that is unity if countries belong to the same regional trade agreement. Y is the product of their real GDP, PC is the product of real GDP per capita, CU is a dummy variable that equals one if these countries use the same currency. Finally, $\mu$ is the country-pair fixed effects. $\mu ij$ assumes that $\mu ij = \mu ji$; the fixed effects do not depend on the direction of international trade. Panel data for all over the world is used except for missing cases. RTAs nonlinear effects may arise as a result of selection into agreements for international trade by countries that tend to be small, poor, and remote. The impact of a change in RTA condition or slope coefficient is examined in the next section. I used the panel data for OECD and non-OECD countries.

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The sample data are from 1985 to 2009. All the data are yearly. RTAs and member countries were obtained from the membership of proliferation of regional trade agreements by the WTO. All other data are from International Financial Statistics (IMF), World Development Indicators (World Bank). Finally, if there were insignificant variable(s), I omitted this (these) variable(s), estimated again, and computed the RTAs' effects on international trade

**Estimated Results and Revised Estimation**

The results of Equation (1) are shown in Table 1. The results are almost as expected. Columns (1) and (4) in Table 1 show that the estimated coefficient for RTA is 0.815 (OECD) and 0.798 (non-OECD). Both are positive and significant. RTAs certainly promote international trade. It is interesting to note that the effect is bigger for OECD countries than for non-OECD countries. The effects of nonlinear RTAs may arise as explained in the previous section. Next, quadratic terms of ln(YiYj) and ln(PCiPCj) are added as in [13], for the case of currency integration. The results are in columns (2) and (5), which demonstrates that both variables are positive and significant and confirms nonlinearity. The analysis is performed later. I investigated the impact of a change in the condition of the RTAs by adding the following interaction terms: 1) RTA and ln(DISTij), where DISTij is the distance between countries, 2) RTA and ln(YiYj), and 3) RTA and ln(YPCiYPCj). The quadratic terms and the interaction term of RTA and ln(YiYj) are significant at the 1% level; the introduction of RTAs changes the relationship between trade and GDP in OECD and non-OECD countries. On the other hand, the changes in relationships between trade and GDP per capita and trade and distance are not significant. It is interesting to note that the relationship between international trade and distance is insignificant in OECD countries; however, they also are significant in nonOECD countries. As transportation system and ICT improve, the effect of distance on international trade may decrease. In OECD countries, distance is still an important factor in the promotion of international trade. I excluded the insignificant variables and computed the effect of the RTAs. The calculation equation is as follows [13]:

RTAEFFECT exp ijt = (a a YY RTA RTA ln( ) + – × Y Y i j i j ln 1 ( ))

(2)

The equations shows how the RTAs effects (RTAEFFECTijt) are distributed where both countries are members of the same RTAs (i.e., RTAijt = 1). The results are 0.780 for OECD and 0.713 for non-OECD countries. There is high possibility that RTAs do not reduce bilateral trade if a large country is involved. However, it should be noted that although some country pairs experience substantially higher levels of trade when they share a common RTAs, for a significant subset of country pairs, members of RTAs are

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associated with a lower level of bilateral trade. How RTAs promote international trade depends on the constitution of the pair of countries. RTAs surely promote international trade; however, the proportion is not necessarily proportional. Each country should consider this fact and use it effectively to gain.

Table 1. Estimated results for gravity model of international trade.

| | | | OECD | Non-OECD | | |
|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 |
| RTA | 0.815*** (20.125) | 0.740*** (19.999) | 0.731*** (19.351) | 0.798*** (18.530) | 0.722*** (18.023) | 0.725*** (18.150) |
| ln(YiYj) | 0.456*** (30.126)) | 0.412*** (27.652) | –3.010 (–1.202) | 0.470*** (29.319) | 0.444*** (24.873) | –2.904 (–1.105 |
| ln(PCiPCj) | 0.530*** (9.182) | 0.602*** (9.937) | –0.685 (–0.973) | 0.541*** (9.362) | 0.610*** (9.948) | –0.623 (–0.451) |
| CU | 0.535*** (4.883) | 0.560*** (5.100) | –1.630 (–1.067) | 0.535*** (4.883) | 0.605*** (5.918) | –1.432** (-2.067) |
| ln(YiYj)2 | | 0.035*** (9.187) | 0.088*** (11.258) | | 0.039*** (9.392) | 0.0899*** (13.458) |
| ln(PCiPCj) 2 | | 0.059*** (6.352) | 0.058*** (6.234) | | 0.063*** (6.438) | 0.060*** (5.922) |
| RTA* ln(YiYj) | | | 0.125*** (4.624) | | | 0.143*** (5.082) |
| RTA* ln(PCiPCj) | | | –0.070 (–0.770) | | | –0.055 (–0.342) |
| RTA* ln(DISTij) | | | 0.150 (0.372) | | | 0.333*** (6.080) |
| RTAs effect | 0.801 | 0.680 | 0.823 | 0.821 | 0.693 | 0.844 |
| Adj.R2 | 0.789 | 0.812 | 0.818 | 0.725 | 0.756 | 0.704 |
| DW | 1.898 | 1.903 | 1.912 | 1.822 | 1.844 | 1.876 |

Note: Numbers in parentheses are t statistics. ***Denotes significant at 1%, **at 5%, and * at 10% level. from international trade. 4.

**Conclusions:**

I have provided evidence regarding the need to account for slope effects when specifying gravity models to estimate the impact of RTAs on bilateral trade. RTAs promote international trade more in OECD countries than non-OECD countries. Finally, for the results of distribution of RTAs effects, it should be noted that the potentials for RTAs are different. Whether and how RTAs promote bilateral trade depends on the constitution of the countries involved. There is some room yet for further study, however. I treated the RTAs the same

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way in all cases; however, there are large differences among them. The content is different in each case. Also, the relationship between RTAs and WTO should be examined deeply and carefully. To ensure that RTAs do not undermine the multilateral trading system, the WTO can oversee them by using its political judicial review procedures. There is likely to be some differences between developed, developing, and emerging countries. To focus on these issues, for example, would be interesting. Finally, as RTAs have developed recently, the sample period is too short to investigate it adequately. Time is needed for analyses. Further research is needed in this field. 5.

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# OPEC, India & World

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## The Effects of Global oil Prices on Indian Politics and Asian Economies

Oil, like always, has been at the centre of global news over the past few years. Whether it is prices topping $115 per barrel (pb) around 2010-11 or the current prices of Brent slipping below $30 pb, the politics and economics of oil has become intricately woven into the global economic order. Oil, today, acts almost as the 'god particle' of the global economic order and that means there is almost always a power struggle not too far away from it.

However, the **low oil prices that we witness today** are not purely based on market movements. It is a fact that global oil consumption has gone down, specifically in China even as the International Energy Agency (IEA) has flagged India and China as future drivers of global oil consumption, and in effect, oil markets. "Global oil continues its pivot to Asia," the 2016 Medium Term Oil Market Report released by the IEA highlights.

To put this "pivot" in perspective, oil consumption figures for India and China together have tripled since the early 1990s to almost 16% of the global share. This comes close to 20% of the US, making India and China equally, if not more, important players in the global oil debate. According to analysts, both India and China could double their current consumption by two folds, or one-third of the global consumption, within the next two decades.

So, despite the global push on green fuels, it is important to remember here that oil is going to remain the staple of Asian economic growth till at least 2040. The questions, both political and economic for Asian economies largely revolve around how to continue gaining stronger foothold in the suppliers market and installing mechanisms to have stronger say and influence on oil prices. This, of course, means closer relations with the cartel like Organization of the Petroleum Exporting Countries (OPEC) headquartered in Vienna, Austria.

The current oil price fall is, along with some market factors, to a large extent politically engineered. OPEC members that include the likes of Saudi Arabia and Iran are involved in a stare-down battle over oil production not just with other OPEC members but with non-OPEC oil producing countries as well, such as Russia. Oil, along with other hydrocarbons, is the lifeline commodity for many OPEC countries. Venezuela over the past two years has unravelled as a textbook example of how complete reliance on one commodity can ruin entire states. Under late president Hugo Chavez's leadership Venezuela had launched into an outdated form of socialist mindset fuelled by the state's control of its huge oil assets. However, with the collapse of oil prices mixed with corruption and mismanagement in the Venezuelan state the much-celebrated Chavez, who died in 2013, left behind a downright mess of an economy which is still struggling to find a way out of its financial quagmire.

Fears within OPEC today are even more heightened seeing the current state of Venezuela. For example, Saudi Arabia, which is one of the two regional hegemonic powers in the Middle East (the other, of course, being Iran), is also heavily reliant on oil for all its workings. To put the potential volatility for Saudi in perspective, 30% of its population is under the age of 30 (meaning young and looking for jobs), 70% of its labour force is employed by the

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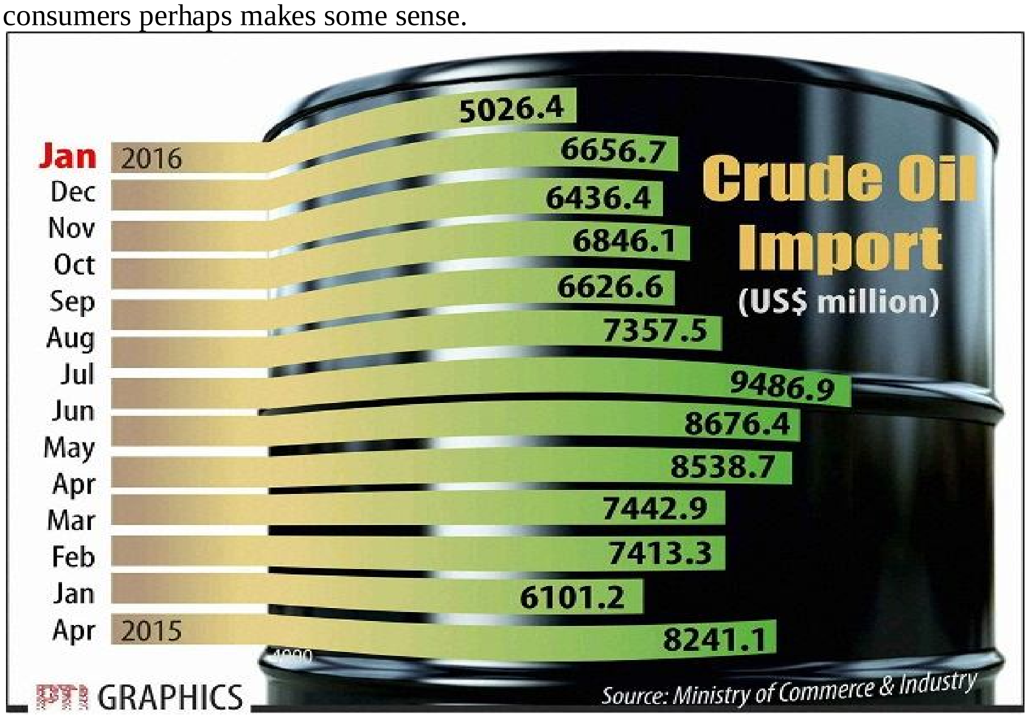
government and 90% of the entire country's revenue comes from one thing, oil. A prolonged period of low oil prices could be catastrophic to the very fabric of Saudi polity.

Currently, the global economy is over-supplied with oil, which along with other market factors has led to the decline of oil prices to a decade low. But the defining moment in the current crisis has been the unexpected rise of the United States as one of the top oil producers, thanks to its 'shale revolution'. In 2015, US and Russia were the top two producers of oil (on per day basis) followed by Saudi Arabia which was the only OPEC representative in the top five producers list. This, in effect, shows the OPEC vs non-OPEC rivalry. None of the parties involved, including those within OPEC, are ready to commit to production cuts for fear of losing market share to each other, which is adding tremendous pressure to the oil markets.

But all this has been a blessing for net importers like India, which rely on foreign supplies for nearly 80% of its oil. India is set to save billions of dollars on its annual import bill, which has been nearly $120 billion per annum when oil was around $100 per barrel (India's merchandise exports have been around $300 billion per annum). This fiscal year, it is expected to fall to $88 billion, a near 20% drop. However, a lot of these cuts have not transpired into savings for the common man as prices of petrol, diesel and so on remain on the higher side. While this seems unreasonable, keeping oil prices higher for domestic consumers perhaps makes some sense.




The fact that the current oil glut is largely geopolitically driven means that the oil prices will eventually rise again. Predictions about the movements of the prices have largely faltered over the past few months with trends being more erratic than the market pundits had imagined. The Indian oil and gas industry believes that the current prices in India for products such as diesel and petrol are 'comfortable', considering the political sensitivity that oil prices represent in the country.

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For example, if oil prices are reduced according to market price without them being balanced out by the central and state governments increasing excise and value added tax, that forces downstream companies such as Indian Oil, Bharat Petroleum etc to increase their own price, it would be a huge political challenge to raise them again. Till date, every paisa added or subtracted from the price of petrol and diesel per litre makes headline news in the country. Considering India these days is perpetually in a never-ending election cycle, with one state or the other going to polls, fuel price is almost always kept in the back of the mind by political parties.

Beyond this, although in all likeliness an unpopular opinion, higher oil prices can also control the number of new diesel vehicles (or just private vehicles in general) entering our roads every year. Considering the levels of pollution cities like Delhi suffer from, higher oil prices act as natural market deterrence to increased sales of vehicles. This is of course just a hypothesis, even as the IEA has said that it is going to be the sale of more private vehicles in India that will drive up consumption of oil in the country in the years to come.

The story of oil in the international arena is still bubbling. While some analysts say things will look up for the commodity soon, others suggest another oil crash may be around the corner and one that may not be salvageable. In the Yoda-like words of Saudi Arabia's oil minister Ali al-Naimi: "Oil has been portrayed as the dark side, but it is not. It is a force, yes, but a force for good". While sounding darkly poetic, al-Naimi is not wrong, as countries like India will still need the 'black gold' that he is selling for decades to come.

**OPEC'S Production Cut Will Impact the World and the Cartel**

For the first time in eight years, the Organization of the Petroleum Exporting Countries (OPEC) decided to cut oil production, resulting in an increase of about 8% in crude oil prices. The decision to cut production was made on 28 September 2016 at the International Energy Forum meeting of OPEC held at Algeria where the 27-member cartel have agreed to limit their cumulative oil production between 32.5 million barrels per day (b/d) and 33 b/d starting November. This reflects a production cut of about $240,000 from the production level of 33.24 per day in August this year, and eventually amounts to cutting 70,000 barrels per day. The share of production cut for each country will be defined by OPEC in their next meeting to be held Vienna by the end of November. As the oil producers get ready to encash the higher price for their output, import-dependent countries are concerned about an economic shock in the making due to the higher oil bill. While it is too early to predict a clear trend of the price fluctuation, a possible sustained production cut or price rise appear highly unlikely.

After the continuous fall of oil price for the past several years, many experts have begun to believe that a rise in global oil price is nearly impossible unless there's a sudden geopolitical turbulence in the Persian Gulf area or a natural disaster in any of the major oil-producing regions. A visible lack of unity among OPEC members in deciding about production levels was often cited by experts as a perennial stumbling block. Saudi Arabia, being a leading oil producer, has always enjoyed an upper hand in shaping the cartel's decision. Several times in the past, Saudi Arabia has made it clear that it is not interested in any production cut as part of its strategy to keep the high-cost oil producers away from the global market. Iran too had objected to any production cut with the argument that it should at least be allowed to revive its economy from the impact of long-term economic sanctions.

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With the decision to cut production sending a clear signal of rise in energy prices worldwide, four questions remain unanswered. First, can OPEC continue to influence the global energy market and price trajectory in the year ahead? Second, what will be the immediate and long-term implications on import-dependent countries? Third, does this new trend indicate the birth of a collaboration between OPEC members and lead the way to a new polarization in the energy market? Fourth, what major changes is the global energy landscape set to face in the backdrop of the oil cut announcement?

British Petroleum estimates that roughly 56% of the total commercially traded primary fuels in the world in 2015 were petroleum fuels—i.e. oil and gas. Oil constituted about 33% of the primary energy consumption of which 40% comes from OPEC. The Energy Information Administration (EIA) of the US Department of Energy estimates that OPEC is responsible for about 60% of the total petroleum traded in the global energy market and has an undeniable role in deciding the oil price. Current estimates by OPEC show that more than 80% of the proven oil reserves in the world are with its member countries. In this backdrop it is important to note that OPEC has the potential to continue to drive the price trend.

As the past several years' decision to keep the oil production flat has proven economically damaging for many OPEC countries, the recent decision for production cut undeniably builds greater collaboration among each member country. However, there can be hurdles further in the future. First of all, though the production cut strategy has the potential to increase oil price it can have varying levels of adverse economic impacts on smaller producing countries within the cartel. Iran has been insistent that it should be allowed to produce a minimum of 4 million b/d of oil. It considers this level of production as vital for its economic revival and may not welcome a sustained production cut. Moreover, countries with smaller production capacities and share of reserves will feel more threatened by this decision than bigger players such as Saudi Arabia. The smaller oil producing countries that are heavily dependent on oil price for revenue are also set to suffer with longer term sustained production cut.

