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MOBILE BANKING FOR FINANCIAL INCLUSION: ADOPTION & CHALLENGES

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ABSTRACT

Financial inclusion enables inclusive sustainable development of the country. Technology is the key to financial inclusion. Mobile phone has emerged as the most popular, promising and well suited technology for financial inclusion. Mobile banking as a technique of financial inclusion has great scope in India. However, it is seen that in India, majority of people have not adopted this upgradation of banking technology rather they prefer banking in traditional way. This paper looks at various factors influencing the adoption and acceptance of mobile banking and tries to look at the challenges with mobile banking. The study is based on both primary and secondary data. To collect information 20 customers each from three banks of Bhubaneswar town of Odisha were selected as sample respondent. As a result, total number of sample respondents was 60 from whom primary data were collected. The relevant secondary data were collected from journals, magazines and websites. The study reveals that adoption of mobile banking depends upon factors like compatibility, trialability, complexity and perceived risk. Again, there are number of challenges with the adoption of mobile banking which are to be addressed to make mobile banking a great potential for financial inclusion.

KEYWORDS

Mobile Banking, Financial Inclusion, Adoption etc.

INTRODUCTION

With the growth of the Indian Economy, focus has been on the achievement of inclusive sustainable growth. A strong financial system is required for inclusive sustainable growth. Financial inclusion enables inclusive sustainable economic and social development of the country. Technology is the key to financial inclusion. It can reduce cost significantly and can take banking to masses. Now days, mobile phone has emerged as the most popular, promising and well suited technology for financial inclusion. The use of mobile phone is very suitable for financial inclusion in the countries like India where there is deep penetration of the mobile phone.

Concept of Financial Inclusion

Financial inclusion stands for delivery of appropriate financial services at an affordable cost on timely basis to vulnerable groups who lack access to even most basis banking service. (Sanu Garg et.al. 2014). Financial inclusion takes into account the participation of vulnerable groups such as weaker section of the society, low-income groups and women in financial system of the country so that they have access to various financial services such as saving and payment account, credit, insurance, pension etc. According to the committee of Financial Inclusion headed by C. Rangarajan (2008) defined financial inclusion as “The process of ensuring access to financial services and timely and adequate, credit where needed by vulnerable groups such as weaker section and low-income group at affordable cost.”

Concept of Mobile Banking

Mobile banking has emerged as new alternative way of banking which is more convenient and user friendly than traditional form of banking. It is covering the concept of anytime, anywhere banking into reality. Mobile banking is a revolution that is driven by the world's one of the fastest growing sectors mobile communication technology.

The mobile banking is defined as “the provision and usage of banking and financial services with the help of mobile telecommunication devices. Mobile banking is a system that helps the customers to conduct many financial transactions with the help of their mobile devices (Manav Aggrawal, 2014).

MOBILE BANKING IN INDIA

In India, there are 867.80 million mobile phone subscribers of those 21.61 million people use internet on these devices (TRAI, 2013). Since 1995 in India there is found growth in mobile banking. Until 2009, 32 banks have been granted permission to operate

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mobile banking of which 6 belongs to State Bank of India, 12 to nationalized banks and 13 to private/foreign banks (Yogesh Jain, 2013). Mobile banking services in India are still in their infancy, leaving a great deal of room for development.

Now days banks have changed from paper based banking solution provider to the latest of the technologies like online banking, mobile banking etc. However, it is seen that in India, particularly in Assam majority of customers have not adopted this upgradation of banking technology, rather they prefer banking traditional way. Even the adoption rate of educated customers is also very low.

The paper looks at various factors influencing the adoption and acceptance of mobile banking. It would also try to look at the challenges or problems with adoption of mobile banking.

OBJECTIVES OF STUDY

- To identify the factors influencing the adoption and acceptance of mobile banking.
- To find out the challenges associated with adoption of mobile banking.

REVIEW OF LITERATURE

Research on consumer attitude and adoption of mobile banking showed that there are several factors predetermining the consumer's attitude towards online banking such as person's demography, motivation and behavior towards different banking technologies and individual's acceptance of new technology. Perceived usefulness security and privacy are the main perusing factors to accept online banking system. (Rahmath Safena, et al, 2012).

According Rogers (1995) the perceived innovation characteristics are supposed to provide the framework how potential adopters perceive an innovation. Research that has investigated the product characteristics of innovation has generally endorsed evaluating the innovation along the product characteristics that involve five constructs; relative advantage, compatibility, complexity, trialibility and observality. Relative advantage, compatibility, trialability and observability are positively related to adoption of an innovation and complexity is negatively related (Archana Sharma, 2011).

From Indian perspective Sharma and Singh found that Indian mobile banking users are specially concerned about security issues like financial frauds, account misuse and user friendliness. Some other issues concerned with adoption of mobile banking are difficulty in remembering the different codes for different types of transactions, application software installation and updating due to lack of standardization. (Gurmeet Singh, 2011).

The rapid technology development in mobile technology like 2G, 3G, 4G (very soon Indian people are going to enjoy 5G) has become major challenges for banks. The customers are mostly using ATM and online banking service. Most of the customers feel comfortable without mobile banking. They also feel there are chances of misuse in mobile banking due to mobile handset theft. (Devadevan, 2013).

RESEARCH METHODOLOGY

The study is based on both primary and secondary data sources. All bank customers of Bhubaneswar town were considered as population of the study. To collect information 20 customers each from three banks of Bhubaneswar town were selected as sample respondent. As a result, total numbers of sample respondents were 60. Data was collected by using structured questionnaire.

Along with quantitative data, the researcher also used qualitative method to study various issues and challenges related to adoption and acceptance of mobile banking. For the present research, the paper is based on exploratory research whose major emphasis is on discovery of ideas. The secondary data for the study have been compiled from journals, magazines, and websites and from research papers. A lot of information was also collected by conversation with the customers of the banks.

ANALYSIS AND INTERPRETATION

The data for the study is obtained from the survey conducted in the branches of three banks; viz. State bank of India, Punjab National Bank and UCO Bank of Bhubaneswar town. To collect information 20 customers from each bank were selected conveniently as sample respondent. Questionnaire was given to the respondent for collection of data and conversations were made with the respondents to extract additional information. The profile of the respondents is given in table 1.

Table-1: Profile of Respondents (N=60)

Characteristics		Frequency	Percentage
Gender			
	Male	41	68.33
	Female	19	31.67
Age	Less than 20		3.33
	20-30	17	28.33
	30-40	24	40.00
	50 and above	5	8.33
Income	Less than 5000	12	20.00
	5000-15000	15	25.00
	15000-25000	18	30.00
	25000 and above	15	25.00

Sources: Authors Compilation

It is evident from the table 1 that majority of the respondents belongs to young age group mostly engaged in services, business and some are students. Old aged customers of the bank were purposively avoided. This is because young people are more familiar with smart phones, internet and mobile banking technology and as a result, it becomes possible for the researcher to extract opinion regarding mobile banking from them. In order to know the knowledge of the respondents regarding mobile banking few questions were asked to them in the questionnaire:

Table-2: Have you Heard about Mobile Banking (N=60)

Respondent	Yes	No
60	46 (76.67%)	14 (23.33%)

Sources: Authors Compilation

Table-3: Would you like to use Mobile Banking (N=60)

Respondent	Yes	No
60	32 (53.33%)	28 (46.67%)

Sources: Authors Compilation

Table-4: Which Benefit you Prefer most using Mobile Banking (N=60)

Respondent	Clarity of Transaction	Confidentiality	Time Saving	Cannot say anything
60	19 (31.67%)	10 (16.67%)	22 (36.67%)	9 (15.00%)

Sources: Authors Compilation

It is evident from the table-2 that a good number of respondents (76.67%) have heard about mobile banking. Since, most of the respondents were young aged, they were well versed with the operation of smart phones, and they frequently use internet, therefore, it quite relevant that most of the respondents have heard about mobile banking. Again, table no 3 reveals that 53.33 percent of respondents would like to use mobile banking and 46.67 percent of the respondents do not.

A good number of respondents reveals that using of mobile banking will save their time as they can conduct their banking operations such as, fund transfer, payment, bill payment, balance enquiry, merchant payment, top up / recharge etc. from home without coming to bank branches. Some respondents reveals that there is clarity of transaction in mobile banking as money transaction made by the customer will be clearly reflected and recorded through mobile phone.

FACTORS INFLUENCING THE ADOPTION AND ACCEPTANCE OF MOBILE BANKING

To identify the factors influencing adoption of mobile banking few statements regarding different issues of mobile banking services were given to the respondents and they were asked to give their opinion on these issues.

Table-5: Bank Customers Perspective about Mobile Banking (N=60)

Item	I Strongly Agree	I Agree	I Am Not Sure	I Disagree	I Strongly Disagree
I find mobile banking an easier way to solve my banking needs.	10	11	14	13	12
I find mobile banking a convenient way to manage my finance	8	12	24	7	9
Mobile banking requires a lot of knowledge to use.	16	3	6	28	7
Mobile banking is a risky mode of banking to use	11	13	18	13	5
I would use on be more likely to use mobile banking if mobile banking is well suited to my lifestyle.	16	20	4	8	12
I would use mobile banking if I could use it on a trials basis to see what it can offers.	34	16	3	4	3
I would use mobile banking if I could see a trial demo first.	29	18	5	5	3
Mobile banking would be complex to use	7	15	17	8	3

Sources: Authors Compilation

The findings in the table indicates that adoption of mobile banking appears to be influenced by trialability as 83.33 percent of the respondents agree with the view that they would use mobile banking if they could use it on a trials basis. Again, 78.33 percent respondents want to see a trial demo of mobile banking. Adoption of mobile banking is also influenced by compatibility as 60.00 percent of the respondents agreed with the view that they would use mobile banking if it were well suited to their life style or working style. Other factors that affect mobile banking adoption are perceived risk and complexity. It is evident from the table that 40.00 percent of the respondents feel that mobile banking is a risky mode of banking to use. Again, 36.67 percent of the respondents were of the view that mobile banking would be complex to use.

CHALLENGES WITH ADOPTION OF MOBILE BANKING

There existed many challenges affecting use and adoption of mobile banking as revealed by different studies. The challenges with adoption of mobile banking are mainly economic, regulatory and demographic. On economic front, any mobile banking must be inexpensive enough to be attractive for the end customers over exiting methods of transaction. Again, there are some regulatory challenges. Although the RBI is encouraging mobile banking in India, there are many regulations that are being put into place. As per guidelines, only the existing financial institutions and banks are allowed to offer mobile banking. Although it covers the Micro Finance Institutions (MFIs), significant economies of scale cannot be achieved due to existing large fixed cost. According to regulation all transactions must be done only in Indian currency, the rupee which may pose a constraint for inter operability between Indian mobile payment and the rest of the world. (Vishal Goyal, Dr. U.S. Pandey, Sanjay Batra, 2012)[11] Moreover, there are demographic challenges. India is a country where different languages are used in different parts. Most of the population of India still living in rural areas and everyone does not understand same language. So it is utmost important to make software that is user friendly and available in different languages.

There are some other challenges as revealed by another study. Mobile banking is very important for the traders who involve in frequent transaction of money. It was observed that many traders in rural areas preferred cash transaction to cashless transactions. The only traders who had enabled their business to accommodate mobile money in transaction were mainly the big traders of urban centre. Again, most of users of mobile phone were only aware of the elements of sending and receiving money through mobile phone, but not the other elements. (Odoyo Collins Otemo et al, 2016).

The rapid technological development in mobile and communication system has become major challenge for banks. It is observed that banks, which stated mobile banking in the form of SMS banking, then accepted customized application based mode for traditional handsets. Now the introduction of smart phones changed the traditional mobile software into mobile apps. The major challenges in apps are, it must be developed for different mobile operating system.

A major concern among customers about mobile banking is security and privacy. Many people feel that there are chances of misuse in mobile banking due to mobile handset lost on due to cyber crime. Hence, many customers feel comfortable without mobile banking. For effective use of mobile banking, the awareness about use of mobile banking and about the security mechanism to be followed by the customers has to be addressed. Although revealed from different studies these challenges are universal, which are to be addressed, so that people readily adopt and accept mobile banking which will enlarge the scope of financial inclusion.

CONCLUSION

It is well recognized that mobile banking has great potential for financial inclusion leading to financial growth of the country. For inclusive growth, the benefits of mobile banking should reach to the common man. Success of mobile banking as a tool of financial inclusion depends upon its adoption and acceptance by common man. Adoption and acceptance of mobile banking is influenced by factors like compatibility, trailability, complexity and perceived risk. There are number of challenges with the adoption of mobile banking which are to be addressed. There is need to generate awareness about mobile banking so that more and more people use it for their benefit.

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ASSESSMENT STUDY OF E-COMMERCE BUSINESS MODELS IN INDIA

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ABSTRACT

Electronic commerce or e-commerce is primarily defined as performing or facilitating business on the Internet. An e-commerce business model provides framework for any organization to conduct business over an electronic network. As internet reaching at every corner of the world, the biggest advantage of an e-commerce is that the size of the market is getting enlarged. The International Telecommunication Union, in 2016, estimated about 3.2 billion people, or almost half of the world's population, would be online by the end of the year. About 48% of the world's population uses the Internet currently and the numbers are growing on exponential speed. Using internet for business reaching new market, the business gets larger and the consumers have superior access to quality products and services. The consumer and seller or service provider interaction gets better and efficient.

The emergence of middle class with good purchasing power is an important reason for the growth of e-commerce in India. With the better access to the Internet e-commerce, India has 422.19 million users. Despite being the second-largest userbase in world, only behind China (650 million, 48% of population), still the penetration of e-commerce is low compared to markets like the United States (266 million, 84%), or France (54 M, 81%), but is growing at an unprecedented rate, adding around 6 million new entrants every month. In addition to this the schemes of government like Startup India, Make in India and Digital India and policies like cashless India are also affecting the e-commerce in India. This paper focuses on types of E-Commerce models being practiced in Indian subcontinent.

KEYWORDS

Online Market, E-Commerce, Business Models, Digital Marketing etc.

INTRODUCTION

With $681 billion in online retail sales in 2016, China is the largest market for e-commerce globally, followed by the US, and the fastest growing one is India. We live in a world where we communicate with each other over mobile phones than we do face to face. For keeping in touch, shopping, hailing a cab, or ordering food… everything begins and ends with that smartphone. And it is only getting bigger. According to a new study by Forrester Research, approximately a fifth of total retail sales will take place online by 2021 in Asia Pacific, with 78 percent of that coming from mobile, up from 63 percent in 2016. The study adds that online retail via mobile will grow at a CAGR of 15.6 percent, to reach $1 trillion in 2020, up from $539 billion in 2016.

According to a study done by Indian Institute of eCommerce, by 2020 India is expected to generate $100 billion online retail revenue out of which $35 billion will be through fashion e-commerce. Online apparel sales are set to grow four times in coming years.

India's retail market is estimated at $470 billion in 2011 and is expected to grow to $675 Bn by 2017 and $850 billion by 2020, – estimated CAGR of 10%. According to Forrester, the e-commerce market in India is set to grow the fastest within the Asia-Pacific Region at a CAGR of over 57% between 2012–16.

Online travel constitutes a sizable portion (87%) of this market today. Online travel market in India had a growth rate of 22% over the next 4 years and reach Rs 54,800 crore ($12.2 billion) in size by 2015. Indian e-tailing industry is estimated at Rs 3,600 crore (US$800 million) in 2011 and estimated to grow to Rs 53,000 crore ($11.8 billion) in 2015.

Overall e-commerce market had reached Rs 1,07,800 crores (US$24 billion) by the year 2015 with both online travel and e-tailing contributing equally. Another big segment in e-commerce is mobile/DTH recharge with nearly 1 million transactions daily by operator websites.

A new sector in e-commerce is online medicine, selling complementary and alternative medicine or prescription medicine online. There are no dedicated online pharmacy laws in India and it is permissible to sell prescription medicine online with a legitimate license.

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Online sales of luxury products like jewellery also increased over the years. Most of the retail brands have also started entering into the market and they expect at least 20% sales through online in next 2–3 years.

EXAMPLES OF ECOMMERCE

Online Shopping

Sellers create storefronts that are the online equivalents of retail outlets. Though Amazon.com is not the pioneer of online shopping, it is arguably the most famous online shopping destination.

Buying and selling goods online over Internet is one of the most popular examples of ecommerce. Online shopping is the procedure through which consumers directly buy goods or services from a seller through Internet. Buyers browse and purchase products with mouse clicks. The purchase transaction is completed electronically and interactively. An online shop, e-shop, e-store, internet shop, webshop, webstore, online store, or virtual store creates an analogy of shopping from a physical store. This is the type of electronic commerce conducted by companies such as Amazon.com, e-bay.com, flipkart.com etc.

Electronic Payments

An e-commerce payment system facilitates the acceptance of electronic payment for online transactions. Also known as a sample of Electronic Data Interchange (EDI), e-commerce payment systems have become increasingly popular due to the widespread use of the internet-based shopping and banking. E-Commerce or Electronics Commerce sites use electronic payment where electronic payment refers to paperless monetary transactions. Electronic payment has revolutionized the business processing by reducing paper work, transaction costs, labour cost. Being user friendly and less time consuming than manual processing, helps business organization to expand its market reach / expansion. Some of the modes of electronic payments are following:

- Credit Card,
- Debit Card,
- Smart Card,
- E-Money,
- Electronic Fund Transfer (EFT).

When you are buying goods online, there needs to be a mechanism to pay online too. That is where payment processors and payment gateways come into the picture.

Online Auctions

An online auction is an auction which is held over the internet. When you think online auction, you think eBay. Physical auctions predate online auctions, but the Internet made auctions accessible to a large number of buyers and sellers. Online auctions are an efficient mechanism for price discovery. Many buyers find the auction shopping mechanism much interesting than regular storefront shopping. Online auctions have greatly increased the variety of goods and services that can be bought and sold using auction mechanisms along with expanding the possibilities for the ways auctions can be conducted and in general created new uses for auctions. In the current web environment there are hundreds, if not thousands, of websites dedicated to online auction practices.

Internet Banking

Online banking, also known as internet banking, e-banking or virtual banking, is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website. The online banking system will typically connect to or be part of the core banking system operated by a bank and is in contrast tobranch banking which was the traditional way customers accessed banking services.

To access a financial institution's online banking facility, a customer with internet access will need to register with the institution for the service, and set up a password and other credentials for customer verification. The credentials for online banking is normally not the same as for telephone or mobile banking. Financial institutions now routinely allocate customers numbers, whether or not customers have indicated an intention to access their online banking facility. Customer numbers are normally not the same as account numbers, because a number of customer accounts can be linked to the one customer number. Technically, the customer number can be linked to any account with the financial institution that the customer controls, though the financial institution may limit the range of accounts that may be accessed to, say, cheque, savings, loan, credit card and similar accounts.

Online Ticketing

Air tickets, movie tickets, train tickets, play tickets, tickets to sporting events, and just about any kind of tickets can be booked online. Online ticketing does away with the need to queue up at ticket counters.

Types of Ecommerce

Ecommerce can be classified based on the type of participants in the transaction:

Business to Business (B2B)

B2B ecommerce transactions are those where both the transacting parties are businesses, e.g., manufacturers, traders, retailers and the like.

Business to Consumer (B2C)

When businesses sell electronically to end-consumers, it is called B2C ecommerce.

Consumer to Consumer (C2C)

Some of the earliest transactions in the global economic system involved barter -- a type of C2C transaction. But C2C transactions were virtually non-existent in recent times until the advent of ecommerce. Auction sites are a good example of C2C ecommerce.

Benefits of Ecommerce

The primary benefits of ecommerce revolve around the fact that it eliminates limitations of time and geographical distance. In the process, ecommerce usually streamlines operations and lowers costs. Following are the major benefits from E-Commerce:

- Convenience & Easiness,
- Offer Product Datasheets,
- Attract New Customers with Search Engine Visibility,
- Comprise Warranty Information,
- Decreasing cost of inventory Management,
- Keep Eye on Consumers' Buying Habit,
- Competence,
- Allow Happy Customers to Sell Your Products,
- Selling Products Across the World,
- Stay open 24*7/365,
- Boost Brand Awareness,
- Decrease Costs of advertising, personnel and eliminate travel cost of shopping,
- Offer Huge Information,
- Analytics,
- Expand Market for Niche Products.

Specialized Forms of Ecommerce

On some platforms, ecommerce has shown the promise of explosive growth. Two such examples are:

M-commerce

M-commerce is short for "mobile commerce." The rapid penetration of mobile devices with Internet access has opened new avenues of ecommerce for retailers. The phrase mobile commerce was used at the launch of the Global Mobile Commerce Forum, to mean "the delivery of electronic commerce capabilities directly into the consumer's hand, anywhere, via wireless technology. Many choose to think of Mobile Commerce as meaning "a retail outlet in your customer's pocket."

Mobile commerce is worth US$230 billion, with Asia representing almost half of the market, and has been forecast to reach US$700 billion in 2017.[2] According to BI Intelligence[3] in January 2013, 29% of mobile users have now made a purchase with their phones. Walmart estimated[4] that 40% of all visits to their internet shopping site in December 2012 was from a mobile device.

F-Commerce

Facebook commerce (F-commerce) refers to e-commerce that is facilitated by the Facebook social media platform. Facebook is a major enterprise, with hundreds of millions of users and near-constant media exposure. Facebook commerce seeks to use elements of Facebook to drive sales. The immense popularity of Facebook provides a captive audience to transact business.

Types of ecommerce business model:

a. Online Subscriptions,
b. Exclusive Brand Stores,
c. Deals Websites,
d. Marketplace.

We will look into these models one by one.

Online Subscriptions

The subscription business model is a business model where a customer must pay a subscription price to have access to a product or service. These websites work like an offline subscription. Here the users can choose from subscriptions available on the website and subscribe according to their needs. The payment for subscription can be made online. This makes the services more reachable and easier payment options make it more attractive to the users.

The model was pioneered bymagazines and newspapers, but is now used by many businesses and websites. In India magazines like Frontline can be subscribed online and so can the newspapers like The Hindu. Amazon.com has also started the monthly subscription service where it provides the consumers the option of monthly subscription with discounts from normal rates and the consumers can pay the subscription fees on their website.

Online Exclusive Brand Stores

Here the brands create exclusive online stores for their products and services. The catalog is uploaded on the website where the consumers see it which is also available in their physical stores. Here the consumers get the advantage of shopping from their trusted brands online without having to visit the physical stores. Examples of online exclusive brand stores are HP, Samsung, Peter England, Monte Carlo etc.

Coupons / Deals Websites

There are various ecommerce websites which provide the best deals to the consumers for transaction through their websites. These websites give the consumers various deals available on other websites or stores. For example mobokwik.in, freecharge.in, coupondunia.in etc.

Marketplace

Here the consumers and sellers are provided with a platform to interact with each other. Based on this there are various websites with different models that they follow. These models are:

Business to Consumer (B2C)

This is the most common business model that usually people know about. Here the sellers of products or services, as well as the buyers of such products or services, are present on an online platform. Virtual stores give the consumers access to wider variety of products at cheaper rates. The best example for this is Amazon.in, Flipkart.com, Myntra.com, Snapdeal.com etc where the consumers can find almost anything be it books, electronic products like washing machines, USB storage devices, clothes, shoes or personal care etc.

Business to Business (B2B)

Here both the parties are involved in business activities. Here commercial transactions take place between both the parties. The parties involved can be a manufacturer and wholesaler or a wholesaler and retailer.

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CONCLUSION

There are a lot of exciting developments in the pipeline for India's e-commerce industry. Here's a roundup of the key points:

- India's online population is increasing at a rapid pace, as is the number of people accessing the internet on mobile devices.
- Retailers need to adapt to the recent changes in consumer behaviour to ensure that they stand out from corporate giants.
- Three key ways any Indian e-commerce store can get ahead of the game are: investing in a brand story, adopting a multichannel strategy, and getting to grips with social media content.

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A STUDY OF LINKAGES BETWEEN AGRICULTURAL COMMODITY INDICES IN THE INDIAN MARKET

Dr. P. Sri Ram[4]

ABSTRACT

The study facilitates in understanding of the commodity market and the agricultural indices. The commodity market is deeply evaluated as all the exchanges and their agricultural indices are analyzed in the study. Further, the volatility effect of MCX Agri Index and NCDEX Dhannya Index are evaluated since MCX having major market share in the commodity market as compared to NCDEX. The volatility is studied in order to understand if there is any further price discovery of commodities and to understand if the Indian agricultural commodity market is still volatility. As the effect of one index on the other is being understood the investor can be aware of the volatility change in the agricultural market. Volatile market gives a chance to the investor to earn in the market from new price discovery of the commodity. On examination of the indices, it is learnt that there are only two commodity exchanges providing agricultural indices i.e. MCX and NCDEX and the composition of their agricultural commodity indices are further analyzed. Past studies have shown linkages between future and spot market of individual commodities and other commodity indices; hence, to examine the volatility effect or the linkage between the agricultural commodity indices for the period 2007 to 2015, tools and techniques used are correlation test, ADF t- test, Garch (1, 1) and Granger Causality Test in E - views. The study shows that there is linkage between both the agricultural commodity indices since volatility of one index affects the other.

KEYWORDS

MCX Agri Index, Dhanya Index, ADF, GARCH etc.

INTRODUCTION

In the study, the Indian commodity market is studied in order to identify the commodity exchanges, which provide platform for trading of agricultural commodities. The agricultural commodity indices are further analyzed based upon the composition i.e. Indices which have only agricultural commodity composition and not energy and metal. This is done so there is uniformity in both the indices while analyzing. Though the compositions of the indices are different in the respective weight ages the base is the same, as only agricultural indices are selected. The volatility effect is further analyzed so that the relationship between both the indices is understood i.e. up to what extend the volatility of the agricultural indices effect each other.

The study facilitates in understanding of the commodity market and the agricultural indices. The commodity market is deeply evaluated as all the exchanges and their agricultural indices are analyzed in the study. Further, the volatility effect of MCX Agri Index and NCDEX Dhannya Index are evaluated since MCX having major market share in the commodity market as compared to NCDEX. The volatility is studied in order to understand if there is any further price discovery of commodities and to understand if the Indian agricultural commodity market is still volatility. As the effect of one index on the other is being understood, the investor can be aware of the volatility change in the agricultural market. Volatile market gives a chance to the investor to earn in the market from new price discovery of the commodity. Till now only metal and energy have been looked upon as volatile commodities, hence here in this study we look upon the agricultural commodities indices and try to understand if they are volatile or not.

LITERATURE REVIEW

Sanjay Sehgal, Wasim Ahmad and Florent Deisting (2013) in their paper An Empirical Examination of the Process of Information Transmission in India's Agriculture Futures Markets examined the process of information transmission in India's agriculture commodity futures market by investigating the price discovery and direction of volatility spillovers between futures and spot prices of nine agricultural commodities viz., Barley, Cardamom, Castor seed, Chana (Chickpea), Chili, Mentha oil, Pepper, Soybean and Refined Soya, traded on Multi-Commodity Exchange (MCX) and National Commodity & Derivatives Exchange (NCDEX). The study uses the daily data from January 01, 2009 to May 31, 2013. The empirical results confirm the price discovery between futures and spot prices, indicating strong information transmission. The volatility spillover results indicate that in the short-run, there is strong volatility spillover from spot to futures market whereas in the long run, it is exactly opposite.

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Isha Chhajed and Mr.Sameer Mehta (2013) in their paper Market Behavior and Price Discovery in Indian Agriculture Commodity Market examined the market behavior and price discovery in Indian Agriculture Commodity Markets. The commodity derivatives market in India has witnessed a phenomenal growth since the functioning of future market came under scrutiny during 2008-2009 due to price rise and the role of futures market in stabilizing spot prices was widely studied. The study considered average monthly spot and future prices of nine agriculture commodities viz. wheat, chana, soybean oil, jute, mentha oil, rubber, potato, crude palm oil and cardamom trading on MCX and NCDEX during 2009-2010. Granger causality test have been used to test the price discovery i.e., the effect of future market on spot market and vice-versa. The market behavior was studied with the help of backwardation and contango. The result of the study says that the price discovery mechanism is quite different for different commodities but it suggests that causality can be used in forecasting spot and futures prices. Most of the commodities showed bi-directional causality between spot and future prices. The contango and backwardation helps in identifying the hedging opportunities in the market.

Sanjay Sehgal, Namita Rajput and Florent- Deisting (2013) in their paper Price Discovery and Volatility Spillover: Evidence from Indian Commodity Markets examined the price discovery and volatility spillover relationship for Indian commodity markets. Here they covered twelve actively traded commodities including agriculture, metal and energy and four commodity indices. Price discovery was confirmed for eight commodities and three indices with a greater role for futures markets in the price discovery process. The tools and techniques used in this paper are Granger Causality, VECM and EGARCH. However, the study shows that the market does not seem to be competitive. Volatility spillover is confirmed for only three commodities and none of the indices. This implies the Indian Commodity Market is yet to evolve an efficient risk transfer system for most commodities. The findings have implications for policy makers, hedgers and investors. The research contributes to alternative investment literature for emerging markets such as India.

Prof. Sanjay Sehgal, Dr. Namita Rajput, Mr Rajeev Kumar Dua (2012) In the context of emerging Indian commodity futures markets, this paper empirically examines the effect of futures trading activity on spot price volatility for seven agricultural commodities (guar seeds, turmeric, soya bean, black pepper, barley, Maize and Castor Seed).To clearly understand the destabilization effect, the relationship of the unexpected liquidity of futures market is done with Unexpected volatility of spot market returns which is estimated by taking the residuals of the GARCH model. We find that unexpected futures trading volume is Granger causing spot price volatility and are significant for five out of seven agricultural commodities. We find reversed effect for one commodity i.e. Pepper the effect of spot volatility on futures trading and for Barley, no causality is revealed from either future to spot or Vice-Versa. Besides being of interest to the participants, this study is likely to be useful in addressing the concerns of policy makers in India on alleged destabilizing effect of futures markets on spot prices as for emerging futures markets. Financial autonomy and adequate powers should be given to Forward Market Commission to penalise any insider trading and price manipulations, this will minimize price distortions. The Government support shall lead to market growth and overall economic development.

Brajesh Kumar and Ajay Pandey (2011) in their study International Linkages of the Indian Commodity Futures Markets examined the cross-market linkages of Indian commodity futures for nine commodities with futures markets outside India. These commodities range from highly tradable commodities to less tradable agricultural commodities. They analyzed the cross-market linkages in terms of return and volatility spillovers. The nine commodities consist of two agricultural commodities: Soybean, and Corn, three metals: Aluminum, Copper and Zinc, two precious metals: Gold and Silver, and two energy commodities: Crude oil and Natural gas. Return spillover is investigated through Johansen's cointegration test, error correction model, Granger causality test and variance decomposition techniques. The authors applied Bivariate GARCH model (BEKK) to invest- tigate volatility spillover between India and other World markets. In case of commodities, it is found that world markets have bigger (unidirectional) impact on Indian markets. In bivariate model, it is found bi-directional return spillover between MCX and LME markets. However, effect of LME on MCX is stronger than the ef- fect of MCX on LME. Results of return and volatility spillovers indicate that the Indian commodity futures markets function as a satellite market and assimilate information from the world market.

Mantu Kumar Mahalik, Debashis Acharya and M. Suresh Babu (2009) in their paper Price Discovery and Volatility Spillovers in Futures and Spot Commodity Markets: Some Empirical Evidence from India examined the Indian commodity futures markets and even though it registered 373% growth during 2005-06, despite this growth rate, there is skepticism about the effect of commodity futures on its underlying assets in India. The study examines price discovery and volatility spillovers in Indian spot-futures commodity markets by using cointegration, VECM and the bivariate EGARCH model. The study has used four futures and spot indices of Multi-Commodity Exchange (MCX), that employes daily data spanning over 12th June 2005 to 31st December 2008. Besides the bivariate GARCH model indicates that although the innovations in one market can predict the volatility in another market, the volatility spillovers from future to the spot market are dominant in the case of LENERGY and LCOMDEX index while LAGRISP acts as a source of volatility towards the agri futures market.

James S. Doran and Ehud I. Ronn (2008) in their paper Computing the Market Price of Volatility Risk in the Energy Commodity Markets and in their paper they demonstrate the need for a negative market price of volatility risk to recover the difference between Black-Scholes (1973)/Black (1976) implied volatility and realized term volatility. Initially, using quasi-Monte Carlo simulation, they demonstrated numerically that a negative market price of volatility risk is the key risk premium in explaining the disparity between risk-neutral and statistical volatility in both equity and commodity energy markets. Next, using futures and options data from natural gas, heating oil and crude oil contracts over a ten-year period, they estimated the volatility risk premium and demonstrate that the premium is negative and significant for all three commodities. There appear distinct seasonality patterns for natural gas and heating oil, where winter/withdrawal months have higher volatility risk premiums. Computing such a negative market price of volatility risk highlights the importance of volatility risk in understanding priced volatility in these financial markets.

Sushismita Bose (2008) in her study "Commodity Futures Market in India - A Study of Trends in the Notional Multi-Commodity Indices" examined The main purpose of the present study would be to look into some characteristics of the Indian commodity futures market in order to judge whether prices indicate efficient functioning of the market or otherwise, particularly as this market is less developed compared to the financial derivatives markets, being constrained by its chequered history with many policy reversals. Using the available notional price indices for the commodity market, we find that multi-commodity indices, which have higher exposure to metals and energy products, with clear and efficient price dissemination in national and international markets, behave like the equity indices in terms of efficiency and flow of information. Both the contemporaneous futures and spot prices contribute to price discovery and the futures market can provide information for current spot prices and thus help to reduce volatility in the spot prices of the relevant commodities and provide for effective hedging of price risk. Agricultural indices on the other hand do not exhibit such features very clearly. Our results also help to build a case for opening up of parts of the Indian agricultural futures market.

Kumar and Sunil (2004) examine the price discovery for five commodities in six Indian commodities exchanges. In this study daily futures and comparable ready prices have been used in the study and the ratio of standard deviations of spot and future rates have been taken for testing of ability of futures markets to incorporate information well. Besides, the study analyzes the efficiency of spot and future markets by employing the Johansen cointegration technique. They find the inability of the futures market to fully incorporate information and confirmed inefficiency of the future market. The authors conclude Indian agricultural commodities future markets are not yet mature and efficient.

OBJECTIVES

- To study the Indian Commodity Market.
- To analyze the agricultural commodity indices in Indian Commodity Market.
- To evaluate the co-relation between "Mcx – Agri" Index and NCDEX "Dhannya" Index
- To evaluate the volatility effect of MCX Agri and NCDEX "Dhannya"

METHODOLOGY

The sample used in the study consists of two indices i.e. MXC Agri Index and NCDEX Dhannya Index. The period of study is from 2007 – 2015 as data is available for NCDEX index from 2007 onwards and the same is taken for MCX Agri. Daily closing prices of both the indices are taken in order to evaluate the volatility effect of both the indices. Tools and techniques used are correlation, ADF t – Test, Garch (1,1) and Granger Causality Test in E- Views.

Before examining the linkage among both the indices the augmented Dickey-Fuller (ADF) unit-root test is performed to examine the stationary of the commodity market indices. The Dickey-Fuller test verifies the heterogeneously distributed errors by including lagged sequences of first differences of the variable in the data sets.

The null hypothesis of the Augmented Dickey-Fuller t-test is $\mathbf{H_0 = \theta = 0}$ (i.e. the data needs to be differenced to make it stationary) versus the alternative hypothesis of $\mathbf{H_1 = \theta < 0}$ (i.e. the data is stationary and doesn't need to be differenced).

In the time series models unit root is a characteristic of processes that evolve through time that can cause problems in statistical inference if it is not adequately dealt with. The testing procedure for the ADF test is the same as for the Dickey–Fuller test;

$$\Delta y_t = \alpha + \beta t + \Upsilon y_{t-1} + {}^{\delta}{}_{1}\Delta\, y_{t-1} + \dots + {}^{\delta}{}_{p-1}\Delta\, y_{t-p+1} + \varepsilon_t,$$

where 'α' is a constant, 'β' the coefficient on a time trend and 'p' the lag order of the autoregressive process.

For analyzing the transmission of volatility effects between both the indices, Generalised Autoregressive Conditionally Heteroskcedasticity model (GARCH) has been estimated. GARCH model allows the conditional variance to be dependent upon previous own lags apart from the past innovation. To model the volatility between MCX Agri Index and Dhannya Index, different orders of GARCH can be evaluated. Since GARCH (1, 1) models are well fitted to the data series like index returns, GARCH (1, 1) models have been used in the analysis. If the coefficient of the same is significant, this confirms the presence of volatility. In other word, the residuals of MCX Agri Index and NCDEX Dhannya Index have been used in the volatility equation of agricultural commodity market.

The GARCH (1, 1) equation can be specified as follows:

$h_{t\ (MCX\ Agri)} = C + \beta_1\varepsilon^2_{t-1} + \alpha_1 h_{t-1} + \Omega_1(\text{squrresid}_{\ NCDEXDHANNYA})$

$h_{t\ (NCDEXDHANNYA)} = C + \beta_1\varepsilon^2_{t-1} + \alpha_1 h_{t-1} + \Omega_1(\text{squrresid}_{\ MCX\ Agri})$

Where $C > 0$, $\beta_1 \geq 0$, $\alpha_1 \geq 0$. In the equations, h_t is the conditional variance of MCX Agri, which is a function of mean C. News about volatility from the previous period, is measured as the lag of the squared residual from the mean equation (ε^2_{t-1}), last period's forecast variance (h_{t-1}) and the squared residual of Mcx agri and NCDEX Dhannya in the above equations.

The Granger causality test is the statistical hypothesis test for determining whether one time series is useful in forecasting the other time series. The Granger-causality test is based on the standard F statistic, which is calculated for each equation using the constrained and unconstrained form of each equation.

When the null hypothesis **H_0: $\alpha_0 = \alpha_1 = \alpha_m = 0$** is retained, it suggests that y(2,t) does not Granger-cause y(1,t). According to Granger causality, if a signal X_1 Granger-causes a signal X_2, then past values of X_1 should contain information that helps predict X_2.

DATA ANALYSIS

Correlation Analysis between "Mcx – Agri Index" and NCDEX "Dhannya Index"

Table-1: Co-relation Results between MCX Agri Index and NCDEX Dhannya Index

NCDEX Dhannya Index	Mcx Agri Index	
1	0.61918192	NCDEX Dhannaya Index
	1	Mcx Agri Index

Sources: Authors Compilation

On performing the co relationship test between both the indices i.e. evaluating the indices based upon the co- relation between them, we find out that there is positive co-integration between both the indices i.e. MCX Agri Index and NCDEX Dhannya. Hence, we can state that if there is increase in one index there will be increase in the other as the co relation between both the indices is up to 0.619. As the correlation co efficient is above 0.5, we state that both the variables are positively co related. Since the value of "r" is between 0 and 1 the two variables tend to increase or decrease together.

Positive correlation between MCX Agri Index and NCDEX Dhannya Index means if there is an increase in the MCX Agri Index, there will be an increase in the NCDEX Dhannya Index based upon value of correlation coefficient between both the indices. Similarly, if there is a decrease in any of the one index there will be proportionate decrease in the other index.

Here we see that there lies a positive co relationship between both the indices since the correlation co efficient is between 0 and 1 and above 0.5, hence we summarize that having co efficient value at 0.619 there exists positive co-relation between both the indices, i.e. MCX Agri Index and NCDEX Dhannya Index.

Evaluating the volatility effect of MCX Agri and NCDEX "Dhanya"

Unit Root Test of Variables

The presence of Unit Root Test of both the data series i.e. MCX Agri Index and NCDEX Dhannya Index has been verified by using Augmented Dickey-Fuller (ADF) t - test before carrying out GARCH and evaluating the volatility.

Hypothesis for Augmented Dickey-Fuller t-test

The null hypothesis: **$H_0 = \theta = 0$** (i.e. the data needs to be differenced to make it stationary) Alternative hypothesis of **$H_1 = \theta < 0$** (i.e. the data is stationary and doesn't need to be differenced).

At 95% confidence level i.e. 0.05 significance level, we reject Null Hypothesis if p value is less than 0.05 and do not reject the null hypothesis if the p value is more than 0.05.

Table-2: Unit Root Test results of MCX Agri Index and NCDEX Dhannya Index

Index	Null Hypothesis	ADF test (t) statistics	Probability
MCX Agri Index	MCX Agri Index has a unit root	-32.68534	0.0000
NCDEX Index	NCDEX Index has a unit root	-30.08250	0.0000

Sources: Authors Compilation

As seen from the above table, the probability value for MCX Agri Index and NCDEX Dhannya is less than 0.05 at 0.05 significance level; hence, we reject the null hypothesis, which states that there is unit root. Since the probability of both the indices is 0.0000 which is less than 0.05 we reject the null hypothesis and accept the alternate hypothesis which states that both the data series of the indices i.e. of MCX Agri Index and NCDEX Dhannya Index do not have unit root and the data is stationary and doesn't need to be differenced.

