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Determinants of Divided Policy: Study on Banking Sector of Bangladesh

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ABSTRACT

A firm considers various factors when approaching a dividend policy decision. To analyze the determinants of dividend policy in the banking of Bangladesh, it has taken the data of various financial indicators of sample banks. The pooled data regression model is used for inferring the result. The result shows that the significant determinants are retained earnings to equity, size, lagged DPR. The decision maker, investors and other stakeholders should follow these findings.

Key words: *Pooled data regression model, EPS, DPR, MM model, Lintner model.*

1. Introduction

Dividend may be defined as the distribution of created value to the shareholders. It may be form of 'Cash Dividend' or through distribution of stocks of the company which is known as 'Stock Dividend'. Dividend policy may be defined as the trade-off between the magnitude of retained earnings and distributed cash or securities. Dividend decision should not merely be taken to be a decision of appropriation of profits to the shareholders. There are several complex issues in it. As such the factors influencing the dividend decisions have always been put under scanner by the experts and researchers in the field of financial management. Dividend payment of a company is looked upon differently by different sets of people associated with the company. For the investors, dividends are not merely means of regular earnings but also an important input for determining the worth and credential of the firm. For managers, dividend payment might well determine the level of investment in profitable investment projects. Lenders look at it carefully because they feel that the more the dividend payment, the less will be the amount available for servicing and redemption of their claims.

Corporate dividend behaviour is looked upon in many ways by the experts in the area of financial literature. Several theories evolved explaining corporate dividend behaviour. One such theory is known as 'Signaling Theory'. According to this theory, a firm uses dividend policy as a

mechanism to signal outsiders regarding the stability and growth prospect of the firm. Aharony and Swary (1980), Asquith and Mullins (1983) etc. are the proponents of the signaling theory of dividend decision. However, recent studies have not supported this hypothesized relationship between dividend changes and future earnings (e.g., De Angelo, De Angelo and Skinner (1996), Benartzi, Michaely and Thaler (1997)). Another theory in respect of corporate dividend policy goes by the name of 'Incumbency Rent Theory'. Fudenberg and Tirole (1995) are the proponents of this theory. According to this theory if managers enjoy private benefit from being in control, they individually and rationally, smooth dividends. So, in bad times, they pay out too much dividends to lengthen their tenure and in good times, the managers are not to be worried about their tenure in office and naturally opt for lower dividend payment. Again, there is the 'Agency Theory' of dividend payment. According to this theory, dividend policies address agency problems between corporate insiders and outside shareholders. This theory suggests that, unless profits are paid out to shareholders, they may be diverted by the insiders for personal use or committed to unprofitable projects that provide private benefits for the insiders. As a consequence, outside shareholders have a preference of dividends over retained earnings. There is still another theory in the name of 'Tax Clientele Theory'. This theory is based on comparative tax treatment associated with cash received on account of current dividend and cash to be received in the future as capital gains arising out of change in share price. This theory uses the relative tax advantage of paying dividend now or retaining the excess cash for future capital gains in explaining the dividend behaviour of firms. This theory suggests that the tax on dividend (i.e., tax on current income) is greater than or equal to the tax on capital gains (i. e., tax on future income). Again, tax on dividend is to be paid now while tax on capital gains is to be paid in future. Thus, according to this theory the optimal dividend policy is no or very low dividend payment. Brennan (1970), De Angelo (1991), etc. are the proponents of this theory of dividend decision. Even after such a long period of time since corporate dividend behaviour emerged as one of the well-researched areas in financial management, dividend decision is still one of the thorniest puzzle in corporate finance. Least to say, factors affecting such a decision remain to be one of the areas where academicians and researchers are introspecting and have to do a lot. In this backdrop, the present study looks into the pattern of dividend payments in Bangladeshi context and analyzes the factors determining such payment of dividends.

2. Literature Review

The dividend payout ratio indicates the percentage of profits distributed by the company among shareholders out of the net profits, or what remains after subtracting all costs (e.g., depreciation,

interest, and taxes) from a company's revenues. Most of the previous studies that investigated the impact of agency theory and transaction cost theory employed dividend payout ratios as a determinant of dividend in lieu of dividend per share and dividend yield (Rozeff, 1982; Lloyd,1985; Jensen et al., 1992; Dempsey and Laber, 1992; Alli et al., 1993; Moh'd et al., 1995; Holder et al., 1998; Chen et al., 1999; Saxena, 1999; Mollah et al., 2002; Manos, 2002; Travlos, 2002). .

According to Pandey (2001), past dividend (DPR_{t-1}) paid by the companies is highly significant to the current dividend payout ratios for all industries in the Kuala Lumpur Stock Exchange (KLSE). Generally, the higher coefficients and associated t-statistics of DPR_{t-1} in the research imply the greater importance of past dividend in deciding the dividend payment. His research is also proven with strong evidence that the management of Malaysian companies always consider past dividend as a more important benchmark for deciding the current dividend payment. Previous year's dividend payment (LDPR) have been regarded as the primary indicator of a firm's capacity to pay dividends (Lintner, 1956), because it is assumed that the management will maintain a stable dividend policy. Furthermore, the information asymmetry hypothesis assumes that dividend policy is "sticky" or shows a tendency to remain at the level of previous dividends (Baskin, 1989). Ahmed and Javid (2009) examined the dynamics and determinants of dividend payout policy of 320 non-financial firms. The results consistently support that firms rely on both current earnings per share and past dividend to set their dividend payments. The positive relationship of dividend payout ratio (DPR) with the lagged dividend payout ratio is expected.

The decision to pay dividends starts with profits. Therefore, it is logical to consider profitability as a threshold factor, and the level of profitability as one of the most important factors that may influence firms' dividend decisions. The theory suggests that dividends are usually paid out of the annual profits, which represents the ability of the firm to pay dividends. Thus, firms incurring losses are unlikely to pay dividends. In his classic study, Lintner (1956) found that a firm's net earnings are the critical determinant of dividend changes. Furthermore, several studies have documented a positive relationship between profitability and dividend payouts (Jensen et al, 1992, Han et al., 1999, and Fama and French, 2002). Evidence from emerging markets Al-Malkawi also supports the proposition that profitability is one of the most important factors that determines dividend policy (see, for instance, Adaoglu, 2000, Pandey, 2001, and Aivazian et al., 2003). The positive relationship of dividend payout ratio (DPR) with the Earnings per share is expected.

A firm's cash flow is a good measure of the firm's liquidity and it is very important to compare a firm's liquidity position in relation to its dividend payment. According

to Amidu and Abor (2006), cash dividend distribution does not only depends on the profitability of firms but also depends on the free cash flow which is the amount of operating cash flow left over after the payment for capital expenditures. The empirical results of this study indicate a significantly positive relationship between cash flow and dividend payout ratios and thus the liquidity or cash-flow position can be considered as an important determinant of the dividend payout ratio. Besides that, Chay and Suh (2005) also consider cash flow as a determinant of dividend payments where firms facing high levels of cash flow uncertainty are likely to pay low dividends fearing cash shortfalls in the future. The positive relationship of dividend payout ratio (DPR) with the cash flow is expected.

A firm which has high growth will have greater need for external financing and thus they may be motivated to establish a good reputation with stockholders through higher dividend payout in order to insure access to external equity that can capitalize the firm (LaPorta, Silanes, Schliefer & Vishny, 2000). However, the research conducted by Amidu and Abor (2006) also stated that growth in sales were found to have statistically significant and negative associates with dividend payout ratios. According to them, growth in sales is used as proxies for the firm's future prospects since growing firms require more funds in order to finance their growth and therefore would typically retain greater proportion of their earnings by paying low dividend. In addition, Jeong (2008) also supported Amidu and Abor where sales growth is expected to be negatively related to the degree of dividend smoothing in term of dividend payout.

Eddy and Seifert (1988), Jensen et al. (1992), Redding (1997), and Fama and French (2000) indicated that large firms distribute a higher amount of their net profits as cash dividends, than do small firms. Several studies have tested the impact of firm size on the dividend. Lloyd et al. (1985) were among the first to modify Rozeff's model by adding "firm size" as an additional variable. They considered it an important explanatory variable, as large companies are more likely to increase their dividend payouts to decrease agency costs. Their findings support Jensen and Meckling's (1976) argument, that agency costs are associated with firm size. They were of the view that for large firms, widely spread ownership has a greater bargaining control, which, in turn, increases agency costs. Furthermore, Sawicki (2005) illustrated that dividend payouts can help to indirectly monitor the performance of managers in large firms. That is, in large firms, information asymmetry increases due to ownership dispersion, decreasing the shareholders' ability to monitor the internal and external activities of the firm, resulting in the inefficient control by management. Paying large dividends can be a solution for such a problem because large dividends lead to an increase in the need for external financing, and the need for external financing leads to an increase in the

monitoring of large firms, because of the existence of creditors. Other studies related the positive association between dividends and firm size to transaction costs. For example, Holder et al. (1998) revealed that larger firms have better access to capital markets and find it easier to raise funds at lower costs, allowing them to pay higher dividends to shareholders. This demonstrates a positive association between dividend payouts and firm size. The positive relationship between dividend payout policy and firm size is also supported by a growing number of other studies (, Eddy and Seifert, 1988; Jensen et al., 1992; Redding, 1997; Holder et al., 1998; Fama and French, 2000; Manos, 2002; Mollah 2002; Travlos et al., 2002; Al-Malkawi, 2007). The positive relationship of dividend payout ratio (DPR) with the firm size is expected.

A firm may have adequate earnings to declare dividends, but it may not have sufficient cash to pay the same. The liquidity position of a company is expected to be positively related to dividend payment. Current ratio and quick ratio has been used as proxy to measure liquidity position of the company by various researchers. Amidu and Abor (2006) found a positive relationship between cash flow and dividend payout ratios. Based on the findings of the studies, it can be speculated that there is a positive relationship between the liquidity and the dividend payout ratio.

In a modern corporate environment where there is a large separation between ownership and management, conflicts of interest can arise between managers, inside owners (controlling shareholders), and outside shareholders, such as minority shareholders. Referring to this problem, Jensen and Meckling (1976) describe the firm as a nexus of contracting relationships among individuals. However, when the manager makes a decision, it tends to be in favour of the agent, rather than of the firm. La Porta et al. (2000) illustrated that managers may take advantage of their authority to benefit themselves by diverting firm assets to themselves through theft, excessive salaries or sales of assets at favourable prices to themselves. Accordingly, the ownership structure in large firms may influence dividends and other financial policies (Desmetz, 1983; Desmetz and Lehn, 1985; Shleifer and Vishny, 1986; Morck et al., 1988; Schooley and Barney,1994; Fluck,1999; La Porta 2000; Gugler and Yurtoglu, 2003). Several studies have suggested that dividend payouts can play a useful role in reducing the conflict between inside and outside owners. When insider owners pay cash dividends, they return corporate earnings to investors and can no longer use these earnings to benefit themselves (La Porta et al., 2000).

A growing number of studies have found that the level of financial leverage negatively affects dividend policy (Jensen et al., 1992; Agrawal and Jayaraman, 1994; Crutchley and Hansen, 1989; Faccio et al., 2001; Gugler and Yurtoglu, 2003; Al-Malkawi, 2005). Their studies

inferred that highly levered firms look forward to maintaining their internal cash flow to fulfill duties, instead of distributing available cash to shareholders and protect their creditors. However, Mollah et al. (2001) examined an emerging market and found a direct relationship between financial leverage and debt-burden level that increases transaction costs. Thus, firms with high leverage ratios have high transaction costs, and are in a weak position to pay higher dividends to avoid the cost of external financing. To analyze the extent to which debt can affect dividend payouts, this study employed the financial leverage ratio, or ratio of liabilities (total short-term and long term debt) to total shareholders' equity. The negative relationship of dividend payout ratio (DPR) with the leverage is expected.

Several studies have been used to measure the beta value, as a proxy for the systematic risk where beta measures the stock's volatility in relation to the market (Rozeff, 1982; Lloyd et al., 1985; Alli et al., 1993; Moh'd et al., 1995; Casey and Dickens, 2000). This study uses price volatility (standard deviation) as a common proxy for firm risk, which represents a firm's operating and financial risk (Rozeff, 1982; Loyed et al., 1985; Jensen et al., 1992; Alli et al., 1993; Moh'd et al., 1995; Holder et al., 1998; Chen et al., 1999; Saxsena, 1999; Manos, 2002).

The dependent variable (DPR) used in the regression equations takes values over a continuous range, but both RELATAX (relative tax rate: capital gain tax rate/ dividend tax rate) in the independent variables take on distinct values because of the limitation of data. Tax-adjusted models presume that investors require and secure higher expected returns on shares of dividend-paying stocks. The consequence of tax-adjusted theory is the division of investors into dividend tax clientele. Modigliani [1990] argued that the clientele effect is responsible for the alterations in portfolio composition. Masulis and Trueman's [1988] model predicts that investors with differing tax liabilities will not be uniform in their ideal firm dividend policy. They concluded that as tax liability increases (decreases), the preference for dividend payment also increases (decreases). Tax-adjusted model assumes that investors maximize after-tax income. As far back as 1967, Farrar and Selwyn [1967] concluded that in a partial equilibrium framework, individual investors choose the amount of personal and corporate leverage and also whether to receive corporate distributions as dividends or capital gain. Recently Amidu and Abor [2006] found a positive relationship between tax and dividend payout ratios.

The financial literature documents that a firm's profitability is a significant and positive explanatory variable of dividend policy (Jensen et al., 1992; Han et al., 1999; Fama and French, 2000). However, there is a significant difference between dividend policies in developed and developing countries. This difference has been reported by Glen et al. (1995),

showing that dividend payout rates in developing countries are approximately two-thirds of those in developed countries. Moreover, emerging market corporations do not follow a stable dividend policy; dividend payment for a given year is based on firm profitability for the same year. La Porta et al. (2000) compared countries that had strong legal protection for shareholders with those that had poor shareholder legal protection, and related that to countries with inferior quality shareholder legal protection. Their conclusion was that shareholders will take whatever cash dividend they can get from firm profits, where a dividend is perceived as unstable. Wang et al. (2002) compared the dividend policy of Chinese and UK listed companies, and found that the former tended to vote for a higher dividend payout ratio, than the latter. Moreover, UK companies had a clear dividend policy in which annual dividend increases and all companies paid a cash dividend. In contrast, Chinese companies had unstable dividend payments and their dividend ratios were heavily based on firm earnings for the same year, not on any other factor. The latter finding was consistent with that of Adaoðlu (2000), who stated that the main determinant in the amount of cash dividends in the Istanbul Stock Exchange was earnings for the same year. Any variability in the earnings of corporations was directly reflected in the cash dividend level. A similar result was reported by Pandey (2001) for Malaysian firms. Al-Malkawi (2007) identified the profitability ratio as the key determinant of the corporate dividend policy in Jordan. As a proxy, this study measured firm profitability by the return on asset (ROA). The positive relationship of dividend payout ratio (DPR) with the ROA is expected.

A review of the literature revealed several explanations for the relationship between growth opportunities and dividend policy. One explanation was that a firm tended to use internal funding sources to finance investment projects if it had large growth opportunities and large investment projects. Such a firm chooses to cut, or pay fewer dividends, to reduce its dependence on costly external financing. On the other hand, firms with slow growth and fewer investment opportunities pay higher dividends to prevent managers from over-investing company cash. As such, a dividend here would play an incentive role, by removing resources from the firm and decreasing the agency costs of free cash flows (Jensen, 1986; Lang and Litzenberger, 1989; Al-Malkawi, 2007). Consequently, dividends were found to be higher in firms with slow growth opportunities, compared to firms with high-growth opportunities, as firms with high-growth opportunities have lower free cash flows (Rozeff, 1982; Lloyd et al., 1985; Jensen et al., 1992; Dempsey and Laber, 1992; Alli et al., 1993; Moh'd et al., 1995; Holder et al., 1998). Several studies found that the sales/revenues growth rate was commonly used as a proxy variable for growth opportunities (Rozeff, 1982; Lloyd et al., 1985; Jensen

et al, 1992; Alli et al., 1993; Moh'd et al., 1995 ; Holder et al., 1998; Chen et al., 1999, Saxsena, 1999; Manos, 2002; Travlos, 2002). Firms with many investment opportunities have large cash requirements and thus may pay low dividends. This is the standard view taken by researchers in extant payout literature [see, for example, Rozeff (1984), Smith and Watts (1992), La Porta et al. (2000), Fama and French (2001), DeAngelo et al. (2006)].The impact of investment opportunities on dividends will be negative.

De Angelo et al. (2006) pay attention to the fact that dividends are paid usually by mature and established firms. They argued that firms with a low earned/contributed capital mix are in the capital infusion stage and thus cannot afford to pay dividends, while firms with a high earned/contributed capital mix are mature firms with large cumulative profits and thus are likely to pay dividends. Consistent with their financial life cycle theory, they found that the probability of firms paying dividends tends to increase with the earned/contributed capital mix. I have used the retained earnings-to-total equity ratio (RE/TE) as a proxy for the earned/contributed capital mix. According to De Angelo et al. (2006), RE/TE has a greater impact on the probability of paying dividends than alternative measures of earned/contributed capital mix such as the retained earnings-to-total assets ratio. Based on the financial life cycle theory of dividends; I predict that the impact of RE/TE on dividends is positive. Following Fink et al (2009), I have defined age as the number of years since a firm's listing date. The positive relationship of dividend payout ratio (DPR) with the age of the firm is expected.

Huda and Farah (2011) explored the determinants of the dividend policy of firms in the banking industry of Bangladesh. Dividend decision of a bank basically depends on its size, profitability, liquidity and retained earnings. The study is an attempt to find out the key dividend determinant variables and their impact over cash, stock and total payout ratio. Statistical techniques of simple and multiple regressions have been used to explore the relationships between variables. The investigation results show the predictor variables have a significant relationship with stock payout and an apparent relationship with cash payout. Amongst all the independent variables, Net Income turns out to be most influential indicator in elucidating dividend payouts.

Sumaiya (2013) studied to determine factors that have statistically significant impacts on the dividend policy of banks with multiple regression analysis and it is seen that bank profitability, growth, and size are not significant in explaining bank dividend policy in 2006. However, their role in explaining dividend strengthens with time till 2010. Ahmed and Mukit(2014) identified the impact of various factors determining the firm's dividend paying behavior in the capital market of Bangladesh. They found that in Bangladesh profitability, corporate tax and market to book value ratios are the

significant determinants of dividend payout ratio and operating cash flow per share, current ratio and debt to equity ratio are the insignificant determinants of dividend payout ratio.

3. Problem Statement:

Study of dividend payments has a very illustrious history. In 1956, John Lintner has laid the foundation for the modern understanding of dividend policy. According to him, dividends are sticky, tied to long-term sustainable earnings, paid by matured companies and smoothened from year to year. Later, Miller and Modigliani (1961) demonstrate that under the condition of perfect capital market and zero taxes, dividends do not affect the value of the firm (Dividend Irrelevance theory) and as such the shareholders are indifferent as to the payment of dividend and retention of profits. Consequently, managers are not to bother too much about the incidence and quantum of dividend payments. However, Gordon (1962) and Walter (1963), during the same time period, prove dividend to be relevant for the valuation of the firm and hence the shareholders are seen to be not at all indifferent as to the payment of dividend and retention of profits. From the above literature review, we have taken the factors, which influence on dividend decision. It is observed that the research work in this field is not sufficient in Bangladesh. This issue motivates us to conduct the study in this field. Previous results also show that dividend rate is more or less explained by a good number of explanatory variables. But the explanatory power of these variables comes down considerably in the matter of their relation with dividend payout or dividend yield. The purpose of the study is to identify the determinants of dividend policy decision and it nature of influence on dividend decision in the capital market of Bangladesh.

4. Research Questions and objectives

Study tried to answer a broad research question, like, 'What are the determinants or factors of dividend decision in Banking sectors of Bangladesh?'

Objectives are:

a) To analyze the determinants of dividend policy in banking sectors of Bangladesh.
b) To suggest a comprehensive dividend policy framework for improving the dividend policies.

5. Research Design

Sample

The study is based on secondary data obtained from published annual reports of sample banks, monthly review of Dhaka stock exchange and website of DSE. The sample includes listed banks of DSE. It is taken 22 banks as sample. The sample period is 20 years from 1994 to 2013 for study.

Hypothesis

H_0: *Dividend payout is not influenced by the factors: Lagged dividend payout ratio, Earnings per share, Cash flow,*

Sale growth, liquidity, Institutional ownership, Sponsor ownership, Individual ownership, Leverage, Risk, Age, Size, Relative tax, Return on assets, Investment Opportunity, Retained earnings to equity.

Variables used in study

Dependent Variable: Dividend Payout Ratio (DPR)

Independent Variables: *Lagged dividend payout ratio, Earnings per share, Cash flow, Sale growth, liquidity, Institutional ownership, Sponsor ownership, Individual ownership, Leverage, Risk, Age, Size, Relative tax, Return on assets, Investment Opportunity, Retained earnings to equity.*

Model & Methods

I have identified the dependent and independent variables and have chosen the proxies for the variables depending on the previous empirical evidences in this case. The study has run the Descriptive statistics and multiple regression analysis based on the selected proxies. In this approach, more emphasis is given to the previous studies for identifying variables. Michaelsen (1961), Gerber (1988), Holder et al. (1998), and Saxena (1999) adopted this approach in their empirical studies.

This theoretical statement could be framed as:

$DPR_{it} = á + â_1 DPR_{it-1} + â_2 EPS_{it} + â_3 LEV_{it} + â_4 CF_{it} + â_5 SG_{it} + â_6 SIZE_{it} + â_7 LIQ_{it} + â_8$ OWN $(SPONSOR)_{it} + â_9$ OWN$(INST)_{it}$ $+ â_{10}$ OWN$(IND)_{it} + â_{11}$ $RISK_{it} +$ $â_{12}$ AGEit$+ â_{13}$ $RELATAX_{it} + â_{14}$ $RE/TE_{it} +$ $â_{15}$ $ROA_{it} + â_{16}$ INVEST $OPPORT_{it}$ $+u_{it}$

Where,

Dependent Variable:
Dividend Payout Ratio = Cash dividend per share/ Earning per share*100

Independent Variables:

DPR_{t-1} = Lagged dividend payout ratio

EPS (Earnings per share) = Net Profit/ Total Shares

CF (Cash flow) = Net cash flow/ total number of share

SG (Sale growth) = $(Sales_t - Sales_{t-1})/ Sales_{t-1}$*100

SIZE (Size) = Log of Total Assets

LIQ (Liquidity) = Quick Ratio ((current assets-inventory)/current liabilities)

OWNIST (Institutional ownership) = No. of Share held by institution/total no. of share

OWNSPONSOR (Sponsor ownership) = No. of share held by sponsor/ total no. of shares

OWNIND (Individual ownership) = No. of share held by individual/ total no. of shares

LEV (Leverage) = Total liabilities/ total assets

Risk = standard deviation of daily stock return over 365 days (Volatility)

RELATAX (Relative tax) = Capital gain tax rate/ Dividend tax rate

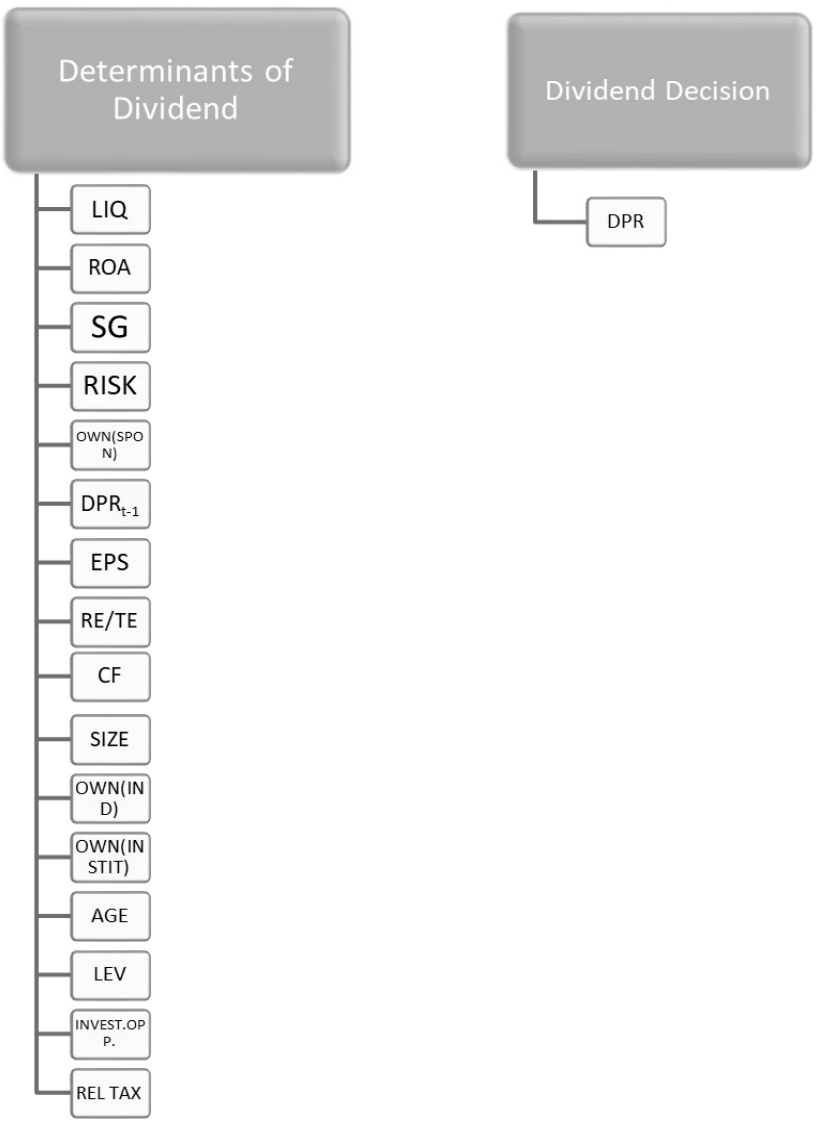
ROA (Return on assets) = Net income/ Total asset

INVESTOPP (Investment Opportunity) = (Net fixed $asset_t$ -net fixed $asset_{t-1}$)/ net fixed $asset_{t-1}$*100

RE/TE (Retained earnings to total equity ratio)= (Retained earnings/total shareholders' equity)*100

Firm age (AGE) = Natural log of No. of years of listing on the stock exchange

Methods: Descriptive statistics and multiple regression analysis are used to to identify significant variables.



6. Analytical Results

Pooled Regression Model: Study on Banking Sector

Descriptive Statistics:

The descriptive statistics is shown in table-1 which represents the mean, standard deviation of variables.

Table-1: Descriptive Statistics

Descriptive Statistics			
	Mean	Std. Deviation	N
DPR	18.7825	24.00960	20
EPS	86.1455	190.79493	20
RE/TE	11.4086	4.95266	20
CF	1.2201E2	140.11235	20
SG	38.4963	29.12911	20
SIZE	10.6804	.76459	20
OWN(SPONSOR)	49.4912	10.33043	20
OWN(INDIVIDUAL)	37.1071	10.61277	20
OWN(INSTITUTION)	24.9410	65.53396	20
LEV	14.1881	2.54602	20
RISK	5.2389	2.69501	20
AGE	1.9218	.52824	20
RELATIVE TAX	1.5000	.00000	20
INVEST. OPPORT.	55.0126	36.75631	20
ROA	1.9881	2.92024	20
DPR_{it-1}	18.7825	21.00960	20

Multi collinearity

The theoretical maximum value of tolerance is 1.00 and minimum value of tolerance is zero**.** From the table 5 & 6, it is observed that the tolerance of the variable ROA, SG, RISK, OWN (sponsor), EPS, RE/TE, PE, CF, SIZE, OWN (individual), OWN (institution), LEV, AGE, INVEST.OPPORT are 0.708, 0.882, 0.791, 0.774, 0.911, 0.726, 0.708, 0.98, 0.852, 0.453, 0.914, 0.884, 0.863, respectively which are highly positive and more than zero. So, it is concluded that the variables are free from multicollinearity.

Auto correlation

The value of Durbin-Watson test of this model is 2.204 which is near to 2 and indicates the model is free from autocorrelation (table-3)

Homoscedasticity

In the linear regression the error term is assumed to be homoscedastic

constant across observations. Violation of this assumption is pernicious. Estimates of standard errors for the regression coefficients are biased and the direction of the bias is not known a priori may inflate or deflate t-tests. The Breusch- Pagan/ Cook-Weisberg test is used to test hetero-scedasticity in this study as shown in table 2 by using STATA. A large chi-square would indicate that the hetero-scedasticity is present.

Table 2: Breusch- Pagan/ Cook-Weisberg test for heteroscedasticity

Test	Chi-square(chi2)	Prob> chi2
Breusch- Pagan/ Cook-Weisberg test	8.13	0.112

From the table 2, it is observed that the chi- square value is small, indicating heteroscedasticity is probably not a problem. Here, the chi-square value is 8.13(p=.0.112) and indicates the insignificancy which indicates that the errors have a constant variance (the data does not suffer from heteroscedasticity).

Coefficient of Multiple Determination (R^2): The summary of the model is shown in table 3. The table represents the R, R^2, and adjusted R^2. R is the values of multiple correlations co-efficient between the predictors and the outcome. Where LEV, RE/TE, SIZE are used as a predictors. The R value of model 3 is 0.763 which implies the strong relationship between independent variables and dependent variable.

Table-3: Model Summary[c]

Model Summary[d]										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.539[a]	.290	.251	20.78389	.290	7.355	1	18	.014	
2	.678[b]	.460	.396	18.65771	.170	5.336	1	17	.034	
3	.763[c]	.582	.504	16.91537	.122	4.682	1	16	.046	2.204

a. Predictors: (Constant), LEV
b. Predictors: (Constant), LEV, RE/TE
c. Predictors: (Constant), LEV, RE/TE, SIZE
d. Dependent Variable: DPR

The R^2 shows the amount of variance of DPR of explained by LEV, RE/TE, and SIZE. The value of R^2 of the model -3 is 0.582 which indicates that the independent variables explain 58.2% of the dependent variable (DPR). This represents satisfactory result for interpreting the model.

Significance of the Model: F-test

ANOVA table is shown in table 4, which represents the significance of the model through the F-test. The F values of model 1, model 2, and model 3 are 7.355, 7.23, and 7.426 which are statistically significant. It is interpreted that the Final model(model 3) significantly improve the ability to

predict the outcome variable(dependent variable).The F-statistics(F=7.42) of the model 3 is significant at 5 percent level of significant indicating that the model provides significant explanation of variation in the dividend determinants of financial sector.

Table 4: ANOVA[c]

ANOVA[d]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3177.301	1	3177.301	7.355	.014[a]
	Residual	7775.459	18	431.970		
	Total	10952.759	19			
2	Regression	5034.889	2	2517.444	7.232	.005[b]
	Residual	5917.870	17	348.110		
	Total	10952.759	19			
3	Regression	6374.684	3	2124.895	7.426	.002[c]
	Residual	4578.076	16	286.130		
	Total	10952.759	19			
a. Predictors: (Constant), LEV						
b. Predictors: (Constant), LEV, RE/TE						
c. Predictors: (Constant), LEV, RE/TE, SIZE						
d. Dependent Variable: DPR						

Significant of the Variables/Model parameters:

The result of model parameters is shown in table 5. In the model, the Coefficient (B) values of LEV, RE/TE, and SIZE are 5.961, -2.247, and 11.096 respectively. It infers that the LEV, RE/TE, SIZE are significant determinants of dividend decision.

The final model (model 3) is explained, because this includes all predictors that make a significant contribution to DPR. From the table 6, it is observed in model 3 that the t value of LEV, RE/TE, SIZE are 3.73(p=.002), -2.73(p=.015), 2.16(p=.046) respectively which are significant at 5 percent level of significant. The p values of the independent variables, LEV, RE/TE, SIZE are less than .05 which also indicates the significance of the variables. So, finally it is concluded that among the independent variables LEV, RE/TE, SIZE are the significant determinants of dividend decision.

In the model 3, the standardized betas of LEV, RE/TE, and SIZE are 0.632, -0.464, and 0.353 respectively which also represents the significant contribution of LEV, RE/TE, and SIZE on DPR.

Non- Significant

From the table 6, it is shown that the model 3 explains the contribution of determinants on the DPR. The coefficients of EPS, lagged DPR, CF, SG, OWN (SPON), OWN (INDIV), OWN(INSTIT) RISK, AGE, INVEST.OPPT, ROA are -0.005, 0.044, -0.321, 0.046, -0.154, 0.044, 0.12, -0.85, -0.242, 0.061, 0.063 respectively which indicate the little impact of these variables on dividend decision. The t value of EPS, lagged DPR, CF,SG, OWN(SPON), OWN(INDIV), OWN(INSTIT) RISK, AGE, INVEST.OPPT, ROA are -0.026(p=.98), 0.225(p=0.825), -1.78(p=0.095), 0.243(p=0.811), -0.842(p=0.413), 0.245(p=0.810), 0.488(p=0.633), -0.481(p=0.638), -1.46(p=0.165), 0.343(p=0.736), 0.271(p=0.79) which are not statistically significant. So, it is concluded that EPS, lagged DPR, CF, SG, OWN (SPON), OWN (INDIV), OWN (INSTIT) RISK, AGE, INVEST.OPPT, ROA are not significant determinants of dividend decision.