Irrespective of whether the member countries will be able to continue with a production cut or not, an 8% rise in the oil price indicates that import-dependent countries will have to face a higher oil bill in the immediate future. India, for example, has been benefiting from low oil price for the past few years and has been importing more in the recent past. The Energy Statistics-2016 of the Central Statistics Office notes that more than 70% of crude oil requirements are being met by imports in India. Lower oil price has also been a boon for the current government which has felt confident in planning greater economic activities. The domestic economy may face serious challenges if the price surges beyond a certain point. Prominent economist and BJP MP Subramanian Swamy, for example, has opined that a price above $60 per barrel could set off a crisis for India's economy.

OPEC's oil cut announcement could be a critical turning point for the energy industry worldwide. Many of the large-scale energy exploration projects that have been temporarily shelved due to lower oil price may revive soon. Experts have noted that by the first quarter of this year the operating oil rig count in the US alone plunged sharply from that of mid-2014. It has also been posited that sustained low oil price can be detrimental to the US oil industry. The price rise that has been witnessed as an immediate effect of the OPEC decision will undeniably give a new lease of life to these industry players, especially the fracking industry.

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It will also turn out to be advantageous for the alternative energy sector worldwide. Solar and wind industry that have been witnessing a positive growth owing to climate concerns will also set to gain remarkably from the price fluctuation. Ultimately, though, OPEC's decision could in the long run adversely affect the cartel. Losing market and losing the confidence of the international community are what OPEC should be concerned about rather than attempting to control the global economy.

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# The Formation of Regional Trade Blocs

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## ABSTRACT

*Governmental trade restrictions have the greatest impact on the success or failure of international business. The purpose of this paper is to: 1. develop a conceptual model to recognize the existence of regional trade blocs, 2. explain the types in which they can exist, and 3. examine the conditions under which they may be formed successfully. A multidisciplinary approach is taken that first examines the effects and formation of regional trade blocs from the business, international economics, and political economics literature.*

## Introduction

International economic order is rapidly changing. Until the early 1990s, Multilateralism was dominant and regional remained marginal. Today, however, Regionalism is well acknowledged as one of the two pillars of international economic order, together with multilateralism. It will be thus important to explore the harmony between regionalism and multilateralism .The question is whether regionalism may be a faster way to reach multilateralism or, rather, hurt multilateral liberalization

The Bloc means groups. Trading Blocs means group of countries. In another word trade blocs means a group of nation comes together for some common action.

## Meaning of Trade Blocs

It is a voluntary grouping of countries of a specific region for common benefits. These blocs indicates regional economic integration of nations for mutual benefits. In general terms regional trade blocs are association of nation to promote trade within blocs and defend its members against global competition.

## Objectives of Trading Blocs

1) To promote economic and social interest of the member countries.
2) To remove trade restriction among member nation.
3) To improve social political economic and cultural relations among member nations.
4) To encourage free transfer of resources.
5) To establish collective bargaining
6) To promote economic growth.

## Types of Trade Blocs

1. **Free Trade Area**

   In this form member nations remove all trade impediments among themselves and retain their own policies with the outside world. It means that member countries don't charge tariff on import from each other. But they have their respective policies as regard levy of import tariffs.

2. **Custom Union**

   It is similar to free Trade Area. Only difference is that they adopt common external commercial relations. They adopt common external tariff on imports from non member nations.

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3. **Common Market**

   In this type of trade blocs the member nations have custom union agreement with one another and they also agree for factor mobility across the national borders of member countries. This show that common market arrangement permits free movement of labour and capital amongst member nations.

4. **Compete Economic Union**

   In this type of trade blocs member countries are part of common market and agree to have complete unification of monetary and fiscal policies.

5. **Complete Political Integration**

   Under this integration the member nations literally merge their individual identities into one nation.

**Regional Trade Agreements in the World**

One of the most striking development in the world trading system since the mid1990s is a surge in Regional Trade Agreements (RTAs). "Regional Trade Agreements (RTAs) are a major and perhaps irreversible feature of the multilateral trading system".

**The Nature of RTAs**

Many countries which traditionally relied on the multilateral trade regime are increasingly joining regional agreements to promote trade. Regional Trade Agreements (RTAs) are defined as groupings of countries which are formed with the objective of reducing barriers to trade between member countries. Contrary to what the name suggests, these groupings or unions may be concluded between countries not necessarily belonging to the same geographical region. Depending upon their level of integration, RTAs can be broadly divided Into five categories:

1. Preferential
2. Trade Agreements (PTAs)
3. Free Trade Agreements (FTAs)
4. Customs Unions (CUs)
5. Common Markets and Economic

**Advantages of joining the Trade Blocs**

1. It gives opportunities of larger market.
2. It increased competition which lends to greater efficiency and more productivity.
3. It increase investment rates.
4. It encourage greater political stability and co-operation amongst the countries involved.
5. Bargaining power of member also increase.

**Disadvantage of joining Trade Blocs**

1. The role of WTO is undermined.
2. Joining trade blocs may negatively affect small economics which have little bargaining power.

**Impact of Trading Blocs**

Trading Blocs have positive and negative impact. These impacts are as follows.

Positive impact of Trading Blocs

1. Economic integration
2. Co-operative spirit
3. Expansion of market

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4. Growth and development of the region
5. Uniform policies
6. An increase in trade
7. Product and market development
8. Co-operation regarding transfer of resources.

**Negative impact of Trading Blocs**

1. Common external barriers
2. Collective bargaining by member nations
3. Affect Competition
4. Affect global/ international trade
5. Problems for non members
6. Loss of political sovereignty

**Problems before Trade Blocs**

1. **War among countries :** Civil war among countries causes insecurity which affect trade between the countries.
2. **Political Issues:**Political difference among the leaders of member state may affect co-operation among member states.
3. **Affect on local industries :** Free trade affect local industries. As trade Blocs allowed imported goods without taxes which are available at lower price. This affect on local industries.
4. **Non remittance of annual subscription:** Some member countries do not remit their annual subscription which affect the operation of organisation

**Conclusion**

Although regional trading blocs have been growing in importance in recent years and now account for about three-fourths of world trade, the paradoxical reality is that the exponential increase in RTAs in the 1990s has barely affected the total world trade. By their disposition, RTAs favor trade among their member nations and distinguish against non-members. Thus, trade among members grows at the expense of the rest of the world. Because of the vague nature of the GATT rules, nations have been able to distinguish rather liberally against non-member nations with little fear of acceptance, thus trading blocs are able to function legally within the framework of the GATT rules. Long term gains of trading blocs, such as increased competition, greater investment and economies of scale may far exceed short term gains from trade creation.

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# Functional Analysis of Tourist In Shivneri Fort

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## ABSTRACT

*Tourism geography is a branch of human geography that studies the tourists, tourist places; its situation, and potential tourist centers, infrastructure facilities and other aspects of tourism. Tourism is a main economic activity of man, hence geography and geographers have contributed much more in tourism research and gives idea about tourist generating and tourist receiving areas by linking them. A human being always tries to fulfill his requirements or desires with activities for specific purpose; which reflect in the functional characteristics. According to Eichenbaum J. and Gale S. (1971) the functional analysis represents, "The description of temporal cross sectional properties of phenomena". Tourism is new but rapidly growing industry. It has very bright future. Because with increase in population, complex day to day life; increase in standard of leaving relief from tense etc. large number of people were attracting towards this industry.*

*Here in this research paper attempt has been also made to analyazied views of tourist in Shivneri on the basis of basic indicators of tourism. However the study of function and behavior aspects of the tourist has seen important for the tourism development. In this paper an attempt is made to analyse the tourists according to their attitude, visiting period, religion, occupation, age structure, mode of transportation, purpose of the visit, economic status, marital status, literacy rate, halting period, lodging-boarding facilities, goods and articles and from where the tourists have come.*

**Key:** religion, visiting period, mode of transport.

## INTRODUCTION

India is developing country; the tourism industry has recorded phenomenal growth. Because India possesses a whole range of attractions like landscapes, scenic beauty, mountains and deep valleys, wildlife's, beaches, religious places etc. within the limits from

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east to west and from north to south. Tourism development in an area or region primarily depends on the sites of attraction on one side and facilities and services provided to tourist at destination on the other side i.e. it is the place or sites of attractions both natural and manmade. It generates demand in the tourist industry. Hence the tourist potential of an area or site and its importance from the view of tourism development is determined by various factors. They include natural conditions, amenities, accessibilities, incentives besides other factors like political support, capital and availability of labour etc. Here in this paper attempt has been made to analyazied views of tourist in Shivneri on the basis of basic indicators of tourism.

## STUDY AREA

Shivneri is situated in Junnar tahasil and 93 km away from Pune. Shivneri is located at the intersection of 19° 13' 38'' N latitude and 73° 49' 15'' E longitude. The height of Shivneri is 914.4 m above ASL. Shivneri has number of underground caves. The Shivneri fort is situated on hillock and hence the various parameters of climate become the resource of tourist activity. Shivneri offer more prospects with its combination of cool pleasant summer climate along with its enchanting natural settings. (Fig. 1)

State highway No. 52 and Main District highway No. 3 and 1 connect the Junnar which provides excellent road network so that tourist can reach easily to the Junnar by metal road. MSRTC buses that operate on the Pune – Junnar routes, will take Shivneri. There is no state transport for the last 3 km, but local transport will reach to the foot hill of the Shivneri also, helipad facility available on Shivneri. There are a quite number of hotels, restaurants and lodges available for accommodation in Junnar. Other than several private hotels there is a PWD and Forest Dept. rest house available for accommodation in Junnar.

The Shivneri fort was the birth place of Maratha Empire Shri Chhatrapati Shivaji Maharaj. Shivneri has number of underground caves. In the upper and lower scarps are two irregular lines of Buddhist caves all of them small and some more like dwellings of vultures than of monks. In the Shivneri fort most important tourist places are the birth place of Shivaji, statues of Shivaji and Matoshri Jijabai, the Ganga – Jamuna reservoir, and the Idgah at the

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central square of the fort and Shri Shivai temple also, newly created lawn and garden etc. A week would be ideal to cover these interesting tourist centers.

Location Map


Fig. 1

## OBJECTIVES

Against the above background, the present work attempts to study the Tourist Information System for tourism development in the Pune district. The broad objectives of the proposed study are:

1. To study the environmental profile of the study area.
2. To evaluate present status of tourism industry in study area.

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## METHODOLOGY AND DATABASE

In order to understand for functional analysis Shivneri forts in Pune district the methodology adopted for the present study is divided into three phases are namely pre-field work phase, field work phase and post field work phase.

In the first phase i.e. pre-field work phase literature review i.e. previous work carried out by other researchers are obtained from various journals, internet, visit to the MTDC resort to know about annual tourist flow, collection of survey of India toposheet (SOI) having scale 1:250000 (47/E,47/F,47/I,47/K,47/M,47/N,47/O), Atlas, Gazetteers, District Census Handbook, Tourist maps, etc. use for collection of information, District Resource map of Pune district published by Geological Society of India, Government published map of Pune district P.W.D. map, and other were completed with help of S.O.I. toposheets (Fig. 2).

In the second phase i.e. fieldwork phase extensive field surveys were undertaken, to existed tourist places and newly found tourist places. The questionnaire filled in this phase. During this field surveys tourist facilities regarding destination photographs, GPS reading altitude and the related information is noted which were also useful to site suitability study.

In the third phase i.e. Laboratory worked is carried out. Government published map then digitization to generate thematic layer i.e. point layer- tourist places, tahasil headquarter, line layer- roads, railways, rivers and polygon layer- dams, reservoirs etc. and map were georeference same time. Integrating all above information and maps with help of GIS software. Finally these thematic layers are analyzed to demarcate tourism potential zones.

## FUNCTIONAL ANALYSIS OF THE TOURISTS AT SHIVNERI FORT

The tourists are interviewed on different occasions at Shivneri to know their opinions about the tourist place and facilities, which are available at tourist center. The questionnaire was filled by the tourists at the time of Diwali, summer, winter and rainy season and also at the time of off-season. Total 100 tourists were contacted. Hence this analysis is based on the views of 100 tourists. The collected data from the survey has represented below.

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**Table1:** Distribution of Tourists by Purpose of Visit- Shivneri

| Index | Aim of the visit | No. of Tourists | % |
|---|---|---|---|
| 1 | Religious | 12 | 13 |
| 2 | Educational | 5 | 5 |
| 3 | Entertainment | 71 | 74 |
| 4 | Employment | 8 | 8 |
| **Total** | | **96** | **100** |

(Source- Data compiled by Researcher)

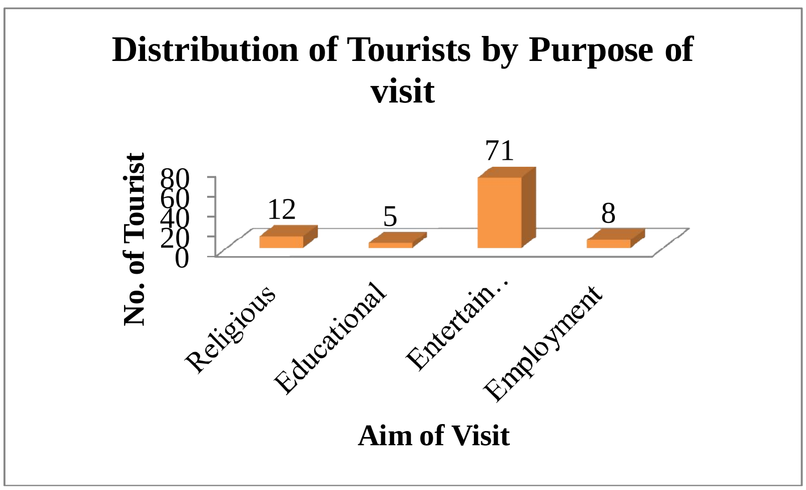


Fig .2

Table 1 and fig 2, is concerned to the classification of tourists according to their purpose of visit. 13% tourists have come for religious purpose. 74% tourists have come for entertainment purpose; while, 5% tourists, have visited the place for educational purpose. Remaining tourists i.e. 8% mentioned that they have visited for employment and other purposes. It proves that the tourists mainly visit the place for entertainment purpose.

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**Table 2:** Occupation-wise Classification of the tourists- Shivneri

| Index | Occupation | No. of Tourists | % |
|---|---|---|---|
| 1 | Employees | 16 | 17 |
| 2 | Agriculture | 39 | 41 |
| 3 | Business | 7 | 7 |
| 4 | Education | 29 | 30 |
| 5 | Professionals | 5 | 5 |
| **Total** | | **96** | **100** |

(Source- Data compiled by Researcher)

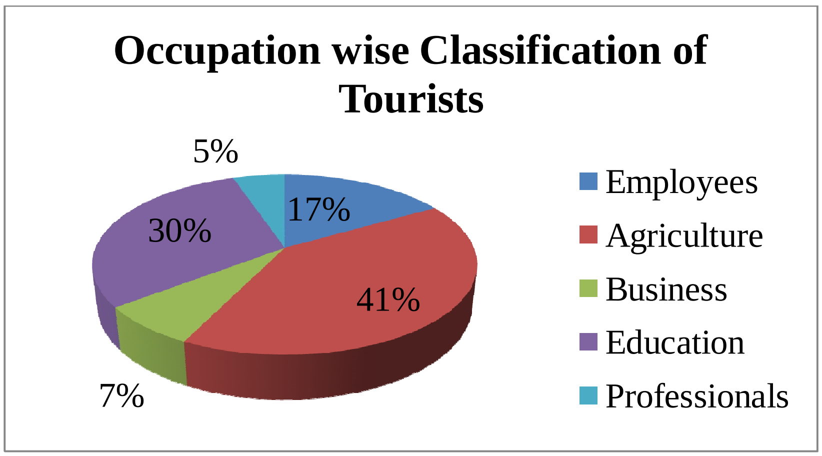


Fig 3

Occupation wise classification of the tourists is given in table 2 and fig. 3, According to the data 17% tourists are employees, 30% tourists are from student category and 41% were farmers. Whereas 7% tourists are businessmen as well as 5% tourists are professional.

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**Table 3:** Religion-wise classification of Touris- Shivneri

| Index | Religion | No.of Tourists | % |
|---|---|---|---|
| 1 | Hindu | 66 | 69 |
| 2 | Muslim | 14 | 15 |
| 3 | Jain | 9 | 9 |
| 4 | Buddha | 7 | 7 |
| **Total** | | **96** | **100** |

(Source- Data compiled by Researcher)

According to table 3, it is revealed that, Shivneri is various type of religious tourist place. Therefore tourists were Hindus 69%, Muslim 15% Bouudha 7% and Jain 9%, by religion.