Since the data is stationary, we can further utilize both the data series of the indices for Garch and Granger Causality Tests so that the volatility can be determined between both the indices.

GARCH EQUATION

GARCH Equation for MCX Agri Index

GARCH = C(3) + C(4)*RESID(-1)^2 + C(5)*GARCH(-1) + C(6)*NCDEXINX

Table-3: The Result of the GARCH Equation for MCX Agri Index

Coefficients		Probability
C	1.351066	0.0000
A	0.109165	0.0000
B	0.815801	0.0000
NCDEXINX	-0.860120	0.0000

Sources: Authors Compilation

Since coefficient of RESID i.e. alpha is 0.10916 which measures the sensitivity is above 0.1, we can state that MCX Agri Index is sensitive to market events or even other market factors and the Index is said to be volatile i.e. volatility in MCX Agri Index would affect NCDEX Dhannya Index.

The Garch persistence parameter i.e. the Beta which measures the effect of volatility is 0.8158 is ranging between .80 and 0.90 limit, which means that the effects of α would last for a longer period of time .i.e. fluctuations or volatility would last for a longer period on the NCDEX DHANNYA Index. Since high, α which is associated with low β, would produce volatility of volatility, hence we draw the conclusion that MCX Agri Index is capable of affecting the NCDEX Dhannya Index.

On adding the coefficients to the equation, we derive the value 1.4159, which states that the volatility from the GARCH Model is relatively more for a longer period. Hence, there is more volatility in MCX Agri Index.

Garch Equation for NCDEX Dhannya Index

GARCH = C(3) + C(4)*RESID(-1)^2 + C(5)*GARCH(-1) + C(6)*MCXAGRI

Table-4: The Result of the GARCH Equation for NCDEX DHANNYA Index

Coefficients		Probability
C	0.022909	0.0000
A	0.068413	0.0000
B	0.893173	0.0000
MCXAGRI	-0.003500	0.0000

Sources: Authors Compilation

Since coefficient of RESID i.e. alpha is 0.06841 which measures the sensitivity is below 0.1, we can state that NCDEX Dhannya Index is not sensitive to market events or even other market factors and the Index is said to be less volatile i.e. i.e. volatility in NCDEX Dhannya Index would not affect MCX Agri Index.

The Garch persistence parameter i.e. the Beta which measures the effect of volatility is 0.8958 is ranging between .80 and 0.90 limit, which means that the effects of α would last for a longer period of time .i.e. less fluctuations or zero volatility would last for a longer period on MCX Agri Index. Since low, α which is associated with low β, would produce less or zero volatility of volatility, hence we draw the conclusion that NCDEX Dhannya Index is not capable of affecting the MCX Agri Index.

On adding the coefficients to the equation, we derive the value 0.9809, which states that the volatility from the GARCH Model is relatively less for a longer period. Hence, there is less volatility in NCDEX Dhannya Index.

PAIRWISE GRANGER CAUSALITY TESTS

Null hypothesis $\mathbf{H_0: \alpha_0 = \alpha_1 = \alpha_m = 0}$ (i.e. x_1 variable does not Granger Cause x_2 variable)

Table-5: Granger Causality Test Results for MCX Agri Index and NCDEX Dhannya Index

Index	Null Hypothesis	Lags	F-Statistic	Prob.	Remarks
NCDEX	NCDEX does not Granger Cause MCX	2	0.01665	0. 9835	Accept Null Hypothesis
MCX	MCX does not Granger Cause NCDEX	2	8.98409	0. 0001	Reject Null Hypothesis

Sources: Authors Compilation

Accept the Null hypothesis if P-value for the variable is more than 0.05 and reject the null and accept the alternate hypothesis if the p value is less than 0.05 at 0.05 Level of Significance.

From the above table we can determine that NCDEX Dhannya does not cause any effect on MCX Agri since probability is more than 0.9835, hence we accept the null hypothesis, which states that NCDEX Dhannya Index does not Granger Cause MCX Agri. But since probability value is less than 0.05 for MCX Agri Index i.e. the probability value for MCX Agri Index is 0.0001 at 0.05 level of significance; we reject the Null Hypothesis which states that MCX Agri Index does not Granger Cause NCDEX Dhannya Index. From this we can state that MCX Agri Index does have effect or can cause NCDEX Dhannya Index i.e. change in MCX Agri Index will cause a similar or significant change in the NCDEX Dhannya Index.

Since MCX Agri Index Granger Causes NCDEX Dhannya Index, then past values of MCX Agri Index should contain information that can help in predicting the future values of NCDEX Dhannya Index.

CONCLUSION

Since the indices are highly positively correlated, change in the MCX Agri Index will have the same change on NCDEX Dhannya Index and vice- versa. As there is correlation between both the indices the volatility test has been further performed in order to understand the effect of one index on the other. The study shows that there is volatility effect of MCX Agri Index on NCDEX Dhannya Index in the end since the results interpreted show a high volatility effect of MCX Agri Index on the other factors and in this study, it is NCDEX Dhannya Index. However, NCDEX Dhannya Index has zero or less volatility and does not affect MCX Agri Index. Hence, sensitive news will cause the MCX Agri Index to fluctuate in the commodity market, which will affect NCDEX Dhannya Index, and the volatility effect will be present for a long period in the market. Similarly, the Granger Causality test shows the result that NCDEX Dhannya Index does not cause any affect on MCX Agri Index but MCX Agri Index does cause an effect on NCDEX Dhannya. Hence, we can conclude that the volatility of MCX Agri Index has direct an effect on NCDEX Dhannya Index. Fluctuations or change in the MCX Agri Index will cause NCDEX Dhannya Index to fluctuate for a long period.

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INVESTOR'S PERCEPTION TOWARDS OF LIFE INSURANCE POLICIES

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ABSTRACT

Life Insurance Corporation (LIC) plays a crucial role in the well-being of human by providing safety and security. It also encourages people towards savings habit. Insurance guards a person and his family in the time of uncertainty. The present study has taken up with an objective to identify those factors which influence customers policy buying decision and also analyze the preferences of customers while life policy investment decision-making. Various insurance related factors have been discussed in the paper. This exploratory re-search is an attempt to study the investor behaviour with reference to Life Insurance Corporation of India.

KEYWORDS

Insurance, Investor, Risk, Return etc.

INTRODUCTION

Life insurance is an essential for everyone because life is very precious. Customers are the main pillar of life insurance business. Every company tries to attract and retain existing customers to keep their profits high. The proper understanding of customers, their needs and expectations help insurance providers to bring improvement in product as well as services offered. National and international life insurance companies, consider India as a land of opportunities and a market for big business. Until 1999, the business of life insurance in India was the monopoly of Life Insurance Corporation of India (LIC). With the Privatization dynamic changes introduced in the insurance industry and most of the private insurance companies gone for joint ventures with recognized foreign players across the globe. Comparatively with the developed foreign countries, the Indian life insurance industry has attained only a little it has to introduce new products so that it can satisfy the needs of different investors.

LITERATURE REVIEW

Molazadeh et al., (2014) found that to analyze the policyholder's satisfaction from life insurances and the factors affecting it in four under investigation companies. For this purpose, four indexes have been taken into account, including innovation, exaggeration in describing life insurance, disagreement between expectation with reality and non-financial performance. Research results show that there is a meaningful relation between innovations, exaggeration in describing life insurance, disagreement between expectations with reality, non-financial performance and policyholder`s satisfaction.

Mahdzan and Victorian (2013) investigated the determinants of life insurance demand among life insurance policyholders of five major life insurance companies in Kuala Lumpur, Malaysia. From a sample of 259 individuals, the study analysed the influence of demographic variables, saving motives and financial literacy, on life insurance demand. To determine the relationship between the demographic factors and life insurance demand one-way ANOVA tests were conducted. The relationship between financial literacy and saving motives (precautionary, bequest, life cycle and wealth accumulation motives) with life insurance demand was then analysed using a multiple regression. Results revealed that demographic variables and saving motives were significantly related to life insurance demand. Financial literacy, however, was found to be insignificant in determining life insurance demand.

Krishnan and Selvamani (2012) stated that the customer satisfaction as continues to be one of the most important topics in insurance companies. Consequently, theorists are continuing to explore new models and methods that may unlock meaningful information about customer satisfaction. This study was conducted on in various parts of Chennai city who had taken policies.This study revealed that the most of them are satisfied with the policies they have taken and there are certain who were not comfortable with the company policies. The company should consider these and have to improve where they are weak.

Thakkar (2012) found that to know the investment behavior of individuals with related to life insurance and to know the problems faced by them. The study was conducted amongst the investors (policyholders) of Kolhapur city. His study revealed that Insurance Advisor is the main influencer in buying decision of life insurance consumers. They depend largely on the insurance advisor.

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Kothari, et al., (2011) stated that the life insurance is one of the most important social security measures undertaken in the country. Based on primary data generated through direct contacts, this study attempts to identify determinants of life insurance ownership in the country. This resulted into finding out what factors play very important role in life insurance policies purchase. Total 100 respondents were there used in this study. Item to total correlation was applied to check the consistency of the questionnaire. The measures were standardized through computation of reliability and validity tests. Factor analysis was applied to identify the underlying factors. The findings of this study provide the individual perception about the insurance policies.

G. Gopalakrishna (2008) in his article lay down that all assets including the human life has economic value. Insurance is a mechanism that provides compensation for pre-financial value of the asset in case of loss and damage. It does not get back and replace the asset, it only compensates for the loss suffered. Insurance is transfer and sharing of risk by equitable loss sharing. It proves to be a profitable investment and fulfils a host of needs of a person. In fact, life insurance is a way of life.

RESEARCH METHODOLOGY

The researcher has gone through primary data i.e. interviewing customers and using schedules. The total of 120 respondents were contacted, the respondents were the customers of LIC in the Chittor dist., Andhra Pradesh.

Research Objectives

- To explore the various factors influencing customer investment decision in life insurance.
- To study and analyze the impact of various demographic factors on customers life insurance investment decision.
- To evaluate preferences of the customers while taking life insurance investment decision.

Limitations of the study

Only 120 investors have been considered for this study. Hence, it cannot be generalized for the entire insurance market. The geographical area of this study is confined to Chittoor district, Andhra Pradesh only.

Hypotheses

$H_{0:}$ Investors' investment decisions do not differ with their age and educational qualifications.
Ha: Investors' investment decisions differ with their age and educational qualifications.

DATA ANALYSIS AND INTERPRETATION

Table-1: Demographic Profile of the Investors

Variables Category	Category	Number of Respondents
Gender	Male	59
	Female	61
Age Group	Below 30	26
	31-40 years	30
	41-50 years	20
	51-60 years	19
	60 years above	25
Marital Status	Married	58
	Unmarried	62
Place of Residence	Rural	53
	Urban	67
Total Number of Policies Bought	One	43
	Two	38
	More than two	39
Mode of Payment	Monthly	28
	Quarterly	29
	Half-Yearly	32
	Yearly	31
Educational Qualification	Undergraduate	27
	Graduate	33

	Post Graduate	29
	Doctorate	31
Occupation	Service	30
	Business	30
	Retired	28
	Others	32
Annual Income	Below 1 Lac	26
	1 Lac-5 Lac	26
	5 Lac-10 Lac	34
	Above 10	34
Investment Prefer	Short Term	48
	Long Term	36
	Both	36

Sources: Primary Data

The sample size chosen for the study was 120 investors from Chittoor district of Andhra Pradesh. The above table shows that fifty-nine of the total sample is males and sixty-one are females. Twenty six members are of below 30 years, thirty members are 31-40 years, twenty members are 41-50 years, nineteen members belongs to an age group 51-60 years and twenty numbers of the sample have age 60 years and above. Fifty-eight members are married among the selected sample and sixty-two members are unmarried. Regarding the area of their residence, fifty-three members are from rural background and sixty-seven numbers are from urban area. Total numbers of policies they have bought 43 members are having only one policy, 38 members have two policies and 39 members have two or more. Mode of payment of their installments is mothly for 28 members, 29 members pay quarterly, 32 members pay half-yearly and 31 members pay yearly. 27 members have completed their Under-Graduation level of education, 33 members have finished thier graduation, 29 members finished their Post Graduation and 31 members are Doctorate holders. Coming to the occupation thirty members work for service sector, thirty members are doing business, twenty-eight members are retired and thirty-two members are others. Annual income of 26 members is below 1 Lac, 26 members having income 1 Lac-5 Lac, 34 members having income of 5 Lac-10 Lac and 34 members are earning above 10 Lac. Type of Investment the investor's prefer is 48 members short term, 36 member's long term and 36 members prefer both long term and short term.

Table-2: Investors' Preference of Alternate Investments
(1=Not At All Important, 2=Slightly Important, 3=Moderately Important, 4=Very Important, 5=Extremely Important)

Variables	Minimum	Maximum	Mean	Std. Deviation
Bonus and debentures	1	5	1.89	0.838
Equity shares	1	5	3.08	1.304
Mutual funds	1	5	2.81	1.491
Public provident funds	1	5	3.05	1.483
Post office	1	5	3.18	1.493
Insurance	1	5	3.06	1.416
Bank deposits	1	5	2.93	1.468
Real estate	1	5	2.93	1.461
Gold and silver	1	5	2.94	1.491
Others	1	5	3.16	1.461

Sources: Primary Data

Inference: Investors have given their choice of investment they have given high preferrence to post office savings, others like in unorganized sector like chits, and they preferred to equity shares, insurance and public provident funds.

Hypotheses

$H_{0:}$ Investors' investment decisions doesn't differ with their age and educational qualifications.
Ha: Investors' investment decisions differ with their age and educational qualifications.

Table-3: Age
ANOVA

		Sum of Squares	d.f.	Mean Square	F	Sig.
Capital Growth	Between Groups	2.471	4	.618	.268	.898
	Within Groups	265.229	115	2.306		
	Total	267.700	119			
Liquidity	Between Groups	4.618	4	1.154	.560	.692
	Within Groups	237.082	115	2.062		
	Total	241.700	119			
Return	Between Groups	20.769	4	5.192	2.478	.048
	Within Groups	240.931	115	2.095		
	Total	261.700	119			
Tax Benefit	Between Groups	2.910	4	.728	.321	.864
	Within Groups	260.957	115	2.269		
	Total	263.867	119			
Company Profile and Brand Name	Between Groups	2.382	4	.595	.304	.875
	Within Groups	225.543	115	1.961		
	Total	227.925	119			
Premium	Between Groups	9.298	4	2.325	1.149	.337
	Within Groups	232.702	115	2.023		
	Total	242.000	119			
Charges	Between Groups	7.491	4	1.873	.843	.501
	Within Groups	255.500	115	2.222		
	Total	262.992	119			
Policy Term	Between Groups	9.358	4	2.340	1.187	.320
	Within Groups	226.609	115	1.971		
	Total	235.967	119			
Rider Benefits	Between Groups	1.179	4	.295	.148	.963
	Within Groups	228.821	115	1.990		
	Total	230.000	119			
Bonus and Interest	Between Groups	18.135	4	4.534	2.622	.038
	Within Groups	198.856	115	1.729		
	Total	216.992	119			
Pre and Post Service	Between Groups	33.094	4	8.273	4.269	.003
	Within Groups	222.873	115	1.938		
	Total	255.967	119			
Accessibility	Between Groups	15.039	4	3.760	2.276	.065
	Within Groups	189.953	115	1.652		
	Total	204.992	119			
Company Image	Between Groups	1.681	4	.420	.204	.936
	Within Groups	237.244	115	2.063		
	Total	238.925	119			

Sources: Primary Data

Inference: Independent t –test and one-way between–groups analysis of variance was conducted to explore difference between investors' investment decisions and age and education qualifications.

ANOVA: Age and investment objectives hypothesis details:

Capital Growth: F (4, 115) = 0.268, P = 0.898, two-tailed - H0 accepted.
Liquidity: F (4, 115) = 0.568, P = 0.692, two-tailed - H0 accepted.
Return: F (4, 115) = 2.478, P = 0.048, two-tailed - H0 rejected.
Tax Benefits: F (4, 115) = 0.728, P = 0.864, two-tailed - H0 accepted.
Company Profile and Brand Name: F (4, 115) = 0.304, P = 0.875, two-tailed - H0 accepted.
Premium: F (4, 115) = 1.149, P = 0.337, two-tailed - H0 accepted.
Charges: F (4, 115) = 0.843, P = 0.501, two-tailed - H0 accepted.
Policy Terms: F (4, 115) = 1.187, P = 0.320, two-tailed - H0 accepted.

Rider Benefits: F (4, 115) = 0.148, P = 0.963, two-tailed - H0 accepted.
Bonus and Interest: F (4, 115) = 2.622, P = 0.038, two-tailed - H0 rejected.
Pre and Post Services: F (4, 115) = 4.269, P = 0.003, two-tailed - H0 rejected.
Accessibility: F (4, 115) = 0.204, P = 0.65, two-tailed - H0 accepted.
Company Image: F (4, 115) = 0.204, P = 0.936, two-tailed - H0 accepted.

Table-4: Education

		Sum of Squares	d.f.	Mean Square	F	Sig.
Capital Growth	Between Groups	4.230	3	1.410	.621	.603
	Within Groups	263.470	116	2.271		
	Total	267.700	119			
Liquidity	Between Groups	14.639	3	4.880	2.493	.064
	Within Groups	227.061	116	1.957		
	Total	241.700	119			
Return	Between Groups	17.267	3	5.756	2.731	.047
	Within Groups	244.433	116	2.107		
	Total	261.700	119			
Tax Benefit	Between Groups	11.954	3	3.985	1.835	.145
	Within Groups	251.913	116	2.172		
	Total	263.867	119			
Company Profile and Brand Name	Between Groups	9.084	3	3.028	1.605	.192
	Within Groups	218.841	116	1.887		
	Total	227.925	119			
Premium	Between Groups	2.470	3	.823	.399	.754
	Within Groups	239.530	116	2.065		
	Total	242.000	119			
Charges	Between Groups	5.964	3	1.988	.897	.445
	Within Groups	257.028	116	2.216		
	Total	262.992	119			
Policy Term	Between Groups	4.508	3	1.503	.753	.523
	Within Groups	231.458	116	1.995		
	Total	235.967	119			
Rider Benefits	Between Groups	8.603	3	2.868	1.503	.218
	Within Groups	221.397	116	1.909		
	Total	230.000	119			
Bonus and Interest	Between Groups	2.519	3	.840	.454	.715
	Within Groups	214.472	116	1.849		
	Total	216.992	119			
Pre and Post Service	Between Groups	7.345	3	2.448	1.142	.335
	Within Groups	248.622	116	2.143		
	Total	255.967	119			
Accessibility	Between Groups	3.894	3	1.298	.749	.525
	Within Groups	201.098	116	1.734		
	Total	204.992	119			
Company Image	Between Groups	6.175	3	2.058	1.026	.384
	Within Groups	232.750	116	2.006		
	Total	238.925	119			

Sources: Primary Data

ANOVA: Education and investors investment decisions objectives hypothesis as follows:

Capital Growth: F (3, 116) = 0.621, P = 0.603, two-tailed - H0 accepted.
Liquidity: F (3, 116) = 2.493, P = 0.64, two-tailed - H0 accepted.
Return: F (3, 116) = 2.731, P = 0.47, two-tailed - H0 accepted.
Tax Benefits: F (3, 116) = 1.835, P = 0.145, two-tailed - H0 accepted.
Company Profile and Brand Name: F (3, 116) = 1.605, P = 0.192, two-tailed - H0 accepted.
Premium: F (3, 116) = 0.399, P = 0.754, two-tailed - H0 accepted.

Charges: F (3, 116) = 0.897, P = 0.445, two-tailed - H0 accepted.
Policy Terms: F (3, 116) = 0.752, P = 0.523, two-tailed - H0 accepted.
Rider Benefits: F (3, 116) = 1.503, P = 0.218, two-tailed - H0 accepted.
Bonus and Interest: F (3, 116) = 0.454, P = 0.715, two-tailed - H0 accepted.
Pre and Post Services: F (3, 116) = 1.142, P = 0.335, two-tailed - H0 accepted.
Accessibility: F (3, 116) = 0.749, P = 0.525, two-tailed - H0 accepted.
Company Image: F (3, 116) = 1.026, P = 0.384, two-tailed - H0 accepted.

CONCLUSION

Investor's habits are changing very frequently. People are interested in buying insurance to safe guard their families and property as future is uncertain. Definitely, insurance protects them from the risks. Therefore, the insurance companies should be interested to know the investors attitude and introduce new policies to suit their different needs.

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IMPACT OF GST ON INSURANCE SECTOR IN INDIA

Dr. Krishna Banana[7] Swarna Balakrishna[8]

ABSTRACT

The Indian economy has never before witnessed such streamlined and focused efforts, of the kind that is being seen off late for the implementation of the ***Goods and Service Tax (GST)****. The approach of the Government seems precise and the pace at which hurdles are cleared is worthy of admiration. It is unifying all the current indirect taxes under the Dual Tax structure of GST. The Indian government has implemented the new indirect tax regime - GST from 01.07.17, GST is one indirect tax for the whole nation, which will make India one unified common market. It is a ground-breaking reform for the Indian economy's indirect tax regime. Goods and Service Tax (GST) will change the tax architecture between the state and the Central. The main purpose of GST is to eliminate this compounding effect by fixing a final tax rate where goods and services will fall under one of the four tax categories - 5 per cent, 12 per cent, 18 per cent and 28 per cent brackets. This paper aims to address the concept of GST, and GST impact on the insurance Sector and policyholders. This article will be your guide regarding the increase in GST and its impacts on your insurance premium. It has outlined the broad contours of GST policy in India, benefits that would accrue to the economy and the difficulties faced by the states.*

KEYWORDS

GST, Tax, Insurance Sector, Policy holders etc.

INTRODUCTION

In India, insurance has a deep-rooted history. It finds mention in the writings of Manu (Manusmrithi), Yagnavalkya (Dharmasastra) and Kautilya (Arthasastra). The writings talk in terms of pooling of resources that could be re-distributed in times of calamities such as fire, floods, epidemics and famine. This was probably a pre-cursor to modern day insurance. Ancient Indian history has preserved the earliest traces of insurance in the form of marine trade loans and carriers 'contracts. Insurance in India has evolved over time heavily drawing from other countries, England in particular.

A contract of insurance may be defined as a contract whereby, one person, called the'insurer',undertakes, in return for the agreed consideration, called the'premium'to pay to another person, called 'assured', a sum of money or its equivalent on the happening of a specified event. The aim of all insurance is to make provisions against dangers which be set human life and dealings. Those who seek it endeavour to avert disasters from themselves by shifting possible losses on the shoulders of others who are willing for pecuniary consideration, to take risk thereof, and in the case of life assurance, they endeavour to assure to those dependent on them ascertain provision in case of their death, or to provide a fund out of which their creditors can be satisfied.

Life Insurance

A contract between and individual and an insurer, a life insurance policy provides an assured sum of money to a designated nominee upon the death of the policyholder, which is in exchange for a premium.

Life insurance policies are sub-divided into four categories, i.e. Term plans, Pension plans, ULIPs, and Endowment plans. The service tax levied on these different insurance instruments is also different. A Term plan offers death benefit and is defined as a risk-free plan. The nominee gets the sum assured if the insured person dies during the policy term. The policyholder doesn't get any maturity benefit in a basic term plan. There are some term plans that offer the return of premium (TROP) benefit. The premium element of a term plan mainly includes the risk component in order to provide an insured person with a risk cover as long as the policy is active.

Goods and Services Act, 2017

India is proposed to have a dual GST set up in 2017, which will be the biggest reform in the country's tax structure in decades. The main objective of incorporating the GST is to eliminate tax on tax i.e. double taxation which cascades from the manufacturing

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level to the consumption level. For example, a manufacturer that makes notebooks obtains the raw materials for, say $10 which includes a 10% tax. This means that he pays $1 in tax for $9 worth of materials.

Goods and Services Tax, popularly known as GST, is a reform for our economy's indirect tax plan. On 8th August 2016, GST Bill was passed in LokSabha (Constitution of India Amendment Bill), enacted by Rajyasabha, bill passed on 03 august 2016, bill commenced on 1st July 2017, Introduced by central finance minister ArunJetley. It was possible after a very long journey flooded with challenges, confrontations, and what not. At last, the GST bill has entered the phase of implementation, which will come into effect from July 1, 2017. GST would make changes in the tax structure between the center and the state. The goods and services tax (GST) is an indirect federal sales tax that is applied to the cost of certain goods and services. The business adds the GST to the price of the product, a customer who buys the product pays the sales price plus GST, and the GST portion is collected by the business or seller and forwarded to the government.

It was introduced as The Constitution (One Hundred and First Amendment) Act 2017, following the passage of Constitution 122nd Amendment Bill. The GST is governed by a GST Council and its Chairman is the Finance Minister of India. Under GST, goods and services are taxed at the following rates, 0%, 5%, 12%, 18% and 28%. There is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold In addition a cess of 15% or other rates on top of 28% GST applies on few items like aerated drinks, luxury cars and tobacco products. GST was initially proposed to replace a slew of indirect taxes with a unified tax and was therefore set to dramatically reshape the country's 2 trillion dollar economy the rate of GST in India is between double to four times that levied in other countries like Singapore.

OBJECTIVES OF STUDY

- To understand the impact of GST on insurance industry in India.
- To examine the GST rules applicable to insurance services and policy Holders.

METHODOLOGY OF THE STUDY

The methodology used for the study is purely secondary in nature. Reports issued by the Government of India, GST Act Proceedings, and Various committee reports on GST, Research articles and papers in International and National journals and books, websites are being referred for the current study.

The Relationship between GST and Insurance Business

The insurance policies' premium represents two components- savings and risk coverage. The service tax is levied specified only on the premium component.

According to the GST rules, the value of service on which the GST is levied regarding the life insurance sector shall be accordingly.

- The gross premium would be reduced by the amount allocated for or savings or investment on policyholders' behalf.
- When it comes to the single premium annual policies, ten percent of the single premium would be charged from the policyholder.
- In other cases, 25 percent of the premium for the first year and 12.5 percent of the premium in the upcoming years will be charged. For example, if an endowment plan's premium is Rs. 100, then the 18 percent GST would be levied on the 25 percent of premium (which would be Rs. 25) the GST would be Rs. 4.50.
- In case the total premium paid by the policyholder is towards the life insurance's risk cover, only the 18 percent GST would be levied on the total premium.

Because of the increased GST percentage that awaits the implementation. The overall impact of the GST would be the increased expenditure (premium and the increased GST), when it comes to term insurance and endowment plans.

The policyholders stand a chance to be benefited if the insurance providers get a green signal on the input tax credit benefit. Unfortunately, as of yet, it is still unclear since the center/state GST structure is very complex. It might create confusions and conformity for the insurance buyers and increase the administrative expenses for the insurance providers. If the insurance buyers remain confused about the GST update, then irrespective of the increase or decrease in the prices, the solvency of the market along with the financial strength will be adversely affected.

The general insurance sector will be equally impacted. The overall outgo for health, car, and various non-life plans would be increased by 3 percent.

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Post GST implementation, the existing and new insurance buyers would have to bear the updated prices. For example, the current insurance premium of a term plan is Rs. 10,000, (without the 15 percent service tax) the updated GST will increase the premium comprising taxes by Rs. 300. It means from Rs. 11,500, it will be changed to Rs. 11,800.

Table-1: GST Rates: Before and After and New Insurance Rates after GST

GST rates : Now and Then : New rates under GST for insurance policies			
Insurance product	Now	GST	Applicability
Term insurance premium	15	18	On entire premium
ULIP (on charges)	15	18	On premium minus investment amount
Health insurance premium	15	18	On entire premium
Rider Premium	15	18	On entire premium
Annuity: Single Premium	1.5	1.8*	On 10% of premium
Endowment: 1st Year premium	3.75	4.50*	On 25% of premium
Endowment: Renewal premium	1.875	2.25*	On 12.5% of premium
Car insurance	15	18	On entire premium
Health insurance premium	15	18	On entire premium
Service tax includes Krishi Kalyan Cess (KKC) and Swacch Bharat Cess (SBC) * Effective rate			

Sources: Authors Compilation

Service tax showed in terms of Percentages before and after GST.

Table-2

Insurance Product	Before	After	Applicability
Term Insurance Premium	15	18	On the entire premium amount.
ULIP	15	18	On the premium amount minus the investment amount.
Health Insurance Premium	15	18	On the entire premium amount.
Add-on Riders Premium	15	18	On the entire premium amount.
Periodicity - Single Premium	15	18	On 10 percent of the total premium. It means that the previous 1.5 percent of the total premium would be hiked to 1.8 percent of the total premium as per the updated GST rates.
Endowment Plan Premium (First Year)	15	18	On 3.75 percent of the total premium.
Endowment Plan Premium (Renewal)	15	18	On 1.875 percent of the total premium.
Car Insurance	15	18	On the entire premium amount.

Sources: Authors Compilation

When you compare insurance premiums, especially for the term plans, ensure that you look out for the premiums including or excluding GST by the various insurance providers. There should be no changes in the selection process, as the GST impact is the same for all the insurance providers. Follow a proper selection process in order to get the right insurance plan that offers you maximum coverage and fulfills your insurance expectations. This above table will help you to get a better understanding of how the updated GST impacts the various insurance products and to which extent.

Life Insurance Schemes Provided by Government are Exempted from GST

- Janashree Bima Yojana (JBY),
- Aam Aadmi Bima Yojana (AABY),
- Life micro-insurance product as approved by the IRDA having maximum cover of Rs. 50,000,
- Varishtha Pension BimaYojana,
- Pradhan Mantri Jeevan Jyoti Bima Yojana,
- Pradhan Mantri Jan Dhan Yogana,
- Pradhan Mantri Vaya Vandan Yojana,
- Any other insurance scheme of the State Government as may be notified by Government of India on the recommendation of GSTC.
- Life insurance provided by the Central Government to members of the Army, Navy and Air Force.

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Categories of Insurance Policies

Basically, the premium deciding factor of an insurance plan is subject to the insurance plan type you want to purchase. Based on that, we have two major categories of insurance policies – Life Insurance and General Insurance.

Term Plan: Term plans purely offer death benefit and are termed as pure risk protection plans. In such plans sum assured is paid to the nominee, if insured dies during the term of the policy. The premium component of a term plan comprises the majority of the risk element to provide insured a risk cover throughout the tenure of the policy. At present, service tax of 15 % is imposed on the premium cost of the term plans. As per rates declared GST rates will be 18%. This means the premium will get costlier by 3 % or 300 basis points.

Endowment Plan: Endowment plans or traditional insurance savings plans offer both death and maturity benefits, whichever occur first. Currently, endowment plans attract a service tax of 3.75 % on the premium in the first year of the policy and will rise to 4.5 % in the first year under the new tax regime. As of now, 1.88 % of the service tax is levied on endowment plan's premium for the second year, which is expected to rise to 2.25 % from the second year onwards after the implementation of GST.

ULIP: Unit Linked Insurance Plans (ULIPs) also offer dual benefit of insurance and investment. At present, service tax of 3.5 % is levied on protection part of ULIPs in the first year and 1.75 % from second year onwards. This would go up to 4.5 % in the first year and 2.25 % from second year onwards.

General Insurance: A General Insurance policy also refers to a contract between and insurer and an individual, which provides an assured sum of money as compensation for loss caused by a natural or manmade scenario. The policy could be issued for healthcare, home, travel, automobile etc.

Health Plans: As of now, the health insurance policies (standalone as well as a family health plan) charge 15 percent as the service tax on the premium. After the updated GST is implemented, the medical insurance plans would be costlier such as mediclaim policy for senior citizens. It would attract an increase of 3 percent in its tax regime, making it 18 percent that will be charged on the premium from 1st July 2017.

Travel Insurance: Those who are looking forward to traveling abroad anytime soon will also have to pay an additional tax of 3% as the new GST will be in effect from July 1. The customer will now have to pay 18% GST instead of 15% service tax earlier in effect. So, if you don't want to pay more money than buy or renew travel insurance before 1st July 2017.

Automobile Insurance: Automobile insurance premium includes 15 percent as the service tax. It will be hiked to 18 percent when the tax rate is frozen up to this particular percentage. If you are die heart fan / lover of your car & two wheeler then it's best time to renew your policy with auto insurance companies so that you can save your money & plan to travel somewhere with your family.

GST IMPACT ON INSURANCE SECTOR

The Indian insurance industry will face a temporary brunt as GST implementation will certainly impact insurers as well as individual policyholders. Typically, a policyholder pays a service tax on the risk element of the premium component while the investment element is usually out of the service tax scope. With the implementation of GST, life insurance policies will become dearer by 3 per cent. However, the amount of service tax will vary depending on the risk element embedded in the premium component and tax will be levied only on the risk portion of the premium and not on the saving portion. Therefore, the immediate impact of GST would be higher in term insurance and endowments plans.

GST is a VAT, i.e. Value Added Tax that will eradicate the cascade effect double taxation from the price of goods and services down the value chain. It would surely affect the incidence, structure, and calculation of the indirect taxes, which will lead to a comprehensive refurbishment of the current tax system in India.

The latest GST is expected to freeze at 18 percent under the GST update. This is a bad news for all the policyholders, as this hike will influence adversely on the insurance sector, typically in terms of insurance premiums. Life insurance reach in India has reduced from 4.6 percent in the year 2009 to 2.6 percent in the year 2016. It reflects a no growth at all in the last a few years. The hike in the GST from 15 percent to 18 percent would increase the premium of purchasing a new as well as renewing an existing insurance policy.

For general insurance products, the cost of purchasing policies will undoubtedly increase due to a 3 per cent rise in service tax from the current 15 per cent (including Krishi Kalyan Cess of 0.5 per cent and Swachh Bharat Cess of 0.5 per cent) to 18 per cent.

With the introduction and implementation of GST, health and auto insurance policies will also become expensive, as these will attract a tax of about 18 per cent on premiums. For instance, if a person was earlier paying a premium of Rs 10,000 with Rs 1,500 as service tax included in the premium, now he/she will have to pay a total of Rs 10,300 (including Rs 1,800 as service tax) for the same product with a net impact of Rs 300.

Moreover, input tax credit is not allowed for health and life insurance although the government makes it obligatory for employers to provide it to its employees.Credit will be available when goods and/or services are used to deliver the same category of services or as a part of a composite supply. However, input tax credit is not allowed for retail customers as the goods and/or services are used for personal consumption.

As for products/insurance policies sold online, norms have been prescribed for e-commerce companies to go for TCS (tax collected at source) of 1 per cent. They will have to deduct 1 per cent of the taxable value of premium for all new and renewal businesses as tax collected at source.

After implementation, insurance companies have to make amendments regarding the renewed transaction handling, registration compliance, operations and information systems as GST implementation demands restructuring of these components in their entirety.

Initial Hiccups for Insurers

For insurance companies, business processes need to be updated as GST is a destination-based tax, and tax is collected by the state where the goods or services will be consumed. Under the GST regime, service providers are required to obtain registration for all the states that they are catering to, i.e., all the states where they have customers. It has to be done so that the State Goods and Services Tax (SGST) component of Integrated Goods and Services Tax (IGST) is rendered for respective states. Hence, insurance companies have to bifurcate their services and invoice their customers based on the location of consumption.

GST will require restructuring of accounting, administration and control mechanism in the IT systems and processes of the insurance companies, to be able to maintain financial records of each state separately. Such compliance may lead to requirements for additional resources at the branch as well as at all main offices. Operational systems such as vendor management and a system for KYC (know your customer) check/address verification have to be adopted. The upgrades will bring an additional cost to insurance companies for the short term.

GST levied on branch transactions need to be catered carefully due to the enormous number of financial transactions being carried out. Records of policyholders are to be maintained efficiently. Under GST, the place of service supply will be the location of the service recipient on the records of the supplier. Hence, records need to be maintained correctly.

For obtaining the reversal of input tax credit, insurance companies have to organise their respective vendors and intermediaries and include their respective identifications to claim input credits. Even though the tax hike post-GST is nominal, the increase in total outflow could be quite significant for many policyholders. For someone paying annual premiums for auto, household, healthcare, term plan and personal accident cover, say a total of Rs 50,000 a year, there could be a jump in the premium outflow by Rs 1,500 a year, with no additional risk coverage or benefits. The rise in premium may impact the demand for insurance products in the short run. However, as the increase is universal in nature and GST will bring benefits indirectly with a net improvement in disposable income, the net impact may get cushioned off in the future.

GST Impact on Life Insurance

There are 3 types of life insurance:

- Term insurance plans: Basic life insurance policies.
- ULIPs: Insurance and investment under a single integrated plan.
- Endowments (including money-back): Life insurance policies that pay a lump sum on maturity/death or a fixed sum every month (like pension). The applicable service tax on each type of insurance plans was different.

For example, ICICI Prudential Life Insurance used to apply service tax at the following rates: SBC stands for Swacch Bharat Cess (SBC) and KKC stands for Krishi Kalyan Cess (KKC).

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Table-3

Category	Service Tax With SBC And KKC	After GST
Term insurance premium	15.00%	18.00%
ULIP charges	15.00%	18.00%
Health insurance premium	15.00%	18.00%

Sources: Authors Compilation

All these rates will be replaced by 18%, which will result in increase in premiums. The value of supply of services in relation to life insurance business shall be:

a) The gross premium minus the amount allocated for investment, or savings on behalf of the policyholder, if such amount is informed to the policyholder. For example,

Table-4

Particulars	Under Service Tax	Under GST
Gross Premium	1000	1000
Investment Portion	600	600
Life Insurance portion	400	400
Service tax @ 15% on 400	60	—
GST @18% on 400	—	72

Sources: Authors Compilation

b) Single premium annuity policies- 10% of the premium.

c) All other cases- 25% for 1st year and 12.5% for 2nd year onwards on the premium charged.

Table-5

Gross Premium p.a.	1000
1st Year	
25% of value	250
GST @18% on 250	62.5
2nd year	
12.5% of value	125
GST @18% on 125	22.5

Sources: Authors Compilation

d) If the entire premium is for life insurance, GST @18% will apply on the entire premium Impact

Both existing and new policyholders will face an increase in the premium amounts due to increase in rates.

For insurers, the increase in taxes will be passed on to the consumers. The insurers expect higher compliance and administrative costs due to the increased number of GST returns and also effect of taxability of inter-branch services.

General Insurance

General insurance includes fire insurance, marine insurance, car insurance, theft insurance etc. The GST rate will also be 18% on general insurance.

GST IMPACT ON POLICY HOLDERS

For policyholders, the general insurance premium will rise as tax has increased from 15 to 18%.Corporate policyholders, who have taken general insurance, can enjoy input tax credit on the GST paid on their policies (it was available to them even under service tax).

Life and health insurers will not have input tax credit as it is not available for life and health insurances (as they are for personal purposes). Even corporate policyholders with group life and health insurance for their employees will not enjoy any input tax credit.

Impact on Practice of Buying Insurance

Here the question arises that hike in tax should impact your decision of buying insurance or not. It is true that GST will make buying insurance little expensive, but it is very important for an individual to secure his life, especially when the individual is the sole bread-earner of the family. Life insurance plans, specifically term insurance plans, are the real life insurance plans which cover you and financially compensate your family in your absence.

It is important to look at the type of insurance plan holistically, which includes its benefits, inclusions, policy coverage, exclusions, policy term and its cost (premium).

Severe Competition among Insurers

In addition, with the increase in insurance premiums, there will be a severe competition among the insurers for offering the best insurance proposition to the consumer, which will be apparently beneficial for the consumer. Insurance premium, apart from including risk element, also includes expenses related to policy issuance, intermediary commission, etc, which could be lowered by the insurers to compensate the effect of enhancement of service tax in the new GST era.

What would be the Ideal Way out for the Insurance Buyers?

When you look forward to buying an insurance policy, pay your undivided attention to the variants of the insurance plan, including its overall benefits, disadvantages, inclusions, exclusions, policy coverage, policy term, its premium etc. Keep in your mind that premium should not be the only criteria for selecting or rejecting an insurance plan. Otherwise, you would end up depriving your family of the overall financial coverage that they rightfully deserve if you are no more because of any unfortunate incident, such as death, total or partial disability, terminal illness etc.

Thanks to the rise in the insurance premiums, a storm would be triggered and there would be a cutthroat competition between the insurance providers to offer best of the best insurance plans to their potential clients. This would be beneficial for them as far as their financial future is concerned.

It is recommended to draw a comparison, shop around, and then purchase an insurance plan that suits your insurance requirement, structure, objectives, liabilities, and budget of you and your family.

The impact of GST on insurance products, premium hike is nominal; the increased insurance premiums seem too much for a major section of policyholders. If someone is spending Rs. 50,000 on the annual premium for home, motor, medical, personal accident insurance, and term plan, they will have to pay 18 percent (additional premium 3% outflow by Rs. 1,500 a year) more with compare to 15 percent of They won't get any additional benefits or coverage. All policyholders will have to pay higher premiums on their insurance policies due to increase in GST rates. An average family with life, health and car insurance will find an increase of 3% in their insurance expenses. Assuming they spend a total of Rs 30,000 a year on insurance, excluding service tax, their expenses will increase by 3% i.e., Rs. 900. The GST council has suggested an 18% tax rate for the financial services sector, which would mean a direct impact on premium paid by policyholder. Before GST tax rate on insurance premium is 15%. Consequentially there would be an increase of 3% for all policyholders.