Table 5: Coefficients[a]

Coefficients[a]													
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	-53.281	26.975		-1.975	.064	-109.953	3.391					
	LEV	5.079	1.873	.539	2.712	.014	1.145	9.014	.539	.539	.539	1.000	1.000
2	(Constant)	-45.855	24.428		-1.877	.078	-97.393	5.683					
	LEV	6.230	1.753	.661	3.553	.002	2.531	9.930	.539	.653	.633	.919	1.088
	RE/TE	-2.082	.901	-.430	-2.310	.034	-3.984	-.180	-.242	-.489	-.412	.919	1.088
3	(Constant)	-158.656	56.638		-2.801	.013	-278.723	-38.589					
	LEV	5.961	1.595	.632	3.738	.002	2.580	9.341	.539	.683	.604	.914	1.094
	RE/TE	-2.247	.821	-.464	-2.738	.015	-3.987	-.507	-.242	-.565	-.443	.911	1.097
	SIZE	11.096	5.128	.353	2.164	.046	.226	21.966	.366	.476	.350	.980	1.021

a. Dependent Variable: DPR

Table-6 : Excluded Variables[c]

Excluded Variables[d]								
Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics		
						Tolerance	VIF	Minimum Tolerance
3	EPS	-.005[c]	-.026	.980	-.007	.774	1.291	.774
	Lagged DPR	.044[c]	.225	.825	.058	.726	1.378	.704
	CF	-.321[c]	-1.781	.095	-.418	.708	1.413	.708
	SG	.046[c]	.243	.811	.063	.787	1.271	.787
	OWN(SPONSOR)	-.154[c]	-.842	.413	-.212	.791	1.265	.791
	OWN(INDIVIDUAL)	.044[c]	.245	.810	.063	.852	1.173	.843
	OWN(INSTITUTION)	.120[c]	.488	.633	.125	.453	2.210	.453
	RISK	-.085[c]	-.481	.638	-.123	.882	1.134	.823
	AGE	-.242[c]	-1.460	.165	-.353	.884	1.131	.834
	INVEST. OPPORT.	.061[c]	.343	.736	.088	.863	1.159	.863
	ROA	.063[c]	.271	.790	.070	.511	1.957	.501

a. Predictors in the Model: (Constant), LEV

b. Predictors in the Model: (Constant), LEV, RE/TE

c. Predictors in the Model: (Constant), LEV, RE/TE, SIZE

d. Dependent Variable: DPR

Summary of Findings:

RE/TE (Retained earnings to total equity ratio):

The coefficient of RE/TE is -2.247 and the t value is -2.73(p=0.015) which is negatively significant. It indicates that the DPR is negatively related to RE/TE because a firm that plans to finance future investment opportunities from retained earnings would distribute lesser profits as dividends. Thus, retained earnings of the current year are negatively associated with dividend paid.

SIZE (Size):

The coefficient of size is 11.096 and the t value is 2.16(p=0.046) which is positively significant. The positive relationship between dividend payout policy and firm size is also supported by a growing number of other studies (Eddy and Seifert, 1988; Jensen et al., 1992; Redding, 1997; Holder et al., 1998; Fama and French, 2000; Manos, 2002; Mollah 2002; Travlos et al., 2002; Al-Malkawi, 2007).

As mentioned previously, larger firms pay a higher cash dividend for several reasons. First, large firms face high agency costs as a result of ownership dispersion, increased complexity, and the inability of shareholders to monitor firm activity closely. Hence, such firms pay a larger dividend to reduce agency costs (Jensen and Meckling, 1976; Lloyd et al., 1985). Second, as a result of the weak control in monitoring management in large firms, a large dividend payout increases the need for external financing, which, in turn, leads to the increased monitoring of large firms by creditors. This may be a quality that is attractive to the shareholders (Sawicki, 2005). Another explanation for this positive association might be related to large firms' easier access to capital markets, and their ability to raise funds with lower issuance costs for external financing. Consequently, large firms are better able than small firms to distribute higher dividends to shareholders (Holder et al., 1998).

LEV (Leverage):

The coefficient of leverage is 5.96 and the t value is 3.73(p=0.002) which is positively significant. Because, the, firms with high leverage ratios have high transaction costs, and are in a weak position to pay higher dividends to avoid the cost of external financing. In some industries payout and leverage ratios are positively related while in other industries the relationship is negative. Mollah et al. (2001) examined an emerging market and found a direct relationship between financial leverage and debt-burden level that increases transaction costs.

7. Recommendations

The companies should follow continuous dividend policy practices with a view to boosting investor morale as well as keeping stock market as safe harbor for investment and financing sector. The dividend decision makers should consider mainly the liquidity and earnings of the company for giving dividend to the shareholders. The decision maker,

investors and other stakeholders should follow these findings.

8. Conclusion

The purpose of the study is to identify the determinants of dividend decision of listed banks in DSE. The significant determinants are retained earnings to equity, size, lagged DPR. These findings will help the investors, dividend decision maker and other related parties in the capital market of Bangladesh.

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Challenges in Pursuing Confucianism in Globalized Business Scenarios – Reflections of few Native Confucian Organizations: A discourse through meta-analysis

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ABSTRACT

Confucianism is defined by many scholars in different ways, looking at different dimensions of Chinese way of life as existed and also based on the preaching of Confucius during 500-400 BC. Today, looking at near stabilization of global market dynamics by mid 2015, by when, Chinese and Indian businesses found their own place in global markets, management researchers started to examine the secrets of the success of Indian and Chinese businesses and recognize the distinct differences between western management theories and concepts and models that had been operational till then and Indian and Oriental models.

It is in that context, that the author studied a few Chinese businesses –using Meta-Analysis methods to document their core basis of existence, their extent of believing and following Confucianism as a management doctrine.

Introduction

Confucianism is defined by many scholars in different ways, looking at different dimensions of Chinese way of life as existed and also based on the preaching of Confucius during 500-400 BC. Reading through the literature, author chose to depend on the meaning provided by Yao, though it precincts an over-simplification, that Confucianism conveys an idea of a way of life that is simple and humanistic (Yao, Xinzhong, 2000). While the history documents the growth, popularity and wide acceptance of Confucianism for a long period, until late 19th century, it was noted that it witnessed a decline with new ideologies dominating Chinese life during the cascading decades of the 20th century. The resurgence of the Confucian ideology was noted by acknowledging the influence of Confucian work ethic in the rise of East Asian economy in the late 20th century (Wikipedia, as visited on 25 Jan, 2018; Elman et al (ed), 2002).

The rise of Maoism in mid-20th century and the sweeping economic changes across the globe under globalization forces later, gave a new opportunity to Chinese businesses to participate and precipitate into the supply chains of global businesses

and raise to seek market domination pursuits during the 21st century. The advent of BRICS on one-side; near collapse of Russian economy; and multiple bouts of recession in US economy, gave rise to increased chances to Chinese businesses to succeed during the late 20th century (Acharyulu, 2007).

Looking at near stabilization of global market dynamics by mid 2015s, by when, on one side Chinese and Indian businesses found their own place in global markets, on another side American and European companies felt challenged to retain their dominance in dictating the forces of globalization, it started dawning on management researchers that the secret of the success of Indian and Chinese (not necessarily in that order) remain elsewhere than the western management theories and concepts and models that had been operational till then. It is interesting to note that Walter Kiechel III lamented in 2013 itself, that since 1995, there is no new noteworthy theory that emerged from the western business research on Strategy crafting and execution (Aurik et al, 2014).

If we look at the pioneering efforts of Subhash Sharma on documenting and propagating various distinct perspectives of Eastern/ Indian Management Concepts and theories, and relate them to the present day (Sharma, 2006), it becomes clear that certain layers of Indian, Oriental, Asian management philosophies have a distinct tenor to drive business success, and sustainability. The persistent efforts of Sharma and Anantha Giri in pushing through a series of initiatives to bring together research from distant corners of the world, in understanding the significance of Confucianism and Vedanta in the realms of social theorization in general and in the domain of management theory specifically, offer some pertinent answers to the sustained successful business management would get unfolded from the Eastern philosophy, thought and theories as days go by.

Objectives of the study

It is in that context, that the author attempted studying a few Chinese businesses –to decipher their core basis of existence, their extent of believing and following Confucianism as a management doctrine guiding their businesses and see if such a study could motivate a deeper pursuit in developing a new paradigm of business strategy using Confucianism and Vedanta. The exercise is a beginner's attempt, using meta-analysis of existing literature as the methodology adopted, by random search of business cases of companies that identified themselves as following "Confucianism" in the conduct of their business. The exercise lead to noting some challenges similar to businesses that pursue competitive strategies, while few challenges were distinct to the organizational frameworks that are built around Confucian philosophy, and a brief snapshot of these challenges were offered and a discourse on their uniqueness or otherwise was made, to argue that businesses are not immune to the forces of globalization today, and that

their ability to face these challenges and sustain their core ideologies is hinged on the beliefs and values that the leadership brings into the organization's daily operations and hold their sustenance.

Methodology – Meta Analysis of Cases on Confucianism

The study pursued identification of cases on organizations that followed Confucianism and analysis of them for business culture, ethos and organizational philosophy – with special reference to Confucianism and probe them for their success or otherwise, in relation to the business philosophy and business approaches of these organizations. A Boolean search using the terms Confucianism, Chinese Businesses resulted in listing of four cases in Harvard Business Publishing repository (HBSP). These cases were then studied, analysed and an argument on their management is documented for the purposes of this research.

Significance of Business Case Study and Cases written through Case Research

In business management education, it is now an established fact that case study pedagogy drives a majority of teaching-learning activity and teachers depend on some of the global case houses and some local country level case repositories; prominent of these, Harvard Business Publishing (HBSP), and Case Center (erstwhile ECCH); and within India, IIMA Case Center, IIMC Case Research Center, IIMB center for Development of Cases etc. These Institutions promote case research, make available registered cases to teachers and students desirous of learning through real life scenarios and situations of a given organization, industry and economy. Cases presuppose that they are picked up from business happenings, deal with authentic organizational scenarios and business challenges handled by people who dig their hands into managerial decision making and demonstrate their managerial leadership.

It is an accepted and established fact that case study method requires a well written, and peer reviewed article before it is registered and published by one of the case registries and it authenticates documentation of real life scenarios and brings to the fore managerial challenges. In a majority of scenarios, cases are: problem oriented, descriptive, provided with facts and figures; they support both diagnosis and prognosis, and offer multiple dimensions of an organization's activities, functions, their environment, leadership and basic approach to business from a third person perspective. It is also acknowledged that an analysis of business cases, helps mirror their realities.

As such, the author premised that there exists an opportunity to view Confucianism from a pragmatic view of doing business when it is attempted to do a meta-analysis of a few leading Confucian businesses whose organizations are documented as business cases in the world's leading business case repository, Harvard Business Publishing (HBSP).

The Study basis

Briefly stated, the four cases that are studied in this exercise of meta-analysis are from diverse industries and with diverse organizational characteristics. Briefly stated, they are:

- A firm that was exploring making stone paper (M/s Tethia Lungmeng),
- A port machinery making firm (ZPMC),
- A power investment Corporation (James Bowman), and
- A kitchenware manufacturing and marketing company (Nigbo Fotile Kitchenware).

Each of these business organizations showcase challenges and approaches in their entrepreneurial pursuits, business development choices and their people management approaches and leadership. The paper attempts at finding the core structure of each of these firms from Confucian perspective and present the learnings of the author.

Confucianism – a thought, a way of life or a philosophy?

The term Confucianism evokes several impressions into the thinking of a person; vividly presented by images of oriental life, a predominantly rural or agrarian society and simple living modes manifested by Chinese people of various classes. The foremost of these thoughts conjure an understanding of a centuries old way of life, known to have been put to back-burner in 20th century discouraged by current polity, however, leads to a surprising inquiry of how it made a silent come back during the gobalization era in China.

Other countries in East Asia, continue to believe in Confucian way of life, show success in competitive world, and offer a re-look at Chinese way of life and management. Such a flow of economic processes in these countries, tacitly encouraged Chinese to re-discover Confucian philosophy in order to develop their own existential prowess and offer their own answer to the western management concepts and models.

It is interesting to note here, that in India too, the last few decades witnessed a resurgence of Indian management philosophy, providing the Indian businesses an offer of a new paradigm of understanding business and social leadership. Approaches of SK Chakraborty, Subhash Sharma, RC Sekhar, Ananth Giri, Albuquerque, Mascarenhas and others have opened thinking and probing into Indian as well as Eastern managerial thinking to gain insights into their influence in shaping current mainstream discourse of management theories.

It is also the period when Western management theorists recognized the lament that no new strategy concepts have come up to lead and shape global corporations since 1995. Walter Kiechel III, who was the editorial director of HBSP from 1998 to 2002 observed in one of his

interviews, and quoted by Aurik, Fabel and Jonk that "It's tough to identify any big new strategy ideas since 1995".

The History of Strategy and its future Prospects (Aurik et al, 2014), gave a very detailed chronological overview of how the management thought has progressed in western academia, however, it has not taken into account the growth of alternate management thought and their increasing relevance to understand the significance of these ideologies in firming up of the strengths of Indian, Oriental and Asian businesses.

The author, observed over the last two decades, the reference to and use of Indian, Chinese, Korean and Middle East business successes as cases for study by the top global business schools across the world and within India has increased in leaps and bounds. A majority of the top authors of business management textbooks started including Indian teachers and practitioners as co-authors and encouraged including increased number of non-American/ non-European Cases as integral components of the text books as well as reference resources for analysis and shaping management thought and learning. This has happened predominantly in the areas of strategy, marketing, leadership and ethics and corporate governance, while other subject areas too followed suit, with increased frequency. It was noted that such a process and approach, not only was showcasing western powerhouses, but also articulating how the home-grown business houses of regions across the world succeed with their own special and unique management models and approaches. Such an expansion of vistas of learning, prompted the author to confidently pick the task of learning and understanding the Chinese businesses which follow Confucianism as the basis and fulcrum of their business management, duly acknowledging that they are part and parcel of various courses by some of the best business schools and that they were frequently patronized by several instructors who access HBSP as the core resource base for instructional material, with a hope and belief that the results will be found relevant and meaningful.

Meta-Analysis of Confucian Business Organizations

The meta-analysis follow the below pattern for each of the studied cases:

- Brief profile of the company;
- Challenges of the firm;
- Core tenets from the perspectives of Confucianism; and
- Managerial challenges in terms of practicing Confucian values.

Overview of the Cases studied

The four cases studied presented the below four scenarios.

The first case was of a Chinese firm – which was developed, led and made a leader in its industry – following Confucian philosophy from the beginning to end, by a Chinese entrepreneur, who picked the gauntlet of entrepreneurial challenges after

his prime work life, motivated by the nationalistic zeal and a fervor acknowledging the opportunities thrown open by a globalized international economic scenario, in China and across the globe.

The second case was a Chinese firm – founded and built in a competitive environment, inspired by the successes of competitive strategies in Western and European economies and emulating them in Chinese globalized economy. This organization, on crossing its learning curve in competitive business management, chose to transform into a Confucian organization – managerially addressing the conflict between competitive forces and native Confucian principles and practices, so as to consolidate its existence as a Chinese business, serving Chinese.

The third one was a Chinese firm – founded and built on Confucian principles, by a descendent of Confucian clan, to prove the beliefs and values of Confucius are relevant even in late 20th Century, facing fork in the road, addresses the challenges of competitive pressures and seeks an answer to the pulls of western management approaches which seemingly offering a contrarian stand to the Confucian perspective. The case acknowledges the perils of temptations of a profit and competition oriented approach and acknowledges the need for restraint to resolve the dilemmas of leadership.

The last one was a case of an American firm – attempting to partner with a Confucian organization, finding difficulty in reconciling between the two philosophies while attempting to build the bridges between the two.

Case 1: ZPMC

Brief profile of the company

ZPMC is an organization set up by a Confucian disciple, Guan Tongxian, whose firm, ZPMC, makes port machinery and container machinery. Guan Tongxian started off his enterprise at an age of 59, with a motto that "any important port in the world that has container handling operations should have container machinery made in China".

With this motto, Guan Tongxian, 59, came to Shanghai in 1992, leading thirteen people from Shanghai Port Machinery Company to start a difficult venture with one million US dollars. As of 2009, ZPMC has assets of over 7 billion US dollars. However, the owner-promoter, Guan Tongxian, makes only 50,000 US dollars a year without holding any equities. He has kept such a low profile that even MBA programs in top Chinese universities might not be aware of his success. Chinese traditional culture has been playing an influential role in the personal growth of Guan Tongxian. Guan was influenced by the old generation of intellectuals in his childhood: "At that time, there were old Xiucai and Jinshi in Beijing, and I followed them to learn Chinese poems and listen to them speaking of Confucianism that promotes an idea of 'cultivating oneself, putting family in order, ruling the country and giving peace to the world.'"

Challenges of the firm

ZPMC is a firm that exemplifies that the Confucian way of enterprise is respected, supported and has potential to thrive and contribute across the world. The growth of the firm to become a 7 billion US dollar company, with owner holding no equity, earning a frugal salary of 50,000 USD per annum, pursues a silent player philosophy, with a firm approach of not opening up to the media and public relations exposure for the company, which it is noted, is a core tenet of Confucian disciple.

The leadership of Guan Tongxian was further articulated by emphasizing "an idea of 'cultivating oneself, putting family in order, ruling the country and giving peace to the world", in that order, as reflective of Confucian principles.

The key challenges are centered on the challenges of leadership succession at the time of the announcement of his retirement and raises the question of "How can this firm maintain the legacy after the retirement of Guan Tongxian, and continue to be Confucian organisation?"

Managerial challenges in terms of practicing Confucian values

While this question has implications in addressing the managerial challenges, it also throws open the need to understand how Confucius attempted to explain the methods of handing over wealth from one generation to the next, which need to be interpreted in deciding and accepting the succession of leadership in this organisation. How far and how well they will be pursued and with what results, is required to be studied, by attempting the dsaga of post-Tongxian pursuits and functioning of this company. The case highlights the corporate culture that was nurtured by Tongxian, where, the framework for decision making is entrenched into every organisational hierarchy and business responsibilities, thus giving an implicit direction to the company's way forward.

Case 2:

Ningbo Fotile Kitchenware Co:

Brief profile of the company:

Ningbo Fotile Kitchenware Co, is a high-end kitchenware making and marketing firm, the market leader in the country, built on competitive strategy foundations, across the last twenty years, starting from the early years of a globalized Chinese economy. The case describes the company during 2008 – 2013 period, and recognizes it as an organization that actively introduced philosophies of the traditional Chinese culture - such as benevolence, justice, courtesy, wisdom and faith - into its management. The company pursued these as part of its core management values, with a firm belief that they will offset (m)any deficiencies the company felt, were inherent to practicing western management concepts in business operations and the company wanted to create a new Chinese enterprise management model that steers clear of the deficiencies of western models of management.

Challenges of the firm

The company, as it grew, realised that at the core of the business philosophy lies a Confucian mind-set, but at the operational level, they emulated western methods leading to competitive pressures at multiple levels - as its decision making process and approaches and business problem resolving methods were critically debated as contradictory to Confucian values and as those that evoked intense discussions and reflections.

The key challenge of the firm revolves around a core question: "whether its philosophy is sustainable and applicable to modern enterprises generally in China? How can one integrate the western management philosophy with traditional Oriental culture? Is it really possible?"

Core tenets from the perspectives of Confucianism

It was observed that the company built its business with a simple competitive business model in the early years of promoting modern kitchenware, emulating a western lifestyle among its customers, and as such, practiced many western management models in its marketing and sales operations, even though it had a strategic intent in developing the firm as a Confucian culture-based management model in a world of market competition. It first introduces the company's background, including its start-up and development processes. It next describes the transformation of FOTILE's management model from western philosophy to one based on traditional Oriental concepts. It then shows how Confucianism is applied in FOTILE's management. In particular, it describes the applications of Confucianism in FOTILE's HR management and performance evaluation. The case offers information and description of management situations that may be used to analyze the company's cultural management in comparison with the western corporation cultures. Another focus of the case was the relationship of the company's development strategy and its cultural construction, as well as the HR management.

Managerial challenges in terms of practicing Confucian values

The case presents a multitude of challenges, as it was initially founded as a competitive enterprise and its staffing, directing and control methods were all developed around competitive business model. As a competitive enterprise, that pursued western model of business conduct, created and nurtured competitive strategies in an emerging economy, it faces immense challenges in moving away from these, due to the cultural mores created around the performance parameters

The organization, realizing the need to relate to the larger society in which it functions and does business, in this context, China, attempted to become a Confucian organization and deal with its customer and supplier base, on the foundations of Confucian tenets, especially with regard to handling quality compalints, after-sales

service, where, while the recipients of the service felt better responded, the staff started finding difficulties, mainly because of the cost considerations, depleting margins and lost sales opportunities. A narrowly defined implementation of the Confucian beliefs at workplace, without duly supporting the acceptance and adoption of the values into practices, leads the company face conflicts and lead to a temporary state of confusion in its work force and their competitive demands on the management and also in terms of their own competitive performance in a market where new players threaten the dominance of an existing market leader

The company actively advocated benevolence, justice, courtesy, wisdom and faith - into its management, so as to diffuse the staff- management conflicts. However, while these were practiced with complete dedication at the top and its methods of percolating the ideology into lower layers was rather slow, and brought in only as a tool to resolve conflict in an aggressive competitive environment;

There was an apparent dichotomy in performance measurement approaches of the top management and the perceived lack of understanding of how to practice Confucian principles in day-to-day business activities drew the middle management into a state of confusion on how to conduct daily business operations–

In terms of providing customer service, in terms of compensation to staff and workers; in terms of profitability and even in terms of considerateness to competition, the clarity of who benefits in the short run and in the long run, was not communicated, thereby creating a bipolar division between field work force and management team.

The case leads to discussion of how to implement change and what are essential in managing change, as advocated by Confucian analects, which sound akin to the principles of moulding group opinion through a leader's honesty in the midst of competitive forces of profiteering by competing firms in the business.

Case 3 :

Tethia Lung Meng: Brief profile of the company

TLM, a real estate firm that evolved into a diversified business conglomerate, eyeing expansion and market dominance in many areas, pursues a technology of converting limestone into paper as a blue ocean strategy to build on a first mover advantage to penetrate the market and find an early profitability proposition for the company in the industry. However, dilemmas of the top leader of the firm pull him apart to two sides, as his lineage as a descendent of Confucian family restrains him from pursuing aggressive market strategies, while the market reading was forcing him to go beyond the normative behavior expected of him, to protect the firm from languishing.

In February 2011, TLM became the first company to produce stone paper and offer break-through technological solutions to environmental challenges in conventional

paper making industry. Kong Ling Fa, TLM's founder, obtained the technology from Taiwan and wanted to be the pioneer in China, and he was tempted to even make a global debut. However, the technology transfer was limited by the provider to a specific region in China only, thus tying the hands of the entrepreneur.

Challenges of the firm:

The case illustrates the concepts of entrepreneurship, Confucianism and strategy. One can gain insights about Kong, the Chinese entrepreneurs' motivations, values, their development strategies and their cooperation with the support of the Chinese local government. Kong's main challenges include: TLM licensed the technology from Taiwan and had exclusive rights only in Anhui province. Although TLM was the first to produce stone paper commercially, three other companies were in the process of starting up production. How should TLM exploit its first-mover advantage? How should TLM develop the resources and strategic capabilities to ensure success? How could it leverage on the reputation and experience that Kong and TLM had accumulated over the years? Was it sustainable?

Core tenets from the perspectives of Confucianism

The organizational dilemmas crep into the challenges, with the manifestations of greed in the mind of Kong, who, after obtaining the license to use the technology and rights to make stone paper only in the home province of TLM, starts aspiring to take stone paper to the entire country as well as to the world markets.

He faces Confucian dilemmas of two-fold:

- Should the firm focus on how to offer a technological benefit to the country and global markets, without compromising its commitment to the license provider or
- Should it leverage the first mover advantages to establish market leadership across its target markets?

Managerial challenges in terms of practicing Confucian values

The dilemmas loom large in the face of Kong, as he proudly claims himself to be a direct descendent of 76th generation from the family of Confucius and as a person who has never compromised on Confucian values while doing business across the last seven decades of his entrepreneurial life. It is being challenged by the perceived needs of the company to leverage on the competitive methods of capitalizing the first mover advantage of a firm in an emerging market. Should the quintessential values of accepting the emergence of competition as a way of economic life over-ride the compulsions of building a market base and profitability in given opportunistic moment?

Case 4 :

James Bowman and Private Equity Fund

Brief profile of the company

James Bowman, a founding partner of a private equity fund manager based in New York City, has travelled to China to meet

with a China Power Investment Corporation manager in the hope of cultivating a business relationship. But Bowman is flabbergasted when the manager, in what is supposed to be an introductory conversation, asks that Bowman deposit $800,000 into a Chinese banking account. The money, the manager assures Bowman, will be returned to him within 30 minutes. This request, Bowman understands, is about the principles of Confucianism, which many in China incorporate into their work and home lives. These principles involve building close, trusting relationships in business. Bowman realizes that he is being tested, and he is uncertain how to respond.

Challenges of the firm:

The challenges of James Bowman are different from the previous three cases, as a westerner tries to decipher the ethos and managerial practices of a Chinese firm, with an intent to start commencing his business in that country. The challenge was, how does one manage competing cultures (including principles, beliefs, and practices) when doing business with unknown?

Stated in a simplistic way, the case deals with the scenarios of a business lead throws a prospect of opening business in China; and while exploring the ways and means of introducing the business into Chinese region, the prospective client throws a surprise proposition even before exploratory discussions and the potential Chinese partner, operating on Confucian principles, conveys the value of the same for building partnership between two unknown parties.

Core tenets from the perspectives of Confucianism

The Confucian principles involve building close, trusting relationships in business. The American Prospector realizes that he is being tested, and he is uncertain how to respond. Secondly, the business prospector, who is looking for opportunities to handle financial investment business, needs to appreciate that he is expected to convey his trustworthy nature, in order to set up his business operations in that country.

Managerial challenges in terms of practicing Confucian values: The case showcases

Conclusion

The four organizational scenarios offered as cases that teach how to deal with Confucian organizations, convey the following simple life truths:

- Truthfulness
- Trust
- Humane approach to all
- Responsibility towards own people, own village, own land and country and all global citizens
- Considerateness to all – investors, staff, suppliers, customers and Competitors
- Distinguish competitiveness from profit making
- Steer clear the conflict between western management theories and their limited relevance to Chinese firms,

- Acknowledge that there is a need to adopt and adapt them to local culture of way of life

— Being supportive to the community, to the society and to the humanity at large

A study of the above cases in a milieu of corporate degeneration across the corners of the world, throws open the gauntlet of how to learn to practice ethics in business environment, so as to be a role model to the team within the organization as well as offer a way forward to others too. Speaking of ethics and moral values, while some of them are region-specific and culture specific, there are universally accepted human values, which are required to be ingrained into the corporate philosophies. For this purpose, two countries, China and India offer a large canvass and platform, to showcase the successes of the businesses that follow Indian and Confucian values, to also present the conflicts that the present generations face, due to their limited exposure to these values and also to the skills and outlook that they expect us to carry, to offer a committed and conscience filled leadership, making it easily acceptable to those who would like to understand and appreciate them and pursue to lead sustainable businesses into the future.

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Procurement and Budget Utilization Challenges: The Case of Public Universities in Amhara Regional States, Ethiopia

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ABSTRACT

This study reports on challenges experienced in the field of procurement and budget utilization in the one hand and strategies ways to improve procurement and budget utilizations on the other hand within the public universities which are found in Amhara Regional state, Ethiopia. This study used an exploratory research design. Purposive sampling and snowball sampling were used in this study. For the exploration, some of the key guiding questions of public procurement and budget utilization were raised for the staff and focal persons who are working in three universities in the aforementioned state. Regarding Budget utilization challenges, the following were identified: (1) lack of adequate and experienced budget experts; (2) there is poor market-oriented cost estimation practice; (3) there is no accountability in budget utilization; (4) lack of continual determination and report of budget balance in ach budget codes, and institutional regulation regarding Budget transfer; (5) delay in availability fund or delay of requested fund from ministry of finance and economic development. Ways to improve budget utilization are: (1) assuring the availability of budget before entering in to obligation; (2) by encompassing well planned budget transfer; (3) properly preparing budget request document to Ministry of finance and Economic cooperation. The study concludes by recommending concerned bodies to work on training employees, transparency, accountability, getting qualified staff and etc. Since respondents of this study came from three universities in Amhara Regional State, the results obtained may not be similar in other states in general and universities in particular.

***Keywords**: Procurement, Budget utilization, practices, challenges, strategies, public universities, Amhara Regional State, Ethiopia.*

Introduction

According to Dobler and Burt (1998) procurement can be defined as "…the acquisition, whether under formal contract or otherwise, of goods, services and works from thirdpartiesby contracting authorities." From this, procurement is the activity of assessing, buying and receiving goods, works and services. According to Cane (2004), Procurement is central to

the government service delivery system. So, government promotes its aims by having procurement such as public, industrial or environmental policies. According to Thai (2009), all governmental entities of poor and rich countries are struggling in the countenance of unrelenting budget constraints; government downsizing; public demand for increased transparency in public procurement; and greater concerns concerning efficiency, equity and fairness. Besides, Thai (2009), study pointed out the policy makers have increasingly used public procurement as a tool to achieve socioeconomic goals.

According to a report prepared by the Ethiopian Procurement and Property Administration Agency Public procurement in Ethiopia dates back to 1948. The present Ethiopian government, under Proclamation [1] 649/2009, ensure that the public property, in which a significant quantity of public money is spend, is utilized in such a manner as to enable the government device maximum benefit and modernize the administration, has established the Public Procurement and Property Administration organization. Further, a new public procurement directive and manual hasbeen issued.

Public procurement is among the most untouched issues in Ethiopia as much as my effort tofind background information is concerned. In this study, the researchers have tried to comeup with ideas and create dialogue on the government's public procurement practices. It also tried to assess the procurement practices and the legal and regulatory frameworks as well asthe institutional set up of the federal public procurement system.

Problem Statement

The role of procurement was to obtain the desired resource at the lowest possible purchase price from a supplier (Bowersox, Closs, & Cooper, 2002); the government activity procurement is vulnerable to corruption. Accordingly, lack of accountability, transparency and integrity has long been associated with public procurement. As a major interface between the private and the public sectors, the study of (Bowersox, Closs, & Cooper, 2002) address as public procurement provides several opportunities for both public and private performers to redirect public funds for private gain. According to the Ethiopian Procurement Administration Directive (2010) and PPA report and as well World Bank (2010), efficiently and effectively handling huge size of procurement outlay has been a policy and management concern.

In addition, Public Universities in Ethiopia engage in recreation a vital role in ensuring access through the investment of significant resources in financial assistance for students. In addition, Institutions also seek to maximize educational quality of their employees to increase production capacity. For this convenience, in Ethiopia the federal government budget so called public budget is a main source for constructing and running universities near by the community. The inputs, funds,

procurements and expenditures due to matters are core challenges whether or not they are in line with government policies, procedures and regulations. Waweru, *et.al.,* (2011), also states with the tremendous increase in university students' enrolments experienced in Ethiopian public universities since years 2005, financing of university education has become topical matter among education stakeholders. This means that, universities face countless factors that increase costs by rising labor costs, blocking rules, laws & policies, regarding with procurements, expenditures and others, unless the direction and solution are provided for future enhancement. Despite these issues, universities are searching for new and innovative ways to cut costs or challenges in using government budget for procurement and capital expenditure properly while improving educational quality.

However, procurement and budget utilization in higher education in general is among the most untouched issues in Ethiopian public university as much as our effort to find background information is concerned. In this study, therefore, the researchers tried to come up with ideas and create dialogue regarding procurement practices and challenges; budget utilization practices and challenges of public universities in Ethiopia in geral and in Amhara regional state in particular. Moreover, there were an effort to identify ways to improve on both procurement and budget utilization.

Research Questions

According to the problem statement, there are four very important questions that can be asked:

1. What are the procurement challenges in the public universities in Ethiopia?
2. How can public procurement in public universities be improved?
3. What are the budget utilization challenges in the public universities in Ethiopia?
4. How can budget utilization in public universities be improved ?

General objective

To assess the procurement and budget utilization challenges in Public universities in the Amhara Regional State and to provide ways to handle over the identified challenges.

Specific Objectives

- To assess the procurement challenges in the public universities in Ethiopia.
- To identify the budget utilization challenges in the public universities in Ethiopia.
- To forward ways how can public procurement in public universities be improved.
- To forward ways how can budget utilization in public universities be improved.