**Table 4:** Age and Sex wise classification of Tourists- Shivneri

| Index | Age in Years | No. of Tourists | | | Total |
|---|---|---|---|---|---|
| | | **M** | **F** | **Total** | **%** |
| 1 | Under 15 | 25 | 13 | 38 | 39 |
| 2 | 15 to 30 | 15 | 9 | 24 | 25 |
| 3 | 30 to 45 | 11 | 5 | 16 | 17 |
| 4 | 45 to 60 | 8 | 6 | 14 | 15 |
| 5 | Above 60 | 1 | 3 | 4 | 4 |
| **Total** | | **60** | **36** | **96** | **100%** |

(Source- Data compiled by Researcher)

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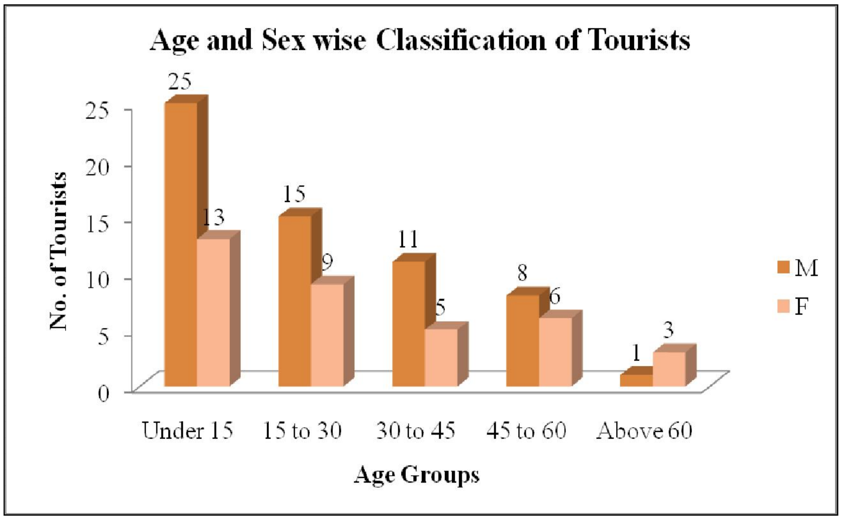


Fig 4

The table 4 and fig. 4, shows the age and sex wise classification of the tourists. As per survey it is observed that 39% tourists belong to less than 15 years age group; which is major age group of the visitors at Shivneri. Second highest visitors are from the age group of 15 to 30 years and their proportion is 25%. Married tourists come along with their families at Shivneri for entertainment activities on different occasions, therefore the tourists of this age group were observed in more numbers at Shivneri.

**Table 5:** Marital Classification of the Tourists- Shivneri

| Index | Marital Status | M | F | Total | % |
|---|---|---|---|---|---|
| 1 | Unmarried | 30 | 21 | 51 | 53 |
| 2 | Married | 24 | 13 | 37 | 39 |
| 3 | Widow/Deserted | 6 | 2 | 8 | 8 |
| **Total** | | **60** | **36** | **96** | **100%** |

(Source- Data compiled by Researcher)

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In table 5 reveals the data of marital status of tourists. As per survey it is observed that out of total 39% tourists are married, 53% tourists are unmarried and 8% tourists are from widow class. It means that the tourists prefer to visit this destination with their families.

**Table 6:** Literacy wise classification of Tourists- Shivneri

| Index | Education | Male | Female | Total | % |
|---|---|---|---|---|---|
| 1 | Illiterate | 6 | 4 | 10 | 11 |
| 2 | Primary/Secondary | 37 | 27 | 64 | 66 |
| 3 | Graduate and more | 17 | 5 | 22 | 23 |
| **Total** | | **60** | **36** | **96** | **100%** |

(Source- Data compiled by Researcher)

According to table 6 and fig 5, literacy proportionate of the tourists is shown. Maximum tourists were educated. 23% tourists were highly qualified i.e. graduate and postgraduate. Whereas 66% tourists have completed their primary and secondary education and only 11% tourists are illiterate in total tourists.

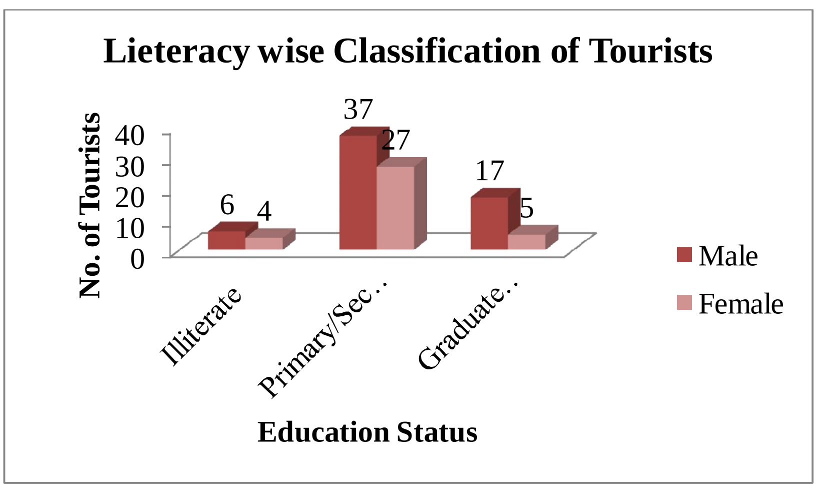


Fig 5

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**Table 7:** Income wise classification of the Tourists (Yearly Income) - Shivneri

| Index | Class | IncomeGroup (Rs.) | No | % |
|---|---|---|---|---|
| 1 | Low income class | Low than – 50,000 | 37 | 39 |
| 2 | Middle class | 50.000-10,0000 | 29 | 30 |
| 3 | Higher middle class | 10,0000-1,50,000 | 21 | 22 |
| 4 | Higher income class | More than 1,50,000 | 9 | 9 |
| **Total** | | | **96** | **100%** |

(Source- Data compiled by Researcher)

Income wise classification of the tourists has calculated and shown in the table 7 and fig 6. Maximum tourists are from low income class and their proportionate is 39%. Second largest class of the tourists is middle income class group i.e. 30%, where 22% tourists, from higher middle class families and 9% tourists, are from higher income class group.

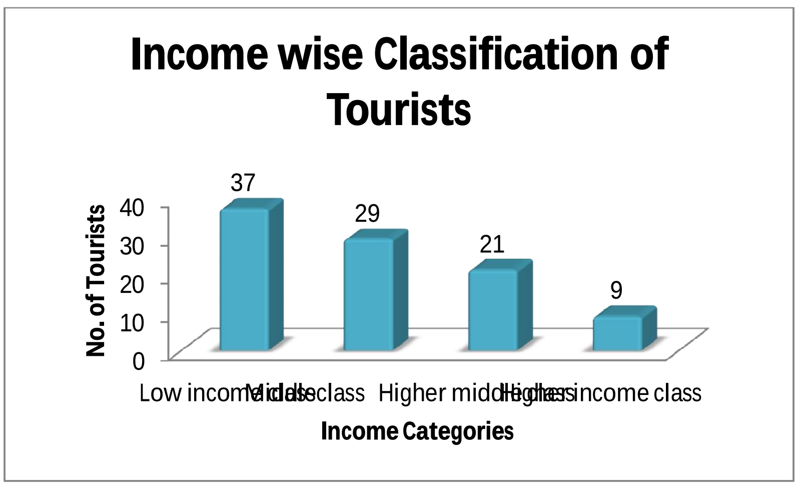


Fig 6

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**Table 8:** How many times Tourists visited the place- Shivneri

| Index | Years | Nos. | % |
|---|---|---|---|
| 1 | First time | 61 | 64 |
| 2 | Second time | 9 | 9 |
| 3 | Third time | 12 | 13 |
| 4 | Fourth time | 11 | 11 |
| 5 | Five times and more | 3 | 3 |
| **Total** | | **96** | **100%** |

(Source- Data compiled by Researcher)

In table 8, classification of the tourists has made on the basis of their visiting frequency to the place. As per the calculation it was observed that 64% tourists have visited first time to the place, where as 9% tourists are given second time visit to the place. 13% tourists have given their third visit to the place, where as 11% and 3% tourists given their fourth and fifth visit respectively.

**Table 9**: Classification of the Tourists on the basis of mode of Transportation- Shivneri

| Index | Mode of Transport | No. | % |
|---|---|---|---|
| 1 | M.S.R.T.C. Service | 46 | 48 |
| 3 | Private Vehicle | 39 | 41 |
| 4 | Walking/Cycle | 11 | 11 |
| **Total** | | **96** | **100%** |

(Source- Data compiled by Researcher)

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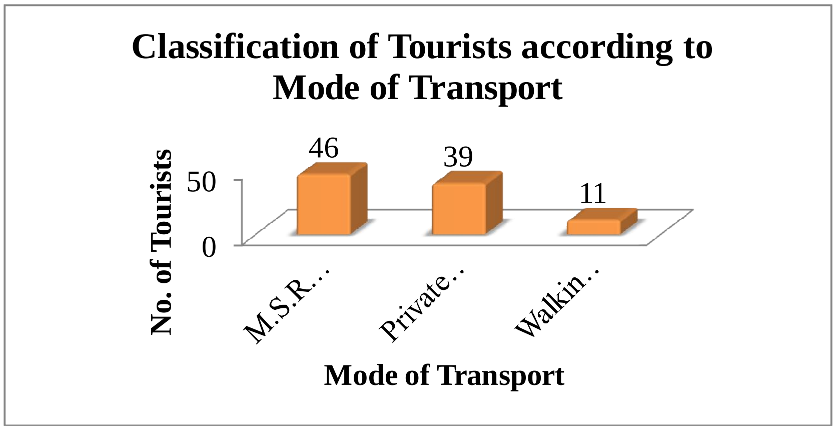


Fig 7

Table 9 and fig 7 reveals the data on mode of transport used by the tourists to visit the place. According to survey it is observed that majority tourists i.e. 48% tourists have used MSRTC service as mode of transport to reach the destination. It means MSRTC has more opportunity to extend their service at this destination. 41% tourists have used private vehicles to visit the destination, which is quite easy by road. 11% tourists who are from near by areas have been prefer their cycles or by walking to visit the place.

**Table 10:** Classification of Tourists According to Halting Duration- Shivneri

| Index | Halting Duration | No. | % |
|---|---|---|---|
| 1 | Day Tripper | 72 | 75 |
| 2 | One Day | 15 | 16 |
| 3 | Two Day | 9 | 9 |
| **Total** | | **96** | **100%** |

According to table 10 classifications of the tourists is given as per their halting period at the tourist place. It is revealed that 75% tourists are day-trippers. 16% tourists are halted for one day, where as 9% tourists are halted for two days.

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**Table 11:** Classification of Tourists According to Halting Type- Shivneri

| Index | Type of Lodging | No. | % |
|---|---|---|---|
| 1 | Day Trippers | 91 | 95 |
| 2 | Friends and Relatives | 5 | 5 |
| **Total** | | **96** | **100** |

(Source- Data compiled by Researcher)

Table 11 is concerned to type of halting that tourists have prefere to stay at tourist destination. 95% tourists are day trippers; where as 5% tourists have preferred to stay with their relatives or friends house. It reveals that halting facilities must be improved at Shivneri.

## CONCLUSION

It is seen that socio- economic resources act as a positive elements for the growth of tourism in the Shivneri. Tourism is considered as one of the world's largest industry which includes many economic activities. It is also considered as foreign exchange earning without any smoke or pollution and without loss of any internal resources. Thus without exchanging commodities, there is exchange of money, ideas, thoughts and services among people which leads to tourism.

Tourist is the backbone of tourism industry. However, the study of functional and behavioral aspects of the tourist has been important for the tourism development and planning of tourist region. Therefore, for the assessment of the functional characteristics of tourists in the study region, a survey was conducted during the year 2015 and 2016. For primary data collection purpose interview was considered to be best alternative. These respondents have been selected through random sampling survey but the reactions of the tourist were obtained from every tourist sites of the district and are covered for study. The tourists are satisfied with existing facilities available at Shivneri. medical facility, food and water, shopping facility, accommodation, transportation, natural attraction, parking facility,

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communication and recreation. Most of the parameters can be improved immediately without disturbing the eco-system, and the tourist potential of these Shivneri fort can be increased.

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# Fiber optic humidity sensor based on Ag decorated ZnO nanorods

**Shweta Jagtap[1], Sapana Rane[2], Sudhir Arbuj[3], Suresh Gosavi[1], Sunit Rane[3]**

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**Abstract:** This paper describes the fabrication of fiber optic humidity sensor based on silver decorated ZnO nanostructures. The synthesized nano-composites were coated on plastic optical fiber by drop casting method for studying its sensing behavior at room temperature for different relative humidity (RH) levels ranging from 20 to 95% RH. The optimised nano-composite shows very good sensitivity, response and recovery time.

**Key words:** Ag -ZnO-PVP, Fiber optic, Humidity Sensor

## INTRODUCTION

The use of humidity sensors has significantly increased in recent years due to their various applications in industries, meteorology, health science, civil engineering, solid state electronic devices etc. Therefore, development of low cost humidity sensors with better performance is essential. Recently, optical fiber based chemical sensors have attracted increasing interest due to their intrinsic characteristics such as resistance to electrical noise, possibility of real time monitoring and remote sensing [1]. Optical fibers are the potential candidate for realizing sensing in optical domain because of its very high sensitivity to external perturbation [2]. In the present study, plastic optical fibers (POFs) is taken into consideration because of its advantages over glass fibers such as flexibility, resistant to damage, shorter bend radius, ease of handling, mechanical strength, disposability and easy mass production of components and system etc [3]. Among different types of nanostructures, ZnO nanorods, Ag-ZnO, Au-ZnO has showed promising properties in the field of sensors and is considered to be a good candidate for practical applications [4]. In the present study, the aim is to fabricate the Ag-ZnO-PVA based optical relative humidity sensor for better sensitivity with the moderate operational range. The readily available Ag decorated ZnO nanostructures were used as a precursor sensing material which were synthesized by solvothermal and photochemical deposition technique. The phase purity and crystallanity of the Ag-ZnO nanomaterial were investigated using XRD, UV, TEM techniques. XRD results confirm the formation of crystalline ZnO having hexagonal wurtzite phase along with the metallic silver. The TEM analysis shows the existence of spherical shaped Ag nanoparticles on the surface of ZnO nanorods.

An evanescent wave fiber optic humidity sensor is constructed on multimode fiber using Ag decorated ZnO-PVA nanocomposite with variable mol % of Ag loading. Firstly the central portion of the optical fiber i.e. the insulating layer was removed and then the central portion of the fiber was dip coated with prepared Ag-ZnO-

PVP solution and then dried. In this particular study, effect of variation of clad length (2 to 12 mm) and effect of thickness (10.2 to 20.5 µm) of the coating material on the sensitivity of humidity sensor was studied. Fig. 1 shows the effect of variation of coating thickness on sensor performance. The sensor response is reproducible, repeatable and completely reversible. The best results were noted for the clad length of 10 mm with thickness 20.5 µm. The optimised composition gives a maximum sensitivity of (36 mV/%RH) having a fairly linear response, over the range of 20–80 %RH. The optimised sensor shows quick response of 10 sec (20–95 %RH) and recovery time of 45 sec (95–20 %RH). The humidity sensing occurs due to the adsorption of water molecules on the surface of the film. The dissociation of water molecule can be considered as surface reaction leading to the formation of surface oxides [6].

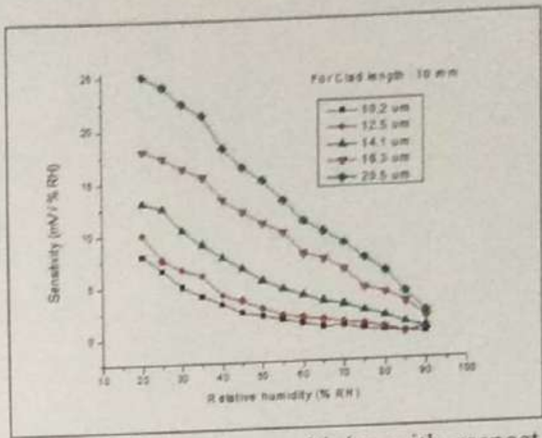

Fig. 1. Variation in sensitivity with respect to the humidity for different thicknesses.

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# $H_2$ and $NH_3$ Gas Sensing Properties of Nanostructured Cobalt Doped Tin Dioxide Thick Films

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The exposure to toxic and hazardous gases can cause various diseases, trauma and even death. Hence, there is a strong need of monitoring and controlling of such gases for safety and survival of living beings [1]. Nanoscale ssemiconductor metal oxide (e.g. $SnO_2$, $Cr_2O_3$, $V_2O_5$, $WO_3$, $TiO_2$, ZnO etc) based gas sensors are commonly used for industrial applications and environmental monitoring as they are cost effective and easy for operation. Among them, pure $SnO_2$ based gas sensors though well researched and commercially available in the market, they suffer from poor selectivity, long response and recovery time and show appreciable sensitivity only at elevated temperatures [2]. The optimization of structural parameters, such as grain size, porosity, texture, grain network, etc. is an important factor for improving gas-sensing characteristics of such sensors. Doping of noble metals viz. Au, Ag, Pd etc or catalytic metals such as Ni, Co, Ru, Rh etc can improve the sensor performance [3].