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FACTORS INFLUENCING EMPLOYEE TURNOVER IN INDIAN AUTO-COMPONENTS SECTOR WITH SPECIAL REFERENCE TO BENGALURU CITY

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ABSTRACT

Attrition is a critical issue and pretty high in many industries. The term 'Attrition' is said to be the gradual reduction in the number of employees through retirement, resignation or death. Hence, the organization loses key skills, knowledge and business relationships. Retirement and death cannot be avoidable, but the attrition of skilled employees can be stoppable. Modern managers and personnel administrators are greatly interested in reducing attrition in the organization in such a way that it will contribute to the maximum effectiveness, growth, and progress of the organization. Retaining employees is a critical and ongoing effort. An effort is made in the through the present study to assess the factors which are influencing employee turnover in Indian automobile industry. Hypothesis and other statistical tools are used to analyze the variables.

KEYWORDS

Attrition, Retaining Employees, Retention, Managers etc.

INTRODUCTION

Companies in India as well as in other countries face a formidable challenge of recruiting and retaining talents while at the same time having to manage talent loss through attrition be that due to industry downturns or through voluntary individual turnover. Losing talents and employees result in performance losses which can have long term negative effect on companies especially if the departing talent leaves gaps in its execution capability and human resource functioning which not only includes lost productivity but also possibly loss of work team harmony and social goodwill. With attrition rates being a bane of every industry, companies are devising innovative business models for effective retention of talent. There are many factors responsible for attrition and employers are getting increasingly conscious of the factors that can keep an employee committed. Attrition may be defined as gradual reduction in membership or personnel as through retirement, resignation or death. In other words, attrition can be defined as the number of employees leaving the organization, which includes both voluntary and involuntary separation.

The employee gradually reduces his/her ties with the company than crib about the underlying factors causing attrition. It is symptomatic of a much deeper malaise that cuts deeper into the innards of organizations. Attrition rates vary from sector and industry to industry. Apart from the unavoidable ones like resignation, retirement, death or disability, the causes are found to be many and varied. They vary according to the nature of business, the level of the employees and the nature of the responsibility shouldered by them. The obvious, common and main reasons are the 'ergonomic discomfort' experienced by the employee and the 'functional incompatibility' between the corporate management and the employees. Very often, an employee finds himself among colleagues and superiors he is unable to cope up with. Alternatively, he finds himself totally out of tune in his functions with the employee's functional requirements, failing to rise to the employer's expectations.

Brand name of the company is hampered due to more employee turnover rate and the competitors start poking their nose to recruit best talents from them. Efficiency of work is hampered largely. Let me give you an example, if an employee leaves in the middle of an ongoing project it is very difficult to fill that Vacuum and a new employee can never replace an old and talented employee so this leads to delayed completion of projects and less work satisfaction among other team members. In the present context the present paper is ascertain to study on employee attrition and retention in Auto-Components manufacturing industries in and around Bangalore, Karnataka.

Overview of Auto Components Industry

The Indian auto-components industry has experienced healthy growth over the last few years. Some of the factors attributable to this include a buoyant end-user market, improved consumer sentiment and return of adequate liquidity in the financial system. The auto-components industry accounts for almost seven per cent of India's Gross Domestic Product (GDP) and employs as many as

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19 million people, both directly and indirectly. A stable government framework, increased purchasing power, large domestic market, and an ever-increasing development in infrastructure have made India a favorable destination for investment.

The Indian auto-components industry can be broadly classified into the organized and unorganized sectors. The organized sector caters to the Original Equipment Manufacturers (OEMs) and consists of high-value precision instruments while the unorganized sector comprises low-valued products and caters mostly to the aftermarket category. Over the last decade, the automotive components industry has scaled three times to US$ 39 billion in 2015-16 while exports have grown even faster to US$ 10.8 billion. This has been driven by strong growth in the domestic market and increasing globalization (including exports) of several Indian suppliers.

The rapidly globalizing world is opening up newer avenues for the transportation industry, especially while it makes a shift towards electric, electronic and hybrid cars, which are deemed more efficient, safe and reliable modes of transportation. Over the next decade, this will lead to newer verticals and opportunities for auto-component manufacturers, who would need to adapt to the change via systematic research and development. The Indian auto-components industry is set to become the third largest in the world by 2025. Indian auto-component makers are well positioned to benefit from the globalization of the sector as exports potential could be increased by up to four times to US$ 40 billion by 2020.

REVIEW OF LITERATURE

The overview of the related literature is enunciated below:

Dr. K. Lavanya Latha (2010) *in her article "A Study on Employee Attrition and Retention in Manufacturing Industries in Nellore District, Andhra Pradesh" suggested* that , even though the employees are satisfied with their nature of job, it is identified in the study that many employees prefer to change their job due to lack of growth opportunities in their job. Therefore, the companies can look for some innovative technologies to decrease their attrition level by providing growth opportunities.

Minu Zachariah and Dr. Roopa T.N, (2012) in their article "*A Study On Employee Retention Factors Influencing It Professionals of Indian It Companies and Multinational Companies in India"* recommend that, Top Management should view attrition as a serious problem and take measures to control it by involving HR Managers and Business Leaders. Organizations should periodically conduct exit, engagement and culture surveys to understand the changing expectations of the critical workforce from time to time and take all these inputs to have a holistic understanding of the factors influencing retention of employees.

Brijesh Kishore Goswami, Sushmita Jha, (2012), in their article "***Attrition Issues and Retention Challenges of Employees"*** conclude that, Organizations planning should be giving close attention to why attrition is occurring in the preset. To ignore why people are leaving the organization is to ignore the organization's greatest asset – its people. People are needed to accomplish the task, but people are more than just tasks they perform. They are dreams, hopes, ambitions, creativity and innovation. To recognize and cultivate these valuable assets is one of the surest ways to build an organization that leads rather than follows in domestic and global markets.

Naresh Khatri, **(2012) i**n his article "*Employee Turnover: Bad Attitude or Poor Management",* Employee turnover is giving sleepless nights to human resource managers in many countries in Asia. A widely held belief in these countries is that employees have developed bad attitudes due to labor shortage. Employees are believed to job-hop for no reason or even for fun. In this study, examined three sets of antecedents of turnover intention in companies in Singapore: demographic, controllable, and uncontrollable.

Gayatri Negi (2013) in her article entitled *"Employee Attrition: Inevitable Yet Manageable"* concluded that, Employees are the most valuable assets of an organization. They add value to the organization in terms of quantity and quality as well. Therefore, it is indispensable to maintain a permanent and promising workforce; which over the years has become a tough task for employers and thereby increased attrition in the organizations. Attrition is inevitable, it will always prevail, it can only be minimized. Intrinsic factors are equally and sometimes more important than extrinsic factors while controlling attrition.

Ms Muskan Khan, (2013): **in her article** *"A Study on Trends and Issues of Employee Turnover in Education Sector with Special Reference to Professional and Technical Institutes in Twin Cities of U.P" recommend that,* create a rotational schedule for roles with sets of tasks that cycle 2 or 3 times a year. Encourage employee pride by offering innovative programs that demonstrate that they are important to the success of the company or organization. Demonstrate respect for employees at all times.

Ms. Deepti Sinha and Dr. Somesh Kumar Shukla, (2013) in their article, *"A Study of Employee Retention in The Pharmaceuticals Sector in Dehradun City"* concluded that, no doubt, soaring attrition levels are proving to be a serious problem for organizations. Concerted efforts to keep retention on a tight leash will definitely help. High retention level will lead to fewer operational problems, greater productivity and soaring morale and huge cost-saving to the organization. In this context, employee retention has become the strategic focus and compelling necessity of businesses today.

Few more studies have been done on the topic related to present study, but there is no evidence that any study have been done on the employee attrition in auto component manufacturing industry in Bangalore city and objectives and scope of the present study. Therefore, to fill the research gap, this study has been under-taken.

STATEMENT OF PROBLEM

The aim of the present study is to evaluate the factors like salary, superior-subordinate relationship, growth opportunities, facilities, policies and procedures, recognition, appreciation, suggestions, co- workers by which it helps to know the attrition level in the Auto-component industries and factors relating to retain them. This study also helps to find-out where the organizations are lagging in retaining talent pool.

OBJECTIVES OF STUDY

The primary objective of the study is to know the employee attrition in manufacturing industry in general and in auto component industry in particular. In addition to this primary objective, the following supplementary objectives are set as under:

- To know the satisfactory level of employees towards their job and working conditions.
- To identify the factors, which make employees, dissatisfy about company's policy and norms.
- To find-out reasons for attrition in Auto-components industry.

SCOPE OF STUDY

The scope of this study is confined to manufacturing industries, especially Auto-component companies that are located in and around Bangalore City only in the state of Karnataka.

RESEARCH DESIGN

a. Type of Study: Descriptive Research

b. Sources of Data Collection: In this study, both Primary and Secondary data have been used. As per primary data have been collected through structure questionnaire followed by the discussions with management and employees of Auto component manufacturing industries located in and around Bangalore. Secondary data for this study has been collected from company literature, books, journals, magazines, newspapers, previous research works and the internet.

c. Sampling Design

- Sampling Unit: The target respondents of the study are the employees of Auto-component manufacturing industries.
- Sample Size: 50 Employees.
- Sampling Procedure: Convenient Sample Method.

d. Research Instrument: A structured questionnaire containing 22 closed ended questions have used for collecting primary data. Five-point Likert–type scales (1 = strongly disagree, 5 = strongly agree) has been used to record the responses to the items in the questionnaire.

e. Method of Analysis: SPPS v.21 is used for tabulation and analysis of the data. Statistical test used in the study are one-way ANNOVA, t-test, and customs table

Hypotheses

The following hypotheses are designed to test the assumptions. They are as under;

H1: There is a significant relation between age and attrition factors of the employees.
H2: There is a significant relation between educational qualification and attrition factors of the employees.
H3: There is a significant relation between experience and attrition factors of the employees.
H4: There is a significant relation between marital Status and attrition factors of the employees.

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DATA ANALYSIS AND INTERPRETATION

The data so collected in the fieldwork has been analyzed by using the tables and interpreted with percentages, t-test and Analysis of Variance (ANOVA) by using SPSS package.

Table-1: Employee's Opinion about Compensation

Level of Satisfaction	Bonus Paid		Increment Slab		Total Compensation	
	NOR	%	NOR	%	NOR	%
Very High	21	42.0	14	28.0	19	38.0
High	11	22.0	13	26.0	12	24.0
Medium	11	22.0	12	24.0	6	12.0
Low	7	14.0	9	18.0	13	26.0
Very Low	0	0.0	2	4.0	0	0.0
Total	**50**	**100.0**	**50**	**100.0**	**50**	**100.0**

Sources: Field Survey

From the above table it is evident that, majority (64%) of respondents feel that the bonus which they are getting is above medium, it means employees are very happy with it. Major chunk (54%) of respondents' opinion with the increments slab is high which means employees are OK with it. And around 62% of the respondents feel that total compensation of the company is above average. To conclude the above majority of the respondents are happy with compensation plan of the company.

Table-2: Employee's Opinion about Superior -Subordinate Relationship

Level of Satisfaction	Encouragement from Supervisors		Participation in Decision Making	
	NOR	%	NOR	%
Very High	9	18	0	0
High	21	42	16	32
Medium	12	24	7	14
Low	5	10	12	24
Very Low	3	6	15	30
Total	**50**	**100.0**	**Total**	**100.0**

Sources: Field Survey

From the above table, it can be inferred that 42% of respondents feel they are highly encouraged from superior, by which it is understood that supervisors motivate the employees to work in teams, and 32% of employees opine that they are part of the decision making process in the industry.

Table-3: Employee's Opinion about Growth Opportunities

Level of Satisfaction	Growth Opportunities		Chances of Promotion	
	NOR	%	NOR	%
Very High	21	42.0	14	28.0
High	11	22.0	16	32.0
Medium	8	16.0	7	14.0
Low	7	14.0	10	20.0
Very Low	3	6.0	3	6.0
Total	**50**	**100.0**	**Total**	**100.0**

Sources: Field Survey

From the above table it was inferred that majority (66%) of respondents feel that there is a greater opportunity to grow in the hierarchy. 60% of the respondents opine that there is a better chance to get elevated in the process. To conclude the above, respondents are happy with HR policies related to growth and promotion in the process.

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Table-4: Employee's Opinion about Work Enrichment

Level of Satisfaction	Benefit and Welfare Facilities		Healthy Physical Working Condition	
	NOR	%	NOR	%
Very High	17	34.0	16	32.0
High	11	22.0	16	32.0
Medium	7	14.0	4	8.0
Low	8	16.0	7	14.0
Very Low	7	14.0	7	14.0
Total	**50**	**100.0**	**Total**	**100.0**

Sources: Field Survey

From the above table, it can be inferred that around 56% of respondents have satisfied with the welfare facilities provided to them by the company. And around 64% of respondents are happy with the physical working conditions provided to them.

Table-5: Employee's Opinion about Policies and Procedures

Level of Satisfaction	Employee Policies and Procedures		Administrative Policies	
	NOR	%	NOR	%
Very High	19	38.0	18	36.0
High	11	22.0	12	24.0
Medium	13	26.0	13	26.0
Low	2	4.0	7	14.0
Very Low	5	10.0	0	0.0
Total	**50**	**100.0**	**Total**	**100.0**

Sources: Field Survey

From the above table, it was inferred that around 60% of the respondents feel happy with the HR policies and procedures. And majority (60%) of the respondents are also happy with the administrative policies. Hence, it can be concluded that majority of the respondents are happy with HR and Administrative policies of the firm.

Table-6: Employee's Opinion about Recognition

Level of Satisfaction	For Abilities, Efficiency and Achievement		Rewards for Outstanding Performance	
	NOR	%	NOR	%
Very High	16	32.0	3	6.0
High	8	16.0	12	24.0
Medium	18	36.0	23	46.0
Low	8	16.0	9	18.0
Very Low	0	0.0	3	6.0
Total	**50**	**100.0**	**50**	**100.0**

Sources: Field Survey

From the above table it can be concluded that around 48% of respondents have the opinion that they are recognized for their abilities, efficiency and good work done and very few said no. And 46% of respondents have an opinion that they have a moderate chance to receive the Cash award/salary increase/promotion getting for outstanding performance.

H_0: There is a significant relation between age and attrition factors of the employees.
H_1: There is no significant relation between age and attrition factors of the employees.

Table-7: Age vs Attrition Factors

Factors	Mean Square	F	Sig.
Salaries	10.493	22.380	.005
Superior – Subordinate Relationship	4.154	9.460	.000
Growth Opportunities	4.752	10.897	.005
Facilities	5.453	17.601	.000
Policies & Procedures	3.865	5.542	.005

Sources: Field Survey

It is the evident by ONE WAY ANOVA test that there is a significant difference (at 0.05 levels) amongst the different categories of age of the respondents with the attrition factors. Hence, Null hypothesis is accepted.

H_0: There is a significant relation between educational qualification and attrition factors of the Employees.
H_1: There is no significant relation between educational qualification and attrition factors of the Employees.

Table-8: Educational Qualification vs Attrition Factors

Factors	Mean Square	F	Sig.
Salaries	9.21	23.350	.000
Superior – Subordinate Relationship	2.658	19.645	.000
Growth Opportunities	3.988	19.544	.000
Facilities	4.380	27.000	.000
Policies & Procedures	2.782	23.330	.000

Sources: Field Survey

It is the evident by ONE WAY ANOVA test that there is a significant difference (at 0.05 levels) amongst the different categories of educational qualification of the respondents with the attrition factors. Hence, Null hypothesis is accepted.

H_0: There is a significant relation between betterment and attrition factors of the employees.
H_1: There is no significant relation between betterment and attrition factors of the employees.

Table-9: Betterment vs Attrition Factors

Factors	Mean Square	F	Sig.
Salaries	13.47	4.022	.007
Superior – Subordinate Relationship	4.384	5.790	.040
Growth Opportunities	5.101	6.201	.009
Facilities	6.538	3.864	.002
Policies & Procedures	2.879	9.802	.002

Sources: Field Survey

It is the evident by ONE WAY ANOVA test that there is a significant difference (at 0.05 levels) amongst the different categories of betterment of the respondents with the attrition factors. Hence, Null hypothesis is accepted.

H_O: There is a significant relation between marital Status and attrition factors of the employees.
H_1: There is no significant relation between marital Status and attrition factors of the employees.

Table-10: Marital Status vs Attrition Factors

Factors	Marital status	Mean	Std. Deviation	t	Sig.
Salary	Married	7.1433	2.6799	22.397	.001
	Un Married	10.9937	2.8436		
Superior –Subordinate Relationship	Married	4.0523	1.7601	12.129	.000
	Un Married	5.6647	2.4340		
Growth Opportunities	Married	3.5321	1.6774	58.995	.003
	Un Married	5.4610	2.7491		
Facilities	Married	3.1624	1.4322	60.782	.000
	Un Married	6.0023	3.1043		
Policies & Procedures	Married	4.3384	1.4795	12.898	.000
	Un Married	5.4195	2.2000		

Sources: Field Survey

It is the evident by independent samples t-test that there is a significant difference (at 0.05 Levels) between the factors of attrition and their marital status. Hence, Null hypothesis is accepted.

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MAJOR FINDINGS

From the above analysis, it is understood that, Majority of the employees are satisfied with the level of bonus & increment provided by companies. It is also observed the there a good relationship between subordinate and supervisor and the supervisor motivates employees to work in teams. The companies are providing adequate developmental opportunity and promotion are based on performance of the employee. The companies are indulged in providing support, benefits and also take cares the health, comfort and well being of the employees. It is also evident that the employees are happy with the range of activities connected with organising and supervising. Employees also felt that the efficient performers are not unnoticed and they are rewarded to improve it further and encouragement is given to enhance and upgrade their skills or obtain knowledge through training & cross training. And it is also seen that, there is sigfincant relationship between attrition factors and demographic variables like age, educational qualification, experience and marital status.

SUGGESTIONS

Following few suggestions have been drawn based on the study which are presented as below:

Top Management should view attrition as a serious problem and take measures to control it by involving HR Managers and Business Leaders. An online system or a forum should be created wherein the employees can voice out feedback openly and fearlessly on various issues like their expectations from the Organization, shortfalls in the Organization that hamper their performance that influences Organization's performance.

Organizations should periodically conduct exit, engagement and culture surveys to understand the changing expectations of the critical workforce from time to time and take all these inputs to have a holistic understanding of the factors influencing retention of employees.

The demographic details of the employees should also be considered while designing the retention strategies as some of these variables have proved to have influence on retention. Also based on the changing economic scenario and supply- demand of human resource, Organizations should adopt new initiatives and review existing retention strategies.

Many employees have suggested improvement in working environment and employee motivation in the survey. So the companies should give attention to the factors which it can improve itself internally.

The companies may give training like Personality Development and Self-improvement training to the employees, every three or six months once this status has to be reviewed and necessary action can be taken. It is better to have such training in the future.

CONCLUSION

The primary objective of any organization is to earn profit. But to attain the maximum profit, the Organization should concentrate more on employees and the ways to retain them for their long Run. Attrition is a critical issue and pretty high in the industry these days. It's the major problem which highlights in all the organizations. The study showed that there is a significant relationship between attrition factors and demographic variables. From the study, it is identified that lack of growth opportunities and salary are the major factors which force employees to change their jobs. This study concludes that to reduce attrition industries should create some opportunities for the growth of their employees within the organization by adopting new Innovative Technologies and Effective training programs.

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IMPACT OF HYDROELECTRIC POTENTIAL ON GDP, EXPORT OF ELECTRICITY AND ON CONSTRUCTION SECTOR OF BHUTAN

Guruprasad M. S.[11] Dr. B. P. Veerabhadrappa[12]

ABSTRACT

Bhutan has enough surplus potential to produce electricity and this has developed energy diplomacy in the region. Looking at the gross domestic production by economic activity of hydropower projects we have to remember that the consumption is low and revenue from cross border trade in electricity has added more to the GDP. Due to low population and excess electricity production the domestic consumption of electricity has allowed for electricity export which is measured in million Giga Watt per hour (GWh). The hydropower projects in Bhutan have direct influence on the construction industry. This research paper review the hydroelectric sector's impact on GDP, export of electricity and construction. The objective of this research are achieved through secondary data from 2000-01 to 2016-17. The multiple regression and residual analysis confirm that regression equation was found (F (3, 16) = 510.121, p < .000), with an R^2 of 0.990.

KEYWORDS

Electricity Generation, Energy Security, Economic Activity, DGPC etc.

1. INTRODUCTION

Energy is a vital national interest to maintain the economic interest of the country. Energy and security means different things in different countries Three Hydroelectric Projects in Bhutan totalling 1416 MW (336 MW Chukha Hydroelectric project (HEP), 60 MW Kurichhu HEP and 1020 MW Tala HEP) were built with the help of India, providing inexpensive, continuous and clean electricity to India, generating export revenue for Bhutan and cementing economic integration. About three-fourth of the power generated is exported and rest is used for domestic consumption. Hydropower exports provide more than 40% of Bhutanese domestic revenues and constitute 25% of its GDP but how far these things have helped Bhutan in clear terms need to be studied in detail. Hence, this research has thrown light on Bhutan hydroelectric sector advantages and its impact on economy.

Timilsina and Toman (2016) conclude that despite the huge potential in trade, South Asia is lagging behind in regional electricity trading. The study was done using optimization model, quantify the benefits of unobstructed cross-border power trade in South Asia during the 2015-2040 periods. The power exchange arrangement would spare US$226 billion of power supply costs over the period. The ratio of benefits, reduction of fuel and operating costs, to increased costs of generation and interconnection investment would be more than 5:1. The provision would reduce regional carbon dioxide emissions by 8%, generating with hydro-based generation. To achieve these benefits, the region would need to add 95 GW of new cross-border transmission interconnection capacity and 36 GW power wastage of India will be avoided with additional interconnection capacity between the regional grids within India.

Energy is a must for the growth of a nation. Developed countries achieved this hence they have a stable economy. Mahadevan and Asafu-Adjaye (2007) explain that among energy exporting countries, there is a bidirectional relation between consumption and economic growth in the developed countries in the short and long run, while it stimulates energy consumption in developing countries is larger than its income elasticity. However, Ozturk (2010) highlights that most studies focus on either testing the role of electricity in stimulating the economic growth or vice-versa using the panel data, multivariate approach including variables like real gross fixed capital formation, labor force, carbon dioxide emissions, population, exchange rates, interest rates and urge to focus on new methods and variables with different countries. What all this means, to achieve stability and growth of economy there should be a continuous source of electricity which varies from nation to nation?

Due to unabated electricity supply developed countries have a stable economy and it is proved by several of research. According to Zhang (2011) argues that there is bidirectional causality between Russia's energy consumption and economic growth by using Cointegration theory. Whereas, Baranzini et al. (2013) using fractional Cointegration and ECM to study Swiss per capita GDP and energy consumption find a robust relationship from GDP to electricity consumption by adding additional variables. While Coers and Sanders (2013) using panel unit root and Cointegration testing specify that there is a causal relationship between per capita energy use and gross domestic product in a unidirectional way in OECD countries. Yet, Shahiduzzaman and Alam (2012) using the Cointegration relationship between energy and output, and that energy is an important variable with capital and labor. Apergis

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and Tang (2013) by using a 85 countries in different stages of development argue that Granger causality models with three and four variables support energy consumption and growth in both developed and developing countries. All these authors establish that there is a direct relationship between energy supply and growth of the economy in developed countries.

The above paragraphs explain the role of electricity in the development and the influence of various variables such as income elasticity, consumption, population, Real GDP, per capita energy use, household size, carbon emission, urbanization, economic activity were tested by using panel data, multivariate approach, fractional Cointegration and ECM, using panel unit root and Cointegration, Granger causality test, using panel unit root and Cointegration, DEA, input-output model energy sustainability index (ESI), linear regression, IPAT method and the logarithmic mean divisia index technique, Cointegration relationship, panel data, panel integration and panel Granger causality, Regional Energy Model (REM),Kuznets curve, panel Cointegration and panel vector error correction modelling techniques, autoregressive distributed model, established there is a relation either unidirectional or bi-directional way. Having known about the importance for electricity is going to affect the economy; the specific objective is given below:

H_0: There is a positive hydropower effect on GDP, export of electricity and on construction sector.

2. INFORMATION ABOUT BHUTAN

Bhutan is hidden in the folds of the eastern Himalayas between two giant countries of China (Tibet) to the north and the Indian states Assam and West Bengal in the south, Arunachal Pradesh to its east and Sikkim to its west. Bhutan, has much snow and glacial fed rivers with steep slopes and abundant flows has a large hydro power potential assessed at around 30,000 MW, with about 24,000 MW of this being technically feasible (Government of Bhutan, 2012) with 1614 MW capacity being created till date, just about 5% of this has been exploited. The below table give information on current projects in operation producing electricity with capacity and place.

Table 1: Hydroelectric Projects in Bhutan

Sl.No	Project	Potential (MW)	Total Installed Capacity (MW)	Year	Dzongkhag
1	Chukha Hydropower		336	1986	Chukha
2	Basochhu Hydropower		64	2004	Wangduee
3	Kurichu Hydropower		60	2002	Mongar
4	Tala Hydropower		1020	2009	Chukha
5	Dagachhu Hydropower		126	2015	Dagana
6	23 hydropower Plants	2400	8		
Total			**1,614 MW**		

Source: www.bea.gov.bt, www.hydropower.org

Sources: Authors Compilation

All the rivers offer a very wide scope for generation of cheap hydro-power which would facilitate quick exploitation of the natural resources of the country and enable substantial earning of revenue by sale of surplus energy to India electricity hungry neighbour. At the same time, utilization of surplus power to India would contribute to rapid industrial and agricultural development of the entire Eastern Region of India which suffers from acute shortage of power. This surplus power will augment the peak hour requirement in the Eastern Regional Grid, thus stabilizing power system in the region. Several hydro power plants have already been constructed or under construction in Bhutan.

Table 2: Operationalization of Variables

Acronym	Variable	Source	Definition
GDPCP	Gross Domestic Product at Constant Price	NSB	GDP is a measure of production, income and expenditure. It broadly determines how much a country can produce, generate income, consume and save. It represents the aggregated final results of the production activities of all the economic institutions located within the economic boundary of a country in a year or in a accounting year. It is measured in constant or current price to determine the performance of the economy.

PAEX/PX	Physical Accounting of Electricity Produced (GWh)	SEEA	The total supply as explained above is accounted as: S=DP+M; where, S=Total Supply, DP=Domestic Production and M=Import. Information on the production side (Supply) is sourced from the annual reports of DGPC.
CNST	Construction Sector	NSB	Commodity flow approach is used to estimate GVA from construction activities. It includes construction of all infrastructures such as buildings. Roads. Bridges, thatched and non-thatched houses, orchard developments etc undertaken by the govt and private sector during an accounting period.

Sources: Authors Compilation

3. ORDINARY LEAST SQUARE REGRESSION

A multiple linear regression was calculated to predict GDPCP on physical accounting of electricity export, and construction sector. A significant regression equation was found ($F (2, 15) = 1026.340$, $p < .000$), with an R^2 of 0.99. The predicted GDPCP is equal to 2.79 + 0.33 (LPAEX) + 0.58 (LCNST). The GDPCP increased 2.79 for each increase in PAEX and construction. With every unit increase in GDPCP there is a increase by (0.33) in physical accounting of electricity exports and (0.58) in construction. The ordinary least squares (OLS) method was used to determine the factors influencing economic growth (GDP), with the independent variables being physical export of electricity and construction sector. Table 3 reports the results of the OLS regression.

Table 3: Hydropower Potential in Bhutan (2000-2017)

Model: $\ln YGDPCP_t = \beta_0 + \beta_1 \ln PAEX + \beta_2 \ln CNST + U_t$

Estimators	Estimates	t	p
$\beta 0$	2.794734 (0.193874)	14.41519	0.0000***
β_1	0.333304 (0.019053)	17.49380	0.0000***
β_2	0.584257 (0.030065)	19.43285	0.0000***

R	0.99	R-squared	0.99
Adjusted R-squared	0.99	No observations	18
F-statistic	1026.340	S.E.of regression	0.035036
DW	1.97		

Standard errors are reported in parentheses
*, **, *** indicates significance at the 90%, 95%, and 99% level, respectively

Sources: Authors Compilation

The sample multiple regression coefficient R = .990 measures the degree of relationship between the actual values (y_i) and the predicted values ($\hat{y}_i$) of the physical accounting of electricity export and construction sector. Because the $\hat{y}_I$ values are obtained as a linear combination of PAEX (β_1) and construction (β_2), the coefficient value of .990 indicates that the relationship between GDPCP and the two independent variables is quite strong and positive.

The sample Coefficient of Determination R^2 measures the goodness-of-fit of the estimated Sample Regression Equation (SRE) in terms of the proportion of the variation in the dependent variable (DV) explained by the fitted SRE. Thus, the value R^2= .99 simply means that about 99% of the variation in GDPCP is explained or accounted for by the estimated SRE that uses PAEX and construction as the IV's. This information is quite useful in assessing the overall accuracy of the model.

Adjusted R^2 is the sample Coefficient of Determination after adjusting for the degrees of freedom (df) lost in the process of estimating the regression parameters. In this case, two parameters β_1 and β_2 were estimated so that two df have been lost. Thus, the remaining df can be determined as **v = n-k** where K denotes the number of parameters in the Linear Regression Model (LRM). Hence, the adjusted R^2 is a better measure of the goodness-of-fit of the estimated SRE than its unadjusted counterpart.

Standard Error of the Estimate (S_e) this summary statistic measures the overall accuracy of the estimated SRE in terms of the average unexplained variation in the DV that may be due to possible errors that could originate from sampling errors, and possible variation in the parameter. Here, S_e = 0.035036 means that, on average, the predicted values of the GDPCP could vary by ± 3.50 about the estimated regression equation for each value of the PAEX and construction during the sample period and by a much larger amount outside the sample period.

Durbin-Watson (DW) Statistics measures the presence or lack thereof Serial Correlation among the errors from one observation to other observations. We have chosen $\alpha = 0.01$, then the critical values corresponding to n = 18 and two regressor as $d_L = 0.805$ and $d_U = 1.259$. $\because d = 1.97 > d_U = 1.259$. $\therefore$ We accept H_0 and conclude that the errors are not autocorrelated. To check the robustness of autocorrelation apart from DW we used Breusch and Godfrey (1978) developed an LM test in the cases where the DW test cannot be applied (Asteriou & Hall, 2006).

Testing the Significance of the Model

Analysis of variance (ANOVA) was performed at 0.01% confidence level to determine the existence of significant differences between regression coefficients. Probability value less than 0.01% was considered significant. The ANOVA results of regression model was computed and given below in Table 4.

Table 4 Analysis of Variance [a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.520	2	1.260	1026.340	.000[b]
	Residual	.018	15	.001		
	Total	2.538	17			

a. Dependent Variable: LGDPCP
b. Predictors: (Constant), LPAEX, LCNST

Sources: Authors Compilation

It was found that the Multiple Linear Regression Model (MLR) was significant at 99% confidence level ($p < 0.01$). The significance of regression coefficients was also evaluated from F-value. The multiple regression model results indicated that all two predictors explained 99% of the variance ($R^2 = 0.99$, $F (2, 15) = 1026.340$, $p<.01$). The estimated F-value was significantly higher than the tabulated F-values confirming that the MLR model was acceptable. It was found that variables PAEX and construction can be used to reliably predict GDPCP.

Parameter Estimates

These are the values for the regression equation for predicting the dependent variable from the independent variable. These are called unstandardized coefficients because they are measured in their natural units.

$$GDPCP = 3.275 + 0.33*LPAEX + 0.58*LCNST + U_t$$

These estimates tell you about the relationship between the independent variables and the dependent variables. These estimates tell the amount of increase in GDPCP that would be predicted by a 1 unit increase in the predictor. The coefficient for LPAEX is 0.33. This means that for a 1-unit increase in the electricity export score, we expect an approximately 0.33 increase in the GDPCP. For every unit increase in construction sector, there is a 0.58 unit increase in GDPCP, holding all other variables as constant. The standard errors (SE) are associated with the coefficients. The SE is used for testing whether parameter is significantly different from 0 by dividing the parameter estimate by the SE to obtain a t-value. The SE can be used to form a confidence interval (CI) for the parameter.

T-statistic and P-value

The t-value and 2-tailed p-value used in testing the null hypothesis that the coefficient is 0. If 2 tailed tests used, then we compare each p-value to the preselected value of alpha. The coefficient for PAEX (0.33) is statistically significantly different from 0 using alpha of 0.01 because its p-value is 0.000, which is smaller than 0.01. Lastly, construction sector (0.58) is statistically significant from 0 using alpha of 0.01 since the p-value is 0.000.

5. MODEL STABILITY DIAGNOSTIC CHECK

Statistically there is a well-built connection between the model decisiveness, forecasting and policy analysis. To check the absence of serial correlation and normality of distribution is important to diagnose the residuals of an autoregressive model through its roots.

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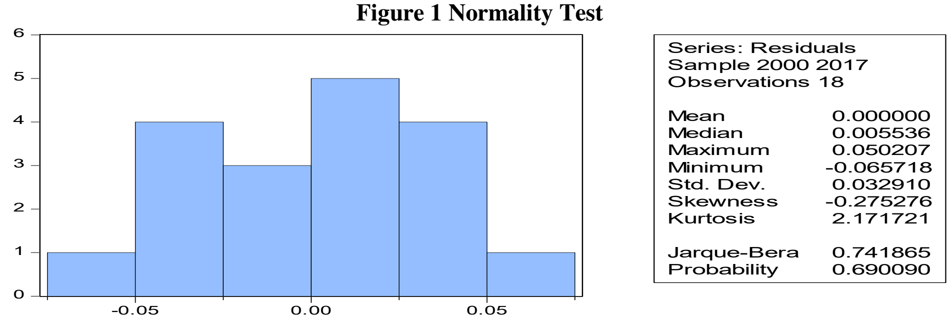
1. Normality Test

Figure 1 Normality Test



Sources: Generated by the research scholar using EViews 9.

As the p-value is more than 5 percent i.e. 69% leading to acceptance of null hypothesis that residuals are normally distributed

2. Serial Correlation LM Test

Table 5: Breusch-Godfrey Serial Correlation LM Test:

F-statistic	0.091067	Prob. F(1,15)	0.7673
Obs*R-squared	0.116329	Prob. Chi-Square(1)	0.7331

Source: Generated by the research scholar using EViews 9.

H_0: No serial correlation at lag 1.

Above table shows the results of residual test of the Regression Model. The result leads to the acceptance of the null hypothesis to confirm that there is no serial correlation of the residuals.

3. Hetroskedasticity Test

H_0: There is no hetroskedasticity

The table below shows the results of hetroskedasticity test of the Regression Model. The result leads to the acceptance of null hypothesis to confirm that there is no hetroskedasticity problem with the residuals.

Table 6: Hetroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.645085	Prob. F(2,15)	0.5386
Obs*R-squared	1.425588	Prob. Chi-Square(2)	0.4903
Scaled explained SS	0.579997	Prob. Chi-Square(2)	0.7483

Source: Generated by the research scholar using EViews 9.

4. Granger Causality Test

In order to know causality among variables the study further inspects the direction of causality between the different variables of the model.

Table 7 Results of Pairwise Granger Causality Test

	F-Statistic	Prob
LPX does not Granger Cause LGDPCP	0.08472	0.9194
LGDPCP does not Granger Cause LPX	0.27430	0.7652
LCNST does not Granger Cause LGDPCP	0.82696	0.4628
LGDPCP does not Granger Cause LCNST	4.51781	0.0370
LCNST does not Granger Cause LPX	0.81847	0.4663
LPX does not Granger Cause LCNST	3.90811	0.0522

**Significant at 5% confidence interval
* Significant at 10% confidence interval.

Sources: Authors Compilation

As can be seen from Table 7:

- There is a weak unidirectional causality running from LGDPCP to LCNST is significant at 10% confidence interval, based on F-Statistic of 4.51 and P-value 0.0370.

- There is a weak unidirectional causality running from LPX to LCNST is significant at 10% confidence interval, based on F-Statistic of 3.90 and P-value 0.052.

CONCLUSION

Hence, it is proved once again that the growth of hydroelectric sector is fuelling growth in other sector like export of electricity and construction sector. This is a positive growth as per the results.

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INDIAN HANDICRAFTS IN GLOBAL ERA: AN ANALYTICAL STUDY

Akash Kumar Arya[13]

ABSTRACT

In the present scenario, companies are judged based on actual social and economic value they create with the help of their core business activities. Hence, it is essential to clearly demarcate the commercial enterprises from the inclusive ones to gain a comprehensive understanding of an Inclusive business model. The focus of this paper is on the evaluation of companies in the Indian handicrafts industry (with special reference to Moradabad District) to determine the nature of their business models with respect to inclusive business models. The paper develops an evaluation framework based on various social and economical parameters in order to measure the socio-economic impact of a business in Indian handicrafts industry.

In India, handicraft sector is an integral part of Indian culture and tradition, which represents and constitutes a very important segment of the decentralized sector of the Indian economy. Foreign fashion industry borrows a great deal from Indian handicrafts industry like Saree designs, an ethnic Indian wear for their fashion shows. There is no need to say that the border lines or differences between the world cultures are now eroding out and becoming irrelevant. But in the mean time the real problem is that, can the 'local products' really meet with the 'global requirements' by truly sustaining its localness? The biggest problem in the Indian Handicraft industry is that the village craftsmen remain concerned with local trade and mass production so their hand-made products of their hard labour will remain out price from other parts of the world. With a theoretical understanding, this paper looks at globalization's increasing impact on handicrafts. This paper tries to assess how far globalization serves as an opportunity and threat to the artisans. The role of the government in promoting the crafts and protecting the artists will be discussed before concluding the paper.

KEYWORDS

Globalization, Handicraft, Sustaining Growth etc.

INTRODUCTION

Handicraft is man's first technology, the technology of the hand. A handicraft represents (at its finest) the need of human to create artistic product simultaneously with hand and mind. India is one of the major exporters of handicrafts to the global market. The Indian handicrafts industry is featured as highly labour intensive & cottage based industry and this industry is being spread all over the country in rural and urban areas. It is also categorised as decentralised industry in India. A number of artisans are engaged in crafts work on part-time basis. The Indian handicrafts industry provides employment to more than six million artisans, which include a large number of women and people belonging to the weaker sections of the society. In addition to the high potential for employment, the sector is economically important because of:

- Low capital investment,
- High ratio of value addition, and
- High potential for export and foreign exchange earnings for the country.

India, a country with 35 states and 22 languages and more than 1500 dialects offers an enormous range of handicrafts from each of the states.

Now a days, Globalization (refers to the integration of cultural, economic, and political systems across the world) has become one of the fashionable buzzwords in both academic and political debate. Various countries like India, China, and other countries that were poor few years ago propose sufficient promises about globalization due to the Reduction of poverty and rapid economic growth. Due to the drastic development in the technologies of communication and transport, globalization has laid to the end of geography and also the death of distance. Globalisation also has made available of everything at everybody's doorstep. The Internet have helped this process, enabling business to communicate more smoothly and efficiently and sparking what some have called the "Third Wave" of economic growth. Even in India, in the local supermarket, different products of foreign origin catch the attention of its home consumers. The information flow so fast that many foreign fashion shows are run these days with models wearing the sarees designed by Indian fashion designers. This shows how tradition meets with modernity these days. Globalization has put both east and west into one compartment and makes a single village – **a global village**.

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This paper basically deals with the globalization creates a world homogenous in nature and other that world cultures are becoming more and more diverse leading to heterogeneity in its form and content. It is in between these debates that my argument for Indian handicrafts evolves.

Handicrafts industry is an industry where machine does not dominate and it's much decentralized structure prevents the exploitation by a capitalist tycoon sitting far away, controlling production and people. Crafts, by their very nature, are not mass produced. But if people are working with their hands, albeit with the assistance of tools and machines, producing goods required in a wide market space, selling to make profits and thereby contributing to national wealth, crafts can be termed as a decentralized creative industry where human mind and hand is more important than small machines and tools they may use. There is, therefore, a world of industry without industrialization in the traditional sense, and there is both sufficient scope and need for this to come out of the disorganized, diminishing and low-end profile that it has been carrying for long. One of the very interesting developments taken place during the last few years has been the growth in exports of handicrafts from India to China. Indian hand-made items are in more demand than mostly machine-made Chinese products in metal ware, art ware, giftware and wood craft categories. This indicates that Indian "handmade" handicraft products are gaining demand in the global market, including China.