Significance of this study

The outcome of the study can be used for improving the practices of procurement and

budget utilization in the mentioned universities and similar universities in Ethiopia.The recommendation provided, are intended primarily for use by the higher officials of the universities and who are involoving the areas. It will help them to assess what needs to be monitored, analysed, maintained, and fixed regarding to procrument and budget utilization. This paves way to see better practices in procrumentand budget utilization in the universities with which, ultimately univesity communities will make substantial contributions to the development of the country.

Scope of the study

There are many universities, which are administered by federal government, in Ethiopia. This study focused only on those university which is found in the Amhara Regional State. Among those, three universities, namely, Gonder University, Wollo University and Debre Berhan University were included in the study as these universities were expected to represent and provide all relevant information provided by other universities and higher officials, directors and those who are working directly in the aforementioned subject were considered for this study as these groups provided potential data on the challenges and remedies need to be made regarding procurement and budget utilization.

Review of Related Literature

In this, relevant concepts and empirical contexts a literature review linked to procurement and budget utilization concepts issues are presented regarding the nature; principles; processes, methods; ethics; integrity, transparency, accountability, corruption and bid rigging in public procurement in general and public procurement in Ethiopia in particular.

According to Odhiambo and Kamau (2003: 10), public procurement is agreement means of acquiring or obtaining, products, construction works and services by the public sector from suppliers in the local and global market. According to (Mahmood, 2010: 103), procurement is subject to the general principles of fairness, equitability, competitiveness, transparency and cost-effectiveness. According to Thai (2009), the principal hallmarks of proficient public procurement are: Economy, Efficiency: Fairness, Transparency, Accountability and Ethical Standards, Public Procurement Processes and Methods

The procurement acquisition Process is closely tied to almost all other functions included in an organization and also the external environment, Leenders et al. (1989). No procurements can be expected to buy without knowing exactly what the using departments want. According to Leenders et al. (1989), the purchaser should question the specification and Supplier selection. This constitutes an important part of the buying function, and essentially it involves the location of qualified sources of supply and result in on time delivery of acceptable product and needed services. According to Thai

(2009), Analysis of bids, Preparation of the purchase order, Follow-up and expediting, Receipt and inspection of goods, Clearing the invoices and payment, and Maintenance of records with common methods of procurement of Open Bidding, Two stage Tendering, Restricted, Tendering, Direct Procurement and Request for Quotation.

According to Thai (2009), challenges of public procurement can be seen as internal and external (organizational and non-organizational). In the Thai (2009) study, Internal Challenges are organizations ability to accomplish procurement objectives and policies which is influenced by Professionalism or quality of procurement workforce; internal controls; Staffing levels, Procurement organizational structure, Procurement regulations; legislative oversight; rules and guidance. External Challenges: environment factors including market, legal environment, political environment, organizational environment, and socio-economic and technological factors. According to Sue Arrowsmith (1998), by ensuring procurement transparency, countries can enhance confidence and promotes competition amongst suppliers. Effective and efficient procurement activities require the setting up of instruments of transparency. According to Giraldo (2005), "it supports non-discrimination; facilitate participation by suppliers unfamiliar with the system; to improve information for market access negotiations; to improve the decision making process; to widen the supply base; to expose governments decisions to public and social scrutiny; to generate predictability of procurement decisions." According Grant and Keohane (2005), it is universally recognized that the criteria for an open and transparent public procurement system should at a minimum Public invitations, accessible information on the laws and regulations. Disseminating the evaluation criteria to all bidders; Public inspection of tender decisions, an effective system of domestic review; Publication of tender awards; and regulation of staff involved in public procurement

According to Soreide (2002), corruption can add 20 to 25 percent to the costs of government procurement. According to Heimler (2007), "bid rigging is an agreement between competitors over which firm will win a tender-often from government agencies". Forms of bid rigging are: Bid suppression, Complementary bidding, and Bid rotation:

Public Procurement in Ethiopia

According to John Brooks and Demelash (2009), determining the proportion of public expenditures held by public procurement in Ethiopia (and in other countries too) is difficult. Ethiopia has been undertaking procurement reforms since 1998; and in 2002 the World Bank recommended various procurement reform actions. Since more than 60 percent of the country's annual budget is spent through procurement. The Federal Democratic Republic of Ethiopian

(FDRE) drafted a new public procurement laws and regulations; namely "Federal Government of Ethiopia (FGE) Financial Administration Proclamation [1] 57/1996" and "the Council of Ministers Financial Regulations [1]17/1997." Later on FDRE established a public procurement proclamation under proclamation _ 649/ 2009. However, according to the World Bank sponsored Country Procurement Assessment Report (CPAR), which was released in August 1998, these rules and regulations were not made on the basis of internationally recognized public procurement legal documents and the federal procurement laws and regulations were very weak and not comprehensive. Further, the regulation doesn't put clear distinction between procurement of goods, works and consulting services.

Methods and Measures

Research Design

The study adopted an exploratory research design, qualitative approach, to collect and analyze the challenges of procurement and budget utilization in the public universities. It is used in order to get a better understanding (Creswell, 2002), enhanced information of procurement and budget utilizations practices in the Ethiopia public Universities and to generate ways to improve both procurement and budget utilization practices. The study examined: (1) public procurement practices and its challenges (2) the way forward for public procurement, (3) the challenges of budget utilization, and (4) the way forward for budget utilization in Ethiopian Public Universities.

Research Approach

The qualitative research approach was undertaken in the form of in-depth literature review, in-depth interview and focus group. It involves qualitative studies using focus group discussion and interview of higher officials and thos who are working directly in the aforementioned subjects.

Population and Unit of Analysis

This study was purposely chosen three from the ten public Universities in Amhara regional State in Ethiopia; namely, Wollo University, Gonder University, and Debre Berhan University. These universities provide potential data and can represent remaining universities and carrying out wider and many types of disciplines (services) compared to other universities. Study comprised of higher officials (top level), directors and those who are working in Procurement and budget sections in the selected universities. The integration of these units of analysis provided appropriate information on the challenges of procurement and budget, and its remedies in both cases.

Identification of Challenges of Procurement and Budget Utilization

In-depth literature review was conducted to identify the challenges of procurement and budget utilization that helped the researcher in highlighting. This was

followed by data collection from the realistic environment over the targeted samples using two qualitative data collecting techniques; namely, depth interview and focus group discussion engaged in the field.

Sampling Method

Purposive sampling and snowball sampling were used in this study. The sample sizes of 15 participants (5 from each university) were selected for interview and include: procurement directors and officers (purchase pool unit), budget officers, finance director and officers, market price assessment officers, audit director and officers, anti-corruption and ethical directors and users. Focus group discussion members were selected using nomination (chain referral sampling), one focus group with 4-6 participants from each 3 university.

Research Instruments and Data Collection

Open-ended questions and additional ad hoc questions were asked to clarify the given responses and enhance the productivity of the interview process. Data from these sessions were recorded in note form and summarized immediately after each session by researchers. All communications during data collection were made in the local language, Amharic. All questions and data collected were translated into English for reporting purpose in the study.

Guiding Questions: 1) what are the procurement challenges in the public universities in Ethiopia? 2) What are the budget utilization challenges in the public universities in Ethiopia? 3) How can public procurement in public universities be improved? 4) How can budget utilization in public universities be improved? 5) If any other suggestion for this study, please specify it.

Subsequent questions were followed in response to the above depth-interview and focus groups discussion.

Data Analysis

The qualitative data collected during all the depth-interview and focus-group sessions were analysed using frequencies, rankings and content analysis.

The resulting categories were analysed in relation to the results of the literature review in order to see how well the set of data obtained through the literature review represented the patterns in the set of coded data. New patterns would emerge from the data that could be added to the results of the literature review.

Data Analysis and Presentation of the Research Findings

Depth-interview and Focus Group Discussion were held with the following major topics: i) Procurement challenges and ways to overcome the challenges, ii) Budget utilization challenges and ways to overcome the challenges

Procurement challenges in Public Universities:

The following questions were raised at the interview and focus group discussion

session, and identified the challenges as shown below.

Question 1: What are the procurement challenges in the public universities in Ethiopia?

Excerpt i: extracted challenges while discussion session are: - procurement takes long time, Delay in payment request, Delay in approval of payment request (delay on the hands of: project advisor, project officer, and finance officer these which all lead to corruption. Pro-forma is used instead of request for quotation, three different pro-forms are provided by one vendor who may have three different stamps; Fro-forma process is not supervised by independent persons, done only by procurement pool/unit; Suppliers are negotiating with pro-forma managing units/ individuals; Pro-forma threshold sometimes prepared deliberately by dividing requisition or demand into parts or sub amounts. Missing some specification issues and Confusion with some figures (for- example one packet pen may not contain exactly 50 piece of pen, one packet of paper might contain 400 piece of sheet or some cases 500 of sheet); some supplies which are used for food in cafeteria like egg, teff, rice lacks specification; Lack of specialized staff who state specification as technology change; Deliberately abusing stated standards/ specifications by suppliers by giving another meaning. For construction contract Bid winners/ suppliers not perform works on agreed time; Suppliers not provided supplies as per agreement or as per sample/specification. Flow of procurement is not transparent to others university community and it is not displayed soon after finalizing of procurement; Responsible for procurement is indifference among procurement units in the case of pro-forma procurement; Current market price assessment not taken accountably; There is some variation between assessed market price and procurement purchased price; there is time gap between assessed price and purchase price.

Subsequent questions were followed in response to the above interview and focus groups discussion. There were made an effort to identify more challenges and solutions until saturation of data reached.

Focus group discussed regarding challenges of Procurement in the Universities include: Purchase requisitions of various property using departments and units are not collected and compiled timely as procurement time schedule or plan. Using departments or units need properties and services at near time to the use of properties and services to run operation and serve their customers. Users of properties do not worry about the procurement procedures. Delay in payment request and approval: this is delay by project advisor or project officer to approve stage of activities done by construction contractor as per design or as required quantity, delay to approve payment document or voucher all these which leads to corruption. The pro-forma procurement process was undertaken

alone the pool unit members. This whole distribution and collection of pro-forma to and from suppliers perhaps undertake by single member of a pool because they know each other what are going on during pro-forma which more resulted in lack of dissemination of information to public community

Setting and description of standards and specification of an item which are employed in a given procurement is a challenge. Consequently, in more procurement case specifications is abused by suppliers or winners and affect the quality and quantity of properties and services obtained via procurement. Contracts between university and vendors sometimes are not administered as per agreement. The construction and other types procurements have followed by contract which gives right to bid winner to sale the properties and services to public universities, and obligation to public universities to pay the money amount of those properties and services to procurement bid winners or vendors but Some vendors are not performing as per contract which affects quality, quantity and efficiency of the procurement

Some bidders win the bid by lowering price and enter in to contract for supplying procurement for time contract, but the price is fluctuating from time to time, in this case the law requires price adjustment. Consequently, it results in corruption unless the current price assessment is done efficiently. As a result of depth interview and focus group discussion, data from excerpts i was coded and the following summarized challenges were identified and include: Delay in procreant, Pro-forma elusion, Specification (standard) setting, construction contract administration, Accountability and Transparency.

Ways to Improve Public Procrument in Public Universities

The following major question was raised at the interview and focus group discussion session and identified the following ways as shown below.

Question 2: How can public procurement in public universities be improved?

Excerpt ii: extracted ways while discussion session are:- Accurately including assessed purchase requisition or demand; Improving procurement staff skills; Awareness creation, developing transparency and trust; Creating compliant servants; Having well trained technical profession for setting standards (specifications) and procurement documentation; Pro-forma flow shall be supervised and controlled independently; Accurate specification shall be stated fully so as to prevents pro-forma elusion; University shall set new managerial mechanism for contract administration. Subsequent questions were followed in response to the above interview and focus groups discussion. There were made an effort to identify more challenges and solutions until saturation of data reached.

The following points are duly discussed regarding strategies (ways) to improve procurement in public universities: Need

for purchase requisition nearly supervised by procurement unit. To do this procurement unit shall approach to prospective users' unit or department andfacilitate them to submit their need timely to procurement unit. Public universities shall have well trained technical professionals who exercise their due care in setting standards and specifications of a property employed in procurement as technology changes from time to time. To manage and control pro-forma dodging by suppliers and vendors during purchase process, public universities shall design new strategies unless open bid is in use. Pro-forma process or flow shuld be supervised idepedently. Internal control of procurement particularly to property warehouse shall effectively be operated to reduce re-purchase or purchasing of a property already in store. Market assessment price shall reveal on the date of pro-forma distribution. To create public trust and transparency, it needs the procurement statements of report in short descriptive ethical manner, way of procurement, resources employed in procurement, bid winners or suppliers and responsible units or teams of procurement that shall be displayed on public board.

Budget Utilization Challenges in Public Universities in Ethiopia:

The following major question was raised at the interview and focus group discussion session and identified the following points considered as a challenge to budget utilization in public universities.

Question 3: What are the budget utilization challenges in the public universities in Ethiopia?

Excerpt iii: extracted challenges while discussion session are: - Lack of adequate and experienced budget experts; there is poor market-oriented cost estimation practice; there is no accountability in budget utilization; Institutional regulation regarding Budget transfer; Delay in availability fund from ministry of finance and economic development**.** Subsequent questions were followed in response to the above interview and focus groups discussion. There were made an effort to identify more challenges and solutions until saturation of data reached and the following were discussed regarding challenges of budget utilization in the universities include: Lack of continual determination and report of budget balance in each budget cods; Qualitative analyses demonstrate that there was no accountability in budget utilization, there is no market-oriented cost estimation practice; Lack of adequate and experienced budget experts is other issue that contributes to worsen the problems, Lack of continual determination and report of budget balance in ach budget cods and also there is no evidence-based evaluation mechanisms in the budget utilization at each level of the public unvisited; Weakness of internal control to follow budget utilizations

Ways to improve Budget Utilization in the Public universities

The following major question was raised at the interview and focus group discussion

session and the discussions identified the following points to improve budget utilizations practices in public universities as shown below.

Quesition 4: How can budget utilization in public universities be improved?

Excerpt iv: extracted points while discussion session are:- Assuring the availability of budget before entering in to obligation; by encompassing well planned budget transfer; properly preparing budget request document to Ministry of finance and Economic cooperation; there shall be continual determination and report of budget balance in ach budget cods. Subsequent questions were followed in response to the above interview and focus groups discussion. There were made an effort to identify more challenges and solutions until saturation of data reached and the following were discussed regarding strategies (ways) to improve budget utilization in public universities include: Creating awareness and Transparency for budget unit staff in pricing in preparation of budget; Creating ethical value and experts for budget unit staff in budget utilization; Increasing internal control and accountability of the public university**.** These emerging patterns and themes above were generated through confirmation and reconfirmation the challenges and strategies (ways) to improve procurement and budget utilization.

Summary of findings

The major challenges identified in implementation of public procurement are: delay in procreant; pro-forma elusion or dodging; specification (standard) setting; contract administration (especially construction contract); accountability and transparency.

The mechanism to improve procurement practices are: accurately including assessed purchase requisition or demand; Improving procurement staff skills; awareness creation, developing transparency and trust; Creating compliant servants; having well trained technical profession for setting standards (specifications) and procurement documentation; supervising and controlling of pro-forma procurement independently; accurate specification shall be stated fully so as to prevents pro-forma elusion; setting new mechanism for contract administration by University. As it was supported by participants in the discussion, a transparent procurement process requires law-making and administrative actions such as transparent procedures, fair pre-qualification actions, protection against corruption, and transparent choice of the winning bidder, also clear and comprehensive bidding documents, and contracts.

Regarding Budget utilization challenges, the following are identified: lack of adequate and experienced budget experts; there is poor market-oriented cost estimation practice; there is no accountability in budget utilization; Lack of continual determination and report of budget balance in ach budget codes and institutional regulation regarding Budget

transfer; Delay in availability fund or delay of requested fund from ministry of finance and economic development.

Ways to improve budget utilization are: having expert staff, encompassing well planned budget and transfer; properly preparing budget request document to Ministry of finance and Economic cooperation

Conclusions

As far as a practical contribution is concerned, this study showed that there are challenges in procurement and budget utilization that need to be closely monitored and improved by the management of the universities. The management could use these aforementioned for being effective and efficient so as to achieve their goals. This extends to better delivery of services, for instance, teaching learning, and research and community service. Being able to understand how various challenges (factors) impact on the procurement and budget utilization would eventually enable universities to design the service-delivery process in an efficient manner. Also, done in full awareness of the strengths and weaknesses of these and their effect may help to allocate resources appropriately so as to deliver better service to students. Identifying the major challenges in both procurement and budget utilization and knowing startegies in such cases, have its own importance for improving the service given by the universities. Improved university services would lead to improving the quality of education and thereby producing better graduates and would therefore play a significant role in the development of a country.

Limitations of the study

Since the respondents of this study came from three universities in Amhara Regional State, It was very difficult to conduct focus-group discussions with higher officials, as they were very busy. Some of the officials in the area were also not cooperative for interview and for showing accounting documents perhaps results obtained could not be similar in other states in general and universities in particular and this could limit the generalizability of the results.

Recommendations

Informed with the challenges and solutions has paramount importance so as to take measures in the following: Managers of the universities need to take corrective action on delayance of procurement and pro-forma purchase. Managers of the universities have to provide training for those who are developing specification. Great attention should be taken in the contract Administration (especially construction contract) activities as this area has much more capital is invested. The university has to work much on accountability and transparency through creating awareness. The university has to have qualified employees in order to effectively and efficiently address its objectives. There is need to deal Ministry of Finance and Economic Development regarding delay in availability of fund.

Possible further research

In order to improve the generalizability of the results, future studies should involve in other universities and conducting this type of research with number of respondents. Despite the best efforts to identify those challenges, there might be unobserved areas that could be investigated as additional challenges, and important for improving procurement and budget utilization practices. Hence it is recommended that further interview and focus groups discussion in different universities should be conducted.

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Self-Driven Consumer Diagnostics Businesses in National Capital Region (NCR), India

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ABSTRACT

The Indian Diagnostics services market is estimated around $ 3.5 billion. The market has witnessed a considerable growth rate since 2012 ($ 2.5 billion) and it is estimated to reach $ 5.5 billion by 2020. The diagnostic and pathological test market has a potential to grow at a CAGR of more than 17%. Currently, more than 1,00,000 diagnostic and pathology labs including specialized laboratories, laboratories in hospitals and nursing homes, and small testing centres are operating in India. Of these, only about 10 – 12 percent of the market is organized and composed of laboratories with proper accreditation[3]. The research reveals that there is an ongoing shift from unorganized and non-branded providers to the organized and branded diagnostic chains that provide higher quality and reliable services. The present paper attempts to offer insights into the Indian market with special reference to Delhi/ NCR (Noida, Faridabad, and Gurgaon), with regard to: current players in the diagnostics market, the consumer decision making process for selecting diagnostic facilities, and an understanding of consumer preferences and motivators and/or influencers of brand choice.

***Key Words**: consumer diagnostics, self-driven/ preventive diagnostics, consumer perception, consumer behaviour and decision making process.*

Introduction:

The Indian Diagnostic services market is estimated around $ 3.5 billion. The market has witnessed a considerable growth rate since 2012 ($ 2.5 billion) and it is estimated to reach $ 5.5 billion by 2020. The diagnostic and pathological test market has a potential to grow at a CAGR of more than 17%.

Currently, more than 1,00,000 diagnostic and pathology labs including specialized laboratories, laboratories in hospitals and nursing homes, and small testing centers are operating in India (70 per cent offer pathology services and 30 percent provide radiology and imaging such as MRI, CT scan X-ray and ultrasound scan). Test volumes range from 50 to 100 samples per day for one laboratory located in a small town to several thousand samples per day for a major laboratory in a city. Currently, only about 10 – 12 percent of the market is organized and composed of laboratories with proper accreditation[3].

The research reveals that there is an ongoing shift from unorganized and non-branded providers to the organized and branded diagnostic chains that provide higher quality and reliable services. In the future, this market is expected to become more organized and consolidated as the government exerts greater control and as small and independent laboratories become franchisees in the hub and spoke model of the larger players. The healthcare and diagnostics services are experiencing the emergence of both domestic and international players in developing innovative diagnostic tests and advanced healthcare information technology solutions that help improve patient care. This industry is driven by prescription based diagnostics and the focus on self-driven and preventive diagnostics is meager. The Indian Diagnostic Industry has ignored the substantial opportunities that are available in consumer diagnostic sector due to increase in demand driven by rising disposable income, increase in lifestyle diseases, rising consumer awareness and changing regulatory landscape.

It is must for the companies operating in the diagnostic business to understand the Indian consumer behavior before making expansion strategies in this market. The present paper is based on a consumer research conducted to understand the Indian market with special reference to Delhi/ NCR (Noida, Faridabad, and Gurgaon). It is expected that the outcomes of this consumer behavior research will offer insights regarding current players in the diagnostics market, the consumer decision making process for selecting diagnostic facilities, an understanding of consumer preferences and motivators and/ or influencers of brand choice. This will give the market players an understanding of the approaches adopted by various players in seeking a sustainable entry into the business.

It is an accepted premise by the industry that a company must understand the domestic consumer behavior so as to successfully enter into the Indian consumer diagnostic business and also to make concerted efforts to pursue either growth or diversification strategies in the industry; and to meet this objective, many a company invests in conducting highly focused consumer research and understanding the multiple dimensions of the consumer diagnostics business in India. When such as study focuses on a market like Delhi/ NCR (Noida, Faridabad,

Gurgaon), one can hope to gain invaluable insights into the market, market players and consumers as well, that can offer insights into the pan-India market as well. As such, the study done and the results obtained, is seen as a critical input in understanding the diagnostic services industry and its constituent players, and consumer preferences and motivators or influencers of brand choice.

Research Methodology :

The major objective of this research was to help one of the major diagnostic service providers of Delhi and NCR region in marketing their services directly to consumers without being overly reliant on prescription based business. The researchers, working as independent consultants, identified following research questions for the purpose of study:

- Who are the major players operating in Indian diagnostic market?
- Who is the target audience for self-driven consumer diagnostics in Delhi-NCR?
- What is the consumption pattern – frequency, type of tests etc. across different types of services?
- How these services are used and what are the key needs that consumers seek to address through their self-driven purchase?
- What is the decision making process for the selection of diagnostic service provider and what all factors influence their decision?

The researchers made use of exploratory research design and data was collected with the help of structured interview. A structured interview survey design was used because it was an efficient way of collecting varied amount of information from the target audience pertaining to the diagnostic and pathology lab preference, motivators and media influencers. The survey design used both open ended and closed ended questions related to research objectives. The field survey was conducted during 2016-17 and results presented early 2018.

The sample design selected for the survey was agreed upon mutually between the project assigned client and researchers, to suit and meet the budgetary and time lines limitations provided, without any bias either towards or against the funding client (the client organization, Quest Diagnostics Services, who assigned the study to the researchers desired that the study is done without any bias towards either the company or to the industry, so as to ensure the research and the findings are bias-free) Eligible respondents were adults between the ages of 25 to 50. The selection of survey respondents was done by convenience sampling. The survey was conducted in all regions of Delhi and NCR. A total of 832 respondents were interviewed with 100 percent response rate towards all questions of the questionnaire. The demographic composition of the sample was as given in Table 1.

Tables and Charts

Table 1: Sample Composition

Composition of Sample (n = 832)			
Location	Age	Gender*	Income (in Lacs)
Gurgaon: 135 Faridabad: 98 Noida: 125 East Delhi: 150 West Delhi: 125 North Delhi: 74 South Delhi: 125	25-30: 324 31-35: 200 36-40: 110 41-45: 90 46-50: 77 Above 50: 31	Male: 633 Female: 199	(i) < than 2.5:177 (ii) 2.5 – 5: 340 5 – 10: 248 10 & above: 67

(Source: Researchers' data)

**According to data the ratio of Female to Male working population of India is 1:3. Thus the ratio of Female to Male is 1:3 (Approx.).*

Table 2: Major Players

Major Players	Geographical Coverage	Business Model	Network	Remarks
SRL Diagnostics	Nationwide	Hub & Spokes (Franchise model of sample collection)	4000 collection centers, 246 network labs and 11 large reference labs and 4 centers of excellence	Invested about INR 450 crore and open 45 new laboratories across India in 2014-15[4]
Metropolis	Nationwide	Hub & Spokes (Franchise model of sample collection)	125 network labs, app. 500 collection centers	Looking to invest $ 8 million to add 35 more labs and 200 more collection centers[5]
Dr LalPath Labs	Nationwide	Hub & Spokes (Franchise model of sample collection)	160 Clinical Labs and 1300 Patient Service Centers	Growing at a CAGR of 25%[6*]
Thyrocare	Nationwide	Hub & Spokes (Franchise model of sample collection)	Centralized set-up in Mumbai and 1200 collection centers	Planning to have a Laboratory in every Indian City with an Airport[7]

**Dr Lal PathLabs enjoy highest brand awareness and share of mind. It is growing at a rate much above the industry growth rate due to its consumer marketing strategies.*

Chart 1: Frequently taken Diagnostic Tests

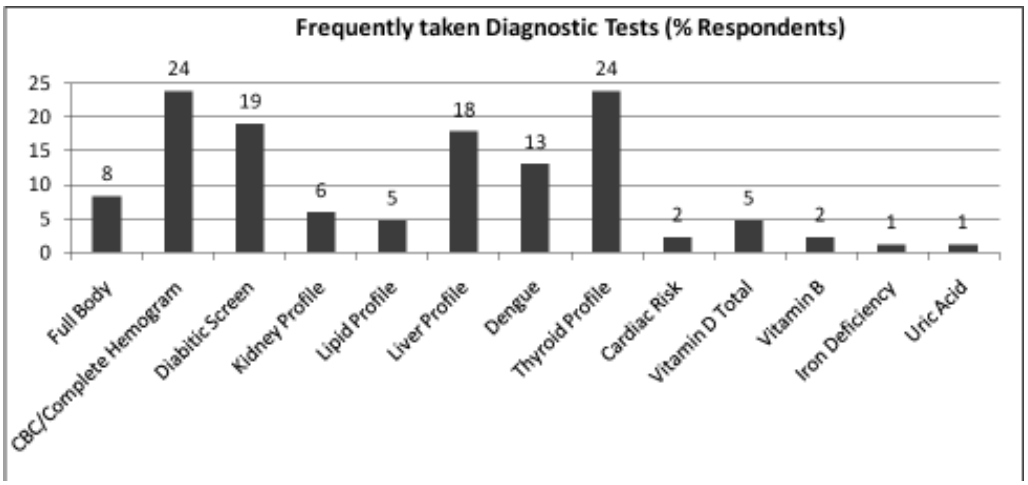
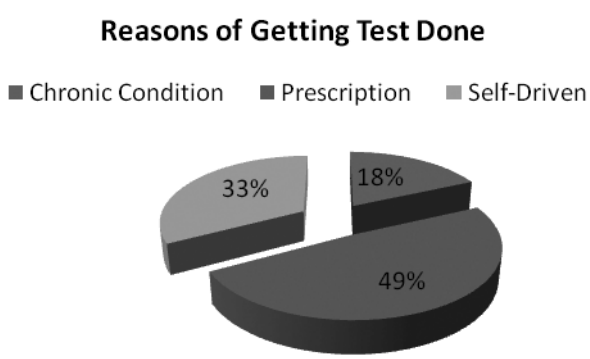


Chart 2: Prescription Vs Preventive Testing



The data analysis was done using simple descriptive statistics (Graphs & Charts) with the help of using MS Excel.

Literature review:

Consumer diagnostics industry in India: According to CII-KPMG Report (2013), the Indian diagnostic services market is estimated around $ 3.5 billion. As per Diagnostic Testing & Technology Report (2013), the market has witnessed a considerable growth rate since 2012 at US $ 2.5 billion, and it is estimated to reach US $ 5.5 billion by 2020. The diagnostic and pathological test market has a potential to grow at a CAGR of more than 17%.

Currently, more than 1,00,000 diagnostic and pathology labs including specialized laboratories, laboratories in hospitals and nursing homes, and small testing centers are operating in India (70 per cent: pathology services and 30% provide radiology and imaging such as MRI, CT scan X-ray and ultrasound). Test volumes range from 50 to 100

samples per day for one laboratory located in a small town to several thousand samples per day for a major laboratory. In a report from Indian Diagnostic Service Market Outlook 2015, only about 10 - 12% of the market is organized and composed of laboratories with proper accreditation.

In the study conducted by Sahoo (2013) it was observed that the diagnostics industry was around 2.5 per cent of the overall healthcare industry and it comprises of around 40,000 independent path labs and more than 60,000 referral labs collection centers. Referral labs mainly using a high class logistics system to obtain their marketing and face value in the market and they are successful doing these with the accurate test results.

Consumer behaviour: According to Hoyer and Maclnnis (2007), 'Consumer behaviour reflects the totality of consumers' decisions with respect to the acquisition, consumption, and disposition of goods, services, activities and ideas by (human) decision-making units over time.'

The complex and unpredictable behavior of consumers, and highly competitive marketing environment has made it mandatory to understand the factors governing consumer behavior towards diagnostics centers for the long-run existence of a company (Sahoo, 2013).

In a survey report of Zhang, Chong and Wang (2014) on community pharmacies in Macau, it was indicated that that local residents take price level as the most important factor in choosing community pharmacy and pay more attention to the product efficacy and quality in choosing products.

Rosenstock (1966) designed a conceptual model known as Health Belief model designed to explain demand for both diagnostic and preventive (self-monitoring) visits to the doctors and hospitals. Rosenstock proposed a relationship between the stage of readiness and intensity of stimuli in terms of communication i.e. if readiness is high even a weak stimuli can work and in case of low readiness a strong stimuli is required. We can interpret this with respect to diagnostic services as well. If a consumer is identified with a disease the prescription of tests by a doctor itself works. On the other hand for developing self-monitoring or preventive diagnostic market, the companies need to improve the readiness level of the consumers towards lifestyle diseases or they need to use intensive stimuli in the form of communication campaigns.

Analysis and Findings: The key analysis based on descriptive statistics is exhibited in the charts below:

Major Players: The organized diagnostic market is equally occupied by major domestic and international participants in India. The desk research revealed that only a few players have a strong network of labs and collection centers in Delhi NCR. Thus for this survey, brands considered in organized diagnostic industry are – Metropolis Health Services, SRL

Laboratories, Dr LalPath Labs, Quest Diagnostics and Thyrocare. These players are chosen on the basis of their collection centers and network of labs operating in this region. Table 2 offers these details.

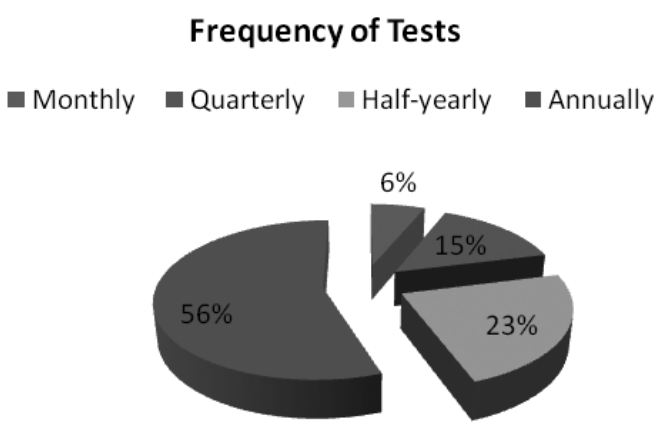
Frequently taken Diagnostic Tests: A shift in the disease profile can be noticed from past decade. Previously, communicable diseases were the biggest health threat. Now, with adoption of some of the negative influences of modern lifestyles, chronic diseases including diabetes, heart disease, and cancer are growing in prevalence—all of which require diagnostic testing.

The data collected from Delhi NCR substantiates above mentioned reasons. 24% of the respondents have taken thyroid and the same number have undergone complete blood count test. 19% of the respondent underwent diabetic screen test and almost a similar number i.e. 18% of respondents had taken liver profile (Chart 1). Most of these tests are routine in nature.

Prescription Vs Preventive Testing: The data further reveals the prime reasons/ conditions which compel people to undergo diagnostic testing. Though the prescription based testing (49%) is the major reason while self-driven monitoring (33%) is also picking up pace in the age-groups of 25-30 and 31-35 years as given in (Chart 2). Thus, the opportunity for preventive diagnostics exists in this region and company has an opportunity to develop its market in this category.

Frequent Health Check-ups: Additionally, majority of the respondents (56%) take diagnostic tests once a year and another 23% undergo tests half-yearly. The percentage of monthly (6%) and quarterly (15%) testing is comparatively low (Chart 3). Thus, the company can devise annual and half-yearly packages for its regular customers. At the same time the company can also educate it's customers regarding the need and merits of frequent health check-ups.

Chart 3: Frequent Health Check-ups



Brand awareness for Diagnostic Labs: When the respondents were asked about their awareness for a particular brand and its associated characteristic, it was found that Dr LalPath enjoy, the leading position with highest awareness (52%). SRL stood at number two position with 22% brand awareness rate. Quest Diagnostic lags far behind with just 5% brand awareness (Chart 4). This may suggest that the client needs to explore appropriate consumer marketing measures to build further upon its brand awareness and brand recall among the consumers.

