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Managing Capital and Risk for Business Performance

Performance Analysis of Initial Public Offerings in India
A Critical Analysis of IPO performances across different Time-period

Relationship between Prices of Gold and Crude Oil: An Empirical Study
Does any Association exist between the Variables?

Risk Tolerance Capacity of Investors: A Study based on Ahmedabad City
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Demonetization of High Denomination Currency Notes in India and its Impact on Insurance Sector
A Growth Analysis of Insurance sector before and after Demonetization

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Globsyn Management Journal

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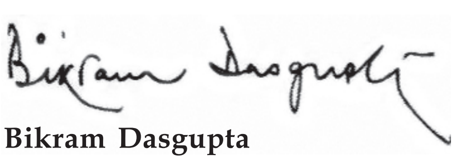
Patron-in-Chief's Desk

Globsyn Business School was started in 2002 with a vision to create industryready managers for the technology-driven knowledge economy. Having been promoted by Globsyn with deep roots in IT hardware, training and fulfilment, GBS uses technology-enabled platforms and systems in all its operations and processes. With Globsyn now looking at Artificial Intelligence as an area of focus, the students of our B-School can only expect greater dependence on Machine Learning, Data Analytics, Internet of Things and Blockchain to further improve the academic delivery process.

One significant aspect of the delivery process is our pioneering concept of learning “Beyond Education.” Through Beyond Education we have amalgamated academics, corporate ethics and human values in the student development process. Globsyn Management Journal (GMJ) is one such effort. Having being published over 10 years, GMJ has successfully positioned itself as a signature journal for all management educatory researchers and students to come together and experience the power of diversified management education.

I wish this all success!



Bikram Dasgupta

Founder & Executive Chairman
Globsyn Group

Patron's Desk

It is indeed a pleasure to note that the Globsyn Faculty Team and Management have been able to bring out the 12th issue of the Annual Research Journal on time. It is not easy to continue for long 11 years with aplomb. Congratulations to the team.

This publication shows the tenacity of Globsyn Faculty and Management Team to continue their thrust on Research and Innovation. Continued and sustained effort on Research and Innovation is necessary for Thought Leadership and its relevance to the industry.

The world is continually changing in thought and action. Our faculty team understand the need to keep abreast with Emerging thoughts to remain relevant. It is, therefore, commendable that our Faculty and Management team are aware of these responsibilities and are trying to get inter-disciplinary research articles and are also trying to draw articles from other areas of Technology and Globalization.

Our editorial board is strong. But, I understand that the management team is trying to get a few more international members with diverse knowledge.

I am aware that the journal includes not only Research Articles, but also relevant Perspectives from Industry. This makes it more attractive to Industry practitioners who are interested to remain aware of recent thoughts.

I am sure that the GBS faculty and the Management team would strive to continue the research zeal in future as well.

I wish the team a great success.

Prof. R. C. Bhattacharya

Vice Chairman - Globsyn Business School
Director - Globsyn Technologies Ltd.
Globsyn Business School, Kolkata

Editorial

Dear Readers,

Greetings from Globsyn Management Journal (GMJ)!

We are happy to release the Vol. XII, Issue 1 & 2, January – December 2018 issue of the journal that covers various business dimensions ranging from financial analysis of IPOs, risk management to understanding the relationship between the prices of gold and crude oil.

The issue further covers distinct sections on industry Perspectives, Case-studies and Book-Reviews for the benefit of our esteemed readers.

I would also like to take this opportunity to thank all the researchers who generously offered their writings for publication in GMJ.

Let me also take this opportunity to extend my sincere gratitude to our honourable Patron-in-Chief, Patron, GMJ Editorial team and all supporting staffs who has immensely contributed to the successful publication of this issue.

With best wishes to all our esteemed readers of GMJ!

Dr. Joy Chakraborty

Associate Professor - Globsyn Business School
Associate Editor - Globsyn Management Journal
Globsyn Business School - Kolkata

Research Articles

"Performance Analysis of Initial Public Offerings in India"

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Career Point University, Kota
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Abstract

Public as well as Private Corporates raises funds via primary market by issuing their shares to the public through a process known as Initial Public Offerings. After listing the stock of the company trade on secondary market through stock exchanges. The present study critically examine the performance of 107 IPO's in Indian stock market launched during the period 2011 to June 2017 on the basis of two performance indicators (i) over-subscription ratio and (ii) listing day gains. This study aims at comparing the performance of the IPO's for two periods January 2011- May 2014 and June 2014-June 2017. The results of the study shows that the performance of the IPO's launched during the period 2011-May 2014 significantly differs from the performance of the IPO's which were launched between June 2014-June 2017. It was also examined that the number of IPO's and the fund raised through them also differ significantly for the two periods.

Keywords: *Initial Public Offering, Primary Market, Secondary Market, Over-Subscription Ratio*

Introduction

IPO or Initial Public Offering is a type of public offering in which a company issues its stocks or shares first time to the investors which include individual and institutional investors. It is a common way of raising long term funds from the market by corporates. It is a primary market activity as it facilitates the issuance of new securities to the investors. India has seen a huge upward swing in primary market activity after the year 2003 as more firms tap the market to meet their capital requirements. The reason behind this was the bull phase of the stock market which turns the positive sentiments among the individual as well as institutional investors. The bull phase continued till 2008 and the funds raised through primary market reached at its peak level in the same year. As the economic recession covers the entire globe in 2009 the sentiments of Indian stock market also turns negative and the individual as well as institutional investors becomes cautious in investing their money in IPO's. Stock market has seen a range bound trading till the end of 2013 as the market trades below its peak levels of 2009. It was then the year 2014 when the market breaks its previous peaks and enters again into a bull phase. With this the individual investors again become active and the corporates again rush to the primary market to raise funds.

It was observed that with the turmoil in the stock market and decline in the participation of individual investors, the number of IPO's entered the market and the fund raise through them also declined significantly after the year 2008. This trend was then reversed in later half of 2014 and again the primary market activities picked up the pace and number of companies raising fund through IPO's rush to the market. Fund raised through IPO's also increases significantly and reached at its peak in 2017.

Table 1 Year Wise List of IPO's in India and Fund Raised		
Year	No. of IPO's	Fund Raised (Rs Crores)
2007	103	33425.91
2008	36	18339.92
2009	20	19283.96
2010	59	35770.32
2011	31	5792.87
2012	10	6745.17
2103	3	1283.95
2014	5	1200.94
2015	21	11362.3
2016	26	26372.48
2017	38	75475.37

Source: www.chittorgarh.com

It is clear from above table that the number of IPO's as well as fund raise by them decline from year 2008 and thereafter till 2014, except that in 2010. From 2015 onwards IPO market again picked up the pace both in terms of number of IPO's and fund raised by them.

Year 2014 has seen a big political change in India with BJP as a single part got clear majority to form the government. This political development was encouraged by the stock market and the two national indices Sensex and Nifty reached at their peak level. This creates a positive sentiment in individual investors and they again turn active in the market. This development has also seen to have a positive impact on primary market activities and the number of IPO's and investor's response to them also increases significantly.

Review Of Literature

Kaur et. al. (2017) evaluation the price performance of IPOs and FPOs in India since 2001. IPOs issued during 2001-2016 and FPOs issued during 2006-2016 were taken in concern by the authors. The short run performance analysis is done using Market Adjusted Abnormal Return (MAAR) for IPO and RMAR for FPO and long run performance analysis is done using Buy and Hold Adjusted Return (BHAR) for IPO and RBHAR for FPO. Their study reveals that IPO and FPO behave differently in different phases, the behavior of IPO and FPO after 1 month of listing is different as compared to after 3 years of listing.

Poornima et. al. (2016) analyzed the short run performance of 9 companies listed in National Stock Exchange of India during the period Jan 2013 to Dec 2014 to understand the anomaly of abnormal returns as well long term performance to analyze the performance of the IPO's. Their study aimed at analyzing the performance of IPO both in primary market and secondary market. The authors use investment tools like the Raw Returns, Market Adjusted Excess Returns to analyze both the short term and the long term performance. Their results shows that five companies offered higher returns in the primary market and sold in the secondary market, whereas only one company gives higher returns in the primary market and one company which gives higher returns in the secondary market.

Ramesh and Dhume (2015) study a sample of 150 IPOs that entered the primary capital market in India during May 2007 to December 2011 and examine the price performance of these IPOs listed on National Stock Exchange (NSE). By considering the gap of 1 month, 3 months, 6 months and 1 year, 2 years and 3 years respectively the authors studied the Short run and Long run price performance of the sample. The findings of their study reveal that, there exists overpricing in the Indian Primary Capital Market. Secondly, overpricing is more prevalent in the long run time period than in the short run.

Shah and Mehta (2015) studied listing day performance pertaining to 113 IPOs in India during January, 2010 to December, 2014, listed in National Stock Exchange (NSE) India. They found that there is, on the average, significantly positive return on the listing day. Their results shows that there was no significant relationship between the degree of underpricing and explanatory variables except oversubscription of issue. The study suggests that investors can make their investment in new issues as IPOs are underpriced in initial days.

Sheokand (2015) conducted his study to test short term performance of Initial Public Offerings (IPOs) in the Indian stock market between from 1992 to 2007 with the sample of 230 companies after the abolition of the Controller of Capital Issue (CCI). He measures the performance of IPO's in term of initial returns on the first day of trading. The results of his study shows significant underpricing in Indian IPOs market.

Divya (2013) attempts to identify causal variables behind high initial gains for Indian IPOs using earlier researches and test them over a sample of Indian IPOs to examine the influence of non-fundamental factors and signaling effects on under-pricing.

Sehgal and Sinha (2013) examine two main propositions for Indian Equity Market: (i) important factors that determine short-run underpricing of initial public offerings (IPOs) and (ii) impact of IPOs mispricing on investment banks reputation for the period April, 2001 to December, 2011. The study shows that the IPOs seems to be overpriced and the Indian market takes about 6 months to fully incorporate information for discovering the fair value of IPOs. Mispricing of IPOs seems to negatively impact the investment banks reputation in the next period.

Research Methodology

Objectives of the Study

The present study has been undertaken with the following objectives:

(i) To study the trend in fund raised by Initial Public Offerings in India

(ii) To study the performance of Initial Public Offers through over subscription ratio.

(iii) To study the performance of Initial Public Offers through listing day gains.

Hypothesis

Following hypothesis are formed for the present study:

H_{10}:$\mu_1=\mu_2$: There is no significant difference between the over subscription ratio of IPO's launched in India during the period January 2011-May 2014 and June 2014-June 2017.

H_{11}:$\mu_1\neq\mu_2$: There is a significant difference between the over subscription ratio of IPO's launched in India during the period January 2011-May 2014 and June 2014-June 2017.

H_{20}:$\mu_1=\mu_2$: There is no significant difference between the listing day gain of IPO's launched in India during the period January 2011-May 2014 and June 2014-June 2017.

H_{21}:$\mu_1\neq\mu_2$: There is a significant difference between the listing day gain of IPO's launched in India during the period January 2011-May 2014 and June 2014-June 2017.

Sampling Plan

Universe: Initial Public Offerings in India

Sample Size: 107 IPO's launched in India during the period January 2011 to June 2017.

Type of Data

The present study is quantitative in nature and secondary data will be used for the purpose of analysis.

Source of Data

The present study is built on secondary data. The sources of data include various websites like *www.nseindia.com*, *www.bseindia.com*, *www.chittorgarh.com*, *www.moneycontrol.com* etc.

Data Analysis

The data collected will be analyzed with the help of statistical techniques like T-Test, Standard Deviation and Coefficient of Variance.

Time Period of Study

The study covers a period from January 2011 to June 2017. The selected period has been divided into two parts as per the objective of the study. The first part covers a period from January 2011 to May 2014 and the second part covers period from June 2014 to June 2107.

Performance Indicators of IPO:

i. Over Subscription Ratio:

Oversubscribed is a term used for situations in which a new security issue, such as a stock or bond, is in great demand by investors. An oversubscribed security offering often occurs when the demand for an initial public offering (IPO) of securities exceeds the total number of shares issued by the underlying company. The degree of over subscription is expressed in terms of multiple, known as over subscription ratio. It is calculated as:

$$\textit{Over Subscription Ratio} : \frac{\textit{No. of Shares Applied by Investors}}{\textit{Issue Size}}$$

A high over subscription ratio shows a positive response by the investors to the Initial Public Offer.

ii. Listing Day Gain:

After the closing of an Initial Public Offer, the issuer in consultation with the merchant banker of the issue decide the issue price in case of a book building process. Once the issue price is decided the company decide the number of shares to be issue to the investors based on the over subscription ratio. Once this process is completed the company's share gets listed on the stock market which is a part of secondary market. If the share is undervalued and the demand of the share is more, less investors may get the shares through IPO due to high over subscription ratio. This may create more demand of the share in stock market and thus on the day of listing share price may increase. The listing day gain can be calculated as:

$$\text{Listing Day Gain} : \frac{P_1 - P_0}{P_0} \times 100$$

Where,

P_1 = Closing Price on Listing Day

P_0 = Issue Price of the Share

Data Analysis And Interpretation

Table 2

List of IPO's Launched During January 2011-May 2014

Sr. No.	Name of Company	Issue Size (Rs Crores)	Issue Price (Rs)	Listing Day Closing Price (Rs)	Over Subscription Ratio	Listing Day Gain (%)
1	Omkar Speciality Chemicals Ltd IPO	79.38	98	46.45	4.67	-52.6
2	Sudar Garments Ltd IPO	69.98	77	113.1	1.55	46.88
3	Acropetal Technologies Ltd IPO	170	90	98.45	1.28	9.39
4	Lovable Lingeries Ltd IPO	93.28	205	249.55	35.21	21.73
5	PTC India Financial Services Ltd IPO	438.76	28	24.9	1.7	-11.07
6	Shilpi Cable Technologies Ltd IPO	55.88	69	48.05	3.48	-30.36
7	Muthoot Finance Ltd IPO	901.25	175	175.9	24.55	0.51
8	Paramount Printpackaging Ltd IPO	45.83	35	27.05	3.92	-22.71
9	Future Ventures India Ltd IPO	750	10	8.2	1.52	-18
10	Innoventive Industries Ltd IPO	219.58	117	94.05	1.24	-19.62
11	Servalakshmi Paper Ltd IPO	60	29	19.05	1.47	-34.31
12	Sanghvi Forging & Engineering Lts	36.9	85	112	1.3	31.76
12	Vaswani Industries Ltd IPO	115.1	49	18.4	4.16	-62.45
13	Aanjaneya Lifecare Ltd IPO	117	234	311.1	1.11	32.95
14	Timbor Home Limited IPO	23.25	63	91.55	5.78	45.32
15	Rushil Decor Ltd IPO	40.64	72	119.5	2.62	65.97
16	Bharatiya Global Infomedia Ltd IPO	55.1	82	29.9	2.06	-63.54
17	Inventure Growth & Securities Ltd IPO	81.9	117	206.75	4.58	76.71
18	L&T Finance Holdings Limited IPO	1,245.00	52	50.05	5.34	-3.75
19	Tree House Education & Accessories Ltd IPO	113.83	135	117.6	1.85	-12.89
20	Brooks Laboratories Ltd IPO	63	100	61.5	1.6	-38.5
21	SRS Limited IPO	203	58	33.25	1.25	-42.67
22	TD Power Systems Ltd IPO	227	256	275.25	2.92	7.52
23	PG Electroplast Limited IPO	120.65	210	415.3	1.34	97.76
24	Prakash Constrowell Ltd IPO	60	138	230	2.21	66.67
25	Tijaria Polypipes Ltd IPO	60	60	18.6	1.2	-69
26	M and B Switchgears Ltd IPO	93	186	318.4	1.57	71.18
27	Onelife Capital Advisors Ltd IPO	36.85	110	145.95	1.53	32.68
28	Flexituff International Ltd IPO	104.63	155	165.55	1.17	6.81
29	Taksheel Solutions Ltd IPO	82.5	150	58.15	2.99	-61.23
30	Indo Thai Securities Limited IPO	29.6	74	23.15	1.18	-68.72
31	Multi Commodity Exchange of India Ltd IPO	663.31	1,032.00	1296.7	54.13	25.65

Sr. No.	Name of Company	Issue Size (Rs Crores)	Issue Price (Rs)	Listing Day Closing Price (Rs)	Over Subscription Ratio	Listing Day Gain (%)
32	National Buildings Construction Corporation Ltd IPO	127.2	106	96.95	4.93	-8.54
33	MT Educare Limited IPO	35	80	90.35	4.8	12.94
34	Tribhovandas Bhimji Zaveri Ltd IPO	200	120	111	1.15	-7.5
35	Speciality Restaurants Ltd IPO	176.09	150	159.6	2.54	6.4
36	VKS Projects Ltd IPO	55	55	55	1.03	0
37	Tara Jewels Limited IPO	183.49	230	229.9	1.98	-0.04
38	Credit Analysis & Research Ltd IPO	539.98	750	922.55	40.98	23.01
39	PC Jeweller Ltd IPO	609.3	135	149.2	6.85	10.52
40	Bharti Infratel Limited IPO	4,155.80	220	191.65	1.3	-12.89
41	V-Mart Retail Ltd.	94.42	210	203.3	1.2	-3.19
42	Repco Home Finance Ltd.	270.39	172	160.85	1.65	-6.48
43	Just Dual Ltd.	919.14	530	612.35	11.63	15.54
44	Wonderla Holidays Ltd	181.25	125	157.8	39.06	26.24

Source: www.chittorgarh.com

Table 3

List of IPO Launched During June 2014-June2017

Sr. No.	Name of Company	Issue Size (Rs Crores)	Issue Price (Rs)	Listing Day Closing Price (Rs)	Over Subscription Ratio	Listing Day Gain (%)
1	Monte Carlo Fashions Ltd.	350.43	645	567.3	7.83	-12.05
2	Shemaroo Entertainment Ltd.	120	153	171	7.39	11.76
3	Sharda Cropchem Ltd.	351.86	156	230.95	59.97	48.04
4	Snowman Logistics Ltd.	197.4	47	79.8	59.75	69.79
5	Ortel Communications Ltd	217.2	181	162.25	0.75	-10.36
6	Adlabs Entertainment Ltd.	341.48	168	191.5	1.11	13.99
7	Inox Wind Ltd.	700	300	438.4	18.6	46.13
8	VRL Logistics Ltd.	473.88	205	294.1	74.26	43.46
9	MEP Infrastructures Developers Ltd.	324	63	58.1	1.11	-7.78
10	UFO Movies Ltd.	600	625	597.3	2.04	-4.43
11	PNC Infratech Ltd.	488.44	378	360.5	1.56	-4.63
12	Manpasand Beverages Ltd.	400	320	327.75	1.4	2.42
13	Syngene International Ltd.	550	250	310.55	32.05	24.22
14	Power Mech Projects Ltd.	273.22	640	580	38.12	-9.38
15	Navkar Corporation Ltd.	600	155	166.85	2.85	7.65
16	Pennar Engineered Building Systems Ltd.	156.19	178	169.5	1.15	-4.78
17	Shree Pushkar Chemicals and Fertilizers Ltd.	70	65	63.05	1.34	-3