OBJECTIVES OF STUDY

- To find out various tools of Government of India for promoting the handicraft export.
- To analyse the current position of Indian handicraft industry.
- To make discussion regarding the handicraft exports with relation to Moradabad district.
- To analyse the growth of handicraft exports over the last decade.

LITERATURE REVIEW

Effat Yasmin, (2013) the sector makes conspicuous contribution in sustaining export trade of the state. The handicraft activities are especially carried out in Kashmir Valley which is called the home of handicraft goods and has earned a unique place in the world of handicraft scenario. The exports in the handicraft sector have increased to Rs.1200.47 crores during 2007-08 as against Rs.34.60 crores during 1990-91 and their growth rate is also at a satisfactory level.

Sanyal, Banerjee and Majumder, (2013) performed study on the Leather Industry in India by using the Constant Market Share (CMS) Analysis, found the change in export from (1991-2006) and conveys that the leather export has been seen decreasing due the change in demand in the world, change and market competiveness.

Syed Khalid Hashmi, (2012) the sector is economically important from the point of low capital investment, high ratio of value addition, and high potential for export and foreign exchange earnings for the country.

Darakhshan, (2011) Kashmiri handicrafts, especially its shawls and hand woven carpets, are also very renowned and have economic potential in exports the industry has the ability to create such handicrafts and export them to other areas of the world in which such commodities are rare and valuable could raise many women and families out of the difficult situation of poverty.

THE REAL CHALLENGE FOR HANDICRAFT INDUSTRY IN INDIA

Pre-independence the British authorities intentionally promoted the machine made foreign products in Indian markets. India had to supply the raw materials like raw cotton and the British factories had to provide the fine clothes. "So the traditional handicrafts of India which were then world famous were systematically destroyed to create a market for British products". Then after independence the Government of India as a matter of policy wanted to revamp the craft tradition of our country and promote the small scale and cottage industries. It is an altogether different issue how much the craft sector got benefited out of the government sponsored schemes. But it is the present liberalized market system where the craft industry faces vulnerabilities. As there has been the evolution of the modern market economy, the artisans have lost their holds over the old patron-client business network and jajmani relationship. Most of the designs are highly artistic and traditional in nature. But these days some of the modern designs are also being experimented with to suit to the tastes and the preferences of the foreign tourists keeping an eye over the market. The process of making Chandua remained largely unchanged for the past few centuries but during the last two three decades these have undergone tremendous changes. The Chandua makers attribute two reasons for such change in the appliqué work; the first reason is the changing taste of the customers and the second is the commercialization of the products. They are of the opinion that „when the very survival of the appliqué work owes it to the tourists, it is rather the choice of the tourists that has effected a change on the products and it's making style. Customers want the products to be cheaper and attractive. Artisans go for more profit, at times ignoring the quality.

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INDIAN HANDICRAFTS INDUSTRY: OVERVIEW

The export earnings from Indian handicrafts industry for the period 1998-99 amounted to US$ 1.2 billion.

Although exports of handicrafts appear to be sizeable, India's share in world imports is miniscule. It is a sector that is still not completely explored from the point of view of hidden potential areas. India, a country with 26 states and 18 languages and more than 1500 dialects offers an enormous range of handicrafts from each of the states. Major centres in Uttar Pradesh are Moradabad also known as the **"Peetalnagari" (City of Brass)**, Saharanpur for its **wooden articles**, Ferozabad for **Glass**. The North Western state of Rajasthan has to offer the famous **Jaipuri quilts,** Bagru and Sanganer **printed textiles** and **wooden and wrought iron furniture** from Jodhpur. The coastal state of Gujarat comes with **embroidered articles** from Kutch. Narsapur in Andhra Pradesh is famous for its **Lace and Lace goods**. But this is only a small part of the total product range. India offers much more.

Handicrafts are classified into two categories:

- Articles of everyday use,
- Decorative items.

The craftsmen use different media to express their originality. The diversity of the handicrafts is expressed on textiles, metals – precious and semi-precious, wood, precious and semi-precious stones, ceramic and glass.

Textile based Handicrafts

Hand printed textiles including block and screen printing, batik, *kalamkari* (hand printing by pen) and *bandhani* (tie and die) are used in products ranging from bed-covers to sheets, dress material to upholstery and tapestry. The famous embroidered articles of silk and cotton, often embellished with mirrors, shells, beads, and metallic pieces are also found in India. Embroidery is done too on leather, felt and velvet etc. This segment of the industry accounts for almost half a million strong employment in addition to a large number of designers, block makers, weavers and packers involved in the trade.

Clay, Metal and Jewellery

Brass, copper, bronze, bell metal is used for a variety of wares and in a variety of finishes. Scintillating ornaments are available in a wide range of patterns, styles and compositions. Made from precious metals, base metals, precious and semi-precious stones; these ornaments have traditional as well as modern styles.

Woodwork

Wooden articles in India range from the ornately carved to the simple. One can find toys, furniture, decorative articles, etc. bearing the art and individuality of the craftsman. India is known particularly for its lacquered wood articles.

Stone Craft

The intricately carved stoneware made of marble, alabaster or soapstone, etc., inlaid with semiprecious stones carry on the heritage of Indian stone crafts.

Glass and Ceramic

Glass and ceramic products are a fast upcoming segment in the handicrafts from India. The age-old production process of mouth blowing the glass instills a nostalgic feeling. The varied shapes of ceramic and glass in a number of colours, would appeal to Western aesthetics while retaining the Indian touch.

Craft Concentration Areas

A wide range of handicrafts are produced all over Indian artmetalware / EPNS ware, wood carvings and other wooden artwares, imitation jewellery, handprinted textiles, shawls as artwares, embroidered goods, lace and lace goods, toys, dolls, crafts made of leather, lacquer ware, marble crafts etc. Although it is difficult to limit a specific place for the particular craft, the following places are listed for their particular crafts.

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Table-1

Artmetalware	Moradabad, Sambhal, Aligarh, Jodhpur, Jaipur, Delhi, Rewari, Thanjavur, Madras, Mandap, Beedar, Kerala & Jagadhari, Jaselmer
Wooden Artwares	Saharanpur, Nagina, Hoshiarpor, Srinagar, Amritsar, Jaipur, Jodhpur, Jagdalpur, Bangalore, Mysore, Chennapatna, Madras, Kerala & Behrampur (WB)
Handprinted Textiles	Amroha, Jodhpur, Jaipur, Farrukhabad, Sagru & Sanganer
Marble & Soft Stone Crafts	Agra, Madras, Baster, Jodhpur
Terracotta	Agra, Madras, Baster, Jodhpur
Imitation Jewellery:	Delhi, Moradabad, Sambhal, Jaipur, Kohima (Tribal)

Sources: Authors Compilation

Selected Crafts Pockets for Achieving Export Goal

Although each crafts pockets has its particular problems, a few selected craft pockets are identified based on their past performance for immediate remedial attention to stimulate a quantum in exports of handicrafts in the coming years.

Table-2

Moradabad (Uttar Pradesh)	For Artmetalwares and imitation jewellery
Saharanpur (Uttar Pradesh)	For Wooden handicrafts & Wrought iron handicrafts
Jodhpur (Rajasthan)	For Wooden, Wrought Iron and Sea Shell handicrafts
Narsapur (Andhra Pradesh)	For Lace and Lace goods

Sources: Authors Compilation

Value Adding Chain in Handicrafts

In the changing world scenario, craft products exported to various countries form a part of lifestyle products in international market. The impact is due to the changing consumer taste and trends. In view of this, it is high time that the Indian handicraft industry went into the details of changing designs, patterns, product development, and requisite change in production facilities for a variety of materials, production techniques, and related expertise to achieve a leadership position in the fast growing competitiveness with other countries. The 6 million craft persons who are the backbones of Indian Handicraft Industry as provided with inherent skill, technique, traditional craftsmanship but that is quite sufficient for primary platform. However, in changing world market these craft persons need an institutional support, at their places i.e. craft pockets for value addition and for the edge with other competitors like China, Korea, Thailand etc. The value adding chain in handicrafts industry can be shown as follows:

Figure-1

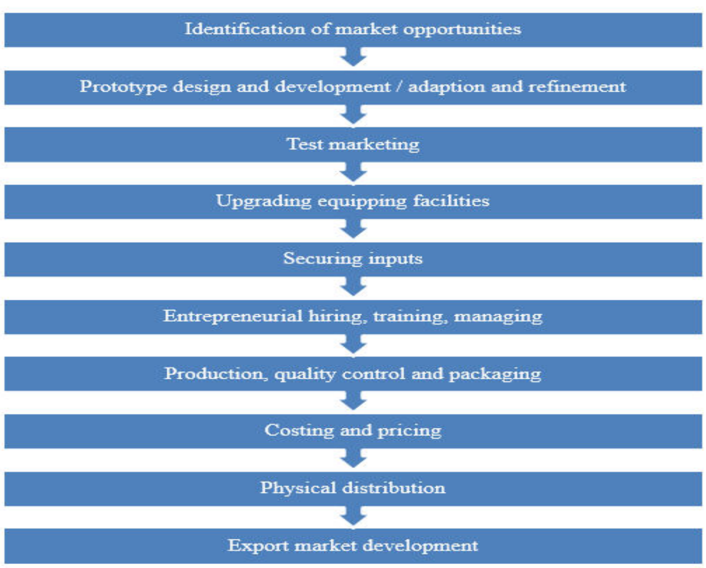

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Table-3: SWOT Analysis of the Indian Handicrafts Industry

Strengths	Weaknesses
(i) Abundant and cheap labour hence can compete on price. (ii) Low capital investment and high ratio of value addition. (iii) Aesthetic and functional qualities. (iv) Wrapped in mist of antiquity. (v) Handmade and hence has few competitors. (vi) Variety of products which are unique. (vii) Exporters willing to handle small orders. (viii) Increasing emphasis on product development and design up-gradation.	(i) Inconsistent quality. (ii) Inadequate market study and marketing strategy. (iii) Lack of adequate infrastructure and communication facilities. (iv) Capacity to handle limited orders. (v) Untimely delivery schedule. (vi) Unawareness of international standards by many players in the market.
Opportunities	**Threats**
(i) Rising appreciation for handicrafts by consumers in the developed countries. (ii) Widespread novelty seeking. (iii) Large discretionary income at disposal of consumer from developed countries. (iv) Growth in search made by retail chains in major importing countries for suitable products and reliable suppliers. Opportune for agencies to promote marketing activities. (v) Use of e-commerce in direct marketing.	*Decline in India's share due to:* (i) Better quality products produced by competitors from Europe, South Africa, South Asia, etc. (ii) Better terms of trade by competing countries. (iii) Consistent quality and increasing focus on R&D by competing countries. (iv) Better packaging. (v) Stricter international standards.

Sources: Authors Compilation

The Government Initiatives for Promoting Handicraft Industry

Although India adapted to liberalisation policies in early nineties, the handicrafts sector continued to get state intervention. Handicrafts being a state subject defined in our constitution, the development and promotion of crafts are the responsibility of the respective state governments. The Central government through various developmental schemes plays the role by supplementing their efforts. As the Annual Report suggests, for the holistic growth and development of the handicrafts, the government during different five-year plan has implemented few generic schemes. These can be discussed below.

Baba Saheb Ambedkar Hastshilp Vikas Yojana: The basic objective of this scheme is for a sustainable development of handicrafts through the participation of crafts persons. This scheme is implemented through: (i) social Intervention, i.e. mobilizing the artists,(ii) technological intervention; assisting for design and technological up gradation, reviving the languishing crafts etc., (iii) marketing interventions and (iv) financial interventions.

Marketing Support and Service Scheme: This scheme is developed to create awareness of Indian craft products among the people through: (i) organizing marketing events, (ii) providing services in the form of entrepreneurship and (iii) providing financial assistance to state handicrafts corporations and NGOs for opening new Emporia, etc.

Design and Technology Up-gradation Scheme: The scheme aims to supply modern tools, upgrade artisans' skills, preserve traditional crafts and revive rare crafts through(i) departmental activities (by giving training in Regional Design & Technical Development Centres etc.) and (ii) outsourcing (to Shilp Gurus or Heritage Masters, of design and technology up-gradation).

Export Promotion Scheme: It intends to promote export of handicrafts, including hand-knotted carpets and floor covering from India. The main components of this scheme are (i) product Development, (ii) publicity and marketing and (iii) social and other welfare measures.

Research and Development Scheme: The basic objective of this scheme is to create a regular system of obtaining feedback on economic, social, aesthetic and promotional aspects of various craft goods. It also addresses issues related to WTO. Survey or study of specific crafts on which adequate information is not available, looking at the working conditions of the artisans etc are the major thrust areas under this scheme.

Training and Extension Scheme: The scheme aims at enhancing the capacity building of staff of DC-Handicrafts, artisans, NGOs etc.

Bima Yojana for Handicrafts Artisans: The Yojana provides life insurance protection to the artisans, either male or female in the age group of 18-60 years. It is being implemented in association with the Life Insurance Corporation of India ltd (LIC).

Special Handicrafts Training Projects: Under this programme, the office of the DC-Handicrafts takes initiatives to upgrade the skills of existing as well as new craft-persons, enhance employment opportunities in the handicrafts sector, transfer skills Master Artists to new trainees etc.

Apart from the above schemes, the government is also taking special measures for promotion and development of crafts by popularizing the products and encouraging the artists. The biggest problem while implementing the developmental schemes is the lack of proper knowledge on handicraft units and number of artisans.

RESEARCH METHODOLOGY

In this study many handicrafts products' manufacturer of Moradabad district are observed who are mainly engaged in the production and export of art-metal wares and imitation jewellery. The marketing strategies of the exporters are observed and the growth in the export of handicraft product over the last decade is analysed.

This research paper is investigative and descriptive and based on secondary data. The required secondary data has been collected from different old research papers, eBooks, journals, internet, some of the Government data etc. Other sources of secondary data are as newsletters, reports, magazines, newspaper, as well as from existing literature to understand the scope and importance of handicraft industry and contribution of handicraft industry in Indian economy.

RESULTS AND DISCUSSION

Handicrafts industry experiences many upward and downward trends during last decade. The export of handicraft goods from Moradabad district is as follows:

Table-4

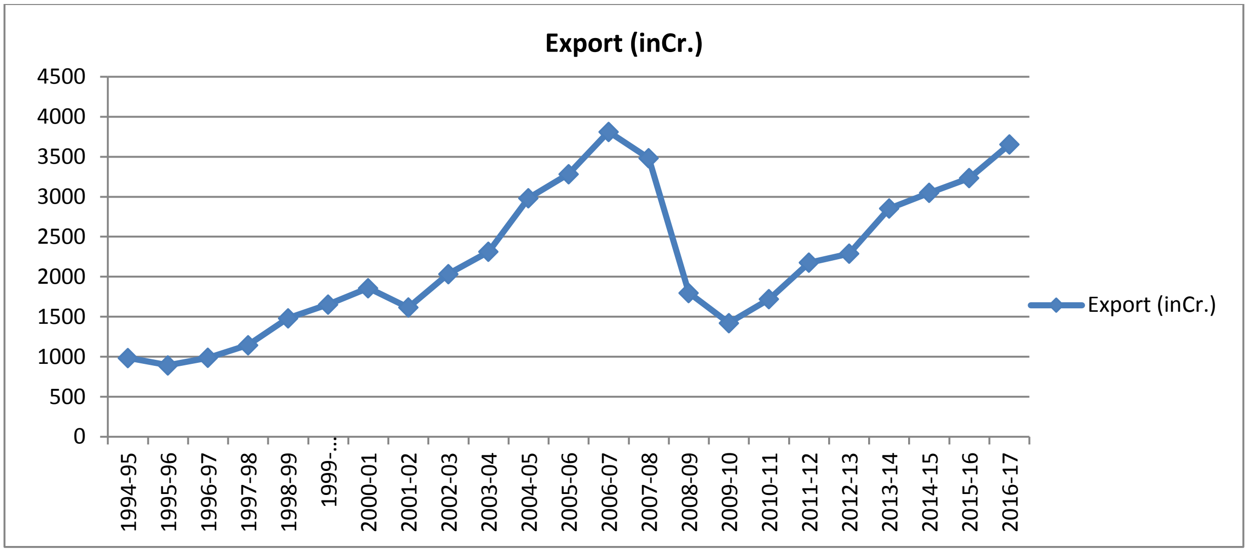
Year	Exports	% Growth Rate
1994-95	985.74	-----
1995-96	894.01	-9.3057
1996-97	987.82	10.49317
1997-98	1144.8	15.89055
1998-99	1481.9	29.44994
1999-2000	1654.7	11.65912
2000-01	1858.4	12.31213
2001-02	1616.5	-13.019
2002-03	2034.2	25.83808
2003-04	2311.7	13.64396
2004-05	2983.7	29.06908
2005-06	3282.6	10.01679
2006-07	3811.3	16.10633
2007-08	3481.1	-8.6617
2008-09	1797.9	-48.3537
2009-10	1422.6	-20.8729
2010-11	1719.5	20.86798
2011-12	2175.8	26.54
2012-13	2288.8	5.190203
2013-14	2853.7	24.68236
2014-15	3048.4	6.824171
2015-16	3233	6.05494
2016-17	3653.3	13

Sources: Authors Compilation

The above table shows the export of handicraft products from Moradabad during the last decade. It is observed from the above table that the growth rate in handicrafts exports in Moradabad District is highest in 2004-05 and it is lowest in 2008-09 because of the global recession. The condition of export improves drastically in next two financial years up to Rs. 2175.8 crore in 2011-12.

The highest turnover in handicraft export was reported in 2006-07. From 1994-95 to 2000-01, the export shows an increasing trend and in 2016-17 the growth rate rapidly boost up to 13% with regards to Moradabad district.

Figure-2



Sources: Authors Compilation

The graphical presentation also shows an increasing trend in the overall exports of handicrafts. During 2008-09 export of handicraft products fall down at a higher rate. The reason behind this fall was global recession. But afterwards it tends to be high in every succeeding year.

CONCLUSION

Indian handicrafts sector gives employment to a million of people and this sector play a vital role in the growth and development of Indian economy because of the high potential for employment and this sector is economically important because of low capital investment, high ratio of value addition, and high potential for export and foreign exchange earnings for the country.

As India opens p her doors to the multinationals during the era of economic reform and liberalised market, putting an end to the license raj, it is not only the economies that often meet in the global market sphere, but also the people and cultures, which bring a new dimension to the multi cultural setting. The magic of globalisation is that during the modern times, there is always a cross cultural interaction of both the 'local' and 'global' and notwithstanding many contradictions, global village is now not just a possibility, but a reality.

Needless to say, the borders between the world cultures are now eroding out and becoming irrelevant. The whole world is now interconnected.

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ETHICAL ISSUES IN ADVERTISING: A STUDY WITH REFERENCE TO MANGALORE REGION'S SELECTED CUSTOMER'S OPINION REGARDING ADVERTISEMENT ETHICS

Thanuja[14] Seema Pereira[15] Divyajyothi[16]

ABSTRACT

Today the India's advertising industry is expanding its business at a rapid rate. Advertising business has gradually become one of the large scale industries from a small scale business. To make this paper more effective we will be concentrating on some of the customers in Mangalore region and collecting opinion regarding ethics in advertising followed by the companies. Here the emphasis will be on the awareness of customers regarding ethics followed by the companies to make the society at better place and evaluation will be done on the basis of people's opinion.

KEYWORDS

Advertisement, Ethics, Advertising, Customer's Awareness etc.

INTRODUCTION

Advertisement acts as a communicating bridge between producer and consumer. The major motive of advertising is to inform a people of new products and remind them about existing products. However, today the major goal of advertisement is making money and making people buy products by hook or crook. At present customers are demanding transparencies as they take an increasing interest in the ethical practices of those they buy from. The major question here is, are people aware that even advertising companies have to follow a set of ethical practices?

LITERATURE REVIEW

Kazmi and Sathish (2006) stressed on the different types of advertisement Medias which attract the customers and this media is selected based on the type of products to be launched or already existing.

Raghbir Singh and Sandeep (2007) emphasized on peoples expectation regarding advertisement where majority are in favor of a judicial regulatory body to enforce ethics in advertising. They are in favor of legal restrictions on sexually suggestive advertisements and advertisements targeting children.

OBJECTIVES

- To analyze the awareness of ethics in advertising.
- To do analysis of different unethical advertisement practices.
- To suggest measures for the effectiveness.

RESEARCH METHODOLOGY

To realise the objectives of the study, a direct interview is conducted on selected customers in Mangalore Region. Both the primary and secondary sources are used for the collection of data. The study focuses on the few selected customers in Mangalore city limit. The study being a descriptive in nature, an attempt is made to understand the awareness of customer regarding business ethical practices.

AWARENESS OF ETHICS IN ADVERTISING

Everywhere we glance we can see advertisements of one form or the other may be televisions or social media or bill boards. Advertisements have become a part of our life so much so that we can even find advertisements in backside of the notebooks. But surprisingly majority of the viewers are not aware that advertisements are bound by ethics and they are not supposed to display everything. Here we are making a attempt to create an awareness among customers regarding ethics in advertising.

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DIFFERENT UNETHICAL ADVERTISEMENT PRACTICES

Companies are forgotten the objective of advertisements. Instead of spreading awareness and knowledge of the products, all sort of unwanted things are showed in the advertisements. Advertisement might have a negative impact on viewers. Majority of the advertisements today are sexually over toned and quality of the products are exaggerated and are false and misleading.

FINDINGS

Not surprisingly almost 90% of the respondents are aware of the different advertisements. Which means that advertisement is widely popular and there is more need for advertisement to be ethically correct because it affect many people.

Majority (60%) of the respondents are aware of the advertisements through Television. In addition, print media and social media share remaining (40%) equally. From this data, we can derive that Television is most commonly used media for advertisements.

When we asked about benefits derived from advertisements 80% respondents replied that advertisements are beneficial. This makes the advertising media very crucial as many people depend on advertisements to buy a product.

Most of the respondents (70%) are aware of the concept called "Ethics" in general. They are also aware the advertisements are bound by certain ethics. Remaining (30%) of the respondents is not aware of the concept called "Ethics". Thus, they have no idea about what is ethics in advertising.

When we enquired about whether advertisement follow unethical practices 60% of respondents felt that advertisement sometimes follow unethical practices. 40% respondents believe that all advertisement follow unethical practices.

Majority of the respondents (50%) feel that advertisement sometimes has a negative effect on people. 30% respondents believe that all advertisements have negative effect and remaining 20% respondents feel that advertisement donot have negative impact.

All the respondents responded that there is a gap between the actual product and the product shown in the advertisement. When we see the product in advertisement, we get attracted to the product because it is exaggerated and we feel disappointed when we see the actual product.

SUGGESTIONS

An active and independent committee should be established to monitor the advertisements regularly and this committee should not be only for namesake but should actively see that unethical practices are not followed.

Government should actively involve itself in keeping advertisements ethical. There should be a censor board to eliminate all the unethical advertisements.

Government along with educational institutions should take the initiative of educating people on the ethical practices followed by the companies.

Some ethical awareness programmes like street play, quiz, drama and plays should be conducted to public.

Survey should be conducted by officials where they can go to the general public and enquire about the advertisements.

CONCLUSION

Somewhere with a motive of making money advertisements are actually making the companies to forget our culture and tradition. Advertisement today are following the western norms which are not at all suited to our country. Advertisement have a negative impact on viewers specially the children and youth. Some strict actions have to be implemented by the concerned authorities to stop the unethical practices followed by the companies. To conclude the remedy for this problem will be making people more and more aware of the limits to be followed by the companies. As they say knowledge is power only when people are knowledgable about the ethical practices regarding advertisements they can fight against the unethical practices followed by the companies.

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SMALL BUSINESS MANAGEMENT

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ABSTRACT

Small business management is now generally agreed that the small businesses are one of the key engines of growth in many developing cities by contributing to employment creation. Small business argued micro and small businesses couldn't grow or succeed unless they are entrepreneurial. The emerging pattern of the businesses in coastal region of Karnataka is that the small businesses will continue to be the source of jobs and growth in the economy. It is with this view in the mind that this paper proposed that effort must be placed on the development of entrepreneurial behavior in small businesses if growth in coastal region of Karnataka is to be achieved. Small businesses are privately owned corporation and partnership they have less employees or less annual revenue then and regular sized business small business being able to apply for government support and qualify for professional's tax policy varies depending on the cities and costal region. Small businesses in many coastal regions of Karnataka include service or retail operations such as very small-scale manufacturing and the related businesses.

KEYWORDS

Small Business, Tax Policy, Entrepreneurial, Professional etc.

INTRODUCTION

Small businesses form a turbulent part of the national economy because of the large-scale movements in and out of sector. Once the business is set up, the founder's personal skills and management behavior largely determine how the firm is managed in crucial functional areas.Challenges facing small businesses are a combination of less controllable internal and external factors arising from personal attributes, technical skills, management competencies and behavior of the owner-entrepreneur that influence the chances of growth of entrepreneurship Small businesses face challenges especially in areas of marketing, accounting, finance and management of people. Various experts describe today's global economy as one in transformation of knowledge economy. Information technology came at the beginning of the 21st Century.

Numerous large businesses that are operating today were once started as small businesses. A new business is established to create a good or service that no other businesses have ever created or simply a product of higher quality than existing products, with the purpose of meeting customers' needs and earning profits. Due to the technological advances now, starting and operating a new business is less laborious. Nevertheless, would-be entrepreneurs should be familiar with the proper approaches to start their businesses.

Small business in many countries includes service or retail operations such as small grocery stores, bakeries, hair dresses, carpenters, electricians, restaurants, guest houses, photographer, very small-scale manufacturing. Some professionals operate as small businesses, such as lawyers, accountants, dentists and medical doctors**.** Small businesses vary a great deal in terms of size, revenues and regulatory authorization, both within a country and from country. On the other hand, small business such as day cares retirement homes and restaurants.

Ways of Financing Small Scale Businesses

Personal Funds: Contributing your own money to your business is the easiest way to finance it. You can tap into your savings, use a home equity line of credit, or sell or borrow against a personal asset including stocks, bonds, mutual funds, or real estate. You can contribute money as equity or make loans to your company.

Family and Friends: Mom, dad, relatives, and friends may have access to more cash than you do. They may be willing to lend you money, or they may be willing to take an equity stake in your company.

Co**mmercial Banks**: Banks make many loans to small business. However, they are usually the hardest place for the start-up business to find money, because banks liketo see that a company has a history of making money.The bank wants to be reasonably

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sure that company will be able to repay the loan. If you have, a good business plan and have personal assets that you can offer as collateral.

Credit Card: If you have a credit card, you have a built-in line of credit. Although credit cards are one of the costliest ways to finance your company, they are routinely used as a source of funds for start-up businesses.

Custumers: If you have existing customers, they may be willing to pay you in advance foryour products. This allows you to use their money to purchase products or inventory prior to sale.

Government Funds: Government funds are another form source of financing. The government of India has provided funds to boost youth and woman enterprises.

Advantages of a Small Business

Faster Response Time to Customer Needs: In a small company, it is less likely that difficult customer problems will fester because the owner will know sooner and take action. Big businesses often take an extended period to react to customer complaints. With no lengthy chain of command, complex bureaucracies filled with all sorts of policies and procedures common to big businesses, you can respond much quicker to your customers' concerns.

Flexibility: If market conditions or technological advances mean that your products are significantly less desirable, you can quickly and easily make the decision to revamp your product range. If a customer or client comes in with a particularly unusual order, you can drop everything to make it happen.

Less Time Pressures: If you started in your home and are working evenings / weekends, then you cannot sustain that forever, but equally you don't have to be profitable by 3months. You can work out what is going to work for you in the end. You can make the right decisions before it is too late to reverse things. You can ride out the seasonal peaks and troughs and work out when your business is going to make money.

Lower Overhead Cost: By being small, your business requires fewer resources to operate and maintain. Your lower overhead costs can allow you to offer a cheaper price, and even undercut a big competitor. You can outsell the big corporations by getting a higher percentage of business from within a very narrow niche. You can pinpoint your focus; and do well on a smaller profit margin.

Budgets: The most glaring negative of a small business is a limited budget. All company leaders would like to have more money to spend on employee benefits and training, marketing and product development, but small companies are especially cash-strapped. Small companies often try to get by with just a few amounts a year in marketing investments. Competing for target market attention against larger chains that invest millions or billions in big media campaigns is difficult.

Disadvantages of Small Business

We have discussed the advantages of small business. We shall now discuss the disadvantages.

Lack of Capital: A major disadvantage of small business is their apparent lack of capital. Lack of capital obviously hinders the expansion of most small businesses. Because of their size, small businesses are unable to attract bank financing.

Lack of Managerial Skills: Because of its inherent size, small business will obviously suffer from lack of managerial skills as it depends only on the managerial skills of the sole proprietor or the partners.

Lack of Adequate Technology: If you look around you today, you will notice that science and technology dominate the economic landscape. New products with advanced scientific features are churned out daily. In addition, because the world is a global village, no nation is shielded from the economic onslaught organized by the rich and economically advanced nations.

Types of Small Business

This grouping is based on the activities of the business concerned. The type of businesses is trading and commerce enterprises, service enterprises and small manufacturing enterprises. Let us now discuss each group.

Trading and Commerce Enterprises: A trader is one who buys goods from oneand sells the same goods to another at a much higher price. The difference between the selling price and the purchase price is the profit of the trader. Examples of trading enterprises are bread and biscuits, recharge cards.

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Service Enterprises: Service enterprises are not engaged in buying and selling. Rather, they are engaged in providing services to people and organizations. Examples of service enterprises are barbershop, hair dressing salons, shoe repair shops, a dentist shop, a dance theatre, a photographer shop.

Small manufacturing enterprises: They engage in basic manufacturing activities that do not involve complex processes or technology. In addition, they may not involve huge capital outlays. The examples include soap making enterprises, sachet water making enterprises, exercise book making enterprises, bread-making enterprises.

OBJECTIVES OF STUDY

- To know about the types of small business.
- To know the about the life of the small enterprises.
- To knowabout the socio- economic status of the small enterprises in the coastal region of Karnataka.
- To understand the role played by small businessmen in this competitive business world.
- To study about the working portion of the small businessmen.

RESEARCH METHODOLOGY

Information is collected from both primary data and secondary data

Primary Data: The primary method used for the collection of data is questionnaire method. The purpose of the study was explained to the small business and the promise was given about the confidentiality of the information. We had distributed questionnaire to 100 respondents and we explained each question to some of them because they were uneducated. Data collected through questionnaire is tabulated for easy interpretation.

Secondary Data: Secondary data is a data obtained from the other sources like magazines, books, internet etc.

LIMITATIOINS

- Research area is limited only to coastal region of Karnataka.
- Survey has to be undertaken periodically, it may change according to small business owner's behavior.
- The study is limited because the respondents were uneasy to share their views.

DATA ANALYSIS AND INTERPRETATION

Table-1: Types of Small Business

Options	Respondents
Hotel	10
Hardware	6
Retail Shop	8
Beauty Shop / Saloon	8
Animal Feeds	6
Wholesale Shop	8
Mobile Money Transfer	10
Tailoring	8
Photo Studio	6
Chemist	10
Cyber	8
Electronics	6
Welding	6
Total	100

Sources: Authors Compilation

Interpretation: A study was carried out on 13 small businesses in coastal region of Karnataka. The study was carried out in January 2017 on businesses that had trading permits to determine how small businesses. The study used descriptive research design. A questionnaire was used to collect primary data.It was observed as shown table 1 below, that out of the businesses studied, hotel, mobile money transfer, chemist, are most operated small business with 10% and hard ware, animal feeds, photo studio, electronics and welding are the least operated small businesses with 6%.

Table-2: Challenges Facing Day-to-Day Small Businesses

Options	Respondents
Competition	40
Lack of knowledge/skill	34
Lack of capital	26

Sources: Authors Compilation

Interpretation: The study found out that among the biggest challenges in the day-to-day small business operations is competition (40%), followed by lack of capital (26%) and finally lack of knowledge and skill is (34%).

Table-3: Ways of Retaining Customers

Options	Respondents
Price	30
Quantity	26
Service	24
Good Relationship	20

Sources: Authors Compilation

Interpretation: Due to competition in small businesses, entrepreneurs have adapted different ways of retaining their customers. According to the study, (30%) of the business people indicated that providing price, (26%) believe in providing quantity product, while (24%) of business people indicated that providing quality services, (20%) of good relationship with costumers.

Table-4: Marketing Strategies in Small Enterprises

Options	Respondents
Personal selling	40
Advertisement	60

Sources: Authors Compilation

Interpretation: In the study, most of the small enterprises (60%) use advertisement as methods of marketing their business products, (40%) prefer personal selling.

Table-5: Methods used in Advertisement

Options	Respondents
Brochures	16
Newspaper	26
Television	34
Online	24

Sources: Authors Compilation

Interpretation: Among the business people who use advertisement method in marketing their products, (16%) of them use brochures, mainly (34%) of them use television, some of them use new paper and online for marketing their products.

Table-6: Education Levels of Small-scale Entrepreneurs

Options	Respondents
None	10
Primary	20
Secondary	40
University	30

Sources: Authors Compilation

Interpretation: The research found that so many businessmen were having secondary level education and some of their not go to school also.

Table-7: Agreeing that Modern Technology Affects Performance of Small Enterprise

Options	Respondents
Very Strongly Agree	30
Strongly Agree	20
Agree	16
Disagree	14
Highly Disagree	20

Sources: Authors Compilation

Interpretation: Some businesspersons very strongly agree that modern technology affects the small business and some disagree with it.

Table-8: Source of Initial Start-up Capitals

Options	Respondents
Personal Saving	24
Family and Friends	14
Loan from Bank	36
Micro-finance Institution	26

Sources: Authors Compilation

Interpretation: Most businesspersons get initial capital from loan from bank and micro-finance institution is more compare to other source.

Table-9: Value of Stock when Starting a Business

Options (in Rs.)	Respondents
Less than 100000	26
100000-200000	22
200000-300000	20
300000-400000	18
Above 500000	14

Sources: Authors Compilation

Interpretation: Most of the businesspersons start the business with less than 100000 values of stock but someone started with Rs. 500000 also.

Table-10: Keeping Accounting Records

Options	Respondents
Yes	20
No	80

Sources: Authors Compilation

Interpretation: Most of the businessperson (80%) not keeping accounting records of business.

SUGGESTONS

- The majority (80%) of the small businessman are not having awareness about the keeping the records of account; so, the government as to conduct the awareness campaign again about the keeping records to small business.
- The small businessman wants to increase the working hours of a day increase the profit and business.
- The small businessman wants to reduce their daily expenditure.
- The small businessman has very specific with their goal.

- The Small businessman thinks hard about whether insurance is necessary.
- The Small businessman wants to make plane, but be flexibility.
- To start business as much of ever our money.
- The small businessman wants.

CONCLUSION

The Small Businesses have to devise strategies to maintain their customers.small business in many places include service or retail operations such as convenience stores, small grocery stores, bakeries, hairdressers, photographers. Personal selling and advertisement are the main methods used in marketing small businesses products. Television was found to be the most effective method of advertising small businesses' products because it is the cheapest and most accessible to the target market. The rate of small businesses failure is high in the area of study. Most businesspersons get initial capital from loan from bank and micro-finance institution is more compare to other source. The research found that so many business men were having secondary level education. Some businesspersons very strongly agree that modern technology affects the small business.

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THE ROLE OF MODIFIED LOGO IN CREATING BRAND EXTENSION: A SEMIOTIC STUDY OF WHIRLPOOL LOGO

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ABSTRACT

Among the different elements of Brand management, brand extension is a component used by the companies to expand the existing brand by ingoing into new product category. For the product development, brand extension strategy is progressively more used by companies. The purpose of this study is to understand brand extension and the role of brand elements in creating brand extension with specific reference to brand logo. The research includes the secondary data and the data is collected from the online articles. This paper has highlighted that the among different brand elements whirlpool used its logo for the brand extension. Whirlpool modified its logo and is coming up with the different product range of the home appliances. It is believed that brand elements have relationship with the brand extension success.

KEYWORDS

Brand Extension, Brand Elements, New Product Development etc.

INTRODUCTION

Among the different elements of Brand management, brand extension is a component used by the companies to expand the existing brand by ingoing into new product category. Positive image and strength of existing brand/parent brand are leveraged to bring another example of overcoming adversity for new product. Brand extension is progressively more used by companies as a part of strategy for product development. It is seen as one of intends to achieve integrated brand architecture. The use of same brand on existing product (parent brand) for new product in various categories builds rate of new acknowledgment and purchase intention to customer. The strategy keeps up efficiencies on advertising and promotion expenditure yet still can make new market segment. Companies is not in position to allocate marketing costs at an indistinguishable level from spent by the parent brand, yet may gain comparable level of accomplishment . A strong reputation of parent brand can minimize risk of new product launch by taking preferences on buyers' learning and encounters of the built up brand.

LITERATURE REVIEW

Brand extensions are the new product introduced under a current brand name or another entrant in an alternate category from the parent brand (Aaker and Keller, 1990). A famous/successful brand helps an association to dispatch product in new categories all the more effectively. A current brand that offers ascend to a brand extension is referred to as parent brand. On the off chance, that the customers of the new business have values and desires synchronizing / coordinating those of the center business, and if these values and goals are typified in the brand, it is probably going to be acknowledged by customers in the new business.

A great deal of existing confirmation bolstered the thought that brand extension got a higher acknowledgment rate when the classes of the parent brands and extension products were comparative (comparable brand extension) than when they were different (unique brand extension; e.g., Ma et al., 2008, 2010; Jin et al., 2015). In any case, the unique brand extension strategy likewise assumes a vital part in entering new markets for endeavors. Subsequently, upgrading the achievement of unique brand extension remains a basic issue worth examining.

Aaker and Keller (1990) developed a hypothetical structure (the consumer assessment model of brand extension) to look into the variables that affected brand extension achievement. This model demonstrated that the achievement of brand extension relied on upon the consumer's perception of how well the extension product coordinated the parent brand. This finding implied that a higher perceived fit was identified with a more positive assessment of the brand extension (MacInnis and Nakamoto, 1990; Boush and Loken, 1991; Bhat and Reddy, 2001). Based on this model, the greater part of brand extension studies have concentrated on the apparent fit between the names of the parent brands and the extension products (e.g., Ma et al., 2008, 2014b; Wang et al., 2012; Jin et al., 2015). Mama et al. (2008) showed that a higher perceived comparability and intelligibility between the brand name and the product name brought about higher brand extension success. Mama et al. (2014b) suggested that a two-stage categorization process (early low-level and similarity-based processing and late analytic and category-based processing) was involved in the evaluation process of perceived fit between the names of the parent brands and the extension products .In any case,

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a parent brand can fundamentally be distinguished by its brand name as well as its brand logo (Fombrun and Van Riel, 1997; Klink, 2003; Guzmán et al., 2012). In spite of the fact that brand extension seems to have two imperative extension strategy (brand name extension and brand logo extension), few reviews concerning the strategy of brand logo extension have been performed to date. Therefore, it is important to direct a review to inspect which brand extension strategy (brand name extension or brand logo extension) is better to improve a consumer's apparent fit and upgrading the success of disparate brand extension.

For the most part, the brand name is more basic and familiar information to customers and is better stored in their long-term memory than the brand logo (Baxter et al., 2015). A few reviews exhibited that the stereotypes of customers toward recognizable brand information in their long -term memory could lead them to a better fit with the original product category yet a more regrettable fit with other product classifications. Conversely, for unfamiliar brand information not stored in a customer's long-term memory, the consumer's apparent fit between the brand information and the original product category was the same as that between the brand information and a dissimilar product category (Jin et al., 2015). In this way, the brand logo extension strategy was better contrasted with the brand name extension strategy in enhancing a customer's apparent fit and improving the accomplishment of different brand extension.

To investigate how different evaluations on the brand logo extension and the brand name extension were implemented in the brain, we measured event-related potentials (ERPs) using physical picture stimuli (i.e., brand-product picture combination). ERPs are important measures of perceptual and cognitive processing of stimuli and have a high temporal resolution (Luck et al., 2000). This approach could help investigate the whole time course of the consumer's brand extension evaluation process.