Key brand associations across Brands: Key factor of brand association for all the labs considered has been 'popularity'. Substantial number of respondents (42%) associate Dr Lal with 'being popular' (Chart 5). This brand association of being popular can be attributed to the huge advertising spend done by Dr Lal.

An equal number of respondents perceived SRL laboratories as 'being trustworthy and providing quality services' (26% each); Metropolis is perceived high on 'quality of service' with 33% favorability. Apart

Chart 4: Brand awareness for Diagnostic Labs

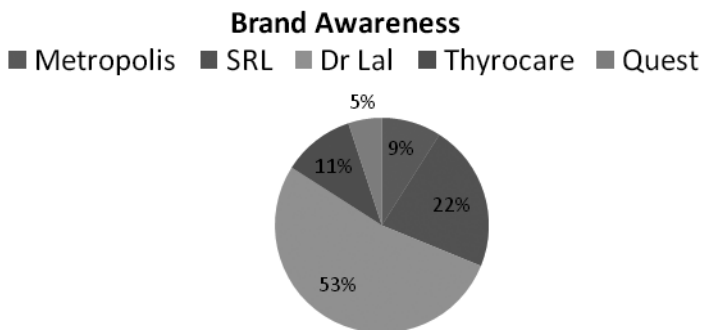
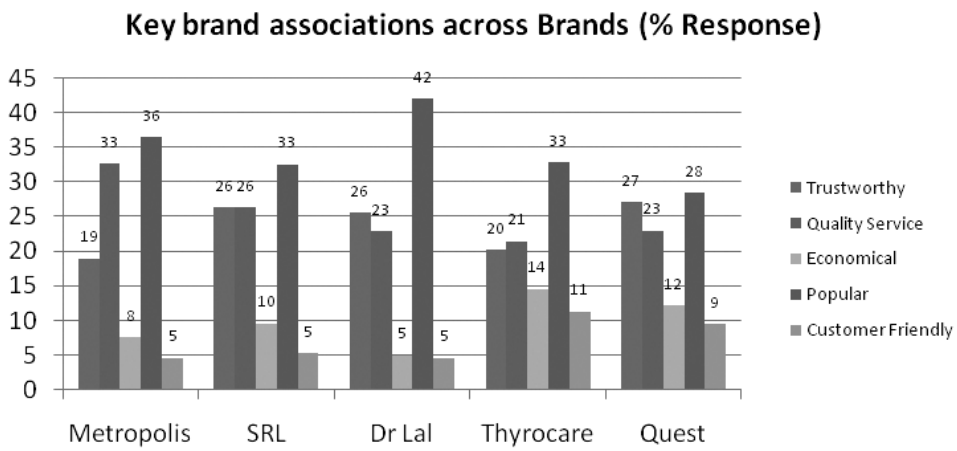


Chart 5: Key brand associations across Brands



from other factors, Thyrocare is perceived slightly high on 'being economical' and 'being customer friendly' amongst others with 14% and 11 % respectively. Quest is perceived as 'being trustworthy' with 27% responses.

Preferred Diagnostic Centers: The research suggests that amongst the existing branded/organized players, Dr Lal Path is the most preferred diagnostic center by the respondents. The reason of preference can be linked to its popularity (Chart 6). Significant number of respondents preferred local/unorganized players for their diagnosis.

Recommendation and source of recommendation for choosing diagnostic center: The possible reason for the preference could be attributed to recommendation from different sources (Chart 6). Further, when asked for source of recommendation, majority of the respondents (79%) with their doctor's recommendation (Chart 7-a, 7-b).

Motivators for Diagnostics Center Preference: The research further investigated the motivators for preference of diagnostics centers on following grounds- Source of communication, Convenience, Quality of Service and Price.

Chart 6: Preferred Diagnostic Centers

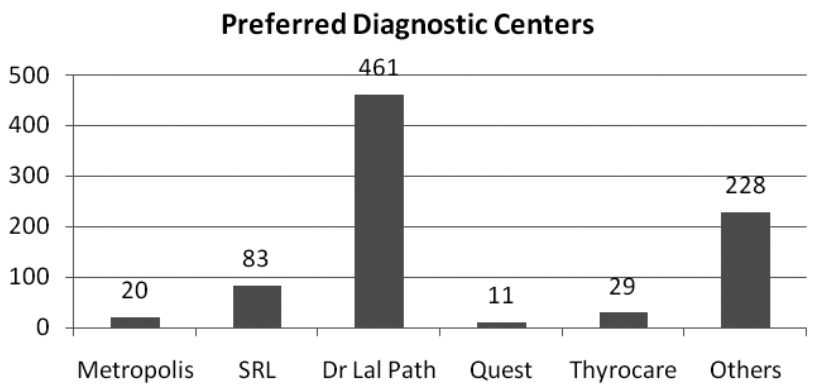


Chart 7: Motivators for Diagnostics Center Preference

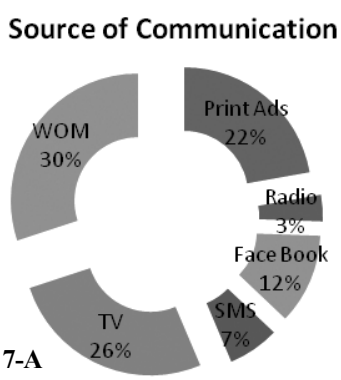


Chart 7-A

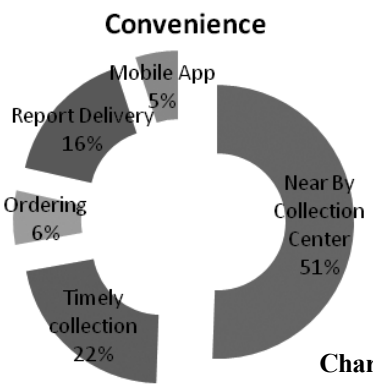


Chart 7-B

Chart 7-C

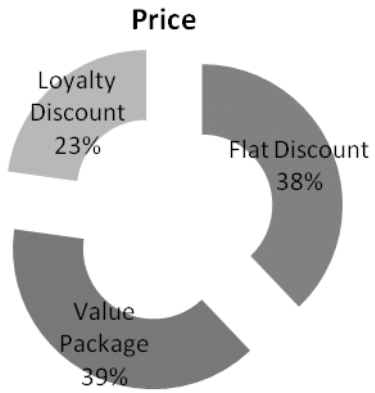


Chart 7-D

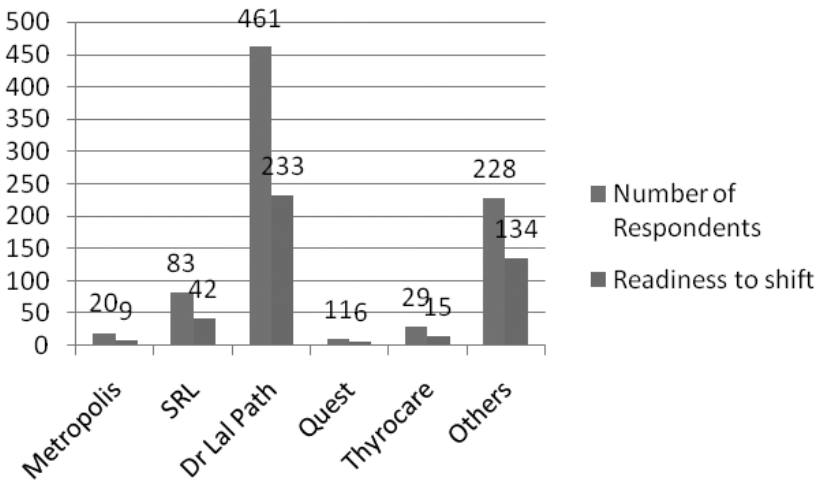
Source of Communication: With reference to source of communication, it was found that the Word-of-mouth (WOM) was the most preferred source of communication, followed by television and print ads (Chart 8-a).

Convenience: Due to the busy schedules and hectic lifestyles, nearby collection center and timely sample collection were given major importance by the respondents (Chart 8-b).

Quality of Service: The anticipated factors of the diagnostics industry are accuracy of report, hygiene of the diagnostics lab followed by expertise. Not surprisingly, the research also substantiates the same (Chart 8-c).

Price: The growing awareness of health risks and preventive measures calls for value packages (39%), wherein respondents can go for multiple diagnostics tests at discounted prices. Another 38%

Chart 8: Consumer Willingness to Shift



of respondents shared that they will prefer flat discounts. The company also has an opportunity to capitalize upon its loyal customers by providing them loyalty discounts (Chart 8-d).

Consumer Willingness to Shift: Despite having a preferred diagnostics center, more than half of the respondents (53%) were willing to shift their preferred diagnostics lab. No particular diagnostics center enjoys extra-ordinary loyalty as each of them had around half of their consumers willing to shift (Chart 9). It was interesting to note that the users of the most preferred Dr LalPath Lab were also ready to shift (app. 50%) if provided with better choice. After analyzing the stated reasons to shift, it was found that consumers are looking for:

1. Better Customer Service
2. Low Prices
3. Accuracy
4. Better Deals/Offers/Discounts
5. Convenience

This also provides an insight to the company that it can either capitalize on industry hygiene factors such as accuracy and economy or can craft a niche for itself by differentiating on better and friendlier customer service. However, this requires to be explored further.

Another 47% of the respondents were not willing to shift from their current preferred lab on account of:

1. Loyalty
2. Satisfaction

Key Consumer Expectations from a Diagnostics Lab: When asked, what is more important from a diagnostics lab, a significant number (62%) preferred home collection over discount offers (Chart 10). This again may be attributed to a 'money-rich' and 'time-poor' orientation.

Impact of Advertisements: The research also explored the impact of advertising on consumer decision making process with respect to diagnostics services. The respondents were asked to recall the ads they have seen in the recent past, to share the information regarding the call to action mostly used by them to collect information and to know if ads motivate them to go for a test and how advertising influence, their lab selection (Chart 11).

Advertisement Viewership & Brand Recall: A large majority (622) of respondents have seen the diagnostics lab advertisements in recent past and when asked to recall the brand were able to do so. As indicated earlier, Dr Lal benefits from the highest mindshare followed by SRL (Chart 12). It's quite possible that Dr Lal Path Lab's benefits from high top of mind brand recall without having expanded the level of resource required reaching this level of popularity.

Preferred call to action: Surprisingly, significant number (44%) of the respondents prefer to visit the address to know more about the diagnostics center advertised (Chart 13). A good proportion of the respondents also prefer to either call the number or visit the website.

- Almost half (46%) of the respondents visit a collection center or call for home collection after a trigger generated from the advertisement.
- A large majority (71 %) of the respondents said that they were motivated to get a diagnostics test done after seeing an advertisement or promotion.
- Another half (45%) of the respondents shared that they are guided by advertisements while selecting lab.

Preferred Medium: When asked about the media consumed by the respondents, it was found that being an audio-visual medium; Television is obviously gaining maximum attention (Chart 14). Given smart phones and internet penetration, online medium is also a close second.

Recommendations and Conclusions:

- The Indian diagnostics market is poised to grow at a CAGR of 17% & above. This opens the consumer market for branded players. Further shift is noticed from unorganized/ non-branded diagnostics labs to organized/ branded labs. Thus, thus is the right time for the diagnostic companies to build self-driven diagnostic brands by communicating directly to end-users.
- Tests such as full-body wellness, thyroid, liver, CBC, Diabetic, lipid etc. tests are most frequently taken by respondents as self-driven monitoring/ preventive check-ups on annually and half-yearly basis. The respondents in the age-group of 25-30 and 31-35 and in the income bracket of more than 5lacs per annum are more inclined towards self-driven diagnostic tests.
- A large majority of the consumers preferred a based on recommendations and Doctor's recommendations play an important role. However, availability of collection centers and local promotion has made Dr Lal Path Labs to enjoy significant mindshare and brand recall among consumers. This suggests that the companies aiming to gain a mind share in self-driven diagnostics should develop a communication program directed at consumers.
- The research revealed that television is the most consumer media but diagnostic companies can also make use of radio and digital channels in reaching out to their consumers.

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Opportunities and Challenges of Investment in Ethiopia: A case of North Shoa Zone of Amhara Regional State

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ABSTRACT

This study has examined the opportunities and challenges of investment in North Shoa Zone of Amhara Regional state of Ethiopia. The study adopts a qualitative type of research design. Specifically the study surveys 50 investment projects conveniently (ten percent of the total population of more than 490 investment projects). Also out of the 27 districts found in North Shoa Zone, 8 districts (Weredas) were selected as a sample purposively. The findings of the study revealed that North Shoa Zone is becoming one of the best investor destinations in Ethiopia in general and in Amhara Region in particular. The main reason for this is that; the Zone has so many investment opportunities in all sectors, favorable weather condition, availability of industry zone in Debre Berhan town, nearness to the capital of the country and port Djibouti, better bureaucracy, favorable investment policy, supply of land free of tender for industry sector, better infrastructures, better supply of raw materials, nearness to the market, availability of labor, Customs duty payment exemption on capital goods and construction materials, Income tax exemption from two to seven years, etc. even though the aforementioned factors attract investors to the Zone, there are also some challenges that hinder the investment activities of existing and potential investors. These are; elongated bureaucracy in some offices, lack of decision making capability by some officers, shortage of sufficient loan supply, contentious power interruption, shortage of foreign currency, unfair tax assessment, limited supply of qualified labor in some fields, road and transportation shortage in some districts, less government supervision, incentive, and follow-up, shortage of raw-materials, lack of quality on some raw materials supplied locally, limited market linkage.

1. Back Ground of the study

The notion that raising the investment rate is key to long run growth that has been at the heart of growth. The strong association between investment and long term growth performance is a well-established empirical fact (Kuznets, 1973). Investment constitutes an important macroeconomic component that matters for economic growth (Collier and Gunning, 1999). According to Barton (2005), definitions of investment tend to be broad and open-ended, with a list of specific types of

covered investments which are indicative rather than definitive. Mertonson (2010) noted that, the term 'Investment' is typically ambiguous. Parker (2010) notes that, Economists usually reserve the term investment for transactions that increase the magnitude of real aggregate wealth in the economy. This includes mainly the purchase (or production) of new real durable assets such as factories and machines.

Many developing countries (LDCs) particularly in Sub Saharan African (SSA) have relied on private investment to solve their economic problems. Specifically; private investment increases employment opportunities; attracts foreign investors living and working abroad to invest in the country and increases new technology in the country.

According to the Investment Proclamation No. 769/2012, the investment objectives of the Federal Democratic Republic of Ethiopia are designed to improve the living standards of the people of the country through the realization of sustainable economic and social development. To understand the implications for business and investment opportunities of the changes in Ethiopia's business landscape that the GTP promises, a closer look at sector level developments is required. Henok et al (2013) point out a number of key sectors, taking into account each sector's role in the Ethiopian economy, the factors driving growth and development in the sector. As to the researchers knowledge the challenges and opportunities of investment in North Shoa has not been investigated in a scientific manner. Thus, the purpose of this study is to identify the challenges and opportunities of investment in North Shoa zone.

1.1. Statement of the problem

Private investment is one of the major contributors to economic growth and development in both developed and developing countries. This is because through investment, new technology can be adopted, employment opportunities can be created, incomes can grow and living conditions of the people can improve thus, ultimately leading to alleviation of poverty (Matwanga, 2000).

A good investment climate provides opportunities and incentives for firms to invest profitably, create jobs and expand output, thereby increasing private investment and growth. That is why the better the investment climate the higher the levels of private investment are likely to be (World Bank, 2010; Simon, 2005). However, in the poorest developing countries, businesses frequently operate in investment climates that undermine their incentive to invest and grow. Ignacio and Sunil (2011) highlighted seven investment climate constraints that affect the rate of private investment and the survival and growth of firms which are elaborated in literature review part:

To understand the implications for business and investment opportunities of the changes in Ethiopia's business landscape that the GTP promises, a closer look at sector level

developments is required. Henok et al (2013) point out a number of key sectors, taking into account each sector's role in the Ethiopian economy, the factors driving growth and development in the sector. As to the researchers knowledge the challenges and opportunities of investment in North Shoa has not been investigated in a scientific manner. Thus, the purpose of this study is to identify the challenges and opportunities of investment in North Shoa zone.

Industry, agriculture, construction, tourism, and service are the major sectors of investment that this study was focused to identify the challenges and opportunities. This study also tried to study the challenges and opportunities of investment in the Zone. There are 27 districts in North Shoa zone. Among these, 5 are town administrations and 22 are district administrations.

Based on the 2014 data obtained from North Shoa Zone investment Office, the total 584 investment projects that are found in North Shoa zone which found at different stages of completion. Some are fully operating, some are operating partially, others are at the preparation stages to start operation, and several are still at the early stage of construction. Therefore, this study focused to identify challenges facing investment projects that are found at different levels of operation. In addition, this study tried to identify the opportunities available for potential private investors in general at the Zone level and specifically by district level.

1.2. Research Questions

The main research questions that this study answered were;

1. What are the challenges and opportunities of private investment in North Shoa zone in general?
2. What are the challenges of investment in North Shoa zone that faces existing private investors?
3. What are the challenges of investment in North Shoa zone that faced by existing and potential private investors?
4. What are the opportunities of investment in North Shoa zone in each district city administration of North Shoa Zone?
5. What are the opportunities of investment in North Shoa zone for existing private investors?
6. What are the opportunities of investment in North Shoa zone for potential private investors?

1.3 Specific Objectives

1. To identify the challenges facing the existing and potential private investors
2. To explore investment opportunities in each district and City Administrations found in North Shoa Zone that could attract existing and potential investors.
3. To study the investment opportunities available at the Zone level in general.
4. To study the investment opportunities available at the Zone at each district.
5. To improve the Zone's investment flow by forwarding the results of the study

and the recommendation to policy makers.

2. LITERATURE REVIEW

Investment is a crucial pre-requisite for economic growth of a given country, since it allows entrepreneurs to set economic activity in action by bringing resources together to produce goods and services, and making the growth process more socially and geographically inclusive, which expands the opportunities for poor people to participate in and benefit from growth.

Therefore, every government ensures that its policies promote investments and growth. Investment raises the productive capacity of the economy and promotes technological progress through use of new techniques. A study of literature shows that there are mixed views on public and private investments and the matter is not yet settled. Some takes a positive view of public investment and states that public investment stimulates private sector activity through the provision of education, infrastructure, health etc and in this way crowds in private investments. Others however argue that public investments actually crowd out private investment and hinder economic growth.

There are many types of investment. To simplify, one can start by drawing a line between public and private investments, depending on whether the source of the investment is the government or the private sector. A distinction should be made between public entities that operate as state entities and those that act on a commercial basis, operating like any business and competing with private sector entities. To simplify a complex status, which differs across controls, we will note here that the activities of the commercial "public" entities are often regarded and treated as private investment.

Private investment is one of the major contributors to economic growth and development in both developed and developing countries. This is because through investment, new technology can be adopted, employment opportunities can be created, incomes can grow and living conditions of the people can improve thus, ultimately leading to alleviation of poverty (Matwanga, 2000). The private sector is the main engine of growth in market economies. It flourishes and delivers sustained growth when a number of factors combine to produce a conducive environment for the private sector to develop. Private investment is a decisive pre-requisite for economic growth because it allows entrepreneurs to set economic activity in motion by bringing resources together to produce goods and services.

A good investment climate provides opportunities and incentives for firms to invest profitably, create jobs and expand output, thereby increasing private investment and growth. The literature shows that the better the investment climate the higher the levels of private investment are likely to be (World Bank, 2010; Simon, 2005).

However, in the poorest developing countries, businesses frequently operate in

investment climates that undermine their incentive to invest and grow. Businesses seek to maximize the risk adjusted rate of return to investment after tax. Investment climate constraints serve to depress the potential rate of return on investment, increase risk and/or prevent the entrepreneur from capturing the returns on offer. Nebil,et at (2010) states domestic private sector in Ethiopia is still at an early stage of growth due to the legacy of a command economy.

Although some larger private companies are now run by professional managers and boards of directors, most private businesses are family or individual owned. Private sector has remained small because of various obstacles impeding its growth. Medium and large scale private investment as a share of GDP has declined from around 8% in 2004/05 to around 6% in 2006/0714. While registered investments are relatively high, actual investment owns are much lower, since many registered investments fail to materialize or do so very slowly (Nebil, et at, 2010).

A good investment climate not only benefits the private sector, but also society as a whole. It can play a significant role in reducing unemployment by enabling enterprises to grow and increase their profitability. Ignacio and Sunil (2011) highlighted seven investment climate constraints that affect the rate of private investment and the survival and growth of firms: these are Macro level instability, Crime and corruption, Business regulation and licensing, Institutions and the legal system, Taxation, Financial Constraints, Infrastructure.

3. Methods and Measures

3.1 Research Design

The researchers used qualitative type of research design since qualitative research is a system of inquiry which seeks to build a holistic, largely narrative, description to inform the researchers understanding of a social or cultural phenomenon. Under this qualitative research design the researchers applied Survey research a research method involving the use of standardized questionnaires or interviews to collect data about people and their preferences, thoughts, and behaviors in a systematic manner. Other units of analysis, such as groups, organizations or dyads (pairs of organizations, such as buyers and sellers), are also studied using surveys, such studies often use a specific person from each unit as a "key informant" or a "proxy" for that unit if the informant chosen does have adequate knowledge or has a unbiased opinion about the phenomenon of interest (Anol, 2012).

3.2 Target Population

All investment projects in all Weredas and in all city administration as well as all Wereda and town administration investment office employees / 27 Weredas and 492 projects were taken as populations for this study.

3.3 Sample and Sampling Techniques

Because this research studies the challenges of investment at zone level,

samples were taken mostly from different sectors and from 8 different sample Weredas. Our sample size was 10 % (50 Projects) of the total more than 500 population. The reason why 10 % of the population was taken as a sample is to get enough representatives to conclude for the whole population. The other reason was to reduce the effect of the possible non-response rate on the outcome of the research. Then researchers were selected these 50 sample projects from 8 districts out of 27.

The researchers selected Sample districts by using purposive sampling. Researchers used purposive sampling due to the different numbers of investment projects found in each district and the geographical distribution of districts from the zone capital, Debre Berhan. In addition, the researchers selected participant investors /investment projects/ by using convenience sampling technique.

3. 4 Sources of Data

The researchers used both Primary and secondary data sources. Primary data were collected using questionnaires (a research instrument consisting of a set of questions (items) intended to capture responses from respondents in a standardized manner); interviews and observations (involves systematically selecting, watching and recording the constraints and opportunities of investing in the selected district) from officials of the investment office, investors and beneficiaries. The researchers also used Secondary data obtained from reviewing of documents from North Shoa Zone investment office.

3.5 Data Collection Instrument

The necessary data were collected by using questionnaires, interviews and observations as well as by reviewing secondary data sources documents. Questionnaires were used to collect data from investment office employees of sample districts and from investment project Managers or owners of sample projects. Both open-ended and closed-ended questionnaires were used. Interview also used to collect data from Investment office officials of sample districts and from Managers or supervisors or owners of sample projects to crosscheck the data that is collected by using questionnaire. Furthermore, observation of sample projects and districts were conducted by the researchers to see the visible parts of the opportunities and challenges of investment such as land, infrastructure, whether condition, topography, altitude, raw material availability, etc.

3.6 Data Analysis Procedure

Data in this research that were collected by using questionnaire analyzed by using tabulation while the data that were collected by using interviews analyzed qualitatively . The emphasis is on the stated experiences of the participants and on the stated meanings they attach to themselves, to other people, and to their environment. In addition, the data that was collected by using observation and by reviewing

different secondary documents were also analyzed qualitatively.

4. Results and Discussion

Table 1: Sex of Respondents

		Male	Female	Total
1. sex of respondents	#	41	9	50
	%	**82%**	**18%**	**100%**

Table 1 reveals the age of the respondents. As it is revealed 82% of the respondents were male respondents and the rest 18% were female respondents.

Based on Table 2, 4% of the respondents age found to be in the range 18-25 years, 38% in 25-35 years, 50% in 35-50 years and the rest 8% in more than 50 years old.

Table 2 : Age of the Respondents

		18-25	25-35	35-50	>50	Total
2. Age of Respondents	#	2	19	25	4	50
	%	**4%**	**38%**	**50%**	**8%**	**100%**

Table 3: Respondents' Sector of investment

		Agriculture	Industry	Construction	Service	Tourism	Total
3. Respondents' Sector of Investment	#	4	8	14	4	20	50
	%	**8%**	**16%**	**28%**	**8%**	**40%**	**100%**

As Table 3 depicts the majority of respondents 20(40%) were from tourism sector. The rest 28%, 16%, 8%, and 8% were from construction, industry agriculture and service sector respectively.

Table 4: Investment Projects' Stage of Implementation

4. At what level of implementation does your project found?		
	# of respondents	Percentage (%)
Fully Starts operation	22	44%
Partially starts operation	16	32%
Implementation	5	10%
Pre-implementation	7	14%
Total	50	100%

The study result in Table 4 revealed that 44% of the respondents said that their investment project started a full operation. Whereas 32% of the respondents replied that, their investment project started a partial operation. Respondents who said their investment projects at implementation stage were 10%, while the rest (14%) said their projects were at pre-implementation stage.

Table 5(a): The year in which investors acquire investment license & start implementation

	Year	# of resp.	%age	Year	# of resp.	%age
5. In which year do you obtain investment Permit?(E.C)	1995	2	**4%**			
	1996	2	**4%**	2001	7	**14%**
	1997	4	**8%**	2002	2	**4%**
	1998	7	**14%**	2003	4	**8%**
	1999	2	**4%**	2004	4	**8%**
	2000	14	**26%**	2005	2	**4%**

As table 5 reveals most projects (26%) acquired investment license during the year 2000 e.c /by the time the country celebrated the Millennium year/. During the Millennium year the country in general and North Shoa Zone in particular attracted many local, foreign and Diaspora investors. 14% of the respondents replied that they acquired investment license in 1998 e.c, before the Millennium and the same percentage of respondents replied that they acquired license in 2001 e.c. the rest of the respondents acquired license in the year 1995, 1996, 1999, 2002, and 2005.

Table 5 (b) : The year in which investors start project implementation /E.C/

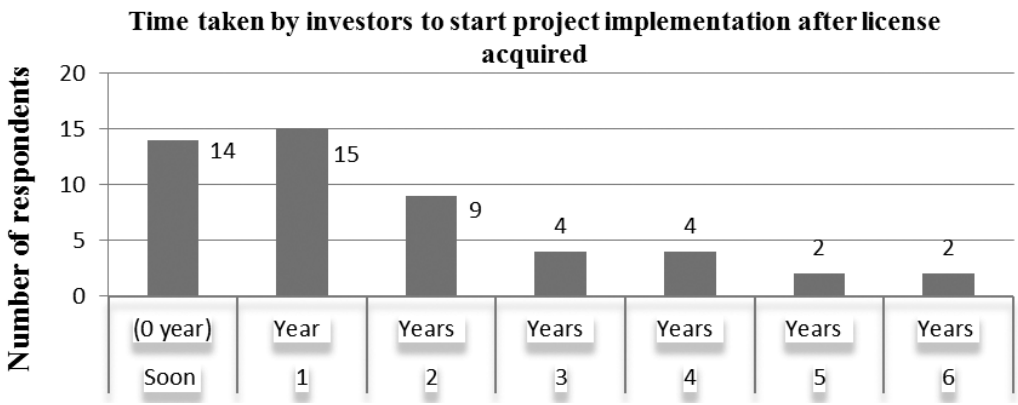
	Year	#	%age	Year	#	%age
6. In which year do you Start Implementing your Project? (E.C)	1996	-	-	2001	10	20%
	1997	3	6%	2002	3	6%
	1998	3	6%	2003	2	4%
	1999	-	-	2004	4	8%
	2000	11	22%	2005	6	12%
				2006	8	16%

Table 5 (b) discloses the year in which investors started project implementation after the acquisition of investment license. As it is seen above the majority of the projects (22 & 20%) started implementation in the year 2000 & 2001 e.c, during the millennium and immediately one year after the millennium. This was because most projects acquired license in the millennium year, 2000 e.c. The rest of the respondents 16%, 12%, 8%, 6% (3x), and 4% started implementation the year 2006, 2005, 2004, 2002, 1998, 1997, and 2003 e.c.

Table 6: Time taken by investors to start project implementation after license acquired

Years investors take before stating implementation.	Soon (0 year)	1 Year	2 Years	3 Years	4 Years	5 Years	6 Years	Total
Number of respondents	14	15	9	4	4	2	2	50
Percentage (%)	28%	30%	18%	8%	8%	4%	4%	100%

The information presented in the above table 6 is presented using the chart below.



As shown in the above figure & table 6, the majority of the respondents (30%) replied that it took them 1 year to start project implementation after acquiring the investment license. The second highest number of investors (28%) started project implementation immediately in the year they acquired the investment license. The third highest number of respondents (18%) took 2 years to start project implementation. In addition, some of the respondents took 3 years (8% of them) and 4 years (the same 8%). Lastly, few of them took 5 and 6 years 2% each. Graphically, it is presented below. From these it is clear that investors didn't start implementation on time as they proposed on their project plan.

Table 7: Land Acquisition Process for Investment

7. How do you evaluate the time taken to Acquire land for your investment project?		Short	Moderate	Long	Very long	Total
	#	6	29	6	9	50
	%	**12%**	**58%**	**12%**	**18%**	**100%**

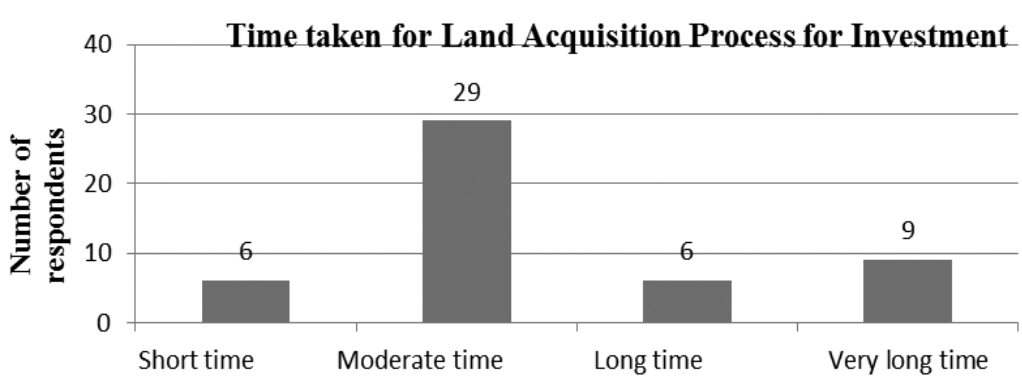


Table 7 shows 12% of the respondents replied that it took them a short time to acquire land for their investment projects, while the majority of them (58%) said that it took them a moderate time. On the other hand, 12% of the respondents responded that it took them a long time to acquire land for their investment and 18% of them said it took them a very long time. As respondents responded to the open-ended part of the questionnaire, there were some problems they faced while trying to get land for their investment. The first obstacle they faced was elongated bureaucracy. Some concerned officers and employees showed the lack of making decisions and taking a long time to make a decision.

Table 8 : Investment License Acquisition Process

8. How do you evaluate the time taken to Get an investment permit?		Short	Moderate	Long	Very long	Total
	#	29	15	4	2	50
	%	58%	30%	8%	4%	100%

Table 8 shows the rank of the time it took investors to acquire an investment license. In general, most of the respondents (58%) said that they acquired an investment license in short time, while 30% of them said they acquired investment licenses in moderate time. On the other hand, few of the respondents (8%) replied that they acquired the investment license by long time process and the rest very few of them (4%) said it took them a very long time to acquire an investment license.

Table 9: Loan Supply Process for investment by Financial Institutions

9. What problems you faced while trying to get a financial loan from financial Institutions?		
	#	%
Unable to get enough amount of loan	19	38%
Unable to get the loan in short time	22	44%
Shortage collateral assets	9	18%
Total	50	100%

Table 9 shows 38% of the respondents said that they didn't get the required amount of loan from financial institutions. The majority of them (44%) said they did not get the loan in short time, even though they get the required amount. The rest of the respondents (18%) said that they faced a shortage of collateral assets required to obtain the loan from financial institutions.

Table 10: Trade License Acquisition Process

10. Have you got trade license without any problem?		Yes	No	Total
	#	50	0	50
	%	**100%**	**0%**	**100%**

Table 10 shows all of the respondents (100%) replied they acquired a trade license without any problem. This shows that the office that provided or that processed the trade license was able to satisfy all its customers.

Table 11: Construction Permit Acquisition Process

11. Have you got construction permit Without any problem?		Yes	No	Total
	#	37	11	48
	%	**77%**	**33%**	**100%**

As shown in Table 11, the majority of the respondents (77%) replied that they had acquired construction permits for their investment construction works without any problem. On the other hand, 33% of the respondents replied they had encountered problems during the acquisition of the construction permit. There was a shortage of engineers in the offices that permitted the construction work. In addition, elongated bureaucracy or repetitive appointments to get the permit were facing investors.