Considering this, in the present work, cobalt doped tin oxide nanoparticles were synthesized by facile hydrothermal route (@200 °C for 24 h) in order to study their gas sensing performance. Thick films prepared from synthesized nanostructures were studied for their structural, morphological properties (Fig.1a) and gas sensing performance against different gases such as hydrogen and ammonia. The prepared thick film sensor exhibited the operating temperatures of 36 °C (almost at room temperature) for ammonia gas (Fig.1b) and 80 °C for hydrogen gas. We believe that this study will open up new possibilities for $SnO_2$ based economical solid-state gas sensor fabrication almost at room temperature operation.

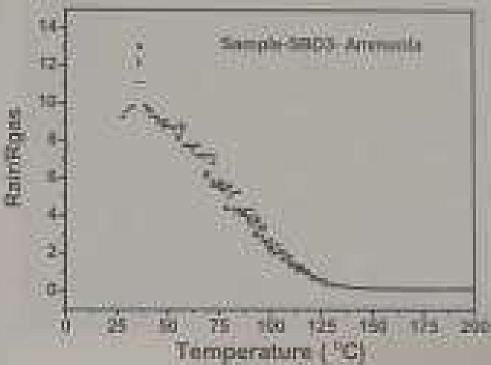


Fig.1: (a) FESEM image and (b) Gas sensor response of nanostructured Co doped $SnO_2$ based thick films

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# *Hydrogen, ethanol and ammonia gas sensing properties of nano-structured titanium dioxide thick films*

**Sapana S. Rane, Deepak A. Kajale, Sudhir S. Arbuj, Sunit B. Rane & Suresh W. Gosavi**

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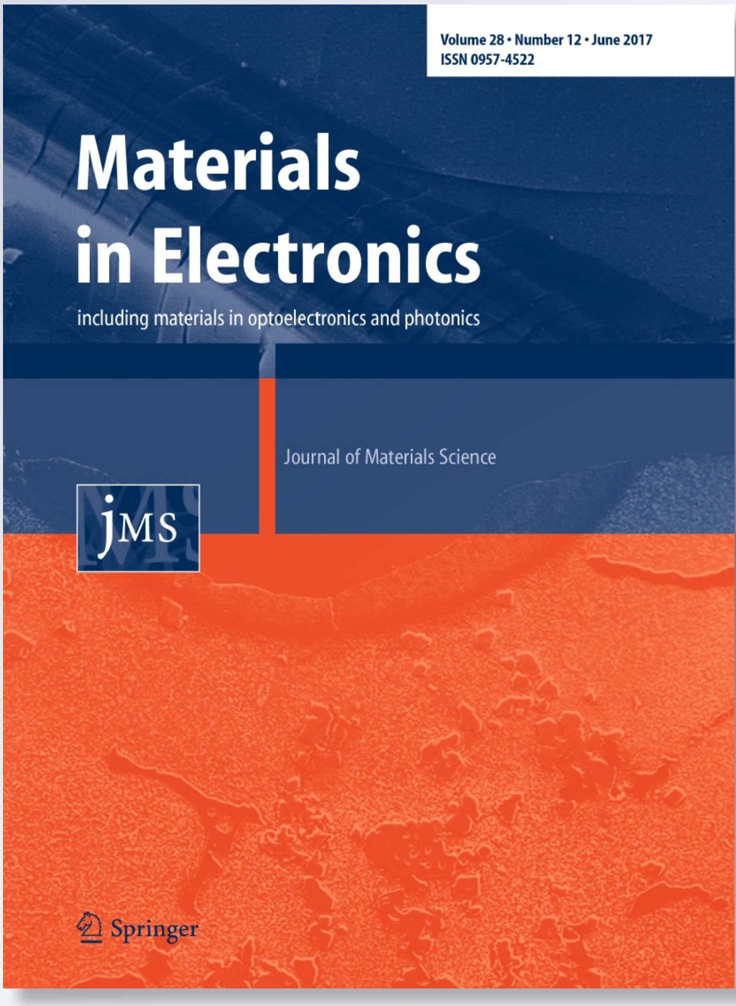


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# Hydrogen, ethanol and ammonia gas sensing properties of nano-structured titanium dioxide thick films

**Sapana S. Rane[1,2] · Deepak A. Kajale[3] · Sudhir S. Arbuj[3] · Sunit B. Rane[3] · Suresh W. Gosavi[4]**

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**Abstract** Pure nanocrystalline $TiO_2$ thick films have been prepared by doctor blade technique on glass substrate. The nanostructural properties of the powder as well as thick films and gas sensing performance of the $TiO_2$ thick films towards hydrogen, ethanol and ammonia gases have been studied and presented here. The experimental results revealed that these nanostructured $TiO_2$ films are sensitive to different gases such as hydrogen, ammonia and ethanol at low operating temperature close to 55–65 °C. The $TiO_2$ film shows highest sensitivity towards ammonia gas as compared to hydrogen and ethanol.

## 1 Introduction

Chemical/ gas sensors based on semiconductor metal oxide (ZnO, $SnO_2$, $TiO_2$, $In_2O_3$, $WO_3$, $CeO_2$,… etc) are very important in environment monitoring in various fields such as the industrial emission, household security, vehicle emission control, health, agriculture etc. However, only few of them are suitable for all the requirement of gas sensors with high sensitivity, good response and recovery time, good selectivity and long term stability. The sensing mechanism of these sensors involves adsorption of oxygen from atmosphere on the surface of oxide which extracts electrons from the semiconducting material leading to change in carrier density and conductivity. Upon interaction with the oxidizing or reducing gases, adsorbed oxygen concentration and thereby changes the conductivity [1, 2].

Hydrogen is a renewable, abundant, efficient energy source which provides zero emissions. Therefore in the near future, it could be used as city gas or to fuel vehicles similar way to that of natural gas is being used. $H_2$ has a lower explosion limit @ 40,000 ppm, a device which detects its presence at lower concentrations becomes indispensible [3–7]. Ethanol sensors have attracted attention due to their biomedical, chemical and food industry applications specifically for the need of detection of alcohol on human breath to prevent drunk driving or leakages in industries. Now a days the research focused on ethanol monitoring as ethanol could serve as non toxic organic solvent and also play a crucial role in beverages, industrial and scientific sectors and also as an alternative fuels to automotive [2, 8]. There is extensive use of ammonia in many chemical industries, i.e., fertilizer factories, refrigeration systems, etc., hence a leak in the system leading to the health hazards as Ammonia is harmful and toxic in nature. Therefore exposure of ammonia causes chronic lung disease, irritating and even burning the respiratory track, etc. It is, therefore, necessary to monitor ammonia gas and to develop the ammonia gas sensor [9].

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Titanium dioxide ($TiO_2$) is an important multifunctional material being used as photo-catalyst in solar cells, for the production of hydrogen, as a corrosion-protective coating, as an optical coating, as a gate insulator in MOSFETs, etc. Titanium dioxide is the potentially suitable candidate for gas sensing material due to its catalytic and electrochemical properties and has an advantage of being chemically stable at high temperatures which makes it a good candidate for gas sensing applications. Since last two decades number of contributions has reported the good sensing properties of $TiO_2$ towards CO, NOx ethanol, methane, ammonia $H_2$, etc [10–12]. The gas sensing properties of the films are strongly dependent on deposition technique, annealing temperature, film thickness and consequent properties like crystalline structure, grain size or amount of defects and impurities.

In the present study, gas sensing properties of pure nanocrystalline titanium dioxide thick films have been studied for the hydrogen, ethanol and ammonia gases.

## 2 Experimental technique

### 2.1 Preparation of sensing films

$TiO_2$ (99.8%- Aldrich make) was used for the preparation of functional sensing material. The paste was prepared using $TiO_2$ and polyvinyl alcohol (PVA). Initially, 2.5% PVA was dissolved in distilled water then $TiO_2$ powder was added into the solution and mixed thoroughly to obtain the homogeneous paste. Thick films of $1\times1$ square inch size were prepared using doctor blade technique on glass substrate. These prepared films were then dried under IR lamp for 15 min and subsequently annealed in the muffle furnace at 400 °C with dwell of 2 h having ramp rate of 2 °C/min. To measure the electrical resistance of the films, two Aluminium foil contacts were made at the opposite ends of the film.

### 2.2 Measurement of gas sensing properties

The prepared thick film was placed in the static gas chamber having built in heater arrangement in the set up. The gas chamber was having the capacity of 6.3 L Initally the resistance with respect to temperature of the sensing films was measured. Subsequently the sensing gas was injected into the chamber through syringe and the change in resistance was measured. The gas sensing behavior of thick film sensor was evaluated by measuring the relative change in resistance with and without exposure of gases under consideration. Different gases were used to study the sensing performance of the TiO2 films. The data is collected using the 6½ digit Agilent make data aquision system (DAQ). The thick film sensor mounted in the gas sensing measurement system is shown in Fig. 1.

**Fig. 1** Gas sensing measurement with DAQ system

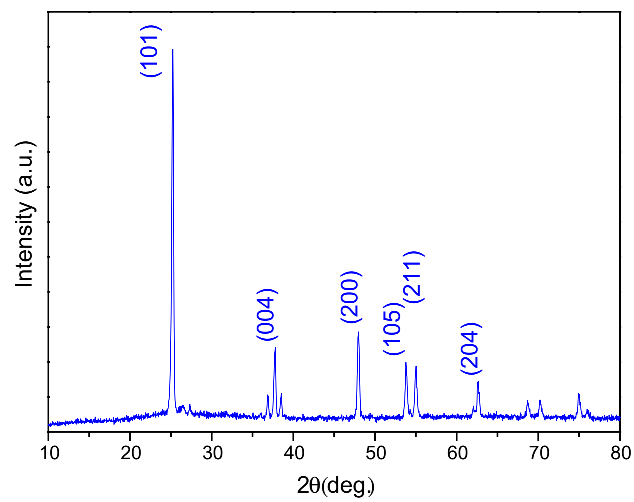


**Fig. 2** X-ray diffractogram of $TiO_2$ film

## 3 Results and discussion

### 3.1 X-ray diffraction analysis

The prepared $TiO_2$ film was analyzed with powder XRD technique in order to identify the crystal structure and result is depicted in Fig. 2. The strong and intense diffraction peaks indicate the formation crystalline $TiO_2$. The diffraction peaks at $2\theta=25.3°$, 37.8°, 48°, 53.9°, 55.0° and 62.6° can be indexed to the (101), (004), (200), (105), (211) and (204) crystal planes of anatase $TiO_2$ (JCPDS No. 21-1272) respectively.

### 3.2 Nanostructural analysis of the films

#### 3.2.1 *Scanning electron microscopy analysis*

The surface morphology and microstructure evolution of $TiO_2$ film was observed under scanning electron microscopy (SEM, JEOL, JSM 6030 A Model). The SEM images are depicted in Fig. 3. SEM of $TiO_2$ sample indicate the uniform spherical shape nano particles having size in the range of 50–100 nm (Fig. 3a, b). These particles are well connected to each other forming nano cluster of size around 1 µm.

#### 3.2.2 *HRTEM analysis*

The $TiO_2$ film was analyzed with FETEM to study the microstructure analysis. For this purpose the $TiO_2$ layer was scratched to remove some $TiO_2$ particles, dispersed in ethanol and subsequently drop-casted on carbon coated Cu grid. TEM images of $TiO_2$ were shown in Fig. 4. The $TiO_2$ indicates particles having size in the range of 50–200 nm with distorted spherical morphology (Fig. 4a). The SAED shown in the inset of Fig. 4a indicate the formation of highly crystalline anatase $TiO_2$. High resolution TEM image (Fig. 4b) indicate inter planar spacing 0.35 nm corresponds to the (101) plane of anatase $TiO_2$. The SAED and HRTEM analysis confirms the formation of anatase $TiO_2$ and corroborate with our XRD analysis.

### 3.3 Gas sensing properties

The gas sensitivity of a film is usually measured as the percentage change in film resistance on the exposure of gas or may be defined as the ratio of its resistance in air and resistance in presence of a gas or vice versa. The gas sensing properties of the $TiO_2$ thick films was carried out for different gases viz. $H_2$, $NH_3$ and ethanol vapours. Three different gas concentration i.e. 150, 300 and 500 ppm were taken to observe the gas response of the $TiO_2$ films.

Figure 5 shows the typical gas response curves of the $TiO_2$ film sensor for 150 ppm $H_2$ gas. From figure, it can be noted that the sensor showed highest response of 0.35 towards $H_2$ gas for the operating temperature around 60 °C. Consequently, the sensor also showed trivial response around 150 °C. The sensor responses at different concentrations of $H_2$ gas have been plotted in Fig. 5b. It is seen

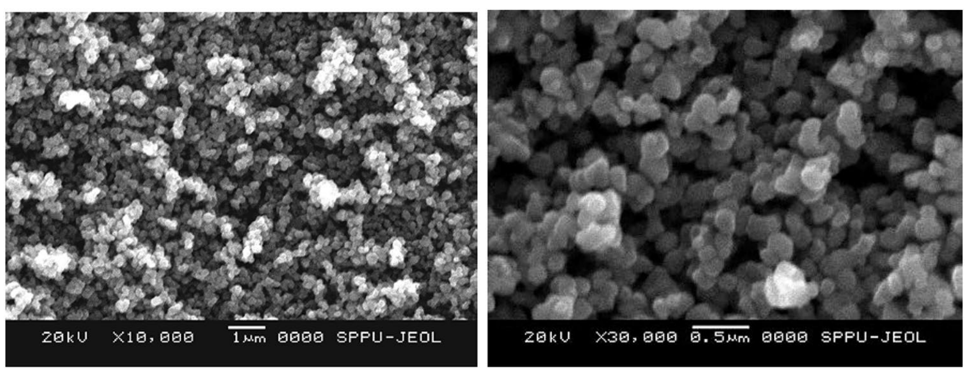


**Fig. 3** SEM images of nanocrystalline $TiO_2$ film

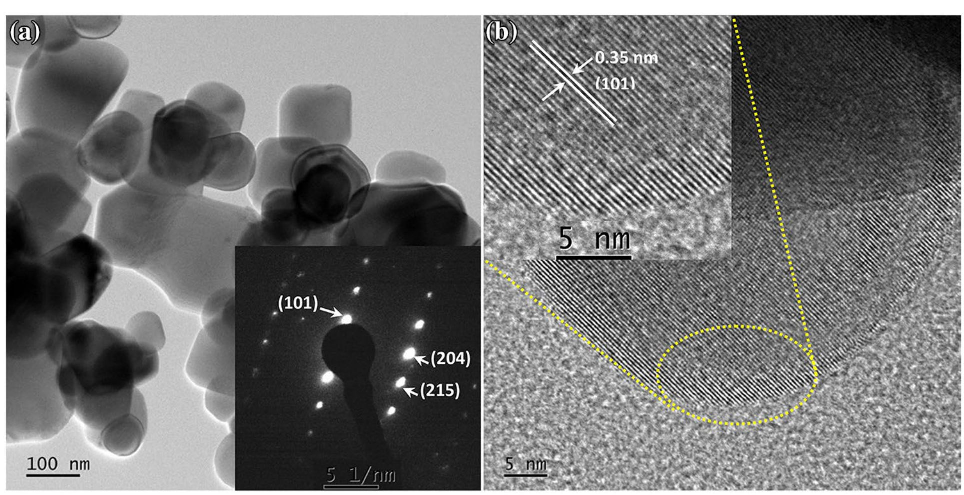


**Fig. 4** TEM images of $TiO_2$ sample, *inset* of **a** SAED of $TiO_2$ and *inset* of **b** high resolution TEM

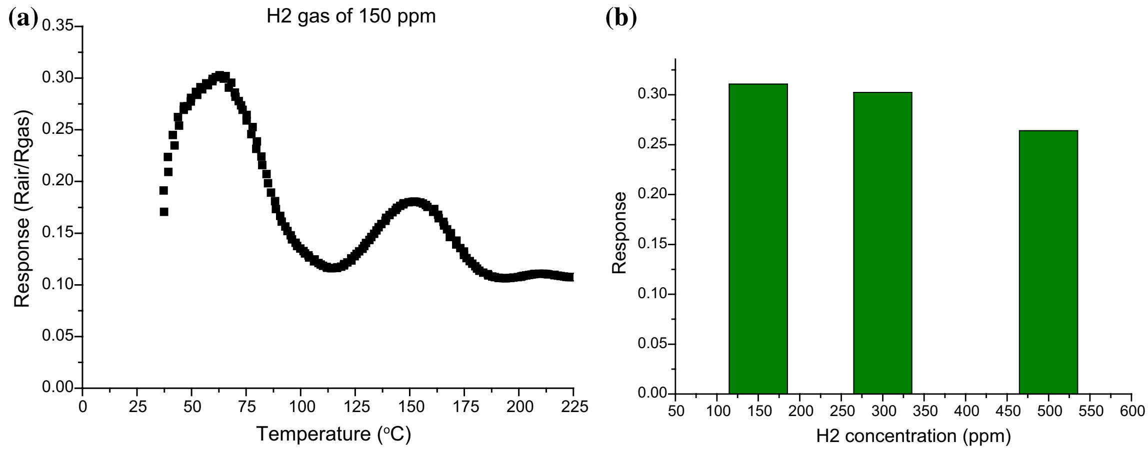


**Fig. 5** **a** Typical sensor response with respect to temperature of $TiO_2$ film to $H_2$ gas, **b** sensor response at different $H_2$ gas concentration at 60 °C

that gas concentration of 150 ppm showed highest response which get reduced for the higher gas concentrations.