Sr. No.	Name of Company	Issue Size (Rs Crores)	Issue Price (Rs)	Listing Day Closing Price (Rs)	Over Subscription Ratio	Listing Day Gain (%)
18	Prabhat Dairy Ltd.	520	115	115.95	0.77	0.83
19	Sadbhav Infrastructure Project Ltd.	425	103	106.2	2.24	3.11
20	Coffee Day Enterprises Ltd.	1150	328	271	1.82	-17.38
21	Interglobe Avitaions Ltd.	1272	765	877.25	6.15	14.67
22	S H Kelkar and Company Ltd.	200	180	209.85	27	16.58
23	Dr. Lal PathLabs Ltd.	638	550	825	33.41	50
24	Alkem Laboratories Ltd.	1349.61	1050	1381.7	44.29	31.59
25	Narayana Hardayalaya Ltd.	613	250	336.7	8.7	34.68
26	Precision Chamshaft Ltd.	410	186	177.45	1.91	-4.6
27	Teamlease Services Ltd.	423.68	850	1032	66.01	21.41
28	Quick Heal Technologies Ltd.	451.25	321	253.85	10.8	-20.92
29	Healthcare Global Enterprises Ltd.	357.3	218	171	1.56	-21.56
30	Bharat Wire Ropes Ltd.	70	45	45.55	1.21	1.22
31	Infibeam Incorporation Ltd.	450	432	445.75	1.11	3.18
32	Equitas Holdings Ltd.	2175	110	135.2	17.21	22.91
33	Thyrocare Technologies Ltd.	479.21	446	618.8	73.55	38.74
34	Ujjivan Financial Services Ltd.	887.69	210	231.55	40.68	10.26
35	Parag Milk Foods Ltd.	751.78	215	247	1.83	14.88
36	Mahanagar Gas Ltd.	1039.64	421	520.3	1.18	23.59
37	Quess Corp Ltd.	400	317	503.1	143.99	58.71
38	L&T Infotech Ltd.	1400	710	697.6	11.69	-1.75
39	Advanced Enzyme Technologies Ltd.	411.49	896	1178.1	116.02	31.48
40	Dilip Buildcon Ltd.	653.98	219	251.75	20.95	14.95
41	S P Apparels Ltd.	239.12	268	288.75	2.66	7.74
42	RBL Bank Ltd.	1212.97	225	299.4	69.62	33.07
43	L&T Technology Services Ltd.	894.4	860	869	2.52	1.05
44	G N A Axles Ltd.	130.41	207	245.05	54.88	18.38
45	ICICI Prudential Life Insurance Ltd.	6056.79	334	297.55	10.48	-10.91
46	HPL Electric & Power Ltd.	361	202	189.3	8.06	-6.29
47	Endurance Technologies Ltd.	1161.73	472	646.9	43.84	37.06
48	PNB Housing Finance Ltd.	3000.75	775	891.15	29.53	14.99
49	Varun Beverages Ltd.	1112.5	445	459.5	1.86	3.26
50	Sheela Foam Ltd.	510	730	1032	5.09	41.37
51	Laurus Labs Ltd.	1331.8	428	480.4	4.52	12.24
52	BSE Limited	1243.43	806	1069.2	51.22	32.66
53	Music Broadcast Ltd	488.53	333	372.9	39.67	11.98
54	Avenue Supermart Ltd	1870	299	641.6	104.48	114.58
55	CL Educate Ltd	238.95	502	422.1	1.9	-15.92
56	Shankara Building Products Ltd	345	460	632.45	41.88	37.49

Sr. No.	Name of Company	Issue Size (Rs Crores)	Issue Price (Rs)	Listing Day Closing Price (Rs)	Over Subscription Ratio	Listing Day Gain (%)
57	S Chand & Company Ltd	728.56	670	676	59.49	0.9
58	Housing and Urban Development Corporation Ltd	1224.35	60	72.55	79.53	20.92
59	PSP Projects Ltd	211.68	210	199.5	8.58	-5
60	Tejas Networks Ltd	776.69	257	263	1.88	2.33
61	Central Depository Services Ltd	523.99	149	261.6	170.1	75.57
62	GTPL Hathway Ltd	484.8	170	171.65	1.53	0.97
63	AU Financiers	1912.51	358	541.65	53.6	51.3

Source: www.chittorgarh.com

1. Over Subscription Ratio:

Table 4		
Descriptive Statistics		
	Variable 1	*Variable 2*
Mean	6.718	28.448889
Variance	145.7774073	1366.395
Observations	45	63
Hypothesized Mean Difference	0	
df	79	
t Stat	-4.35242298	
P(T<=t) one-tail	2.00E-05	
t Critical one-tail	1.664371409	
P(T<=t) two-tail	3.99E-05	
t Critical two-tail	1.99045021	

Analysis: From the above calculation of T-test, a significant difference has been found between the over subscription ratio of IPO's launched in India during the period January 2011-May 2014 and June 2014- June 2017.

2. Listing Day Gain:

Table 5		
Descriptive Statistics		
	Variable 1	*Variable 2*
Mean	1.868366	16.14937
Variance	1610.814	655.2428
Observations	45	63
Hypothesized Mean Difference	0	
df	69	
t Stat	-2.10114	
P(T<=t) one-tail	0.019642	
t Critical one-tail	1.667239	
P(T<=t) two-tail	0.039284	
t Critical two-tail	1.994945	

Analysis: From the above calculation of T-test, a significant difference has been found between the listing day gain of IPO's launched in India during the period January 2011-May 2014 and June 2014- June 2017.

Results:

Table 6		
	Period of Study	
Parameter	**January 2011-May 2014**	**June 2014-June 2017**
Average Over Subscription Ratio	6.718	28.44
Average Listing Day Gain	1.86	16.14
No. of IPO's	44	63
Total Fund Raised (Rs. Crores)	14003.26	48802.69
Average Issue Size (Rs. Crores)	311.18	774.64

Sr. No.	Parameters	Hypothesis	Calculated Value	Decision
1	Over Subscription Ratio	There is no significant difference between the over subscription ratio of IPO's launched in India during the period January 2011-May 2014 and June 2014- June 2017.	0.000019958	Rejected
2	Listing Day Gain	There is no significant difference between the listing day gain of IPO's launched in India during the period January 2011-May 2014 and June 2014- June 2017.	0.01964193	Rejected

Findings:

i. A significant difference has been found in the Average Over Subscription Ratio of IPO's launched during the period June 2014-June 2017 was more as compared to that of IPO's launched during the period January 2011-May 2014.

ii. A significant difference has been found in the Average Listing Day Gain of IPO's launched during the period June 2014-June 2017 was more as compared to that of IPO's launched during the period January 2011-May 2014.

iii. Number of IPO's and total fund raised by IPO's increases sharply after 2014.

iv. Average issue size of IPO's launched during the period June 2014-June 2017 was more as compared to that of IPO's launched during the period January 2011-May 2014.

Conclusion

Year 2014 has been witnessed as a remarkable point for primary market activities especially for Initial Public Offerings. A slowdown in IPO's which started from 2008 onwards got reversed in later half of 2014. The market accelerates from 2015 onwards both in terms of number of IPO's and the fund raised by them. It was the change in government in 2014 which lift the performance of financial market. The stock market has also set new peaks since 2014. The new stable government in power has been successfully gained the confidence of individual as well as institutional investors. This has been reflected in their response to IPO's and stock market participation.

This study aimed at analyzing the performance of Initial Public Offerings in India during the period 2011 to 2017. Performance indicators like over subscription ratio and listing day gain has been used to analyze the performance of 107 IPO's. The results shows that the performance of Initial Public Offers launched during the two periods under study has shown a significant difference in terms of two performance indicators, over subscription ratio and listing day gain. IPO's launched during the period June 2014 to June 2017 has shown a better performance in both the parameters as compared to IPO's launched during January 2011 to May 2014. The result also shows that the investment environment in India has shown a positive change after 2014.

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Risk Tolerance Capacity of Investors: A Study based on Ahmedabad city

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Abstract

This study attempts to find out significance of demographic factors like gender, age, income, occupation and education on risk tolerance capacity. The study conducted in state of Gujarat, India and the SPSS 20.0 software was used. The objective of the study was to examine relationship between risk tolerance and demographic variables of investors. The study reveal that the demographic factor like gender and age have influence on risk tolerance.

Keywords: *Risk tolerance, investment*

Introduction

Over a Decade, due to economic changes investment pattern of individual investors are also changes. There is substantial growth in the investment of investors of India. Factors like gender, marital status, profession, education, financial literacy, risk tolerance, education and income level affects investment decision. Investment is always attached with the element of risk and that's why it is necessary to understand risk taking capacity of investors. Risk tolerance plays an important role in each household's investment decisions. It is important to measure risk tolerance as it is complex attitude and it has four facets- financial, physical, social and ethical. (EbrahimKunju, 2012)

Literature Review

AranoK, Parker C and Terry R (2010), examined whether women have higher risk aversion than men as demonstrated by their retirement asset allocation. The analysis is extended to investigate how retirement asset investment decisions are made in married households. Initial results suggest controlling for demographic, income and wealth differences leads to no significant difference in the proportion of retirement assets held in stocks between women and men faculty for married household with joint investment decision making results indicate that gender differences are a significant factor in explaining individual retirement asset allocation. Study showed that women faculty are more risk averse than their male spouse.

Robert A Olsen and Constance M Cox (2001), in their Paper titled "The influence of gender on the perception and response to Investment Risk", suggests that even with equivalent training, experience and information, investment managers make different decisions based on identifiable cultural difference. This paper investigated the risk / gender difference for professionally trained investors. Results found that women investors' are risk averse than their male colleagues.

Manish Mittal and ArunaDhade (2007), Concluded that there is risk taking difference between males and females. It is also observed that the difference in the risk taking capacities between men and women which was exhibited in their selection of investment. The analyses showed that females prefer risk free investment, while males prefer risky investments. The gender difference exists in the preference for risk in the domain of gains, and males exhibit more preference for risk. However, in the domain of losses they do not differ in terms of their preference for risk. Oleg . B, Nataliya. B and Dorothea. S (2010) also found that there is a relation between gender and attitude toward risk. But this is not due to fact that women are by nature adverse to risk. The difference in attitude towards investment is primarily due to the fact that household with female is lesser than men.

Adem Anbar and MelekEker (2010), in their research paper entitled, "An Empirical Investigation for Determining of the relation between personal Financial Risk tolerance and Demographic Characteristics", examined relationship between socioeconomic characteristics and financial risk tolerance level. The study found that the proposition about being effect of socio demographic variables on financial risk. The significant predictors of financial risk tolerance included gender, department and working in a job. Study also concluded that female students were less risk tolerance than males. There is no significant difference in the level of financial risk tolerance according to the age.

Rui Yao and Sherman. D. Hanna, (2005 found that demographic characteristics, economic characteristics have significant effects on financial risk tolerance. Unmarried male were the most likely to take some financial risk followed by married males, and then by unmarried females. Also, married females were the least likely to take some risk. Risk tolerance generally increased with education and income.

Ebrahim. K. S, (2012), in this research article entitled, "An Empirical Analysis of Financial Risk Tolerance and Demographic Features of Individual Investors" examines the dependence / independence of the demographic factors of the investors and his/her financial risk tolerance. Employees of two universities in India were taken as sample. Risk tolerance assessment questionnaire of FinaMetrica developed by an Australian company was used to measurer risk. It is found that gender of the individual investors and financial risk tolerance are independent of each other. Study also revealed that a relatively low positive correlation exist in between age and financial risk tolerance in individual investors. Marital Status is associated with financial risk tolerance of individual investors whereas financial risk tolerance is associated with the level of education of individual investors.

Research Methodology

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. It is necessary for the researcher to know not only the research methods/ techniques but also the methodology. Major parts of the research methodology are problem statement, research design, sampling plan, Questionnaire.

This research consists of three types of research studies – Exploratory, descriptive and casual. The exploratory study involved finding out about financial products and risk tolerance capacity of individual investors.

Objective of the study

- To assess risk tolerance in Gender
- To find out relationship between risk tolerance and demographic factors

Hypotheses

$H_{0.1}$ = There are no significant differences between investors' gender and their Risk Tolerance level.

$H_{0.2}$ = There are no significant differences between investors age their Risk Tolerance level.

$H_{0.3}$ = There are no significant differences between investors marital status their Risk Tolerance level.

$H_{0.4}$ = There are no significant differences between investors education their Risk Tolerance level.

$H_{0.5}$ = There are no significant differences between investors income their Risk Tolerance level.

Data Collection

For this study both primary as well as secondary data sources are used.

Primary Data

A detailed Questionnaire was prepare and administered on investors in the State of Gujarat to collect the data for the study. Questionnaire was also prepared in Gujarati language. The questionnaire was pilot tested on 100 individual's. As a result of the pilot test, it was modified before being administered.

With the help of these, personal interviews of the respondents were performed. Total sample size of 800 investors in the statement of Gujarat is considered for the study. During primary data collection, proper care was taken to collect data in such a way that is covers the entire state of Gujarat. For the purpose of primary data collection, the research has approached Ahmedababd, Vadodara, Nadiad, Surat, Jamnagar, JunagadhmBharuchm Rajkot, Mahudha, Modasa, Lunawada, Arawalli areas of urban Gujarat.

Secondary Data

To get insight into the research area and to develop the theoretical framework and hypotheses, the information was collected from various magazines, research journals, books, newspapers, online data base, research projects, reports published by Governments and private research firms at national and international level.

Research Instrument

The survey was developed to investigate the financial Risk Tolerance level and factors affecting investment decision making process. To serve this objective, the research instrument was divided into two sections. Out of which Section A is Demographic information based on city, age, gender, marital status, occupation, and annual income are drawn from the previous research studies done. In Section B, was focusing questions to measure Risk Tolerance level of investors. For measuring risk tolerance level of investors, Scale was used which was developed by FinaMetrica for India. It is developed by an Australian Company.

Reliability of Data

Reliability is concerned with estimates of the degree to which measurement is free from error. The most widely used reliability measure is Cronbach's Alpha. Hair et al.(2009) suggested the lower limit for Cronbach's Alpha is 0.7, although it may decrease to 0.60 in exploratory research. The Cronbach's Alpha coefficient value for Risk Tolerance scale is 0.692.

Cronbach Alpha for Risk

Cronbach's Alpha	No. of Items
0.692	14

Financial Risk Tolerance

To measure financial risk tolerance various questions regarding making financial decision, financial disappointment, financial past and investment were asked to investors. On basis of their responses, investors divided into three risk categories.

From table, it is clear that 60.4% investors are in Risk 2 category and take moderate risk, and only 1.1% investors take high risk. It means investors always want to play safe.

Table 1: OverallRisk						
Risk Category		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.0 (Low)	308	38.5	38.5	38.5
	2.00 (Medium)	483	60.4	60.4	98.9
	3.00 (High)	9	1.1	1.1	100
	Total	800	100	100	

Objective: 1 To assess risk tolerance among men and women

H_0: There are no significant differences between investors' gender and their Risk Tolerance level.

H_1: There are significant differences between investors' gender and their Risk Tolerance level.

Table 2: Gender * Overall Risk Cross-tabulation					
Count					
		Overall Risk			Total
		1 (Low)	2 (Medium)	3 (High)	
Gender	Men	134	240	7	381
	Women	174	243	2	419
Total		308	483	9	800

Table 3: Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.200[a]	2	0.045
Likelihood Ratio	6.364	2	0.041
Linear-by-Linear Association	4.626	1	0.031
N of Valid Cases	800		
a. 2 cells (33.3%) have expected count less than 5. The minimum expected count is 4.29.			

Interpretation

Here the significant value is less than 0.05so alternate hypothesis is accepted and there is relationship between gender and overall risk tolerance. The respondents are taking moderate risk only and almost respondents have taken moderate risk for their investments. Here out of 419 women 174 women have replied that they have taken low risk for their investments or they can able to take high risk for their investments. Compare to men, women are taking less risk.

Rural

Table 4: Gender * Overall Risk Cross-tabulation					
		Overall Risk			Total
		1 (Low)	2 (Medium)	3 (High)	
Gender	Men	60 (14.85%)	111 (27.47%)	2 (0.49%)	173 (42.82%)
	Women	117 (28.96%)	114 (28.21%)	0 (0%)	231 (57.17%)
Total		177 (43.81%)	225 (55.69%)	2 (0.49%)	404 (100%)

Table 5: Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.323a	2	0.002
Likelihood Ratio	13.144	2	0.001
Linear-by-Linear Association	11.327	1	0.001
N of Valid Cases	404		
a. 2 cells (33.3%) have expected count less than 5. The minimum expected count is .86.			

Interpretation

Here the significant value is 0.002 which is less than 0.05so alternate hypothesis is accepted and there is relationship between gender and overall risk tolerance. The respondents are taking moderate risk only in the rural areas also and almost 56% respondents have taken moderate risk for their investments. Here out of 57% women almost 29% women have replied that they have taken low risk for their investments. Whereas only 14.85% are taking low risk.

Urban

Table 6: Gender * Overall Risk Cross-tabulation

		Overall Risk			
		1 (Low)	2 (Medium)	3 (High)	Total
Gender	Men	74 (18.68%)	129 (32.57%)	5 (1.26%)	208 (52.52%)
	Women	57 (14.39%)	129 (32.57%)	2 (0.50%)	188 (47.47%)
Total		131 (33.08%)	258 (65.15%)	7 (1.76%)	396 (100%)

Table 7: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.488a	2	0.288
Likelihood Ratio	2.53	2	0.282
Linear-by-Linear Association	0.604	1	0.437
N of Valid Cases	396		

a. 2 cells (33.3%) have expected count less than 5. The minimum expected count is 3.32.

Interpretation

Here the significant value is 0.288 which is more than 0.05so null hypothesis is accepted and there is no relationship between gender and risk tolerance . The respondents are taking moderate risk for their investments so that they don't loose all the money and they don't want to take too much risk on their hard earned money. Also there equality in male and female that they are taking equal risk in moderate category which shows that women are also competing with men. Reason may be in urban women are more educated and aware about investment.

Objective: 2 To assess risk tolerance level and demographic variables

Risk Tolerance and Annual Income

H_0: There are no significant differences between investors' annual income and their Risk Tolerance level.

H_1: There are significant differences between investors' annual income and their Risk Tolerance level.

Table 8: Individual (Respondents) Income * Overall Risk Cross-tabulation

Count

		Overall Risk			Total
		1 (Low)	2 (Medium)	3 (High)	
Individual (Respondents) Income	up to 300000	260	286	7	553
	300000-600000	43	135	0	178
	600000-1000000	5	51	1	57
	Above 1000000	0	11	1	12
Total		308	483	9	800

Interpretation

Here the significant value is less than 0.05so alternate hypothesis is accepted andthere is relationship between annual income and risk tolerance. The respondents who are having high income then also they are taking moderate risk for their investments. The respondents whose income is upto Rs. 3 Lakhs are taking low risk then compared to others. As income increase, investors take more risk.

Table 9: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	69.334[a]	6	0
Likelihood Ratio	77.951	6	0
Linear-by-Linear Association	57.068	1	0
N of Valid Cases	800		

a. 4 cells (33.3%) have expected count less than 5. The minimum expected count is .14.

Rural

Table 10: Annual income and Risk Tolerance					
		Overall Risk			Total
		1 (Low)	2 (Medium)	3 (High)	
Annual Income	upto 300000	134 (33.16%)	110 (27.22%)	0 (0%)	244 (60.39%)
	300000 - 600000	20 (4.95%)	63 (15.59%)	0 (0%)	83 (20.54%)
	600000 - 000000	15 (3.71%)	41 (10.14%)	0 (0%)	56 (13.86%)
	Above 1000000	8 (1.98%)	11 (2.72%)	2 (0.49%)	21 (5.19%)
Total		177 (43.81%)	225 (55.69%)	2 (0.49%)	404 (100%)

Table 11: Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	68.720a	6	0
Likelihood Ratio	45.056	6	0
Linear-by-Linear Association	22.574	1	0
N of Valid Cases	404		
a. 4 cells (33.3%) have expected count less than 5. The minimum expected count is .10.			

Interpretation

Here the significant value is less than 0.05so alternate hypothesis is accepted and there is relationship between annual income and risk tolerance. The respondents who are having high income then also they are taking moderate risk for their investments. The respondents whose income is up to Rs. 3 Lakhs are taking lowest risk then compared to others. In rural high risk takers are very less.

Urban

		Table 12: Overall Risk			
		1 (Low)	2 (Medium)	3 (High)	Total
Annual Income	upto 300000	90 (22.72%)	107 (27.02%)	1 (0.25%)	198 (50%)
	300000- 600000	30 (7.57%)	73 (18.43%)	3 (0.75%)	106 (26.76%)
	600000- 1000000	5 (1.26%)	46 (11.61%)	1 (0.25%)	52 (13.13%)
	Above 1000000	6 (1.51%)	32 (8.08%)	2 (0.50%)	40 (10.10%)
Total		131 (33.08%)	258 (65.15%)	7 (1.76%)	396 (100%)

Table 13: Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	37.005a	6	0
Likelihood Ratio	39.998	6	0
Linear-by-Linear Association	31.679	1	0
N of Valid Cases	396		
a. 4 cells (33.3%) have expected count less than 5. The minimum expected count is .71.			

Interpretation

Here the significant value is less than 0.05so alternate hypothesis is accepted and there is relationship between annual income and risk tolerance. The respondents who are having high income then also they are taking moderate risk for their investments. Only 1.76% of investors are taking high risk in urban. Low income group up to Rs 300000 is taking lowest risk.

Risk Tolerance and Occupation

H_0: There are no significant differences between investors' occupation and their Risk Tolerance level.