Table 12: Investment License Renewal Service

12. Do you renew your investment Permit without any problem?		Yes	No	Total
	#	36	14	50
	%	**72%**	**28%**	**100%**

As Table 12 depicts the majority (72%) of the respondents replied that they did not face problems during the renewal of investment license. On the other hand, 28% of the respondents replied that they encountered problems during the investment license renewal process.

The most serious problem investors pointed out was that in case the deadline of the renewal of the investment permit was passed even by one day, it was not possible to renew it, which forced the project to be paused by one year. This was creating many problems to the investment projects and to the employees worked on the projects.

Table 13: Qualified Labor Availability Locally

13. Have you got sufficient and qualified labor/man power/ locally?		I get sufficient	I get partially	I can't get any	Total
	#	16	24	9	49
	%	32.7%	48.9%	18.4%	100%

Regarding the availability of qualified labor locally, Table 13 depicts that 32.7% of the respondents said they had gotten qualified labor sufficiently from locally. The majority of the respondents (48.9%) responded that they had gotten qualified labor moderately from locally. On the other hand, the rest of the respondents (18.4%) replied that they did not able to get the required qualified labor locally.

Most workers were working simply by experience not by getting formal skilled training. Only a few numbers of skilled labors were available locally. Specifically, skilled labor was unavailable in the following areas; aluminum work, glass-work, ceramic work, gypsum work, etc. Even in these areas, any technical colleges or universities did not give training. Asking high wage and showing low interest of working were also witnessed from workers. In districts, Hotels and Restaurants employed waiters and other workers from Addis Ababa as they could not found skilled waiters locally.

Table 14 : Electric Power Supply

14. How do you evaluate the amount of electric power you are getting for your project?		Sufficient	Moderate	Insufficient	Total
	#	8	35	7	50
	%	16%	70%	14%	100%

As Table 14 depicts, only a few of the respondents (16%) replied they were getting electric power sufficiently and the majority of the respondents (70%) replied they were getting electric power moderately. On the other hand, 14% of the respondents replied they were getting insufficient power for their investment projects.

Most respondents pointed out that there was a continuous electric power interruption. This was creating serious problems for the whole sector in general and manufacturing in particular. This extended power interruption was causing some projects to extend their implementation period beyond their plan. Some said the shortage of transformers, caused the interruption. Even some said the problem was not only power interruption but also the power had less power when available. Furthermore, there was a limitation on the distribution of power to project sites on time due to low service provided by the Ethiopian Electric Power office. Especially, the Electric office took a long time to install power transformers in the Industry Zones.

Table 15 : Water Supply and Sewerage Services

15. How do you evaluate the extent of water and sewerage services you are getting for your project?		Sufficient	Moderate	Insufficient	Total
	#	35	9	5	49
	%	71.4%	18.4%	10.2%	100%

Table 15 shows the respondent's response on water supply and sewerage services for their investment projects. As shown, the majority of the respondents (71.4%) replied that they were getting water supply and sewerage services sufficiently. Some of the respondents (18.4%) replied they were getting water supply and sewerage services moderately. Few (10.2%) of the respondents replied that the supply of water and sewerage services they were getting is insufficient.

Sometimes the water became unavailable due to accidental damages on water lines and due to power interruption. In some districts, sewerage/waste water service was not convenient. Hotels and Restaurants dispose the wastewater by transporting a long distance by labor. This made their work more difficult. In some districts, the water itself was rarely available because the water projects run by the government sometimes took many years ahead of time to be completed.

Table 16: Telecommunication Services

16. How do you rate the quality of telecommunication services you are getting?		Very satisfactory	Satisfactory	Moderate	Unsatisfactory	Very unsatisfactory	Total
	#	5	14	12	7	11	49
	%	**10.2%**	**28.6%**	**24.5%**	**14.3%**	**22.4%**	**100%**

As shown in the above Table 16, 10.2% of the respondents replied that they were getting a very satisfactory telecommunication service, while the majority (28.6%) of them replied that they were getting satisfactory telecommunication service. In addition, 24.5% the respondents said they were getting moderate telecommunication service. On the other hand, the rest of the respondents, 14.3% and 22.4% replied that the telecommunication service they were getting was unsatisfactory and very unsatisfactory respectively.

Many time both mobile and line networks became out of service because of shortage of the network. In addition, there was a shortage of maintenance on short time from the Telecommunication office when the line telephones got out of service. Poor internet connection was also another problem observed.

But, currently researchers have witnessed that there is huge improvement in coverage and quality of telecommunication services due the expansion projects done by Ethio-telecom.

Summary of Findings

Even though, most investment projects are concentrated around and in Debre Berhan town, a significant number of investors have also invested in different districts of North Shoa zone. The main reason for the arrival many investors to the Zone are the nearness of the Zone to the capital the country Addis Ababa, availability of a better infrastructure, nearness of the Zone to port Djibouti, availability of conducive investment opportunities and conducive investment environment, attractive investment policy, supply of land free of tender to the industry sector, attractive incentives and government encouragement, attractive weather and environmental conditions, availability of raw materials, availability of trained and trainable manpower, well positioned to local and international market, etc. In general, at the zone level the investment opportunities are available for investors in

all sectors; agriculture, industry, construction, tourism, social sector & mining.

5. Conclusion

The number of investors coming to north Shoa zone of Amhara regional state is increasing time to time. Especially in recent years (after 2000 e.c) more and more investors actually make North Shoa their investment destination.

Land is the most important thing for the any investment project. As per the analysis of the questionnaire, out of the total 50 respondents, the majority of them 29 (58%) said that it takes them a moderate time to acquire land. The main problems facing investors regarding land are elongated bureaucracy, lack of decisions and taking a long time to make a decision by employees and officers, lack of collaboration among engineers or experts who work on the process of land supply, and problem of clearing the land on time from other party ownership.

Acquisition of Investment License is the first thing that investors get before starting the work. In this regard, most of the respondents 29 (58%) said that they acquired an investment license in short time, while 30% of them said they acquired investment licenses in moderate time. Some Investors faced elongated bureaucracy in the offices to get an investment license.

In the process of Trade License Acquisition, all 50 (100%) of the respondents replied they acquired a trade license without any problem. This shows that the office that provided or that processed the trade license were able to satisfy all its customers. In the process of Investment License Renewal Service, out of the total 50 respondents the majority 36 (72%) of the respondents replied that they had not faced problems during the renewal of investment license.

As respondents replied regarding the availability of qualified labor locally, 16 (32.7%) of the 50 respondents said they had gotten qualified labor sufficiently from locally. The majority of the respondents 24 (48.9%) responded that they had gotten qualified labor moderately from locally. On the other hand, the rest of the respondents (18.4%) replied that they did not able to get the required qualified labor locally. The challenge here was that most workers were working simply by experience not by getting formal skilled training.

Electric Power Supply is the blood of any investment projects. In this regard, only a few of the 50 respondents 8 (16%) replied they were getting electric power sufficiently and the majority of the respondents 35 (70%) replied they were getting electric power moderately. On the other hand, 7 (14%) of the respondents replied they were getting insufficient power for their investment projects.

In some districts, sewerage/waste water service was not convenient. Hotels and Restaurants dispose the wastewater by transporting a long distance by labor.

Currently researchers have witnessed that there is huge improvement in coverage and quality of telecommunication services due the expansion projects done by Ethio-telecom.

5.2 Recommendation

Based on the finding of the study researchers forwarded the following recommendations.

Shortening the Bureaucracy in to "Short Time" to provide investors the following Services as the current bureaucracy is taking investors a "Moderate time" to acquire.

- Land
- Investment license
- Loan

In addition, educational institutions have to work together with the industries for technology transfer, experience & knowledge sharing. Furthermore, the local educational institutions are required to train those works that are currently working in the projects simply by experience without getting a formal training. Likewise, the investors and the managers of the investment projects need much training in the areas of management skill, accounting, computer, tax, etc. This will integrate the industries and educational institutions together to achieve a greater goal of development.

Improve the Electric Power Supply to investors; the existing trend of power supply is full of continuous interruption and blackouts. To improve this situation, it is better enhance the supply of power and the supply of Transformers.

Expand the market linkages for the goods produced and for the services provided by the investors

Improve decision making capacity of officers found in some offices. In addition the public sector and the private sector have to work in cooperation so as to solve problems together and so as to work things together.

Investors that don not start implementing projects as per their project plan have to start implementation as per their plan. Doing this has a dual benefit both to the investors themselves and to the country in general. Investors can skip the price change to material and raw materials and the projects can create job opportunities, can fill market gap, can generate tax revenue to the government, etc.

As stated in the analysis part, the most serious problem investors pointed out is that in case the deadline of the renewal of the investment license is passed even by one day, it is not possible to renew it, which forces the project to be paused by one year. Here researchers recommended that investment activities should not be posed for one year because of the deadline is passed. Rather it is more advantageous to renew the license on punishment even though the deadline day is over.

Investors have to solve their financial incapability so that they should have to use different financing mechanisms in addition to loan, and personal sources such as

creating joint partnership with foreign and local investors.

Investors should have to hire professionals to manage their businesses. Or if the investors themselves are managing their project, they should be professionally trained ones. Otherwise it is rare to see effectively profitable investment project.

Investors have to improve the inappropriate land management, illegal expansion of land, illegal use of land for another purpose, and the inefficient utilization of natural resources so as to make their business profitable and to use resources economically. In addition investors have to increase the lower wage rate they are currently paying to workers and employees. Doing this will attract professional and will motivate workers for better production and better performance.

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ROLE AND FUTURE OF INDIAN MEDIA

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ABSTRACT

Media acts as the fourth arm of democracy to supplement the Supreme Court in its role as the watchdog of the Constitution. It also acts as a talisman of common man's quest for socio economic justice. Noam Chomsky was the first to highlight how through several filters, consent is manufactured from media by the corporate houses. The paper brings how in the free market economy of India, similar filters are being used to promote the cause of nationalism, branding contrarian viewpoints as "anti national" and muzzling dissent. The contrasting report of Global Hunger Index (GHI) and Ease of Doing Business brings out the dissonance between the growth story and human development achievements, as reflected consistently in low Human Development Index (HDI). The paper laments that majority of the media do not cover the underbelly of rural distress, which the Socio-Economic Caste Census (SECC) Report (2011) captures. It also brings out how there is a harmony between social and economic indicators in China as compared to India due to strong political will. Of particular concern is the distressing situation of malnutrition of children as brought out by the Rapid Survey on Children (RSOC) report. One more area which is at the heart of impacting human development indices is the quality of primary education. Sadly post RTE Act 2009, guaranteeing right to education, the Annual Status of Education Reports (ASER) bring out how in terms of basic infrastructure and learning outcomes, there is acute shortfall as compared to the expected levels. The secondary education also shows a lack of vocational skill amongst children in the age group of (14-18) which is seriously impeding their employability. The paper strongly recommends that the press must play its role as an independent sentinel in a democratic system to project public opinion against apathy and high handedness of the governing class over the governed. A free media with an enabling environment and political neutrality is a surefire guarantee against potential fascist tendencies.

Keywords: *GHI, HDI, SECC Report, RSOC Report, RTE Act, ASER*

Introduction

Democracy rests on three pillars viz. separation of power, checks and balances of its institutions and accountability of the elected representatives to the people at large. The Indian Constitution provides for such a scaffolding; with the Supreme Court acting as a watchdog to protect its sublime character to ensure fundamental rights of equality, freedom and life to its citizens. The court has carefully constructed a "basic structure doctrine", in the Kesavananda Bharati Case (1973), so that the Parliamentary legislative power comes under the scanner of judicial review. This was reaffirmed in the Minerva Mills Case (1980). Another arm of democracy that has emerged as a very powerful deterrence against transgression of individual freedom, deprivation of socio economic justice, has been media. As the fourth arm of democracy, it has become the barometer of people's pulse and talisman of common man's hope. Benito Mussolini, the high priest of fascism, had observed "Democracy is a kingless regime infested by many kings who are sometimes more exclusive, tyrannical and destructive than one, if he be a tyrant. It is the fear of being exposed by the media before the public that most of the politicians keep themselves under control to some extent". Given such a pivotal role, media must play a responsible and unbiased role in playing its part without being influenced by any particular political party. It should treat everyone equally. It can be a catalyst for democracy to flourish and kindle the embers of socio-economic justice of ordinary Indians, pitted against powerful lobbies and vested interests.

Perception of Media

Despite media's proclivity towards sensationalisation the notion of guardian of media as public interest and as a conduit between the governors and government remain deeply ingrained. Edward S. Herman and Noam Chomsky in their seminal book "Manufacturing Consent: The Political Economy of the Mass Media" (1985) lamented how US media through different filters perpetuate editorial bias. Prominent amongst these are ownership and profit orientation of the media owner and large subsidy and patronage given by the government to media to promote their ideology and viewpoint. Chomsky observes that till disintegration of USSR (1988), "Communism bashing" was the editorial filter. It has now been supplanted by "war on terrorism".

This paper tries to analyze how (a) filters operate in present day market driven India (b) sectors and issues where Indian media is paying scant attention and (c) the way forward.

Filters in India for Media

With growing ascendency of Hindutva ideology, the predominant filter in Indian media is how to promote nationalism and bash up the so called "anti-nationals". Debate is frowned upon and a contrarian view point is often met with hostility and even with physical force by organized lumpen elements, with the subtle support

of the state. India's 'growth story' is another filter where the media underplays our disconcerting picture in terms of human development indicators. The recent World Economic Forum meeting at (Davos) witnessed how the entire media was galvanized to sell India as the investment destination, by touting improvement in ease of doing business and Moody's rating of being a stable economy. Such one sided discourse does not take note of our pathetic rating in Global Hunger Index which has decreased from 97 to 100 as per report released by International Food Policy Research Institute (IFPRI). This index takes note of percentage of undernourished population, child wasting and IMR. The media also does not bring out the serious hiatus that exists between growth and the human development story that is seriously imploding the core fabric of India from within. One such segment is the Rural India where 75% of India's population inhabits bedeviled by serious deprivations on several fronts.

The Rural India's Story

The Indian media often fails to provide news coverage to this segment as P. Sainath brings out how agricultural correspondents in journalism have now come extinct. The farmer suicide is just a footnote in discussion, without debating on the underlying reasons that perpetuates them and how to bring to book those responsible for such human tragedy and accountability of the state.

The Socio-Economic Caste Census (SECC) Report (2011) documents the palpable neglect that India's rural sector is presently undergoing in several areas.

Table 1 : Major All India Findings (Rural)

Parameter	% of Households
Land less	56%
Casual labour	81%
Salaried jobs	9.7%
Income Less than Rs.5000	74.5%
Access to Kisan Cards	3.6%
Illiterates	36%

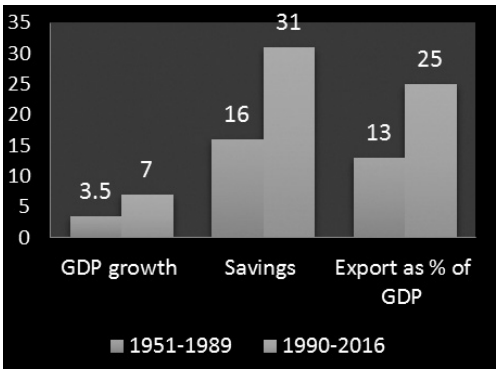
Source: SECC Report 2011

It would be clear that the land reform measures have not made any significant dent in rural India. The land ownership remains heavily skewed. The promise of financial inclusion for the poor farmers through Kisan Credit Cards and promises of improvement in regular employment opportunity remain illusory. Close to 75% of rural population earn an income which is below the statutory minimum wage to an unskilled labour. The promise of doubling farm income in the budget of 2016-17 has remained as a rhetoric.

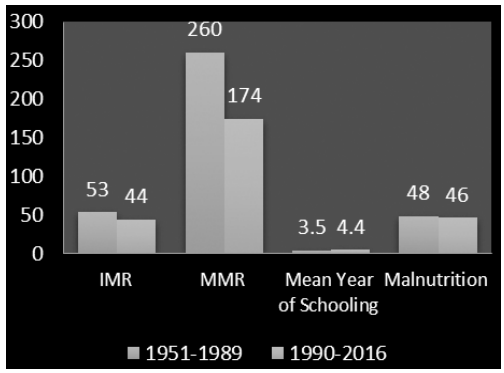
Growth, Development Disconnect

The growth development disconnect after economic liberalization in 1991 can be summed up as the following table would show.

Figure 1 : Growth & Development Disconnect



Growth



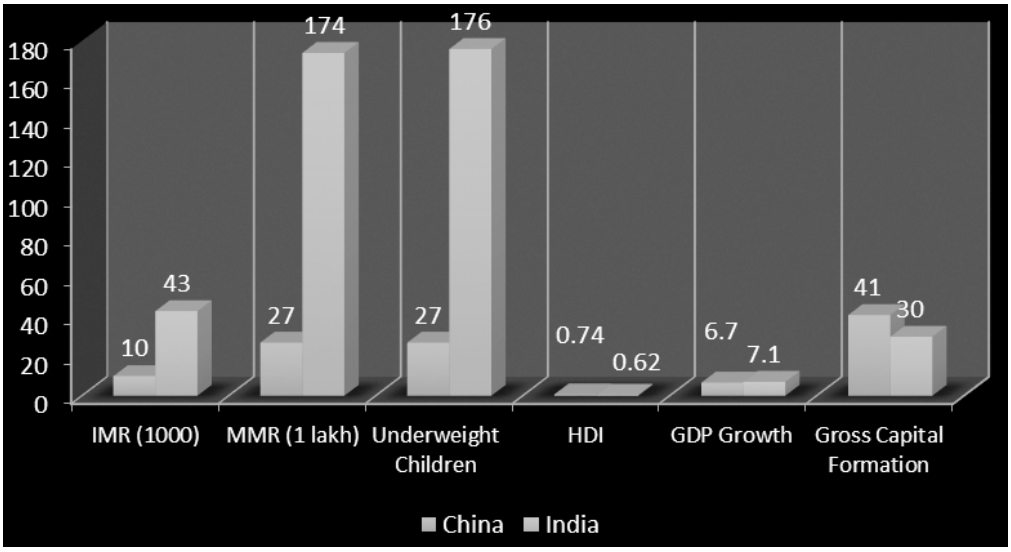
Development

Source: Economic Survey

This clearly shows how the growth in GDP, savings and exports nearly two fold, sit uneasily with low level of schooling and there is lack of concern for infant & maternal mortality. 46% of children suffer from malnutrition which is indeed most distressing despite having flagship programmes like the ICDS. There is hardly any serious writing in the media or discussion on these distressing trends.

It would therefore be interesting to compare how China has fared compared to India in terms of growth and development after economic liberalisation.

Figure 2 : Socio Economic Indicators: India and China (2016)



Source: World Development Indicator 2017

It is quite clear that China has fared much better both in terms of growth and development compared to India. Most importantly its growth story is coterminous with human development of particular concern is plight of children in India in terms of micronutrient intake.

A Rapid Survey of Children (RSOC) (2013-14), by the Unicef documents the plight of our underfed children as brought out in the following table.

Table 2: Micro Nutrient Supplement ation (6 months-59 month)

Type	Vitamin "A" Supply	Iron & Folic Acid
Male	44.8	13.1
Female	45.6	13.8
Hindu	46.5	14.0
Muslim	37.5	9.5
Christian	54.5	21.4
Scheduled Caste	43.4	12.3
Scheduled Tribe	46	15.4
Others	46.4	13.5

Source: RSOC Report, 2013-14

It would be seen that there is very little variation in the matter of receipt of supplements amongst males and females, which is very low. This has severe implication on children being underweight and suffering from night blindness etc. The Christian community seems to have an edge over other religious communities. There is hardly any discussion in the media on these aspects.

The Plight of Primary Education

Post RTE Act, there is a significant increase in access to primary education as it has become a fundamental right (Article 21A). There is also discernible reduction in inequality between gender, caste and class in terms of access as mandated by the Millennium Development Goal (MDG). Yet the surveys by Annual Status of Education Report (ASER) bring out the deplorable condition in the primary education in terms of impact in quality by schools run by government. Basic infrastructure and quality outcomes as the following tables would reveal are very disconcerting.

Table 3: Trends in Enrolment in Primary Schools % in Rural India & Learning Outcome

Parameter	2010	2011	2012	2013	2014	2016
Enrolment in Government School	71.1	69.6	67.0	66.8	64.9	96
Enrolment in Private School	24.3	25.6	28.3	29.0	30.8	30.5
Standard 5 children can read standard 2 text	53.4	48.2	46.8	47	48.1	48.1
Standard 5 children can do 3/1 digit division	35.9	24.9	24.9	25.6	26.1	26.0

Source: ASER Reports

This clearly shows that enrolment in primary schools is on the increase, while the learning outcomes show a pathetic trend, with very little improvement over the years. There is also a tendency to gravitate towards private schoolings from 24.3% to 30.5%, as they provide students better exposure to English and more serious teacher attention. The infrastructure facility also presents a disquieting picture.

Table 4 : Infrastructure Facilities: Comparative Picture

Parameter	All India		Kerala		Gujarat		Odisha	
	2014	2016	2014	2016	2014	2016	2014	2016
Library Books Available	78.1	75.5	94.7	93.6	92.3	87.8	88.0	82.1
Drinking Water Available	75.6	74.1	83.0	80.5	87.0	84.6	81.6	77.7
Girls Toilet Available & Usable	55.7	61.9	80.2	78.8	81.4	81.1	53.0	65.8
Computer Available	19.6	20.0	89.8	89.0	81.3	75.2	14.1	15.5

Source: ASER Reports

Annual Status of Education Report (ASER 2017)

The latest report of ASER brings out the disquieting position in regard to rural youth in the age group (14-18). Some of the disquieting findings are (a) 78% are engaged in agricultural work, (b) only 3.7% are availing of any long term vocational training, thereby weakening their employability. There is a shortage of 30-40% faculty in colleges, syllabus is outdated and the degrees given have nothing in sync with the industry requirement. Discontinuance of students (50%) by the child attaining the age of 18, lack of interest (34%) in studies are the other concerns. Harsh Mander in his book "Looking Away: Inequality, Prejudice and Indifference in New India" documents how there is complete apathy of the rich and middle class to the plight of the marginalized. Some of the tell tale findings of the ASER report (2017) covering 30000 children, cutting across villages of 24 states in India, is shows the following trend.

Table 5 : Learning Outcome of Adults in Rural India

State	Identify Ownership on the Map	Applying Discount %	Read English
Bihar	17	44.2	55.9
Gujarat	64.1	16.4	64.3
Karnataka	82.4	57.9	55
Kerala	94.7	84.5	94.9
Odisha	45.8	37.3	68.9
Tamila Nadu	58.8	37.6	74.6
Utter Pradesh	13.9	33.1	37.4
Punjab	32.7	58.1	82.5
All India	42	57.7	58.2

Source: ASER, 2017

The data is self explanatory of the low level of learning by adults in the age group of 14-18 in rural India. This is adversely affecting employability of these children who enter into the workforce.

The Way Forward

There is a clear evidence that India, despite its strong democratic credentials, has not ensured simultaneous improvement in its growth and development parameters. The

reason for this is the political apathy about to the plight of the poor. The focus has been to sub serve the interests of the corporate sector. Media, as the fourth arm of the democracy, instead of unmasking apathy and unholy nexus between the government and the big corporate houses, has developed either a cozy relationship with the government of the day by showcasing the government viewpoint or looking the other way, for fear of reprisal. Prof. Amartya Sen had brought out how media in a democracy can be a powerful instrument against possible death due to famine. While most of the Indian media cover only urban India, analysts like Prof. Jean Dreze, P. Sainath and Harsh Mander are like whiff of fresh air as they bring out the angst of the poor and the marginalized in the rural and urban landscape poignantly. What disturbed Chomsky in the 1990s about media in the USA, is being repeated in India when the media owners and government are giving largesse in terms of advertisements etc. to ensure the nationalistic card is played ad nauseam.

Freedom of press is not specifically mentioned as part of the Right to Freedom 19(1)(a), in Indian Constitution. This is unlike the USA where the Bill of Rights introduced in (1791) prohibits Congress to make any law which abridges "Freedom of the Press". The Supreme Court in India, has however, been assiduously acting as a watchdog to ensure that the rights of media are not unduly trampled upon as in the case of Bennett Coleman & Co. vs Union of India Case (1972). The eminent jurist Joseph Story wrote "It depends on the present age, if the national constitution will descend on its children in its masculine majesty; or shorn of its responsibility, it will become an idle mockery". The prevailing environment of fear and fascist tendencies seem to have emasculated the role and character of Indian media. It must, however, come out of this morass and play its primordial role as a great lamppost to defend the pristine character of our Constitution and preserve our secular and multicultural character.

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Macroeconomic Variables and Indian Stock Market Return: A study

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Abstract

India ranks sixth largest economy in the world by gross domestic product (GDP). In 2018 India's economy became the world's fastest growing major economy surpassing China. The stock market is mirror of the economy. There are so many macroeconomic variables like inflation, interest rates, GDP, FII investment; prices of crude oil, exchange rate of currency etc. can affect the return of the stock market. The aim of the research work is to measure the year wise change in FII investment in equity, year wise change in Brent crude oil price, year wise change in the INR-USD exchange rate and year wise change in the return of market (NIFTY) and find out relation between change in macroeconomic variables and the return of the Indian stock market for a period of ten years from year 2009- year 2018. Collected secondary data are analysed by statistical measures like mean, median, standard deviation, skewness, kurtosis, correlation matrix, multiple correlation and regression. It was found that Change in FII investment in equity and NIFTY return and Change in INR-USD exchange rate and Change in Crude oil price are positively related. And Change in Crude oil price is negatively related with Change in FII investment in equity and NIFTY return.

Keywords: Exchange rate, Gross domestic product, Inflation, Standard deviation, Skewness.

Introduction

India is a developing country. Indian economy is a mixed economy where public sector and private sector operates side by side. India ranks sixth largest economy in the world by gross domestic product (GDP). In 2018 India's economy became the world's fastest growing major economy surpassing China. The long term growth prospective of the economy is very positive due to its young population, corresponding low dependency ratio, vigorous saving and investment rates and growing assimilation with the global economy. Indian stock market has become the most wanted investment destination for investors of all over the world especially for the investors of the developed economy. As the stock market is mirror of the economy so return of stock market

is correlated with various economic, social and political factors of India and the world. There are so many macroeconomic variables like inflation, interest rates, GDP, FII investment; prices of crude oil, exchange rate of currency etc. can affect the return of the stock market. These factors can be discussed in the following way:

Inflation is the rate at which the general price level of goods and services is increasing and consequently the purchasing power of home currency is decreasing. Deflation is the opposite of inflation. Both inflation and deflation are not desirable for healthy economy. The central bank of country takes monetary measures to curb inflation and deflation.

Interest rate is generally fixed by the central bank of the country. Interest rates are lending and deposit rates. There are repo rate and reverse repo rate which are determined by the central bank. Repo rate is rate at which the central bank borrows money to the other banks and reverse repo rate is the rate at which the other banks borrow money to central bank.

Gross domestic product is the measurement in money of the market value of all the goods and services finally produced in a year or during a period of three months. GDP is considered as the most powerful indicator of growth and development of the economy of a country. Agriculture and its allied services, industry and services are three main contributors to the GDP of India. Indian economy grew at 8.2% year on year in the second half of 2018.

Foreign Institutional Investors of a country are institutions and hedge funds of outside the country where they are investing. Generally FII are long term investors and in India they have played vital role in the development of the stock market over a decade.

Bench mark crude or marker crude is a crude oil that serves as a reference price for buyers and sellers of crude oil. There are three benchmarks for crude oil viz, west texas intermediate (WTI), Brent crude and Dubai crude.

Exchange rate is the price of one country's currency in terms of other country's currency. Domestic currency and foreign currency are the two factors for determining the exchange rates. Exchange rate of currency is a vital thing for exporters and importers of a country.

Literature Review:

Bilson et al.,(2001) tested whether local macroeconomic variables (money, goods prices and real activity) have explanatory power over stock return of 20 exchanges of emerging markets for the period 1985-1997. The results indicated that the exchange rate variable was clearly the most influential macroeconomic variables.

Mohammad and George (2008) examined the role of macroeconomic variables on the movement of prices of stocks of Ghana Stock exchange. They used databank stock index to show stock market and

inward foreign direct investment, Treasury bill rate (measuring interest rate), consumer price index (measuring inflation), the currency exchange rate as macroeconomic variables. They studied short and long term relation between macroeconomic variables and stock market.

Gazi and Hisham (2010) observed the relationship between trade surplus, foreign exchange reserves, money supply, oil prices and the return of Jordian stock market. They found a negative relationship between crude oil and stock market return.

Kuwornu and Nautwi (2011) examined the relationship between Consumer price index (inflation rate), Exchange rate and Treasury bill rate and return of Ghana stock market. They have used monthly data for a period from January 1992 to December 2008. As conclusion they found that consumer price index and market return of Ghana stock exchange are positively related while exchange rate and treasury bill had a negative impact on the stock exchange return.

Khan and Zaman (2012) found the relationship between GDP, exports, consumer price index, money supply M2, exchange rate, foreign direct investment, oil prices and the stock prices of Karachi stock exchange. Results of the study showed that GDP and exchange rate positively affect stock prices while consumer price index negatively affects stock prices. Other macroeconomic variables of considered for study are insignificant to the changes in stock prices.

Objective of the study:

The objective of the research work is to measure the year wise change in FII investment in equity, year wise change in Brent crude oil price, year wise change in the INR-USD exchange rate and year wise change in the return of market (NIFTY) and find out relation between change in macroeconomic variables and the return of the Indian stock market for a period of ten years from year 2009- year 2018.

Research Methodology:

a)Selection and collection of data: The present has used secondary data collected from nseindia.com, nsdl.com, tradingeconomics.com. Here only three macroeconomic variables viz., crude oil price, INR-USD exchange rate, FII investment in equity have been selected for the study. Monthly data on crude oil price, INR-USD exchange rate, FII investment in equity and return of NIFTY has been collected, then year wise change have been calculated and the data has been collected for ten years from year 2009 to year 2018.

Analysis of data: For analyzing the collected secondary data statistical measures like mean, median, standard deviation, skewness, kurtosis, correlation matrix, multiple correlation and regression have been used to find out relation between macroeconomic variables and the return in NIFTY for ten years.

Analysis and Interpretation:

Table 1 : Descriptive Statistics

	NIFTY return (%)	Change in FII investment in equity (%)	Change in Crude oil price (%)	Change in INR-USD exchange rate (%)
Mean	18.17	493.69	1.37	4.91
Median	12.50	1.75	-1.22	4.19
Standard deviation	28.63	1528.55	29.71	8.41
Kurtosis	3.36	9.82	-1.09	-0.595
Skewness	1.43	3.12	-0.30	-0.06
Range	106	4994.44	87	26.06
Minimum	-20	-164.44	-47	-8.36
Maximum	86	4830	40	17.7
Sum	181.69	4936.85	13.71	49.14
Count	10	10	10	10

Source: calculated

Inference: The above table showed the descriptive statistics of macroeconomic variables and change in NIFTY return for a period of ten years from 2009-2018. The mean return of Nifty was 18.17 and mean of the Change in FII investment in equity is 493.69, Change in Crude oil price was 13.7 and mean of Change in INR-USD exchange rate 4.91. The standard deviation of Change in FII investment in equity is1528.55, there was wide range of fluctuation in the FII investment from mean change (range of Change in FII investment in equity is 4994.44). The standard deviation of Change in INR-USD exchange rate is 8.41 there was narrow range of fluctuation in the Change in INR-USD exchange rate. NIFTY return and Change in FII investment in equity were platy kurtic and Change in Crude oil price, Change in INR-USD exchange rate was lepto kurtic. NIFTY return and Change in FII investment in equity were positively skewed and Change in Crude oil price, Change in INR-USD exchange rate was negatively skewed.

Table 2: Correlation matrix

	NIFTY return (%)	Change in FII investment in equity (%)	Change in Crude oil price (%)	Change in INR-USD exchange rate (%)
NIFTY return (%)	1			
Change in FII investment in equity (%)	0.198	1		
Change in Crude oil price (%)	-0.376	-0.036	1	
Change in INR-USD exchange rate (%)	-0.776	-0.060	0.446	1

Source: Calculated

Inference: Table 2 showed correlation matrix between macroeconomic variables and change in NIFTY return for a period of ten years from 2009-2018. It was found that Change in FII investment in equity and NIFTY return and Change in INR-USD exchange rate and Change in Crude oil price are positively related. An increase in FII investment in equity and Change in INR-USD exchange rate will lead to an increase in NIFTY return and Change in Crude oil price and vice versa. And Change in Crude oil price is negatively related with Change in FII investment in equity and NIFTY return. Also the Change in INR-USD exchange rate is also negatively related with Change in FII investment in equity and NIFTY return.