N2 is an event related potential with a negative wave topping in the vicinity of 200 and 400 ms post-stimulus (Folstein and Van Petten, 2008; Dickter and Bartholow, 2010). A progression of ERPs studies proposed that N2 reflected conflict and mismatch from a visual format (Van Veen and Carter, 2002; Folstein and Van Petten, 2008). The N2 segment has been found to have a bigger adequacy when the second stimulus (S2) in a pair does not coordinate the physical traits of the first stimulus (S1, for example, colour (Semlitsch et al., 1986; Cui et al., 2000; Wang et al., 2004; Han et al., 2015), shape (Cui et al., 2000; Zhang et al., 2001; Wang et al., 2004; Han et al., 2015), introduction (Wang et al., 1998), position (Yang and Wang, 2002; Mao and Wang, 2008), or digit esteem (Kong et al., 2000). In these reviews, the information from the S1 was initially encoded into the working memory framework. At the point when the information from S2 was transmitted into the brain, the memory information from S1 was recovered and contrasted and the information from S2. The distinction amongst S2 and S1 led to memory strife and inspired the N2 part (Han et al., 2015). Notwithstanding the contention between these physical attributes, perception conflict could likewise summon the N2 component. For instance, Ma et al. (2007, 2010) watched a more noteworthy N2 adequacy when participant perceived strong conflict between the brand (S1) and the extension product (S2) in brand extension evaluation. The authors recommended this perceived conflict effect came about because of the examination of the product (S2) ascribe to the brand's (S1) product attribute in the brand memory (Ma et al., 2007). Therefore, it is reasonable to hypothesis that the N2 component may index as a programmed discovery of memory conflict for the stimulus materials. In the present review, it was hypothesized that a N2 component would be inspired by the memory conflict when the brand was reached out to a unique category product. Moreover, if the brand logo extension prompted a higher perceived fit contrasted with the brand name extension, it was hypothesized that this higher fit could be reflected by a littler memory conflict and N2 extension in the brand logo extension than in the brand name extension.

Notwithstanding N2, P300 represents to various parts of the stimulus evaluation (Yeung and Sanfey, 2004; Xu et al., 2011). P300 is a positive ERPs component with pinnacle inactivity near 300 and 1,000 ms after the stimulus onset that reflects the action of event categorization in the working memory (Kok, 2001; Zhang et al., 2003; Azizian et al., 2006; Ma et al., 2008). In a test coordinating experiment by Zhang et al. (2003), a conspicuous P300 was inspired when the pictures in the test set were harmonious with those in the memory set. An objective discovery task analyze by Azizian et al. (2006) showed that stimulus that were perceptually as if the objectives delivered bigger P300 reactions than other stimulus. Moreover, a current review analyzed the neurophysiological process of brand extension with a prime-test worldview and found that a higher similarity and fit between the parent brand in the prime and the extension product in the test brought about a larger P300 sufficiency (Ma et al., 2008). In this manner, it was speculated that if the brand logo extension could lead to a higher perceived fit than the brand name extension, then a larger P300 could be seen in the brand logo extension condition.

In the present test, they applied ERPs to explore the neurophysiological procedure of the brand extension assessment with two extension strategies (brand name extension and brand logo extension). The participants were presented combination photos of the parent brand (name or logo) and the extension product. The evaluation of brand extension was measured by the subjects' acknowledgment (e.g., acknowledge or not) as per past works (Ma et al., 2008, 2014a). This review permitted us to investigate which extension strategy (brand name extension or brand logo extension) upgraded the achievement of different brand expansion and to profoundly examine the neurophysiological procedure fundamental the brand extension evaluation.

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RESEARCH METHOD

The objective of this study is to understand brand extension and the role of brand elements in creating brand extension with specific reference to brand logo. The study is descriptive in nature. The research is based on the secondary data and the data is collected from the online articles.

DISCUSSION

The Whirlpool Corporation is an American multinational manufacturer and marketer of home machines, headquartered in Benton Charter Township, Michigan, United States, close Benton Harbor, Michigan. Whirlpool entered India in the late 1980s as a major aspect of its worldwide development procedure. It forayed into the market under a joint venture with TVS group and built up the principal Whirlpool fabricating office in Pondicherry for clothes washer classification.

In 1995, Whirlpool acquired Kelvinator India Limited and marked an entry into refrigerator market too. That year the organization additionally observed securing of major shares in TVS joint venture and later in 1996, Kelvinator and TVS acquisitions were merged to make, Whirlpool of India Limited. This extended the organization's portfolio in the Indian subcontinent to clothes washers, fridge, microwave and air conditioners.

Whirlpool of India Limited headquartered in Gurgaon, is presently one of the leading manufacturers and marketers of major home apparatuses in the nation. The organization possesses three best in class fabricating offices at Faridabad, Pondicherry and Pune. Each of the manufacturing set-up features an infrastructure that is witness of Whirlpool's commitment to providing its consumer with forward looking solutions.

Whirlpool Corporation introduced its all-new logo, which demonstrates the organization's development and extension crosswise over classifications. The new logo reinforces the idea of being inherently basic yet modern and exquisite. It is intended to exhibit what Whirlpool conveys - appliance that gloat quality, integrity and innovation.

Whirlpool's Old Logo

The logo has sworn off the "Swirl" over Whirlpool's 'W', which was initially included 1960 and was a symbol of laundry products. Additionally, the ring around the center of the logo has been altered from a hook to a continuous circle to look like a gold ring. This change concentrates on the Ring of Promise, which symbolizes Whirlpool's dedication to convey product with quality and uprightness. The ring fortifies Whirlpool's guarantee to each customer, which is to give the best-branded customer item, in each around the world.

Whirlpool's New Logo

The new logo additionally depicts the company's engaged way to deal with capture market by extending their product range crosswise over classifications in the Indian consumer durable industry. The textual style in the logo has additionally been changed to give more dimensions.

Sunil D'Souza, managing director, Whirlpool India, says in an official statement, "The development of Whirlpool's logo implies change in the brand's attitude by displaying itself as a dynamic, intense and creative company which intends to catch each Indian family. The association's motto has been kept at the heart of the change alongside an emphasis on development and venture into a more extensive product portfolio". He additionally includes, "The new logo signifies the evolving zest of the company to give splendid home appliances solution for each need of consumers. Whirlpool is entering another time by extending its other classification product. In India, Whirlpool has a solid a dependable balance in center classes, for example, washers and fridges. The company has now introduced innovative product, for example, built in appliances, microwaves, air conditioners, and water and air purifiers. Every product has gotten a colossal reaction and should stay key concentration ranges for the coming years". The new logo will be included on Whirlpool brand appliances and all advantages and materials later on.

CONCLUSION

Brand extension is a typical technique utilized by companies to dispatch another product by utilizing a current brand name on another product in an alternate classification. Firms are searching for approaches to elevate the chances of accomplishment in their brand extensions enterprises. A powerful and proficient strategy ought to consolidate components of different measurements as exhibited in this paper. This paper has highlighted that the among different brand elements whirlpool used its logo for the brand extension. Whirlpool modified its logo and is coming up with the different product range of the home appliances. It is believed that brand elements have relationship with the brand extension success.

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IMPACT OF GLOBALISATION ON MSMEs IN INDIA: OPPORTUNITIES & CHALLENGES

Kushalakshi[22] Dr. A. Raghurama[23]

ABSTRACT

The Micro, Small and Medium Enterprise (MSME) sector has been playing a predominant role in the overall economic development of a country like India, where millions of people are facing the problems of poverty and unemployment. This sector plays a significant role in the utilization of natural and human resources, production of goods and services, discouraging rural-urban migration and improving the general standard of living. With the increasing global economic integration, international market has become much wider than the domestic market for MSMEs. Globalisation represents closer integration of the world economy resulting from an increase in investment, finance, trade and multi-country production networks of MNCs. The real thrust to the globalisation process was provided by the new economic policy introduced by the Government of India in July 1991 at the behest of the International Monetary Fund and the World Bank. Globalisation has opened up new opportunities for MSMEs. However, globalisation has also created new challenges for the survival and sustainability of MSMEs in India. This paper makes an attempt to know the opportunities and challenges faced by the MSMEs under globalisation.

KEYWORDS

Challenges, Globalisation, MSMEs, Opportunities etc.

INTRODUCTION

Micro, Small and Medium enterprises (MSMEs) play a crucial role in the global economy. The MSME sector constitutes over 90% of total enterprises in most of the economies and is credited with generating the highest rates of employment growth and accounts for a major share of industrial production and exports. The MSMEs have often been termed as 'engine of growth' for all developing economies including India. The MSME sector is one of the key drivers for India's transition from an agrarian economy to an industrialized economy. This sector has been playing a predominant role in the overall economic development of a country like India, where millions of people are facing the problems of poverty and unemployment. MSMEs play a significant role in the utilization of natural and human resources, production of goods and services, reducing regional imbalances and improving the general standard of living. This sector contributes about 8 per cent of the GDP of India, 45 percent of the total manufactured output and 40 per cent of exports. They provide employment to over 80 million persons through more than 30 million enterprises. The MSME sector is currently producing more than 6,000 quality products ranging from traditional to high-tech items, which are being manufactured by the MSME sector in addition to providing wide range of services. In recent years, the MSMEs have consistently registered higher growth rate compared to the overall industrial sector.

With the increasing global economic integration, international market has become much wider than the domestic market for MSMEs. Though the globalization process has expanded the market, facilitating supply of superior technology, this has also forced the MSMEs to face ruthless competition from large domestic firms and the MNCs. Globalisation and WTO norms make a profound impact on the existence as well as market of MSMEs. Globalisation, also called internationalisation, means several things to several people. It refers to the process of integration of the world into one huge market. It represents closer integration of the world economy resulting from an increase in investment, finance, trade and multi-country production networks of MNCs. The real thrust to the globalization process was provided by the new economic policy introduced by the Government of India (GOI) in July 1991 at the behest of the International Monetary Fund (IMF) and the World Bank.

DEFINITIONS OF MSMEs

In accordance with the provisions of MSMED Act, 2006, the MSMEs are classified into two categories based on their Investment in plant and machinery and Investment in equipments.

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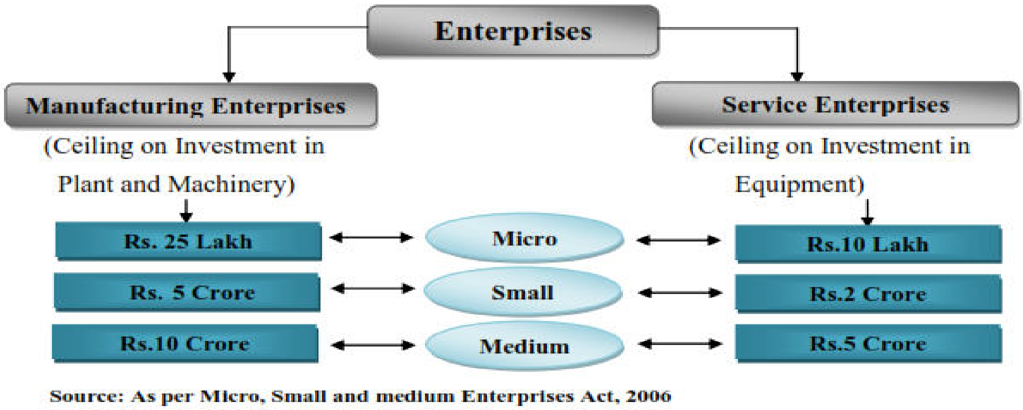
Figure-1



Sources: Authors Compilation

REVIEW OF LITERATURE

Shivani Mishra (2012) suggested that apart from governmental role it is also the responsibility of MSME sector to be empowered about awareness, access and usage of government policy and programme. This proactive approach helps MSME sector to sustain in liberalization era. **Chosniel Elikem Ocloo *et al.* (2014)** observed that globalisation and competitiveness of the SMEs were affected greatly by the level of competition and increasing technology. The study recommended that the SMEs have to put in place the right strategies in order to embrace the changing circumstances in the global market. **Garima Chaudhary (2014)** found that there has been a fall in the rate of growth of the number of units and employment generation in post liberalisation era. The author also observed that globalisation is almost a complete failure on the growth front of this sector. There is a very intense need to help in the growth and upgradation of this sector to ensure the overall development of the economy as a whole. **Gaonkar Gopalkrishna M (2016)** found that the contribution of the MSMEs to Indian economy is considerable. And even after globalization the growth of the sector is in many fold and dimensions. If the policy gives even more importance to MSMEs it will grow even more robust way and contribute more to the growth of Indian Economy.

In the light of the above studies, the present study has made an attempt to know the opportunities and challenges faced by the MSMEs in the era of globalisation.

OBJECTIVES OF STUDY

The following are the objectives of the present study:

- To know the opportunities available for MSMEs under globalization.
- To know the challenges faced by MSMEs in the era of globalization.

RESEARCH METHODOLOGY

The present study is based on the secondary data. The secondary data were collected from books, journals, government reports and websites.

OPPORTUNITIES FOR MSMEs UNDER GLOBALIZATION

Fast changing global economic scenario has thrown upon various opportunities to the MSME sector in India.

Exposure to Foreign Markets: Globalization has opened up the economy and integrated it with the world economy. The MSMEs enjoy the benefits of selling their products and services to the world market rather than being confined to domestic market.

Flow of Foreign Investment and Technology: The MSMEs in India suffer from outdated technology and sub-optimal scale of operation. Many foreign companies have tied up with Indian MSMEs and helped them to use better technology, managerial skill, etc. Thus, a proper collaboration between the small and large units can help small firms to develop technology base through Research & Development activities, contribution from the technological institutes, universities, etc.

Emerging Areas of Business: MSMEs have been able to identify highly promising business areas like outsourcing, medical transcription, clinical research trials, sub-contracting, ancillarization and many new technologies like biotechnology, nanotechnology, etc. which are attractive for the new generation MSME entrepreneurs.

Less Government Intervention: As the economy is mainly market driven; there is less Govt. intervention, red tapism, less control on import and export, etc.

Employment Generation: Being labour-intensive in nature, the MSMEs make significant contribution to employment generation and expanding industrial network in rural areas. This sector nurtures the traditional skills and knowledge based small and cottage industries. The MSMEs have been a good source of employment generation and can be even more if the sector gets support in terms of infusion of technology, capital and innovative marketing techniques, etc.

Better Customer Satisfaction: As the domestic market gets competitive, MSMEs try to satisfy the consumers in every possible way. They try to produce products as per the needs and preferences of the consumers and satisfy the customers in best possible way.

Short and Long Term Capital: In a liberalized economy, banks would try to find out new avenues of giving credit to increase their profitability. Thus, supply of funds may be easier. Development in money market would initiate development in capital market.

Export Contribution: The products like sports goods, readymade garments, woollen garments and knitwear, plastic products, processed food and leather products, handicrafts are produced by the MSME sector have an excellent foreign market.

Removal of Regional Disparity: People from remote areas have the tendency to migrate to urban areas in search of jobs. This creates excessive pressure on urban areas and initiates social and personal problems. This problem can be addressed by setting up a network of micro, small and medium enterprises in economically backward areas. MSME sector can take care of local needs, improve economic condition of the area and most importantly, can bring a qualitative change in the economy of the country.

CHALLENGES OF GLOBALIZATION FOR MSMEs

The following are some of the challenges faced by the MSME sector in the era of globalisation:

Financing Problems: Financing has always been a major obstacle for the MSMEs than that of large industries, particularly in developing countries. MSMEs have limited access to financial sources from banks and financial institutions. Banks and other financial institutions are more interested in investing in large companies than that of MSMEs, especially, the micro enterprises. Besides, the need for collateral security, lack of credit worthiness, the cumbersome loan sanctioning procedure, huge paper work, corruption among bank officials and poor loan repayment record of the MSME sector make the situation worse. Consequently, most of the MSMEs depend on personal savings, loan from relatives and friends and loan from local money lenders. Availing timely finance in adequate quantity is a major challenge face by MSMEs.

Extreme Competition: In the present era of globalization, MSMEs are facing ruthless competition from the large domestic firms and MNCs armed with improved technology, skilled workers, managerial ability, marketing skills, better product quality and wide range of products. The small firms find it difficult to maintain their existence as the cases of merger and acquisition are continuously increasing.

Poor Technology Base: The MSME sector in India is a heterogeneous sector in terms of size, technology, products, etc. A small percentage of MSMEs operate with the sophisticated technology base whereas the majority of the MSMEs use outdated technology. MSMEs suffer from low productivity and poor product quality. Due to their small size, MSMEs cannot enjoy large-scale production economies. But in the competitive era to meet the quality needs of consumers, the use of latest technology is essential.

Lack of Infrastructure: To ensure competitiveness of the MSME sector, it is essential that the availability of infrastructure is in tune with the global trends. Lack of proper infrastructure facilities lead to low production capacity with high production cost.

Lack of Skilled Workers: Though India has no dearth of human resource, most of them are semi-skilled or unskilled workers. Large firms pay higher wage and employ skilled workers. The MSMEs have to operate with semi-skilled or unskilled workers. Thus, the MSME sector suffers from low managerial capabilities.

Marketing and Distribution Problems: Most of the micro and small enterprises do not have well formulated marketing strategy, marketing research programmes, innovative advertisement techniques, adequate monetary support to develop a marketing section and many are not aware of modern low-cost marketing techniques (blogging, sending mails, developing a website for the company).

Outflow of Wealth: Globalization process seems to favour the developed countries and the MNCs more than that of developing countries and the MSMEs. The MNCs use domestic wealth, infrastructure and local unskilled workers at a lower cost and repatriate huge profits to their own countries.

More Prone to Global Fluctuations: A well liberalized economy reacts more sharply with the changes in the global market. The demand and supply would be determined by global market fluctuations and not by the domestic needs of the consumers.

SUGGESTIONS

In the light of the above challenges, the following suggestions can be put forth to develop the MSME sector:

MSMEs face more challenges in doing business than large firms because of the difficulties in accessing credit from banks and other financial institutions for business start-up and expansion. Therefore, there is a need to ensure continuous flow of adequate and timely financial assistance from all the financial institutions and banks at cheaper rate. In order to increase bank credit to the MSME sector, there is also a need to improve competitiveness of the sector.

It is necessary for MSMEs to revolutionize and adopt the latest technology, tools and implements in order to compete in the emerging and challenging economies. Proper research and development programmes in respect of innovative methods of production and service rendering need to be encouraged. These innovative methods of production will provide for the improved quality of products and enable the MSMEs to cope with the competitive situation.

The infrastructural facilities in the industrial estates should be improved in order to encourage the MSMEs to strive for better productivity and performance.

There must be conduction of training and development programs by the ministry of MSME to develop new skills, knowledge, to improve the quality of work and productivity. The MSME sector needs to be educated and informed of the latest developments taking place globally to acquire knowledge and skills necessary to keep pace with the global developments.

The Government should help in developing an exclusive marketing network for better marketing of the products which will further result in increase in sales. The government should take necessary steps to promote the MSMEs product in the market by arranging trade fair, export shows, etc.

MSMEs need to have a global look, develop strategies for success and improve ways of gathering information about the global market to ensure their competitiveness. They should develop networking relationships with other firms in order to take advantage of global market opportunities and minimize the challenges from increasing competitive intensity.

CONCLUSION

MSMEs play a very significant role in the balanced and sustainable development of the economy. With the increasing global economic integration, international market has become much wider than the domestic market for MSMEs. Globalisation has opened up new opportunities for MSMEs. However, globalisation has also created new challenges for the survival and sustainability of MSMEs in India. Therefore, MSMEs must convert the threats of globalization into opportunities through increased productivity, product diversification and Research & Development activities. Further, MSMEs need to be supported through appropriate programmes or schemes with focus on skill development and technology up gradation for improving the quality of their products and exports.

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BRAND VALUATION: MYTH OR REALITY

Dr. Pragnesh Shah[24]

In the second half of the last decade, rise in service based economy and global competitive business environment, business world experienced some invisible force boosting earnings and value of the firm. Such invisible force created by non-physical assets such as knowledge, skill, ideas, social appearance, product features, customer's relations, innovations, business secrets, technical-know-how etc. which are traditionally not recognised as an asset. In white collar service base economies, such factors names as patents, brands, human resources, trademarks, copyrights, industrial designs, trade-secrets and know-how; etc. and grouped as intangible assets. Intangible assets have created direct impact on the existence and success of an organization by often leveraging the firms earning and even value of the firm and identified as driving force for development and sustainability of the business. Intangible assets became major value drivers and started influencing share prices and thereby cost of capital at a higher rate than the physical assets mix. In 1980's, one of the non-physical constituent of business worth having tremendous but hidden earning capacity forced to pay attention of business world and this fact accepted by the world as brand.

Traditionally, accountants considers balance sheet as the statement or list of monetary value of assets and liabilities, but do not consider as the statement of business worth. On the other hand higher amounts of the market capitalization in comparison to the book value, several merger, acquisitions, takeover and also research reports on brand, forced people around the business world to think and discuss about putting brand at the balance sheet considering brand as one of the imperative factor which affects firm's value heftily. It is practically reflected in number of mergers and acquisitions and have set trends of payment for the strong brand image. Volkswagen purchased assets excluding right to use name of Rolls-Royce Automobiles for 780 million dollars. Subsequently Rolls-Royce brand name was sold to BMW for 65 million dollars. Philip Morris acquired Kraft for 12.9 billion dollars, four -times its book value. The amount in excess by four times than the book value of physical tangible assets by the Philip Morries, was explained by its CEO as "The future of consumer marketing belongs to the companies with the strongest brands" (Biggar, James and Sealme 1992) This trend was explained by number of businessman and professional as very important turn in the business cycle. J. Lindemann explains this situation like, *the wave of brand acquisitions in the late 1980s resulted in large amounts of goodwill that most accounting standards could not deal with in an economically sensible way. Transactions that sparked the debate about accounting for goodwill on the balance sheet included Nestlé's purchase of Rowntree, United Biscuits' acquisition and later divestiture of Keebler, Grand Metropolitan acquiring Pillsbury and Danone buying Nabisco's European businesses.*

Considering brand as dreadful and vital intangible assets, professionals started supporting and advocating an idea to put such an invisible asset on the balance sheet to reflect the fair value of business by the financial statement. Thus practical acceptability of name or brand started wide recognition by the investors also and reflected in the share prices and thereby firm's value. Thus number of cases of merger and acquisition as well as high firm value or market capitalisation forced academic world as well as accounting professionals to think on the line to recognise this invisible force influencing business values at large. Thus, business world witnessed a dramatic shift in the sources of value creation from tangible assets (such as property, plant, equipment and inventory) to intangible assets (such as skilled employees, patents, business systems and brands). This is reflected in the growing divergence between the net asset value of companies and their market capitalisation (**David Haigh**). Brand value accounts for approximately 30 percent of the market capitalisation of the S & P 500 (Millward Brown Optimor, 2007). The same notion confirm by a study undertaken by Interbrand in association with JP Morgan which concluded that on average, brands account for more than one-third of shareholder value. **(Jan Lindemann, 2004).** The brand is one of the few assets that can provide long-term competitive advantage. **(Interbrand, 2004)** It would definitely bridge the gap between net worth shown in the balance sheet and value of the firm as reflected by share prices. Inclusion of brand will increase net worth and equity which will enhance debt – equity ratio as well as borrowing capacity and will also increase the comparability of the business with competitor's. In case acquisition or business combination, inclusion of brand as an asset will reduce goodwill.

The increased intensity of intangible investments has decreased the usefulness of traditional financial statement information to investors. (Pasi Karjalainen, May, 2007). This practical manifestation without existence of brand on financial statement resulted in annoyance of business world. Thus, several business professionals, accounting practitioners as well as researchers and scientists argued in favour of disclosure of brand as an asset on balance sheet to make financial statements meaningful and reflect the "true value" of the business. At the same time, some professionals were against inclusion of brand in financial statements with an argument that putting brand as an asset misleading in absence of fair valuation. Thus, the situation became very critical for accounting professional to find the ways out for the disclosures of this asset in the financial records and statements because of unavailability of systematic valuation techniques and reliable historical cost data as well as absence of systematic accounting process for the internally generated brands. This debate-motivated number of academicians, researchers, consultants, and

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regulators started looking at the issue related to valuation and disclosure of intangible assets in dearth in the Generally Accepted Accounting Principles (GAAP). Still the question, which is very much remained in discussion and almost unanswered in absence of commonly, accepted factor, which can be identified as the brand. Brand means what? What exactly brand includes? Alternatively, which are the factors make brand? In response to such questions, number of arguments made like brand means; Symbols or Logo used by the firm or trade mark of the product or visual elements or customer's preference or price premium or special rights or name of the firm or market share or reputation of the management or reputation of the firm or reputation of product name or services rendered by or higher rate of profit / additional profit than the normal profit by the industry. While several different definitions of brand equity have been offered over the years, many of them are consistent with Farquhar's (1989) definition of brand equity as *the value added by the brand to the product.* (Keller 2003) (Keller, a summary of alternative definitions of brand equity, 2003, p. 43.) Here brand is identified with *the value added to the product and this can be identified with the market share and profitability of the particular product due to brand name.* Researchers and Businessmen' argue that brand includes all these factors. Now discussion has been extended on how to value brand?

Brand existed in discussion and theory for years, but it has never caught on or been implemented much in actual business practice. Hence, there is clearly an obligation on accountants to make the efforts to develop a systematic approach for valuation of brand can help to put such an important resources as an asset on the balance sheet. With all such arguments, Brand identified as an important and promising area of research in the second half of the last century. The brand tend to be less easily defined or but cause difficulty in measurement. Researchers have focused their attention on the development and refinement of valuation methods and thus have sought to answer the question: How do we measure the value of brand? As far as valuation and disclosure of concern, like other intangibles, brand valuation is in discussion due to unavailable commonly accepted value measurement method.

Accounting uses the historical cost concept for asset recognition since it is easy to use and assures verifiability. Therefore, being used to such a system, accountants resorted to conventional accounting method of valuing asset at the cost. Thus, in the first stage of an attempt made to value human resources, they started promoting the conventional method of valuing and recording asset at the cost of acquisition, which includes total cost incurred on the acquisition or creation of the brand that is the acquisition cost or cost of creation considering the conventional accounting treatment of asset valuation. Here some professionals came out with other cost based valuation methods like replacement cost method; standard cost method and opportunity cost method were suggested. As far as, acquired assets are concern, they pose no problem for valuation, as the cost is committed actually. Accounting standards also recognise the same. Such cost-based methods were not accepted by the business world on the argument that brand is not always the function of cost but it may fetch value higher than costs and it also ignores future expected results, efficiency or return and even does not consider even future events or returns. Therefore, number of economist and researchers argued that brand could not be valued at cost like other physical assets. Naturally, brand generated in process and not acquired actually does not fully fit to these criteria. Thus, against cost based valuation, arguments raised for technical valuations, which focus on the value of the brand at a given point in time, or commercial valuations for the purposes of brand building, deciding market strategy and intangible assets / brand scorecards. Such valuations are based on a self-motivated statistical model considering the different factors influencing brand value.

Thus, initially cost based valuation methods were suggested than on rejection of the same by the professionals and business world, valuation methods based on amount which brand can realize in market, customers choice and preference and effect of brand on operating results of an organisation suggested by the behavioral and social scientists. *Keller and Lehmann (2001)* divide methods of brand valuation in three categories. In category, one includes valuation based on customers' mind set. Under this category brand is the resultant value of assessment of customers based factors like customer's awareness, attitude, preference, loyalty and attachment of customers etc. Practical application and assessment of factors for application of this method is not easy as these are the external factors and differ from person to person and situation to situation. Above all, financial valuation is not possible as common parameters and scales for financial valuation of these factors are not available as well as not possible. Second category considers product market or Price premium measure: under this category brand, value is considered at the additional financial benefit generated in the market by the brand in comparison of non-branded product. Whereas third category considers financial market measure where brand value is calculated by considering brand as a financial asset. For brand valuation is done either based on discounted cash flow from the licensing fees, royalty, etc. or amount required paying at the time of acquisition or purchase of brand. One most important merit of this approach is consideration of the future expected events, benefits and results. ***(Keller and Donald R. Lehmann (2001)***

After criticising cost based valuation another valuation method market realisable value suggested. This method was also not appreciated on the ground that no business creates or generates brand to sell it in the market and another important point is accounting principles as well as regulatory norms do not allow to disclose any asset at the market price or realisable value. Cost based as well as market realisable valuation methods were not accepted by the business and professional world because both these criterion of valuation do not consider the variables related to the future expected events, growth and profits. Hence researchers, professionals and business world look at the economic valuation criterions with the expectation of having generally acceptable method of brand valuation. Here customers, based valuation suggested. In this category different methods suggested by various professionals. Here, *Sander, Crimmins and Herp* argued that brand generates additional benefits to the business due to higher preference given by customers to our brand and thereby our product identified as *value based premium pricing*. This approach consider brand as a factor creating additional value for the customer and due to brand, they are willing to pay more. This situation generates more profit by increasing profitability due to customers' willingness to pay higher price than the competitor brand of the same product.

Another method, Customers' oriented brand valuation method, where brand is valued at the amount equal to the contribution margin generated by brand due to customers preference for our brand, known as *Customers' oriented brand valuation method*. Another valuation method based on *the customers related factors* like customers' choice – liking – recognition – esteem etc. In this series, *Herp* favored brand valuation by considering all the incremental revenues earned by the business, which is identified as *Value based on Incremental Revenue Method*. *Consor* proposed licensed based brand valuation method. This model favors valuation of brand by considering actual realisable value of the brand or special license possessed by the business. In this series, economist suggested present value of future expected income known as *Valuation based on discounting future potential earnings.* This model is also known as *"Kern's X- time's model*." This model suggests valuation by considering the earning capacity of the brand and valuation done at the monetary value calculated by capitalizing the expected earnings.

Considering the drawbacks of different brand valuation models, leading international branding consultancy; *Interbrand Group* suggested *new brand valuation model based on the actual profit figures, which is known as earning multiplier system for valuing brand*. Under this approach, value of the brand is the product of last three years weighted average profit multiplied by the brand multiplier or weight factor which is the strength or brand-earnings multiple. This is the function of the factors like leadership, stability, internationality, trend, support and protection etc. This model calculates brand value ensuing following steps:

- It considers the cash flows generated by brand, eliminating revenue generated by other factors, in last three years. Here weighted average profit of immediately presiding three years by adjusting impact of sporadic event on profit of the particular year.
- The calculated weighted average profit of last three years is adjusted to the present value by applying the multiplier or discount factor as well as amount of remuneration of capital used for generating or creating brand and tax.
- The product of this calculation be multiplied by the brand-earning factor also known as brand strength factor. Brand strength factor is calculated by considering weigh of number of factors like leadership, stability, market share, cross border acceptability, trend etc. on the scale of 1 to 100, to calculate the value of brand.
- Brand valuation model based financial value of brand helps formalizing the process of valuation; consistency and authenticity in valuation process, explains the sources of brand equity, helps in finding out alternative strategies for enhancing brand equity etc.

Considering valuation and disclosure of intangible as synergic exercise, number of Indian companies are valuing Brand, Human Resources etc. As accounting standard do not permit value discloser of created brand, number of companies disclose value of these assets as other information to the shareholders or as additional information to the shareholders. This research endeavour aims to check the valuation process and its relationship with the performance of the business, with the help of case study.

Infosys Technologies Limited, a dream of Mr. N. Narayan Murthy, incorporated on 2nd July 1981, is a knowledge based company with the high growth, international market and wide employee base. Infosys has experienced drastic changes and tremendous developments with heavy global competition. Infosys is the company of choice by the stock investors as one of the best-preferred companies and for the job seekers who want to develop their career themselves in the field of software and presently occupies the position of the second largest Indian software company. The company has also established itself as an inevitable software giant in the world software industry with a very impressive growth since 1995-96. The high growth, as reflected in its Turnover and Return, resulted in remarkable increase in the Turnover, Profits, Market Capitalisation and share prices. Hence we have selected Infosys Technologies for our case study to understand the brand valuation process.

Infosys started reporting brand valuation in the second half of the last decade of the twentieth century when it was not exactly a buzz even with the conventional consumer-focused marketing companies. In the year 1997, company with the intention to present next millennium balance sheet started valuing intangible assets i.e. Human Resource and Brand. Infosys had trouble as well as successfully traversed worldwide disquiet of Y2K problem as well as global slowdown of 2008; hence, this study covers the time period of 1996-97 to 2010-11. This period is a very high growth period for the company even after facing number of business challenges and achievements. For our study, we have collected data from the published source of annual reports of the company. Infosys presents these data in the section Additional Information to the Shareholders and not as the part of regular balance sheet. This section studies the behaviour of individual variables over a period. The present analysis introduces all the variables under study and explains as to how Infosys reports these vital brand valuation related variables. Thereafter, the index based time series behavioural analysis has been carried out to observe the movement of each of these variables.

The brand valuation exercise is done internally based on insights drawn from several internationally acclaimed valuation models. In the process of brand valuation, weighted average profit of three years including current year with immediately preceding two years is calculated and brand multiplier multiplies outcome. Present study considers variables related to the brand valuation as well as value of the firm. Hence, the study is carried out by analysing the behaviour of all the important variables from the Brand point of view. These variables are:

- Turnover of the Business,
- Profit,
- Market Capitalisation,
- Value of Brand,
- Brand Multiplier.

Following Table gives us idea about the individual variable over a period of 15 years covered under present study.

Table-1: Income, Profits and Brand value of Infosys Technologies Ltd.

Year Ended on	Net Worth	Income	Profit Before Interest and Tax (PBIT)	Brand Earnings	Brand Value	Market Capitalisation
31-3-1997	113	143.81	39.54	13.09	172.83	731.04
31-3-1998	173	260.37	65.86	26.99	503.33	2963
31-3-1999	574	508.89	155.86	61.01	1726.9	9673
31-3-2000	833	882.32	325.65	109.3	5246	59338
31-3-2001	1390	1900.56	696.03	242.38	5376	26926
31-3-2002	2080	2603.59	943.39	403.38	7256.8	24654
31-3-2003	2861	3623	1158.93	534.88	7488	26847
31-3-2004	3253	4761	1357.46	626.62	8185	32909
31-3-2005	5242	6860	2048.09	879.63	14153	61073
31-3-2006	6897	9028	2654	1238	22915	82154
31-3-2007	11162	12611	3877	1709	31617	115307
31-3-2008	13490	15051	5344	2069	31863	82362
31-3-2009	17809	20264	6907	3254	32345	75837
31-3-2010	22036	22742	7900	3687	36907	150110
31-3-2011	24501	27501	9313	4486	40509	186100

Sources: Authors Compilation

Above table speaks about the growth story of the Infosys during the period of study. Infosys experienced remarkable increase in net worth, revenues, income, profits, and market capitalisation of the business at a constant positive rate. From the first year of intangible valuation practice, company has experienced growth in the value of brand intangibles at a highly remarkable rate. The growth of the turnover and profitability as well as new initiatives has been positively responded by the investors in the secondary market reflected well in Market Capitalisation. To expound the movement of each of the variables, which are considered for the present study this section, studies the movement of individual variables by applying index analysis. The values of all the individual variables have positively changed during the last fifteen years of the study. The index analysis has been carried out by constructing index number of all the variables with 1996-1997 as the base year for comparative analysis. Following table explains change in each variable with the index numbers.

Table-2: Index Analysis of different variables of Infosys Technologies Ltd.

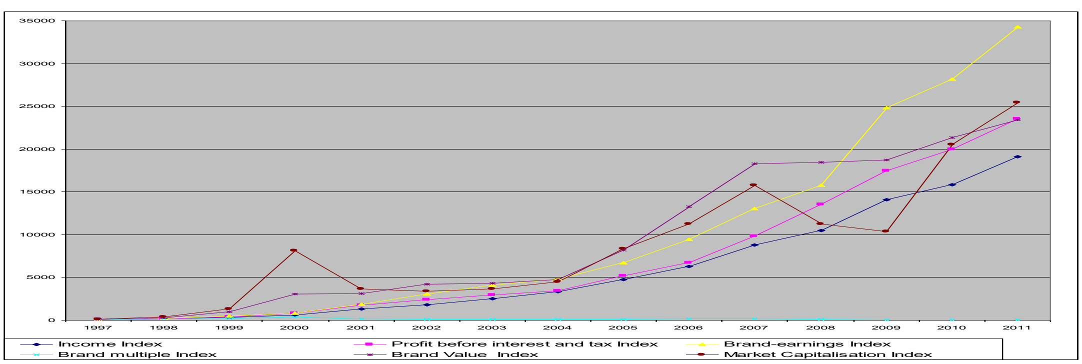
Year	Net Worth Index	Income Index	Profit Before Interest and Tax (PBIT) Index	Brand-earnings Index	Brand Value Index	Market Capitalisation Index
1997	100.00	100.00	100.00	100.00	100.00	100.00
1998	153.10	181.05	166.57	206.19	291.23	405.31
1999	507.96	353.86	394.18	466.08	999.19	1323.18
2000	737.17	613.53	823.60	834.99	3035.35	8116.93
2001	1230.09	1321.58	1760.32	1851.64	3110.57	3683.25
2002	1840.71	1810.44	2385.91	3081.59	4198.81	3372.46
2003	2531.86	2519.30	2931.03	4086.17	4332.58	3672.44

2004	2878.76	3310.62	3433.13	4787.01	4735.87	4501.67
2005	4638.94	4770.18	5179.79	6719.86	8188.97	8354.26
2006	6103.54	6277.73	6712.19	9457.60	13258.69	11237.96
2007	9877.88	8769.21	9805.26	13055.77	18293.70	15773.01
2008	11938.05	10465.89	13515.43	15805.96	18436.04	11266.41
2009	15760.18	14090.81	17468.39	24858.67	18714.92	10373.85
2010	19500.88	15813.92	19979.77	28166.54	21354.51	20533.76
2011	21682.30	19123.15	23553.36	34270.44	23438.64	25456.88

Sources: Authors Compilation

Above table explains that during the period of fifteen years, Income of the business increase by more than 191 times whereas Profit before Interest and Tax (PBIT) increase by more than 235 times. This indicates increase in profitability of the business. Again in the period of last fifteen years, brand earnings as calculated by adjusting PBIT for the other incomes and tax liability, has been increased at a higher rate than income and PBIT. Brand earnings increased at a rate higher than 342 times. In last fifteen years, Net worth of the business has also been increased by 216 times. Increase in the turnover, profit, profitability as well as net worth has been positively responded by the investors in the secondary market, as reflected by the increase in the market capitalisation. The market capitalisation has been increased more or less in the same line and it increased at a rate higher than 254 times. The figures of brand value demonstrate the growth story in the same fashion as in case of other variables. More than 234 times during last fifteen years have increased brand value. This represents the fact about increase in tangible as well as intangible assets. The following chart represents increase in each of the variables considered for the index number study by considering 1996-97 as the base year.

Graph-1: Reflect the Trend Reflecting Growth of Important Variables at Infosys Ltd.



Sources: Authors Compilation

The table-2 as well as the above figure makes it clear that profitability has been increased at a remarkable rate and the intangible asset Brand, which is considered as an important one as an initiative to value intangibles, also show increase in line with the income as well as profitability. This explains the increase in tangible as well as intangible asset and their advantage effect on profitability. To study the intensification took place in the interrelated variables like Income, PBIT, Brand Earnings, Brand Value, Market Capitalisation, Net Worth and Brand Multiple growth rate calculated. Results of the same are presented in the following table.

Table-3: Growth Rate and Volatility Analysis of Different Variables of Infosys Technologies Ltd.

Particulars	SD	Average	Volatility		Growth
			SD/AVE	in %	
Income	8251.58	8329.63	0.99	99.06	283.47
Profit before interest and tax	2992.45	2861.08	1.05	104.59	83.30
Brand-earnings	1409.37	1296.85	1.09	108.68	30.16
Brand Value	14099.52	16272.71	0.87	86.65	752.88
Market Capitalisation	52730.17	61857.14	0.85	85.25	4357.91
Net Worth	8034.48	7528.03	1.07	106.73	219.88
Brand Multiple	9.33	17.64	0.53	52.93	24.96

Sources: Authors Compilation

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Market Capitalisation, Brand Value, Income, Net Worth, Profit before interest and tax, Brand-earnings and Brand Multiple shown upward change over the period of study. Above table revels, that each of the selected variable has experienced remarkable growth with high degree of volatility during the period of our study. The change in each variable speaks about the tremendous augmentation over the period of study. The Income and Profit before interest and tax of the business changed at a 99.06 percent with growth rate of 283.47 times and 104.59 % with growth rate of 83.30 times respectively. The notable thing is the growth of Brand multiple. Brand multiple is the variable, among the select variable, having lowest growth rate. Brand multiple is the result of present profit and future expected profit earnings. Present profits are increasing constantly at the same time growth rate also speaks about the expected continuation of the same triumph story. It is also clear from the above table that Infosys experienced remarkable growth in Income, Profit before Interest and Tax, Net worth as well as Market capitalisation. Still Brand value has not kept the track in growth. This is due to the lower growth rate of brand earnings and brand multiple, which shows comparatively lower growth rate. This explains that if brand multiple could show the growth rate in line of other variables like income, net worth and market capitalisation, brand value should also have grown at the rate remarkably higher than what it is at present.

The brand value is the result of multiparty impact. In the brand valuation process, immediately preceding three years weighted average brand earning is multiplied with the brand multiple. Hence, brand value depends on brand earnings and brand multiple. Brand earning is the result of Income of the business thereby PBIT and brand related profits. Brand related profit is calculated by adjusting Profit before Interest and Tax for the other incomes and tax. Hence in the next section, the relationship of each variable, that are the pointer of present business profitability and impact of image of the business as well as factors influencing the brand value, with the brand value is premeditated with the help of a simple correlation study. The impact of Income, Profit Before Interest and Tax (PBIT), Brand-earnings, Brand multiple, Market Capitalisation and Net Worth on Brand Valuation is quantified by applying correlation technique. Therefore, let us consider brand value as the influential variable for the simple correlation study. Simple correlation study is carried out in the preferential series, from the highest to lowest amount of relationship. The following table summarises the correlation coefficients of selected variables as specified earlier individually with brand value:

Table-4: Simple Correlation of Brand Value with Other Selected Variables at Infosys Technologies Ltd.