H_1: There are significant differences between investors' occupation and their Risk Tolerance level.

Interpretation

Here the significant value is less than 0.05so alternate hypothesis is accepted and there is relationship between occupation and risk tolerance. The respondents who are working in the private firm are taking moderate risk and the respondents who are having government job are taking low risk or moderate risk. But here the homemaker are willing to take or has taken lowest risk on their investments.

Table 14: Occupation * Overall Risk Cross-tabulation

Count

		Overall Risk			Total
		1 (Low)	2 (Moderate)	3 (High)	
Occupation	Professional	43	80	0	123
	Business	42	106	5	153
	Private Service/ Job	134	236	3	373
	Govt. Service/ job	39	43	1	83
	Home Maker	35	18	0	53
	other than option	15	0	0	15
Total		308	483	9	800

Table 15: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	60.524[a]	10	0
Likelihood Ratio	64.789	10	0
Linear-by-Linear Association	31.425	1	0
N of Valid Cases	800		

a. 6 cells (33.3%) have expected count less than 5. The minimum expected count is .17.

Rural

Table 16: Occupation and risk tolerance

		Overall Risk			Total
		1 (Low)	2 (Medium)	3 (High)	
Occupation	Professional	33 8.16%)	49 (12.12%)	0 (0%)	82 (20.29%)
	Business	27 6.68%)	63 (15.59%)	2 (0.49%)	92 (22.77%)
	Private Service/ Job	63 (15.59%)	81 (20.04%)	0 (0%)	144 (35.64%)
	Govt. Service/ job	8 (1.98%)	22 (5.44%)	0 (0%)	30 (7.42%)
	Home Maker	31 (7.67%)	10 (2.47%)	0 (0%)	41 (10.14%)
	other than option	15 (3.71%)	0 (0%)	0 (0%)	15 (3.71%)
Total		177 (43.81%)	225 (55.69%)	2 (0.49%)	404 (100%)

Interpretation

Here the significant value is 0.000 which is less than 0.05so alternate hypothesis is accepted and there is relationship between occupation and risk tolerance. Only 0.49% of investors are taking high risk in rural. 55.69% are taking medium risk and 43.81% are taking lowest risk. The respondents who are working in the private firm are taking moderate risk which is followed by Businessmen. The respondents who are having government job are seem to be risk averse, they are taking less risk.

Table 17: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	53.893a	10	0
Likelihood Ratio	59.289	10	0
Linear-by-Linear Association	24.105	1	0
N of Valid Cases	404		

a 6 cells (33.3%) have expected count less than 5. The minimum expected count is .07.

Interpretation

Here the significant value is 0.002 which is less than 0.05so alternate hypothesis is accepted and there is relationship between occupation and risk tolerance. The respondents who are working in the private firm are taking highest moderate risk which is 39.14% and the respondents who are having government job are taking lowest risk.

Urban

Table 18: Occupation and Risk Tolerance

		Overall Risk			
		1 (Low)	2 (Medium)	3 (High)	**Total**
Occupation	Professional	10 (2.52%)	31 (7.82%)	0 (0%)	41 (10.35%)
	Business	15 (3.78%)	43 (10.85%)	3 (0.75%)	61 (15.40%)
	Private Service/ Job	71 (17.92%)	155 (39.14%)	3 (0.75%)	229 (57.82%)
	Govt. Service/ job	31 (7.82%)	21 (5.30%)	1 (0.25%)	53 (13.38%)
	Home Maker	4 (1.01%)	8 (2.02%)	0 (0%)	12 (3.03%)
Total		131 (33.08%)	258 (65.15%)	7 (1.76%)	396 (100%)

Table 19: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	24.033a	8	0.002
Likelihood Ratio	22.983	8	0.003
Linear-by-Linear Association	8.992	1	0.003
N of Valid Cases	396		

a. 6 cells (40.0%) have expected count less than 5. The minimum expected count is .21.

Risk Tolerance and Marital Status

H_0: There are no significant differences between investors' marital status and their Risk Tolerance level.

H_1: There are significant differences between investors' marital status and their Risk Tolerance level.

Interpretation

Here the significant value is 0.000 which less than 0.05so alternate hypothesis is accepted and there is relationship between marital status and risk tolerance. The respondents who are singles are also taking moderate risk due to lack of financial knowledge or due to any other reason. Respondents who are married are 510, among that 237 respondents have replied that they can able to take low risk, which is 46.47%. Among single, 74.71% respondents are taking medium risk.

Table 20: Marital Status * Overall Risk Cross-tabulation

Count

		Overall Risk			Total
		1 (Low)	2 (Medium)	3 (High)	
Marital Status	Single	62	195	4	261
	Married	237	269	4	510
	Divorce	4	12	1	17
	Widow	5	7	0	12
Total		308	483	9	800

Table 21: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	42.749[a]	6	0
Likelihood Ratio	42.741	6	0
Linear-by-Linear Association	20.318	1	0
N of Valid Cases	800		

a. 4 cells (33.3%) have expected count less than 5. The minimum expected count is .14.

Interpretation

Here the significant value is less than 0.05so alternate hypothesis is accepted and there is relationship between marital status and risk tolerance. The respondents who are singles are also taking moderate risk. Respondents who are married are taking the lowest risk compared to urban areas and here the 35.64 % of respondents are taking low risk.

Rural

Table 22: Marital Status and risk Tolerance

		Overall Risk			Total
		1	2	3	
Marital Status	Single	28 (6.93%)	94 (23.26%)	0 (0%)	122 (30.19%)
	Married	144 (35.64%)	116 (28.71%)	1 (0.24%)	261 (64.60%)
	Divorce	2 (0.49%)	10 (2.47%)	1 (0.24%)	13 (3.21%)
	Widow	3 (0.74%)	5 (1.23%)	0 (0%)	8 (1.98%)
Total		177 (43.81%)	225 (55.69%)	2 (0.49%)	404 (100%)

Table 23: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	53.629a	6	0
Likelihood Ratio	46.34	6	0
Linear-by-Linear Association	9.975	1	0.002
N of Valid Cases	404		
a. 6 cells (50.0%) have expected count less than 5. The minimum expected count is .04.			

Interpretation

Here the significant value is 0.188 which is more than 0.05so null hypothesis is accepted and there is no relationship between marital status and risk tolerance. The respondents who are singles are also taking moderate risk may be due to no family responsibilities. Among total 249 married respondents, 153 respondents which 61.45% take medium risk.

Urban

Table 24: Marital Status and risk Tolerance

		Overall Risk			
		1 (Low)	2 (Medium)	3 (High)	**Total**
Marital Status	Single	34 (8.58%)	101 (25.50%)	4 (1.01%)	139 (35.10%)
	Married	93 (23.48%)	153 (38.63%)	3 (0.75%)	249 (62.87%)
	Divorce	2 (0.50%)	2 (0.50%)	0 (0%)	4 (1.01%)
	Widow	2 (0.50%)	2 (0.50%)	0 (0%)	4 (1.01%)
Total		131 (33.08%)	258 (65.15%)	7 (1.76%)	396 (100%)

Table 25: Chi-Square Tests

	Value	**df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	8.753a	6	0.188
Likelihood Ratio	8.949	6	0.176
Linear-by-Linear Association	8.373	1	0.004
N of Valid Cases	396		
a. 8 cells (66.7%) have expected count less than 5. The minimum expected count is .07.			

Risk Tolerance and Age

H_0: There are no significant differences between investors' age and their Risk Tolerance level.

H_1: There are significant differences between investors' age and their Risk Tolerance level.

Table 26: Age * Overall Risk Cross-tabulation					
Count					
		Overall Risk			Total
		1 (Low)	2 (Medium)	3 (High)	
Age	20-29	80	216	5	301
	30-39	99	133	0	232
	40-49	87	85	2	174
	50-59	36	45	2	83
	60-69	6	4	0	10
Total		308	483	9	800

Table 27: Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	36.417[a]	8	0
Likelihood Ratio	39.368	8	0
Linear-by-Linear Association	21.537	1	0
N of Valid Cases	800		
a. 6 cells (40.0%) have expected count less than 5. The minimum expected count is .11.			

Interpretation

Here the significant value is less than 0.05so alternate hypothesis is accepted andthere is relationship between age and risk tolerance. The respondents who are in the age group of 20-29 are taking the moderate risk for their investments and mostly the respondents are taking moderate risk (483 respondents) for their investments. Also in the age group of 30-39 the respondents are having money to invest but still takes moderate risk for their investments. As age increase risk tolerance decrease and low risk taker increases.

Interpretation

Here the significant value is less than 0.05so alternate hypothesis is accepted and there is relationship between age and risk tolerance. The respondents who are in the age group of 20-29 are taking the moderate risk for their investments and mostly the respondents are taking moderate risk (56%) for their investments. Compared to urban areas the high risk taking capacity are more in no. in the rural areas which shows that the risk taking capacity of rural areas are high but they are not having proper knowledge of where to invest and how to invest.

Rural

Table 28: Age and risk tolerance					
		Overall Risk			Total
		1 (Low)	2 (Medium)	3 (High)	
Age	20-29	37 (9.15%)	91 (22.52%)	0 (0%)	128 (31.68%)
	30-39	55 (13.61%)	65 (16.08%)	0 (0%)	120 (29.70%)
	40-49	59 (14.60%)	48 (11.88%)	0 (0%)	107 (26.48%)
	50-59	23 (5.69%)	19 (4.70%)	2 (0.49%)	44 (10.89%)
	60-69	3 (0.74%)	2 (0.49%)	0 (0%)	5 (1.23%)
Total		177 (43.81%)	225 (55.69%)	2 (0.49%)	404 (100%)

Table 29: Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	36.333a	8	0
Likelihood Ratio	29.267	8	0
Linear-by-Linear Association	12.486	1	0
N of Valid Cases	404		
a. 7 cells (46.7%) have expected count less than 5. The minimum expected count is .02.			

Urban

Table 30: Age and Risk Tolerance					
		Overall Risk			
		1 (Low)	2 (Medium)	3 (High)	**Total**
Age	20-29	43 (10.85%)	125 (31.56%)	5 (1.26%)	173 (43.68%)
	30-39	44 (11.11%)	68 (17.17%)	0 (0%)	112 (28.28%)
	40-49	28 (7.07%)	37 (9.34%)	2 (0.50%)	67 (16.91%)
	50-59	13 (3.28%)	26 (6.56%)	0 (0%)	39 (9.84%)
	60-69	3 (0.75%)	2 (0.50%)	0 (0%)	5 (1.26%)
Total		131 (33.08%)	258 (65.15%)	7 (1.76%)	396 (100%)

Table 31: Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	15.218a	8	0.055
Likelihood Ratio	17.701	8	0.024
Linear-by-Linear Association	6.625	1	0.01
N of Valid Cases	396		
a. 7 cells (46.7%) have expected count less than 5. The minimum expected count is .09.			

Interpretation

Here the significant value 0.055 which is more than 0.05so null hypothesis is accepted and there is no relationship between Age and risk tolerance level. The respondents who are in the age group of 20-29 are taking the moderate risk for their investments and mostly the respondents are taking moderate risk (65%) for their investments. Very few are there who are taking high risk for their investments.

Risk Tolerance and Education

H_0: There are no significant differences between investors' Education and their Risk Tolerance level.

H_1: There are significant differences between investors' Education and their Risk Tolerance level.

Table 32: Education * Overall Risk Cross-tabulation					
Count					
		Overall Risk			Total
		1.00 (low)	2.00 (medium)	3.00 (High)	
Education	Uneducated	14	0	0	14
	less than High School	52	60	1	113
	High School	79	53	3	135
	Bachelor Degree	102	138	1	241
	Master Degree	55	183	3	241
	Ph D	3	16	1	20
	Any Professional Degree/ Course / Qualification	3	33	0	36
Total		308	483	9	800

Table 33: Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	99.568[a]	12	0
Likelihood Ratio	108.42	12	0
Linear-by-Linear Association	64.31	1	0
N of Valid Cases	800		
a. 7 cells (33.3%) have expected count less than 5. The minimum expected count is .16.			

Here the significant value is less than 0.05so alternate hypothesis is accepted and there is relationship between education and risk tolerance. As education increase, respondent move from low risk category to medium risk category. But in uneducated category, respondent are taking only low risk. Professional are taking highest medium risk which is 91.66% of that category.

Rural

Table 34: Education and risk tolerance					
		Overall Risk			Total
		1 (Low)	2 (Medium)	3 (High)	
Education	Uneducated	14 (3.46%)	0 (0%)	0 (0%)	14 (3.46%)
	less than High School	47 (11.63%)	51 (12.62%)	0 (0%)	98 (24.25%)
	High School	47 (11.63%)	33 (8.16%)	2 (0.49%)	82 (20.29%)
	Bachelor Degree	47 (11.63%)	72 (17.82%)	0 (0%)	119 (29.45%)
	Master Degree	20 (4.95%)	58 (14.35%)	0 (0%)	78 (19.30%)
	PhD	1 (0.24%)	2 (0.49%)	0 (0%)	3 (0.74%)
	Any Professional Degree / Course/Qualification	1 (0.24%)	9 (2.22%)	0 (0%)	10 (2.47%)
Total		177 (43.81%)	225 (55.69%)	2 (0.49%)	404 (100%)

Table 35: Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	49.908a	12	0
Likelihood Ratio	55.025	12	0
Linear-by-Linear Association	25.793	1	0
N of Valid Cases	404		
a. 10 cells (47.6%) have expected count less than 5. The minimum expected count is .01.			

Interpretation

Here the significant value is less than 0.05so alternate hypothesis is accepted and there is relationship between education and risk tolerance. The respondents who post graduate are taking moderate risk and the respondents who are less educated are taking less risk for their investments. The respondents who are educated till high school only are taking less risk, risk taking capacity are same in urban and rural areas that high school pass out or drop-out are taking low risk on their investments. As education increase, respondents are taking more risk. In uneducated category, 100% respondent are in low risk category. As education increase, in high school category 47.96% of that category are in low risk, decrease in bachelors category. Bachelor category, from total bachelor degree, 65.45% are in medium risk category. As respondent of master degree are taking medium risk which is 74.36% of that category.

Urban:

Table 36: Education and Risk Tolerance						
		Overall Risk				
		1 (Low)	2 (Medium)	3 (High)	Total
Education	less than High School	5 (1.26%)	9 (2.27%)	1 (0.25%)	15 (3.78%)
	High School	32 (8.08%)	20 (5.05%)	1 (0.25%)	53 (13.38%)
	Bachelor Degree	55 (13.88%)	66 (16.66%)	1 (0.25%)	122 (30.80%)
	Master Degree	35 (8.83%)	125 (31.56%)	3 (1.31%)	163 (41.71%)
	Ph D	2 (0.50%)	14 (3.53%)	1 (0.25%)	17 (4.29%)
	Any Professional Degree / Course/Qualification	2 (0.50%)	24 (6.06%)	0 (0%)	26 (6.56%)
Total		131 (33.08%)	258 (65.15%)	7 (2.32%)	396 (100%)

Table 37: Chi-Square Tests			
	Value	**df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	51.552a	10	0
Likelihood Ratio	52.474	10	0
Linear-by-Linear Association	28.71	1	0
N of Valid Cases	396		
a. 7 cells (38.9%) have expected count less than 5. The minimum expected count is .27.			

Interpretation

Here the significant value is less than 0.05so alternate hypothesis is accepted and there is relationship between education and risk tolerance. The respondents who post graduate are taking moderate risk and the respondents who are less educated are taking less risk for their investments.

Conclusion

Most of respondents are taking medium risk. Previous studies reveal that women take less risk than men, and gender and risk is related. Even in this study, rural areas result also shows that women are taking less risk but in urban, women and men both are taking equal risk. Reason may be, in Urban women are more literate and knowledgeable. The present as well as many other studies found a relationship between income of investors and risk tolerance. In overall study, respondents who are working in private firm are taking medium risk, and government employees are in low risk category. In rural, home makers and other employed investors are taking low risk. Both rural and in Urban private job employees are taking more risk compared to other occupation.

The common belief is that single people are more risk tolerant than married ones. This study also shows that there is significant association between marital status and financial risk tolerance. Married respondents are taking low risk and singles preferred high and medium risk.

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Demonetization of High Denomination Currency Notes in India and its Impact on Insurance Sector

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Abstract

Demonetization is the act of stripping a currency unit of its status as legal tender. Demonetization is necessary whenever there is a change of national currency. The old unit of currency must be retired and replaced with new currency unit. The process of demonetization involves either introducing new notes or coins of the same currency. The opposite of demonetization is re-monetization where a form of payment is restored as legal tender. There are multiple reasons why nations demonetize their local unit of currency. Some reasons include inflation, curbing corruption and discouraging a case system. In India, in order to fight against the evils of black money, corruption, money laundering, financing of terrorists and counterfeit notes government of India decided to revoke the legal tender character of Rs 500 and Rs 1,000 bank notes of Mahatma Gandhi series on 8th of November 2016 which is accounted around 86% of the country's cash supply (Sahoo and Lohana 2017).

Main features of the demonetization are i) deposit of demonetized notes, ii) exchange of demonetized bank notes, iii) Cash in Exchange for demonetized bank notes over the bank counter, iv) withdrawal of cash against Cheques, v) withdrawal from ATM vi) withdrawal limits for Janadhan Accounts holders and vii) Package for promotion of Digital and Cashless Economy. Some of the sectors and activities i.e. insurance, GDP growth, mobility of the economic goods, market transection and FMCG etc. have been adversely affected while accumulation of black money, terror funding, fake currency notes and a few other menace have been checked for the better and smooth economic activities of the country. This paper has highlighted how the foreign remittance, economy of the neighboring countries and insurance sectors have been very badly impacted due to the current demonetization of high currency notes in India. A comparative study between the growths of insurance sectors before and after of demonetization, factors of negative growth of insurance sector after demonetization, trend of premium deposits before and after demonetization has been discussed.

Demonetization: Background

Demonetization is the act of stripping a currency unit of its status as legal tender. Demonetization is necessary whenever there is a change is national currency. The old unit of currency must be retired and replaced with a new currency unit. The process of demonetization involves either introducing new notes or coins of the same currency or completely replacing the old currency with new currency. The opposite of demonetization is re-monetization where a form of payment is restored as legal tender. There are multiple reasons why nations demonetize their local units of currency. Some reasons include combating inflation, curbing corruption.

Historically, previous Indian governments had demonetized bank notes. In January 1946, banknotes of Rs 1,000 ND Rs 10,000 were withdrawn and new notes of Rs 1000, Rs 5000 and Rs 10000 were introduced in 1954. India government had again demonetized banknotes of Rs 1000, Rs 5000 and Rs 10000 on January 16, 1978 as a means of curbing counterfeit money and black money.

In 2012, the Central Board of Direct Taxes had recommended again demonetization, saying in a report that "demonetization may not be a solution for tackling black money in the economy, which is largely held in the form of *benami* properties". According to data from income tax probes, black money holders keep only six percent or less of their ill-gotten wealth as cash, hence targeting this cash may not be a successful strategy.

In terms of value, the annual report of the Reserve Bank of India (RBI) of March 31, 2016 stated that total bank notes in circulation valued to Rs 16.42 trillion of which nearly 86 percent (around Rs 14.18 trillion) were Rs 500 and Rs 1000 banknotes. In August 2016, strict rules were put in place to curtail ***benami*** transactions. During the same period a scheme to declare black money was introduced. Prime Minister raised the issue of black money in global forums, including multilateral summits and bilateral meetings with the world leaders. The Government of India devised an Income Declaration Scheme (IDS), which opened on June 1, 2016 and ended on September 30, 2016. Under the scheme, the black money holders could come clean by declaring the assets, paying the tax and a penalty of 45 percent thereafter.

Various policies and programmes announced by the Prime Minister, from time to time, have led India to an emerging as a bright spot in the global economy. India is a preferred destination for investment and India is also an easier place to do business in. Leading financial agencies have shared their optimism about India's growth as well. Combined with this Indian enterprise and Innovation has received a fillip due to the Make-in-India, start up India and Stand-up India initiatives that seek to encourage enterprise, innovation and research in India. However, the problems of black money and corruption have been plaguing the economy (Sahoo and Lohana 2017).