Table 3 : Multiple correlations and multiple regressions

Multiple correlation and multiple regression of NIFTY return on Change in FII investment in equity, Change in Crude oil price, Change in INR-USD exchange rate [Regression equation NITFY=$\hat{a}_0$+$\hat{a}_1$. FII investment in equity + $\hat{a}_2$. Crude oil price + $\hat{a}_3$. INR-USD Exchange rate]

	R	R_2	F	β_0		β_1		β_2		β_3	
				t	value	t	value	t	value	t	value
Nifty return	0.79	0.63	3.36	**3.45	0.01	0.61	0.57	-0.13	0.90	** -2.69	0.04
#Significant at 5% level table value(k,n-k-1)i.e.(3,6) degrees of freedom at 5% level is 4.76				* significant at 10% level ** significant at 5% level ***significant at 1% level Table value of t with (n-k-1) i.e. 6 degrees of freedom at 10%, 5%, 1% levels are 1.943, 2.447 and 3.707 respectively.							

Source: Calculated

Inference: The table 3 showed multiple correlations and multiple regression of NIFTY return on Change in FII investment in equity, Change in Crude oil price, Change in INR-USD exchange rate. Where NIFTY return is dependent variable and Change in FII investment in equity, Change in Crude oil price, Change in INR-USD exchange rate are independent variables. The multiple correlation co-efficient is 3.36 which was not statistically significant as it was less than 4.76. The co-efficient of multiple regressions between FII investment, change in crude oil price and nifty return were not statistically significant. But the co-efficient of multiple regressions between Change in INR-USD exchange rate and nifty return was negative which was statistically significant at 5% level of significance. So it can be said that increase in INR-USD exchange rate would lead to a fall or decrease in the stock market.

Conclusion:

It may be said from the above study that Change in FII investment in equity and NIFTY return and Change in INR-USD exchange rate and Change in Crude oil price are positively related. An increase in FII investment in equity and Change in INR-USD exchange rate will lead to an

increase in NIFTY return and Change in Crude oil price and vice versa. And Change in Crude oil price is negatively related with Change in FII investment in equity and NIFTY return. Also the Change in INR-USD exchange rate is also negatively related with Change in FII investment in equity and NIFTY return. This means that an increase in Change in Crude oil price would lead to a decrease in Change in FII investment in equity. The co-efficient of multiple regressions between FII investment, change in crude oil price and nifty return were not statistically significant. But the co-efficient of multiple regressions between Change in INR-USD exchange rate and nifty return was negative which was statistically significant at 5% level of significance. So it can be said that increase in INR-USD exchange rate would lead to a fall or decrease in the stock market.

Limitation of the study:

The study had used secondary data and the study was based on the availability of the data. The study has the following limitations:

1) The study was limited to ten years period from 2009 to 2018. More years may be taken into consideration.
2) Three macroeconomic variables had been considered for the study. More variables may be considered.
3) Limited number of statistical methods and techniques had been applied.

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Refinement of Strategic Action in Working Firm: An Instrumental Framework

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ABSTRACT

This article presents a proposal of a conceptual model for process management of deploying actions for improvement by business processes. From the expectation of the customers and strategic decisions of the company, the model proposes a system of unfolding and prioritization of improvement actions that most can contribute to the achievement of the strategic objectives. The proposal presented integrates several managerial concepts and practices such as and benchmarking, and suggests the use of QFD matrices as an instrument of the deployment process and prioritization of improvements. The presentation of the proposal and its detailing are preceded by an introductory discussion on manufacturing strategy and improvement management. Finally, some considerations are made about benefits and limitations of the proposal.

1. Introduction

The increasing global competition that many industrial sectors are facing in recent decades, coupled with rapid technological changes and the proliferation of product varieties, has created a new scenario in which industries, in order to remain competitive, are forced to continually implement new technologies and best management practices. In this sense, several theoretical works have been published, emphasizing the importance of the strategic management of the manufacturing function and the management of the quality with the aim of achieving competitive advantage.

Regarding aspects intrinsic to the business (without considering aspects related to the economic and social environment in which the company is inserted), the competitiveness of a company will be conditioned to its performance in dimensions such as cost, quality, reliability and deadlines and flexibility to suit the variations in demand. As a company is not expected to perform well in all these dimensions, note that it is the prioritization of these criteria that will determine the contribution of manufacturing to the performance of the business. Thus, the formulation of a manufacturing strategy should give a strategic, rather than purely tactical, role to the manufacturing function,

In order to improve organizational performance, operations strategies such as *Total Quality Management* (TQM), *Business Process Reengineering* (BPR), *Just in Time* (JIT), *benchmarking*, and many others are generally adopted Firenze, R., Ahmed, N., & Montagno, R. (1996). Among these, special interest has been given to TQM and BPR practices. TQM is based on the principle of continuous improvement of products and processes aiming at continuously satisfying customers' expectations regarding quality, costs, delivery and services Ishikawa, K., & Loftus, J. H. (1990). BPR or Reengineering also aims at customer satisfaction regarding quality, costs, delivery and services, however its approach to improvement is more radical. In the words of Hammer, M., & Champy, J. (1993). "Reengineering is the" re-thinking "of the radical replanning of business processes to achieve drastic improvements ...". Despite this subtle difference, continuous improvement can also lead to large increases in results, as proposed by reengineering,

Garvin, D. A. (1988). citing an ASQC report, shows that customer satisfaction is dependent on a set of characteristics intrinsic and extrinsic to the product and that customer satisfaction will be dependent on what competitors can offer. Thus, it can be seen that there is a clear relationship between the development process of manufacturing strategies and management of quality improvement, since if quality strategies are used as part of the business strategy to gain and maintain competitive advantage , improvement projects should be prioritized taking into account the company's performance levels vis-a-vis competitors with regard to the product and the size of the operation that are most important to meet present and future market demands.

At the same time, many companies, in the eagerness to quickly embrace world-class management practices such as TQM, BPR, and many other acronyms, devote little or no attention to the impact of these practices on the company's strategic objectives, market demands, and performance against competitors. Although not often mentioned, non-alignment between operational strategies and competitive business strategy can be listed as one of the causes of quality program failure.

Considering the above considerations, this article presents a conceptual model proposal for the deployment and prioritization of improvements based on a company's business and manufacturing strategies, and therefore understood as strategic improvements.

In the next section, a brief theoretical discussion is presented with the objective of establishing a theoretical reference for the proposed model. Then the model, with its various elements, is detailed as well as a set of steps to guide the implementation process. Finally, some considerations are

made about the potential benefits and limitations of this proposal.

2. Manufacturing and Improvement Strategy

A manufacturing strategy "... defines how manufacturing will contribute to the achievement of business objectives ...". The contribution of manufacturing is achieved by deploying strategic decisions in manufacturing areas to align the company's manufacturing resources with its competitive strategy and increase its ability to compete in dimensions generally classified as quality, cost, delivery and flexibility. Decision areas are commonly classified as plant and equipment, production planning and control, human resources, product design / engineering, organization and management.

The relative importance of performance dimensions or competitive criteria will depend on customer and market demand (which in turn depends in part on the product life cycle stage) and performance against competitors. It is the prioritization of the criteria and the combination of manufacturing and market strategy that will determine how the company will compete.

Following this argument, Hill, T. (1999). proposes a model for formulation and revision of manufacturing strategy that comprises five iterative steps as follows: definition of objectives of the corporation; definition of *marketing* strategies to achieve these goals; assessment of how different products win orders against competitors; establishment of the most appropriate way to manufacture this group of products (choice of processes); providing the manufacturing infrastructure needed to support production;

This model, however, does not intend to consider the unfolding of manufacturing policies and decisions by the use of operations.

Another approach to the formulation of the manufacturing strategy is presented by, who developed an audit procedure that guides the user through a logical process of identification of the objectives of the manufacture, measurement of the current performance, determination of the effects of current manufacturing practices and identification of the necessary changes. This model is primarily concerned with identifying which and where changes are needed to align the manufacturing function, but does not contemplate in an integrated manner the complementary process of deployment and management of improvements. This is a limitation of the proposal,

In parallel to the development of methodologies for the formulation of manufacturing strategies, countless companies in different countries have launched TQM and BPR programs in the last decades, aiming at customer satisfaction and continuous improvement of operations. As mentioned by Garvin, D. A. (1988). TQM and Reengineering are powerful means of reshaping individual processes so that they more efficiently satisfy existing customer categories.

Although these movements have created legions of enthusiasts, many are cases of failure. Disregarding all the possible setbacks inherent in the implementation process, Garvin, D. A. (1988). Commenting on the limitations of TQM and Reengineering, assumes that the re-planning of processes can be done in a divorced way from the rethinking of the business strategy. The Japanese approach to guideline management Collins, B., & Huge, E. C. (1993), of establishing, deploying and implementing guidelines, attempts to fill this gap. However, management by directives, by deploying them through vertically organized functional groups rather than processes (which flow horizontally through functions) can result in many gaps or overlaps and stimulate only local optimizations.

Thus, while the literature on manufacturing strategy does not adequately address the issue of continuous improvement deployment, management practices based on the principles and methodologies of TQM or Reengineering do not fully consider the need to develop improvement efforts from the objectives strategic and business processes of the organization.

3. Deployment and Prioritization of Improvements

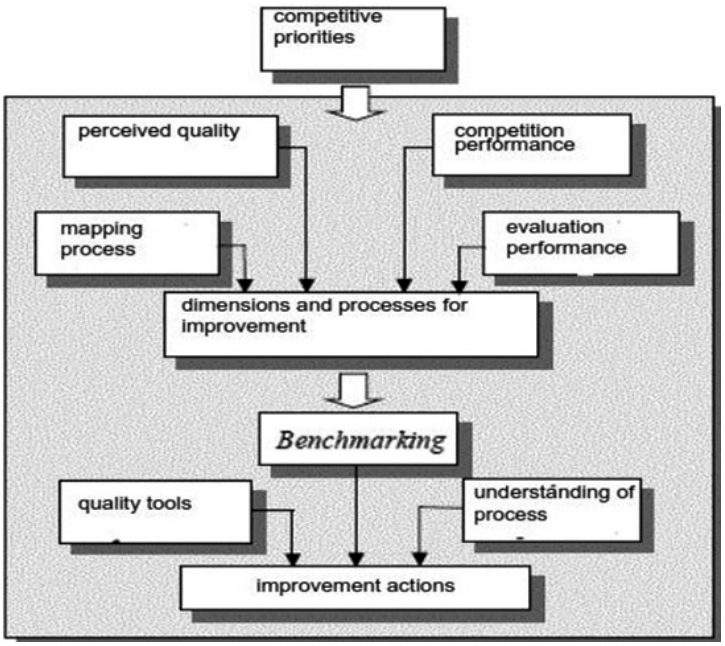
In order to contemplate the issues discussed above, it is proposed that the deployment and prioritization of improvement projects be done in a structured and systematic way, starting from the expectations of the clients and strategic decisions, unfolding through the business processes, and prioritizing those projects that will further contribute to the company's strategic objectives.

For this, it is assumed that concepts and practices such as process mapping, performance measurement, *benchmarking* among others are employed in an integrated way, in a logical sequence of unfolding, as modelled in Figure 1.

Figure 1: Deployment and prioritization of improvements

The rationale behind this model is that the selected enhancement projects for implementation should be those that most contribute to the efficiency and effectiveness of the most critical business processes or that most affect performance in the prioritized competitive dimensions or criteria. It is therefore a systematic prioritization process in which:

- Competitive business dimensions are prioritized for improvement based on more detailed research on customer expectations and performance relative to competitors;
- processes selected for improvement are those whose performance improvement may contribute to the improvement of business performance in the priority competitive dimensions, and whose performance has proved inadequate from an internal diagnosis;
- improvement projects are prioritized based on the potential contribution to



leverage process performance in critical dimensions.

To support the process of unfolding and prioritization, the use of relationship matrices is also proposed. In the following sections, the different elements of the model presented in Figure 1 are briefly commented.

3.1 Priority Dimensions for Improvements

Competitive priorities such as quality, cost, delivery and flexibility can be broken down into more focused aspects such as compliance, reliability, delivery times, timeliness of delivery, maintenance costs, process flexibility, among others Garvin, D. A. (1988). Other more unspoken forms of differentiation can be obtained by researching customers and segments of target markets. The identification of priorities can be complemented with information regarding the performance of competitors in such items. Slack, N., Brandon-Jones, A., & Johnston, R. (2017). proposes the use of a matrix of customer expectations *versus* competitors to identify the needs for higher priority improvements. Another way would be to elaborate the requirements table for Quality House customers Hauser, J. R. and D. P. Clausing. (1988). where the relative importance of the competitive criteria, according to the customer's voice, is weighted by the client's performance evaluation competitors and the company's market strategy.

3.2 Mapping of Business Processes

Mapping and representation of business processes are fundamental to understand

not only isolated processes, but also the flow of information and resources through the operational processes and processes supporting the internal value chain. For example, the American Centre for Quality and Productivity (*AQPC)* defines eleven macro processes, including primary processes such as product and service design, *marketing* and sales, and support processes such as human resource development and management or financial and resource management physicists. These macro processes can still be unbundled into sub processes, activities, and tasks.

In the context of enhancement deployment, the mapping of business processes aims to make explicit the relationship between performance dimensions and primary or support activities developed by the company to assist its clients.

Tools for generating process flowcharts or more sophisticated tools for representing business processes, such as ARIS (Architecture *for Integrated Information Systems*), can be used for process mapping or modelling. The implementation of *Enterprise Resource Planning* (ERP) systems makes extensive use of process modelling for integration. A proposal for process reengineering using the ARIS architecture for the representation of the current process and future process design is presented in Thomas McDonald, Eileen M. Van Aken & Antonio F. Rentes (2002)

3.3 Performance Evaluation

Performance evaluation is essential to diagnose the root causes of problems or weaknesses in terms of performance. Information on process performance can be obtained through qualitative and quantitative evaluation. Cause and effect diagrams, such as the Ishikawa, K., & Loftus, J. H. (1990). diagram, can be used for this purpose. The Tree of Present Reality Dettmer, H. W. (1997). of the Theory of Restrictions, is also an excellent instrument of performance evaluation. The objective of the ARA is to explain the interrelations of cause and effect between undesirable effects and root problems.

In addition to qualitative assessment of performance, quantitative assessment may also be used. As the performance measurement of operations can be used as an instrument to direct the activity of identifying processes and dimensions of the operations most in need of improvement, the proposed deployment of improvements represented by the model of Figure 1 suggests the use to manage the process of improvement, of a measurement system with performance indicators focused on processes and dimensions considered critical for organizational performance. However, it should be noted that in the first instance performance indicators will probably not be implemented and therefore one of the improvement actions would be the design and implementation of a performance measurement system.

In this sense, the definition of a set of integrated performance measures should begin, parallel to the deployment of improvements proposed by the model, by identifying:

- Competitive priorities based on business and *marketing* strategies and target customer expectations;
- Indicators that may reveal performance in such priorities;
- Business processes and activities that most affect performance on such priorities.

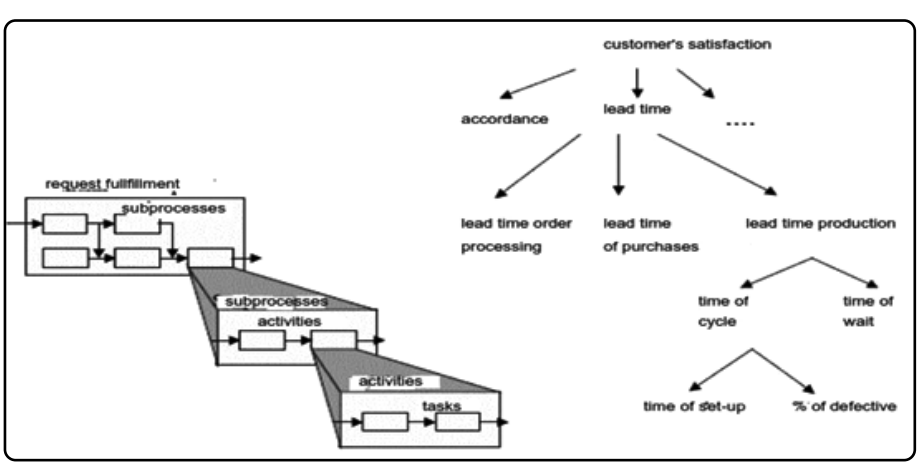
In addition, because business processes represent a hierarchical set of interconnected activities and tasks, generic performance measures such as customer satisfaction, quality, and delivery must be deployed in performance measures focused on the critical activities of critical processes, as shown in Figure 2.

Figure 2– Example of unfolding performance measures.

It should also be noted that measures of performance of internal operations should be linked to measures of customer satisfaction and financial performance measures. On this aspect, the *Balanced Scorecard* proposed by Kaplan, Robert S., and David Norton. (1992) as a system of performance measurement and strategic management, links performance measures of internal operations to financial performance. It is based on translating the company's strategic objectives into measures of internal process performance, learning and growth linked to prospects of customer satisfaction and financial results.

3.4 The House of Quality as a Mechanism of Deployment and Prioritization

The choice of processes for improvement can still be aided by the use of the Quality House of the Quality Function Deployment (QFD) methodology Hauser, J. R. and D. P. Clausing. (1988). The Quality House is an array built from the deployment of customer priority requirements, product or



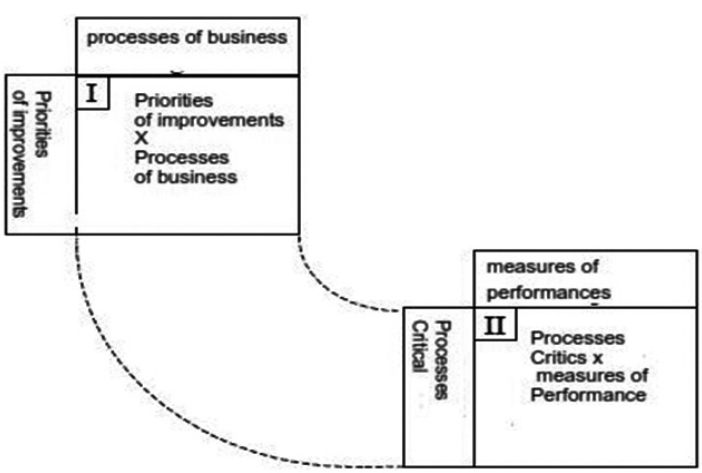
process characteristics split based on customer requirements, relationship (from requirements to characteristics) and conversion of priority requirements into priority characteristics of customers. products or processes.

Although originally proposed as a product development planning tool, Quality House can be used as a tool to deploy improvement actions. propose the application of QFD in the context of strategic planning. In the context of improvement management, some quality matrices can be used to systematize the process of deploying and prioritizing processes and performance measures, as described and illustrated in Figure 3.

Figure 3 – The house of quality for the deployment and prioritization of processes and performance measures.

- Matrix of relationship of the priority dimensions for improvement and business processes (matrix I, Figure 3): the objective is to establish the relationship between improvement priorities and business processes in order to explain the processes and activities most critical to performance in the dimensions. It should be noted that the development of the relationship matrix can lead to the identification of the need for new processes or activities;
- Matrix of relationship between critical processes and priority measures (matrix II, Figure 2): the construction of the matrix of critical processes *versus* priority measures helps to identify the need to deploy generic performance measures in performance indicators focused on the process results vectors new measures for new processes.

Thus, the development of these matrices should contribute to focus attention on the processes and measures of performance most important for the management of performance improvement in the dimensions considered as priority.



3.5 *Benchmarking*

After establishing critical processes for improvement, specific improvement actions should be defined. Performing process *benchmarking* can be very useful at this stage. *Benchmarking* is defined as a process of continuous measurement and comparison of an organization's business processes against business leaders anywhere in the world to gain information that will help the organization take action to improve its performance. *Benchmarking* refers to the comparison of similar processes of different companies, not necessarily in the same segment or sector. Comparisons can also be made with companies with better performance but not necessarily the best in the class, as long as it is done systematically and continuously.

The *benchmarking* activity can be decomposed into basically five phases: identification of the object of study; partner selection; data collection and analysis; setting improvement goals; implementation of improvement actions and monitoring of progress. The activity of identifying the object of study or business process for which the *benchmarking* will be developed basically involves identifying the critical processes for improvement in the dimensions or priority competitive criteria. In other words, the proposed improvement priorities presented in this article not only promote the integration of managerial improvement practices into a single process, but also a step that must precede the development of management studies. *Benchmarking*.

In addition to *benchmarking*, other quality tools can be used at this stage to guide the process of problem identification and decision making. Once improvement actions are elected, performance goals are set, and implementation and progress review are conducted, as discussed in the next section.

4. A Conceptual Model for Managing Strategic Improvements

It is the understanding of this author that the proposal of deployment and prioritization of improvement actions presented in the previous section should be part of a more comprehensive process that is capable of contemplating the necessary integration between strategic decisions, deployment and implementation of improvement and revision actions of progress.

With this objective, a conceptual model for the management of improvements is proposed, in which it intends to characterize the process of translation of the strategic objectives in programs of improvements. The Figure 4illustrates this structure into three main iterative steps: defining the strategic direction; unfolding improvements; and implementation and review of progress. The model also presupposes the existence of an organizational infrastructure that supports the improvement management process, as shown in Figure 4.

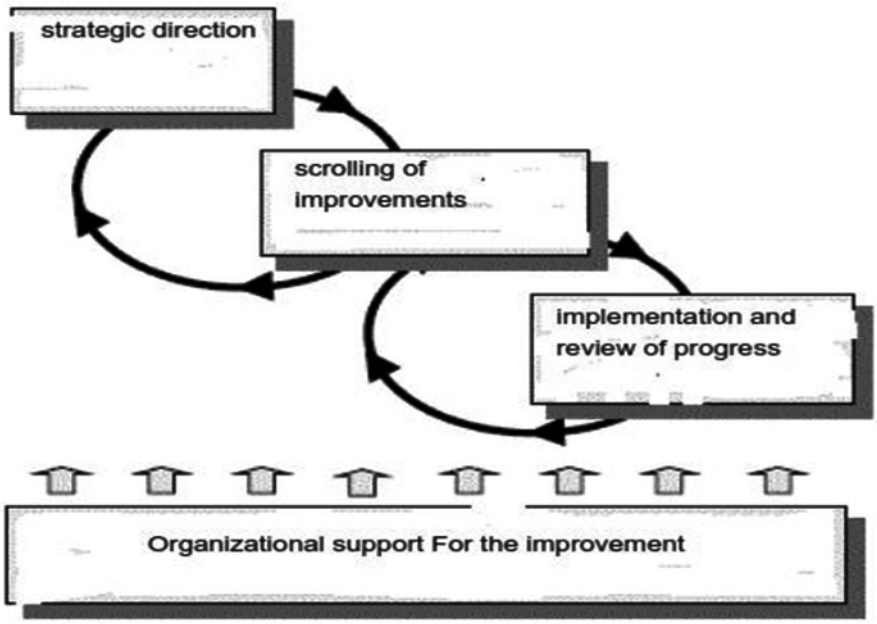


Figure 4 – Conceptual model for unfolding and implementation of strategic improvements.

The first step, called strategic direction, is more related to the integration between strategy development and improvement management processes, and is therefore at the interface between these macro processes.

The implementation of strategic decisions in structural or infrastructural areas of the production function is understood as alignment of the manufacturing function. Alignment actions are changes in the way to organize or process production in order to improve results and therefore when talking about alignment actions, we are talking about improvement and change actions. However, some alignment actions by their nature are only specified after the deployment of the priority performance dimensions by the company's business processes. This is typically the case for improvement actions in manufacturing infrastructural areas.

Therefore, if there is no mechanism or procedure for deploying strategic decisions to improvement actions, there is a greater chance of incurring the error of investing in improvement actions that will not lead to the expected performance. Second, many alignment actions, especially when it comes to infrastructure issues, will only generate lasting improvement results if there is a process for managing the implementation of improvements and reviewing progress.

Therefore, what is proposed here is that the process of unfolding improvements is done in an integrated way to the process of developing strategic actions based on competitive criteria or priority decision

areas. This idea is illustrated in Figure 5. The results of this stage, in what concerns the improvement, are the competitive priorities defined from the business and manufacturing strategies and the main areas of manufacturing that are candidates for improvement. This first step therefore directs the next process of deployment of improvements, as shown in Figure 2 and described in the previous section.

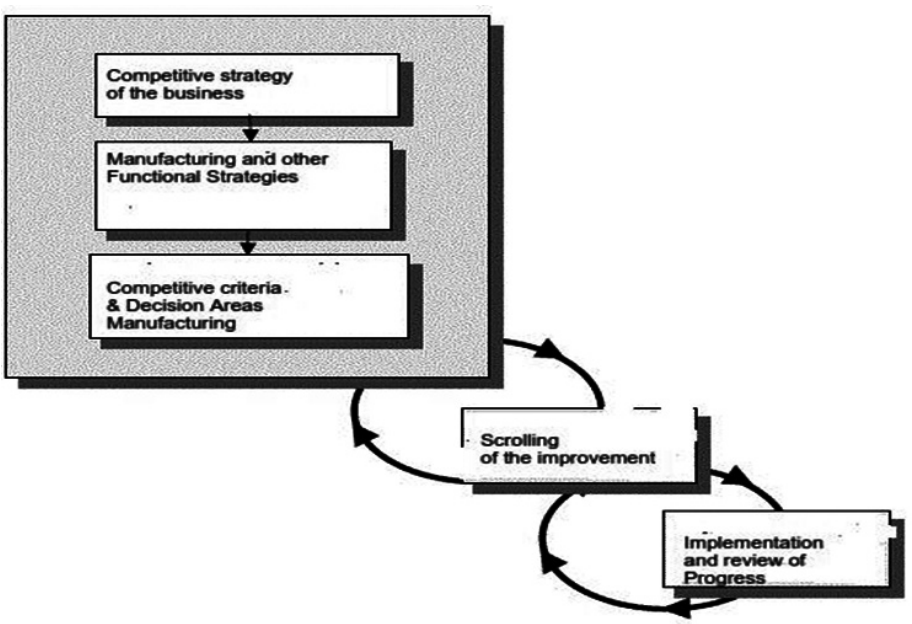
Figure 5 – Elements of the strategic direction step.

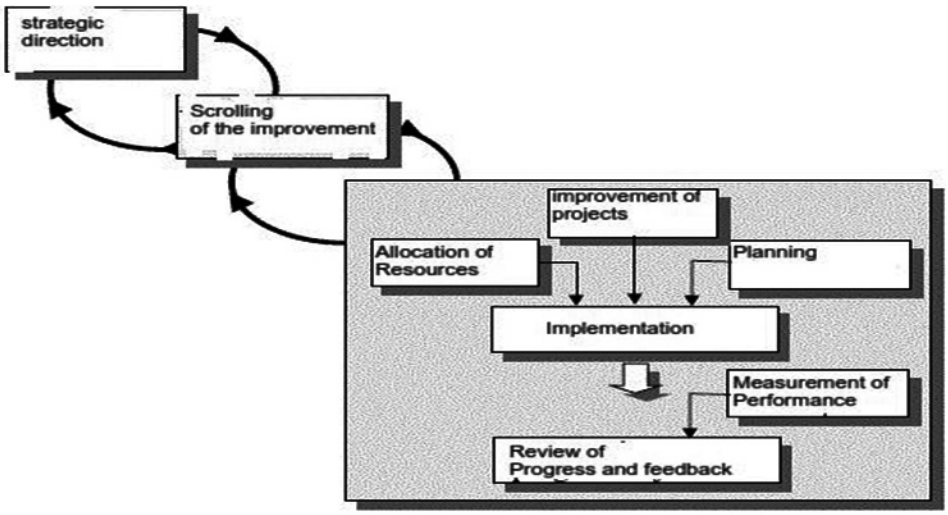
It should be noted that this is an iterative process, that is, just as the manufacturing strategy review process can lead to the identification of the need for improvement, also the process of unfolding improvements may lead to the identification of the need for realignment of some areas of the manufacturing function.

The third step is concerned with implementing and analysing the progress of improvement actions, as shown in Figure 6. It basically involves planning, resource allocation, monitoring progress and *feedback*. The PDCA cycle can be used in this phase as a methodology for the management of the process of implementation and monitoring of improvement actions.

Figure 6 – Elements of the implementation step and progress review.

Systematic review of progress and *feedback* are critical to assess whether improvement efforts are producing the desired results, as well as to validate the improvement strategy from the perspective of manufacturing and business strategies. In that sense, another important point in monitoring progress is the use of a





performance measurement system. The development and implementation of a set of performance indicators should at some point be part of the improvement actions, as will be discussed in the next section.

Finally, these steps should be supported by adequate infrastructure and organizational culture. With regard to organizational infrastructure, a very important aspect is the integration between the various functions related to the processes in which improvements are being developed. Thus, multifunctional improvement teams should act as an element of vertical integration between efforts to improve operations and strategic decisions of top management and horizontal integration among the various functional organizations involved. Thus, the aim is to form a permanent central committee that serves as a link between top management and the factory floor and also to coordinate the process of deployment and management of improvements,

5. Steps for Deployment and Management of Improvements

The conceptual model presented above suggests that the process of unfolding actions for improvements can be organized in a sequence of steps, as indicated below:

Step 1: Team Improvement

Top management must recognize the need for improvement and establish an improvement team that has the function of guiding the improvement process as well as serving as a link between top management and the operational level.

Step 2: Product and Market

Collect and analyse information about product characteristics, customers and target markets, competitive priorities, business and manufacturing strategies, and areas for improvement. This step helps

you understand what dimensions and activities are crucial to the business's competitiveness.

Step 3: Critical Dimensions for Improvement

Collect information on customer expectations and perceived quality for different customer / product categories; ordering the requirements of the customers by the importance of these requirements for the most important customers. Also collect information about the company's performance against the competition in meeting these requirements. This step helps identify the performance dimensions most in need of improvement.

Step 4: Critical Processes for Improvement

Map all processes, primary and support, and understand their relationships to the performance dimensions most in need of improvement. This step can be aided by the construction of the matrix schematized in Figure 3 (matrix I). Building this matrix is not mandatory, but it helps focus attention on processes and activities that most influence critical performance dimensions for improvement.

Step 5: Performance Evaluation

Conduct a qualitative or quantitative evaluation of the performance of processes and activities identified as critical. Conducting a diagnosis of the current situation is of fundamental importance in order to understand which areas or activities are problematic and which need to be attacked. The use of performance indicators in this stage can reveal, objectively, problematic areas and processes; therefore, the implementation of a performance measurement system is of fundamental importance for the management of improvements.

Step 6: Prioritized Dimensions and Processes for Improvement

After the analyses proposed in steps 2 to 5 have been developed, the most priority dimensions and processes / activities for improvement are identified. From this point the process bifurcates: proposing and implementing improvement actions and; establish a system of performance indicators that can serve as an instrument for managing the process of deploying improvements.

Step 7: Implementing Actions

Next, improvement actions must be proposed, prioritized, and implemented. For the development of knowledge and understanding of processes and activities, some quality techniques or tools can be used. Depending on the situation, *benchmarking* studies can be developed aiming at identifying best practices. For the proposition of improvements, business process modelling, for example, can be used Thomas McDonald, Eileen M. Van Aken & Antonio F. Rentes (2002).

Step 8: Critical Measures

In parallel to the proposition of improvement actions, performance measures focused on improvement actions may be proposed. The first question to be answered here is how to measure customer satisfaction and financial performance. As outcome indicators, these measures should in turn be related to the performance vectors or performance measures deployed from these outcome measures, as illustrated in Figure 2. The construction of a relationship matrix as illustrated in Figure 3(matrix II) can help, from the relationship between processes and dimensions or performance measures, to deploy generic measures of results into indicators focused on processes or activities. In addition to the definition of indicators, a performance measurement system should specify, among other things, measurement frequency, data origin, responsibilities for data collection, analysis and action.

Step 9: Feedback and Progress Review

The final step comprises evaluating the progress achieved with the improvements implemented and analysing the extent to which the implemented improvements are generating the expected results in terms of business performance to validate or revise the improvement strategies from that analysis.

6. Final Considerations

This article presented a proposal for the deployment and prioritization of improvement actions, emphasizing the need to:

- Deploy operations improvement actions based on strategic decisions, customer expectations and performance against the competition, in order to ensure that improvement efforts remain focused and integrated with strategic and competitive issues;
- To deploy improvement actions through the organization's business processes and activities rather than through functional hierarchy;
- Systematizing the process of deploying and prioritizing competitive priorities and critical business processes.

It should be noted that for the implementation of this proposal, considerable attention must be given to the development and establishment of an adequate performance measurement system so that quantitative information on process performance can be used to guide the deployment of improvement priorities.

Although this proposal is still being tested for validation and consequently there are still no significant results of practical applications, it can be foreseen that this proposal is particularly valid for companies that depend mainly on the efficiency and effectiveness of the operations to gain a competitive advantage over the competition, such as is the case of manufacturing companies of components for the automobile industry and durable consumer goods in general and capital goods. For companies with strategies that are mainly based on the differentiation of products or services, this proposal may not be justified.