The $NH_3$ gas response curves of the $TiO_2$ film sensor at150 ppm is shown in Fig. 6. The sensor showed highest response of 3.3 at the operating temperature of 55 °C. The sensor response for different concentrations of $NH_3$ gas has been plotted in Fig. 6b. It is seen that gas concentration of 150 ppm showed highest response which get reduced and almost saturated for the higher gas concentrations. The sensor also showed petty response around 150 °C.

The response to ethanol for the $TiO_2$ film sensors have been plotted in Fig. 7. It was observed that the sensor showed highest response to ethanol gas vapours at the operating temperature of 65 °C. Also, the sensor also showed inconsequential response around 155 °C. Similar trend of response was noted in other cases of gas concentration The sensor response for different ethanol concentrations have been plotted in Fig. 7b. Here also it was observed from the results that gas concentration of 150 ppm showed highest response which then reduces and saturated for the higher gas concentrations.

Figure 8 depict the sensor response for different gases for 150 ppm gas concentration. From the figure it was observed that the $TiO_2$ films show drastic response to $NH_3$ gas vapours as compared to the other two gases i.e. hydrogen and ethanol gas which confirms higher sensitivity of $TiO_2$ films to ammonia.

The gas response of $TiO_2$ thick film sensor is defined as $Ra/Rg$, where $Ra$ is the resistance of the sensor before exposure of any gas whereas; $Rg$ is the resistance of the sensor after exposure of gas. $TiO_2$ (anatase phase) behaves as n-type semiconductor with decrease of resistance in a reducing atmosphere ($H_2$, $NH_3$, ethanol etc. A good sensitivity of Ni-doped $TiO_2$ sensor for 1000 ppm at both room

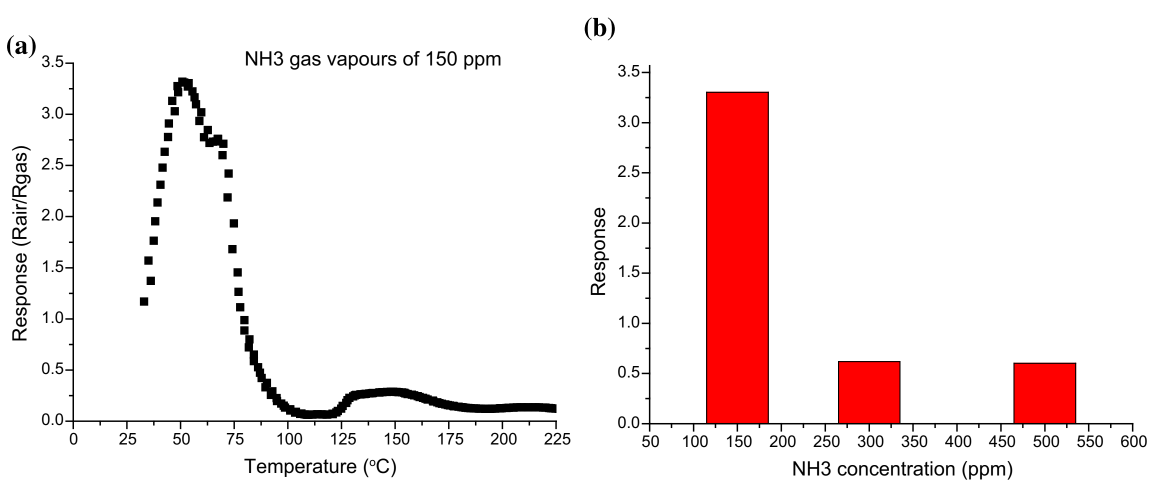


**Fig. 6** **a** Typical sensor response with respect to temperature of $TiO_2$ film to $NH_3$ gas, **b** sensor response with different $NH_3$ gas concentration at temperature 55 °C

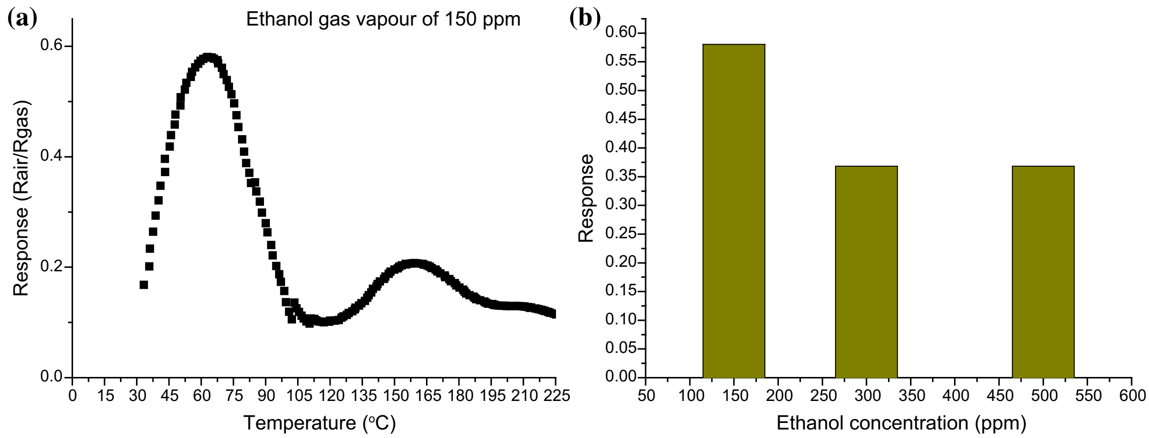


**Fig. 7** **a** Typical sensor response with respect to temperature of $TiO_2$ film to ethanol gas, **b** sensor response with different $NH_3$ gas concentration at 65 °C

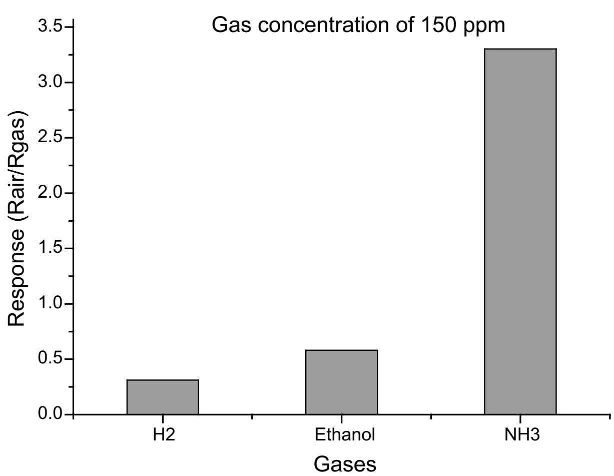


**Fig. 8** Sensor response for different gases for 150 ppm gas concentration

temperature and 100 and 200 °C reported by Li et al. [13]. The high operating temperature of the sensor could help to accelerate the diffusivity of hydrogen atoms into the surface of the nanotubes lead to higher sensitivity [14].

The detection of the presence of chemicals relies on the interaction between the gas or vapour molecules and the surface of the sensing films is the ability of metal/metal oxide composite sensor. This surface interaction is affected by many factors viz. operating temperature, the gas being analyzed, geometry of the sensor and its packaging. The detection of the gas is enabled by a change in electric resistance arising from a surface phenomenon. The reactivity of the surfaces is also dependent on the elemental composition, or impurity constituents, electronic and defect structure and on its microstructure sensing material. The changes in the surface characteristics of an active layer can contribute to the change on the sensor performance [7]. The n-type metal oxide can absorb oxygen from the atmosphere both in $O^{2-}$ and $O^{-}$. Due to the adsorption of $O^{-}$, material becomes more sensitive in the presence of reducing gases vz. $H_2$, $NH_3$, ethanol in our case. The surface preferentially adsorbs $O^{2-}$ at relatively low temperature leading poor sensitivity. But as the temperature increases, adsorption $O^{-}$ is dominant leading to increase in the sensitivity [12]. The adsorption of oxygen and removal of electrons from the surface only happen to a certain depth from the surface called as the Debye length (λ), which is typically in the order of 2–100 nm. The region within a Debye length (known as the depletion region) of the surface is due to depletion of its normal charge carriers. This Debye length may change as more or less oxygen is adsorbed on the surface, which in turn causes a measurable change in the resistance. When the crystallite dimensions are below 20 nm, the sensor response drastically increases. When the nanostructure dimensions allow all atoms to be within a Debye length of the surface, the entire of the material is depleted by the gas analyte, and the response is maximized. If a reducing gas is introduced in this case, it reacts with the surface adsorbed oxygen, pulling it from the surface, and simultaneously donating an electron back into the semiconductor that causes a decrease in the resistance [15].

## 4 Conclusion

Resistive type nanostructured $TiO_2$ thick film sensor have been prepared and subsequently characterized by physical and electrical methods. The physical characteristics viz. X-ray diffractometry, scanning electronic microscopy, field emission transmission electron microscopy results showed development of nanostructured $TiO_2$ films. The experimental results revealed that the these nanostructured $TiO_2$ films are sensitive to different gases such as hydrogen, ammonia and ethanol at low operating temperature close to 55–65 °C depending on the testing gas. In case of hydrogen gas the operating temperature close to 60 °C, for ammonia gas it was 55 °C where as for ethanol gas vapour detection it was 65 °C. We observed the highest sensitivity of the prepared films towards ammonia ($NH_3$) gas as compared to the other two gases i.e. hydrogen and ethanol. We also observed that the gas sensitivity decreases or almost saturated level for higher gas concentrations. Therefore we can say that the pure nanostrutered $TiO_2$ films would be a promising candidate towards the reduction of operating temperature of the gas sensors.

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# ICT Based Teaching & Learning

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**Abstract:**

Education as always been geared to societal needs and aspirations. In view of the omnipresence of IT in modern life its impact on education- the life-blood of information and knowledge-was bound to be far reaching.

We are said to be living in the Information Age. In a way, mankind has always lived in the age of information. Not only that. The Big Bang, which marked the origin of the universe, released such vast oceans of information that mankind has spent millennia unraveling the message contained in a tiny drop of it. The cell—the basic unit of life- is the most densely packed parcel of information ever created. But ours is an Information Age in a special sense. Its driving force is Information Technology (IT), its societal impact is pervasive, and the speed and nature of changes it has brought about are revolutionary. That is why it is often referred to as information Revolution. And its two pillars are the computer and telecommunication.

**Key Words:-** IT, E-learning, Distance Education, Future of E-learning

**Introduction:-**

The world has changed completely sine the Industrial Revolution but our education system has remained the same in its basics over the last century and a half. Now IT is being used extensively in schools and colleges, and this has brought some radical changes in the educational system. An important aspect of this development is that for the first time the educational sector has become an area of great commercial interest. The missionary zeal with which the computer industry has promoted the introduction computers in schools has had a significant impact on the changes brought about in school education. Computer hardware and software worth billions is now being consumed by schools and students, and never before in history has school education attracted such corporate attention. As a consequence of this development, technology has been introduced as an important factor in the educational system. It would be useful to keep this phenomenon at the back of one's mind while dealing with this subject.

**IT & Education:-**

Before we begin exploring various dimensions of this revolution, it may be useful to start at a more mundane level and examine to nuts and bolts of the chariot of IT. Much of the ground covered may be familiar to many readers, yet is may help in forming a clearer and more coherent view of this technology. The computer's great value as an educational and at certain levels is unquestioned, and we shall come to that point a little later. It is also a fact that it is changing the traditional meaning of knowledge, as also the structure and content of curriculum. But some champions of this technology go so far as to claim that "it has rendered schools entirely irrelevant since there is now so much more information available outside the classroom than inside". And, that," … in this world of pedagogical plenty, children and adults will be able to dial up a programmed on their home television to learn whatever they want to know, at their own convenience.

The university level and in research that computers have the most significant contribution to make. All mathematical sciences use computers as a matter of routine. Equations that would take hours and hours to solve are cracked in a jiffy. Even in the life sciences computers are now used extensively, and it would not have been possible to sequence the human genome but for computers. No space scientist can make any headway without them. Whole teams of researchers can be networked to tackle a common problem or project. In the humanities, the Internet provides instant access to whole libraries of literature from the comfort of one's home.

In this fast changing world, continuous, life-long education has become imperative. With life-time employment in the same organization having become increasingly uncertain, one has to re-educate oneself over and over again for different types of jobs. This is where the Internet access provides one with the necessary material for learning new skills.

**IT & Distant Education:-**

A valuable fallout of the use of IT in education has been the emergence of distant education, Net university and the virtual classroom. There are several factors which have led to the growth of this sector. First, the desire for higher or specialized education has spread faster than the infrastructure to provide it. It is particularly a boon to developing countries where a large number of students have no access to university education. Second, whereas IT is bringing about rapid changes in every sphere of activity and requires new skills and knowledge for handling a job properly, it is not possible for employees to repeatedly go back to the universities to update their knowledge. On the other hand, the falling prices of computers, access to multimedia facilities on the Net and availability of high bandwidth have made it possible not only to deliver course material to students at distant places, but also to interact with them to answer their queries.

In fact, the concept off distant education predates the arrival of computers. Earlier students used to get registered with a distant university, printed course material was supplied to them by post, and all interaction also took place through postal service. This was a slow process with several limitations. With the arrival of computers and the Internet you can, in theory, reach millions of students, interact with them, keep updating the course material continuously, and also modify it in the light of the feedback received from the students. Also, each student can access the material at his convenience, as there are no fixed timings for a virtual class.

Whereas distant education is a real boon for the developing countries, it is the affluent countries which are making the maximum use of it. For one, their need for re-training their workforce is much greater. Second, it has emerged as big business. These countries not only cater to the national market, their courses are designed for the international student community also.

Increasingly, organizations are adopting online learning as the main delivery method to train employees. At the same time, educational institutions are moving toward the use of the internet for delivery, both on campus and at a distance. However, for organizations and institutions to make this often expensive move, there must be a perception that using online learning provides major benefits. Some of the benefits for learners and instructors are outlined below.

For learners, online learning known no time zones, and location and distance are not an issue. In asynchronous online learning, students can access the online materials at anytime, while synchronous online learning allows for real time interaction between students and the instructor. Learners can use the Internet to access up-to-date and relevant learning materials, and can communicate with experts in the field in which they are studying. Situated learning is facilitated, since learners can complete online courses while working on the job in their own space, and can contextualize the learning.

For the instructor, tutoring can be done at anytime and from anywhere. Online materials can be updated, and learners are able to see the changers at once. When learners are able to access materials on the Internet, it is easier for instructors to direct them to appropriate information based on their needs. If designed properly, online learning systems can be used to determine learners; online learning systems can be used to determine learner's needs and current level of expertise, and to assign appropriate materials for learners to select from to achieve the desired learning outcomes.

It will be helpful in discussing the future of electronic learning, to distinguish between two futures, a near one and a far one. Of course they may overlap or blend together at points, but it is worthwhile to see the difference between the two.

**Future of E-Learning:-**

The near future of applications in education of information technology is predominantly the application of educational techniques that we already know fairly well but must improve, adapt and exploit. Here I'm referring to computer assisted instruction (in the broadest sense), interactive television word processing, electronic mail, data management, and other advanced, excellent, applicable information technology that has been developed over the last 20 to 30 years for the military, for banking, for airline reservations, for this that and the other application. It's there. Except for computer assisted instruction, most of it hasn't been appropriated by education yet. But now we are caught up by this fantastic wave that's been set off by the microcomputer, that obviously is coming into education, and which will probably bring a lot of additional technology with it.