Historic Announcement To Withdraw Legal Tender Character Of Rs 500 And Rs 1000 Notes

In a historical move to fight against the evils of black money, corruption, money laundering, financing of terrorists and counterfeit notes, the Government of India decided to withdraw the legal tender character of Rs 500 and Rs 1000 banknotes of the Mahatma Gandhi Series from midnight of November 8, 2016. The announcement was made by no less a person other than the Prime Minister in an unscheduled live televised address to the nation on the evening of November 8, 2016.

The demonetized banknotes accounted for 86 percent of the country's cash supply. Government also announced the issuance of new Rs 500 and Rs 2000' banknotes of the Mahatma Gandhi New Series in exchange for the old banknotes. Banknotes of Rs 100, Rs 50, Rs 20, Rs 10, Rs 5, Rs 2 and Rs 1 remained as legal tenders and thus unaffected by the decision of the Government.

Persons holding old notes of Rs 500 or Rs 1000 could deposit these notes in bank or post offices from November 10, 2016. There were also some limits placed on the withdrawals of new notes from ATMs and banks.

The Government's move was aimed at eradicating counterfeit currency, fighting tax evasion, eliminating black money, curbing terrorist financing and providing a cashless economy. Prime Minister assured the people that these decisions would fully protect the interests of honest and hardworking citizens of India and that those Rs 500 and Rs 1000 notes hoarded by anti-national and anti-social elements would become worthless pieces of paper. He reiterated that the steps taken by the Government would strengthen the hands of the common citizens in the fight against corruption, black money and counterfeit notes.

Fully sensitive to some of the difficulties in common citizens may face in the coming days; the Prime Minister announced a series of steps to help overcome the potential problems. He stated that on humanitarian grounds Rs 500 and Rs 1000 notes would be accepted at government hospitals, pharmacies in government hospitals (with prescription of a doctor), booking counters for railway tickets, government buses, airline ticket counters, petrol, diesel and gas stations of oil companies of public sector undertakings (PSUs), consumer co-operative stores authorized by the central or state Government, milk booths authorized by State Governments, and crematoria and burial grounds (Sahoo and Lohana 2017).

In his address, the Prime Minister shared the insight into how the magnitude of cash in circulation was linked to inflation and how the inflation situation has worsened due to the cash deployed through corrupt means. He added that it adversely affected the poor and the neo-middle class people. He cited the example of the problems being faced by the honest citizens while buying houses.

By making the high denomination notes worthless, individuals and entities with huge sums of black money were forced to convert the money at a bank which is bylaw required to acquire tax information from the entity. If the entity could not provide proof of making any tax payments on the cash, a tax penalty of 200 percent of the tax owed was imposed.

Objectives Of The Scheme

These were as under:

a. **Eliminating Black Money**:

In recent years, the issue of corruption and black money has come to the forefront after a series of financial scandals. Generation of black money and its stashing abroad in tax havens and offshore financial centers has dominated discussions and debates in public for during the recent past. Members of the Parliament, the supreme court of India and the public at large have unequivocally expressed concern on the issue, particularly after some reports suggested commons estimates of such unaccounted wealth being held abroad.

After uproar in the Parliament, the Government of India came out with a White Paper on Black Money in May 2012. The White Paper presented the different facets of black money and its complex relationship with policy and administrative regime in the country. It also reflected upon the policy options and strategies that the Government had been pursuing to address the issue of black money and corruption in public life (Sahoo and Lohana 2017).

To meet the deadline set by the Honorable Supreme Court for the previous Government, the new Government of Prime Minister Narendra Modi constituted a Special Investigation Team (SIT), soon after assuming office on May 26, 2014. Headed by Justice M.B. Shah, a former judge of the Supreme Court, Sit was notified on May 27, 2014 to look into the issue of black money.

b. Curbing Corruption:

Corruption is both morally abhorrent and imposes economic costs. Corruption distorts the decision-making mechanism and leads to an inefficient distribution of resources. Improving anti-corruption efforts is one of the highest rated priorities of the Government of India.

c. Preventing Money Laundering:

Money laundering is the process of transforming the proceeds of crime and corruption into ostensibly legitimate assets. In recent years, prevention of money laundering has assumed importance in international financial relationships.

d. Eradicating Counterfeit Currency:

The incidence of fake Indian currency notes in higher denomination had increased. For ordinary persons, the fake notes looked similar to genuine notes, even though no security feature had been copied. The fake notes were used for anti-national and illegal activities. High denomination notes had been misused by terrorists and for boarding black money. In the cash-based economy of India, circulation of fake Indian currency notes was a menace.

e. Fighting tax Evasion:

Black money and tax evasion have been eating into social and moral fabric of the Indian society. They are undermining the socio-economic objectives of national policies. They are responsible for conspicuous and wasteful consumption, reduced savings, and increasing gap between rich and the poor. Black money in social, economic and political space of the country has a debilitating effect on the institutions of governance and conduct of public policy in the country. Governance failure adversely affects the interest of vulnerable and disadvantaged sections of the society. The success of an inclusive growth strategy critically hinges on the capacity of society to root out the evil of corruption and black money from its very foundations.

The effects of tax evasion, resulting in black money, on an economy are indeed disastrous. Tax evasion leads to the creation of black money which in turn is a menace to economy in its own way. Tax evasion and black money encourage concentration of economic power in the hands of undesirable groups in the country.

f. Combating Terrorist Financing:

India has been a victim of terrorist attacks time and again. Demonetization scheme is expected to choke funding for arms smuggling, espionage, and terrorism through ***hawala*** transactions.

g. Promoting a Cashless Economy:

The benefits of a cashless economy include: (i) reduced cash and hence more safety, (ii) faster payment, (iii) reduced number of visits to banks, (iv) interest earning on money in the bank, (v) quick settlement of transactions, and (vi) improved accounting and book keeping.

In order to promote the above objectives, the scheme to withdraw legal tender character of old bank notes in the denominations of Rs 500 and Rs 1000 was introduced.

Main Features of The Demonetization Scheme

Deposit of Demonetized Bank Notes: Demonetized notes could be deposited in banks and post offices from November 10, 2016 to December 30, 2016 without any limit.

i. **Exchange of Demonetized Bank Notes:** The legal tender character of the demonetized notes was withdrawn; they could not be used for transacting business and/or store of value for future usage. Demonetized notes could be exchanged for value at any of the 19 offices of the Reserve Bank of India and deposited at any of the bank branches of commercial banks/ regional rural banks/co-operative banks (only urban co-operative banks and state co-operative Banks) or at any head post office or sub-post office.

ii. **Cash in Exchange for Demonetized Notes over the Bank Counter:** From November 10, 2016 to November 24, 2016, over the counter exchange (in cash) of demonetized notes was permitted up to prescribed limits. However, the facility was withdrawn from November 25, 2016 in view of its misuse by unscrupulous elements.

iii. **Withdrawal of Cash against Cheque:** Depositors were allowed to withdraw cash against slip or cheque subject to a weekly limit of Rs 24,000 (including withdrawals from ATMs) from their bank accounts.

Business entities having current accounts which were operational for the last 3 months or more were allowed to withdraw Rs50000 per week. This could be done in a single transaction or multiple transactions.

iv. **Withdrawal from ATMs:** The ATMs were progressively recalibrated. As and when they were recalibrated, the cash limits of each such ATMs was Rs 2500 per day. This enabled dispensing of lower denomination currency notes for about Rs500 per withdrawal. Other ATMS which were yet to be re-calibrated continued to dispense Rs 2000 till they were recalibrated.

v. **Withdrawal Limits for Farmers:** Farmers were allowed to draw up to Rs 25000 per week in cash from their loan (Including kisan Credit, Card limit) or deposit accounts subject to their accounts being compliant with the extant KYC norms. Demonetized bank notes could be used for making payments towards purchase of seeds from the centers, units or outlets belonging to the Central or State Governments, public sector undertakings, National or State Seeds Corporations, Central or State Agricultural Universities and the Indian council of Agricultural Research, on production of proof of identity.

Rules regarding deposits and withdrawals were changed frequently depending upon the feedback received from the banking system.

Post Demonetization Impact

There was a sudden change in behaviors consumers market after the demonetization this may be due to the fact that the people disposed their savings held in old currency notes of Rs 500 and Rs 1000 by buying gold and other consumable goods so as to deposit less in their accounts, possibly to avoid the gaze of the income tax authorities. This also resulted, in the process, eliminating the stock of black incomes held in the cash. Several cases are also reported that a good number people started depositing the cash in others account by opening a new account. It now appears quite clearly that the government thinks unless these cases are detected and pursued by the income tax authorities, tackling corruption by demonetizing the currency would probably remain ineffective (Sahoo and Lohana 2017).

Demonetization and Its Impact On Remittance

Over three Decades, a Sri Lankan Tamil Businessman had built a stash of Indian Currency notes totaling Rs 1,20,000. This was his insurance in case he ever needed to move to India from the Island, where the ethnic minority has often fell under siege. But on visit to Chennai in April 2017, he decided he would no longer save the India currency, rather to choose buying gold and bars. After his Indian savings turned to scrap, his faith on Indian currency has ebbed faster than his insecurities in Sri Lanka since the end of the civil war.

Nepalese citizen hold an estimated $ 500 million in the banned notes, mostly sent back as savings by the more than one million Nepalese working in India according to the statement of Governor of Nepalese Rashtra Bank. Yet seven months after ban, India is yet to exchange those notes with new, valid ones. Many talks were held between Nepalese government and Indian Government, but failed in all cases so far.

But unlike these instances, the Indian government had itself planned the November decision, and Nepal and Bhutan, the other countries that legally allow the use of demonetized Indian rupees, were not cautioned. This has been the source of unhappiness.

Impact On Insurance Sector

Insurance policies and eight per cent in new life policies of Life Insurance Corporation were sold as Demonetization of 500 Rupee and 1000 Rupee notes was a welcome move by the Central government. It has massively boosted the digital transactions and is making transactions in all sectors of the Insurance areas. The move by the government to demonetize Rs.500 and Rs.1000 notes by replacing them. Accounts opened through PMJDY Scheme Rural and Urban after Demonetization. The "Bank Mitra may be the key factor offering micro insurance policies in order to attract deposits. As part of its research program regarding financial sector enhancement, the World Bank conducted a number of empirical studies regarding the effect of deposit in the form of insurance on financial sector stability and growth (Murphy 2006).

Demonetization was effectively planned by the think-tank but suddenly declared in an unplanned way to curb black money in Indian economy. The cash ban caused considerable damage to the wheels of the economy in the form of forced unemployment. The Indian informal sector, which provides 80 percent of total employment, was much affected. Nearly, 2.5 lakh workers in leather industry, 20,000 workers in diamond industry 15% to 20% of daily wagers in Jewel sector have become jobless. The Gross Domestic Product (GDP) estimate was reduced to 7.1% from 7.6% for the year 2016-17 by the Government itself. The International Monetary Fund (IMF) has also lowered the GDP forecast to 6.6% for 2016-17. New Investments fell by 50% in post cash ban. Rupee value was also declined by 1.69% on 15.12.16. The surgical strike on black money has derailed the investors' confidence in the stock market in the beginning (Selvaraj 2017). The cost of Demonetization is estimated at Rs. 4.3 trillion including the GDP losses. The Government felt the impact is transient, but the economists viewed it as firing cannonballs to kill mosquitoes. To conclude, Demonetization is a long pending measure to curb black money. In addition, the government has to employ in time all other pertinent measures in an exigent mode to make the cash ban a grand success.

Critiques Of Demonetization

The government claimed that the demonetization was an effort to stop counterfeiting of the current banknotes allegedly used for funding terrorism, as well as a crackdown on black money in the country. The move was also described as an effort to reduce corruption, use of drugs, and smuggling. However, in the days following demonetization, banks and ATMs across the country faced severe cash shortages affecting small businesses, agriculture sector, and the transportation sector. People seeking to exchange their notes had to stand in queues due to the rush to exchange cash.

The move received support from several bankers as well as from some international commentators. However, it was heavily criticized by members from the opposition parties, leading to debates in both houses of the Parliament and triggering or organized protests against the government at several places across India. The Government opined that the queues due to demonetization were the last queues that would end all other queues.

Analysts were unanimous in holding the view that the demonetization move of the Government would hit the economy hard in the short-term albeit benefitting the country in the long-run. However, the demonetization move was expected to have a negative impact on inflation. Customers were refraining from making any purchases except essential items from the consumer staples, healthcare, and energy segments. Activity in the real estate sector, which includes a lot of cash and undocumented transactions, slowed down significantly.

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Relationship between Prices of Gold and Crude Oil – An Empirical Study

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Abstract

The dynamic and complex relationship among different economic variables has attractedthe researchers, policy makers and business people alike. This paper aims at analyzing the relationship between futures prices of gold and crude oil. The main objective is to find out the character, the determinants as well as the co-movements between the price levels of the said variables. This paper considers the daily futures prices of gold and crude oil traded between the period 1/4/2008 to 2/10/18. The relationship is analyzed with the help of correlation and regression statistics and findings thereby have been concluded.

Keywords: *Gold, Crude oil, Futures price, Empirical relationship*

Introduction

A trend of inter-relationship is very much evident in the prices of Gold and Crude oil. Gold is the oldest precious metal known to mankind, and it has been valued as a global currency, a commodity, an investment and an object of beauty. Crude oil is called as the "Mother of all commodities" because of its importance in manufacturing of a wide variety of materials.

The inter-connection of the two commodities became visible from the year 1933, where the crude oil producers of Middle east demanded gold in return of crude oil. Now Gold and crude oil are predominantly quoted in US dollars.

A theoretical and quantitative analysis has been tried to be made to have an overview of relationship between futures prices of gold and crude oil. Correlation and regression analysis have been made to find out the empirical relationship between these two commodity prices.

Literatures Reviewed

Melvin and Sultan (1990) contended that both changes in oil price and political unrests are significant determinants of gold rate. Narayan et al. (2010) was interested in the long-run relationship between gold and oil spot and futures prices of different maturities through the inflation channel and observed bidirectional causality. In the presence of common factors effect, Tang and Xiong (2012) stated that as a result of the financialisation process, futures prices of non-energy commodities became increasingly correlated with oil after 2004. Zhang and Wei (2010) analyzed co-integration and causality between gold and oil prices and found that there are consistent trends between oil price and gold price with a significant positive correlation during the sampling period 2000-2008. They observed in advance that oil price dynamics linearly Granger cause volatility of gold price. Reboredo (2013) analyzed the oil-gold dependence structure using copula approach for the period 2000-2011, and found a positive and significant relationship between them suggesting that gold cannot hedge against oil price volatility. Wang and Chueh (2013) found positive interaction between gold and oil prices for the period 1989-2007.

Objective of the Study

- To provide an overview of Gold and crude oil trade and to understand the characteristics of them.
- To analyse empirically the relationship between futures prices of crude oil and gold and to show how the change in futures prices of crude oil may impact on the gold prices in future.

Research Methodology

(a) *Sample design:* This is a work of exploratory research. The sample period for this study is from 1/4/2008 to 2/10/2018. Daily futures prices of Gold and WTI Crude oil have been used to identify their relationship. Apart from theoretical discussions, correlation and regression statistics have been used in this study to find out the relationship between the said variables.

(b) *Methods of Data Collection:* Date has been collected from different secondary sources. Various research articles and journals of repute have been resorted to for collection of data. The data relating to futures prices of crude oil and gold have been obtained from www.investing.com.

(c) *Data Validation:* In order to receive valid and authentic secondary data, different websites and government reports have been referred to.

Overview Of Gold And Crude Oil Trade

Gold is the world's oldest international currency. It is also an important element of global monetary reserve. India is the world's largest market for gold jewellery and a key driver of global gold demand. The largest stock of gold in the world is hold by Indian households. Nearly two-third of India's demand for gold comes from rural areas where jewellery is the traditional store of wealth for millions who don't have access for formal banking system. On 9th September 2015 the cabinet had approved the introduction of Sovereign Gold Bonds Scheme (SGBS) and Gold Monetization Scheme (GMS) in the union budget of 2015-16. The Schemes were aimed at monetizing idle gold into economy and to satisfy never ending demand for gold by Indians, without actually holding physical gold. The decision of the government to launch these schemes had the potential to translate gold savings into economic investments and make precious metal an integral part of financial system. The gold imports by India stood at $2.05 billion in September 2015 (Source: Economic times).

Crude oil is known as the "Mother of Commodities" because of its immense importance in producing wide variety of other commodities. It is used as fuel for cars, buses, trucks, airplanes etc. It is also used in using wide variety of other products like asphalt for roads, lubricants for all kinds of machines, plastics for toys, bottles etc among others. Today India is the third largest importer of crude oil after United States and China. Oil imports during August 2015 were valued at US $7357.47 million which was 42.59 per cent lower than oil imports valued at US $12814.77 million in the corresponding period last year.

Characteristics of gold and crude oil

The value of gold is very difficult to be compared to any other financial asset. This is because gold is similar to a currency like the U.S. dollar or the euro because it is durable, portable, uniform across the world, and widely accepted, but unlike these currencies, gold is not supported by any company or infrastructure. Again, although it is similar to other commodities like maizeor oil as it comes from ground and has distinct characteristics, but unlike them price of gold fluctuates independent of its demand and supply. In fact, only about 10% of the world's gold is used in industry, the rest is either made into jewellery or held for investment purposes.

There are many types of crude oil that are produced in the world that vary in terms of characteristics & quality. Crude oil and petroleum products are global commodities and their prices are determined by supply and demand factors on a worldwide basis. The price of crude oil is the most significant factor determining the prices of petroleum products. This affects the transportation costs which in turn tells upon the manufacturing and distribution costs. This will ultimate affect the end price of the product which may add to the inflationary pressure.

Data Analysis & Findings

In order to analyze whether there is any relationship between the two variables, namely futures prices of gold and crude oil, we use correlation statistics and the results as came out by using IBM SPSS statistical package are depicted as follows -

Table 1: Correlation between Gold and Crude oil prices (1/1/2008-2/10/2018)

		Price_Crudeoil	Price_Gold
Price_Crudeoil	Pearson Correlation	1	0.389
	N	1867	1867
Price_Gold	Pearson Correlation	0.389	1
	N	1867	2714

From Table 1 the coefficient of correlation is found to be 0.389 which indicates that there exists a moderate positive association between the price of crude oil futures and the price of gold futures. Therefore we can conclude that a change in crude oil futures price will lead to a change in gold futures prices.

Table 2: Regression of Crude oil prices on Gold prices

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.389[a]	0.151	0.151	176.815
a. Predictors: (Constant), Price_Crudeoil				

From Table 2 it has been observed that the R^2 value is 0.151 which indicates that 15.1% of the variation of the dependent variable i.e. Crude oil futures prices can be explained by the independent variable (gold price futures). It can also be inferred that 85% variation in the dependent variable remains unexplained due to some other factors which are not taken under consideration in this study.

Table 3: Regression of Gold prices on Crude oil prices				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.389[a]	0.151	0.151	1147.002
a. Predictors: (Constant), Price_Gold				

From Table 3 it has been observed that the R2 value is 0.151 which indicates that 15.1% of the variation of the dependent variable i.e. Gold futures prices can be explained by the independent variable (Crude oil futures prices). It can also be inferred that 85% variation in the dependent variable remains unexplained due to some other factors which are not taken under consideration in this study.

Table 4: ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	437235039.9	1	437235039.9	332.34	.000[b]
	Residual	2453619517	1865	1315613.682		
	Total	2890854557	1866			
a. Dependent Variable: Price_Crudeoil						
b. Predictors: (Constant), Price_Gold						

The above table indicates that the regression model predicts the dependent variable significantly well. Here, the *p* value is less than 0.05 which indicates that the overall regression model statistically significantly predicts the outcome variable i.e. it is a good fit for in the context of linear regression.

Table 5: ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10390228.41	1	10390228.41	332.34	.000[b]
	Residual	58306551.15	1865	31263.566		
	Total	68696779.56	1866			
a. Dependent Variable: Price_Gold						
b. Predictors: (Constant), Price_Crudeoil						

When the dependent variable is price of gold, we observed that the outcomes are on same lines as it was in the case of previous table i.e. when the price of crude oil was the dependent variable. The *p* value here is also less than 0.05 which also validates the regression model statistically significant and makes it a good fit in the context of linear regression.