At first glance, it may appear that in general the management of a company lacks a more elaborate system to identify what needs to be improved in operations to maintain or gain competitiveness. However, as companies improve the performance of their operations, the needs and actions for improvement become less evident, so in such cases a structured system can be made necessary.

Finally, the success of implementing an improvement management system as proposed here will depend primarily on the maturity of the organization's organizational structure and information system and senior management's attitude toward change management and improvement. On this, management should be concerned with addressing the various aspects of organizational learning, teamwork, and organizational culture management in an integrated and holistic manner.

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Structural Dynamics of Boards in Indian Public Sector Banks

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ABSTRACT

In the light of the Companies act, 2013 , RBI and SEBI norms with respect to corporate governance in banks , a need was felt to analyse the structural dynamics of board in Indian public sector banks. This study has been carried out in eight public sector banks of India. The major dimensions on the study focused on: a. the Bank's Philosophy on Code of Governance b. Board of Directors/ Board Issues c. Board Structure, Strength and Size d. Distribution of the Board e. Women Participation in the Board f. Board Meetings g. Committees of the Board. By analyzing the structural dynamics of the sample banks' boards individually, it was observed that the CG practices in the public sector banks are improving and following the statutory requirements. One of the reasons for overall improvement in CG practice after 2012-13 has been the promulgation of the Companies Act, 2013 which had made certain parameters of the present CG practices as mandatory.

Key words: *Board, Board Committees, Board meetings, Women in board, Board leadership*

Introduction

As per Chapter IV of SEBI (LODR) Regulations, 2015 ,an optimum combination of executive and non-executive directors is required with at least one woman director in board and majority of directors need to be from Non-Executive (i.e., 50% or more). In case the Chairman of the board is a Non-executive director then at least 33% of the board of directors shall comprise of Independent Directors. On the other hand when the Chairman is not a regular Non-executive Director, then at least 50% of the board of directors shall comprise of Independent Directors. Although in cases where the regular Non-executive chairperson is a

promoter of the listed entity or is related to any promoter or person occupying management positions at the level of board of director or at one level below the board of directors, then at least 50% of the board of directors of the listed entity shall consist of Independent Directors.

The Companies Act, 2013 stipulates that at least one third of all Directors of the listed companies must be independent directors, whereas under the SEBI listing agreement under Clause 49 does not specify any specific requirement for the percentage of independent directors where the Board has an executive Chairman.

The world over there is an increasing trend of diversifying the board by opting Directors from diverse backgrounds. A well-structured and diversified board brings a variety of skill sets and cognitive processes which can catalyse change as well as identify and address new opportunities. In this context, one of the critical diversity measures is gender participation in decision making. This critical measure can be measured by the participation of the women in boards. Simultaneously Sec. 149 of the Companies Act, 2013 stipulates that all listed companies, there should be at least one women director in the board.

An active board is a pre requisite for efficient running the company and productive output, the pro activity of the board can be measured by the number of board meetings held and the participation of the board members.

Under the Clause 49 and the provisions of the Companies Act, 2013, the number of committees varies widely. But Audit and Remuneration committees are mentioned in Clause 49.

For a company to be run efficiently there should be set processes to address the corporate governance issues. The corporate governance issues should be decided in a transparent and nonpartisan way. (One way to ensure this is that the committees which have been entrusted these issues should consist of independent directors). During recent times few of the issues which have been plaguing the financial sector are a.) excessive remuneration to the executives b.) Increased risk in the financial products sold c.) opaque nature of information provided by firms and d.) grievance redressal of the shareholders. One of the ways to address these issues is to have various board committees looking and addressing these issues and to ensure transparency, the members of these board committees should be independent directors of the board.

In the light of above, in this paper we are going to discuss about a.) board structure b.) committees of the board of the sample Indian public sector banks.

PRESENT STUDY

The review of existing literature on the impact of CG on firm's performance gives a mixed result. Moreover, there is no Indian study till date which has focused on the said topic post amendments of the

Companies Act, 2013. Hence, there is a need was felt to carry out an in-depth study especially in Indian financial institutions.

In order to assess the impact of CG on the performance of FIs we have undertaken the following processes

1. Analysis of the structural dynamics of the board attributes which are the main drivers of CG practices;
2. Construction of an index to measure CG practices as envisaged in the Companies Act, 2013 and SEBI (LODR) Guidelines, 2015. based on the fact that the main driver of CG;
3. Assessment of impact of CG on financial performance of the FIs.

In this paper we are only highlighting on the analysis of the structural dynamics of the board attributes which are the main drivers of CG practices in Indian financial institutions.

Sample Selection

In the present study we have selected eight sample FIs consisting of eight public sector banks The basic criteria for selecting the banks were:

1. Listed on the stock exchange;
2. Highest and lowest market capitalization in the list of top ten FIs in particular category like public sector banks, private sector banks.

Data Sources

For the purpose of this study, majorly data were collected from the annual reports of the respective FIs, websites of NSE, BSE and RBI from its database on Indian banks. The timeframe of analysis was from FY 2011-12 to 2015-16.

In the following paragraphs we will be representing the findings bank wise covering following dimensions of CG practices in the banks as per statutory requirements.

a. The Bank's Philosophy on Code of Governance
b. Board of Directors/ Board Issues
c. Board Structure, Strength and Size
d. Distribution of the Board
e. Women Participation in the Board
f. Board Meetings
g. Committees of the Board

I. State Bank of India (SBI)

Founded in 1806, Bank of Calcutta was the first bank established in India and over a period of time evolved into State Bank of India (SBI). SBI represents a sterling legacy of over 200 years. It is the oldest commercial bank in the Indian subcontinent.

The Bank's Philosophy on Code of Governance

State Bank of India is committed to the best practices in the area of Corporate Governance, in letter and in spirit. The Bank believes that good Corporate Governance is much more than complying with legal and regulatory requirements. Good governance facilitates effective management and control of business,

enables the Bank to maintain a high level of business ethics and to optimize the value for all its stakeholders. The objectives can be summarized as:

- To protect and enhance shareholder value.
- To protect the interest of all other stakeholders such as customers, employees and society at large.
- To ensure transparency and integrity in communication and to make available full, accurate and clear information to all concerned.
- To ensure accountability for performance and customer service and to achieve excellence at all levels.
- To provide corporate leadership of highest standard for others to emulate.

The Bank is committed to

- Ensuring that the Bank's Board of Directors meets regularly, provides effective leadership and insights in business and functional matters and monitors Bank's performance.
- Establishing a framework of strategic control and continuously reviewing its efficacy.
- Establishing clearly documented and transparent management processes for policy development, implementation and review, decision-making, monitoring, control and reporting.
- Providing free access to the Board to all relevant information, advices and resources as are necessary to enable it to carry out its role effectively.
- Ensuring that the Chairman has the responsibility for all aspects of executive management and is accountable to the Board for the ultimate performance of the Bank and implementation of the policies laid down by the Board.
- The role of the Chairman and the Board of Directors are also guided by the SBI Act, 1955 with all relevant amendments.
- Ensuring that a senior executive is made responsible in respect of compliance issues with all applicable statutes, regulations and other procedures, policies as laid down by the GOI/RBI and other regulators and the Board, and reports deviations, if any.

Board of Directors/ Board Issues

The various aspects of the Board of Directors Viz. board structure, board strength and size, board diversity and number of board meetings and few other relevant particulars are examined in the following paragraphs and presented in *Table1*.

Board Structure, Strength and Size

Central Board of SBI

State Bank of India was formed in 1955 by an Act of the Parliament, i.e., The State Bank of India Act, 1955. A Central Board of Directors was constituted according to the Act. The Bank's Central Board draws its powers from and carries out its functions in compliance with the provisions of SBI Act & Regulations 1955. Its major roles include, among others:

- Overseeing the risk profile of the Bank;
- Monitoring the integrity of its business and control mechanisms;
- Ensuring expert management, and
- Maximising the interests of its stakeholders.

The Central Board is headed by the Chairman, appointed under section 19(a) of SBI Act; four Managing Directors are also appointed members of the Board under section 19(b) of SBI Act. The Chairman and Managing Directors are whole time Directors.

Table1: Board Structure, Strength and Size of SBI

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
Total No. of Directors	14	15	14	16	14
Non-Executive (excluding Chairman)	5	6	7	7	6
Independent Non Executive	4	4	4	4	4
Women Non-Executive	1	0	0	0	0
Foreign Non Executive	0	0	0	0	0
Executive (excluding Chairman)	4	4	2	4	3
Women Executive	1	1	1	0	0
Foreign Executive	0	0	0	0	0
No. of Board meetings	12	12	12	13	12
Is the Chairman Executive?	Yes	Yes	Yes	Yes	Yes

Composition of the Central Board

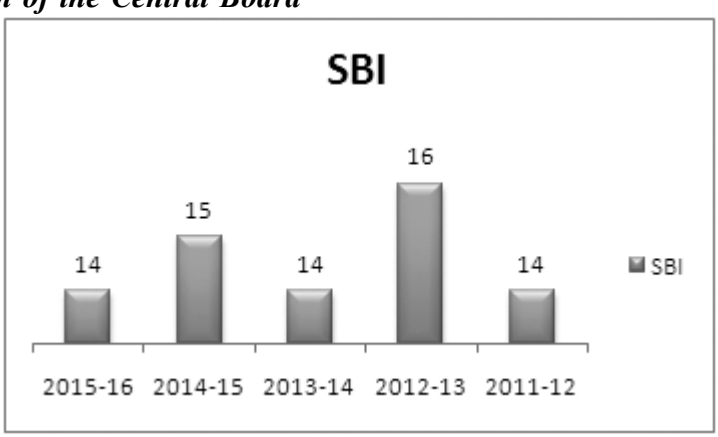

Chart 1: Number of Central Board Members of SBI

The Central Board of SBI on average consists of 14 to 16 members, which is in line with the Sec. 149 (1) of the Companies Act, 2013 which stipulates a maximum of 15 directors provided that a company may appoint more then 15 directors after passing a special resolution.

Distribution of the Board

The percentage of non-executive director's range from 65 % to 79 % during 2011-12 to 2015-16 which is in accordance with the Act.

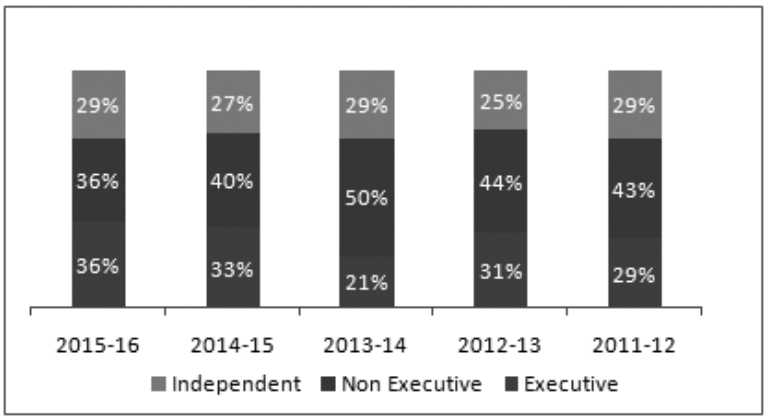

Chart 2: Distribution of Executive, Non-executive and Independent Board Members of SBI

Women Participation in the Board

The Central Board of SBI is having at least one woman director on its board since the commencement of this Act i.e. from 2013-14 onwards. Prior to commencement of this Act the SBI board was not having any woman director for the year 2011-12 and 2012-13.

Board Meetings

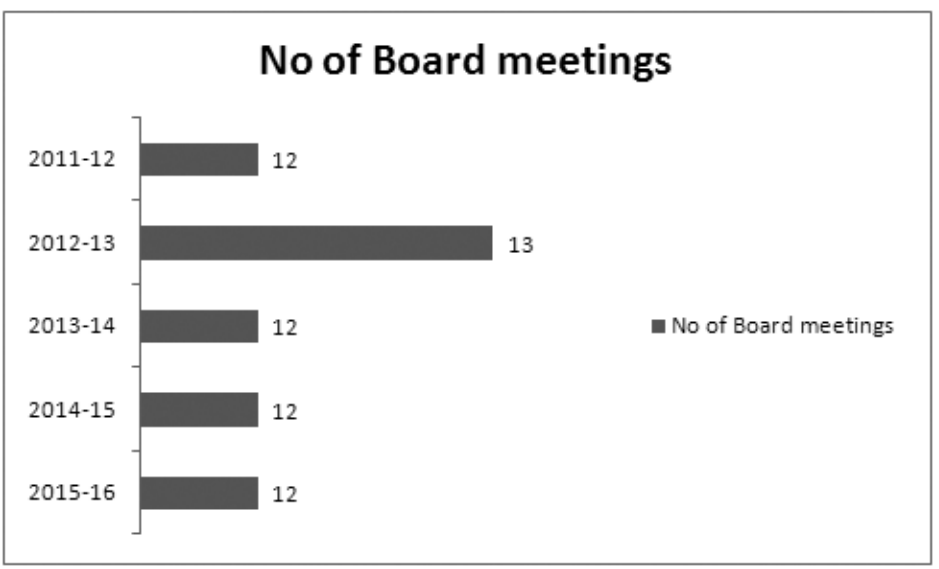

Chart3: Number of Central Board meetings held in SBI

The central board of SBI on average is holding its board meeting every month, which is a sign of pro active management implying that the constant engagement of the board will lead to less number of corporate governance issues.

Committees of the Board

For the efficient discharge of duties entrusted to the board, the board is empowered to set up various committees of the board members itself viz. the Audit Committee, Nomination and Remuneration Committee, Risk Management Committee, Stakeholders Relationship Committee and CSR Committee.

Table 2: Audit Committee, Nomination and Remuneration Committee and Risk Management Committee of Central Board of SBI

Particulars	Audit Committee					Nomination and Remuneration Committee					Risk management Committee				
	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12
No. of members*	8	8	8	8	7	4	4	4	4	4	8	8	7	7	8
No. of ID	6	6	6	6	5	4	4	4	4	4	4	4	4	4	4
No of ED	2	2	2	2	2	0	0	0	0	0	2	2	2	2	2
No. of meetings	11	11	10	10	9	1	1	1	1	1	4	4	4	6	4

*Note: * includes two nominees of GOI and RBI*

Audit Committee

In case of SBI, the number of audit committee meetings held was on an average ten per year.

Remuneration Committee

In case of SBI the Remuneration Committee consists of only non executive directors and half of them are independent directors for the period 2011-12 to 2015-16, thereby complying with the mandatory requirements.

In case of SBI, the committee has been constituted as per the mandatory requirement and on average have held four meetings per year.

Table 3 : Stakeholders Relationship Committee and CSR Committee of SBI

Particulars	Stakeholders Relationship Committee					CSR Committee				
	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12
No. of members	5	7	6	6	5	6	7	NA	NA	NA
No. of ID	3	4	4	4	3	4	4	NA	NA	NA
No of ED	2	3	2	2	2	2	3	NA	NA	NA
No. of meetings	4	4	4	4	4	4	2	NA	NA	NA

Stakeholder Relationship Committee

Risk Management Committee

SBI has complied with these requirements from 2011-12 to 2015-16, which is clearly evident from the fact that on average four meetings of the committee were held annually and the composition of the committee for all the years is such that , it can effectively gauge the risk inherent in operations and external risks.

CSR Committee

As per the provisions of the Sec 135 of the Companies Act, 2013, the CSR committee held three meetings on average per year and the committee constituted four ID and two EDs, which is in line with the mandatory requirements.

II. UNITED BANK OF INDIA (UBI)

United Bank of India is an Indian government-owned financial services company headquartered in Kolkata. The bank was set up in 1950.

The Bank's Philosophy on Code of Governance

In United Bank of India, the fundamental philosophy of Corporate Governance is guided by the Bank's obligations to its responsibilities and value creation through effective management and control. The Bank's policies and practices are not only consistent with statutory requirements, but also all-encompassing to honour its commitments to take the organization to the next level.

The Bank defines Corporate Governance as a systematic process by which an organization is directed and controlled to maintain a set of well defined ethical standards and at the same time enhance its wealth generating capacity. The Board is collectively responsible for ensuring that Corporate Governance process is structured to direct Bank's actions, assets and resources to achieve this purpose while complying with Governance Codes.

The Bank on one hand is extremely mindful about Shareholders' values while on the other hand responsibly upholds the needs of the economy, national priorities and corporate growth. It recognizes high standards of ethical values, financial discipline and integrity in achieving excellence in all fields of activities. The Bank seeks to proclaim corporate excellence by –

- Upholding Shareholders' values within the established principles and legal framework of the Nation;
- Clear statement of Board Processes and Board's relationship with the executive Management;
- Framing transparent corporate strategies, effective policies, efficient procedures, rigid ethical standards, strict legal responsibilities and fostering overall professional approach;
- Extending best of facilities and services to the customers;
- Proclaiming congenial environment for employees, customers and the society at large;
- Ensuring pro-active management, free from any bias.

Bank considers itself a Trustee to the Stakeholders and acknowledges the fiduciary responsibility towards them by creating and safeguarding their wealth. The fundamental drivers of sustainable performance are safety, security, respect, excellence and teamwork.

Board of Directors/ Board Issues

The various aspects of the Board of Directors Viz. board structure, board strength and size, board diversity and number of board meetings and few other relevant particulars are examined in the following paragraphs and presented in *Table4*.

Table4 : Board Structure, Strength and Size of UBI

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
Total No. of Directors	9	8	11	10	11
Non-Executive (excluding Chairman)	2	2	3	2	3
Independent Non Executive	4	3	6	6	6
Women Non-Executive	1	2	2	1	1
Foreign Non Executive	0	0	0	0	0
Executive (excluding Chairman)	2	2	2	2	1
Women Executive	0	0	0	0	0
Foreign Executive	0	0	0	0	0
No. of Board meetings	10	9	14	14	11
Is the Chairman Executive?	YES	YES	YES	YES	YES

Board Structure, Strength and Size

The Board is constituted in accordance with The Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970 and Nationalized Banks (Management and Miscellaneous Provisions) Scheme, 1970.

Composition of the Board

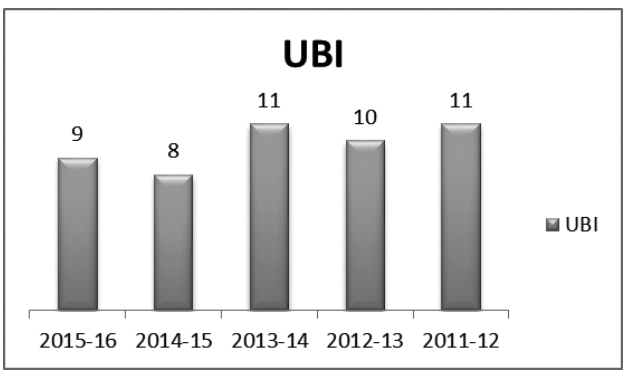

Chart4 : Number of Board Members of UBI

The Board of UBI on average consists of 8 to 11 members, which is in line with the Sec. 149 (1) of the Companies Act, 2013.

In the board of UBI, the percentage of non executive directors range from 62 % to 82 % during 2011-12 to 2015-16 which is in accordance with Sec. 149 (4).

Board Meetings

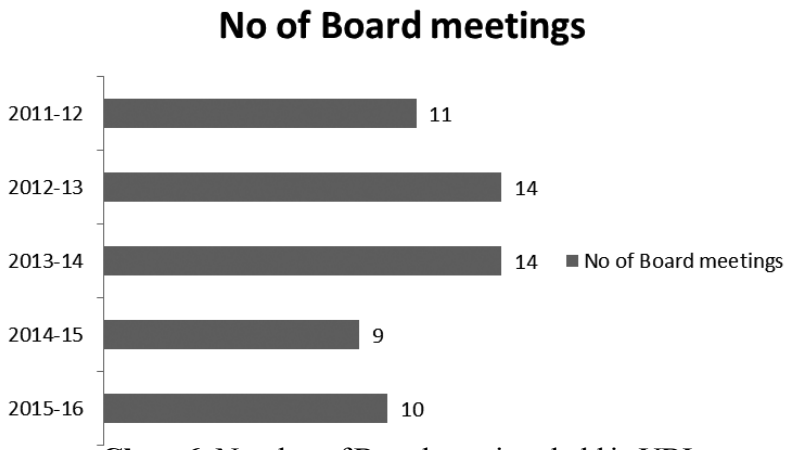

Chart 6: Number of Board meetings held in UBI

Women Participation in the Board

The Board of UBI is having at least one woman director on its board from 2011-12 to 215-16.

The board of UBI on average is holding its board meeting nine to fourteen every month, which is a sign of proactive management implying that the constant engagement of the board will lead to less number of corporate governance issues.

Committees of the Board

For the efficient discharge of duties entrusted to the board, the board is empowered to set up various committees of the board members itself viz. the Audit Committee, Nomination and Remuneration Committee, Risk Management Committee, Stakeholders Relationship Committee and CSR Committee.*(See Table-5)*

Table 5 : Audit Committee, Nomination and Remuneration Committee and Risk Management Committee of Central Board of UBI

Particulars	Audit Committee					Nomination and Remuneration Committee					Risk management Committee				
	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12
No. of members*	7	5	9	9	7	5	4	4	4	4	NA	4	3	5	4
No. of ID	6	4	7	7	6	5	4	4	4	4	NA	2	2	3	2
No of ED	1	1	2	2	1	0	0	0	0	0	NA	2	1	2	2
No. of meetings	9	10	12	9	11	1	1	1	1	1	NA	3	2	4	4

*Note: * includes nominees of GOI and RBI*

Audit Committee

In case of UBI, the number of audit committee meetings held was at least nine per year.

Remuneration Committee

In case of UBI the Remuneration Committee consists of non-executive directors only for the period 2011-12 to 2015-16, thereby complying with the mandatory requirements.

Risk Management Committee

UBI has complied with the requirements w.r.t risk management committee from 2011-12 to 2014-15.

Stakeholder Relationship Committee

In case of UBI, the committee has been constituted as per the mandatory

III. STATE BANK OF MYSORE (SBM)

State Bank of Mysore is a nationalized bank in India, with headquarters at Bengaluru. It is one of the five associate banks of State Bank of India. It was established in the year 1913 as The Bank of Mysore Ltd.

The Bank's Philosophy on Code of Governance

State Bank of Mysore, as an organization driven by values, is committed to pursue objectives that are in the interests of the Bank, Shareholders and all stake holders and the society at large, in consonance with best practices. The Bank believes that Corporate Governance facilitates effective management and better internal controls.

Table 6 : Stakeholders Relationship Committee and CSR Committee of UBI

Particulars	Stakeholders Relationship Committee					CSR Committee				
	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12
No. of members	5	3	5	4	5	NA	NA	NA	NA	NA
No. of ID	3	2	3	2	2	NA	NA	NA	NA	NA
No of ED	2	1	2	2	1	NA	NA	NA	NA	NA
No. of meetings	4	4	4	4	4	NA	NA	NA	NA	NA

Table 7 : Board Structure, Strength and Size of SBM

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
Total No. of Directors	12	12	12	12	14
Non-Executive (excluding Chairman)	3	3	3	3	4
Independent Non Executive	6	6	6	6	6
Women Non-Executive	0	0	0	1	1
Foreign Non Executive	0	0	0	0	0
Executive (excluding Chairman)	3	3	3	3	4
Women Executive	1	1	1	0	1
Foreign Executive	0	0	0	0	0
No. of Board meetings	6	8	8	11	9
Is the Chairman Executive?	YES	YES	YES	YES	YES

Board of Directors/ Board Issues

The various aspects of the Board of Directors Viz. board structure, board strength and size, board diversity and number of board meetings and few other relevant particulars are examined in the following paragraphs and presented in *Table.7*.

The Board is constituted in accordance with The Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970 and Nationalized Banks (Management and Miscellaneous Provisions) Scheme, 1970.

Composition of the Board

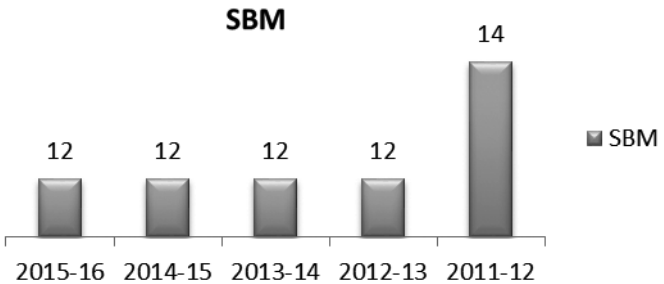

Chart 7: Number of Board Members of SBM

The Central Board of SBM on average consists of 12to 14 members, which is in line with the Sec. 149 (1).

The percentage of non executive directors in the board of SBM range from 67 % to 69 % during 2011-12 to 2015-16 which is in accordance with Sec. 149 (4).

Board Meetings

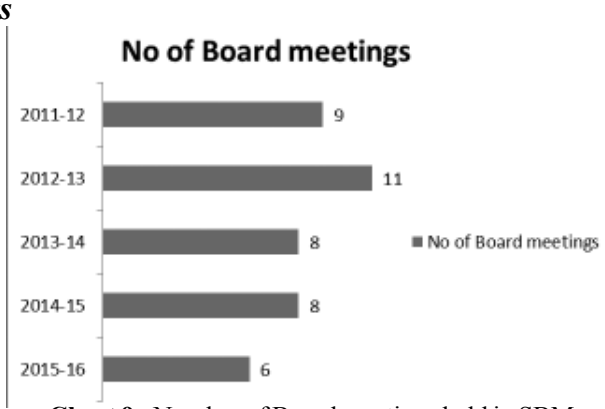

Chart 9 : Number of Board meetings held in SBM

The board of SBM on average is holding its board meeting on an average 6 to 11every year from 2011-12 to 2015-16.

Women Participation in the Board

The Board of SBM is having at least one woman director on its board since 2011-12 to 2015-16.

Committees of the Board

For the efficient discharge of duties entrusted to the board, the board is empowered to set up various committees of the board members itself viz. the Audit Committee, Nomination and Remuneration Committee, Risk Management Committee, Stakeholders Relationship Committee and CSR Committee (*Table-8)*.

Table 8: Audit Committee, Nomination and Remuneration Committee and Risk Management Committee of Central Board of SBM

Particulars	Audit Committee					Nomination and Remuneration Committee					Risk management Committee				
	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12
No. of members*	3	3	3	3	4	4	NA	NA	NA	NA	4	4	4	4	5
No. of ID	3	3	3	3	3	2	NA	NA	NA	NA	2	2	2	2	2
No of ED	0	0	0	0	1	0	NA	NA	NA	NA	2	2	2	2	2
No. of meetings	NA	NA	NA	NA	8	1	NA	NA	NA	NA	6	6	6	8	9

*Note: * includes two nominees of GOI and RBI*

Audit Committee

In case of SBM, the number of audit committee meetings held was 8 in the year 2011-12.The information for the years 2012-13 to 2015-16 are not available in the Annual reports.

Remuneration Committee

In case of SBM the Remuneration Committee consists of only non executive directors in the year 2015-16. For the period 2011-12 to 2014-15, information not available in the annual reports.

Risk Management Committee

SBM has complied with these requirements from 2011-12 to 2015-16, which is clearly evident from the fact that on average four meetings of the committee were held annually and the composition of the committee for all the years is such that , it can effectively gauge the risk inherent in operations and external risks.

Table 9 : Stakeholders Relationship Committee and CSR Committee of SBM

Particulars	Stakeholders Relationship Committee					CSR Committee				
	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12
No. of members	3	3	3	3	NA	NA	NA	NA	NA	NA
No. of ID	2	2	2	2	NA	NA	NA	NA	NA	NA
No of ED	1	1	1	1	NA	NA	NA	NA	NA	NA
No. of meetings	4	4	4	4	NA	NA	NA	NA	NA	NA

Stakeholder Relationship Committee

In case of SBM, the committee has been constituted as per the mandatory requirement and on average have held four meetings per year.

CSR Committee

The board of SBM has not constituted CSR committee till 2015-16.

IV.PUNJAB AND SINDH BANK (PSB)

PSB is a government-owned bank (79.62%), with headquarters in New Delhi. The bank was set up On 24 June 1908.

The Bank's Philosophy on Code of Governance

The Bank shall continue its endeavor to enhance its shareholder's value by protecting their interest by ensuring performance at all levels, and maximizing returns with optimal use of resources in its pursuit of excellence. The Bank shall comply with not only the statutory requirements, but also voluntarily formulate and adhere to a set of strong Corporate Governance practices. The Bank believes in setting high standards of ethical values, transparency and a disciplined approach to achieve excellence in all its sphere of activities. The Bank is also committed to follow the best practices. The Bank shall strive hard to best serve the interests of its stakeholders comprising shareholders, customers, Government and society at large.

Board of Directors/ Board Issues

The various aspects of the Board of Directors Viz. board structure, board strength and size, board diversity and number of board meetings and few other relevant particulars are examined in the following paragraphs and presented in *Table10.*

Table10 : Board Structure, Strength and Size of PSB

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
Total No. of Directors	10	9	13	11	10
Non-Executive (excluding Chairman)	2	2	2	2	2
Independent Non Executive	5	5	8	7	6
Women Non-Executive	1	1	1	0	0
Foreign Non Executive	0	0	0	0	0
Executive (excluding Chairman)	2	1	2	1	1
Women Executive	0	0	0	0	0
Foreign Executive	0	0	0	0	0
No. of Board meetings	9	9	16	11	9
Is the Chairman Executive?	YES	YES	YES	YES	YES

The composition of Board of Directors of the Bank is governed by the provisions of the Banking Regulation Act, 1949, the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980, as amended and the Nationalized Banks

Management and Miscellaneous Provisions Scheme, 1980, as amended.

The Board of PSB on average consists of 9 to 13 members, which is in line with the Sec. 149 (1) of the Companies Act, 201.

Distribution of the Board

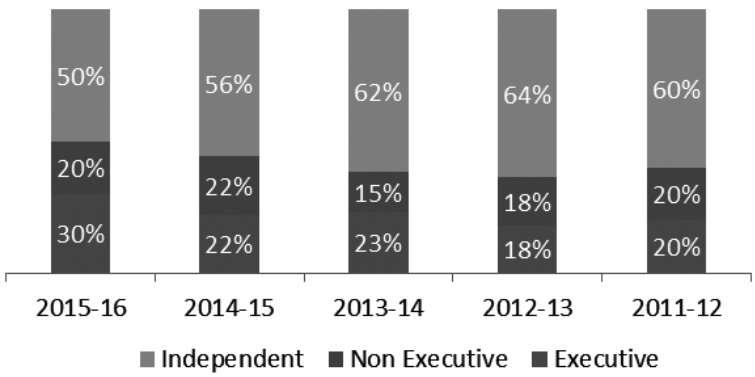

Chart 11: Distribution of Executive, Non-executive and Independent Board Members of PSB

The percentage of non-executive directors in the board of PSB range from 70 % to 82 % during 2011-12 to 2015-16 which is in accordance with Sec. 149 (4).

Women Participation in the Board

The Board of PSB is having one woman director on its board since 2013-14.

The board of PSB on average is holding its board meeting nine to twelve every year, which is a sign of proactive management implying that the constant engagement of the board will lead to less number of corporate governance issues.

Table 11: Audit Committee, Nomination and Remuneration Committee and Risk Management Committee of Central Board of PSB

Particulars	Audit Committee					Nomination and Remuneration Committee					Risk management Committee				
	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12
No. of members*	5	5	6	5	5	4	4	4	4	4	6	5	6	5	5
No. of ID	4	4	4	4	4	4	4	4	4	4	4	3	3	3	3
No of ED	1	1	2	1	1	0	0	0	0	0	2	2	3	2	2
No. of meetings	7	8	8	8	7	1	1	1	1	1	4	4	4	4	4

*Note: * includes nominees of GOI and RBI*

Audit Committee

In case of PSB, the number of audit committee meetings held was on average of seven to eight per year.

Remuneration Committee

In case of PSB the Remuneration Committee consists of only non executive directors and half of them are independent directors for the period 2011-12 to 2015-16, thereby complying with the mandatory requirements.

Risk Management Committee

PSB has complied with these requirements from 2011-12 to 2015-16, which is clearly evident from the fact that on average four meetings of the committee were held annually and the composition of the committee for all the years is such that , it can effectively gauge the risk inherent in operations and external risks.

Table12 : Stakeholders Relationship Committee and CSR Committee of PSB

Particulars	Stakeholders Relationship Committee					CSR Committee				
	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12
No. of members	5	4	4	4	4	NA	NA	NA	NA	NA
No. of ID	2	2	2	2	2	NA	NA	NA	NA	NA
No of ED	3	2	2	2	2	NA	NA	NA	NA	NA
No. of meetings	4	4	4	4	4	NA	NA	NA	NA	NA

Stakeholder Relationship Committee

In case of PSB, the committee has been constituted as per the mandatory requirement and on average have held four meetings per year.

CSR Committee

The board of PSB has not constituted CSR committee till 2015-16.

V. PUNJAB NATIONAL BANK (PNB)

Punjab National Bank is an Indian multinational banking and financial services company. It is a state-owned corporation based in New Delhi. The bank was founded in 1894.