**Conclusion:-**

The far future, is seems to me, will be different from the neat, future mainly in respect of how much work educationists will have to do to bring it into being. The information technology out of which one could make the educational technology of the far future is here now or developing on a predictable schedule. But it is going to take an awful lot of work from the education community to adapt it and adopt it, to make educational technology out of the information technology that has been or soon will be presented to us. The far future, I think, is going to be determined by near-future research, study, experimentation, and empirical development. The educational community (broadly defined) will have to do a large part of that work itself, because that work deals with the structure of knowledge and with the organization and representation of knowledge in ways that are attuned to educational applications as well as to the computer and digital telecommunications. I will mention artificial intelligence, also, because that field is going to keep on advancing. By the turn of the century we are going to be dealing with it in practical educational applications. Indeed, there will be many interesting developments that we will have to deal with. Some of them one can envision now, but not clearly enough to start on them now.

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# Basic Concept of E-Commerce

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## INTRODUCTION

Transacting or facilitating business on the Internet is called ecommerce. Ecommerce is short for "electronic commerce." Interestingly, I am credited with teaching ecommerce at the business school at the University of Texas at Austin, far before the term "ecommerce" was invented. So, I have had the opportunity to see the earliest versions of ecommerce in the late 80's and early 90's. Popular examples of ecommerce revolve around buying and selling online.

But the ecommerce universe contains other types of activities as well. Any form of business transaction conducted electronically is ecommerce.

Examples of Ecommerce

- **Online Shopping**
  Buying and selling goods on the Internet is one of the most popular examples of ecommerce. Sellers create storefronts that are the online equivalents of retail outlets. Buyers browse and purchase products with mouse clicks. Though Amazon.com is not the pioneer of online shopping, it is arguably the most famous online shopping destination.
- **Electronic Payments**
  When you are buying goods online, there needs to be a mechanism to pay online too. That is where payment processors and payment gateways come into the picture. Electronic payments reduce the inefficiency associated with writing and mailing checks. It also does away with many of the safety issues that arise due to payment made in currency notes.
- **Online Auctions**
  When you think online auction, you think eBay. Physical auctions predate online auctions, but the Internet made auctions accessible to a large number of buyers and sellers. Online auctions are an efficient mechanism for price discovery. Many buyers find the auction shopping mechanism much interesting than regular storefront shopping.
- **Internet Banking**
  Today it is possible for you to perform the entire gamut of banking operations without visiting a physical bank branch. Interfacing of websites with bank accounts, and by extension credit cards, was the biggest driver of ecommerce.
- **Online Ticketing**
  Air tickets, movie tickets, train tickets, play tickets, tickets to sporting events, and just about any kind of tickets can be booked online. Online ticketing does away with the need to queue up at ticket counters.

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**Types of Ecommerce**

Ecommerce can be classified based on the type of participants in the transaction:

- **Business to Business (B2B)**
  B2B ecommerce transactions are those where both the transacting parties are businesses, e.g., manufacturers, traders, retailers and the like.
- **Business to Consumer (B2C)**
  When businesses sell electronically to end-consumers, it is called B2C ecommerce.
- **Consumer to Consumer (C2C)**
  Some of the earliest transactions in the global economic system involved barter -- a type of C2C transaction. But C2C transactions were virtually non-existent in recent times until the advent of ecommerce. Auction sites are a good example of C2C ecommerce.

Benefits of Ecommerce

The primary benefits of ecommerce revolve around the fact that it eliminates limitations of time and geographical distance. In the process, ecommerce usually streamlines operations and lowers costs.

Specialized Forms of Ecommerce

On some platforms, ecommerce has shown the promise of explosive growth. Two such examples are:

- **M-Commerce**
  Mcommerce is short for "mobile commerce." The rapid penetration of mobile devices with Internet access has opened new avenues of ecommerce for retailers.
- **F-Commerce**
  Fcommerce is short for "Facebook commerce." The immense popularity of Facebook provides a captive audience to transact business.

Despite this discussion, at the consumer level, online retail has become synonymous with ecommerce.

**Understanding Different Types of E-commerce Businesses**

- SHARE
- PIN
- EMAIL

Classifying e-commerce businesses is tricky. We run the risk of turning it into an inconsequential exercise, or we could end up splitting hair. To grasp a deeper understanding of e-commerce concepts, it is important to ascertain the basis and purpose of classifying e-commerce businesses into types.

The two parameters of classifying e-commerce businesses that make the most sense are:

1. type of goods sold
1. nature of participants

Classifying Ecommerce Business Based on Type of Goods Sold

**E-Commerce businesses sell:**

- Physical goods, e.g., books, gadgets, furniture, appliances, and the like
- Digital goods, e.g., software, ebooks, music, text, images, video and the like
- Services, e.g., tickets, insurance, and the like.

The reason such classification is important is that it gives the analyst an insight into the business model and financial model of the business. For instance, the logistics of delivering the physical goods can be a huge challenge for some businesses. Sellers of digital goods do not face that problem. When it comes to selling tickets, there are many parameters that need to be evaluated in real time, e.g., in the case of air tickets: availability, location of seats, meal preferences, refundable vs. nonrefundable tickets, and much more.

Classifying Ecommerce Business Based on Nature of Participants

The two most common participants in e-commerce are businesses and consumers.

**Based on this we can come up with four primary e-commerce types:**

1. **Business to Business E-commerce (B2B E-commerce)**
   In this type of e-commerce, both participants are businesses. As a result, the volume and value of B2B e-commerce can be huge. An example of business to business e-commerce could be a manufacturer of gadgets sourcing components online.
2. **Business to Consumer Ecommerce (B2C Ecommerce)**
   When we hear the term e-commerce, most people think of B2C e-commerce. That is why a name like Amazon.com pops up in most discussions about e-commerce. Elimination of the need for physical stores is the biggest rationale for business to consumer e-commerce. But the complexity and cost of logistics can be a barrier to B2C e-commerce growth.
3. **Consumer to Business Ecommerce (C2B Ecommerce)**
   On the face of it, C2B e-commerce seems lop-sided. But online commerce has empowered consumers to originate requirements that businesses fulfill. An example of this could be a job board where a consumer places her requirements and multiple companies bid for winning the project. Another example would be a consumer posting his requirements of a holiday package, and various tour operators making offers.
4. **Consumer to Consumer Ecommerce (C2C E-commerce)**
   The moment you think of C2C e-commerce eBay.com comes to mind. That is because it is the most popular platform that enables consumers to sell to other consumers. Since eBay.com is a business, this form of e-commerce could also be called C2B2C e-commerce (consumer to business to consumer e-commerce)

Employees can be regarded as a special type of consumer. That would give rise to a new type of e-commerce: B2E (Business to Employee e-commerce).

Likewise if we consider Government to be separate entity, as also Citizens, we can come up with many more types of e-commerce: B2G (Business to Government), G2B (Government to Business), G2E (Government to Employee), G2G (Government to Government), G2C (Government to Citizen), C2G (Citizen to Government).

Types of Ecommerce Businesses Based on the Platform

Setting up shop on Face book is a fast-growing e-commerce segment so it has been awarded its very own bit of jargon: f-commerce.

Likewise, m-commerce stands for mobile e-commerce.

**Conclusion**

There is a lot of value in being clear about the type of e-commerce business one is talking about. Among other benefits, it allows us to make like-to-like comparisons across e-commerce businesses. At the same time, it helps us better understand the business model of different e-commerce players.

Business to Business (B2B) Ecommerce: The Silent Giant

Understand the Dynamics, Rationale, and Challenges of B2B Ecommerce

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**Business to Business Ecommerce.**

E-commerce

- Trends and Issues
- Basics
- Strategy
- Marketing
- Finances
- Book Reviews

There are many types of ecommerce. But the most popular is business to business ecommerce.

When both parties involved in an ecommerce transaction are businesses, we call it business to business ecommerce, or B2B ecommerce for short. While mainstream media finds it more exciting to report about developments in business to consumer (B2C) ecommerce, the bulk of transactions, as measured by dollars transacted, take place in the B2B space.

The Drivers of Business to Business Ecommerce

The primary drivers responsible for the popularity of B2B ecommerce are:

Optimize Procurement

If you are a manufacturer and need a steady supply of raw material, you need to maintain large, and expensive, inventories to ensure that you do not run out of raw material. This is because if you order at the last minute, your raw material supplier might not have enough stocks to supply you in time.

Also, you will need to maintain a large procurement team so that they can interact with multiple suppliers to procure the right quantity, quality, and price. And to account for all this, you will need a strong accounting team that can reconcile data with your vendors.

But that was the old style of working. Enter the world of B2B ecommerce. If you are electronically connected to your suppliers, you can:

- Lower inventories
- Get the best prices
- Reconcile accounts in real time

For instance, your system could constantly monitor the inventory level of your raw material as well as the inventory level of your supplier. At the right time, your system could automatically trigger an order to the best supplier. This alone is such a great benefit that it justifies investing in business to business ecommerce infrastructure.

Sales Channel Partners Management

If you use agents, affiliates, distributors or other channel partners to help you sell, you know that managing the sales channel can be a nightmare. But online B2B transactions have helped streamline the process.

By integrating your accounting system with that of your channel partners, you can make sure that there will not be any large scale reconciling process later. In addition, you can monitor the sales and inventory levels in real time to make appropriate channel decisions.

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Order Fulfillment

If your third party logistics provider did not provide you with a platform to place orders and monitor delivery, you would lose control over your logistics. As customers demand faster and more accurate delivery cycles, your ability to manage logistics can be a key differentiator and competitive advantage. Hence B2B systems that enable and monitor order fulfillment are indispensable.

How Does B2B Ecommerce Yield Benefits?

At its core, business to business ecommerce helps because of two primary processes:

It Enables Data Exchange

As a faculty member of Information Systems at the University of Texas at Austin in 1992-93, I would teach about EDI (Electronic Data Interchange).

At that point of time, no one had heard of the term ecommerce. Indeed EDI was one of the earliest types of ecommerce.

Being able to transmit and synchronize data electronically is at the heart of all the benefits that B2B ecommerce provides.

It Reduces Cycle Time

As a consequence of real-time data exchange, comparison and monitoring algorithms, and auto-triggered business processes, cycle times have been reduced substantially. In turn, this has led to higher productivity, lowered costs, improved quality, and faster delivery.

Who Sets Up B2B Ecommerce Websites?

Any business can set up a B2B ecommerce website.

And if the business is not big enough to have their own online B2B setup, they can participate as vendors in online marketplaces.

Buyers

If you are a buyer, you can set up a website where you post your requirements, and sellers send in proposals. This would make sense for large buyers.

Sellers

As a large seller, you can set up a B2B ecommerce website where buyers browse through your offerings and place orders. This sort of ecommerce has many similarities with B2C (business to consumer) ecommerce.

Marketplaces

Marketplaces are intermediaries that attempt to match buyers and sellers. Unlike a handful of large buyers and sellers, most businesses find it easier to transact at marketplaces.

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# Role of Non Government Organization in Promotion and Development of empowerment and skill building program for women in slum areas

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## History of Non Government Organization

The term of NGO is broad concept of organizations, not establish, run and operate by Government. Generally NGOs are non-profit, private organization. These NGOs are run their organization through own members. NGOs are working for not only in one field but also every field they are working efficiently and effectively to the society's good faith.

Mainly after the Industrial Revolution modern NGOs has largely mirrored that of general world history. Actually NGOs have existed in some form or another as far back as 25,000 years ago. Since 1850, more than 100,000 private, not-for-profit organizations with an international focus have been founded. Development of NGOs really took off after the Second World War, approximately 90 international NGOs founded each year, compared with about 10 each year in the 1890s. Only about 30 percent of early international NGOs have survived, although those organizations founded after the wars have a better survival rate. Many NGOs are in local form, as well as national or regional focus having created, though like their international counterparts, not all have survived or have been successful.

**Re**cently NGOs are known as third sector actors on the landscapes of development, human rights, humanitarian action, environment and many other areas of public action on jejuna help, from the post-2004 tsunami destroy so many thing. That time NGOs were done reconstruction efforts in Indonesia, India, Thailand, and Sri Lanka, to the 2005 Make Poverty History campaign for aid and trade reform and developing country debt cancellation. Above are the two examples show, NGOs are best-known social way, types of various activity , the delivery of services to society ,understanding the need of society, so in that way the organizations policy support the task also public campaigns in pursuit of social transformation.NGOs are actively perform other specialized roles such as democracy building, conflict resolution, human rights work, cultural preservation, environmental activism, policy analysis, research, and information provision. The study mainly has limits itself to a discussion of NGOs in the international development context; NGOs working are much wider.

Today NGOs as generally thought to have come into existence around the mid-nineteenth century. NGOs were officially recognized by the United Nations. At the UN Congress in San Francisco in 1968, a provision was made in Article 71 of the Charter of the United Nations framework that qualified NGOs in the field of economic and social development to receive consultative status with the Economic and Social Council.

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In various countries NGOs have form their working but the role of NGOs are to high importance in international development and increased their numbers significantly in the 1980s and 1990s. It is so critical to identify specifically how many NGOs there are, because few reliable statistics are kept.Put some estimates which is the figure at a million organizations, while the number of registered NGOs receiving international aid is probably closer to ‘‘a few hundred thousand. Both formal and informal organizations are included”In year 2000 The United Nations estimates that there were Aproximate 35,000 large established.

Figures available which are accurate for the amount of resources that NGOs receive from aid, contracts also private donations. It was estimated that NGOs were responsible in 2004 for about $US25 billion of in all aid money. The word of NGOs contains a bewildering variety number of labels. So ‘‘NGO’’ is widely used, there are also many other name used which are over-lapping such as ‘‘nonprofit,’’‘‘voluntary,’’ and ‘‘civil society’’ organizations. Above different terms does not reflect descriptive or analytical rigor of NGOs, but is instead a consequence of the different cultures and histories in which thinking about NGOs has emerged. For example, ‘‘nonprofit organization’’ is frequently used in the USA, There is dominant market is dominant as well as citizen are rewarded with fiscal benefits if they show that they are not commercial, profit-making entities and work for the Public good. In the UK, ‘‘voluntary organization’’ or ‘‘charity’’ is commonly used, following a long tradition of volunteering and voluntary work that has been informed by Christian values and the development of charity law. As charitable status in the UK functions with an NGO being ‘‘non-political,’’ so that while Oxfam is allowed the formal status of a registered charity (with its associated tax benefits) because of its humanitarian focus, Amnesty International is not, because its work is seen by the Charity Commission as more directly had impact ‘‘political.’’ Finally, the acronym ‘‘NGO’’ tends to be used in relation to international or ‘‘developing’’ country work, since its origin lies in the formation of the United Nations in 1945, when the designation ‘‘non-governmental organization’’ was awarded to certain international non-state organizations that were given consultative status in UN activities.

NGOs are analyzed three components: implementer, catalyst and partner. NGOs are wide-ranging of undertaking work. The role of implementer is related with the mobilization of resources to provide goods and services to needed people. NGOs across a wide range of fields Service delivery carried out by provided services such as healthcare, microfinance, agricultural extension, emergency relief, and human rights. One definition of the NGO’s is ability to inspire, facilitate or contribute to improved thinking and action to promote social transformation. Individuals or groups in local communities may be directed, or among other actors in development such as government, business or donors. Grassroots organizing and group formation may include, empowerment work, lobbying gender, promotion work, and attempts to influence wider policy processes through innovation, and policy entrepreneurship. The spiritual role of members reflects the growing trend for NGOs to work with government, donors and the private sector on joint activities, such as providing specific inputs within a broader multiagency program or project, or undertaking socially responsible business initiatives develop skill building program of women. It also includes varies activities that take place among NGOs and with communities such as capacity building, skill building, Promotion and development work which seeks to develop and strengthen capabilities.

NGO and their challenge of analyzing the phenomenon of NGOs remain surprisingly difficult. Because there are one reason for NGOs are a diverse group of organizations that oppose generalization, ranging from small informal groups to large formal agencies. NGOs play important roles help to society and take different shapes within and across different types of societies. NGOs as an analytical category remain complex and unclear. There is one example that is the NGOs are not run by government or under government norms or policies, nor run by on the profit motive, there are few NGOs that receive high levels of Government funding.

The types of things create complex debates about what is and what is not an NGO, and about the most suitable approaches for analyzing their roles. NGOs may be large or small, formal or informal, bureaucratic or flexible all things depends on structure of ngo. In terms of funding, many are externally-funded, whereas others depend on locally mobilized resources. While there are Number of NGOs which receive funds from and form a part of the ‘‘development industry’’ (which consists of the world of bilateral and multilateral aid on or, the United Nations system and the Bretton Woods institutions), Some of the NGOs which choose to work outside the world of aid as far as possible. One basic distinction is common in the literature is that between ‘‘Northern NGO’’ (NNGO) which refers to organizations whose origins lie in the industrialized countries, while ‘‘Southern NGO’’ (SNGO) refers to organizations from the less developed areas of the world. Additional key distinction is between membership’s forms of NGO, such as community-based organizations or people’s organizations, and intermediary forms of NGO that work from outside with communities, sometimes termed grassroots support organizations (GSOs). There are also numerous examples of bogus NGOs, such as those established as fronts by government (GONGOs – government-organized NGOs) or ‘‘briefcase’’ NGOs set up by individuals for purely personal gain.