Table 6: Comparison between Linear Quadratic and Cubic Models			
	LINEAR	QUADRATIC	CUBIC
R	0.389	0.52	0.593
R^2	0.151	0.27	0.352
P VALUE	P < 0.05	P < 0.05	P < 0.05

In the above table we have shown a comparison between the three regression models i.e. Linear, Quadratic and Cubic. We have seen that there is a significant change in correlation coefficient value as it has improved from 0.389 under Linear regression model to 0.593 under Cubic model which explains the non linear association between the two variables i.e. Crude oil price and gold price. The R^2 value under the cubic model is 0.593 which indicates that 59% of the variation in the dependent variable is explained by the independent variable which is a better estimate when compared with Linear (15%) and Quadratic model (27%). From such comparison we observed that the Cubic model fits better for the given data.

Conclusion

From the analysis it can be concluded that gold and crude oil have a positive correlation between the two. Their inter-relationship may be partly due to the reason that valuation of them is done in US dollars, as both these commodities are quoted in US dollars in globalmarket. If dollar becomes strong against rupee, imported items like oil, gold etc will cost fewer dollars. However, there exist various other factors also which play pivotal roles in determining their prices in the long run.

Way Forward

In reality not only crude oil and gold prices are inter-related to each other, but also various other factors such as US dollar exchange rates, Repo rate, inflation rate, stock market movements etc. also contribute to the price changes in the variables under consideration. The R^2 values received from the regression analysis shown in table 2 and 3 are also as low as 15.1% denoting that different other factors as mentioned above predicts the prices of gold and crude oil to the extent of almost 85%. Thus bringing these factors into the purview of research could give a fairer view of the real scenario.

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Impact of Foreign Direct Investment on Growth Movement of Indian Automobile Industry

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Abstract

The automobile industry has been a strong pillar for industrial growth in India and is one of the largest in the world, accounts for 7.1% of India's Gross Domestic Product (GDP). It also contributes to 22% of the country's manufacturing GDP. The sector was first opened to foreign direct investment (FDI) in the year 1991 during the liberalization of the Indian economy and has come a long way since. Owing to its deep forward and backward linkages with several key segments of industry, it has a strong multiplier effect on the economy. The well developed Indian automotive industry producing a wide variety of vehicles such as passenger cars, light, medium and heavy commercial vehicles, multi-utility vehicles, scooters, motor cycles, mopeds, three wheelers, etc., Aptly, the sector was christen as the sunrise sector of the economy. This analytical research design has examined that the growth movements automobile industry for the ten years study period from 2008-09 to 2017-18 in terms of production, domestic and export sales and also the growth prospects of the industry in 2020-21 A.D. The performance of FDI equity inflows in the automobile industry and its effect on automobile production were studied. Finally, the effect of automobile production on the economic growth was measured in terms of Gross Domestic Product (GDP).

Keywords: *Automobile Industry, Growth Prospects, FDI, Economy growth*

Introduction

The Indian automobile market is one of the largest in the world, both in terms of production and sales volume. Talking about historical roots, a car came on road was in 1897. Before 1940, India did not have any manufacturing plant and cars were imported directly from other countries. By 1940s, the companies Hindustan Motors (1942) and its long-time competitor Premier started its manufacturing process in the country. By 1945, Mahindra & Mahindra was established and began assembly of utility vehicles. During 1950s and 1960s the growth was relatively slow due to nationalization and the license raj. By 1970s, with restrictions on the import of vehicles, the automotive industry started to grow but the growth was mainly driven by tractors, commercial vehicles and scooters. By 1980s, the market was still dominated by Hindustan motors and premier, who sold superannuated products in fairly limited numbers. The Indian automobile industry embarked on a new journey in 1991 with the announcement of the new industrial policy and opening up for 100 percent FDI through automatic route. In order to number of manufacturing facilities and import technology has grown progressively. This is followed by the entry of international players has substantially enhanced the need for production of vehicles matching international standards. The growth of Indian middle class with increasing purchasing power along with strong growth of economy over a past few years have attracted the major auto manufacturers to Indian market. The top foreign investors are Suzuki and Honda (Japan), Nissan and Toyota (Japan), Piaggio and FIAT (Italy), Volkswagen, BMW, Mercedes and Daimler (Germany), Renault (France), Hyundai (South Korea), General Motors and Ford (USA). Since then almost all the global major players have set up their facilities in India taking the level of production of vehicle from 2 million in 1991 to nearly 30 million in 2018. For every vehicle produced, direct and indirect employment opportunities are created with employment of 13 persons for each truck, 6 persons for each car and 4 for each three wheeler and one person for two-wheelers. It is important to appreciate the sector's multiplier effect on economy activity. Currently, the automobile industry provides both direct and indirect employment over 32 million persons. The penetration level of vehicle in India has 20 passenger vehicles per 1000 populations, 5 commercial vehicles per 1000 populations, 11 cars per thousand populations and 108 two-wheelers per 1000 population.

Statement of the problem

The role of Automobile Industry in India GDP has been phenomenon. The increase in the demand for cars, and other vehicles, powered by the increase in the income is the primary growth driver of the automobile industry in India. The introduction of tailor made finance schemes, easy repayment schemes has also helped the growth of the automobile sector. This is followed by India with its rapidly growing middle class, market oriented stable economy, availability of trained manpower at competitive cost, fairly well-developed credit and financing facilities and local availability of almost all the raw materials at a competitive cost has emerged as one of the favorite investment destinations for the automotive manufacturers. In 2014, the said areas influenced to concentrate of automobile industry under Make in India scheme in order to bring greater part of FDI from different parts of the globe. Hence, there is emergence for measure the impact of FDI on the automobile industry and how the industry affects to India's GDP. The research questions are

- Is automobile industry has better growth in terms of production and sales?
- Is there exists positive impact on FDI equity inflows in the automobile production?
- Is automobile production has influence in economy growth in India?

Objectives of the study

- To find out growth movement of automobile industry in India
- To examine the effect of FDI equity inflows in the automobile sector on the automobile production
- To analyze the automobile production on economic development in terms of GDP.

Research hypotheses

Ho_1: There is a significant and positive effect of FDI equity inflows in automobile sector on the automobile production.

Ho_2: There is a significant relationship between automobile production and GDP.

Review Of Literatures

Kamal (2017) identified the impact of Make in India initiatives on investment proposals in the automobile sector and the impact of this initiatives on automobile sector's growth. Angamuthu (2014) analyzed the growth of passenger car market and owners' perception towards brand preference in the car market. Two-wheeler market was continuously descending trend from 2007-08 to 2009-10 according to its production, domestic and export sales (Angamuthu, 2015). Vijay Bhasker and Subrahmanya Sarma (2013) reported that capacity of purchasing power and auto-finance facility has been the important factors for steady growth of FDI in Automobile Industry. Rajalakshmi and Ramachandran (2011) studied impact of FDI in the Passenger car segment and concluded that the FDI inflows have shown significant growth in the post liberalization period. Sagar and Chandra (2004) reported that technological sophistication of automobile industry was mainly attributed to growing consumer preferences, new emission norms and the global strategy of various firms.

Methods And Materials

This analytical study mainly depends on the secondary data during the reference period 2008-09 to 2017-18. The relevant data are collected various published reports by Society of Indian Automobile Manufactures, Ministry of Heavy Industries and Public Enterprises, Department of Industrial policy and promotion, India Brand Equity Foundation, Planning commission, Central statistical organization, Niti aayog, Five year planning reports etc. The statistical tools namely mean, co-efficient of variation (CV), Exponential Compound Growth rate (CGR), Linear trend, correlation and regression analysis were used to draw the inference of the study.

Analysis And Discussion

Performance of Foreign Direct Investment inflows in Automobile Industry

Table 1: Foreign Direct Investment in Automobile Industry during 2008-09 to 2017-18

Statistic	FDI Equity Inflows (Rs. in Crores)	
	Total	Automobile Industry
Cumulative FDI Inflows (Rs.)	1849574	97684
Mean (Rs.)	184957	9768.4
CV (%)	40.99	48.74
CGR (%)	11.85	14.91

Table 1 shows that the cumulative FDI equity inflows in India during 2008-09 to 2017-18 were Rs. 18, 49, 574 Crores with an average of Rs. 1,84,957 Crores and its CV is 40.99 percent. The CGR for the period 2008-09 to 2017-18 is 11.85 per cent which indicates a normal growth on brings FDI equity inflows in the country. Moreover, the cumulative FDI equity inflows in automobile industry during the study period were Rs. 97,864 Crores with an average of Rs. 9768.4 Crores and its CV is 48.74%. It explains that automobile sector has attracted FDI equity inflows 5.28 percent of total FDI inflows of the country during the study period. Indian automobile industry was the finest area to bring FDI representing a CGR of 14.91 percent. The largest Indian domestic market, fast growing purchasing power of middle class, market linked exchange rate and well established financial market and stable corporate governance framework is emerging as an attractive destination for larger FDI in the automobile sector. It influences to produce more number of vehicles, improve the market potential in and outside of the country, providing greater employment etc. Finally, FDI in the sector leads to better growth of an Indian economy.

Automobile Production Trends

Table 2: Automobile Production Trend (Number of Vehicles)					
Year	Passenger Vehicles	Commercial Vehicles	Three Wheelers	Two Wheelers	Grand Total
2008-09	1838593	416870	497020	8419792	11172275
2009-10	2357411	567556	619194	10512903	14057064
2010-11	2982772	760735	799553	13349349	17892409
2011-12	3146069	929136	879289	15427532	20382026
2012-13	3231058	832649	839748	15744156	20647611
2013-14	3087973	699035	830108	16883049	21500165
2014-15	3221419	698298	949019	18489311	23358047
2015-16	3465045	786692	934104	18830227	24016068
2016-17	3801670	810253	783721	19933739	25329383
2017-18	4010373	894551	1021911	23147057	29073892
CGR (%)	7.04	5.34	5.65	10.08	9.31

Table 2 shows that the automobile production for the reference period 2008-09 to 2017-18 grew at a CGR of 9.31 percent which indicates a normal growth in the automobile sector and crossing 29 million vehicles production in 2017-18. During the reference period all vehicle segments registered positive growth at a CGR in over of 5 percent. Among them, Two-wheeler segment was the fastest growing segment representing a CGR of 10.08 percent followed by passenger vehicles (7.04%), three wheelers (5.65%) and commercial vehicles (5.34%). It is evident that over the past ten years, India has emerged as one of the most preferred locations in the world for manufacturing high quality vehicles of all kinds. Presently, India is second largest two wheeler and bus manufacturer, eighth largest commercial vehicle manufacturer, sixth largest car manufacturer, fifth largest heavy truck manufacturer and the largest tractor manufacturer.

Impact of FDI equity inflows in Automobile Production – Regression analysis

The impact of FDI equity inflows to the automobile production has been studied using the following null hypothesis.

Ho_1: There is no significant and positive effect of FDI equity inflows in automobile sector on the automobile production during the study period.

Table 3: Regression Co-efficient between FDI equity inflows and Automobile production					
Variables	Regression Coefficient	Se	t- value	r	Co-efficient of Determination
Constant	13403020.2	3280402	4.086**	0.66	0.429
FDI equity inflows in Automobile sector	781.25	318.52	2.453*		
**Sig. at 1% level; * Sig. at 5% level; NS - Not Sig. at 5% level					
Regression fitted Y (Automobile Production) = 13403020.22+Rs.781.25 Crores FDI equity inflows					

Table 3 shows that the calculated 't' values statisitcally significant. Thus the regression model were fitted. The r value between FDI equity inflows and automobile production is 0.655, which indicates a moderate degree of correlation. But the co-efficient of determination indicates how much of the total variation in the automobile production, can be explained by the FDI equity inflows. In this case, 42.9% of the change in automobile production is influenced by FDI equity inflows in the sector during the study period.

Table 4: Analysis of variance for Regression (FDI equity inflows and Automobile Production)				
Model	**Sum of Squares**	v_1 v_2	**Mean Square**	**F**
Regression	1.08649E+14	1	1.08649E+14	6.016*
Residual	1.4448E+14	8	1.806E+13	
**Sig. at 1% level; * Sig. at 5% level; NS - Not Sig. at 5% level				

Table 4 explains {$F_{v1, v8}$= 6.016*; p=0.040} that the regression model is statistically significant. Hence, the hypothesis is rejected. It is concluded that there is a significant and positive effect of FDI equity inflows in automobile sector on the automobile production during the study period.

Projected Analysis of Automobile Production

Straight line trend analysis was used to prediction of automobile industry upto 2020-21 AD in terms of production, domestic and export sales. The equation of trend analysis represents $Y_c = a + b_t$

Trend equation ($Y=a+b_t$) for Automobile production

Passenger Vehicles; $Y=2042566+194849.5_t$

Commercial vehicles; $Y=562855.3+32131.3_t$

Three Wheelers; $Y=590432.9+40897.05_t$

Two Wheelers; $Y=8199716+1431635_t$

Total; $Y=11395571+1699513_t$

Table 5: Automobile Production Trends – Projected Analysis					
Year	**Passenger vehicles**	**Commercial vehicles**	**Three wheelers**	**Two wheelers**	**Total**
2018-19	4185910	916300	1040300	23947707	30090217
2019-20	4380760	948431	1081198	25379342	31789731
2020-21	4575609	980562	1122095	26810978	33489244

Table 5 shows that the automobile production in India is likely to continue upto 2020-21 A.D. It is expected to reach 33.48 million vehicles in 2020-21 with an increasing trend of 15.17 percent over the year 2017-18. The category-wise projection in automobile production will be 26.81 million vehicles in two-wheeler, 4.57 million vehicles in passenger vehicle, 1.12 million vehicles in three wheelers and the remaining 0.98 million vehicles is commercial vehicle.

Automobile Domestic Sales Trends

Table 6: Automobile Domestic Sales trend (Number of Vehicles)					
Year	**Passenger Vehicles**	**Commercial Vehicles**	**Three Wheelers**	**Two Wheelers**	**Grand Total**
2008-09	1552703	384194	349727	7437619	9724243
2009-10	1951333	532721	440392	9370951	12295397

Table 6: Automobile Domestic Sales trend (Number of Vehicles)					
Year	Passenger Vehicles	Commercial Vehicles	Three Wheelers	Two Wheelers	Grand Total
2010-11	2501542	684905	526024	11768910	15481381
2011-12	2629839	809499	513281	13409150	17361769
2012-13	2665015	793211	538290	13797185	17793701
2013-14	2503509	632851	480085	14806778	18423223
2014-15	2601236	614948	532626	15975561	19724371
2015-16	2789208	685704	538208	16455851	20468971
2016-17	3047582	714082	511879	17589738	21863281
2017-18	3287965	856453	635698	20192672	24972788
CAGR (%)	6.5	5.13	4.08	9.97	9.09

Table 6 shows that the domestic sales trends in Indian automobile sector ranged from a minimum of 9.72 million vehicles in 2008-09 and to a maximum of 24.97 million vehicles in 2017-18. The CGR for the reference period 2008-09 to 2017-18 is 9.09 per cent which indicates a normal growth in the domestic sales of automobile sector. During this period all vehicle segments except three wheelers registered a CAGR in over 5 percent. Among them, Two-wheeler segment was the fastest growing segment representing a CAGR of 9.97 percent, followed by passenger vehicles (6.50%), and commercial vehicles (5.13%). The sustained growth and increasing purchasing power of rural households, fast development of road infrastructure, highways and other infrastructure are all factors that influence to further demand for mobility and vehicles. Moreover, the demand for automobiles is also dependent upon per capita income, proportion of youngest population, added working population, changing life style of the people, increasing disposable income among the households, improvement of the business arena, availability of credit facilities, availability of road infrastructure, demographic profile of the market etc.

Projected Analysis of Domestic Sales in the Automobile Sector

Trend equation ($Y=a+b_t$) for Domestic sale of automobiles

Passenger Vehicles; $Y=511528.8+28968.73_t$

Commercial vehicles; $Y=562855.3+32131.3_t$

Three Wheelers; $Y=402124.4+18999.38_t$

Two Wheelers; $Y=7264758+1239215_t$

Total; $Y=9915333+1435560_t$

Table 7: Automobile Domestic Sales Trends – Projected Analysis					
Year	**Passenger vehicles**	**Commercial vehicles**	**Three wheelers**	**Two wheelers**	**Grand total**
2018-19	3369064	830185	611118	20896125	25706492
2019-20	3517440	859154	630117	22135341	27142051
2020-21	3665817	888122	649116	23374556	28577611

Table 7 shows that the domestic sale in automobile sector in India is likely to continue upto 2020-21 A.D. It is expected to reach 28.58 million vehicles in 2020-21. The category-wise projected domestic sales in the automobile sector will be 23.37 million vehicles in two-wheeler, 3.67 million vehicles in passenger vehicle, 0.89 million vehicles in commercial vehicles and the remaining 0.65 million vehicles in three wheeler segment.

Automobile Domestic Sales Trends

Table 8: Automobile Export Sales trend (Number of Vehicles)

Year	Passenger Vehicles	Commercial Vehicles	Three Wheelers	Two Wheelers	Grand Total
2008-09	335729	42625	148066	1004174	1530594
2009-10	446145	45009	173214	1140058	1804426
2010-11	444326	74043	269968	1531619	2319956
2011-12	508783	92258	361753	1975111	2937905
2012-13	559414	80027	303088	1956378	2898907
2013-14	596142	77050	353392	2084000	3110584
2014-15	621341	86939	407600	2457466	3573346
2015-16	653053	103124	404441	2482876	3643494
2016-17	758727	108271	271894	2340277	3479169
2017-18	747287	96867	381002	2815016	4040172
CGR (%)	8.55	9.52	8.98	11.18	10.3

Table 8 shows that the automobile export sales trends in India ranged from a minimum of 1530594 vehicles in 2008-09 and to a maximum of 4040172 vehicles in 2017-18. The CGR for the reference period grew at a rate of 10.30 per cent which indicates a good growth in the export sales in the Indian automobile sector. During this period all vehicle segments registered a CGR in over 8.5 percent. Among them, Two-wheeler segment was the fastest growing segment representing a CGR of 11.18 percent followed by commercial vehicles (9.63%), three wheelers (8.98%) and passenger vehicles (8.55%).

Projected Analysis of Export Sales in the Automobile Sector

Trend equation ($Y=a+b_t$) for Export sale of automobiles

Passenger Vehicles; $Y=323423.3+44303.84_t$

Commercial vehicles; $Y=45371.87+6408.99_t$

Three Wheelers; $Y=185862+22105.42_t$

Two Wheelers; $Y=944361.4+188061.1_t$

Total; $Y=1499019+260879.4_t$

Table 9: Automobile Export Sales Trends – Projected Analysis

Year	Passenger vehicles	Commercial vehicles	Three wheelers	Two wheelers	Total
2018-19	810766	115871	429022	3013034	4368692
2019-20	855070	122280	451127	3201095	4629571
2020-21	899373	128689	473232	3389156	4890450

Table 9 shows that the export sale in automobile sector in India is likely to continue upto 2020-21 A.D. It is expected to reach 4890450 vehicles in 2020-21. The category-wise projected export sales in the automobile sector will be 3389156 (69.3%) vehicles in two-wheeler, 899373 (18.39%) vehicles in passenger vehicle, 473232 (9.68%) vehicles in three wheelers and the remaining 2.63% (128689 vehicles) in commercial vehicles.

Impact of Automobile Industry on economic development

The impact of automobile production in the industry to the economic development i.e GDP has been studied. GDP represents that the country's income during the respective year.

Ho: There is no significant relationship between automobile production and GDP for the study period.

Table 10: Relationship between Automobile Production and GDP	
r value	0.887**
n	10
Co-efficient of Determination	0.786
**** Sig. at 1%;*Sig. at 5% level; NS= Not sig. at 5% level**	

The co-efficient of correlation value (r = 0.887**; $p_{0.01}$; n= 10) has been reject the null hypothesis. It explains that there exists a significant strong relationship between automobile production and GDP. Further, the co-efficient of determination value indicates how much of the total variation in the dependent variable, can be explained by the independent variable. It indicates that 78.6 percent of the variation in GDP is influenced by automobile production in the country.