The Bank's Philosophy on Code of Governance

PNB's Corporate Governance philosophy stems from the belief that corporate governance is an integral element for improving efficiency and growth of the organization with overall objective of enhancing investor and other stakeholders' confidence. As a Bank PNB is committed to good corporate practices based on conscience, openness, fairness, professionalism and accountability. PNB's Board of Directors, guided by the mission statement, and formulates strategies and policies focusing on value optimization for all stakeholders like customers, shareholders and the society at large.

Board of Directors/ Board Issues

The various aspects of the Board of Directors Viz. board structure, board strength and size, board diversity and number of board meetings and few other relevant particulars are examined in the following paragraphs and presented in *Table13*.

Table 13 : Board Structure, Strength and Size of PNB

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
Total No. of Directors	11	10	15	12	12
Non-Executive (excluding Chairman)	3	3	6	4	4
Independent Non Executive	4	4	5	4	5
Women Non-Executive	1	1	1	0	0
Foreign Non Executive	0	0	0	0	0
Executive (excluding Chairman)	3	2	3	3	2
Women Executive	1	0	0	1	1
Foreign Executive	0	0	0	0	0
No. of Board meetings	13	11	13	12	13
Is the Chairman Executive?	YES	YES	YES	YES	YES

Board Structure, Strength and Size

The Board of the Bank is constituted in accordance with the provisions of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, the Nationalized Banks (Management & Miscellaneous Provisions) Scheme, 1970, and the Banking Regulation Act, 1949.

The Board of PNB on average consists of 10 to 15 members, which is in line with the Sec. 149 (1).

The percentage of non executive directors in the board of PNB range from 64 % to 73 % during 2011-12 to 2015-16 which is in accordance with Sec. 149 (4).

Table 14: Audit Committee, Nomination and Remuneration Committee and Risk Management Committee of Central Board of PNB

Particulars	Audit Committee					Nomination and Remuneration Committee					Risk management Committee				
	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12
No. of members*	5	4	7	8	7	4	2	4	4	4	6	4	6	9	6
No. of ID	4	3	4	5	5	4	2	4	4	4	2	1	2	5	3
No of ED	1	1	3	3	2	0	0	0	0	0	4	3	4	4	3
No. of meetings	5	11	13	8	11	1	1	1	2	1	4	4	4	4	4

*Note: * includes nominees of GOI and RBI*

Women Participation in the Board

The Board of PNB is having one woman director on its board from 2011-12 to 2015 -16.

The board of PNB on average is holding its board meeting eleven to thirteen every year.

Committees of the Board

For the efficient discharge of duties entrusted to the board, the board is empowered to set up various committees of the board members itself viz. the Audit Committee, Nomination and Remuneration Committee, Risk Management Committee, Stakeholders Relationship Committee and CSR Committee *(Table 14)*.

Audit Committee

In case of PNB, the number of audit committee meetings held was on average five to thirteen per year.

Remuneration Committee

In case of PNB the Remuneration Committee consists of only non executive directors and half of them are independent directors for the period 2011-12 to 2015-16, thereby complying with the mandatory requirements.

Risk Management Committee

PNB has complied with these requirements from 2011-12 to 2015-16, which is clearly evident from the fact that on average four meetings of the committee were held annually and the composition of the committee for all the years is such that , it can effectively gauge the risk inherent in operations and external risks.

Table 15 : Stakeholders Relationship Committee and CSR Committee of PNB

Particulars	Stakeholders Relationship Committee					CSR Committee				
	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12
No. of members	4	4	4	4	3	NA	NA	NA	NA	NA
No. of ID	1	0	1	0	0	NA	NA	NA	NA	NA
No of ED	3	3	3	3	2	NA	NA	NA	NA	NA
No. of meetings	6	6	6	6	6	NA	NA	NA	NA	NA

Stakeholder Relationship Committee

In case of PNB, the committee has been constituted as per the mandatory requirement and on average have held six meetings per year.

CSR Committee

The board of PNB has not constituted CSR committee till 2015-16.

VI. DENA BANK (DB)

Dena Bank headquartered in Mumbai, is owned by the Government of India, The bank was founded in 1938 and the Indian government nationalized it in 1969.

The Bank's Philosophy on Code of Governance - Bank's Corporate

Governance philosophy is based on application of best management practices which will facilitate effective management and control of business. This enables the Board and the Senior Management of the Bank to take decisions adhering to ethical standards, transparency, accountability, responsibility and financial stability. The Bank believes that Corporate Governance is closely linked to its core values and is associated with ethical practices, concern for its employees, extending quality service to its customers, striving to meet the shareholders expectations and societal aspirations. This optimizes the value for all its stakeholders which includes not only the Board of Directors and the Senior Management but also the Shareholders, Customers, Employees and the society at large.

Board of Directors/ Board Issues

The various aspects of the Board of Directors Viz. board structure, board strength and size, board diversity and number of board meetings and few other relevant particulars are examined in the following paragraphs and presented in *Table16*.

Table16: Board Structure, Strength and Size of DB

Particulars	2015-16	2014-15	2013-14	2012-13
Total No. of Directors	12	11	14	11
Non-Executive (excluding Chairman)	3	3	6	5
Independent Non Executive	6	5	5	4
Women Non-Executive	0	1	1	0
Foreign Non Executive	0	0	0	0
Executive (excluding Chairman)	2	2	2	1
Women Executive	1	1	1	0
Foreign Executive	0	0	0	0
No. of Board meetings	10	12	12	16
Is the Chairman Executive?	YES	YES	YES	YES

Board Structure, Strength and Size

The Board had constituted Management Committee as per provisions of Nationalized Banks (Management and Miscellaneous Provisions) Scheme, 1970/ 1980.

The percentage of non executive directors in the board of PSB range from 69 % to 82 % during 2012-13 to 2015-16 which is in accordance with Sec. 149 (4).

Women Participation in the Board

The Board of PSB is having one woman director on its board from 2013-14 to 2015 -16.

The board of DB on average is holding its board meeting ten to sixteen every year, which is a sign of pro-active management implying that the constant engagement of the board will lead to less number of corporate governance issues.

Committees of the Board

For the efficient discharge of duties entrusted to the board, the board is empowered to set up various committees of the board members itself viz. the Audit Committee, Nomination and Remuneration Committee, Risk Management Committee, Stakeholders Relationship Committee and CSR Committee *(Table 17)*.

Table17: Audit Committee, Nomination and Remuneration Committee and Risk Management Committee of Central Board of DB

Particulars	Audit Committee					Nomination and Remuneration Committee					Risk management Committee				
	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12
No. of members*	6	5	6	4	6	4	2	4	2	4	5	5	6	4	5
No. of ID	4	3	4	3	4	4	2	4	4	4	2	2	3	2	2
No of ED	2	2	2	1	2	0	0	0	0	0	3	3	3	2	3
No. of meetings	8	9	12	12	8	4	0	1	1	4	4	4	4	4	4

*Note: * includes nominees of GOI and RBI*

Audit Committee

In case of DB, the number of audit committee meetings held was on average of eight to twelve per year.

Remuneration Committee

In case of DB the Remuneration Committee consists of only non executive directors and half of them are independent directors for the period 2011-12 to 2015-16, thereby complying with the mandatory requirements.

Risk Management Committee

DB has complied with these requirements from 2011-12 to 2015-16, which is clearly evident from the fact that on average four meetings of the committee were held annually and the composition of the committee for all the years is such that , it can effectively gauge the risk inherent in operations and external risks.

Table 18 : Stakeholders Relationship Committee and CSR Committee of DB

Particulars	Stakeholders Relationship Committee					CSR Committee				
	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12
No. of members	4	3	4	3	4	NA	NA	NA	NA	NA
No. of ID	2	1	2	1	2	NA	NA	NA	NA	NA
No of ED	2	2	2	1	2	NA	NA	NA	NA	NA
No. of meetings	4	3	3	4	4	NA	NA	NA	NA	NA

Stakeholder Relationship Committee

In case of DB, the committee has been constituted as per the mandatory requirement and on average have held four meetings per year.

CSR Committee

The board of DB has not constituted CSR committee till 2015-16.

VII.CENTRAL BANK OF INDIA (CBI)

Central Bank of India, a government-owned bank, is one of the oldest and largest commercial banks in India. It is based in Mumbai.

The Bank's Philosophy on Code of Governance

Thrust of the Corporate Governance of the Bank is to enhance shareholders' value by pursuing ethical practices in the conduct of its business and maintaining high standard of disclosure and transparency. The Bank has adopted best practices, and standards of governance are monitored by various Committees of the Board. The Board, the Executives and other functionaries have distinctly demarcated roles in achieving the Corporate goals – improved performance and enhanced shareholders' value.

Board of Directors/ Board Issues

The various aspects of the Board of Directors Viz. board structure, board strength and size, board diversity and number of board meetings and few other relevant particulars are examined in the following paragraphs and presented in *Table19*.

Table 19 : Board Structure, Strength and Size of CBI

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
Total No. of Directors	13	14	13	10	13
Non-Executive (excluding Chairman)	3	3	3	2	3
Independent Non Executive	6	6	6	5	6
Women Non-Executive	1	1	1	0	1
Foreign Non Executive	0	0	0	0	0
Executive (excluding Chairman)	3	4	3	2	3
Women Executive	0	0	0	0	0
Foreign Executive	0	0	0	0	0
No. of Board meetings	13		15	13	13
Is the Chairman Executive?	YES	YES	YES	YES	YES

Board Structure, Strength and Size

The Bank is constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (as amended from time to time). The general superintendence, direction and management of the affairs and business of the Bank is vested in the Board of Directors presided over by the Chairman and Managing Director.

The composition of the Board of Directors of the Bank is governed by the provisions of the Banking Regulation Act, 1949, the Banking Companies (Acquisition and

Transfer of Undertakings) Act, 1970 as amended and the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970, as amended.

The percentage of non executive directors in the board of CBI range from 64 % to 70 % during 2012-13 to 2015-16 which is in accordance with Sec. 149 (4).

Women Participation in the Board

The Board of CBI is having one woman director on its board from 2011-12 to 2015 -16 excepting 2012-13.

Board Meetings

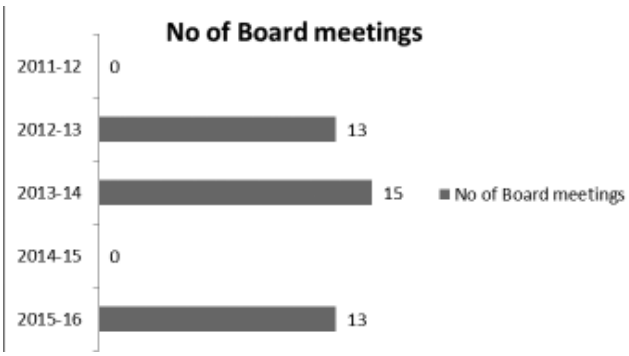

Chart 21 : Number of Board meetings held in CBI

The board of CBI on average is holding its board meeting thirteen to fourteen every year, which is a sign of pro active management implying that the constant engagement of the board will lead to less number of corporate governance issues.

Committees of the Board

For the efficient discharge of duties entrusted to the board, the board is empowered to set up various committees of the board members itself viz. the Audit Committee, Nomination and Remuneration Committee, Risk Management Committee, Stakeholders Relationship Committee and CSR Committee *(Table 20)*.

Table 20 : Audit Committee, Nomination and Remuneration Committee and Risk Management Committee of Central Board of CBI

Particulars	Audit Committee					Nomination and Remuneration Committee					Risk management Committee				
	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12
No. of members*	5	6	7	5	5	4	2	0	2	4	8	4	3	4	8
No. of ID	4	4	4	4	4	4	2	0	2	4	8	4	3	4	8
No of ED	1	2	3	1	1	0	0	0	0	0	0	0	0	0	0
No. of meetings	15	4	8	9	15	4	2	2	2	4	NA	NA	NA	NA	NA

*Note: * includes nominees of GOI and RBI*

Audit Committee

In case of CBI, the number of audit committee meetings held was on average of four to fifteen per year.

Remuneration Committee

In case of CBI the Remuneration Committee consists of only non executive directors and half of them are independent directors for the period 2011-12 to 2015-16, thereby complying with the mandatory requirements.

Risk Management Committee

CBI has not held any meeting of the risk management committee during the period 2011-12 to 2015-16

Table 21: Stakeholders Relationship Committee and CSR Committee of CBI

Particulars	Stakeholders Relationship Committee					CSR Committee				
	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12
No. of members	5	5	5	5	5	NA	NA	NA	NA	NA
No. of ID	2	2	2	2	2	NA	NA	NA	NA	NA
No of ED	3	3	3	3	3	NA	NA	NA	NA	NA
No. of meetings	4	4	4	4	4	NA	NA	NA	NA	NA

Stakeholder Relationship Committee

In case of CBI, the committee has been constituted as per the mandatory requirement and on average have held four meetings per year.

CSR Committee

The board of CBI has not constituted CSR committee till 2015-16.

VIII. BANK OF BARODA (BOB)

Bank of Baroda is an Indian state-owned banking and financial services company headquartered in Vadodara (earlier known as Baroda) in Gujarat, India. It is the second largest bank in India, next to State Bank of India.

The Bank's Philosophy on Code of Governance

The Bank shall continue its endeavor to enhance its shareholders' value by protecting their interest by ensuring performance at all levels and maximizing returns with optimal use of resources in pursuit of excellence. The Bank shall comply with not only the statutory requirements but also voluntarily formulate and adhere to a set of strong Corporate Governance practices. The Bank believes in setting high standards of ethical values, transparency and disciplined approach to achieve excellence in all its sphere of activities.

The Bank is also committed to follow the best international practices. The Bank shall strive hard to serve the interests of its stakeholders comprising shareholders, customers, Government, employees, creditors and society at large.

Board of Directors/ Board Issues

The various aspects of the Board of Directors Viz. board structure, board

strength and size, board diversity and number of board meetings and few other relevant particulars are examined in the following paragraphs and presented in *Table22*.

Table 22 : Board Structure, Strength and Size of BOB

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
Total No. of Directors	10	8	10	13	13
Non-Executive (excluding Chairman)	2	2	2	4	5
Independent Non Executive	4	3	4	5	5
Women Non-Executive	1	1	0	0	1
Foreign Non Executive	0	0	0	0	0
Executive (excluding Chairman)	3	2	3	3	2
Women Executive	0	1	0	0	0
Foreign Executive	0	0	0	0	0
No. of Board meetings	13	18	20	17	17
Is the Chairman Executive?	NO	YES	YES	YES	YES

Board Structure, Strength and Size

The composition of Board of Directors of the Bank is governed by the provisions of The Banking Regulation Act, 1949, The Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970, as amended and The Nationalized Banks (Management & Miscellaneous Provisions) Scheme,1970, as amended.

The percentage of non-executive directors in the board of BOB range from 60 % to 72 % during 2011-12 to 2015-16 which is in accordance with Sec. 149 (4) of the Companies Act, 2013.

Women Participation in the Board

The Board of BOB is having one woman director on its board from 2011-12 TO 2015-16 excepting years 2012-13 and 2013-14 to 2015 -16.

The board of BOB on average is holding its board meeting thirteen to sixteen every year, which is a sign of pro-active

Table 23: Audit Committee, Nomination and Remuneration Committee and Risk Management Committee of Central Board of BOB

Particulars	Audit Committee					Nomination and Remuneration Committee					Risk management Committee				
	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12
No. of members*	5	6	6	6	6	5	2	4	4	4	5	4	5	5	4
No. of ID	4	4	3	3	4	5	2	4	4	4	2	2	1	1	1
No of ED	1	2	3	3	2	0	0	0	0	0	3	2	4	4	3
No. of meetings	12	11	12	11	11	2	1	1	2	1	5	2	4	4	4

*Note: * includes nominees of GOI and RBI*

management implying that the constant engagement of the board will lead to less number of corporate governance issues.

Committees of the Board

For the efficient discharge of duties entrusted to the board, the board is empowered to set up various committees of the board members itself viz. the Audit Committee, Nomination and Remuneration Committee, Risk Management Committee, Stakeholders Relationship Committee and CSR Committee *(Table 23)*.

Audit Committee

In case of BOB, the number of audit committee meetings held was on average of eleven to twelve per year.

Remuneration Committee

In case of BOB the Remuneration Committee consists of only non-executive directors and half of them are independent directors for the period 2011-12 to 2015-16, thereby complying with the mandatory requirements.

Risk Management Committee

BOB has complied with these requirements from 2011-12 to 2015-16, which is clearly evident from the fact that on average four to five meetings of the committee were held annually and the composition of the committee for all the years is such that , it can effectively gauge the risk inherent in operations and external risks.

Table 24: Stakeholders Relationship Committee and CSR Committee of BOB

Particulars	Stakeholders Relationship Committee					CSR Committee				
	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12
No. of members	4	4	5	6	5	NA	NA	NA	NA	NA
No. of ID	2	2	2	2	2	NA	NA	NA	NA	NA
No of ED	2	2	3	3	2	NA	NA	NA	NA	NA
No. of meetings	4	4	4	4	4	NA	NA	NA	NA	NA

Stakeholder Relationship Committee

In case of BOB, the committee has been constituted as per the mandatory requirement and on average have held three to four meetings per year.

CSR Committee

The board of BOB has not constituted CSR committee till 2015-16.

CONCLUSION

It can be inferred from the structural dynamics of board during sample period that the CG practices in the public sector banks are improving and following the statutory requirements. The CG practices of the banks having large capital are relatively stable over the period of time and not much variation is seen. This can be

explained by the fact that large banks have well established internal control mechanisms and there prevail a regulatory oversight from multiple agencies on these banks. The banks having highest market capitalization such as SBI, PNB, BOB and UBI consistently show better CG practices with least variation. One of the reasons for overall improvement in CG practice after 2012-13 has been the promulgation of the Companies Act, 2013 which had made certain parameters of the present CG practices as mandatory.

The CG in public sector banks is enforced through board and various committees of the board. The selection to the board and committees is governed in a manner which is semi rigid as a consequence the management is not able to influence the functioning of the board and committees. Thereby preserving the independence of the board and committees from the executive which results in better and improved CG practices.

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Case Study

Ashok Leyland Ltd (ALL) ALL is Well: A Case study

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History about Ashok Leyland (ALL):

Ashok ley land was set up in 1948 as Ashok Motors in collaboration with Austin Motor Co, England to assemble Austin cars, by Raghunandan Saran, whose son was Ashok. Production began in September 1949, at the factory situated at Ennore, north of Madras, and soon the first indigenously assembled A40 Austin car was rolled out, Later, in 1950 an agreement was reached with Leyland, UK getting sole rights to import, assemble and progressively make Leyland trucks for seven years. In 1955, the company was renamed Ashok Leyland with equity participation from Leyland Motors. It became famous for its double-decker buses (the first to make them) with 50% indigenous components. In 1970 it delivered1, 000 6x4 Hippo tipper trucks to the Indian Army and its design remains even today at the centre of Army trucks.

In 1987,when the Hinduja group acquired Ashok Leyland (by acquiring the offshore Leyland stake in the company) its journey in technology began with Iveco, the Italian commercial vehicle (CV) manufacturer which wanted to introduce its expertise in India. Iveco later took a stake in the company too. But in 2007, the Hinduja brought out Iveco's stake. In the mid-1990's,ALL explored getting into car manufacturing but abandoned the idea, as it was a different business from CVs. The Hinduja group is 14billion transnational conglomerate, founded by late P.D.Hinduja in 1914and earlier focussed on trading and finance the traditional business of Sindhi Shikarpur merchants. The group's activities now span various fields like trading, project development, automotive, banking and fiancé health care IT/ITEs, real estate, energy and chemical &agribusiness. It has a presence in 37 countries, and employees more than 70,000 people. Ashok Leyland is the group's flagship company. The well-known four Hinduja brothers Srichand, Gopichand, Prakash and Ashok, control the group competently supported by members of the next generation. But the family is not involved in the day to day operations of the businesses, which have been entrusted to professionals. The Hinduja family has consistently been on various Rich Lists; and for long were the richest Indians in UK.

This 70year old company, the second largest Indian manufacturer of commercial vehicles (CV) was perceived as almost crippled since 2013 with market down. Annexure-I is very clear indicated the five year financial performance of the company. The annual medium and heavy commercial vehicle demand plummeted from 350,000 to 200,000 units during 2013 and 2014. The company finances were tender stage, with high investment of Rs6, 000 core over the previous five years more than the total investment in the company in its first 60years of existence. Its debt equity ratio to 2:4. Market sentiment was negative and at Rs 11 the price was under the book value. The debt equity ratio was has reduced to a low 0.3 and the stock price is hovering at 120-125 per share.

Leadership commitment: Mr.Vinod .K.Dasari was appointed as CEO in April 2011. The company was in very bad position, in all dimensions. He struggled with his team deftly executed his restructuring plans with determination. He disposed of the non-performing assets sold the company's holding of Indusind bank shares, renationalized Joint Venture holdings and trimmed the work force by 10 percent. But earlier investment in technology, improved product quality and operational efficiency allowed him to focus on new growth areas, to reduce dependency on the core business of heavy highway trucks. He aggressively expanded sales and services in the rest of the country disruptively launched new products and thrust on exports under a programme called RFG (Restructuring for Growth)

Identifying Bull market:

The market share has improved from 24 percent in 2013 to 32 percent. The operating working capital has come down from 37 days to eight days. The dealership and touch points have been ramped up from 350 to 2,800. The current manpower of the company is 10,700 an average age of 35-38 years. The turnover has increased from Rs 13,300 core to 21,300 all in the last five years. When the market partially recovered, we did not look back 'says Mr Gopal Mahadevan, CFO, Ashok Leyland (ALL). All these exercise helped as grow faster than the market." Ashok Leyland (ALL) has presence in trucks, buses, light vehicles defence vehicles and power solutions. It is fourth largest bus and 14thlargest truck maker in the world. It produces 145,000vehicles and is the second largest commercial vehicles manufacturer in India after Tata Motors in a market with more than 10 internationally recognised manufacturer. The company design and make its own engines. All was an early producer of multi axel trucks, articulated buses and CNG vehicles in India. Some of the new products like Jan Bus, U 3718, Boss, Captain, and 40-iT contributed to the company growth. All has consolidated its position and introduced new initiatives with2.5 percent of its revenue invested in R&D.

Identifying similar friends: ALL has not entirely smooth sailing. In 2011 it formed joint venture (JV) with Nissan Motors of

Japan to make LCVs at Hosur in India. In November 2017, ALL acquired the Nissan Motor stake of the joint venture (JV). All also Nissan Motor Co Ltd's stake in each of the three JVs formed between two companies, namely Ashok Leyland Nissan –vehicles Limited, Nissan-Ashok Leyland Powertrain Limited and Nissan-Ashok Leyland Technologies Limited at nominal cost after Nissan decide to venture on its own in India.

Innovation of Products: ALL is now making 32,000 LCVs (light Commercial vehicles) called Dost, MITR, and Partner which are based around the Nissan designs. ALL late entrant in LCVs vehicle market and it EBIDTA margin turned positively by 8-9 percent and ALL having 15% market share in the 2- 2.5 tone segment. The company is now ready to invest Rs 400 core in the product and plant capex in the LCV business and add additional capacity of another 25,000 units. Mr. Vinod K. Dasari, CEO of the company emphasis ALL is the first company to introduce air conditioned cabins and provide power steering. It claims vehicles from the company are 20% more fuel efficient that it competitors. It plans to launch new products every six months.

Mr.Dheeraj Hinduja highlighted the importance to become technology self-reliant and make the product suited for cost sensitive Indian market. We bought a stake in Iveco. It revamped the Research and Development centre completely five years back and now employs 1,100 people there, as against 120 people in the past.. The Technological up gradation includes their own cabs, engine and whole vehicle configurations. ALL developed the intelligent Exhaust Gas Recirculation (IEGR) technology a simple yet innovative solution which achieved BS IV emission norms. It works on single process where a portion of an engine's exhaust gas recirculated back to the engine cylinders. This technology is based on the conventional Exhaust cylinder. This technology is based on the conventional Exhaust Gas Recirculation (EGR) technology, which works well for vehicles or engines up to 130HP only. ALL's claims no other OEM has achieved anywhere else in the world. IEGR is proud example of Innovation.

Standard Operation Procedures: In the year 2016 ALL's Pantnagar unit had become the first truck and bus plant in the world and also only commercial vehicle manufacturer outside of Japan to win Deming Prize-the oldest and most widely recognised quality prize. Which awarded to companies that have established Total Quality Management (TQM) in their business. ALL only commercial vehicle Company in the world to win Deming prizes in consecutive years, says proud CEO Mr.Vinod K.Dasari. ALL is the first company to offer a five year comprehensive annual maintenance contract to its customers. (Its model 3718 is of 37tonne capacity). Under tatkal scheme the company has made a promise to attend to break down within four hours

anywhere in India and put a vehicle back on the road in 48hours failing which the company will pay rs1, 000 per day to the truck owner

Think Global and act Local: All has started it operation in Ras Al Khaimah venture in United Arab Emirates is very small but very successful and profitable addressing to local market. The successful lessons from the Ras Al Khaimah now ALL is planning to establish its operations in East Africa, Russia, South East Asia and Kenya. In the year 2016, ALL has linked a strategic tie-up with its largest dealer, IFAD Auto Limited, Bangladesh to build an assembly unit for ALL .The Joint venture has a capacity to rolling out 600-800 vehicles in all ranges every moth.

Future Direction: ALL is also looking at electric vehicle (EV) to become future ready. The company has formed a technical alliances with Sun Mobility to develop electric mobility solutions. Sun mobility plans to revolutionise the transportation sector by deploying a unique open –architecture ecosystem. The company is built around hard work, talent and innovation by professional managers along with prudent and controlled capital allocation from the promoters which defines its success. "ALL is very good company with large product range" says Mr.Vinod Agarwal, MD & CEO, Volvo and Eicher Commercial Vehicles joint venture. During Last few years it has grown well the particularly in the new segments under Mr.Vinod K. Dasari leadership.

ALL is Well –A Case study

Annexure-I : Five year results: (In cores)

Particulars/Years	2017	2016	2015	2014	2013
Revenue	21,331.67	19992.97	14485.93	10,560.85	13,298.56
Profit before tax	1.330.09	826.54	442.20	91.22	470.71
Profit after tax	1.223.08	389.81	334.81	29.38	433.71

Annexure-II : Regional market share of all (In %)

Zone	**2011-12**	**2017-18**
South	47.10	42.80
North	16.40	25.01
West	20.60	31.00
East	10.00	26.20
Central	22.90	35.00

Annexure III: Peer comparison in M&HCV (Units sold)

Name	2015-16	2016-17	Market Share %	Growth (%)	Remarks
Ashok Leyland	109,760	113,292	3	33	
Tata Motors	176493	175262	-1	51	
M&M	7385	8631	17	2	
VECV-Eicher	36,736	41,416	13	12	
Others	7,220	7,631	6	2	

Questions for Discussion:

1. What is the Restructuring? Identify symptoms of restructuring?
2. What are the steps can be recommended Restructuring Plan?

Introduction:

Business restructuring may be defined as a conscious effort to restructure policies, programmes, products, processes and people to serve the redefined policies, programmes on a sustainable basis, because most of the restructuring policies are carried out with an reaction to the market variables or internal problems, without a serious attempt of looking at long-term (or sustainable) results. Let us look at the comprehensive scope available to restructure, which defines various interesting dimensions of restructuring – The Purpose is Quantitative & Qualitative Results and their sustainability.

If the purpose decides the scope of restructuring, it should also decide the broad sequence of restructuring. Very often the purpose alone may not decide the sequence, the owner's confidence, market variables of urgent attention etc. do decide the sequence of restructuring. The following may be alternative sequences. Symptoms to restructuring need to address through discussion in the class room looking at Annexure-I, student managers need to discuss what are the main reasons will lead to restructuring of the company and student managers need understand and contribute to the discussion what are the efforts were contributed a Mr.Vinod.K.Dasari, CEO of the company in understanding the problem of the company.

Meaning of Restructuring: Restructuring is a strategy through which a firm changes its set of businesses or its financial structure to position its business in the competitive market. This strategy has become necessary for all those organisation which were having fallowing symptoms

Symptoms of Restructuring:

Financial Symptoms

1. Increasing operating costs and cost of finance 2. Falling share prices in the market, without a near-future scope for correction. 3. Declining earnings ratios for divisions, vendors, distributors and shareholders. 4. Increasing costs at the supply-side and demand side of the value-chain.5.Growing costs on marketing operations and hence growing pressure on manufacturing costs. 6. Growing costs of corrective efforts, revisions or reincarnation of products and services.7.Unusual cost of wastage, inefficiencies, idle time, insurance, maintenance, deliveries, etc. 8. Increased costs of applied research, concept sale and take-off efforts.

Strategic Symptoms

1. Slowed down desire for perpetual growth and wealth acceleration. 2. Growing mismatch between strategy formulation by owners and professional

managers. 3 Imbalance of value-additions done by value-driving divisions, individuals and other strategic inputs. 4. Imbalance between short-term tactics and long-term strategies.

Market, Economy-level and Global Symptoms

1. Sustained recession, shrinking international markets. 2. Cheaper funds availability from the international market. 4. Growing import substitution. 5. Growing influence of networking and multinational corporations. 6. Increased international culture of branding anything and everything. 7. Hyper rate of 'information technology advancement, resulting in the globe becoming one single market. 9. Increasing replacement of skill and system employees by knowledge employees and entrepreneurial employees. 10. Opening up of certain economies, regions and the growing scope of new businesses, government-private sector participation, international joint ventures, etc. 11. An economy's transition from the core sector to service sector to information tech-sector to advisory sector.

Operational symptoms

1. Delays in supply chain and distribution chain. 2. Weak market feedback on products, prices and promotional policies 3. Decline in new market development efforts. 4. High asset maintenance and repairs. 5. Distributed ratio between the number of core employees and support employees and the time and effort spent in core performances and support performances. 6. Uncomfortable relations with external stakeholders like contractors, vendors, government departments, consultants etc.

Answer: 2 Restructuring Plan:

The Restructuring Plan, the purpose of restructuring is clearly decided, a restructuring plan could then have reasonable clarity and shape. Although each individual purpose would decide the details of the plan distinctively and leadership demonstration will play vital role in the restructuring process. A general structure may be summarized as follows:

Steps involved in Restructuring:

1. Define the purpose further, with the maximum details of possible sustainability. 2. Decide the sequence of restructuring. 3. Check out all minute details of each operation (related to the soft and hard aspects of restructuring) under each phase of the sequence, with the use of Program evaluation and Review technique (PERT) Critical Path Method (CPM) charts and details about major hurdles and tactics to overcome these hurdles. 4. Have a parallel cost-benefit chart along with the PERT-CPM chart of operations. The costs and benefits should be on both the scales-short and long. 5. Decide a lead team of key executives and owners to carry out the whole process of restructuring, decide on the action plan for each member of the team and 'homogenous progress parameters' to monitor the process. 6. Chalk out a detailed plan with soft and hard aspects, costs and crisis-management of change and result indicators.

Significance of Corporate Restructuring

Corporate restructuring is a strategic decision leading to the maximization of company growth by enhancing its production and marketing operations, reduced competition, free flow of capital, globalization of business, etc. Some of the most common reasons of corporate restructuring are discussed briefly hereunder:

(i) Economies of scale: Economies of scale arises when increase in volume of production leads to a reduction in cost of production per unit. For instance, overhead costs can be substantially reduced on account of sharing central services such as – accounting and finance, personnel and legal, sales promotion and advertisement, top level management and so on. So when two or more companies combine, certain economies are realized due to the larger volume of operations of the combined entity. These economies arise due to increased production capacity, strong distribution networks, effective engineering services, research development facilities, data processing system and others.

(ii) Operating Economies: Various functions may be consolidated and duplicate channels may be eliminated by implementing proper planning and control system.

(iii) Synergy: Synergy refers to a situation where the combined firm is more valuable than the sum of the individual firms. It refers to benefits other than those related to economies of scale. Apart from operating economies, synergy may also arise from enhanced managerial capabilities, creativity, innovativeness, R&D, productivity improvements, improved procurement and the elimination of duplication.

(iv) Managerial Effectiveness: One of the potential benefits of joint venture is an increase in managerial effectiveness. This may occur if the existing management team, which has performed poorly, is replaced by a more efficient one.

(v) Other reasons of corporate restructuring are given below: (a) To return to the shareholders of the surplus cash, which is not required in the near foreseeable future. (b) To enhance the earnings per share of the company. (c) To provide to shareholders/investors that the company is presently undervaluing the share of the company in relation to its intrinsic value and the proposed buy back will facilitate recognition of the true value. (d)To maintain shareholders' value in a situation of poor state of secondary market by return of surplus cash to the shareholders. (f) Eliminate the takeover threats. (g) An opportunity to grow faster, with ready-made market share. (h)To eliminate the competition by buying it out. (i) Diversification with minimum cost and immediate profit. (j) To forestall the company's own takeover by a third party.

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