Some NGOs have well-resource and wealthy, while others lead a delicate ‘‘hand to mouth’’ existence, struggling to survive from 1 year to the next. NGOs have smart and highly professionalized staff while others rely heavily on volunteers and supporters. NGOs gets suffers by a range of inspirations, motivations and values. There are both secular and faith based organizations. Some NGOs may be social, charitable and paternalistic while others seek to pursue radical or ‘‘empowerment’’-based approaches. NGOs purpose is very clear to meet needy people and solve their problems. A single NGO might combine several of these different elements at any one time. ‘‘NGOs may pursue change, but they can equally work to maintain existing social and political systems.’’ For example, for radicals who seek to explore alternative visions of development and change, NGOs may be seen as progressive vehicles for change. For conservative thinkers seeking private alternatives to the state, NGOs may be regarded as part of market-based solutions to policy problems. A key point to note here is that NGOs can be seen as a kind of tabula rasa, onto which a range of current ideas, expectations, and anxieties about social transformation are projected (Lewis 2005). It is partly because of this high degree of flexibility of the NGO as an institutional form, and the wide spectrum of different values that

NGOs may contain, that the rise to prominence of NGOs since the late 1980s has taken place against the back-drop of the ascendancy of neoliberal policy agendas. From the late 1980s, NGOs assumed a far greater role in development than previously.

**Todays NGO-**

As of today, about 1.5 million NGOs work in India (i.e., nonprofit, voluntary citizens' groups organized on a local, national, or international level). This includes temples, churches, mosques, gurudwaras (Sikh place of workshop), sports associations, hospitals, educational institutions, and ganeshotsav mandals (temporary structures set up to house Ganesh festival celebrations).Most NGOs in India is small scale and interdependent on volunteers. In reference to a survey conducted by Society for Participatory Research in Asia **(PRIA)**, 73.4% of NGOs have one or no. paid staff, although across the country, more than 19 million persons work as volunteers or paid staff at an NGO. The PRIA survey also reveals that 26.5% of NGOs are engaged in religious activities, while 21.3% work in the area of community and/or social service.

**Objectives of the study:-**

1. To study the demographic profile of the respondents.
2. To enlist the various Skill building Program and their silent features organized by Non Government Organization for women.
3. To Measures to effect of various developmental program undertaken for women empowerment in slum area.
4. To evaluate utilities effectively of such empowerment and skill development program of empowering women
5. To study the relationships between demographic empowerment through skill development program
6. To identify the weakness and limitation of privilege skill development program.
7. To suggest and appropriate model of empowerment through skill women respondent in slum area.

**Statement of Hypothesis:-**

1. The existing skill development programs are not need based and has functional limitation.
2. To skill development program should realized considering the residential and local need so that they can right of empowerment in slum area.
3. The women in slum area have not offered a proper respond empowerment and skill development program.

**Parameters for study:-**

**Following are some parameters for study**

1. Type of skill required.

2. Silent features of skill development skill development program.
3. Perception of concept of empowerment.

**Research design:-**

| Research Design | Research Methodology | Details |
|---|---|---|
| **Type of research** | 2. Descriptive Research | It is concerned with personal interviews, mailed questionnaires and personal discussion. It Involves the identification an interpretation of data already existing in documents, pictures and facts. |
| **Data collection approach** | 1.Primary data<br>2.Secondary Data | Questionnaire method, interview methods, formal and informal discussions and observations.<br>Related published Books, Magazines and articles. |
| **Interview Type** | Structured interview, Formal and informal discussions. | Verbal questioning for gaining relevant information related to research study. |
| **Analysis of data** | Software and statistical Tools | Windows word. |

**Scope of the study:-**

**1 Geographical scope -** Study is limited to Pune city only.

**2 Operational scope -** Researcher is going to study the actual functioning of Non Government Organization through empowerment regarding women in slum areas.

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**3 Temporal scope-**

Research work is going to be conducted for five years i.e. from 2009 till year 2014

**Source of data collection:-**

This study is based on primary data collected and secondary data available.

- **Primary data-** primary has collected from the following two categories through **Questionnaire**
- Representatives are in NGO and respondents-.

Suitable sample chosen from each category mentioned above to know their opinions. Data collected by using various methods such as interviews, Questionnaires, formal and informal discussion and observation.

- **Secondary data-**

Data has collected from the NGOs centers as well as from various journals, books and Internet related to the study

**Limitation of study:-**

There is low representation of women at all levels of political institutions. Women are still face major obstacles in seeking higher positions in society. Political participation is a human right, recognized in the Universal Declaration of Human Rights. Women are poorly represented at different levels of political life and decision-making. Thus, there is commonly neglect of women's priorities by politicians and bureaucrats. In India, the process of politically empowering through reservation in the local bodies has helped in the wider mobilization. On many occasions, elected women have provided the leadership for organizing women and get their legitimate demands fulfilled like, widow pensions, gas connections, etc researcher has conducted study.

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# New Trends in Commerce Education & Research

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***Abstract :*** *Commerce education carefully studies the individual's action which is injurious to the society as a whole and recommends the methods of their prevention. There are then certain commerce issues which are of direct interest to the society. The problem of money is protection, incidence of taxation, import-export, the development of agriculture, industries and the like affect the society as a whole. Commerce carefully studies these problems in the light of social welfare and gives its unbiased opinion..*

*Commerce education gives the knowledge of wel-earnings with good business.The growing phenomenon of globalization, liberalization and privatization has been immensely influencing the Commerce Education. Alvin Toffler in his famous book "Future Shock" says that, "To help avert future shock, we must create a super industrial educational system and to do this, we must search for our objectives, methods in the future rather than past. Education must shift into future tense." The Higher Education sector in India is very vast. The role of Higher Education in National development is well established.*

*The objectives of Higher Education can be achieved only through qualitative change in the system. The output of Commerce Education should be multidimensional and with full global competitiveness. But we have to realize that the Commerce graduate have lack of practical knowledge. The practical oriented Commerce Education is a need of the age.*

*The main objective of education is to develop Human Resources to face any challenges of the life . The role of commerce education is to develop Human resources to overcome the challenges in the field of commerce and business. To achieve this goal the commerce education must be focused on linkage with business and industries. It should be more practical and as like on job training and hands on experience.*

**Keywords:** Practical oriented Commerce Education**,** E-learning , E-banking,E-Governance, Emarketing, E-commerce.

## INTRODUCTION :

The first Commerce school was established in Chennai in 1886 by Trustees of Pachiyappa"s Charities. Commerce classes started in the Presidency College, Kolkata in 1903.The Sydenham College of Commerce and Economics was established in 1913 as the first institution for higher education in Commerce. In post-Independence period, Commerce ducation has emerged as one of the most potential pursuits in the wake of industrialization, economic development and techno-managerial revolution. Commerce has grown from a subject to a full-fledged faculty in most of the universities and had acquired a pride of place amongst different academic disciplines.

The growing phenomenon of globalization, liberalization and privatization has been influencing the Commerce education. The technological revolution has further provided new dimensions' E-banking, E-marketing, E-commerce, E-finance, E-investment paper less trading and governance has been gaining importance of all over the world. At the same time, the outsourcing business, call Centre, small business operation, IT based services etc. are expanding very fast. These developments demands paradigm shift in teaching and learning process. The new skills and training are required to cope up with these changes. The technological advances must be integrated into the basic fabric of Commerce education.

A career in e-commerce demands both a real knowledge of the business world and the element make a business work. as well as technical understanding and capabilities. E-commercc education, very much useful for giving a complete picture of the industry and the e-commerce jobs in k. E-commerce education courses include some of the basic aspects of business, making sure that the knowledge incorporated, need to run the whole of the business. Other E-commerce education like Internet Merchant Bank Account, Web Hosting, Web Site Design. Digital Certificate. Provider of Online Transactions, and Shopping Cart Software are popular in western countries. E-Commerce Jobs are also available in the some other specific areas, so taking a course can be really worthwhile, and give a set of skills that you will not learn elsewhere.

The main objective of education is to develop Human Resources to face any challenges of the life . The role of commerce education is to develop Human resources to overcome the challenges in the field of commerce and business. To achieve this goal the commerce education must be focused on linkage with business and industries. It should be more practical and as like on job training and hands on experience.

**OBJECTIVES :**

1. To expose themselves to and to interact with the real life situation and in the process to assist the society.
2. To have practical orientation of class room instruction. Thus, this scheme is expected to helping learning while working and earning while learning.
3. The education system is developing very fast both qualitively and quantitatively.
4. Imparting knowledge in the field of Commerce and Industry.
5. Developing skills in commercial operations and inculcating proper vocational interest, attitudes and values

**ROLE OF COMMERCE EDUCATION :**

Webster defines Education as the process of educating or teaching. Education is further defined as to develop the knowledge, skill, or character of students. The principle purpose of education is to educate all students and give everyone equal opportunity as a means to succeed in life. The important factors of education includes providing the necessary knowledge and skill.

According to Eric Hoffer, “The central task of education is to implant a will and facility for learning; it should produce not learned but learning people. The truly human society is a learning society, where grandparents, parents and children are students together”.

The role of Commerce education is very much challenging and most important to prepare Business leaders and entrepreneurs.

- There are challenges in transition from school to work. High rates of youth unemployment have become a structural problem in India, so also in many countries. In order to weed out this problem impart of education especially commerce and business which encompasses a whole lot of livelihood activities is an important solution.

- Therefore, the basic objective of Commerce Education is to provide an improved livelihood to the people at the bottom of the pyramid by empowering them to find out how the Commerce education can be leveraged for sustainable inclusive growth .

**NEW TRENDS IN COMMERCE EDUCATION & RESEARCH :**

Commerce is the exchange of items of value between Persons or Companies. Any exchange of money for a product, service or information is considered a deal of Commerce. The Internet and an efficient postal system have made International Commerce convenient for Business as well as individuals.

Education is developing inherent abilities and power of students. It is the process by which society deliberately transmits its accumulated knowledge, skill and values from one generation to another. Education in the largest sense is any act or experience that has a formative effect on the mind, character or physical ability of an individual.

The following are new trends in commerce education :-

**E-Commerce :**

E-Commerce involves conducting business using modern communication instrument like Internet,Fax,Telephone,E-data interchange,E-payment, Money transfer system.E-Commerce provides multiple benefits to the consumers in the form of availability of goods at lower cost, wider choice and save times. People or Consumer can buy goods with a click of mouse button without moving out of their house or offices. Similarly, online services such as Internet Banking, Tickets includes Airlines, Railway, Bus Bill Payment, Hotel Booking etc. have been tremendous benefit for the customers.E-Commerce education has been phenomenal in making a deep impact on highereducation. Growth in the Internet over the last few decades has led to great impact on communication and research in the institutes. Many MBA"s, Working Professionals, Administrators, Housewives and similar people who fell short of time to go to a campus program have been able to benefit immensely from online sources.

**E-learning :**

It has become an important mode of education. Since the regular courses in India are getting very expensive and highly competitive, distance and online education is fast developing as an amazing option for the students E-learning opportunities are immense in India. Even the distance education programs are serving wonderfully. Distance learning can be availed through various types such as interactive CD-ROM programs, Mobile learning programs, Telecourses or Broadcast course via Television or Radio, Postal correspondence programs and many more.

**E-Governance :**

E-Governance is the future, many countries are looking forward to for a corruption free government. E-government is one-way communication protocol whereas E-governance is two-way communication protocol. The essence of E-governance is to reach the beneficiary and ensure that the services intended to reach the desired individual has been met with. There should be an auto-response system to support the essence of E-governance, whereby the Government realizes the efficacy of its governance. E-governance is by the governed, for the governed and of the governed.

**E-Banking :**

Online banking (or Internet banking or E-banking) allows customers of a financial institution to conduct financial transactions on a secured website operated by the institution, which can be a retail bank,virtual bank, credit union or building society.

To access a financial institution's online banking facility, a customer having personal Internet access must register with the institution for the service.Customers numbers are normally not the same as account numbers, because number of accounts can be linked to the one customer number. The customer will link to the customer number any of those accounts which the customer controls, which may be cheque , savings, loan, credit card and other accounts. Customer numbers will also not be the same as any debit or credit card issued by the financial institution to the customer.

**E-Marketing :**

Electronic marketing is directly marketing a commercial message to a group of people using email. In its broadest sense, every email sent to a potential or current customer could be considered email marketing. It usually involves using email to send ads, request business, or solicit sales or donations, and is meant to build loyalty, trust, or brand awareness. Email marketing can be done to either sold lists or current customer database.

**Telemarketing :**

The number of manufacturers of various brands are using various television channels to sale their products all over the world. The targeted customers are the viewers of the television spread all over the world.the targeted sales is achieved by saving time ,cost of sales and avoiding total chain of distribution.

An effective telemarketing process often involves two or more calls. The first call (or series of calls) determines the customer's needs. The final call (or series) Prospective customers are identified by various means, including past purchase history, previous requests for information, credit limit, competition entry forms, and application forms. Names may also be purchased from another company's consumer database or obtained from a telephone directory or another public list. The qualification process is intended to determine which customers are most likely to purchase the product or service.

## Challenges and Opportunities in Commerce Education:

Commerce is considered as one of the most popular career options in India. Commerce education is the backbone of the business and serial development of the Nation. This education stresses on developing the people and making effective use of available resources. Commerce education develops the relationship of people with one another. Commerce education covers wide area of business and society. Commerce education provides to the business and society that how to use it for the betterment of self and oneself. Commerce education gives to the people for democratic living, good citizenship and proper utilization of resources. It provides skill oriented education to students and society.

**Challenges**

- Challenges and Strategies for controlling inflation and promoting growth.
- Emerging issue in global Economy, Commerce and Management.
- Internationalization of Financial Market in the World.
- Role of Foreign Direct Investment and Foreign Institutional Investment.

- Reform in Indian and International Economic Sectors.
- Challenges and Strategies of IMF and WORLD BANK for International competition.
- Challenges and Strategies merger and acquisition strategies for Trade, Commerce and Industry in World.
- Challenges and Strategies for commodities markets in the world and in currency market in International scenario.
- Challenges and Strategies for export and import of Trade, Commerce and Industries in global scenario.
- Challenges and Strategies for Stock Market and Investors for International competition. Challenges and Strategies in Currency Market in International scenario.

**Opportunities**

- At the undergraduate level, Bachelor of Commerce, a three year full time course. And Master of Commerce at the postgraduate level. After completing course in the field of Commerce, a student can join any private institute or government organization as a specialist in any of the Commerce stream and they can also pursue professional courses such as Company Secretary, Chartered Accountant, and ICWA,MBA.
- A graduate in Commerce can also opt careers in financial services as a Financial Consultants, Stock Brokers, Merchant Bankers, Budget Consultant, Financial Portfolio Manager, Project Formulation Manager, Tax Consultants. Careers in Management are also available in the field of Personnel Management, ProductionManagement, FinancialManagement, Marketing Management, and Material Management, other areas of Management such as Hotel Management, Hospital Management, Tourism Management, Event Management, Office Management, Export and Import Management.
- In the Bank, call for Commerce graduates and post graduates with specialization in Banking . Insurance Companies can also call for Commercegraduates and post graduates with specialization in Insurance.Industrial segment are also call for Commerce graduates and post graduates with specialization in accounting skill including Computer Technology.

**CONCLUSION :**

With a growing emphasis on information, globaleconomy, Higher Education was viewed as increasingly essential for the world'spopulation. Information Technology and Mobile Technology is now forcing education sector to change according to the need of the time. The most emerging dimension of the Business and Commerce education in the 21st century is the need for Business School to use technology and make it integral part of course contents. Education now becomes an industry, there is explosion of technologies and knowledge in all sphere. The quality of Commerce Education has become a major marketing issue in the changing environment. As per specialization, a practical training should be provided to the students. By making relevant and practical oriented Commerce Education, we may impact global competitiveness to our students. As a part of the society the social awareness among Commerce students is the emerging need of present time.