Conclusion

The growth movement of Indian automobile industry in terms of its production, domestic and export sales registered at reasonable growth rate for the reference period. FDI equity inflows in the automobile industry lead to improve the production level across various categories of vehicles and the automobile production in the industry has positively influence to the economic progress of our country. Automobile industry in India likely to produce 33.49 million vehicles in 2020-21and it shows increasing trend of 15 percent over the year 2017-18. Moreover, the comparative results of automobile sales explain that the export sales has recorded highest growth rate than the domestic sales. The sales trend expected to 28.58 million vehicles in domestic market and 4.89 million vehicles in export market during 2020-21 A.D. Therefore, automobile industry needs to bring added FDI equity inflows for coming years which helps to enhance overall productivity and it have been influence to Indian economy in healthier manner. By 2026, this sector has the potential to generate up to Rs. 18,19,500 Crores in annual revenue, create 65 million additional jobs and stand first in the world in production and sale of small cars, two-wheelers, three-wheelers, tractors and buses, 3rd in passenger vehicles and heavy trucks, and all of them, contribute 12% to India's GDP.

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Perspectives

Fast-Moving Consumer Goods (FMCG) – The Future is NOW!

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Fast-moving consumer goods (FMCG) or Packaged consumer goods is amongst the top 5 sectors in our economy. Items that people buy at regular intervals for daily or frequent consumption like toilet soaps, detergents, shampoos, toothpaste, shaving products, shoe polish, packaged foodstuff, and household accessories constitute this category. Most of the products in this category have been used by the people for over 100 years and yet will continue in the future. Few FMCG companies like HUL, Dabur, Emami, ITC, Nestle etc are common names across the nation. Majority of the people living in Indian cities and towns have been using their product for a very long time. Traditionally the majority of consumption in this sector has been from the urban segment, people in rural areas did not like to use the products of FMCG companies with unpacked products or loose commodities dominating the sales. However, that is changing! The urban segment is continuously losing its position of eminence. In the last few years, the FMCG market has grown at a faster pace in rural India compared with urban India.

Unlike many sectors which follow the contraction and expansion cycle, the products offered by FMCG industry will always be in demand. During a recession or economic crisis, people may not buy a new automobile or might not take new loans or avoid investing in real estate, but FMCG products being the basic necessities- their demand does not decrease as much compared to the other sectors. This was the only sector which did not get a majorly impacted by the global crisis in 2007-08 leading many to believe that this is a "recession proof" business. This sentiment contributed to a large number of new entrants in the segment changing the dynamics of the market. The growth of modern retail and the online portals has also had a major impact. HUL, P&G, Dabur, etc and other established players in the segment have had to rethink strategies and even today are only playing catch-up with unconventional players like Patanjal.

The FMCG sector is characterised by low ticket size and high volumes. Demoenetisation led to a massive cash crunch and almost dried up sales in the segment. It was feared that recovery will be slow and tedious but there appears hardly any long term impact on the segment. Digital payment had a big role to play. Even though they do no contribute any significant chunk as percentage of total sales, the option of paying without cash at the local kirana store had a confidence building impact on the consumer psych. Once the cash availability improved the sales bounced back and there are hardly any companies that appear to have been impacted in a manner that was initially feared. On the whole FMCG industry has managed its way well around the implementation of Goods and Services Tax (GST) and demonetisation recording a higher demand led growth. The Overall sentiment in the industry is positive for the medium and longer terms. Most large players have increased spending on promotions to push demand and offset losses if any.

These are interesting times for the Indian FMCG due to significant changes in the lifestyle choices and consumer behaviour. The modern retail in the country is expected to treble in the next 5 years, rural consumption is superseding industry expectation and there is a considerable increase in disposable income across a wider spectrum despite policy changes initiated by the government.

Another key factor likely to impact the future of FMCG is the phenomenal growth of mobile usage. The smartphone penetration rate in India is forecast to cross 30 percent by 2019. The number of mobile internet users in India is reached around 420mn by June 2017 from 389mn in December 2016. The growth in rural market being much higher than urban market in this context. The number of mobile handsets in rural India already exceeds the number of television sets. This makes the mobile medium alluring for FMCG brands which they can use creatively to expand reach and presents a opportunity to the FMCG companies to partner with E-com and drive daily products sales through their platform.

Historically the key drivers for the FMCG business have been increased awareness, easier access and changing lifestyles. Modern trade is a big ticket item that is expected to grow at 20% year on year, likely to boost revenues for FMCG players. Household and Personal Care is one of the leading segments accounting for 50% of overall market while Haircare at 23% and F&B at 19% market share. With the rising adoption of sales technologies and increased mobility usage, the FMCG distribution system has become more transparent, structured and easily compliable.

While urban market accounts for about 60% revenue share, and the semi-urban and rural segments only 40%. They are the high potential markets with a substantially higher growth rate. Another interesting fact that came out from the analysis of rural consumption is that FMCG products account for 50% of total rural spends in India. The share of non-food expenditure from the rural wallet is also increasing with the rising income levels.

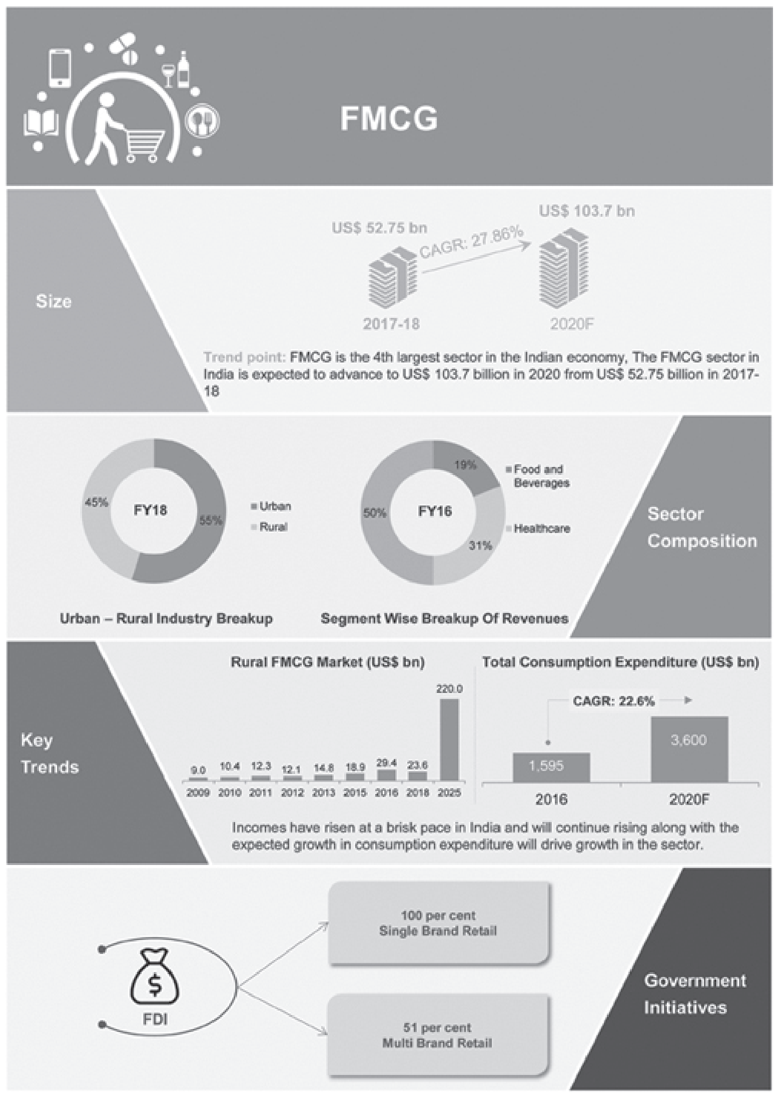
The changing lifestyles are creating a demand for personalised products. This in turn implies that the trend towards mass customization of products is expected to intensify with more and more innovations. Customized product as a result of mass customisation that have already been introduced include products like Women's Horlicks for women and Junior Horlicks for kids. Since varied choices are available for a singular product, customers are less likely to stay brand loyal. Hence, FMCG players need a renewed focus on product innovation and high investment on promotions to stay ahead of the competition.

Technology is also going to have a big impact on the future of FMCG Business. Sales force automation and automated demand planning are likely to see a total transformation with the increased use of AI. Big data analytics backed with powerful algorithms is likely to present a whole new perspective to the marketers in the FMCG sector. Companies that deploy the latest technology are likely to outpace their competition with better management of the entire product life cycle.

Increased disposable income in the rural market implies higher spending power. This will not only lead to increase in demand for the mass products but will inevitably be followed by an increased demand for premium and luxury products. This in turn will imply that the demand for ethical and environmentally Sustainable product is also going to see a robust growth. Over the past few years consumers across the globe are no longer satisfied with just the "product quality", they are getting more and more concerned about the process or the way these products are being made. While most consumers agree with the concept of fair profit, they are increasingly curious about how the profit that resulted by their purchase is fairly shared by every individual who contributed to the production or delivery of the product. This puts the onus on FMCG Brands to ensure that the products are sourced from facilities that provide a safe working environment and treat every employee specially the workers well. With the growth of internet and social media, Urban and even rural consumers are also getting more conscious and the FMCG business will need to focus on this aspect especial for premium and specialty products.

Having extensively discussed the FMCG landscape in India, it becomes clear that it is on an upswing today growing at a fast pace. However, in order to derive the maximum benefit with the Increased internet users across the country, higher consumption and spends pattern in the rural segment, cut throat competition, emergence of Modern trade the FMCG sector in India will need to move beyond the conventional landscape and adopt new ideas and technology more aggressively with increased focus on the social impact of business.

Exhibit - 1



Source: Infographic courtesy India Brand Equity Foundation

Future of Coal In India

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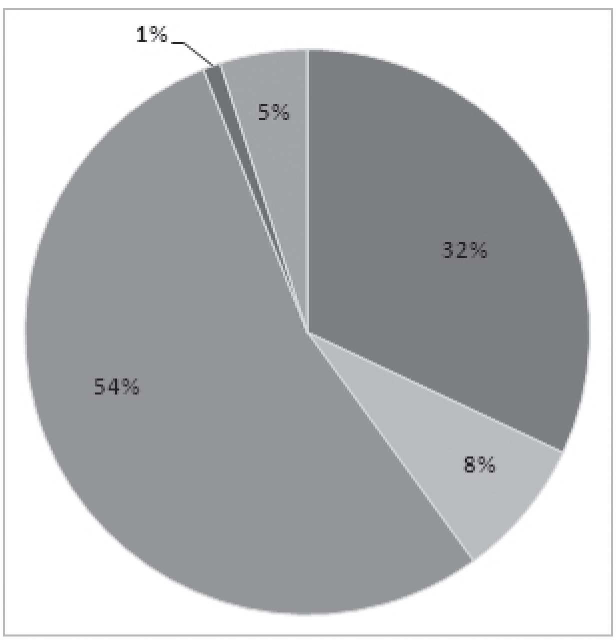
The present energy demand of the country is met by the following sources:

Oil : 32%, N. Gas : 8%, Coal : 54%, Nuclear : 1%, Hydro : 5%



Coal shall continue to be a major source of primary energy supply in times to come. Its share is likely to remain around 52% by 2047.

As of 2016-17, the demand of coal was about 838 (Million Metric Tons) MMT against which the domestic supply was 647 MMT necessitating imports of 190 MMT which costs the country about 10000 crores.

At present, Coal India Ltd. (CIL) and Singareni Collieries Ltd. (SCCL) are the two companies in the State sector responsible for meeting 95% of demand of coal in the country. Balance is being produced by a few private players who have been allowed to mine coal for captive consumption. CIL is presently targeting to produce 630 MMT this year and SCCL at 62 MMT. The two major coal producing companies are, at present, not able to meet the demand of power sector and other consumers in the industrial sector like cement, steel, fertilizer etc. Hence these companies have to resort to heavy imports which are not only expensive, but also result in considerable drain of foreign exchange. There is a proposal of auctioning coal blocks for commercial production to private sector which might provide some competition to the present monopoly of state sector companies.

All over the world, there is a clamor to restrict or reduce use of coal as it is the biggest polluter leading to unacceptable levels of CO_2. All the major countries of the world had met in Paris and made a commitment to voluntarily reduce the production of CO_2 to acceptable levels.

With a view to comply to the commitment made in COP 21 and India's voluntary efforts to reduce pollution, the country is committed to transition towards greater use of cleaner sources of energy and more of domestic coal. The government is proposing to add 175 (Giga Watt) GW of renewables (100 GW by way of solar, 60 GW by way of wind and 15 GW of biomass) by

2022. This is a very ambitious target but given the government's commitment, it can certainly be achieved.

The government was clear that huge investment in renewables shall be made through a transparent system of reverse e-auction. This led to a very pleasant discovery of substantial drop in the prices of renewables. Prices of wind have gone down from Rs. 4/- and Rs. 5/- to nearly Rs. 3/- per kwh and solar prices are expected to come down to Rs. 2/- per kwh. That competes very well with thermal.

Since renewables are seasonal and available during certain part of the day, this comes along with huge investments in the transmission system so that renewable power is absorbed into the system as and when it is produced. Simultaneously, a trend of falling prices in the storage system for electricity would also ensure adequate developments in storage of electricity through new generation batteries.

What does that mean for all of us?

Up till 2027, no further investments on thermal plants are planned. Only 50 GW of power which is a work in progress would be completed. However, energy demand is subsequently expected to go up from 2012 to 2047 by 2.7 to 3.2 times.

a) By 2040, India's population is expected to rise to 1.6 billion The share of manufacturing in the country's GDP will double from its current level to 30%.

b) In the transport sector, there shall be a shift towards rail-based mass transport systems and electric vehicles. Most of India's vehicles shall be powered by electricity by 2030. This would not only reduce energy demand, but also save the exchequer USD 100 billion (about Rs 6.5 lac crore) every year. While reducing pollution levels in cities by 80-90%, this USD 100 billion saving is over twice India's defence budget for 2017-18, or over 10 times the amount invested in renewables in 2016.

However, how is this going to effect the working of coal mines in the future?

1. While Coal India Ltd. and Singareni Collieries Co. Ltd. will jointly achieve a production of 1 billion tonnes, companies like NTPC are going to increase their investments in coal mining. NTPC has plans to produce 3 MMT by this year and then gradually scale upto 60 MMT.
2. CIL and SCCL shall no longer be the traditional mining companies and will gradually transform themselves as power companies as Neyveli Lignite Corporation Ltd. has done. MCL is proposing to set up a 1000 (Mega Watt) MW power plant.

Future of Coal

Coal shall continue to be a dominant fuel for generating power for years to come.

a) However, coal mines have no right to spoil the environment by irresponsible mining. Responsible and sustainable mining has to be enforced.

b) Washing of low grade coal has to be made mandatory to reduce pollution load.

c) Efficient combustion of coal through Technologies (HELE) has to be used extensively for limiting discharge of polluting gases. Inefficient and old plants have to be gradually replaced.

Coal and Renewables will have to learn to live with each other, each playing its role in its own critical area.

Only a successful marriage between coal, renewables and nuclear power shall be the recipe for the future.

Case Study

Case Study

Strategic Effectiveness of Selected organizations in UAE: Cases of Etihad Airways and Emirates NBD Bank

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Abstract

From the strategic management perspectives, an organization needs to have a a big picture and detailed view of the environment, it operates. Both external and internal analyses of such environment are therefore considered essential to formulate or adapt strategies. that brings out a firm's full potential. Etihad Airways, one of the globally known airlines companies from UAE in specific and the middle East in general, has experienced how well-meaning plans can go wrong if not evaluated through its place in its industry and the wider lens of its macro environment as well. The Emirates NBD Bank, the largest bank in UAE, on the contrary, demonstrates that success can be achieved if the foundational values and goals of an organization are clear, and their implementation carefully monitored. Hence, managers need to understand the gravity that strategic decisions and practices have on a company's prosperity.

Keywords: *Strategic management, external and internal analysis, environment*

Introduction

The ever-evolving nature of business necessitates that strategies be developed by organizations to determine the direction one moves into the future with. Etihad Airways and Emirates NBD (ENBD), for instance, are based in a country wherein the aviation and banking industries play a huge role in diversifying the economy, as the United Arab Emirates aims to reduce its dependency on the oil industry (Chaker, 2015; The UAE Government, 2018). In addition to the economic factor, however, other influences, whether it be political, technological, etc., must be considered when both firms determine what their goals are and, consequently, their policies to achieve these, while being open to possible amendments that external factors require. Moreover, stakeholder relationships, especially ones with customers, competitors and suppliers, also need to be evaluated against Etihad and ENBD's internal capabilities for long-term survival to be secured. Therefore, it is imperative that managers of both companies develop initiatives that utilize their resources to raise their performance, adding value not only to the UAE's economic development but to their own as well (Johnson *et al,* 2013; Lynch, 2015).

Strategic environment analysis for the Etihad airways and Emirates NBD Bank: A brief overview

For Etihad Airways and Emirates NBD to devise strategies that make the most of their potential, their macro-environment (comprised by political, economic, social, technological, ecological and legal elements that affect almost all organizations) must be surveyed to deal with the opportunities and threats that it presents accordingly. Etihad being owned by the Abu Dhabi Government, for example, impacts it financially and operationally (Johnson *et al,* 2013; Etihad Airways, 2018a), which, consequently, has been strongly questioned by American lobbying groups who claim that gulf carriers are unfairly subsidized (Abdel Ghafar and Leber, 2017), and unfortunately amidst the region's geopolitical conflict with Qatar (Al Jazeera, 2018). Although the Qatar dispute has delivered economic ramifications as Qatari and a few foreign investors have been forced to pull out of the UAE, the latter state continues to progress economically due to the rise in employment, salaries, investment and spending, as a result of its VAT introduction as well as its economic diversification (Kerr, 2017; Forbes, 2017; Torchia, 2017; Abbas, 2018). For this reason, more than 50% of the expatriates living in the country desire to establish permanent residency, making airlines even more necessary due to unobtainable citizenship for about 80% of the non-Emiratis comprising the population, who inevitably need to fly in and out of the UAE (Epps and Demangeot, 2013; Khamis, 2018). Etihad, therefore, needs to take advantage of what technology has to offer (like the Internet and artificial intelligence, for example) to make things easier for all their potential customers or to create new services for them (Johnson *et al,* 2013). Innovation, nevertheless, must not come at the expense of the environment, and the company not only follows environmental regulations but also spearheads projects that would lead to more sustainable means of powering aircrafts (Zaatari, 2015; Etihad, 2018b). Besides environmental legislation, laws concerning international airspace must also be considered as well as business laws regarding airlines. However, as a government-established company, Etihad and the aviation industry as a whole receive some leniency on laws as demonstrated by air travel being zero-rated on VAT and, more specifically, by Etihad not charging VAT on a few more ground services than other carriers (Rapoza, 2014; Diaa, 2017). Yet, the organization must determine if these laws or which of the other factors will have a significant impact on its strategy (Johnson *et al,* 2013).

Key strategic drivers and inhibitors of the strategic initiatives of the Etihad Airways and Emirates NBD Bank

Identifying Etihad's key drivers for change is crucial for it to be able to adapt its strategy only as needed instead of having a multitude of details to be concerned about. Since it aims to deliver Arabian hospitality to the world, its social environment is something that should be focused on as people's cultural values and attitudes will determine how its services are perceived. At the same time, the UAE's relationship with other governments and political entities directly influences the company as it is state-owned, and so these bonds should be nurtured for Etihad's vision of connecting Abu Dhabi to the world to be realized. Furthermore, advances in technology should be monitored as Hyperloop technologies threaten to replace long distance travel, and opportunities of revolutionizing air travel via NASA's supersonic commercial planes and of improving customer satisfaction through artificial intelligence and robots come about. In short, Etihad should pay particular attention to its social, political and technological environments so that it can build scenarios that enables it to strategize effectively (Johnson *et al,* 2013; Thompson, 2016; Chandran and Fujita, 2017; Banke, 2018; Etihad, 2018a).