Particulars	Income	PBIT	Brand Earnings	Brand Multiplier	Market Capitalisation	Net worth
Brand Value	**0.971(**)**	**0.956(**)**	**0.941(**)**	**-0.467**	**0.923(**)**	**0.958(**)**
Sig. (2-tailed)	.000	**.000**	**.000**	**.079**	**.000**	**.000**

Note: ** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).
Sources: Authors Compilation

The above table makes it clear that Income, PBIT, Brand Earnings, Market Capitalisation and Net Worth significantly explain Brand value. The most remarkable outcome here is the insignificant relationship of Brand multiplier with the brand value. The brand value is the result of the brand profit multiplied by the brand multiple but here the result of correlation test speaks different. The details of the observations can be summaries as under:

- Brand value is positively related with income, PBIT, brand earnings, market capitalisation and net worth.
- Brand value is negatively related with the brand multiplier.
- The correlation coefficients with respect to all the financial variables have turned out be quite high, signifying high degree of relationship between brand value and income, earnings as well as profitability at Infosys.
- These results of correlation between brand value and Financial variables indicate that the increase in the value of brand positively influence by the efficiency and thereby the profitability of Infosys.
- The result of correlation test between brand value and the brand multiplier is negative with (-) 467 degree with high significance 0.079 indicates that these two variables have no significant relationship.

The simple correlation analysis as examined here above reveals the direction and numerical strength of relationship but does not expound the relative importance of different variables forming congregate degree of relationship. Therefore let us now examine the impact of each of the variables on brand valuation by assuming the possibility of existence of straight-line linear relationship between them. This analysis enables us to find out the answer of the questions, how brand value responds to the movement in an individual variable. For this reason the ordinary least square [OLS] method has been used for the regression analysis.

In brand valuation Income, Profits and future expected profits due to present brand image are playing important role. Hence Income, Profit Before Interest and Tax (PBIT), Brand Earnings and Brand Multiple are the variables selected for the study considering the brand value as dependent variable. The bi-variate simple regression analysis is used to carryout the study of impact of each of the independent variables viz. Income, Profit Before Interest and Tax (PBIT), Brand Earnings and Brand Multiple on the dependent variable brand value.

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Table-5: Table Showing Results of Coefficients in Regression Analysis

Model	Variables	Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	2588.873	1328.941	
	Income	**1.659**	**0.113**	0.971
2	(Constant)	3574.098	1590.707	
	PBIT	**4.503**	**0.385**	0.956
3	(Constant)	4285.017	1799.547	
	Brand Earnings	**9.410**	**0.942**	0.941
4	(Constant)	29243.807	7574.659	
	Brand Multiple	**-705.099**	**370.472**	-0.467

Note: a. Dependent Variable: Brand Value
Sources: Authors Compilation

The results of the simple regression as presented in the above table revels that Income, PBIT and Brand earnings explains brand value with the standard error committed in explaining the dependent variable with comparatively less standard error whereas as the brand multiple, theoretically considered to be the main component in describing the brand value, commits large amount of standard error. The results agree to the earlier study of simple correlation as describe in table no. 5 above. Brand value is the function of brand earnings and brand multiple. Brand earnings are again function of Income and thereby PBIT. Thus, brand value is expressed by all these variables simultaneously. Hence, in the next section to examine the nature of relationship between all these variables viz. Income, PBIT, Brand Earnings and Brand Multiple with the brand as dependant variable multiple regression analysis is carried out.

Brand Value (y) = f (Income, Profit Before Interest and Tax (PBIT), Brand Earnings and Brand Multiple) i.e. brand value is expressed as a function of independent variables viz. Income, Profit Before Interest and Tax (PBIT), Brand Earnings and Brand Multiple.

Table-6: Regression Coefficients for Selected Variables Dependent Variable: Brand Value

Model	Variable	Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	-2051.268	2185.188	
	Income	4.109	0.892	2.405
	PBIT	0.053	3.796	0.011
	Brand Earnings	- 14.124	5.618	-1.412
	Brand Multiple	125.201	82.531	0.083

Note: a. Dependent Variable: Brand Value
Sources: Authors Compilation

The following inferences may be derived from the above multiple regression results:

- The regression results with respect to Income, PBIT, Brand multiple are positive but with less strength. Still the increase in the values of these variables would enhance the Brand value at Infosys. It implies that a unit change in respective variables would lead to 2.405, 0.011 and 0.083 unit change in brand value, by eliminating other factors.
- The negativity of standardised beta coefficient of brand earnings indicate diminishing trend in brand value per every unit of increase in brand earnings is significant indicator of adverse impact of these variables on brand value.

In the brand valuation process brand multiple and weighted average brand earnings are the factors considered and play an important role in deciding the brand value. But in the above discussion it is found that brand earnings as well as brand multiple both has minimal contribution in the brand value. Brand earnings are increasing every year remarkably in the same direction. This is the indicative factor for the expectation of positive movement in the brand value over years. Brand multiple is the factor indicating the brand strength to earn profits for the business in future. In the calculation for the brand valuation, brand multiple is the factor used as the multiplier with to the current period with two preceding years weighted average brand related profit. Higher brand multiple indicates strong image of the business as well as higher expected present and future profitability. Brand multiple is used as the multiplier considering times the present profit earned in future due to present brand image. Higher brand multiple

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indicates stronger the brand of the business and thereby higher expected future profits. Hence, higher brand multiple leads to higher the brand value.

Infosys initiated valuation of intangibles i.e. Human Resource Value and Brand in the year 1996-97 and the annual report of March 31, 1997 was reflecting brand value for the first time. Infosys Technologies Ltd. in its annual reports discloses brand value. Here brand multiple is always disclosed with the note that "Brand–strength multiple is a function of several factors such as leadership, stability, market, internationality, trend, support and protection. We have evaluated these factors on a scale of 1 to 100 internally, based on the information available." With the note in assumption after calculation, "The earnings multiple is based on our ranking against the industry average based on current parameters (exercise undertaken internally and based on available information)" The brand multiple used by Infosys as shown in the following table:

Table-7: Brand Multiple Applied over Years in Brand Valuation by Infosys Technologies Ltd

Year	Year Ended on March 31														
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Brand Multiple	13.2	18.65	28.3	48	22.18	17.99	14	13.06	16.09	18.51	18.5	15.4	9.94	10.01	9.03

Sources: Annual Report of the Infosys Technologies Ltd.

Brand multiple has high degree of relationship and thereby affect brand value. Following table gives idea about the brand multiple applied by the Infosys Technologies Ltd. over last fifteen years i.e. from the commencement of the practice of brand valuation by the Infosys.

In last fifteen years period of our study, Infosys has used brand multiple varying every year with inconsistency in the changing trend even after increasing income and profits constantly. In the first year of adoption of the brand valuation practice, brand multiple used by Infosys was 13.2 this was the period of Y2K fear and roomers which was proved as factor forcing tremendous growth in the software and hardware business world over. Infosys also experienced growth in the business and hence brand multiple increased considering increased brand strength with good future business prospects. Immediately after overcoming from the problem of Y2K i.e. after 2000, it started falling remarkably. On March 31, 2000 brand multiple used by Infosys was highest ever in the history of brand valuation by the Infosys but then after it started falling every year up to 2004 than in next three years, it started increasing but after 2007 it again started falling. During the period of remarkable decreasing trend in brand multiple, an important point to be noted is Incomes and Profits shown increasing trend continuously. Therefore in this section of the study enumerate the relationship of brand multiple with the related variables. The impact of Income, Profit Before Interest and Tax (PBIT), Brand-earnings, Brand multiple, Market Capitalisation and Net Worth on Brand Valuation is quantified by applying correlation technique. Therefore, let us consider brand value as the influential variable for the simple correlation study. Simple correlation study is carried out in the preferential series, from the highest to lowest amount of relationship. The following table no. 9 summarises the correlation coefficients of selected variables as specified earlier individually with brand value:

Table-8: Simple correlation of Brand Multiple with Other Selected Variables at Infosys Technologies Ltd.

Particulars	Income	PBIT	Brand-earnings	Market Capitalisation	Net Worth
Brand Multiple	-0.53766197	-0.53031711	-0.53486205	-0.29380933	-0.5227164

Sources: Annual Report of the Infosys Technologies Ltd.

The brand multiple does not have significant relationship with the variables explaining revenues and earnings. This fact is revealed by explained by the above table reflecting the results of the correlation test. Important variables namely Income, PBIT, Brand earnings, Market Capitalisation and Net worth do not explain brand multiple significantly. The most remarkable outcome here is the negativity in relationship of Brand multiplier all these variables. The brand multiple is the strength of image of the company. Strength here means the revenue generating and profit earning capacity of the image of the business. The details of the observations can be summaries as under:

- Brand multiple is negatively related with income, PBIT, brand earnings, market capitalisation and net worth.
- The correlation coefficients with respect to all the variables have turned out be quite low.
- These results of correlation between brand multiple and all these variables indicate that brand multiple is negatively influence by the efficiency and thereby the profitability of Infosys.
- Brand multiple decreases by increase in the income, brand earnings, net worth and market capitalisation.

- The negative result of correlation test between the brand multiple and all these variables at (-)0.538 with income,(-)0.530 with PBIT,(-)0.535 with brand earnings,(-)0.294 with market capitalisation, and (-)0.523 with net worth indicates heaving no significant relationship of brand multiple with these variables.

The simple correlation analysis as examined here above reveals the direction and numerical strength of relationship but does not expound the relative importance of different variables forming congregate degree of relationship. Therefore to examine the impact of each of the variables on brand valuation by assuming the possibility of existence of straight-line linear relationship between them, regression analysis is carried out in the next section. This analysis enables us to find out the answer of the questions, how brand value responds to the movement in an individual variable. For this reason the ordinary least square [OLS] method has been used for the regression analysis. The following table reflects the result of multiple regression study of Income and Brand earnings with the brand multiple as the dependent variable.

Table-9: Regression Coefficients for Selected Variables Dependent Variable: Brand Multiple

Model	Variable	Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	23.326	3,580	
	Income	-0.001	0.002	-0.593
	Brand Earnings	0.000	0.053	0.053

Note: a. Dependent Variable: Brand Multiple
Sources: Authors Compilation

The following inferences may be derived from the above multiple regression results:

- The regression results with respect to Income and Brand Earnings with the dependant variable Brand multiple are positive but with extremely lower strength. Still the increase in the values of these variables would enhance the Brand value at Infosys but at very lower rate. It implies that a unit change in brand earnings would lead to 0.053 unit change in brand multiple eliminating other factors.
- The negativity of standardised beta coefficient of Income indicate diminishing trend in brand multiple per every unit of increase in income of the business is the significant indicator of adverse impact of increase in turnover on brand multiple.

The above correlation and regression analysis indicates that brand multiple is inconsistent and varying significantly without responding to the increasing trend of income and PBIT.

Quantifying the brand strength factor is highly subjective matter. Valuing any brand using this method seems highly subjective since parameters used; weights given and methodology of calculation are highly subjective. However, analyzing the strength factors for brand enables comparisons to be made with other businesses and may provide guidelines for identifying the brand has and company's main value driver, increasing the brand's strength and, therefore, its value.

CONCLUSION

In the journey of about thirty years of inception of idea of identification and valuation of brand, different valuation approaches are proposed considering different ideas and arguments. Number of professionals has worked on this issue as well as practice events of merger and acquisition have played crucial role in this area. However, as valuation following any criteria other than historical cost is always remained debatable issue, here in case of brand valuation, practically accepted valuation model and method of disclosing the same at the balance sheet are not developed even after unarguably acceptance of existence of intangible assets and their role in business. This is the reason, which makes brand away from the balance sheet. The main reasons for this situation can be summarised as under:

- In brand valuation customers liking, choice and loyalty are ignored.
- Future expected technological changes, change in customers choice as well as future expected market changes like entry of new players or exit of present players etc are also ignored.
- Identification of brand creation expenses, brand multiplier, etc is not possible.
- Segregation of impacts of different factors on business profit is not possible.

Thus, problems and unavailability of systematic valuation and accounting treatment brand remains away from the books of accounts and financial statements. All these facts have made balance sheet and financial reports as less reliable documents as far as decision making is concern as well as it also fails to disclose true value of an organisation.

Thus, limitation in brand valuation practices, absence of valuation standards like other accounting standards and disclosure norms, the idea of brand valuation has not been widely accepted and put in to practice as regular feature or item of compulsory discloser. While many companies have strived to differentiate, their annual reports and make them impressive and attractive, started valuing and disclosing brand as additional information.

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PROBLEMS OF MUGA SILK PRODUCTION IN GOALPARA DISTRICT OF ASSAM

Shahnaz Ali[25] Dr. Horen Goowalla[26]

INTRODUCTION

Muga silk is grown exclusively in Assam & it is still considered to be a ceremonial dress by the local population. It is monopoly and pride of Assam. Muga culture is as old as Assam culture and closely associated with its rich heritage. Muga seeds 'Honch' and food plants 'Gach' locally known (in Assamese) both are the prime factors of muga silk industry. Healthy and quality egg production is indeed the primary requisite for conducive growth of the industry. Proper production and timely supply of superior quality of silkworm seed can alone sustain the muga silk industry as a commercial crop in competition with other cash crops.the muga silk production has not shown significant growth and has remained fluctuating year by year. The fundamental reason behind the low and poor production is shortage of quality muga seeds for commercial rearing. Non-availability of quality seed required quantity in proper season, for conducting the commercial crop rearing has been attributed to be the major factor of the decline of muga silk production.

The success of muga culture depends on the vitality and disease freeness of the silkworm seed supplied to the farmers. The production of muga silkworm seed is not an easy job. Adoption of techniques for egg production in a mass scale to meet the huge demand of muga seed during Jethua crop and Katia crop, differ from those of small scale in laboratories. The management of commercial grainage requires a careful study of the rearing seasons, seed areas, labours etc.

Muga Silk industry encompasses a large value addition chain, starting from silkworm eggs to fabrics, also extending to finished garments. Each activity in the value addition chain is much specialized and has its own specific dynamics in terms of technology, package of practices, economics, market linkages and above all human processes. Different activities in value addition chain are spread across the length and breadth of the country in the form of clusters. Thus, there are different clusters for producing cocoon, silk reeling, silk twisting, handloom and power loom weaving and value addition. Besides waste and by products of silk industry have a considerable economic value and many areas are still remained unexplored for appropriate industrial use.

Muga silkworm is polyphagous , semi-domesticated and multivoltine in nature having five generations in a year. In accordance with Assamese calendar, the different generations are known as: (i) Jarua- winter, (ii) Chatua- early spring, (iii) Jethua- spring, (iv) Aherua- early summer, and (v) Kotia- early summer or early winter. Of all these generations, the early winter and spring generations produce silk best in quality and also in quantity.

Typically a farmer needs to have access to at least 1 acre of land through which he can cultivate about 400 grms of muga silk at a go. Dresses made out of muga silk s[port rich embroidery in the forms of flower, leaves, trees and bihu structures lending a unique and fabulous look. The traditional use of muga silk has been to make attire for women called mekhela chaddar which is akin to a saree in assam and making kurti for men.

An interesting equation to note is that it takes about 1000 cocoons to generate 125 grams of silk and around 1000 grams of silk is needed for a saree. Over and above, the time taken to make one single saree is about 2 months right from rearing the silkworm to the finished product the weaving process of the muga silk saree alone takes up one week to ten days to complete.

Muga culture is an important agro-based cottage industry of Goalpara district, around 244 nos. villages covering 901 Hectares of muga host plant producing 10MT muga raw silk with present market value Rs. 15.0 crore, engaging around 2669 families who earn their livelihood from it. Goalpara is well known for production of quality muga seed cocoons and reeling cocoons. The district of Goalpara is well known for its production and marketing of quality muga seed cocoons and reeling cocoons. A part of the population of various tribal communities like Mech, Cachari, Rabha, Garo, Hajong, Koch etc., Schedule caste and General classes have also taken up Sericulture as their primary source of income. About 1982 farmers are practicing muga culture, they are involved in the production of reeling cocoons and seed cocoons, 61 nos Private grainages are functioning in the district to supply silkworm seed material to the Sericulturists, 40 nos private silk reeling devices are functioning in the district. The private silk reeling entrepreneurs procure the cocoons produced by the Sericulturists through the Govt. Cocoon Markets in the district as well as other state and produce raw silk. About 25 weavers are involved for weaving silk fabric from 244 nos. villages of 8 development blocks and cultivating 1504.82 acres of area covered with 4, 37, 267 nos. of Som plants in Goalpara district, Anonymous (2016). In spite of rich heritage and glorious tradition and the natural advantages enjoyed by the industry non-mulberry, which is practiced, is shown a highly fluctuating trend and witnessed slow progress in the production of silk.

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The main problem which has pushed this highly potential sericulture industry into a state of stagnation with low level of equilibrium of production and sale in Assam need to be systematically and thoroughly probed in order to create an awareness about the importance of sericulture to accelerate the rural economy and to set a process to change with its vast potential for employment and income generation in rural areas which can play a vital role introducing rural poverty, unemployment and overall development of rural economy. In view of vast potentialities of sericulture industry in rural development and its present detoriated condition of it in Assam, the present study has been undertaken to identify the different muga products in the study area. An attempt will also be made in the present study to specify the all round development of muga culture in the Goalpara district of Assam so as to bring about economic regeneration in the rural economy of Assam.

The literature on the production of muga culture in Assam is scanty. Hence, to evaluate the traditional and present need base of production and marketing of muga silk goods in Goalpara district of Assam for the development of sericulture as well as their economy, the present study has been undertaken.

OBJECTIVES OF PRESENT STUDY

- To assess the production problems of muga silk in Goalpara district.

REVIEW OF LITERATURE

Helfer, T.W. (1837) reported rearing of silkworms is the main occupation of many castes of Assam.

Gait, (1905) mentioned that Assam enjoyed a high reputation for producing natural silk of fine texture. Assam is the homeland for Muga silk. Assam silk, especially Muga silk was very much demanding Europe and it formed a trade of the East India Company during the 18th through early 19th centuries. He also mentioned that the custom house at Haida opposite Goalpara, fixed a duty fees of 10% according to the terms of commercial treaty executed with Gaurinath Singh by Captain Welsh on behalf of East India company in 1793 A. D. He reported that 224 mounds of Muga silk thread were exported and the value was placed at Rs. 53899.00 during that period.

Choudhury SN (1982) reported that about 25% of the total production utilized by local spinners themselves. Regarding marketing he pointed as there was no organized market, cocoons were sold in the market alone with other agricultural product and battered for exchange with other commodities. He also compared the eri yarn produced in quality than that of takli yarn. As for the area under plantation, he calculated per family is 0.04 hectare.

S. B. Shantha Raj Kumar in his book, Silk hand loom Industry in Andhra Pradesh, (1986) examines the pattern of work and conditions of weavers, the process of manufacturing the warp and weft etc. he also deals with the organization of silk business from raw silk to the final product. He also offers some suggestions to improve the weavers.

Thangavelu and Chakraborty (1986) in their study on present and future prospects of muga industry indicated that the high cost of reeling and socio economic constrains is responsible for the decline trend in muga production in the last four decades.

Hunter, W.W. (1998) reported that the chief jungle products of the Goalpara districts are beeswax and dyes; but it is supposed that fibre are to be found, and that will be that these will be form an article of trade.

Sahu *et at* (2000) mentioned about 6 crops of muga silkworm – Katai (October-November), Jarua (December-November), Chotua (February-March), Jethua (April-May), Aherua (July-July), Bhodia (August-September). In addition, they informed that several overlapping crops were reared in this reion. They studied the seasonal variation in certain parameters like egg, larval, pupal period, moth emergence, fecundity hatchability of eggs, effective rate of rearing, cocoon weight, shell weight etc.

Taher and Ahmed, (2001) described that the climate is very hot and humid in summer and dry cool in winter. On the basis of temperature and rainfall the season of the place is divided mainly into winter, pre-monsoon, monsoon and summer. The maximum temperature is up to 38° Celsius and minimum, 8° Celsius during summer and winter respectively. The average relative humidity is 51.1%-91.2% at day and 35.3-%-75.2% at night during summer and winter respectively

D. Mech*, M. Ahmed** and Rajesh Kumar*, (2014) described that muga culture involves various indigenous practices and beliefs, varies from one location to another and also believed to be effective in production system.

Jolly, (1987) Muga reeling activities are mainly concentrated in silk in the world. The major share goes to the cocoon growers (54.6%) followed by trader (17.8%), weaver (12.3), twister (8.3%) and reeler (6.5%).

Chowdhury, (1982) Muga silkworm *Antheraea assama* Westwood is endemic polyphagous insect and feeds on a wide range of different food plant species mainly Som (Assamese) locally known (Bennet, 1887) [*Persea bombycina* (King ex Hook. f.) Kosterm, formerly named as *Machilus bombycina* (King ex Hook. f.)], Soalu (*Litsea monopetela* Roxb. = *polyantha* Juss.) and few other food plants. Som is one of the major consumed species throughout North Eastern India for muga silkworm rearing that produces natural muga (Assamese), or golden silk nowhere in the world.

Subha Rao, (1998). The commercial crops during autumn and spring namely 'Katia' and 'Jethua' producing quality silk and the other seed crops were Jarua, Chatua, Aherua and Bhadia,.

Watt, (1893) 'Aherua' and 'Bhadia' seed crops are reared in some part of Goalpara district.

Gangopadhyay, (2009). The silk fabric produced by rural people but largely purchased by the urban rich and middle class, which are estimated around 57% final value, goes to rural areas.

METHODOLOGY

The study was based on both primary and secondary data. The secondary data was collected from different books, journal, internet and annual reports of the department. The primary data was collected by personal interview through schedule. To collect the primary data out of eight development blocks viz. are Kuchdhowa, Balijana, Krishnai, Matia, Jaleswar, Kharmuza, Lakhipur and Rangjuli only Balijana, Krishnai, Rangjuli and Kuchdhowa development blocks of Goalpara district were selected. A total of 500 samples of farmers of four blocks were selected randomly from 90 villages from April 2016 to December 2016. A Multistage Random Sampling Technique was adopted for the study.

RESULTS AND DISCUSSION

The feedback collected from the respondents during the sample survey conducted in the four blocks of Goalpara district to understand the problems of farmers on cultivation and maintenance of muga food plants, silkworm rearing, production of yarn and fabrics and involvement in marketing system were analysed and summarized below:

The analysis of educational status of the respondents 84% are under class X, 11% are class X to XII and only 5% are graduate. 35% having less than 10 years of experience, 47% are 10 to 20 years and 18% practicing muga culture more than 20 years.

Food Plant Cultivation and their Maintenance

As regards to food plant resources available, type of plantation, size of plantation (area, Numbers), age of plantation, soil testing, inputs application, etc., it is observed that the all the farmers have their own plantation. Almost 90% of the farmers collect 50000 no.s of Som seedling (muga food plants) from the Assistant Director of Sericulture, Goalpara. The Central Silk Board fixed the selling price of the seedling @ Rs. 5/ per no. The percentages of farmers having systematic plantation is 71% and 56% having 300-400 plants with 10-12 years old plant (table.2). The farmer's applicability about maintenance of the plantation by applying inputs such as FYM and fertilizers is very low is only 18% who are having systematic plantation due to non-availability of sufficient fund. Until now no soil testing is done by any soil testing department. Of about 98% of farmers, face water shortage problems. The farmers transplant naturally and haphazardly grown som plants during monsoon seasons at a distance of minimum 2x2-4x4 m either in a place separated from the homestead land (Sumonis) or in the boundaries of homestead land (Dhap plantations). During the time of transplantation, they use cow dung to the pits ($1m^2$) ready for this purpose and cover the whole area with bamboo fencing which is required for 2-3 yrs. After 4-5 yrs of age of the plants, most of the plants are left uncared except during rearing period, when the site is cleaned according to requirement.

DFLs Production and Grainage House

The silkworm seed production centers on technical lines (grainages) prepared silkworm seed known as Disease Free Layings (DFLs) in large quantities and supplied to the farmers for rearing. It has been observed that 20% farmers prepared nearly 5000-10000 number of seed cocoons at their home, 30% farmers purchased seed cocoon from nearest district farmers (Meghalaya border and Kamrup), 20% farmers purchased DFLs from nearest district and rest 30% are engaged in other agricultural activities (table.3). Sometimes, 2-3 farmers make a group to accomplish the various activities of seed production smoothly.

Grainage Centres

In the study area, it is observed that 90% farmers are provided private grainage house from the government. The type of building is an important consideration for grainage. The area of grainage house provided by the Government is 140 sq. feet. But the grainage work for processing 10000 seed cocoons must be conducted in a room of approximately 12000 sq. feet area. 90% of the grainuers are hired farmers (table.4). The Government grainages produce only 10% of total requirement and remaining 90% seeds are produced by the farmers themselves for their own requirement without resorting to scientific procedures. The quality of seed prepared and used by them is of poor quality. The mother moth after oviposition is not microscopically examined for diseases and hence the seed prepared is not free of contamination. They are very reluctant to accept microscopically examined layings, possibly they are not prepared to change their age old traditional practice (testing done on the basis of rearing process) and adopt scientific technology. This practice gives scope for spread of dreaded silkworm disease called Pebrine. However, the Grainage houses are located far away from seed collection area. Thus, they have a specific disadvantage in transportation of seed cocoons, supply eggs. Hence, seed production becomes costly and un-commercial due to poor emergence of moths. Grainage building is not spacious and well ventilated for operational purpose. During summer, the temperature of the grainage house is too hot which is not suitable for seed production. Thatch roofing is better for grainage hall but they are provided bamboo roofing (fig.3). Asbestos or G.I. sheet roofing without false ceiling is not suitable particularly during summer. Height of the roof -10' for less radiation effect.

Silkworm rearing and Cocoon Production

The data collected on number of crops undertaken by the farmers revealed that majority of farmers are taking 4 crops per year. Availability of rearing house is an important factor for success of muga silkworm rearing. 76% rearers reared 1000-2000 dfls per crop and 15% rearers reared 3000-3500 dfls per crop and harvest 30000-50000 Nos. cocoon from 1000 dfls and left 8% reared more than 3500 dfls (table.5) 90% rearers sold the cocoon because they are not aware about the benefit of the value addition, which they may get through conversion of cocoons to spun yarn. The income of the rearers this year is Rs. 30000-50000 which is not satisfactory amount for poor family. The seed and reeling cocoons are sold in numbers of hundreds, thousand etc. and prevailing rates vary from one rupees to five rupees per seed cocoon. The price of seed cocoon per 1 number is Rs.2-8, reeling cocoon is Rs.1-2, cut cocoon is Rs. 500-550 (per kg) and DFLs is Rs.7-12 (per gram) as determined by the demand of buyers. The expenditure on seed cocoon appears to be very high. Often the rearers travel long distances to procure seed cocoons and on an average spend Rs. 500/- to Rs. 1,000/- towards purchase of seed cocoons annually. As against Rs. 2-5(govt. rate) they charge (Rs. 6-8) per number of seed cocoon.

Reeling of Muga Cocoon

The study reveals that 26% reelers are in the age group of below 30 years, 60% between 30-40 years and 14% above 40 years. It is observed that maximum of 60% reelers are using bhir, while 25% are using the CSTRI reeling device (motorized cum pedel operated reeling machine) and 15% using both bhir and CSRTI reeling machine. The study revealed that the production capacity in CSTRI machine is four times more than bhir. Average annual production of muga raw silk varied from reeler to reeler. The highest more than 20kg produced by 10% followed by 5-10 Kg of 50% and less than 5kg of 30%. The study revealed that 40 % farmers are engaged only in reeling and 60% are takes up weaving. It has been observed that the reelers earned around Rs. 10,000-30,000 per year, which is not much economical.

Muga Silk Weaving

It has been observed during the study that 70% of muga weavers with 10-15 years of experience belong to 30-40 years of age group, 20% are below 30 years and 10% are above 50 years. However, it is unfortunate to say that they are not having professional training about reeling, weaving etc. The income of 30% weavers are Rs. 40,000-50,000 followed by 40% of Rs 25,000-30,000 and 30% are below Rs 25,000 per year (table-6). The weavers are engaged in muga silk weaving only in Balijana block in Goalpara district. They only produced muga mekhela and muga plain cloth. The problem behind low income earning is due to lack of proper knowledge of preparing modern finished product like tie, scarf, cap, dakmanda, stole etc.

Marketing of Cocoon, Yarn and Fabric

The present study reveals that majority of the rearers sold their cocoon to local traders at home. Individual weavers as well as groups sell their products in local area and trade fairs (National Trade Fairs) because there is no proper market nearby them. They used to sell all types of cocoon in open market in **Dhupdhara Bazar** every Monday in the weekly hat. They do not opt for the govt. fixation price instead sold at a price of their own. In the cocoon market, reasonable floor price is fixed by scientific methods and the final selling price is decided in the open auction. Here, silk reelers and spinners buy the cocoons produced by the farmers for producing silk. The seed crop rearings conducts during unfavourable seasons and hence the success of the seed crops is highly uncertain. However, once the cocoons are produced, they are sold to commercial rearers at very high price. Often the seed cocoon price depends on the place, demand and availability. The price of spun silk is Rs. 2000-3000(per Kg) and Raw silk is Rs. 1200-1500(per kg) as determined by the Sericulture Department, Guwahati, Assam (Anonymous 2016) (Table.1). The farmer charges Rs. 4000-5000 (per kg) and Raw silk Rs. 13000-16000 (per kg). Normally 1kg of raw silk can be obtained from 4500-6000 cocoons depending upon the quality compactness and weight of shell.

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Table-1: Price of Muga Silk items in Goalpara District

S. No.	Muga Products	Divisions	Units	Price (Rs.)
01	Cocoon	Seed cocoon	Per number	2-8
		Reeling cocoon	Per number	1-2
		Cut/pierce cocoon	Per Kg	500-550
02	Silkworm Seed	DFLs	Per gram	7-12
03	Silk	Raw silk(yarn)	Per kg	10000-14000
		Spun Silk	Per kg	1000-2000

Sources: Annual Report, Directorate of Sericulture, Assam (Anonymous 2016)

Table-2: Food Plant Cultivation

Characteristics	Frequency	Percentage (%)
Systematic Plantation (Nos)		
Self	95	95%
Hired	5	5%

Sources: Authors Compilation

Table-3: Seed Cocoon and DFLs Production

Characteristics	Frequency	Percentage (%)
Seed Cocoon Production (Nos)		
Self	20	20%
Nearest District Farmers	30	30%
Nearest District Farmers (DFLs)	30	30%
Other Agricultural Activities	20	20%

Sources: Authors Compilation

Table-4: Grainuers Engaged

Characteristics	Frequency	Percentage (%)
Granuers Engaged (Nos)		
Self	90	90%
Hired	10	10%

Sources: Authors Compilation

Table-5: Silkworm Rearing

Characteristics	Frequency	Percentage (%)
1000-2000 dfls per crop	76	76%
3000-3500 dfls per crop	15	15%
More than 3500	8	8%

Sources: Authors Compilation

Table-6: Income Earners in the Family

Characteristics	Frequency	Percentage (%)
Income Earnings (per year)		
Rs. 40,000-50,000		
Rs. 25,000-30,000	**30**	**30%**
Below Rs 25,000	**40**	**40%**
	30	**30%**

Sources: Authors Compilation

RECOMMENDATION

Awareness programmes regarding sericulture should be organized.

For proper functioning of the private graineurs, support for a linkage with cocoon growers and commercial rearers are very important.

For effective and functional seed production and supply system, a well-linked monitoring system is of utmost importance.

To improve the quality of muga yarn, an incentive scheme should be introduced to motivate the reelers.

For proper utilization of the production the marketing system should improved.

The government for collecting and keeping the cocoons hygienically should provide jailhouse.

Irrigation system should be improved.

A well furnished grainage house (1200sq. feet. for 1000 cocoons) with varanda and thatch roofing should be provided by the government

CONCLUSION

Muga culture is the source of additional income, regular earning and generates employment for all the section of the society specially women. The activities of muga culture provide a perfect choice for the rural masses because nature of the activities that can take place close to the habitations. Regular savings habit has been developed by muga culture practices among the rearers because they earn much more than their standard of living.

However, the contribution of rural people in the muga sector has remained unevaluated due to various constraints such as: - Lack of labour oriented approaches in research, planning, implementation and evaluation, Lack of congenial marketing services in the farm and non-farm sectors, inadequacy of extension workers. Therefore, Government and Non- Government Agencies may take necessary step for removing the constraints of the farmers in muga culture to uplift their livelihood.

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HEALTHCARE MARKETING: A PREFERRED CHANGE FOR INDIAN CUSTOMERS OF HEALTHCARE SERVICES

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ABSTRACT

Healthcare is one of India's largest sectors, in terms of revenue and employment, and the sector is expanding rapidly. During the 1990s, Indian healthcare grew at a compound annual rate of 16%. Today the total value of the sector is more than $34 billion. This translates to $34 per capita, or roughly 6% of GDP. In this increased competition to sustain patient loyalty, overall satisfaction and quality of the healthcare services, in general has to be understood by healthcare providers.

The concept of healthcare marketing has led to research on various concepts such as Customer relationship management, High- tech Mobile healthcare, linking strategy to performance improvement (flywheel effect), Use of internet etc. This article studies the patient's desires from hospitals, factors affecting their choice of healthcare provider and their satisfaction levels understood by healthcare providers. Patient satisfaction is a critical part of the quality outcomes of healthcare. Every industry is interested in customer satisfaction because satisfied customers are loyal customers.

Many research studies assume that satisfied patients are more likely to recommend their providers to their friends and to return when they need care again. Few questions which hospitals need to ask themselves are how people really make decisions—what they want, what they need and what they will sacrifice to get what they need. In addition, CRM has developed as an approach based on maintaining positive relationships with customers, enhancing customer loyalty, and expanding customer lifetime value.

The rise of customer relationship management (CRM), with all its components, is perhaps the greatest threat yet to marketing and marketers. There are five key concepts considered universal truths in defining what motivates the mature marketplace.

KEYWORDS

Healthcare Providers, Flywheel Effect, Patient Loyalty, High Tech Marketing, CRM etc.

INTRODUCTION

In the past, companies were using the supply-push strategy of business, which is to produce products and services with different specifications to customer. This strategy is found inefficient; therefore, another strategy is raised. This strategy is called as demand-pull strategy, which is to produce products and services based on the customer preferences. Because of this, organizations had to shift from being product centric to become a customer centric. There is where Customer Relationship Management (CRM) comes into this view to accomplish this transformation.

In the 1990s, Customer Relationship Management (CRM) started emerging across the majority of industries. The aim is for reaching the customer centric approach in doing business by treating different customers by different ways to achieve mutual benefits for both the organization and the customer.

Among the benefits, CRM is expected to help the organization to provide products and services according to the customers' preferences, through knowing the customers' needs to improve customer satisfaction and increase customer loyalty.

CRM is also expected to increase the revenues and decrease the operational cost, as the cost of selling to the new new customers is much higher than selling to the existing customers (S. Zhong Hong, 2008). CRM could help the organizations in maximizing the benefits of every customer and making higher performance (Tarokh and Ghahremanloo, 2007). In addition to above benefits, there are intangible benefits for CRM including improving customer knowledge and boosting customer satisfaction (Mithas & Fornell, 2005).

The financial industry has used data mining to examine and use purchasing behavior to drive campaigns. The average car loan is five years, so at four years and six months beyond the loan lender might send a message about special new car loan rates (John Hallick, 2004), in similar way hospitals can use data mining for patients and when patients will be near completion of their

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treatment duration a message can be sent for new Health check-up plans or during the treatment, reminders about next scheduled appointment can be sent to patients.

CRM has developed as an approach based on maintaining positive relationships with customers, enhancing customer loyalty, and expanding customer lifetime value. Very few organizations succeed in capturing real potentials of CRM, while many others fail.

In recent exploration of critical success factors for CRM, King and Burgess (2008) highlight that management should make some changes, which includes both hard (technologies) and soft (people) aspects and it is a defining factor between the success and the failure of CRM.

The soft aspects of change in management involve influencing people's feelings, attitudes, mindsets, and behaviors to achieve support for a CRM change. The forces of the Indian cultural and structural context are important in creating pressures against or in favor of a CRM change (Darshan Desai, Subrat Sahu, 2008).

Healthcare is one of India's largest sectors, in terms of revenue and employment, and the sector is expanding rapidly. During the 1990s, Indian healthcare grew at a compound annual rate of 16%. Today the total value of the sector is more than \$34 billion. This translates to \$34 per capita, or roughly 6% of GDP.

By 2012, India's healthcare sector is projected to grow to nearly \$40 billion. The private sector accounts for more than 80% of total healthcare spending in India. Unless there is a decline in the combined federal (central government) and state government deficit, which currently stands at roughly 9%, the opportunity for significantly higher public health spending will be limited.

One driver of growth in the healthcare sector is India is booming population, currently 1.1 billion and increasing at a 2% annual rate. By 2030, India is expected to surpass China as the world's most populous nation. By 2050, the population is projected to reach 1.6 billion.

Another factor driving the growth of India's healthcare sector is a rise in both infectious and chronic degenerative diseases. Paralleling the rise of disease is the emergence of a robust pharmaceutical industry in India.

Healthcare organizations are facing many challenges in the 21st century that are changing today's landscape and molding the future. These organizations are dealing with significant financial issues related to an ever-growing number of uninsured patients and the extensive difference between reimbursement levels and actual expenditures. This has sparked intense competition, igniting a battle for insured customers and the push of profitable service lines.

Patient satisfaction is a critical part of the quality outcomes of healthcare. Every industry is interested in customer satisfaction because satisfied customers are loyal customers. Healthcare is no exception. Many research studies assume that satisfied patients are more likely to recommend their providers to their friends and to return when they need care again. Patient satisfaction is a critical part of the quality outcomes of healthcare.

Quality of healthcare is often measured with structure, process, and outcomes, and the outcomes include such traditional measures as mortality, morbidity, and functional improvements.

Patient satisfaction is also part of this dimension. Many recent patient satisfaction studies have investigated how patients combine their attribute reactions (how they react to each attribute, such as nursing care and physician care) to arrive at their overall sense of satisfaction.

RESEARCH METHODOLOGY

This research was carried out with following objective to ***know what customers look for while selecting any hospital.***

Review of literature through books, websites, research journals and articles.

Primary data was collected using questionnaire, which was filled by 100 consumers of healthcare services selected randomly from the Varanasi region.

The research was done considering following factors which may affect decision of patients to go to the same health care provider second time. These factors have been explained as follows:

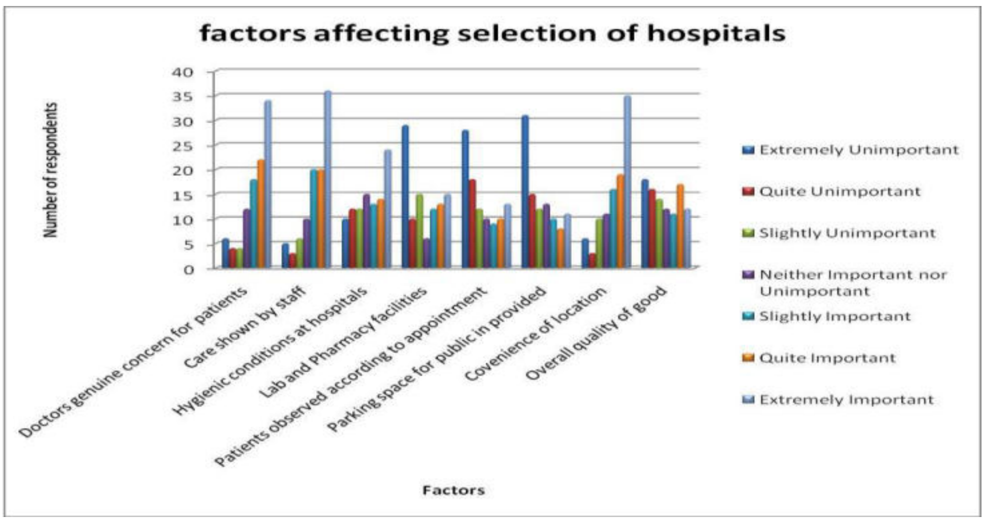
- Doctors have genuine concern about patients: How doctors communicate and behave with patients when they come for diagnosis or treatment purpose.

- Care shown by staff and nurse towards patient: During patients visit how staff and nurses take care of his necessities and how they help when without having that job enlisted in their profile.
- Hygienic conditions at hospitals: Cleanliness and timely housekeeping of hospital.
- Lab and Pharmacy facilities: Whether there are laboratory and pharmacy facilities available in the hospital premises.
- Patients are observed according to appointment.
- Parking space for public is provided.
- Convenience of location.
- Overall quality of service.