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# Handoff Issues in Cellular System can be solved by using DFS AND BFS Algorithms

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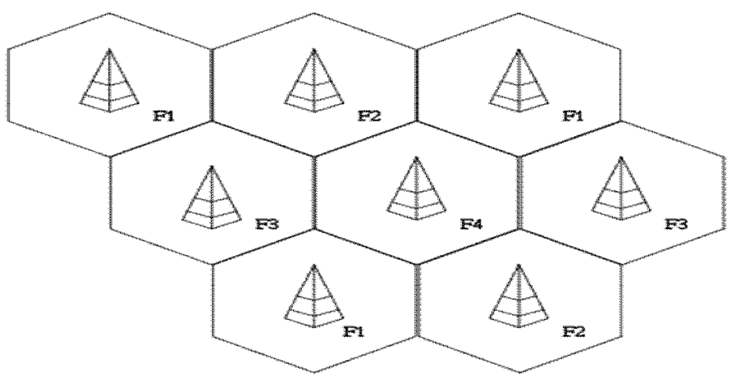
**Abstract:**

*Mobility is the most important feature of a wireless cellular communication system. This continuous service is achieved by Handoff (or Handover) from one cell to another cell. Handoff (also called Handover) is the mechanism that transfers an ongoing call from one cell to another cell as a user moves through the coverage area of a wireless cellular system. The main objective of handover is to maintain the ongoing calls. Many times it is initiated by crossing a cell boundary or by deterioration in quality of the signal in the current channel. Handovers are used to prevent an ongoing call to be disconnected. If handovers are not used then whenever a user leaves the area of a particular cell then its ongoing call is immediately disconnected. The handover process requires a number of parameters e.g. which handover scheme we are using, how many channels are free for call. In the handover process the QoS should be kept up to the standard. Handoff schemes which are poorly designed tend to generate very heavy signaling traffic and, therefore, there is a dramatic decrease in the quality of service (Qos). To improve QoS of handover, different types of algorithms can be used such as DFS and BFS. The reason for the critical handoffs in cellular communication systems is that in neighboring cells always a disjoint subset of frequency bands is used, so negotiations must take place between the current serving base station (BS), the mobile station (MS) and the next potential BS.*

## INTRODUCTION

The basic concept of a cellular phone system is that it has a large number base stations covering a small coverage area known as cells, and as a result frequencies can be re-used. Frequencies re-use means each cellular Base Station is allocated a group of radio channels to be used. These radio channels can be used by another base station which is at a suitable distance away from it.



Mobility is provided by cell phone systems. So as a result, it is the very basic requirement of the system that as the mobile handset moves from one cell to another cell, it must be able to handover the call from the base station of the first cell, to that of the next cell with no interruption to the call. In satellite communications, it is the process of transferring satellite control responsibility from one earth station to another without loss or interruption of service. In cellular telecommunications, handover or handoff refers to the process of transferring an ongoing call or data session from one channel connected to the core network to another.

**HANDOFF PROCESS:**

Handoff is a process of changing the channel (time slot, spreading code, frequency or combination of them) which are associated with the current connection while a call is in progress [1]. The handoff process is initiated by issuing of the handoff request. When the power received by the MS from BS of neighboring cell exceeds the power received from the BS of the current cell by a certain amount, this is known as the handoff threshold and this is a fixed value. For successful handoff, handoff request must be grabted by a channel before the power received by the MS reaches the receiver's threshold. The area where the ratio of received power levels from the current and the target BS's is between the handoff and the receiver threshold [2]-[4], is called handoff area. Each handoff requires network resources to

reroute the call to the new base station. Switching load can be minimized by minimizing the expected number of handoffs. Another concern is delay; the Quality of Service (QoS) may degrade below an acceptable level, if the handoff does not occur quickly. Minimizing the delay also minimizes the co-channel interference. During handoff, there is brief service interruption. The perceived QoS is reduced as the frequency of these interruptions increases. The chance of dropping a call due to factors such as the not availability of channels, increases with the number of handoff attempts. Handoff algorithms need to be enhanced, as the rate of handoff increases, so that the perceived QoS does not degrade and the cost to cellular infrastructure does not increase. Fig

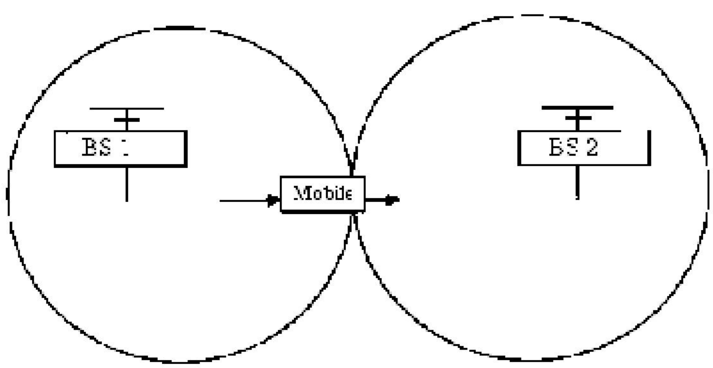
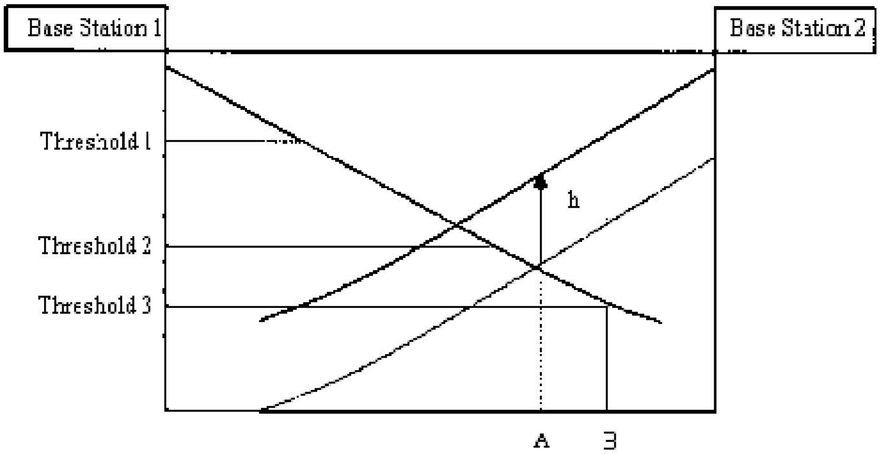



Fig.1 Handoff: a mobile moving from one cell to another

Handoff must be performed infrequently and successfully as possible and be imperceptible to the users. So to meet these requirements, a particular signal level is set standard, as the minimum usable for proper voice quality at the base station receiver, as a threshold, a slightly stronger signal level is used at which handoff is made.




So the margin = Pr handoff – Pr minimum usable must be kept as optimum as possible, because too large value of it can burden the MSC by unnecessary handoffs or too small value may be insufficient time to complete a handoff before call is lost due to weak signal conditions.

The handoff should take place at point A for the choice of Threshold 1 or Threshold 2. The handoff should take place at point B for Threshold 3 (see fig. 2). It has now been shown in practice that using the hysteresis margin greatly reduces the number of unneeded handoffs. However, there is a delay factor involved here. Optimum trade off values for the parameters threshold and hysteresis to obtain a tolerable delay may be set up.

4). **TYPES OF HANDOFF:**

Handoffs are broadly classified [6], [7] into two categories hard and soft handoffs. They are also characterized by "make before break" and "break before make". In the soft handoff, during the handoff process, both existing and new resources are used but in hard handoff, current resources are released before new sources are used.

**A. HARD HANDOFF** :

Hard handoff is essentially a "break before make" connection. In hard handoff, the link to the prior base station is terminated before or as the user is transferred to the new cell's base station, this means that the mobile station is linked to no more than one base station at a given time. Under the control of the MSC, the BS hands off the MS's call to another cell and then drop the call. Hard handovers are intended to be instantaneous in order to minimize the disruption to the call. Initiation of the handoff may begin when the signal strength at the mobile received from base station 2 is greater than that of base station 1. The signal strength measures are really signal levels averaged over a chosen amount of time. This averaging is necessary because of the Rayleigh fading nature of the environment in which the cellular network resides. A major problem with this approach to handoff decision is that the received signals of both base stations often fluctuate. When the mobile is between the base stations, the effect is to cause the mobile to wildly switch links with either base station. The base stations bounce the link with the mobile back and forth. Hence the phenomenon is called *ping- ponging*. Hard handoff is primarily used in FDMA (frequency division multi+ple access) and TDMA (time division multiple access), in which different frequency ranges are used in adjacent channels in order to minimize channel interference. So it becomes impossible to communicate with both BSs when the MS moves from one BS to another BS (since different frequencies are used).

**B. SOFT HANDOFF:**

Soft handoff (or handover) is a mobile cellular network technology commonly used in CDMA (Code-division multiple access) systems that enables the overlapping of the repeater coverage zones, so that every mobile station is always well within range of at least one of the base stations. A Soft handoff mechanism works by first switching and establishing connection with another base station before disconnecting from the existing base station in the network, so it is also sometimes referred to as "Make-before- Break" Handoff. The soft handoff technology has many advantages like since there is no change in frequency or timing as a mobile set passes from one base station to another base station, so there are practically no dead zones therefore the connections face negligible interruption and the dead zones are practically nonexistent. If compared to hard handover, Soft handover offers more reliable access continuity in network connection and less chances of a call termination during switching of base stations. This is due to it inherent attribute to handle simultaneous frequency channels which rarely suffer from fading or interference at the same time and together. In soft handoff technology, the connections are relatively permanent and the communication is more stable in comparison to the other cellular technologies because in CDMA technology, all the repeaters use the same frequency channel for each mobile set, irrespective of the location. In comparison to hard handoff, technical implementation of a Soft handoff is more expensive and complex. Now the soft handoff procedure is as follows: Suppose that the mobile station is linked and communicating with base station 1. Every base station is sending a pilot signal, which among other things, gives a measure of the signal strength to mobile users. When the signal strength of base station 2 exceeds the add threshold, base station 1 is notified to place base station 2 onto the candidate list. Further, when the signal strength of base station 2 becomes greater than that of base station 1 by some specified level, Base station 2 is placed on the active list and it also is allowed control of the call. Here, diversity combining is implemented. Now upon the signal level of base station 1 going below the drop threshold, the drop timer is activated. If it happens now that the signal level of base station 1 goes back above the drop level, the drop timer will be reset. However, if the signal strength level goes below the drop threshold and the drop timer expires; base station1 is dropped from activity with the call.

**C HORIZONTAL HANDOFF:**

In Horizontal handover the users use the same network access technology and mobility perform on the same layers. In this handover the on-going calls are to be maintain and although the change of IP address because of the mobile nod movement. This handover may be categorized according to the direction of handover invocation.

**D. VERTICAL HANDOFF:**

Vertical handovers ensure universal roaming between different wireless networks operated by different network service providers. In vertical handover the mobility perform between the different layers and the users can move between different network technologies. In vertical handover the mobile node moves across the different heterogeneous networks and not only changes the IP address but the QoS characteristics and also changes the network interface [9]. Vertical and over process: The process of vertical handoff can be divided into three main steps [10], [11], namely handoff initiation, handoff decision, and handoff execution.

**i) Handoff Initiation Phase**:

In this phase, in order to start the handoff event, information to be collected about the network from different layers likes Link Layer, Application Layer and Transport Layer. These layers provide the information such as RSS, power, link speed, cost, bandwidth, jitter, user preferences and network subscription, throughput etc. Based on this information handoff will be initiated in an appropriate time.

**ii) Handoff Decision Phase**:

In this step, mobile device decides whether the connection to be continued with current network or to be switched over to another one and the decision may depend on various parameters which have been collected during handoff initiation phase.

**iii) Handoff Execution Phase**:

In this phase, existing connections need to be re-routed to the new network in a seamless manner. In this phase, Authentication and authorization and the transfer of user's context information are also included.

**HANDOVER PROTOCOLS:**

In the design of a handover protocol [13], there are several factors that are to be considered. These factors are related to handover performance issues and constraints imposed by the operating environment. The handoff protocols can be classified into four categories [14]:

1. *Full Connection Re-routing*:

A new VC is established here as if it is a new call. Handoff scheme proposed in [15] makes use of external processors called Inter-Working Devices (IWDs) to manage handoff. These techniques are latent due to the need of computation of new routes but also optimal.

2. *Route Augmentation*:

This protocol offers a simplest means of achieving handoff, since it requires little buffering, no cell sequencing and not much additional routing. It involves route extension by adding a route from last position to current position of MT. It does not provide optimal path.

3. *Partial Connection Re-routing (Incremental Reestablishment)*:

In this technique, a part of route is preserved for simplicity, while the rest is re-routed for optimality. In this, the Nearest Common Node Rerouting (NCNR) algorithm presented in [16], routes the connection according to the residing zone of MT. This NCNR attempts to perform the rerouting for a handoff at the closest ATM network node which is common to both zones involved in the handoff transaction. The Hybrid Connection algorithm presented in [17] consists of Cross-Over Switch (COS) discovery and in case of intracluster handoff; the cluster switch itself performs the handoff at COS. In this type of handoff, the COS discovery process is initiated based on the handoff hint message provided by the MT. A partial path is set up between the COS and target switch, while the rest of the old path is preserved. This technique requires computation of nearest node or

COS, buffering and cell sequencing but provides better resource utilization and reduced signaling.

4. *Multicast Connection Rerouting*:

This method is the combination of above three techniques and it pre-allocates resources in the network portion surrounding the macro-cell where the mobile user is located. Whenever a new mobile connection is established, a virtual connection tree (VCT) [18] is created, which connect all Base Stations (BSs) including the macro-cells towards which the MT might move in the future. So, the mobile user can freely roam in the area covered by the tree without invoking the network call acceptance capabilities during handover. The allocation of the VCT may be static or dynamic. This approach is fast and can guarantee the negotiated QoS in case of network handover. It may not be efficient in terms of network bandwidth utilization, because there exists the possible denial of a connection due to lack of resources and high signalling overheads, especially in the case of dynamic tree allocation.

**REQUIREMENT, AIM and NECESSASITY of HANDOFF:**

**A. Handover of a call may be required in following situations:**

a) When the received signal Strength is faded due to deep shadow (hole)**,** then handover can be used to stop the drop-out of the call, if the received signal strength of the neighboring cell is good.

b) The call has to be permanently handed over, when the mobile reaches a cell boundary. In the systems which are based on channel rearrangement, when it is necessary to use a forced handover of an existing call to accommodate a new call or a handed over call.

**B. Aim of a good handover strategy includes:**

1. The number of drop-outs should be minimum,
2. The number of handovers should be minimum,
3. Quick switch over of the call without any disturbance to the call,
4. There should be minimum unnecessary handovers,
5. The effect on new call blocking should be minimum.

**HANDOFF MANAGEMENT ISSUES:**

Handoff management has proposed several challenges in the implementation of wireless technologies. The open issues are listed below:

1) **QoS (Quality of service):**

The main issue to be considered is guaranteeing of negotiated QoS. The critical factors that influence the QoS disruption during handoff are - handover blocking due to limited resources, out-of-order cell delivery, cell losses, delay and delay variations. The minimization of QoS disruption can cost buffering. Provisioning of the Qos also needed to address the timing and synchronization issues. Discusses local and global adaptive synchronization criteria based on Lyapunov stability theory for the uncertain complex delayed dynamical networks [19].

2) **Rerouting Connections:**

The issues remain in development of algorithms for finding new route options, creation of signaling protocols for the determination of the feasibility of proposed solutions, and for reconfiguring the connection path.

3) **Point to Multipoint:**

This includes the development of protocols that address rerouting the point-to-multipoint connections of MTs.

4) **Mobile-to-Mobile Handoff:**

For a mobile to mobile connection, there is a need to address up gradation of existing protocols in order to support connection routing and QoS (Quality of Service).

5) **Optimization:**

This includes the development of efficient methods that allow an existing MT connection to be periodically rerouted along the optimal path.

**OVERCOMING ISSUES:**

Above issues can be resolve to a extent using BFS and DFS Algorithms.

1) **QoS (Quality of service):**

Resources can never be unlimited. We have to use it in a efficient manner. Maximization of channel utilization can be done by the use of DFS and BFS. Using DFS and BFS, the shortest path between the source and destination cell can be find out. In case of out of order cell delivery, the count of available channels can be stored in different data structures like stack and queue. Delay and delay variations can be overcome iff channel is available. Timing and Synchronization issues can be addressed by storing the nearest neighbor cell into the stack or queue.

2) **Rerouting Connections:**

New route options are easily traced using BFS and DFS. These algorithms result in finding various numbers of paths between source and destination.

3) **Point to Multipoint:**

Point-to-multipoint connections can be implemented using DFS and BFS in which adjacent nodes of a node are known.

4) **Mobile-to-Mobile Handoff:**

For a mobile to mobile connection, QoS and Rerouting Connections are handled easily by using DFS and BFS.

5) **Optimization:**

This includes incurring minimum cost in handover process between the cells.

**CONCLUSION:**

In wireless networks, handoff between cells is unavoidable because it is very necessary to maintain the ongoing calls. There are occurrences where a handoff is unsuccessful and lots of research was conducted regarding this. The main reason was found out in the late 80's. In adjacent cells, when a user moves from one cell to another frequencies cannot be reused; a new frequency must be allocated for the call. The user's call must be terminated if a user moves into a cell when all available channels are in use. Also, there is the problem of signal interference where adjacent cells overpower each other resulting in receiver desensitization. In this paper, we study the efficient channel allocation and handoff strategies to guarantee continuous service with good Qos (Quality of service) to mobile multimedia users. The handover initiation techniques are composed on the basis of hysteresis, signal strength, and threshold.

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