The same macro-environment that affects Etihad Airways has a slightly different influence on Emirates NBD because of their separate industries. To illustrate, ENBD is not directly run by the government as it is not owned by it, and its political exposure mostly lies on its connections with countries it is currently operating in or is planning to operate in instead of with political or lobbying groups (Emirates NBD Bank PJSC, 2018a). The motivation to expand in other countries is due to being heavily reliant on good economic growth as economic downturns usually lead to losses when borrowers are unable to pay back loans which is a main source of income for banks, hence, the value of working in different states with different economies (Kassem, 2016). Thus, the banking group also needs to take into account the people's attitudes towards banking and the various demographics in its countries of interest. Furthermore, a country's openness to online banking and technological compatibility with its services must be measured, especially when ENBD is known for its innovation in mobile and online financial transactions (ENBD, 2018b). Despite its technological advancements, however, the company started out by having the largest branch network in the UAE and, therefore, still has plenty of physical operations with a significant environmental impact which it takes responsibility for by monitoring its energy and water consumption, waste management and carbon footprint requirements in order to minimize its negative effects (ENBD, 2017). Lastly, its legal environment is of great importance as well because of the notable effect that merger and acquisition laws, and taxation laws have on the way the banking group is run (Khan, 2017). From these, its key drivers for change are distinct from that of Etihad's due to the dissimilar nature of the two sectors and the strategies that both aim to implement (Johnson *et al,* 2013). Emirates NBD's vision and mission, and how it plans to achieve those determines which environmental factors are relevant to it. Thus, the firm should focus on economic elements since global recognition of its financial services in the Middle East is its main motivation because the identification of good economies to expand into is more important to it than political relations as evidenced by its push to purchase Turkey's Denizbank despite the Eurasian country's shaky relationship with the UAE (Kassem, 2016; Coskun *et al,* 2018; El Dahan and Oziel, 2018; ENBD, 2018c). Consequently, legal aspects must be analyzed in detail as the banking group conducts its expansion activities by merging with or acquiring companies and their assets (Kassem, 2016; Khan, 2017). In its home country, moreover, the new taxation law increases the financial system's transparency, resulting in a massive lending opportunity for banks (Baby, 2018). Technological and social facets also play an important part to fulfilling ENBD's mission of making the lives of customers easier through its financial services via Internet banking, which makes up 90% of its consumer transactions, and as it targets specific audiences with special packages such as the ones for women and for the youth (ENBD, 2018a; ENBD, 2018d). Demographics also bears significance in its buildout as the banking group intends to follow consumers where they are heading to (Khan, 2017). By pinpointing these, it will help ENBD evaluate the fruitfulness of its strategies.

Effect of macro-environments on strategic responses of the Etihad Airways and Emirates NBD Bank

How macro-environments shape Emirates NBD's and Etihad's strategies can be seen more clearly through changes in the competitive forces in their micro-environments. That is, an industry analysis of the two companies will yield how attractive the structure of each of their sectors are for competition. For instance, in the Middle East airline industry, high exit barriers, low differentiation, and fixed costs, which are balanced out by the dominance of three airlines, and strong industry growth rate, creates a medium level of competitive rivalry and makes it somewhat easy for Etihad to thrive. Conversely, the high barriers of entry to the industry, due to the experience and existing supplier access of the incumbents as well as the possible retaliation of the government-backed Etihad, Emirates and Qatar Airways, lessens the degree of competition, unless a new carrier decides to enter with supersonic planes, which can easily be purchased by the top three airlines anyway. The threat of substitutes to long-distance air travel, similarly, is quite low at the moment, with hyperloop technology, albeit predicted to perform better, still yet to come to fruition. Supplier power, in slight contrast, is at a medium to high level due to there being only two big major manufacturers of planes but with an abundance of human capital and financial sources. Again, this is balanced out by the low power of buyers because, although their switching costs are low, their concentration and capability to supply themselves with their own means of air travel are low. Therefore, the low threat of entry, supplier and buyer power, which decrease the degree of competition caused by the rivalry among existing companies and supplier power, makes the Gulf airline industry a lucrative one (Johnson *et al,* 2013; Keegan and Green, 2013).

Trends and Developments-The Strategic View

The profitability of the banking industry in the UAE is shaped differently by the five forces. To illustrate, the rivalry is high due to high exit barriers, low differentiation, and roughly equal size of banks, drowning out the positive impacts of the high industry growth rate and moderate fixed costs. Furthermore, it is easy for big foreign banks to enter the UAE market as they possess the same experience to combat any price wars etc. that may occur. Substitutes such as Bitcoin, Apple Pay, etc. also threaten the financial services that banks provide, even in a small way. Notwithstanding, the power of buyers and suppliers are relatively low due to the very low concentration of banking clients, and depositors, which are the sources of finance, and potential employees in the labor pool. Hence, the moderate to high level of competition in the UAE banking industry demands a great strategy from Emirates NBD for the firm to succeed (Johnson *et al,* 2013; Keegan and Green, 2013; John, 2018).

Emirates NBD and Etihad's existing strategies could only work well in their external environments if their respective internal strengths are capitalized on (David, 2013). A look at Etihad's desired future state, for example, which is "to be the best airline in the world", in comparison with its current global position, which is usually in the top 20 rankings but never as first, clearly shows a strategic gap is present either at the business or corporate level (CNT Editors and Peterson, 2017; Rosen, 2017). Etihad differentiates itself from its competitors through its award-winning first-class accommodations and excellent service for all customers by delivering fine dining and "flying nannies" to cater to young passengers (Zhang, 2017; Etihad, 2018a). The company also controls complementary services, using Etihad Guest to lock users in via miles offerings that could be earned by using Etihad's or its partners' services (Etihad, 2018c). Similarly, strategic alliances, through "codesharing" and minority investments in other airlines, has been formed by the carrier to develop its market in new geographies and users, by vertical integration and related diversification through the Etihad Aviation Group (Kotabe and Helsen, 2010; Strategic Direction, 2015; Etihad Aviation Group, 2017). In theory, all the above strengths should have paved the way to number one but Etihad's strategy needs to be adapted in as much harmony possible with its macro and micro environments (Johnson *et al,* 2013).

Etihad's key drivers of change and the airline industry should be considered more carefully to make improvements moving forward. In particular, although its interior features and in-flight services are excellent, the chances that other carriers are equal or even better is huge because of the low differentiation level among airlines. Etihad should, therefore, try to separate itself from its competitors by developing or investing in products which are technologically superior, like supersonic planes, as this will also lower threats of new entrants and substitutes, and the power of its suppliers even more, thereafter, possibly reducing its costs as well. Besides this, its recent losses can be attributed to its investment strategy which went into struggling airlines, which should, thus, prompt it to forge partnerships with better carriers in the future. Another future scenario that should be kept in mind is the biased inference that terrorist attacks by people of Arab or South Asian descent have on how people view Etihad. It should then adjust its marketing strategies to highlight its unique resources and competencies to take the attention away from negative implications. In short, an overall review of how it conducts its business in an industry with a moderately high competitive rivalry and supplier power as well as its social, political and technological environments will aid in the better utilization and development of its competitive advantages, filling in its strategic gap (Kotabe and Helsen, 2010; Johnson *et al,* 2013; Strategic Direction, 2015; Powley and Kerr, 2017; Zhang, 2017; Banke, 2018).

Emirates NBD's competencies, similarly, should be identified so that these can be measured against the opportunities and threats in its environments. For instance, the company's mission of "making its customers' lives simpler" translates into how it nurtures a positive atmosphere where teamwork is encouraged, integrating strategy and culture successfully (ENBD, 2018c). ENBD, further, excels in its management from its board of directors, who come up with its overall strategy, to its various committee members, who ensure that operations conform according to what was planned (ENBD, 2018e). The efficiency in its management is demonstrated by the success of all its other departments, such as its marketing via social media which has earned accolades (The Malaysian Reserve, 2017), its attractiveness to investors due its massive asset value (ENBD, 2018a), the smoothness of its operations as shown by its number one ranking in the UAE (Brand Finance, 2018). Having a lot of strengths implies that ENBD has enough resources and is capable enough to conquer the banking industry along with other environmental factors (David, 2013).

The capabilities and resources mentioned are employed successfully by Emirates NBD through its business and corporate strategies. To illustrate, differentiation in some of its banking packages enables it to charge a higher minimum balance whereas a hybrid strategy of high perceived differentiation combined with having an account with no minimum balance, is implemented in its youth offering (ENBD, 2018d). Paying attention to its social environment enabled that market development by reaching a customer segment that did not have an easy access to banking before. The sustainability of the hybrid strategy is possible due the banking group's secure cost advantage, achieved by the high amount of output in contrast to its operations as customer transactions are mostly done online through complementary services, such as first of its kind digital lifestyle banking app "Liv.", which is another way it differentiates itself from its competitors (Liv., 2018). Developing more financial services is also a key part of its strategy as it had expanded into private, priority, corporate and wholesale banking (ENBD, 2018a). Moreover, a cooperative strategy abroad is exercised through mergers and acquisitions with companies in economically sound countries, developing its market even more, in addition to its specialized banking packages (Kassem, 2016; Coskun *et al,* 2018). Emirates NBD is proof that capitalizing on one's competencies leads to a quality that is recognized globally (Johnson *et al,* 2013; Forbes, 2017b; Brand Finance, 2018).

Conclusion:

In brief, strategic management requires both a big picture and detailed view of an organization. That is, both external and internal analyses are important in order to formulate or adapt strategies that brings out a firm's full potential. Etihad Airways, in this manner, has shown how well-meaning plans can go wrong if not evaluated through its place in its industry and the wider lens of its macro environment as well. Emirates NBD, on the contrary, demonstrates that success can be achieved if the foundational values and goals of an organization are clear, and their implementation carefully monitored. Hence, managers need to understand the gravity that strategic decisions and practices have on a company's prosperity.

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Tata Sons Vs Cyrus Mistry: A Corporate Governance Tale

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Abstract

This case study is conducted to identify the issues of corporate governance and behaviour of independent directors in different Tata Group Companies post the Tata-Mistry blow out followed by Mistry's removal from Tata Board. In this background the case discusses shareholder activism in India, the role of Independent directors, the Corporate Governance Take in view of the fate of other independent directors who have not supported Tata Sons on Cyrus Mistry meet the same fate.

Keywords: *Corporate governance, role of Independent directors, shareholder activism.*

Introduction

India's largest conglomerate, the sprawling tea-to-steel Tata Sons, appointed Cyrus Pallonji Mistry as the group's 6th Chairman in nearly 15 decades in December 2012 from a distinguished panel of experts from among 14 candidates that included Ratan Tata's half-brother Noel Tata, former Vodafone CEO Arun Sarin, PepsiCo CEO Indra Nooyi, then Citi Group CEO Vikram Pandit and former Google executive Nikesh Arora, among others. He was just the 2nd non-Tata after Nowroji Saklatwala who was Chairman between 1934-38 to head the 143-year-old Tata Group. (see **Exhibit 1)**

In the Tata Sons Board meeting held on October 24, 2016, six of the nine Board of Directors voted for Mr Mistry's ouster. The terse statement from Tata Sons on October 24th, that Tata Group Chairman Cyrus Mistry had been "replaced" by Ratan Tata as the Interim Chairman raised more questions than answers.

Post the Tata-Mistry blow-out, 24 out of 28 listed Tata companies' yielded negative returns which fuelled investors' ire. Minority shareholders or small retail shareholders appeared to be miffed at the turn of events at the Tata Group and felt ousted Chairman Cyrus Mistry wasn't given a fair chance. They felt the Tata Trust was just another shareholder like them and shouldn't dictate terms to individual companies.

Tata Group has more than 39 lakh small retail shareholders who own less than 1% of paid up capital. Tata Steel, TCS, Tata Motors and Tata Teleservices have 9 lakh, 6.3 lakh, 4.27 lakh and 3.8 lakh small investors while other group companies such as Automobile Corporation of Goa, TRF Ltd, Benares Hotels have 40% shareholders with investments in excess of 1 lakh and the ratio drops to less than 1% in flagships such as TCS, Tata Motors and Tata Power. (see **Exhibit 2)**

Shareholder Activism in India

According to a BNP Paribas report titled Asia Strategy, shareholder activism in India is more than that of other Asian countries. According to the new Companies Law in India, Related-party-transactions (RPTs) of over 1000 crore need to be specifically approved by shareholders. These new rules help minority shareholders in preventing managements and promoters from using their majority to approve resolutions on RPTs.

When Japan's Suzuki Motor Corp reported that it will invest INR 3000 crore in a factory in Gujarat and sell the cars it produces there to Maruti Suzuki Ltd, minority shareholders and institutional shareholders came together to oppose the plan and forced the company to alter its proposal since such a move by Suzuki would enable it to sell the cars at a higher price to Maruti than it would have cost the latter to produce itself.

Even in case of Board remuneration, the minority shareholders have defeated resolutions passed by companies. In July 2014, Tata Motors failed to get 75% of minority shareholder votes for a proposal for payment of remuneration to its former Managing Director, Karl Slym and two other executives in excess of permissible limits.

Per a report on Corporate Governance by Asian Corporate Governance Association, India ranked seventh out of 11 Asian markets, suggesting that the country still lags behind its peers in setting and implementing governance standards despite its score has improved between 2012 and 2014.

In 2016, while the Tata Group abruptly removed a leader it had chosen and didn't provide a detailed explanation-this action would propel the minority shareholders to question the Tata Group on 4 areas: Leadership succession, professional accountability, corporate disclosures and accounting conservatism. Hence it is vital for Tata Group to answer these questions swiftly to avoid trust deficit.

Tata Sons

Tata Sons Ltd is the holding company of the Tata Group. It is the owner of the Tata name and Tata Trademarks, which are registered in India and several other countries. See **Exhibit 3** for the shareholding of Tata Sons.

Cyrus Mistry holds nearly INR 1000 crore of stocks of Tata Consultancy Services (TCS), the crown jewel within the Tata Group and also holds small stakes in other group companies-Tata Motors, Indian Hotels, Tata Global, Tata Chemicals and Tata Power. (see **Exhibit 4)**

The stocks owned by Mistry is in addition to 18.5% that his family, Shapoorji Pallonji (SP) Group holds in Tata Sons. Calculating SP Group's stake on a pro-rata basis, the worth of SP group's holding on November 1st was INR 81,140 crore. (see **Exhibit 5)**

The Board of Directors of Tata Sons has 12 Directors including Ratan Tata and Cyrus Mistry (see **Exhibit 6)**

Independent Directors – Roles & Responsibilities

An independent director as defined by sub-section 6 of section 149 of the Companies Act, 2013 is a director other than a managing director or a whole-time director or a nominee director who,

a) Who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience

b) Who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience

c) Who possesses such other qualifications as may be prescribed

d) Who is or was not a promoter of the company, or its holding, subsidiary or associate company (hereinafter referred to as associate companies)

e) Who is not related to promoters or directors of the company or any of its associate companies

f) Who has or had no pecuniary relationship with any of the above persons/companies during the current or two immediately preceding financial years

g) None of his relatives has or had pecuniary relationship or transaction with the above persons amounting to 2% or more of its gross turnover or total income or Rs. 50 lakhs (or such higher amount which is prescribed) – whichever is lower during the current or two preceding financial years

h) Who or any of his relatives –

1) Holds or held the position of a key managerial personnel or as employee of the company or any of its associate companies in any of the 3 financial years immediately preceding the year of his appointment.

2) Is or has been an employee, proprietor or partner of the following during any of the 3 preceding financial years.

- A firm of Auditors, Company Secretaries or Cost Auditors of the company or any of its associate companies.
- Any legal or consulting firm which has or had transaction with the company in or any of its associate companies amounting to 10% or more of the gross turnover of the firm.

3) Holds, together with his relatives, 2% or more of the voting power of the company, or

4) Is a Chief Executive or Director of any non-profit organisation that receives 25% or more of its receipts from the company, any of its promoters, directors or its associate companies or that holds 2% or more of the total voting power of the company.

i) Who is not a Managing/Whole Time/ Nominee Director

The Role they Play

The role they play in a company broadly includes improving corporate credibility, governance standards & the risk management of the company. They are also expected to contribute from their vast amount of experience & expertise to improve the overall functioning of the company. They bring a fresh perspective to the boardroom & since they have no other vested interests, their judgment isn't clouded & they can work exclusively for the benefit of the company**. In Indian scenario, this institution assumes another important role i.e. protection of minority shareholder's rights** as most companies are family owned businesses, and thus they exercise strong control over the management.

The Act has made it mandatory for independent directors to be a part of certain committees.

- **Corporate Social Responsibility Committee** – The Act provides that every company having ***net worth of rupees five hundred crore or turnover of rupees one thousand crores*** **or more** or a **net profit of rupees five crores or more during any financial year** shall constitute a CSR Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director. This provision has been included so that independent directors can keep a check on the workings of the CSR committee.

- **Audit Committee -** the Act requires that the Board of every listed company & such other companies as may be prescribed shall constitute an Audit committee which shall consist of a minimum of three directors with independent ones forming a majority.
- **Nomination & Remuneration Committee (NRC) –** The Act requires that the Board of every listed company & such other companies as may be prescribed shall constitute an NRC consisting of three or more non-executive directors out of which not less than one-half shall be independent directors.

Stand Of The Independent Directors At Tata Sons

The fierce and debilitating battle between Tata Sons and Cyrus Mistry has taken a toll on the performance of Tata companies, and this highlights a few important questions:

- **Have the rights and interests of their shareholders been safeguarded?**
- **Have fair and ethical standards of corporate governance been adhered to?**

These are important questions as most of the big Tata brands – Tata Consultancy Services, Tata Steel, Tata Motors, Tata Chemicals, and Indian Hotels – are listed companies that have a wide spectrum of investors, including a substantial body of small & minority shareholders.

Mistry's sudden ouster was a precursor to several Tata companies' board meetings. The boards met in quick succession and passed resolutions endorsing Mistry's leadership, with independent directors taking the lead. On the 4th of November, 2016, **six independent directors of Indian Hotels**, the holding company for the Taj Hotels chain, came out with a resolution supporting Mistry and lauding his contribution for the last four years. **These included corporate veterans like HDFC chairman Deepak Parekh, and old Tata loyalists like Keki Dadiseth and Nadir Godrej.**

A few days later, on November 11, the **four independent directors of Tata Chemicals – Naseer Munjee, YSR Thorat, Vibha Paul Rishi and Nusli Wadia** – passed a board resolution that reposed faith in Mistry. The statement said that the board stood by the evaluation of the chairman in 2015 and 2016 by which he had been reappointed.

Thereafter, the Tata Motors board met on November 15 and supported the former chairman without naming him. Speaking on behalf of the other independent directors, Naseer Munjee summed up the mood: "We are behaving like independent directors. We have been accused of being in the Cyrus camp, but we aren't in any camp. As independent directors we can't. We are just worried about the company."

Corporate Governance Tale

Much of the reporting on the Mistry-Tata battle has missed out on the significance this boardroom battle has with regard to the issue of corporate governance.

The Securities Exchange Board of India (SEBI) made the appointment of independent directors' mandatory as part of the listing agreement. This was largely driven by the poor record of Indian Companies and the continuous exposure to fraud by opaque, family-run business. In 2004, the Securities Exchange Board of India introduced clause 49 in the listing agreement. This further strengthened the provisions of the independent director, and many of these provisions then became part of the amended Companies Act in 2013.

The provisions require publicly-listed companies to appoint independent directors constituting atleast one-third of the board if headed by a non-executive chairman or half the board if headed by an executive chairman.

Section 149 (6) of The Companies Act as mentioned above, defines an independent director as one who is "a person of integrity and possesses relevant expertise and experience", and one who is not a promoter of the company, is not related to the promoters or directors of the company and does not have financial dealings with the company or derives pecuniary benefits.

Clause 49 also made it mandatory for companies to file a compliance report every quarter.

The way the Tata companies and their boards voted on Mistry showed a significant trend. Where the promoters' shareholding of Tata Sons and others was in the majority, as in the case of Tata Consultancy Services (73.3%) and Tata Global Beverages that operates the Starbucks chain (over 70%), Mistry was ousted without any controversy.

In Tata Consultancy Services, he was replaced by Ishaat Hussain who became interim chairman without even a board meeting. In Tata Global Beverages, Mistry was formally voted out on November 15 by seven out of 10 directors.

In companies where Tata Sons is a minority promoter shareholder, attempts to dislodge Mistry backfired. For instance, in Indian Hotels, **where six independent directors of a total of eight board members stood for Mistry**, Tata Sons has 39% equity while overseas investors control 42%. In the other three big Tata companies where the boards supported Mistry, the promoters' holding is 32% in Tata Steel, 33% in Tata Motors and 30% or thereabouts in Tata Chemicals.

What the independent directors seemed to be saying in these boardrooms is that Mistry has done a good job and does not need to be removed. They all seem to be acting on behalf of the other voiceless shareholders, and in the long-term interest of these companies.

In terms of the roles and function of an independent director, they are required to solely protect the interests of the minority shareholders and the firm. They are not obligated to follow the dictat of the promoters.