FINDINGS

These factors were rated on the scale of 1 to 7, 7= Extremely Important, 6= Quite Important, 5= Slightly Important, 4= Neither Important and Unimportant, 3= Slightly unimportant, 2= Quite unimportant, 1= Extremely unimportant.

Graph-1



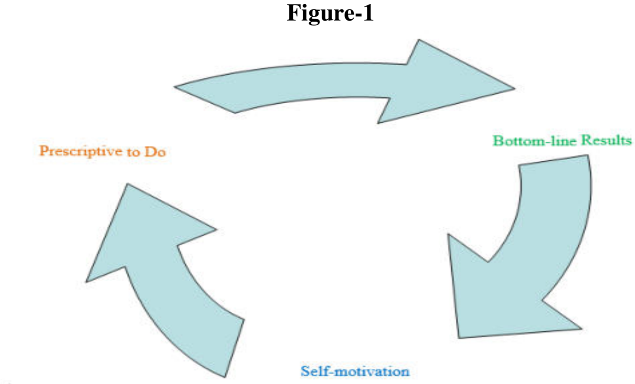
Sources: Authors Compilation

Hygienic

The primary study shows that consumers of healthcare services has given more importance to care and help given by nurses and other admin staff to patients, The least important factor for them was parking space provided by hospitals in the compound of hospital itself.

Healthcare Flywheel

Figure-1



Sources: Quint Studer, Journal of Healthcare Management 56:2

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Healthcare Organizations Succeed Because their Commitment Flows from the Right Reasons

They want to provide better care to patients, a better workplace for employees, and a better place to practice medicine for physicians. It all starts with a commitment to purpose, worthwhile work, and making a difference. These are the values that rest at the core of the journey and at the hub of the healthcare flywheel. The healthcare flywheel shows how organizations can create momentum for change by engaging the passion of their employees to achieve bottom-line results.

Understanding Self-Motivation

People in healthcare are passionate and self-motivated. This is a critical step in creating the kind of organizational culture that encourages greatness. Without it, there will be little movement, and it will not be possible to sustain the gains that are made.

Behind Prescriptive to Dos

The prescriptive to dos are the techniques, tools, and behaviors that will achieve results under goals that organizations set using what one call the five pillars of excellence: people, service, quality, finance, and growth. Five "must haves" to succeed are:

- Rounding for outcomes,
- Employee thank you notes,
- Employee selection and the first 90 days of employment,
- Discharge phone calls, and
- Key words at key times.

Bottom-line Results

Every organization has expected results of any action taken for betterment of it. Healthcare organizations are no exceptions, brand name, high quality health services, cost effective ways for running organizations etc. are some expected results by healthcare organizations.

SUGGESTIONS

The primary study shows that consumers of healthcare services have given more importance to care and help given by nurses and other admin staff to patients; secondly, importance was given to behavior or concern shown by doctors towards patients when they come for consultation and treatment.

The lesson here for healthcare service providers is to be cognizant of a simple fact that most of the available alternative access points are disconnected from the provider networks and other resources that the organization spent many years and lots of capital to develop. Watch the environment closely, and seize the opportunities it presents.

PARTNERSHIP BETWEEN HOSPITALS AND RETAILERS

Collaborations between healthcare organizations and retailers are not new. Over the years, many major stores have given money to hospitals, clinics, health departments, and health/safety-related programs in exchange for various goods or services, including a better image in the community.

High-Tech, Mobile Healthcare

Forward thinking organizations have stretched the concept of the simple ambulance to enhance and support their services and programs and to facilitate the community's access to their facilities specifically or to healthcare generally. Among the many outgrowths in this area are the mobile healthcare clinic, mobile critical care unit, and air transport.

Medical Transmitters and Remote Medicine

Although it offers numerous benefits, telemedicine has taken a back seat to many other investment priorities. Several factors in today's environment including the aging of the population and shortage of primary care physicians, especially in rural areas could accelerate telemedicine's adoption by health systems and hospitals, or at least open possibilities for new sources of revenue.

INTEGRATED COMMUNICATIONS

Advertising

TV, radio, newspaper, outdoor, magazine, and direct mail media were designed with two objectives in mind - (1) to provide a broad reach among the general population and, therefore, ensure that potential users of the Emergency Heart Center would be exposed to the message; and (2) to provide adequate frequency so consumers would comprehend and retain the message.

Sponsorships

Sponsoring health check-up camps, social events is one of the most

Direct Marketing

Through brochures and hoardings.

Personal Communication

Various personal communication activities were used to build trust and establish relationships. Specific objectives were (1) to establish a relationship building point of person-to-person contact between the individual and the organization, (2) to provide a point of entry into the organization for those patients with immediate needs, and (3) to gather information for the relationship-marketing database.

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A STUDY ON CONSUMER`S INVESTMENT BEHAVIOUR TOWARDS SYSTEMATIC INVESTMENT PLAN IN MANGALORE REGION

Sharath Prabhu[28] Dr. C. Mugunthan[29]

ABSTRACT

The mutual fund is an indirect investment help the investor to diversify the investment in different avenues. These help investors in several ways by giving different opportunities to invest in the schemes. This study had made attempt to know the investors buying factors and the decision towards the mutual fund. In order to achieve these objectives a structed questionnaire is prepared and distributed to 50 respondents of Mangalore region and based on the responses findings and suggestion is drawn.

INTRODUCTION

Orderly Investment Plan is a keen extremely to make riches. It doesn't request single amount ventures. Only a little, consistently. Additionally? With SIP, you don't have to time the market. Over a long stretch, your venture midpoints out the market highs and lows. Subsequently you purchase more units when the market is low and less when the market is high. Taste is really little on reserve funds and enormous on advantages. In this way, build up a decent propensity for general reserve funds. Specialists continue saying that the best time to purchase is when markets are falling and the correct time to offer is the point at which the market is topping, it's recently impractical for an ordinary speculator since when the market is falling it's hard to purchase. In any case, contributing through SIPs help one dodge the slip-up of purchasing progressively when the market crests and less when the market fall.

FEATURES

Train: The cardinal control of building your corpus is to remain cantered, put frequently and keep up train in your contributing example. A couple of hundreds put aside consistently won't influence your month to month discretionary cashflow. You will likewise think that it's less demanding to part with a couple of hundreds consistently, as opposed to set aside a vast whole to invest in one shot.

Energy of Compounding: Venture masters dependably prescribe that one must begin putting ahead of schedule in life. One of the primary explanations behind doing that is the advantage of aggravating. How about we clarify this with a case. Individual A began contributing Rs, 10,000/ - every year at 30 years old. Individual B began contributing a similar sum each year at 35 years old. When they accomplished the age of 60 individually, A had assembled a corpus of Rs. 12.23 lakh while individual B's corpus was just Rs. 7.89 lakh. For this illustration, a rate of return of 8% intensified has been expected.

Rupee Cost Averaging: This is particularly valid for interests in values. When you put a similar sum in a reserve at customary interims after some time, you purchase more units when the cost is lower and less units when the costs are higher. Along these lines, you would diminish your normal cost per share (or per unit) after some time. While making little speculations through SIP may not appear to be engaging at in the first place, it empowers speculators to start sparing. Throughout the years, it truly can include and give you attractive returns. A month to month SIP of Rs. 1000 at the rate of 9% would develop Rs. 6.69 lakh in 10 years, Rs. 17.83 lakh in 30 years and Rs. 44.20 lakh in 40 years. Notwithstanding for the money rich, SIPs diminishes the shot of contributing at the wrong time and losing their rest over a wrong speculation choice. In any case, contributing at lower levels determines the genuine advantage of a SIP.

Accommodation: This is an exceptionally advantageous method for contributing. You need to simply submit checks alongside the topped off enrolment frame. The common store will store the keeps an eye on the asked for date and credit the units to one's record and will send the affirmation for the same.

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REVIEW OF LITERATURE

Nalini Prava Tripathy (1996) pointed that, mutual funds creates awareness among urban and rural middle class people about the benefits of investment in capital market, through profitable and safe avenues. Mutual fund could be able to make up a large amount of the surplus funds available with these people.

Raja Rajan (1997, 1998) high helped division of speculators on the premise of their qualities, venture size, and the connection between stage in life cycle of the speculators and their venture.

Terrance (1998) analyzed the conduct of individual financial specialists and discovered them displaying demeanour impacts, that is, they understand their beneficial stocks require as speculation at a significantly higher rate than their unfruitful ones. The demeanor impact is found to impact showcase cost; yet its financial criticalness is probably going to be the best for individual speculators.

BACKGROUND OF STUDY

Investment is an important aspect for an investor he invest his savings for various reasons some time he invest for the return some time for tax benefits. Systematic investment plan of the mutual fund gives the average return by giving option to invest in monthly fixed amount this study has been conducted in Mangalore region by selecting fifty respondents to know the behaviour of the respondents systematic investment plan of mutual fund.

MODE OF INVESTMENT

An investor will select such a combination of securities which maximizes his utility.

Direct Investment Alternatives: In direct investment, the individual makes his own choice and takes his own investment decisions.

Settled Main Speculations: In settled central ventures, the key sum and the development sum are know with conviction. The cases of these ventures are: money, investment funds financial balance, reserve funds authentications, Government Bonds, corporate securities, corporate debentures.

Variable Main Securities: In factor vital securities the development esteem is not known with conviction. The cases of these securities are: value offers, inclination offers, convertible debentures and inclination offers.

Non Security Speculations: the cases of non-security speculations are: land, contracts, items, business wanders, workmanship, collectibles and different resources.

Indirect Investment Alternatives: Aberrant speculation options are an essential and quickly developing portion of our financial. In aberrant ventures, the individual financial specialists have no influence over the sum contributed. The speculations are depended to the care of specific associations. These associations deal with the assets for the benefit of speculators with the assistance of gathering of trustees. Cases of circuitous venture choices are:

- Pension fund,
- Provident fund,
- Insurance,
- Investment companies, and
- Unit trust of India.

OBJECTIVES

- To study investor attitude towards investment option selection.
- To identify factors affecting investor attitude towards investment option selection with special reference to sip.

METHODOLOGY

This study has been conducted based on primary and secondary data.

Primary data based on structured questionnaire which is given for 50 respondents and personal interview and secondary data is based on the past record which based on the magazine, journals and books.

ANALYSIS

Table-1: Age

Age	Number of Respondents	Percentage
18-25	15	30
26-35	18	36
36-46	14	28
46 and above	03	06

Sources: Primary Data

Interpretation: The above chart shows the age of the respondents and out of 50 respondents 36% of the respondents are age between 26-35 year age and 30% of the respondents are between 18-25 year age and 28% are in the age group of 36-46 and remaining are in the age of above 46.

Table-2: Gender

Gender	Number of Respondents	Percentage
Male	33	66
Female	17	34

Sources: Primary Data

Interpretation: The above figure shows the gender of the respondents out of 100% respondents 66% are male and remaining was female.

Table-3: Marital Status

Status	Number of Respondents	Percentage
Married	28	56
Unmarried	22	44

Sources: Primary Data

Interpretation: The out of 50 respondents 28 are married and remaining 22 are unmarried.

Table-4: Level of Education

Education	Number of Respondents	Percentage
Below SSLC	Nil	Nil
SSLC/Higher Secondary	Nil	Nil
Graduate	29	58
Post graduate	21	42

Sources: Primary Data

Interpretation: The above chart shows the education level of the respondents. Out of 100% respondents 58% are graduate and reaming are post graduate.

Table-5: Occupation

Occupation	Number of Respondents	Percentage
Business	15	30
Employment	22	44
Profession	13	26
Agriculture	nil	Nil

Sources: Primary Data

Interpretation: The above chart shows the occupation of the respondents out of 50 respondents 22 respondents are employees, 15 are business man and remaining are professions.

Table-6: Monthly Income of Respondents

Income	Number of Respondents	Percentage
Up to 15000	Nil	Nil
15000-25000	Nil	Nil
26000-35000	22	44
36000-45000	13	26
46000 and above	15	30

Sources: Primary Data

Interpretation: The 30% of the respondents are having the 46000 monthly income, 44% are having the income between 26000-35000, and remaining are having the income of 36000-45000.

Table-7: Source of the Information

Source of Information	Number of Respondents	Percentage
Friends	18	36
Relatives	5	10
Advertisement	22	44
News paper	5	10

Sources: Primary Data

Interpretation: The source of the information which the investor are received. There are 44% are received the information through the advertisement, 36% are through friends and reaming 10% are through relatives and newspaper.

Table-8: Knowledge about Systematic Investment Plan

	Number of Respondents	Percentage
Know	37	74
Don't know	13	26

Sources: Primary Data

Interpretation: There are 74% of the responded are aware about the systematic investment plan and reaming are not aware.

Table-9: Factor Influence on Investment Decision

Factors	Number of Respondents	Percentage
Self	22	44
Family	Nil	Nil
Friends	15	30
Dealers	13	26

Sources: Primary Data

Interpretation: The above chart reveals that the majority of the investors takes self decision on the investment and 30% and 26% of the respondents were invested because of the friends and dealer advice.

FINDINGS OF STUDY

The majority of the investors are in the age between 26-35 year.
66% of the respondents are male and remaining are females.
Out of 100% respondents more than 50% are married.
The educations of the respondents are graduation and post graduation.
The majority of the respondents who invested in the investment are businessmen and employees.
The investor's monthly income is more than 25000 per month.
There are 74% of the respondents are aware of the systematic investment plan.

Majority of the investor invested in systematic investment plan because of the friends and advertisement.
The majority of the investor takes self decision for the invest in the systematic investment plan.

SUGGESTION

- More mindfulness about SIP can be made to the overall population through commercials special projects and so forth.
- Legitimate rules must be given to Business, agriculture individuals for enhancing their mindfulness with respect to ventures.
- Merchants can make more mindfulness with respect to SIP to expand speculator's state of mind towards SIP.
- Merchants can have a well disposed approach with financial specialists to advance speculator's basic leadership control on common assets.

CONCLUSION

The mutual fund is growing industry in India because there small investors who are willing to invest in the capital market. But they find difficult in the investment in capital market due to money constraint. But the mutual fund helps even the small investor to invest in the mutual fund scheme by giving them variety of option for investment. In this investment systematic investment scheme is one major scheme for the investors, it help them to invest in the fund by small amount to large amount in this way this is different from other investment avenue.

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IMPACT OF GOODS & SERVICES TAX (GST) ON BANKING SECTOR: A VIEW

Dr. P. Saritha[30]

ABSTRACT

The banking sector is one of the largest services sectors in India. The implementation of the Goods & Services Tax (GST) will likely prove to be a challenge for the sector on two counts - First, due to the higher GST rates compared to the current service tax rate (read here how GST Rates Could Impact Your Business Strategies) and second, due to the vast geographical reach of most banks. With the GST coming close on the heels of demonetization, the banking sector needs to ensure that they are ready for this new tax regime. Banks have always been a huge pillar of the Indian economy and taxpayers are literally relying on them for GST payments / financial needs. Given this, the GST Council must provide clarity on GST for the banking sector and shed light on several open-ended issues that are plaguing them currently. GST was recommended in 1978 and could see the light on 1st July 2017. GST, which would replace 11 indirect taxes in India, has impact on all major business sectors. Banking industry would get impacted significantly. Obtaining separation registration in each State, identifying inter-state transactions, valuation, operational restructuring, reconciliation of branches Statewise, filing of returns on monthly basis are some of the challenges. Banks would be having multiple branches spread across different states and the transactions would be voluminous. GST levy is on supply concept, which is very wide. Banks need to review all the income transactions to assess GST impact. All reports and returns are being automated in GST law.

In the current scenario, there are around 25 public sector banks and 20 privately operated banks in India. In a way, the banking sector is one of the most prominent job creating sectors. Also the strength of an economy is an extension of how efficiently banks function. The services offered by banks are charged at 14.5 percent. But experts suggest that once the GST takes full effect, the services will become costlier as the standard rate of various services will rise to 17 to 18 percent. Some are even citing it to go as far as 18-20 percent. There are various services in the banking sector that are currently service tax free. These mostly include services like payable interests, savings accounts and loans disbursed. All these are likely to incur GST unless there is a special provision to exempt them. Also there are various schemes of the government aimed at the weaker sections of the society.

These services are often tax free. But once the GST comes into play, these services are likely to get costlier. The other downside of the increased rate on input services is that operating expenses will go higher as well. By operational cost we mean: rents, legal professional fee, advertisement and all other paraphernalia. GST is also expected to increase the burden on financial services as financial services may need to adhere to charges varying across states instead of the current system of centralized registration compliances. There has been some doubt in the financial sector over another issue. GST is a destination based tax and thus it can be a little arduous to decide upon the destination of the services. This may lead to a situation where it will be a little complicated to determine the state GST, central GST or inter-state GST. Current system requires that the services are taxed where the services are rendered. Since the economic reform has just been passed by the parliament and there is a long way to go before it accepted and adopted, there is an ambiguity over how it will impact certain sections of the banking sector.

INTRODUCTION

The banking sector is one of the largest services sectors in India. The implementation of the Goods & Services Tax (GST) will likely prove to be a challenge for the sector on two counts - First, due to the higher GST rates compared to the current service tax rate (read here how GST Rates Could Impact Your Business Strategies) and second, due to the vast geographical reach of most banks. With the GST coming close on the heels of demonetization, the banking sector needs to ensure that they are ready for this new tax regime. Banks have always been a huge pillar of the Indian economy and taxpayers are literally banking on them for GST payments / financial needs. Given this, the GST Council must provide clarity on GST for the banking sector and shed light on several open ended issues that are plaguing them currently.

IRIS has been in the compliance space for over 2 decades having worked with regulators and filing entities alike. On one hand, our solutions power the likes of the Reserve Bank of India and Bank of Mauritius on the regulatory side, and on the other, we support banks in meeting their compliance filing requirements (FATCA, XBRL, FIU Reporting) and offer solutions for CRILC analytics.

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GST ON BANKING

Transaction fees in financial services such as credit card payments, fund transfer, ATM transactions, processing fees on loans etc is **increased to 18%** tax bracket in the new GST regime.

- The hike in the tax rate means, individuals will have to pay Rs 3 more for every Rs 100 paid as charges/fees for banking transactions.
- Most banks have now applied transaction charges on cash withdrawals from different bank ATMs or cash withdrawals from branch (first 5 transactions is free).
- Bank branches provide services to each other, which will be taxable under GST (they can later claim input tax credit). But this will increase the paperwork and the operating cost also.
- Good news for business consumers is that they can claim ITC on the banking services paid on their business accounts.

In the current scenario, there are around 25 public sector banks and 20 privately operated banks in India. In a way, the banking sector is one of the most prominent job creating sectors. Also the strength of an economy is an extension of how efficiently banks function. The services offered by banks are charged at 14.5 percent. But experts suggest that once the GST takes full effect, the services will become costlier as the standard rate of various services will rise to 17 to 18 percent. Some are even citing it to go as far as 18-20 percent. There are various services in the banking sector that are currently service tax free. These mostly include services like payable interests, savings accounts and loans disbursed. All these are likely to incur GST unless there is a special provision to exempt them. Also there are various schemes of the government aimed at the weaker sections of the society.

These services are often tax free. But once the GST comes into play, these services are likely to get costlier. The other downside of the increased rate on input services is that operating expenses will go higher as well. By operational cost we mean: rents, legal professional fee, advertisement and all other paraphernalia. GST is also expected to increase the burden on financial services as financial services may need to adhere to charges varying across states instead of the current system of centralized registration compliances. There has been some doubt in the financial sector over another issue. GST is a destination based tax and thus it can be a little arduous to decide upon the destination of the services. This may lead to a situation where it will be a little complicated to determine the state GST, central GST or inter-state GST. Current system requires that the services are taxed where the services are rendered. Since the economic reform has just been passed by the parliament and there is a long way to go before it accepted and adopted, there is an ambiguity over how it will impact certain sections of the banking sector. Trading in securities, foreign exchange, interest on loans and are expected to be covered under GST. However, there have been suggestions from the industry asking these services to be exempted from GST. But these are initial days and it remains to be seen whether the authorities pay heed to these recommendations or not.

From outside, banking seems to be one of those sectors which might not get as much favour as some of the other sectors are expected to get from GST but there are some positives as well. As expected, GST will curb tax evasion and will check the parallel economy thus widening the tax base. This will lead to demand for extra funds and ensure more accounted transactions. There are many facets of debate on GST and its impact on the banking sector and it is a tad difficult to assume a clear picture at the current moment but the opacity is expected to fade out once the model is adopted. However, one thing is certain, it may or may not turn out to be fruitful for the banking sector, its implementation will certainly be a watershed moment in the history of banking in India channelling a new course altogether.

IMPACT OF GST ON BANKING SECTOR REGISTRATION

Registration

As per Model GST Law, banks having branches in multiple States and Union Territories (UTs) will be required to register in each such State and UT.

Currently, banks follow the Zonal or Regional structure where for one large State, there may be more than one Zone and conversely, one Zone may comprise more than one State.

Accounts and Administration

- As GST stands today, transactions between two branches of same bank is set to trigger a tax, which could prove to be cumbersome.
- GST would require restructuring of accounting, administration and control mechanism in the IT systems and processes of banks to be able to maintain financial records of each State separately.
- GST being levied on branch transactions could be cumbersome because of the enormous number of financial transactions being carried out.

Services by Bank

- Some services by bank to a customer are centralized (Ex: Demat Account, Wealth Management services, bigger home loans etc.) while some others are localized to branches (Ex: Savings account, Personal loan, OD etc.).
- Banks provide different types of services to customers like Debit Card, Credit Card, Internet banking, Cheque Clearance, NEFT, RTGS, IMPS, Funds Transfer, Demand Draft, Demat Account, Wealth Management services, home loans, Savings account, Personal loan, etc.
- Bank Head office also provides services to branches which may become taxable under GST. The IT systems of banks need to be upgraded to meet all these requirements related to multiple registrations, determining point of supply of services, compliance needs and Input Service distribution.
- Currently, the power to levy and collect Service Tax on all services is with the Centre. With the introduction of GST, the States would also be empowered to levy GST on services.
- Accordingly, on the same activity, there would be two levies, namely Central GST (CGST) and State GST (SGST), levied and administered by the Central Government and State Governments respectively. For interstate supply of
- Several activities of banks are currently exempt from service tax (Ex: Fund based activities like interest payable on deposits / savings bank accounts and loans disbursed) which would incur GST unless otherwise exclusively exempted.
- It will be impossible for banks and finance institutions to value services provided by one branch to another and then pay GST on that.

Place of Supply of Goods and Services

- In banking industry, it's interesting to know the place of business.
- Even though the person is having an account in a single location, he can do the transactions across globe through internet banking.
- The account holder can use his mobile or laptop and can do transactions from anywhere.
- A Customer having an account in Chennai may do the transaction from Delhi and can transfer money to persons from Kolkata having account in Mumbai. Here point of supply identification is very much required for taxation purpose under GST.
- As per law even though it can be tracked it will be cumbersome tasks and determining point of supply of services would add significantly to the compliance cost.
- Taking the example above, is it required to take the registration across India in each state and Union Territory to abide by the laws of each state and Union Territory.
- As per section 6(13), in the case of banking and other financial services (BOFS), the place of supply shall be the 'location of the recipient of service' on the records of supplier of services.
- Example- Let a person X applied for a personal loan to PQR Bank.

  PQR bank did the following activities:
    - Initial verification is done by outsourced local agencies,
    - Loan processing is done centrally,
    - Disbursement done locally,
    - Repayment done by net banking/ECS mandate.

  Under such circumstance determining point of supply at each stage is very cumbersome.
- In order to determine the GST, it would be necessary to determine the place of receipt of supply of service and place of supply of service.
- It is possible that actual recipient of such services may be different offices/ plants of the customer situated in different States and therefore, there could be a doubt as to whether each time, the bank would be required to capture the location of the recipient of service for each transaction.

Invoicing

- Section 25 of the Model Law requires uploading of invoices on Goods and Services Tax Network (GSTN) by 10th of the next month.
- It means wherever the recipient of service wants to avail input tax credit, each and every document, where under certain fee or commission or charges have been charged and on which GST is levied, is required to be uploaded electronically on the GSTN by the service provider.
- It is a fact that banks do not issue commercial invoices for every service rendered.
- It would practically be a very difficult task to issue invoices for such small amounts and uploading them on GSTN.

Repossession of Assets of Defaulters

- As per existing law and practice, when a bank repossesses assets from a defaulter of loan and sells the same, VAT is paid by the bank as a 'dealer' in terms of State VAT laws. Treatment of this under GST will be quite interesting, which need to be looked upon.

Tax Rate

- Services offered by banks are taxed at 14.5% currently which under GST regime are likely to become costlier at standard rate of 17-18%. Several activities of banks are currently exempt from service tax (Ex: Fund based activities like interest payable on deposits / savings bank accounts and loans disbursed) which would incur GST unless otherwise exclusively exempted. Several services provided to weaker sections of society could get taxed if not exempted making the services costlier.

Elimination of Cascading Effect

- Banks will also be able to set-off their GST liabilities against credit received on purchase of goods (IT infrastructure and furniture etc.) and resultant savings could get ultimately passed onto end customer. Through the concept of ISD (Input service distribution) the accumulated input credit could be transferred and utilized in cases of locations discharging GST liability are different from location where inputs are received.

Business Process Change

- Banks provide services to customers who are mobile not only pan-India but international as well. Ex: Credit cards issued by Bank from central location to a customer may be swiped anywhere. With advent of net banking the address of customer in account is not where he necessarily stays and obtains banking services (Ex: Cheque book, Loans, Statements etc.) A customer having his account in Bengaluru may during his vacation in J&K transfer funds by mobile/net banking to somebody in Hyderabad. Determining point of supply for services would add significantly to compliance costs. Under such circumstance a bank having presence in only 10-15 states will have to take registration for 37 states/UT.
- In case of loans availed by customers, the initial verification is done by outsourced local agencies, loan processing is done centrally, disbursement done locally, repayment done by net banking/ECS mandate. Under such circumstance determining point of supply at each stage is very cumbersome.
- Several services by bank to a customer are centralized (Ex: Demat Account, Wealth Management services, bigger home loans etc.) while several others are localized (Ex: Savings account, Personal loan, OD etc.). As is evident these complexities add to compliance costs due to multiple assessments and audits. Clarity on single/multiple ISD registration for distributing inputs across multiple states is needed.
- As banks deal with a host of vendors, reversal of ITC for services availed from a blacklisted dealer or dealer who does not discharge his GST liability would lead to increased costs and necessitate additional efforts in tracking dealer status.
- Bank Head office also provides services to branches which may become taxable under GST. The IT systems of banks need to be upgraded to meet all these requirements related to multiple registrations, determining point of supply of services, compliance needs and Input Service distribution.
- Complying with the requirements of reverse charge and partial reverse charge mechanism would add to further compliance costs.

DIFFICULTIES TO BANKING INDUSTRY

- All the bank need to register for their all office location.

- They have to maintain separate books of account to have a control for all input tax credit and utilized and unutilized credit.
- Due to registration of all location, many banks and financial institutions may be in for a lot of trouble as they could just see the complexity in paying taxes increase under the GST.
- Complying with the requirements of reverse charge and partial reverse charge mechanism would add to further compliance costs.

BENEFITS TO BANKING INDUSTRY

- Bank will be able to set off their GST liabilities against credit received on purchase of goods.
- Under the existing CENVAT mechanism, banks are eligible to take partial credit of excise duty and service tax paid on procurement of qualifying goods and services which are used for provision of output service.
- Banks do not get input tax credit of State VAT paid on any goods procured by them. As all these indirect taxes will be subsumed in GST, banks will be able to take credit of GST paid on procurement of goods as well.
- Input tax credit is not allowed as per current CENVAT rules. But under GST regime input tax credit will be allowed which would be used by a bank for making outward supply in the course of
- GST Will help to reduce tax evasion. Under GST doing business will be easy. The increase in business will lead to additional demand of funds. Addition demand of funds will lead to increase in number of transactions in the bank as the business and current scenarios ask to go for digital transaction.

CHALLENGES OF BANKS WITH GST

State wise Registration Requirement

Currently, all banks have centralized registrations under the Service Tax laws for all its branches. Branches of banks in multiple states & Union Territories (UT) will now require separate **registrations** under GST. Under GST, all records have to be maintained for each state separately. This will be cumbersome and challenging at the same time. In case a bank has multiple branches in one State, only one registration is required for all the branches in that State. Therefore, government should provide some special scheme to the banking sector to reduce the burden of banking sector largely differs from that of other industries.

Place of Supply can be important

GST is a place of supply based tax regime. Bank branches usually conduct transactions, both within and outside states therefore determining the place of supply will not be easy. The place of supply of the bank, they need to decide whether the payment is against **CGST**, **SGST** and **IGST** based on the type of transaction (intra-state or inter-state).

For example, inter-state supplies of goods or services (or both) between two branches of the same bank, located in two States, will also attract IGST.

Keeping in view the large number of transactions in the banking sector, taxpayers need not mention the serial number in their invoices and the address of the customer.

Taxability of Interest'

In the current tax regime, interest is not taxed. Also, governments across the world do not impose GST on interest. If interest is not expected to attract GST, it will have implications on **Input Tax Credit** claimed by banks.

Paying GST at applicable rate

Now-a-days, banks also deal in commodities like gold/silver on which a concessional GST rate is expected to be applicable. Therefore, banks need to be careful in paying GST with the appropriate **applicable rate** on different products.

Complexities in the Nature of Transactions

The banking industry has come up with many ways of doing business where the transaction trials are very difficult to identify even for the banking employees. All the banking transactions are routed through CBS (Core Banking System) where debits and credits of lakhs of transactions happen on real time basis. Banks deal with number of diversified partners right from the Government till the individual citizens. Further the accounts are maintained at home branch where in the services are received by the customer at any of its branches located anywhere in the world which would be transacting branch.

The GST impact needs to be analysed at each level of operations like cheque / Drafts/ cards/ issue process, ATM operation, credit wing, securities, letter of credit, net banking, cash backs and reward points, loans and advances, deposits, point of sale transactions and it goes on and on. The conditional free services say free cheque books for maintaining minimum balance of certain amount could be subjected to valuation issues unless care taken.

The major challenge for each bank would be to identify and understand its own nature of supplies, the transaction flow and then the place & time of supply of such supplies, the valuation in absence of consideration and majorly identification of the location from where the service is rendered.

Registration Woes

Unlike service tax law, there is no concept of centralised registration in GST. State wise registration needs to be obtained in each state where there is business. Even if ATMs are installed without actual branches, then also registration could be required under GST, though it could the fixed establishment of the vendor who manages them. More number of registrations lead to more administrative woes. Keeping track of expenditures incurred, ascertaining the type of tax applicable, distribution of credits etc. would pose challenge as these aspects to be taken care at state level rather than at central level.

Banks have one Head Office, multiple Zonal Offices and then Regional Office and then comes the branches. Selection of principal place of business in each State itself could be an issue. Adding all the other place of business in the registration would be a practical challenge considering the number of branches in a state.

If there are common expenses incurred at a particular location, then there is also a need for obtaining input service distributor (ISD) registration in GST to distribute input tax credits. If there is inter-unit billing system, this need may not arise.

Increased Compliance

State wise registration warrants State wise record keeping, assessment and audit compliances. It also means State wise filing of returns. The common returns to be filed in GST are GSTR-1 (outward supplies), GSTR-2 (inwards supplies) and GST-3 (Consolidated return). If the banks obtain ISD registration, then there is an additional return to be filed in form GSTR-6. There is a matching concept which is being introduced in GST for credits. If the details of outward supplies uploaded by suppliers and disclosed by assesse are not matching, then there is a threat to credits. Therefore, there is a need for reconciliation of inward and outward supply details on monthly basis. Such reconciliation is needed for each registered state. Considering the number of branches a bank can have in a State, the reconciliation would take substantial time and would need automation.

Cost of compliance could also go up as banks would be filing returns broken into 3 different days every month for each State as against one ST-3 return on half yearly basis at central location.

Further, banks need to keep track and record of services provided to other branches located in other States and the services provided to State/ Central Government which are subject to reverse charge mechanism at registration level. Even the statements issued by the banks in lieu of invoices need to contain all the mandatory requirements of a tax invoice except the consecutive serial number and the address of the recipient of service. This would certainly increase the compliance work at each transaction level.

Impact on Input Tax Credit

Normally banks do not avail credit of VAT paid on procurements as generally there would not be any sale of goods. In rare cases, there could be sale of repossessed assets from customers on account of payment default. Service tax paid on input services is eligible as credit. However, as the interest income of banks are exempt from service tax, there is an option of availing 50% Cenvat credit of service tax paid on input services. This is under Cenvat credit rules 2004. The excise duties or import duties paid on capital goods are allowed to the extent of 100%.

Section 17(4) of CGST law also allows 50% credit benefit on input services. However, the law requires 50% credit availment even on capital goods which would be disadvantageous for banks as earlier they were eligible for 100% credit. However, there would be increase in credit as banks would get credit of tax paid on purchase of all inputs including security stationeries, debit/ credit cards, printed materials and huge amount of business assets like computer equipment which hitherto was not eligible. Tax paid on all stationery items such as bill books, cheques, challans etc would be eligible for credit of 50%. This 50% restriction is not applicable for inter unit billings. In other words, if there are inter branch billings, full credit of tax charged in invoice would be allowed if such branches have common Permanent Account Number (PAN).

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Updating Location of Customers to Identify Type of Tax Payable

In case of banking services, the place of supply of services for levy of GST would be location of service receiver on records of bank. Not updating the locations of customers especially business customers could result in payment of wrong type of tax and denial of credit to customers. For example, for a customer who is in other state, if local CGST and SGST is charged, the customer would not be able to claim credit. This results in refund scenario and all of us know that getting refund from government department would not be easy. There is a need to update customer profiles to ensure that correct type of taxes are charged with proper registration number of customer. Where the customer is located outside India, the place of supply would be the location of bank and accordingly local SGST & CGST needs to be discharged on such transactions.

Tax Payable on Inter Branch Billings

In case of inter branch billings wherein branches have separate registration numbers, GST would be payable on any supply of goods or services. At each branch level, such transactions to be tracked for payment of GST.

Identification of individual support services rendered among interstate branches itself is practically impossible for any banking company. The representations have been made to the Government to exclude the inter unit transactions from the GST net for the banking and financial institutions which is uncertain till date.

The valuation mechanism should be configured in systems as all the banking processes are automated. Till today self-service or self-supply of goods was not subject to tax. In GST regime, this would change. Banks need to prepare well for implementing these changes for better compliance under GST.

Banking services charge 15% service tax currently which will increase to 18% under GST. Like insurance, banking services will also become more expensive to the customers due to increase in taxes.

Most banks have now applied transaction charges on cash withdrawals from different bank ATMs, cash withdrawals from branch (first 5 for both are free). All these attract 15% service tax which will increase to 18% under GST regime.

Banking Companies

Banking companies will pass on the tax liability to their customers. However, their administrative and compliance work will increase tremendously. Branches give services to each other which will be taxable under GST (they can later claim input tax credit). This will increase the paperwork and therefore the operating costs. Good news for business consumers. They can now claim input tax credit on the banking services paid on their business accounts.

The prevailing cascading taxation structure has been replaced by the GST regime, making the slogan of 'One Nation, One Tax' a reality. As expected it is making its impact on the each and every business sector including the service sector. In the service sector, specifically the financial services, NBFCs, and Banks, which is based on funds and insurance are deeply impacted.

In the light of the operations given by banks and NBFC such as lease transactions, hire purchase, related to actionable claims, fund, and non-fund based services etc., GST compliance is expected to witness some difficulties in executing in these service sectors. In short, we can say that the impact of **GST on the banking sector in India** is going to be adversely affected by this taxation system.

Under Model GST Law, the structure does not give much advantages or consideration to banks and NBFCs on comprehension of the kind of transactions made by them on a consistent and voluminous basis.

Some major issues being faced by the Banking sector pertaining to the GST Law have been talked below.

1. A numerous number of branches making registration process a big hassle:

As of now, NBFC, Banks with pan-India operations can release its service tax compliances through a solitary `centralized' registration process. But now under GST, such Banks/NBFCs would need to get a different registration for each state where they work. In addition to this compliance burden about filing of returns has also expanded generously – Notwithstanding enlistment, consistency trouble about documenting of profits has likewise expanded generously – as far as the periodicity of returns, number of return configurations and level of subtle details required in these returns.

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2. Input Tax Credit advantages and disadvantages

Presently, Banks and NBFCs significantly pick the alternative of inversion of 50% of the CENVAT credit availed against inputs and input services while CENVAT credit on capital merchandise could be availed with no inversion conditions.

Under GST, 50% of the CENVAT credit availed against inputs, input services, and capital products is to be reversed which places them in a state of decreased credit of 50% on capital merchandise consequently increasing the cost of capital.

3. Assessment and Adjudication made troublesome

The assessment would be finalized by the respective state regulators under which the individual branch is enrolled. At the moment, every enlisted branch of banks and NBFCs must legitimize its position on changeability in the respective state and purpose behind using input tax credit in various states.

As under GST, more than one adjudicating authority will be included, every authority may hold an alternate opinion on the same fundamental issue. This inconsistency in opinion will delay the adjudication procedure. At present, a taxpayer is adjudged by a solitary adjudicating authority on an issue included. Under GST diverse adjudicating authority may take an alternate view on a similar issue. Clearing up and managing with the difference of opinion given by the diverse adjudicating authority would be troublesome.

ISSUES PERTAINING TO THE REVENUE RECOGNITION UNDER GST

1. Account Linked to the Financial Services

The place of supply will be the location of the beneficiary of services on the records of the supplier of services. In the digitized and centralized situation prevailing in India recognizing the condition of the location of service beneficiary will be very troublesome. In situations where the service beneficiaries like professionals, manufacturers, merchants and different workers regularly move from one place to other looking for better opportunities, the service provider may have the diverse address like permanent address, current address, the address of correspondence and KYC address.

2. Non-Account Linked Financial Services

The place of supply of services here would be the area of service provider. This will again hit such organizations which are spread in the remote areas to build up their presence yet work and execute from a back office situated in some other state.

3. Actionable Claims

Actionable Claims don't constitute as a service under Service Tax, and henceforth no tax is payable under the present regime. Under GST actionable claims are currently incorporated into the supply of goods. Services given from bills discounted to securitization will now be taxed as an impact B2C and B2B significantly.

CRITICAL IMPLICATIONS OF GST ON BANKING SECTOR TO HELP BANKS PLAN THEIR GST IMPLEMENTATION STRATEGY

1. Substantial Increase in Compliance

GST is a parallel tax regime where the States and the Center, tax the payer in one go. Hence, banks may need to obtain State-wise registration in every State where they have a branch. In case a bank has multiple branches in one State, only one registration is required for all the branches in that State. However, most banks have a multi-state presence. State-wise registration will therefore lead to a substantial increase in compliance levels, especially because most banks have obtained a 'centralized' registration under service tax. So, currently, a bank may be filing only two returns on an annual basis as a service tax assesse, but with GST, the bank might be required to file as many as 61 returns per year for every State they are present in (five returns per month plus one annual return).

2. Determining Place of Supply Could be Critical

GST is a 'place of supply' based tax regime. Hence, for every transaction in GST, the bank will need to determine the place of consumption where GST will be paid. With bank branches conducting several transactions, both within and outside States, determining the place of supply will not be very easy. The Model GST Law casts the onus of determining whether a transaction is 'intra-state' or 'inter-state' on the assesse. So, banks will need to decide whether the payment is against Central GST (CGST) and State GST (SGST) or Integrated GST (IGST), based on the type of transaction.

Moreover, inter-state supplies of goods or services (or both) between two branches of the same bank, located in two States, will also attract IGST. The GST charged will be available as credit to the receiving branch; however, tracking such transactions could prove to be a cumbersome task.

Services being intangible in nature, proxy rules/ provisions are prescribed in the GST framework to help the assessee determine the place of consumption. Though, typically, the place of consumption for banking services (as per revised draft IGST Act) is the location of the recipient of services on the records of the supplier. But there is ample scope for wrong determination for a pan-India bank as there could be a dispute on who the service recipient is.

Further, in cases where there is a dispute over the place of supply of services, the taxpayer may get entangled in legal disputes. Currently, the GST legislation provides that if an assessee wrongly pays, say CGST and SGST (on a belief that the transaction is intra-state), instead of IGST, then they will have to pay the correct taxes (i.e. IGST) again and claim a refund for wrongfully paid taxes.

Ideally, instead of putting the onus on the taxpayer to determine whether the transaction is intra-state or inter-state, the GST law should provide for a simpler redressal mechanism.

3. Taxability of 'Interest'

In the current tax regime, the service tax legislation does not tax 'interest'. But with GST, the term 'service' is defined in a wide manner to cover 'anything other than goods' which may cover interest as well. Governments across the world do not levy GST on interest given the fact that there is always a debate on whether interest is the time value of money or a consideration for lending money. The GST Law in India too should clarify if interest is outside the ambit of GST. If 'interest' is not expected to attract GST, it will have implications on input tax credits claimed by banks.