Brushing aside the observations of the independent directors in companies where it does not have majority shareholding, Tata Sons released a statement within hours of the board resolutions being passed. In notice sent to each of the companies where the boards backed Mistry, Tata Sons has asked for convening Extraordinary General Meetings of shareholders to consider a resolution to remove Mistry. The Extraordinary General Meetings for Indian Hotels is on December 20, Tata Motors on December 22 and Tata Steel on December 23.

It has also **introduced resolutions for consideration by the Tata Chemicals and Tata Steel Extraordinary General Meetings to remove Nusli Wadia as an independent director**. The Tata Sons notice accuses Wadia of acting in concert with Mistry and galvanising other independent directors to act against the interests of the two companies. This move seems to be a warning signal that critical or dissident independent directors will not be tolerated.

In his defence Nusli Wadi has said his only fiduciary duty is towards the companies and not to Tata Sons, the principal shareholder.

The big question now is: will other independent directors who have not supported Tata Sons on Cyrus Mistry meet the same fate?

Solely judging this fallout on the basis of corporate governance, this incident has tested the laws governing corporate governance and brings to light the importance of CG.

By side-stepping the views of the independent directors and going after some of them, Tata Sons, the holding company for the $103 billion

Tata empire, is eroding an institution essential for good corporate governance and transparency.

Conclusion

The role of the independent director has definitely taken a hit, as it is the role of the independent director is limited. They cannot interfere with the promoter directors' growth policies or commercial judgment. This incident also brings into contention whether the independent directors should be appointed by an external body like the government or an industry body like Assocham and not by the board.

On the Tata Group website, someone has perhaps forgotten to remove an e-book on the Tata Code of Conduct with a foreword by a smiling Cyrus Mistry. Defining integrity, one of the five core values of the group, the Code says: "We will be fair, honest, transparent and ethical in our conduct; everything we do must stand the test of public scrutiny."

Whether Tata Sons has violated the principles of corporate governance with respect to independent directors is yet to be legally decided, but the moral high ground the Tata group has always taken seems to be severely dented with the boardroom manoeuvres of recent days.

Exhibit 1
List of Tata Sons Chairmen

Chairman	Years present
Jamsetji Nusserwanji Tata	1867-1904
Sir Dorab Tata	1904-1932
Nowroji Saklatwala	1932-1938
Jehangir Ratanji Dadabhoy Tata	1938-1991
Ratan Tata	1991-2012
Cyrus Pallonji Mistry	2012-2016
Ratan Tata	October 2016 – Present, (Interim)

Source: Tata website

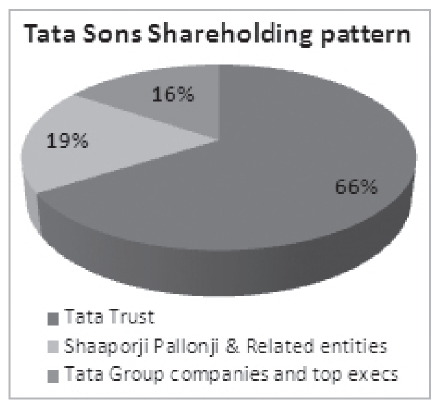
This study is based on data and information taken from secondary sources and thus may be treated as a limitation of this study.

Exhibit 2
Minority report

Company	% Retail Holding	No. of Retail Shareholders
Tata Steel	21.73	900545
TCS	3.98	630467
Tata Motors	6.21	427253
Tata Teleservices	22.19	380206
Tata Power	14.67	302181
Tata Chemicals	19.3	178528
Tata Global	23.94	171950
Indian Hotels	14.02	128388
Titan Company	18.94	106514
Voltas	15.25	95954

Source: ETIG Database

Exhibit 3



Source: http://indpaedia.com/ind/index.php/The_Tata_Group

Exhibit 4
Cyrus Mistry's stake in Listed Tata Cos

Tata Co	No of Shares	Value (in INR crore)
TCS	41,63,526	978
Indian Hotels	1,28,625	1.5
Tata Chemicals	16,000	0.9
Tata Motors	15,855	0.8
Tata Power	72,960	0.6
Tata Global	33,000	0.5

Source: http://indpaedia.com/ind/index.php/The_Tata_Group

Exhibit 5
SP Group's holding in Listed Tata Cos

Tata Co	Tata Sons' Stake (%)	Value of SP Group's 18.5% stake on Pro-Rata Basis (in INR CR)
TCS	73.8	63,158
Tata Motors	28.2	7,983
Tata Steel	30.4	2,279
Titan	20.8	1,281
Tata Power	31.6	1,234
Tata Comm	44.2	1,500
Tata Chemical	26.3	677
Voltas	30.2	713
Indian Hotels	26.5	574
Tata Global Beverages	28.1	455
Trent	31.5	400
Tata Elxsi	42.2	319
Tata Investment	69.7	420
Tata Tele	56.1	145

Source: http://indpaedia.com/ind/index.php/The_Tata_Group

Exhibit 6
Tata Sons' Board of Directors

Member	Role
Ratan N Tata	Interim Chaiman
Ishaat Hussain	Finance Director (Executive)
Cyrus P Mistry	Director
Vijay Singh	Non-Executive Director
Dr. Nitin Nohria	Non-Executive Director
Ronen Sen	Independent Director
Farida Khambata	Independent Director
Venu Srinivasan	Additional Director
Ajay Piramal	Non-Executive Director
Amit Chandra	Non-Executive Director
Ralph Speth	Additional Director
N Chandrasekaran	Additional Director

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Book Review

Work that works: An Emergenetics Guide: Emergineering a Positive Organizational Culture

(Author: Geil Browning, Publishers:
John Wiley & Sons Inc., Hoboken, New Jersey, Price: US$37)

Debaprasad Chattopadhyay
Globsyn Business School, Kolkata

Preamble

This book is a wonder recipe for creating self-awareness, understanding others and fostering a style of leadership within the organization which co-creates work that works through an enabling and facilitating organizational culture. The seven principles that the author has enunciated serve as effective panacea to address diversity and well cuts across various age-groups of employees with heterogeneous demographic profiles. Emergenetics help transform people through the bullseye principles which form the fulcrum of a changed organization which concurrently ignites profits and sustains the interest of millennials. In a lucid language, the book unfolds the difference between the leader and the led both at cognitive and behavioural levels and bolsters communications while recognizing the strengths of each person and the contributions they bring in to generate a synergized output.

A Snapshot Of The Book Under Review

Emergenetics began as an instrument that enabled people to understand how they thought and acted upon. Although human behaviour is unpredictable and complex, emergenetics ushered in scientific objectivity to such a challenge. An amalgamation of characteristics that emerge from people's life experiences and *genetics* factors which they inherit biologically give birth to the concept of emergenetics which provides a simple though not very easy framework that showed people how they naturally used their mental energies and how they presented themselves to the world. From this standpoint therefore, emergenetics aid in self-awareness and also in understanding others. Emergenetics, with time, became a trigger for positive change and systemic culture. An emergenetics profile can offer versatility in use from brainstorming all aspects of a new project to purchasing a household property. We all are emergineer unknowingly, as the author maintains, though suggested conscious use of emergineering by applying her stated seven principles will make people happy in their respective assignments and thereby maximize business results. Foregoing is the central theme around which this book revolves.

Introduction

Emergenetics is an admixture of characteristics that *emerge* out of experiences we gather and *genetics* that we biologically possess. It is a phenomenon and the act, that is, emergineering helps creates a culture which is facilitating, enabling and result-oriented. Everyone needs to be impregnated with this idea and a trickle-down effect from the CEO, manager, or direct report to people down the organogram line will help evolve a culture of transparency, developmental in nature instead of being critically judgmental and cynical. The author mentions about Emergenetics Survey and states that wonderful things happen when individuals better understand themselves and share their Profiles with others based on the findings of such survey. According to the author, there is an increase in innovation and productivity when competent people are selected by organizations, put the right Emergenetics teams together and create an Emergenetics culture. Statistics indicate that many organizations need to do a whole lot of things better. This is essential for enhanced employee engagement and retention. Emergenetics makes employees to be become collaborative and inclusive, besides increasing enthusiasm and loyalty. The priority is on employee well-being; focus on *the Language of Grace* which stimulates a positive working environment. The net result is an improved bottom line. Those who resist the foregoing are termed as *feeling scratchy* and are encouraged to follow the seven principles.

The Seven Principles

Principle#1: Leadership is an inside job

Principle#2: Embrace the scratchy

Principle#3: Using the language of grace

Principle#4: Creating a meeting of the minds

Principle#5: Using the power of we

Principle#6: Let your people live to work, not work to live

Principle#7: Love

Insights Into The Above Principles

It is imperative that organizations to be sustainable and their leaders to succeed, what is important is to build better teams and and a workplace culture which is highly supportive and positive. The above principles help improving communication, collaboration, and performance through an enlightening process of self-discovery and sharing. The principles facilitate discovering the power of Thinking and Behavioral Preferences to gain greater clarity and a better understanding of skills, habits and behavior. As people understand and share their Profiles, the real magic happens—teams can be built synergistically, and team members can connect more effectively by “borrowing another person’s brain.” Cognitive diversity results whenever a group of people work together toward a common objective. The issue is whether such differences become a hindrance or a catalyst. When each person’s “true self” is brought to light, a leader can provide a window through visible elements of diversity and shine a light on individuals endowed gifts. Once this occurs, those gifts can be leveraged to their utmost capacity.

The principles outline the process of discovery, effective communication, using thoughtful language, addressing challenges and instituting long-term behavioral change. By respecting the Preferences and Attributes of all employees, it is feasible to create a foundation for better performance and engagement. Altering one’s language can change thought patterns, and ultimately lead to changes in behavior. It is desirable to delve into the *real* differences between an employee and his or her co-employees at the cognitive and behavioral levels.

The strengths each person brings to the table can be uncovered and synergized to collaborate more effectively. Not only in the workplace alone, it is also possible to apply the same principles to social activities and family life to improve all communications and connections therein. The seven principles effectively provide a road-map for transformation so as to build a better organization.

Conclusion

Summarily, what one is today is a confluence of certain attributes that have *emerged* from one's life experiences, plus the *genetics* with which one was born. This intercourse between nature and nurture is the bedrock of *Emergenetics*, which is a brain-based approach to personality profiling that provides one the keys one need to discover not only one's own natural strengths and talents, but also those of others. The individual will discover his or her thinking style (Conceptual, Social, Analytical, or Structural) and his or her behavioral set points (degree of Expressiveness, Assertiveness, and Flexibility). These insights will help an individual recognize how new situations can be addressed, how to get things done, how the individual is seen by others, how to improve relationships, and how to communicate with people who are dissimilar..

Using Emergenetics in the workplace will offer making optimal career decisions, stimulate creativity and performance, maximize profits, make better decisions, create a cohort of "brain trust" teams, write effective performance reviews, make presentations that impress one and all, win over all kinds of customers, and inspire all kinds of employees. The concept of *Emergenetics* will offer precious insights readily and will lead the way to self-aggrandizement, contentment, and productivity.

Win Win

(Author: Joanne Lipman, Publisher:John Murray, 2018, Price: RM 84.90)

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Introduction

Win Win situation refers to a strategic decision situation where all the parties involved would feel that they have profiteered in the process and that there would not be any aggrieved party. Propounded by the renowned mathematician John Nash, the theory propounds a way to predict the outcomes of a decision making process when multiple people are involved and outcome of each depend on the decision of others. But the book "Win Win" deals with the study of "unconscious bias" of human beings pioneered by notable psychologist M. R. Banaji, which deliberates about the bias in human beings by virtue of which ladies are not treated as equal when compared with their male counterparts in their workplace. Dr. Banaji in her work proposes that, without our knowledge these hidden biases are capable of guiding our behaviour. For example, 'bias' with regard to complexion of an individual is a common phenomenon. Previous research in the field of 'complexion bias', suggest that, almost seventy percent of the people are biased against the black people. Even more startling is the revelation that, more than fifty percent of the 'blacks' are against the blacks. In the same way multiple studies have also revealed that around seventy-five percent of the world of men and eighty percent of the world of women unconsciously relate men with 'work' and women with 'family'.

In support of the above proposition the author advocates with the unique example of one of the best companies of the modern world, Google.

The Hiring Issue Of Google

Aspirants eager to join Google need to provide a SAT score, and this rule applies for even those who are in their sixties and have years of experience behind them. Laszlo Bock, the head of Google's People Operations states that, for a few thousand openings, almost 3 million applications are received annually. The chance of getting hired stands at a dismal 0.25 percent, and that, the company takes only those who appear to the company as the right one. But the uncanny thing of this hiring was that, it shuts out women. Not that these women did not have brilliant resumes or advanced degrees in engineering, but simply they could not even make it into the applicant pool. Male employees constitute 70 percent of the total employee strength and significant but true, 83 percent of the technical employees were men. A skewed hiring policy gets reflected by the statistical figures of one of the greatest companies.

The Dilemma

The issue of Google is not the only one of its kind but, more so a phenomenon, which has grappled companies over countries all around the globe. The author suggests that if the hiring and promotion policy of fewer women remains unchanged, then, the representation of women in senior management level will drop down to 12 percent by 2025 from the current level of 15 percent.

The Proof

Researchers of Yale University in their quest for identification of the problem asked 127 scientists to evaluate resumes for the post of laboratory assistant. Interestingly, all the resumes given to them to evaluate were identical except for the applicant's gender or sex. The scientists were certain that they were making evidence based decisions. But, it was found out at the end of the process that, they have judged the 'male' applicants more competent and as a result, offered them salaries which were $4000 more than the salaries being offered to the women. According to Dr. Welle of Google, the problem was not with the women at all, rather, it was with the men.

Think Manager – Think Male

In 1973, organizational psychologist Virginia Schein, observed that, successful managers tended to have stereotypically male traits", terming it as "think manager – think male'. Women joining the workforce would essentially adapt the male way of behaviour and would act like men. The author says that she also did the same as the motto behind was to get accepted into the "boy's club". Research shows that women who tried to be men in the workplace did not get any extra benefit and neither was accepted as men. Rather, they were punished for false pretension, as it was against the social norm. Sociologists, Wiley and Eskilson, in their 1985 study reveal that, the only thing women achieved by talking like men was making people hate them.

Unconscious Bias

Dr. Banaji's work on 'unconscious bias' in the late 1990's explained why we went so wrong. She is of the opinion that we have fooled ourselves with the thought that 'we were fair'. She found in her work that our unconscious does not play by the same rules, and that, unconsciously, we have very different perceptions we don't know. The author found that if we type the word 'doctor' into Google Images then, the result that comes out are all men and more so white. In the same way, if, the word 'nurse' is typed then, the screen is filled with the images of women, and most of them white. Her search for 'CEO' resulted in the images of all men and a single female, CEO Barbie. The author suggests that the Google Image results were chiefly because of the hidden bias of the overwhelming male programmers.

The Origin Of The Bias

According to the author the bias has its origin at a very young age. Moms routinely overestimate the crawling ability of their sons, and underestimate that of their daughters. Parents of two year old male child ask Google, two and a half times more often than the parents of female child a very common question, "Is my child a genius?" In school the teachers including the female teachers subconsciously believe that boys are better at mathematics than girls. By the time these children move to college the biases are compounded. A survey of almost twenty thousand teenagers found that even the parents are often biased against teenage girls as leaders. Professors are more likely to call on men than women, though; women are 33 percent more likely to earn a college degree than men. A study at the University of Washington, involving seventeen hundred biology students asked the 'male' students to name peers with a "strong" understanding of the subject. The male respondents referred other males. By this the researchers were able to conclude that a female student would require securing a "A" grade to be judged as equal to a "B" grade male student. This syndrome continues even after these women join professional institutions in their career. They are paid less than their male counterparts in the entry level. A McKinsey study involving 118 companies, and more than 30,000 men and women found that at every level women are 15 percent less likely to be promoted than men. And, this is because, men get promoted on the basis of their potential, whereas, women get promotion only if they have proven themselves with past performance. They need to continuously reestablish their competency as often they are caught in the 'prove it again' paradox. Social scientists have calculated that a woman must be two and a half times more competent than a man to be viewed as his equal. Research on the subject of women success reveal that when women succeed, their accomplishments are more often attributed to luck or other outside causes, while the success of men is attributed to skill.

The Irony

The book suggests that both men and women prefer male bosses. In this respect the book comes up with a study which reflects that even when the respondents agreed to the statement "I have no preference for a male or female boss", they were willing to take a $ 3400 less salary to work for a man rather than a woman. Every one of us feels that we are not biased. The author says that if we really believe this then, we should really test ourselves by taking the Implicit Association Test (developed by Dr. Banaji), which test our own unconscious bias against a variety of groups, which includes the women, blacks, and the elderly. The author herself took this test and found that she is moderately biased against working women. The author is of the view that all these tiny biases have a mighty overall impact, and, by the time one reaches the top level of the company, it's 65 percent male.

Benevolent Sexism

The author signifies that the terminology "benevolent sexism" is an attitude that aims at undermining women. To conform to this the author comes up with one of her real life self encounters. After anchoring the CNBC business program "*Squawk Box*", one day she received a text from a businessman she knew. It said, "You looked mighty cute on TV this morning". She could not go into the counter offensive and simply said "thank you". But one day when she told her story to a group of women at a bank, the CEO of the company – the only male in the room – taught them all how to think about this and how to counter such remarks. He said that her response should have been "I assume you mean I sounded smart. Thank you."

Google – The Women Connection!

Sergey Brin and Larry Page (the founders of Google) both grew up with working mothers. More interestingly, both the moms excelled in the male dominated fields. Larry Page's mother taught computer programming at Michigan State University, where his father was a computer science professor. While, Sergey's mother was a NASA research scientist with a degree in applied mathematics. Women and science mixed easily in both the homes.

"Women's work" meant science and maths, and not housekeeping. The garage where Google started belonged to a family friend, Susan Wojcicki, a Harvard graduate of history and literature. Susan their sometime landlord became Google's sixteenth employee who would go on to run Google's most high-profile acquisition, YouTube.

Hope – The Silver Lining

The day Donald Trump got elected something remarkable happened. Knowing his misdemeanor towards the ladies Teresa Shook, a grandmother from Hawaii came up with an idea; a stage march in Washington, D.C. for women's equality. While going to bed she sent a Facebook invitation to few of her friends. She had no idea that her one idea would turn out to be a movement all over the world. More than half a million people joined the march in Washington the day Trump became the President. As many as 5 million people are estimated to have marched in the U.S. and two hundred locations worldwide. But the striking feature of the solidarity march was the participation of the males, thousands of them. To many of them it was all about being human. The author is found to be optimistic despite the challenges being faced by women, as she feels that we are closing in on solutions with more men joining the social cause of driving the injustice meted out to women at large. She feels that this would help close the gender divide and narrow down the inequalities to bridge the gap. She feels that these men are taking steps to close the gap at home, in school, and in office, and that they are already making a difference.

The book is an enthralling description of a social problem against women, which majorly comes from the unconscious biases of men. The book presents a vivid picture of the problem with validation done through research studies of so many notable researchers. The book is a must for all, and, especially for those, who think they can make a difference in society. We have enjoyed the book thoroughly and hopefully would remember it for a long time to come.

Globsyn Management Journal

INTRODUCTION

Globsyn Management Journal is an EBSCO enlisted bi-annual publication of Globsyn Business School, Kolkata, India. GMJ is also available in the Pro Quest database and in enlisted in the Cabell's dictionary. Its objective is to contribute to a better understanding of organizations and their functioning by presenting conceptually sound and methodologically rigorous articles which provide insights and advance knowledge on managerial, business and organization issues.

A typical issue of the journal would carry a mix of research articles, book reviews, perspectives, interfaces and case studies. ***Research Articles*** would be analytical and/or empirical in nature and focus on the analysis and resolution of managerial issues in organizations. ***Book Reviews*** would present reviews of current books on various domains of management. ***Perspectives*** would aim to identify and highlight emerging issues and paradigms in management ***Interfaces*** would present articles from professionals focusing on managerial applications of management practices, theories, and concepts and ***Case Studies*** would aim at an intensive analysis of a real life decision taken at the individual or the organizational level, which may be functional, operational or strategic in nature.

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Submissions should indicate relevance and clarity. Empirical articles should have an appropriate methodology and be able to justify the use of the methodology to arrive at the findings besides relating their findings to the existing literature in this body of research. Methodological articles must attempt to show how they inspire further development and research. The Journal tries to maintain a balance between purely research-oriented articles and those based purely on the experiences of practitioners involved in different areas of management.

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3 Objective of the Study
4. Methodology
   a. Sample Design
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