4. Paying GST at Applicable Rate

With GST, services are expected to attract 18% GST. This rate is higher by 3% from the current service tax rate of 15%. This may make banking services such as issue of cheque books and demand drafts more expensive, particularly for retail customers.

Another point to note is that these days banks also deal in commodities such as gold / silver where a concessional GST rate is expected to be applicable. Therefore banks need to be careful in paying GST with the appropriate applicable rate on different products.

CONCLUSION

Banks would for sure face lot of challenges for transition to GST from present indirect taxation system. Professionals have a major role to play in assisting the banking sector for implementation of GST for smoother transition. Chartered accountants with knowledge of IT are more suited for this job. With the desire of further subtle elements to develop, financial sectors confront a jar of worms regarding the way of transacting business, client profiles, services framework, IT frameworks and operation to catch the information at both front and back end. IT frameworks should be more cautious in terms of serving the purpose of solving the complexity related to GST. Implementation of GST will create a fuss for banking sector. Consumer will be charged 3% more under GST. There is a lot of confusion about how banking sector should charge their customers. Intra-state and inter-state transactions will also become a cumbersome task for the bank.

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ROLE OF GOODS & SERVICE TAX ON HEALTH SECTOR: AN OVERVIEW

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ABSTRACT

In India many types of tax systems were prevailing in the past, and during British period, there were significant changes in the taxation system. There after many changes took place time to time. To make the Indian Tax system more uniform, Goods and Services Tax has been introduced in India from 1st July 2017. Goods and Service Tax (GST) rate tariff in India is designed in 6 categories of goods and services. Four main GST rate slabs framed with Essential goods and services, Standard goods and services and luxury goods and services with 5%, 12%, 18% and 28% respectively. Commonly used Goods and Services at 5%, Standard Goods and Services fall under 1st slab at 12%, Standard Goods and Services fall under 2nd Slab at 18% and Special category of Goods and Services including luxury - 28%. The most essential goods and services attract nil rate of GST under Exempted Categories. Luxury goods and services and certain specific goods and services attract additional cess than 28% GST.

INTRODUCTION

GST is hailed as the biggest tax reform since independence. Parties on both sides of the political divide say it is a good initiative but may disagree on preparedness to implement and the rates on various goods. It will include all taxes at various stages of value addition in production process of goods and services i.e. buying raw material, manufacturing of components and final product, warehousing, and transportation and final sale to customer. These taxes were levied by multiple authorities such as local (municipalities), state and central governments. The final customer will pay GST while purchasing from the last dealer. Thus it is not a new tax but replaces all taxes which were levied at all the previous stages in production and sale process with one tax.

Now there is one tax with two components i.e. state components and central. The state component will go to the state in which final transaction took place and central component will go to central government. GST is expected to increase the government revenue as tax evasion will be checked and many services that were not under the service tax regime will come under GST. The increase in Government revenue will improve investment in health and the social determinants of health. It will also provide transparency and certainty in the Indian tax system. It will improve the ease of doing business in India for both local and off-shore investors.India's current standing globally in ease of doing business is 130 out of 190 countries. Globally, GST is seen as a simple, efficient and successful form of indirect tax reform. It will contribute to accelerate economic growth in India by replacing the current multiple (more than 15), inefficient, irrational and complex indirect tax system in India.

GST on Hospital Healthcare (GST Rates)

The Effect of GST on Hospitals, Medicines sold at Medical Shop. GST on Medical Services and also GST on Healthcare on a whole has been explained below in a clear way possible. With the introduction of GST in India, almost every industry has been effected to a large extent and Hospital are no exception. Even though the crucial area of Medical Sector is exempt from the applicability of GST, certain healthcare services are still taxable. GST Rate List and Tariff on Hospital Services has also been provided below.

Table-1: GST Effect on Hospital & Medical Services

Basic Exemption	Yes
GST on Medicines	Taxable
Blood Bank	Exempt

Sources: Authors Compilation

Basic Exemption from GST to Hospital & Medical Services

The main Entry No: 82 of Exemption List of Services from GST covers the main area of medical sector for Medical Practitioners. The Entry hereby is as follows:

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- Health care services by clinical establishment, an authorized medical practitioner or Para – medics;
- Services provided by way of transportation of a patient in an ambulance, other than those specified in above.

In the above clarification is not given regarding the definition for the words:

- Health care services
- Clinical Establishment
- Authorized Medical Practitioner

Thus, the same definition of service tax is considered so accordingly, GST shall be liable for services provided by medical practitioner for purpose of Care and not for any curing of disease or disorders but for beautification or improving physical appearance.

Generally, the services provided in the Hospital Sector consists of:

Out-patient Department: GST on Hospital & Medical Services

Medical consultancy for Out-patient including regular checks- up and small treatment. It also includes medical consultancy and treatment without admitting a patient in the Hospital. These services are exempted from GST. Sale of owned medicine while doing treatment or consultancy directly in shop or through doctor is not exempted from GST.

In-patient Department: GST on Hospital & Medical Services

In-patient includes the various surgeries conducted on the patient, charges for room rent, consultancy charges, food & beverages, bed charges, operation theater rent, equipment charges, Doctor fees, pharmacy consumed. (All the charges are recovered from IPD for purpose of curing of disease or disorder)

The above services are exempted from GST as per SR No 82: Health care services by a Clinical Establishment, an authorized medical practitioner or para-medics.

Tests: GST on Hospital & Medical Services

Various test in a hospital may include charges collected directly by Hospital or charges collected by Centre and then proportionate charges are shared between doctor and Centre owner OR monthly fixed payment is made to the Doctor by such center.

GST is exempted under both the situation as such services either directly or indirectly is given as health-care services and thus is covered under Sr.No.82 of Exemption List.

Sale of Medicine: GST on Hospital & Medical Services

Sale of medicine by medical practitioner itself to the patient will be chargeable to GST at the rate specified. Also if the sale is done through the medical shops owned by such practitioners, such sale will also be liable to GST on MRP basis. MRP based taxation is the system where the MRP includes the GST rates inclusive on such product and thus the GST will be paid by such medical shops to the Government of India.

GST cannot be levied separately on the medicine bills by the medical shops to the customers. Medical services not for the purpose of curing disease but for the purpose of enhancement of beauty or physical appearance of the person are not covered under Sr.No.82 of the exemption list and thus such services are liable to GST.

Bio -medical waste Treatment

Bio-medical waste means 'Any waste which is generated during the diagnosis, treatment or immunization of human beings or animals or in research activities pertaining thereto or in the production or testing of biological'. Bio-medical waste cannot be disposed off anywhere and thus bio-medical waste operator are appointed by Government who collects such wastages and dispose it off accordingly to the guidelines. Thus when the services are provided by the Bio-medical waste treatment operator to the clinical establishment for treatment of Bio-medical waste, NO GST will be levied on such services according to the Entry No.11 of the Exemption list.

Blood Bank Services: GST on Hospital & Medical Services

According to Entry No.60 of Exemption list of Services from GST list, services provided by Cord Blood banks by way of preservation of stem cells or any other services in relation to such preservation. Thus the services provided by blood bank and other services needed by blood bank for such preservation are covered in above entry and are exempt.

Input Tax Credit: GST on Hospital & Medical Services

As per Section 17, Input Tax Credit is not allowed on input or input services used for following purposes:

- Used for non-business purpose (For example Property of Hospital is used by doctor for his family purpose)
- Used for exempted supplies (For example any Health Care Service as mentioned in Sr.No.82 of Exemption list.

GST AND HEALTHCARE SECTOR

Health care is one of the fastest growing sectors of the Indian economy with lots of potential in terms of revenue and employment. Health care is a wider term that mainly includes pharmacy, medical devices, medical insurance, diagnostics and other components of medical care. The GST is going to affect all the components of health care in various ways.

GST and Pharmaceutical industry

About two thirds of the out of pocket expenditure on healthcare is on drugs in India.The burden of all the taxes on drugs in general was about 13 percent in the pre GST period and the current GST is 12 percent as a whole including ayurvedic drugs. The medicines for HIV-AIDS, malaria, tuberculosis and diabetes will be imposed 5 percent GST. The GST on the drugs produced under excise free manufacturing zone is yet to be clarified.The best thing for the pharma companies is that their cost of purchase is going to reduce. Moreover the burden of multiple tax and complexities associated with multiple tax system slowed down the business. GST will give hassle free business environment to the pharma companies. For the consumer the cost of drugs will come down.

GST and Medical Devices and Equipment

The manufacturers of medical devices are also joining the party as medical devices and surgical equipments are proposed to be taxed 12 percent under the GST. The previous burden of taxes on the medical devices and equipment was over 13 percent including all the bunch of taxes. So one percent tax benefit is clearly visible under the new tax system for the medical device and equipment industry. This will clearly give a boost to the industry in the near future. The consumer will also share the benefits in terms of lower price and affordability.

GST and Health Insurance

There is lot of scope of for health insurance in the country like India where the coverage under health insurance is only 18 percentage in urban and 14 percent in rural India in 2016. The GST rate on the insurance sector is 18 percent as against 15 percent service tax in the pre GST era. It clearly indicates that the health insurance premiums are going to increase.

GST and Diagnostics

There is expected rise in the prices of diagnostics such as blood tests, X-rays, MRI and strip based diagnostics as they are put under either 12 or 18 percent slab which is higher than the previous tax rate on these services. In the pre GST era the 10-15 percent of out of pocket expenditure is on diagnostics which is expected to increase in the post GST period. GST will certainly increase the Government revenue in the country with more transparency in the tax system that will further simplify the tax structure. The economy is expected to grow at a faster rate. Every sector of the economy would have its share in the growth of the economy including healthcare sector. In a broad spectrum, it is an analysing phase for the healthcare sector to see the impact of GST. The experts of the healthcare sector are confident that the post GST period will bring the strategic change and will create a positive environment by minimizing the obstacles and complexities in the growth of healthcare sector and have a positive impact to bring down the cost of health.

IMPACT OF GST ON HEALTHCARE AND PHARMA SECTOR

India is the largest producer for generics and the country's Pharmaceutical Industry is currently the 3rd largest in the world in terms of volume and ranks 14th in terms of value. As the population continues to grow, the need for better Healthcare Services is also growing. Currently, 5 percent of the country's GDP is expended on the Healthcare sector. The healthcare sector is expected to touch $150 bn by end of 2017, from $80 bn in the year 2012. The country's healthcare industry has been growing exponentially in last few years, and the Health Ministry targets for the development of new technologies to end the year for treating diseases, such as tuberculosis and cancer. For attracting more FDI (Foreign Direct Investment), the Government has also raised the cap.

EFFECTS OF GST ON THE HEALTHCARE INDUSTRY

The passing of the GST (Goods and Services Tax) Bill has grabbed the attention across all the industries in the country. It would benefit most of the sectors and make the taxation process easier as it will replace a number of different taxes and duties. The Indian Healthcare Industry is now among of the major sectors with respect to revenue and to employment. As the expenditure on the Healthcare increases, so do revenues from taxes. Recently, the Government of India decided for the implementation of GST, which would subsume various taxes of the complex tax system in the country into one uniform tax system.

It is expected that GST would have a constructive effect on the Healthcare Industry particularly the Pharma sector. It would help the industries by streamlining the taxation structure since 8 different types of taxes are imposed on the Pharmaceutical Industry today. An amalgamation of all the taxes into one uniform tax will ease the way of doing business in the country, as well as minimising the cascading effects of manifold taxes that is applied to one product. Moreover, GST would also improve the operational efficiency by rationalising the supply chain that could alone add 2 percent to the country's Pharmaceutical industry. GST would help the Pharmaceutical companies in rationalising their supply chain; the companies would need to review their strategy and distribution networks. Furthermore, GST implementation would also enable a flow of seamless tax credit, improvement the overall compliance create an equal level playing field for the Pharmaceutical companies in the country. The biggest advantage for the companies would be the reduction in the overall transaction costs with the withdrawal of CST (Central Sales Tax). GST is also expected to lower the manufacturing cost.

One more benefit likely to accrue due to GST is the reduction in the overall cost of technology. Currently, the technical machinery and equipment which are imported into the country by the healthcare sector are very costly. Also, the duty which is levied is not allowed as a tax credit under the present tax regulations. However, with GST this scenario might change. Under GST, duty charged on the import of such equipment and machinery would be allowed as a credit.

WHAT ARE THE MAJOR CONCERNS?

There is an uncertainty if the life-saving drugs, Healthcare services, and medical devices would continue to be tax-free once GST comes into force. Till now, life-saving drugs are exempted from the Excise and Customs Duties. Some of the States charge 5 percent taxes on the medicines; it might change once GST comes to play. The Government must continue the duty and tax incentives which are in place already. As the Goods and Services Tax is applicable on all the stages of the supply chain, it is still unclear how this would influence the bonus schemes, free drug samples and the inter-state movement of the expired products or the stock transfers.

One of the prime concerns for the healthcare sector is the inverted duty structure that adversely impacts the domestic manufacturers. The cost of inputs is much higher than output, i.e., the raw materials are more costly in terms of duty than the finished product itself hence depressing investments from the manufacturers. For addressing this issue, the GST structure proposes either to dispose of the inverted duty structure or bring in a refund of the accrued credit. If this is implemented, it would prove to be the biggest advantage for the healthcare sector and would act as a booster for the growth of healthcare industry.

IMPACT ON MEDICAL TOURISM

Speaking about Medical Tourism, India has a definite competitive advantage over the First world countries. Several studies have proved that the cost of health care package including accommodation and travel to India is about 30-40 percent of the similar medical treatment and procedures in First World countries. India brags of having one of the largest healthcare workforces with 50,000 or more doctors and nurses produced every year. As of today, there is a boom in the country's medical tourism that generates extra returns for Healthcare Industry. The revenue from medical tourism in the country has grown from $334 million in 2004 to $2 billion this year.

With the implementation of GST, Medical Tourism is also projected to grow manifold. Also, the formation of National Medical Tourism Board has initiated their policies for solving the issues which are faced by the medical travellers. The Board under the Ministry of Tourism would go a long way to solve the challenges in coordination across different ministries. With the roll out of GST, the cost of insurance, pharmaceuticals, and international travel together with quality health care is expected to reduce which would culminate into better prospects of medical tourism in the country.

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Valsa Nair Singh, IAS, Principal Secretary, Tourism & Culture with the government of Maharashtra, speaking about challenges such as demonetization and GST, claimed that medical tourism is growing in spite of demonetization, and e-visa on arrival has also helped in achieving the same. The medical tourism industry has been assisted by the improved connectivity. "We are trying continuously for replicating wellness, yoga and organic living," she shares. India is home to several alternative medicine practices such as Yoga, Ayurveda, Unani, Sidha, Homeopathy and Acupuncture which are popular among the foreigners. Such alternative medicine practices give India an important edge over most of its competitors such as Thailand, Malaysia, Singapore, UAE and South Korea. It is expected that GST would have a positive effect on these alternative medicine sector and will significantly contribute towards the growth of medical tourism in the country.

GST IN OTHER COUNTRIES

Most of the countries (160) in the world especially the ones with advanced economy have Goods and Services Tax or similar tax system, some have been in place for more than fifty years. These include France (first country to implement in 1954), China (1994 modified in 2016), Japan (1989), Malaysia (2015), Australia (2000), New Zealand (1986), Singapore (1994), and Canada (1991). Globally there are more than 40 models of GST. India's GST system is closer to that of Canada with two components (state and the center).

Even smaller economies like Seychelles, Gambia and Congo have introduced GST in last five year. The countries introducing GST have faced short term disruptions such as protests, inflation spikes, burden on small businesses etc. before the benefits start emerging. India has four slabs of taxes (5, 12. 18, 28 and on some goods sin tax of 40%) where almost all other countries have only one slab.There is no doubt that GST is going to affect almost every sector of the economy in India, so the experts are trying to analyse their respective sectors and their growth under the umbrella of GST.

CONCLUSION

In general, the impact of GST on the Healthcare segment is still indeterminate. However, the Industry specialists have confidence that post implementation of GST customers and industry players will be in a win-win situation. The Healthcare Industry would profit from the GST implementation as it would diminish the complexities and various obstacles to the growth of business. Healthcare sector including the medical tourism is on the way of expanded profitability and promising development.

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IMPACT OF GST ON INSURANCE SECTOR IN INDIA: AN OVERVIEW

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ABSTRACT

India is a developing country and our economy is a mixed economy where the public sector co-exists with the private sector. India is likely to be the third largest economy with a GDP size of $15 trillion by 2030.The economy of India is currently the world's fourth largest in terms of real GDP (purchasing power parity) after the USA, China and Japan and the second fastest growing major economy in the world after China.

Dadabhai Naoroji is known as the Father of Indian Politics and Economics, also known as the 'Grand Old Man of India'. Dadabhai Naoroji was the first to calculate the national income of India. In his book "Poverty and Un-British Rule in India" he describes his theory, i.e. the economic exploitation of India by the British. His theory is popularly called the Economic Drain Theory.

The Insurance sector is the Present pathway to Economic Growth and Development. Their Products are the services that they offer .These services have to be continuously innovative and updated. These sectors have huge market Demand in the present day Economy. In spite of the financial crisis they added to the GDP of the nation to larger extent. And they are continuously growing. But in order to increase their growth they have to convey about their services better and bring customer satisfaction.

The Indian insurance industry will face a temporary brunt as GST implementation will certainly impact insurers as well as individual policyholders. Typically, a policyholder pays a service tax on the risk element of the premium component while the investment element is usually out of the service tax scope. With the implementation of GST, life insurance policies will become dearer by 3 per cent. However, the amount of service tax will vary depending on the risk element embedded in the premium component and tax will be levied only on the risk portion of the premium and not on the saving portion. Therefore, the immediate impact of GST would be higher in term insurance and endowments plans.

For general insurance products, the cost of purchasing policies will undoubtedly increase due to a 3 per cent rise in service tax from the current 15 per cent (including Krishi Kalyan Cess of 0.5 per cent and Swachh Bharat Cess of 0.5 per cent) to 18 per cent. With the introduction and implementation of GST, health and auto insurance policies will also become expensive as these will attract a tax of about 18 per cent on premiums. For instance, if a person was earlier paying a premium of Rs 10,000 with Rs 1,500 as service tax included in the premium, now he/she will have to pay a total of Rs 10,300 (including Rs 1,800 as service tax) for the same product with a net impact of Rs 300. Moreover, input tax credit is not allowed for health and life insurance although the government makes it obligatory for employers to provide it to its employees. Credit will be available when goods and/or services are used to deliver the same category of services or as a part of a composite supply. However, input tax credit is not allowed for retail customers as the goods and/or services are used for personal consumption. As for products/insurance policies sold online, norms have been prescribed for e-commerce companies to go for TCS (tax collected at source) of 1 per cent. They will have to deduct 1 per cent of the taxable value of premium for all new and renewal businesses as tax collected at source. After implementation, insurance companies have to make amendments regarding the renewed transaction handling, registration compliance, operations and information systems as GST implementation demands restructuring of these components in their entirety.

INTRODUCTION

The world economy nowadays is increasingly characterized as a service economy. This is primarily due to the increasing importance and share of the service sector in the economies of most developed and developing countries. In fact, the growth of the service sector has long been considered as indicative of a country's economic progress. Economic history tells us that all developing nations have invariably experienced a shift from agriculture to industry and then to the service sector as the main stay of the economy. This shift has also brought about a change in the definition of goods and services themselves. No longer are goods considered separate from services. Rather, services now increasingly represent an integral part of the product and this interconnectedness of goods and services is represented on a goods-services continuum.

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PRSENT SCENARIO OF INDIAN ECONOMY

India has emerged as the fastest growing major economy in the world as per the Central Statistics Organisation (CSO) and International Monetary Fund (IMF). The Government of India has forecasted that the Indian economy will grow by 7.1 per cent in FY 2016-17. As per the Economic Survey 2016-17, the Indian economy should grow between 6.75 and 7.5 per cent in FY 2017-18. The improvement in India's economic fundamentals has accelerated in the year 2015 with the combined impact of strong government reforms, Reserve Bank of India's (RBI) inflation focus supported by benign global commodity prices.

India's consumer confidence index stood at 136 in the fourth quarter of 2016, topping the global list of countries on the same parameter, as a result of strong consumer sentiment, according to market research agency, Nielsen. Moody's has affirmed the Government of India's rating with a positive outlook stating that the reforms by the government will enable the country perform better compared to its peers over the medium term.

ROAD AHEAD

According to The World Bank, the Indian economy will likely grow at 7 per cent in 2016-17, followed by further acceleration to 7.6 per cent in 2017-18 and 7.8 per cent in 2018-19. Demonetisation is expected to have a positive impact on the Indian economy, which will help foster a clean and digitised economy in the long run, according to Ms Kristalina Georgieva, Chief Executive Officer, and the World Bank. India is expected to be the third largest consumer economy as its consumption may triple to US$ 4 trillion by 2025, owing to shift in consumer behavior and expenditure pattern, according to a Boston Consulting Group (BCG) report; and is estimated to surpass USA to become the second largest economy in terms of purchasing power parity (PPP) by the year 2040, according to a report by PricewaterhouseCoopers. Also, the Prime Minister, Mr Narendra Modi has stated that India has become the world's fastest growing large economy, and is expected to grow five-fold by 2040, owing to a series of policy measures.

IMPLEMENTATION OF GST

The Goods and Services Tax (GST) is a value added tax to be implemented in India. GST is the only indirect tax that directly affects all sectors and sections of our economy.

- The goods and services tax (GST) is aimed at creating a single, unified market that will benefit both corporate and the economy.
- Under the GST scheme, no distinction is made between goods and services for levying of tax. In other words, goods and services attract the same rate of tax. GST is a multi-tier tax where ultimate burden of tax fall on the consumer of goods/ services. It is called as value added tax because at every stage, tax is being paid on the value addition. Under the GST scheme, a person who was liable to pay tax on his output, whether for provision of service or sale of goods, is entitled to get input tax credit (ITC) on the tax paid on its inputs.

IMPORTANCE OF GOODS & SERVICES TAX

Goods and Services Tax (GST) is an indirect tax that will be levied on manufacture, sale and consumption of goods and services. The importance of the GST is that when applicable it will abolish all indirect taxes. Hence the entire system of taxation will be simpler. The present structure of Indirect Taxes is very complex in India and tax rates differ from State to State. And there are Excise duties, Import Duties, Luxury Tax, Central Sales Tax, and Service Tax. GST will bring uniformity and reduce the cascading effect of these taxes by giving input tax credit. GST subsumes many indirect and central levies and allows a producer to claim credit for taxes paid on all inputs, making production efficient. This is expected to reduce the cost for consumers. Finance Minister Arun Jaitley estimates GST will help increase India's GDP by around 2 per cent.

The GST will facilitate 'Make in India' by making one India. The current tax structure unmakes India, by fragmenting Indian markets along State lines. These distortions are caused by three features of the current system: the Central Sales Tax (CST) on inter-State sales of goods; numerous intra-State taxes; and the extensive nature of countervailing duty exemptions that favours imports over domestic production. In one fell swoop, the GST would rectify all these distortions: the CST would be eliminated; most of the other taxes would be subsumed into the GST; and because the GST would be applied on imports, the negative protection favouring imports and disfavouring domestic manufacturing would be eliminated.

The GST can improve tax governance in two ways. The first relates to the self-policing incentive inherent to a valued-added tax. To claim input tax credit, each dealer has an incentive to request documentation from the dealer behind him in the value-added/tax chain. Provided the chain is not broken through wide-ranging exemptions, especially on intermediate goods, this self-policing feature can work very powerfully in the GST. The second relates to the dual monitoring structure of the GST, one by the States and one by the Centre. Critics and taxpayers have viewed the dual structure with some anxiety, fearing two sources of interface with the tax department and hence two potential sources of harassment. But dual monitoring should also be viewed as creating desirable tax competition and cooperation between State and Central authorities. Even if one set of tax authorities overlooks and/or fails to detect evasion, there is the possibility that the other overseeing authority may not.

OBJECTIVES OF GST

- One Country – One Tax,
- Consumption based tax instead of Manufacturing,
- Uniform GST Registration, payment and Input tax Credit,
- To eliminate the cascading effect of Indirect taxes on single transaction,
- Subsume all indirect taxes at Centre and State Level under,
- Reduce tax evasion and corruption,
- Increase productivity,
- Increase Tax to GDP Ratio and revenue surplus,
- Increase Compliance,
- Reducing economic distortions.

FEATURES OF GST CONSTITUTION AMENDMENT ACT

- Concurrent jurisdiction for levy & collection of GST by the Centre (CGST) and the States (SGST)
- Centre to levy and collect IGST on supplies in the course of inter-State trade or commerce including imports
- Compensation for loss of revenue to States for five years
- GST on petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas & aviation turbine fuel to be levied from a later date on recommendations of Council

SIGNIFICANT FEATURES OF PROPOSED GST

The tax structure will be made lean and simple. The entire Indian market will be a unified market which may translate into lower business costs. It can facilitate seamless movement of goods across states and reduce the transaction costs of businesses. It is good for export oriented businesses because it is not applied for goods/services which are exported out of India. In the long run, the lower tax burden could translate into lower prices on goods for consumers. The suppliers, manufacturers, wholesalers and retailers are able to recover GST incurred on input costs as tax credits. This reduces the cost of doing business, thus enabling fairer prices for consumers. It can bring more transparency and better compliance. Number of departments (tax departments) will reduce which in turn may lead to less corruption. More business entities will come under the tax system thus widening the tax base. This may lead to better and more tax revenue collections. Companies which are under unorganized sector will also come under the tax regime.

DUAL GST

Both Centre and States will simultaneously levy GST across the value chain. Tax will be levied on every supply of goods and services. Centre would levy and collect Central Goods and Services Tax (CGST), and States would levy and collect the State Goods and Services Tax (SGST) on all transactions within a State. The input tax credit of CGST would be available for discharging the CGST liability on the output at each stage. Similarly, the credit of SGST paid on inputs would be allowed for paying the SGST on output. No cross utilization of credit would be permitted.

INTER-STATE TRANSACTIONS AND THE IGST MECHANISM

The Centre would levy and collect the Integrated Goods and Services Tax (IGST) on all inter-State supply of goods and services. The IGST mechanism has been designed to ensure seamless flow of input tax credit from one State to another. The inter-State seller would pay IGST on the sale of his goods to the Central Government after adjusting credit of IGST, CGST and SGST on his purchases (in that order). The exporting State will transfer to the Centre the credit of SGST used in payment of IGST. The importing dealer will claim credit of IGST while discharging his output tax liability (both CGST and SGST) in his own State. The Centre will transfer to the importing State the credit of IGST used in payment of SGST.

Destination-Based Consumption Tax

GST will be a destination-based tax. This implies that all SGST collected will ordinarily accrue to the State where the consumer of the goods or services sold resides.

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Central Taxes to be Subsumed

- Central Excise Duty,
- Additional Excise Duty,
- The Excise Duty levied under the Medicinal and Toiletries Preparation Act,
- Service Tax,
- Additional Customs Duty, commonly known as Countervailing Duty (CVD),
- Special Additional Duty of Customs-4% (SAD),
- Cesses and surcharges in so far as they relate to supply of goods and services.

State Taxes to be subsumed

- VAT/Sales Tax,
- Central Sales Tax (levied by the Centre and collected by the States),
- Entertainment Tax,
- Octroi and Entry Tax (all forms),
- Purchase Tax,
- Luxury Tax,
- Taxes on lottery, betting and gambling,
- State cesses and surcharges in so far as they relate to supply of goods and services.

Advantages of GST

- Simpler tax system.
- Reduction in prices of goods and services due to elimination of cascading.
- Uniform prices throughout the country.
- Transparency in taxation system.
- Increase in employment opportunities.

The advantages accruing to the Trade/ industry are listed as:

- Reduction in multiplicity of taxes.
- Mitigation of cascading/double taxation.
- More efficient neutralization of taxes especially for exports.
- Development of common national market.
- Simpler tax regime-fewer rates and exemptions.

The advantages accruing to the Central/State Government are listed as:

- A unified common national market to boost Foreign Investment and "Make in India" campaign.
- Boost to export/manufacturing activity, generation of more employment, leading to reduced poverty and increased GDP growth.
- Improving the overall investment climate in the country which will benefit the development of states.
- Uniform SGST and IGST rates to reduce the incentive for tax evasion.
- Reduction in compliance costs as no requirement of multiple record keeping.

GST AND ITS IMPACT ON INDIAN ECONOMY

GST stands for Goods and services tax and it has done away with all the indirect taxed on commodities and services and replaced all of them with a single tax which is called GST. It has eliminated the indirect taxes of the central government and state government also. State government levies its own taxes and central government Levis its own taxes on various items from manufacturer to the end user. Now all these indirect taxes have been replaced by a single GST. India as acquired a double structure of GST where both center and state government will levy tax on a single commodity simultaneously and the tax will be divided in equal proportion. For example if a service tax is 18% then 9% of the GST will go to Central government while another 9% will go to the state government.

- Reduce tax burden on producers and foster growth through more production. This double taxation prevents manufacturers from producing to their optimum capacity and retards growth.

- GST would take care of this problem by providing tax credit to the manufacturer.
- Various tax barriers such as check posts and toll plazas lead to a lot of wastage for perishable items being transported, a loss that translated into major costs through higher need of buffer stocks and warehousing costs as well.
- A single taxation system could eliminate this roadblock for them. A single taxation on producers would also translate into a lower final selling price for the consumer.
- Also, there will be more transparency in the system as the customers would know exactly how much taxes they are being charged and on what base.
- GST would add to government revenues by widening the tax base.GST provides credits for the taxes paid by producers earlier in the goods/services chain. This would encourage these producers to buy raw material from different registered dealers and would bring in more and more vendors and suppliers under the purview of taxation.
- GST also removes the custom duties applicable on exports. Our competitiveness in foreign markets would increase on account of lower cost of transaction.
- The proposed GST regime, which will subsume most central and state-level taxes, is expected to have a single unified list of concessions/exemptions as against the current mammoth exemptions and concessions available across goods and services.

IMPACT OF GST ON INSURANCE SECTOR

Goods and Services Tax (GST) would came into effect, which is slated to affect the prices of almost all consumer products and services currently offered. Claimed to be the biggest indirect tax reform since the Indian independence, experts are of the view that the GST is likely to have a positive impact on the Indian economy, with its power to reform the taxation apparatus in the country.

The services sector currently makes up for 60% of the GDP. Considering that, the GST is likely to have a deep impact on this sector. The life insurance industry forms a part of the service sector, which, as a result, will also be greatly affected by the upcoming GST. Let's take a look how the GST is likely to affect the insurance sector. Life insurance is an industry which definitely has vast potential in India due to the financial cushion that it provides to individuals for taking care of their requirements at different stages of life. However, life insurance currently sees very low penetration in India, considering which, it could really benefit with a boost to not only create awareness but also increase its reach and coverage.

\At present, life insurance services are taxed between the range of 1.5% to 15%. The rate of service tax applicable is decided depending on the type of policy, and is a burden which falls directly on the consumer purchasing the policy. The Revenue Neutral Rate (RNR) report released by the Chief Economic in December 2015 on GST laws proposed a standard GST rate of 18% for insurance services. On the condition that this proposition is approved and implemented by the GST Council, the rate of tax for the insurance sector is set to rise from 15% to nearly 18%. Considering that the burden of indirect taxes is passed on to the end consumer, the increased 18% tax rate under GST is only likely to make life insurance all the more inaccessible to a larger number of consumers, which in return, will further lower the penetration level of insurance in the country.

In comparison to other countries like Singapore, Malaysia, Australia, Africa and many more where life insurance is a benefit provided by the government as part of social security, levying of taxes on insurance services is only going to deter more people from considering taking life cover for themselves and their loved ones. Going by the assumption that on an average, a family spends about Rs.30,000 per year on life insurance premiums, excluding service tax. Keeping this figure in mind and given that the GST will hike the tax rate by 3%, the same family will not have to shell out Rs.900 more towards their insurance cover. However, with GST, the cost of insurance coverage for other policies like auto insurance and health insurance policies is also going up, the final brunt will be felt by the customer in the form of increased tax.

The Indian insurance industry will face a temporary brunt as GST implementation will certainly impact insurers as well as individual policyholders. Typically, a policyholder pays a service tax on the risk element of the premium component while the investment element is usually out of the service tax scope. With the implementation of GST, life insurance policies will become dearer by 3 per cent. However, the amount of service tax will vary depending on the risk element embedded in the premium component and tax will be levied only on the risk portion of the premium and not on the saving portion. Therefore, the immediate impact of GST would be higher in term insurance and endowments plans.

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Credit will be available when goods and/or services are used to deliver the same category of services or as a part of a composite supply. However, input tax credit is not allowed for retail customers as the goods and/or services are used for personal consumption. As for products/insurance policies sold online, norms have been prescribed for e-commerce companies to go for TCS (tax collected at source) of 1 per cent. They will have to deduct 1 per cent of the taxable value of premium for all new and renewal businesses as tax collected at source.

After implementation, insurance companies have to make amendments regarding the renewed transaction handling, registration compliance, operations and information systems as GST implementation demands restructuring of these components in their entirety. Following are the different types of life and health insurance policies which will be affected with the implementation of the new GST rate.

Table-1

Type of Policy	Current Rate	New GST Rate
Term Insurance	15%	18%
ULIPs	15%	18%
Motor Insurance	15%	18%
Endowment Policies (1st year)	3.75%	4.50%
Endowment Policies 2nd year onwards	1.88%	2.25%
Health Insurance	15%	18%

Sources: Authors Compilation

How Will GST Impact Insurance Sector?

Various insurance company officials have said the rate hike will be immediately passed on to customers Goods and Service Tax (GST) will change the tax architecture between the state and the Centre. It is unifying all the current indirect taxes under the Dual Tax structure of GST. It is a ground breaking reform for the Indian economy's indirect tax regime.

With implementation of GST, cascading tax effect or double taxation on sale of goods and services will be eliminated. It will certainly impact the structure, incidence, computation of indirect taxes leading to comprehensive restoration of the current tax regime in India. All industries, including the Insurance Industry, will be affected with the implementation of GST. Not only insurance industry, but also policy holders will be affected with GST implementation.

As per the rates declared by GST council, insurance sector will have 18 per cent as GST rate. Various insurance company officials said the rate hike would be immediately passed on to customers, hence the customers would be the one to pay additional tax. This would mean, direct impact on the premium being paid by the policy holders.

During discussion, GST council had difference in opinion for GST rates whether it should be 12% or 18%. But then finally it was decided to have a unified GST rate of 18% across financial sectors. The premium paid by policy holder is based on the type of policy they buy. Insurance Policy are broadly categorised as Term plan, Endowment Plan, ULIP, Health Insurance Plan, Motor insurance

Term Plan

Term plans purely offer death benefit and are termed as pure risk protection plans. In such plans sum assured is paid to the nominee, if insured dies during the term of the policy. The premium component of a term plan comprises the majority of the risk element to provide insured a risk cover throughout the tenure of the policy. At present, service tax of 15 % is imposed on the premium cost of the term plans. As per rates declared GST rates will be 18%. This means the premium will get costlier by 3 % or 300 basis points.

Endowment Plan

Endowment plans or traditional insurance savings plans offer both death and maturity benefits, whichever occur first. Currently, endowment plans attract a service tax of 3.75 % on the premium in the first year of the policy and will rise to 4.5 % in the first year under the new tax regime. As of now, 1.88 % of the service tax is levied on endowment plan's premium for the second year, which is expected to rise to 2.25 % from the second year onwards after the implementation of GST.

ULIP

Unit Linked Insurance Plans (ULIPs) also offer dual benefit of insurance and investment. At present, service tax of 3.5 % is levied on protection part of ULIPs in the first year and 1.75 % from second year onwards. This would go up to 4.5 % in the first year and 2.25 % from second year onwards.

Health Insurance Plan

In current tax regime, health plan premium attracts a service tax of 15 % on its premium cost. With the introduction and implementation of the GST, the cost of purchasing the health insurance will become expensive as it will attract a tax of about 18 % on premium from July 2017.

Motor Insurance

Motor insurance premium also attracts the service tax of 15 %, which will rise to 18 % from July 2017, if the rate is fixed up to this specified percentage mark.

Impact on Practice of Buying Insurance

But here the question arises that hike in tax should impact your decision of buying insurance or not. It is true that GST will make buying insurance little expensive, but it is very important for an individual to secure his life, especially when the individual is the sole bread-earner of the family. Life insurance plans, specifically term insurance plans, are the real life insurance plans which cover you and financially compensate your family in your absence. It is important to look at the type of insurance plan holistically, which includes its benefits, inclusions, policy coverage, exclusions, policy term and its cost (premium).

Severe Competition among Insurers

Also, with the increase in insurance premiums, there will be a severe competition among the insurers for offering the best insurance proposition to the consumer, which will be apparently beneficial for the consumer. Insurance premium, apart from including risk element, also includes expenses related to policy issuance, intermediary commission, etc, which could be lowered by the insurers to compensate the effect of enhancement of service tax in the new GST era.

Initial Hiccups for Insurers

For insurance companies, business processes need to be updated as GST is a destination-based tax, and tax is collected by the state where the goods or services will be consumed. Under the GST regime, service providers are required to obtain registration for all the states that they are catering to, i.e., all the states where they have customers. It has to be done so that the State Goods and Services Tax (SGST) component of Integrated Goods and Services Tax (IGST) is rendered for respective states. Hence, insurance companies have to bifurcate their services and invoice their customers based on the location of consumption.

GST will require restructuring of accounting, administration and control mechanism in the IT systems and processes of the insurance companies, to be able to maintain financial records of each state separately. Such compliance may lead to requirements for additional resources at the branch as well as at all main offices. Operational systems such as vendor management and a system for KYC (know your customer) check/address verification have to be adopted. The upgrades will bring an additional cost to insurance companies for the short term.

GST levied on branch transactions need to be catered carefully due to the enormous number of financial transactions being carried out.

Records of policyholders are to be maintained efficiently. Under GST, the place of service supply will be the location of the service recipient on the records of the supplier. Hence, records need to be maintained correctly.

For obtaining the reversal of input tax credit, insurance companies have to organise their respective vendors and intermediaries and include their respective identifications to claim input credits.

Even though the tax hike post-GST is nominal, the increase in total outflow could be quite significant for many policyholders. For someone paying annual premiums for auto, household, healthcare, term plan and personal accident cover, say a total of Rs 50,000 a year, there could be a jump in the premium outflow by Rs 1,500 a year, with no additional risk coverage or benefits. The rise in premium may impact the demand for insurance products in the short run. However, as the increase is universal in nature and GST will bring benefits indirectly with a net improvement in disposable income, the net impact may get cushioned off in the future.

CONCLUSION

GST is the most logical steps towards the comprehensive indirect tax reform in our country since independence. GST is leviable on all supply of goods and provision of services as well combination thereof. All sectors of economy whether the industry, business including Govt. departments and service sector shall have to bear impact of GST. All sections of economy viz., big, medium, small scale units, intermediaries, importers, exporters, traders, professionals and consumers shall be directly affected by GS. One of the biggest taxation reforms in India -- the Goods and Service Tax (GST) is all set to integrate State economies and boost overall growth. GST will create a single, unified Indian market to make the economy stronger. Experts say that GST is likely to improve tax collections and Boost India's economic development by breaking tax barriers between States and integrating India through a uniform tax rate. Under GST, the taxation burden will be divided equitably between manufacturing and services, through a lower tax rate by increasing the tax base and minimizing exemptions. GST is expected to raise overall Indian welfare and is projected to be an inclusive policy in that it would be welfare improving for all Indian states. Furthermore, the model suggests that the GST would lead to real GDP gains of 4.2 percent under the baseline assumptions, driven by a surge in manufacturing output. We also find that the distribution of goods across tax rate tiers matters for the growth outlook. As more goods move to the upper tiers, the real GDP and manufacturing output gains would be dampened.

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GOODS & SERVICE TAX (GST): EMERGING ISSUES & CHALLENGES IN INDIA

Dr. K. Kishore Kumar Reddy[34]

ABSTRACT

In the present globalized scenario, the GST is a sin-quo-non for keeping Indian economy competitive within the country and outside the country. GST has far-reaching consequences, implication, and effects especially on the attainment of cost effectiveness. This is a concept, which revolutionizes the face of fiscal federalism in the country, and there could be a fundamental deviation from the existing powers relating to tax structure between centre and states. GST would repeal the powers to work out and impose excise duties, service tax, sales tax and purchase tax, which are under the purview of centre or states. A sound, effective and easy GST regime should be implemented to all sectors of the economy. The very purpose of the GST is to bring to end existing tax administration, which is based on adhocism and non-transparent tax management. This paper focuses on the following aspects: the concept of GST opportunities and challenges in India and steps to prevent those issues in India.

KEYWORDS

Globalization, Consequences Indian Economy, Implication, GST Opportunities etc.

INTRODUCTION

Introduction of a GST to replace the existing multiple tax structures of Centre and State taxes is not only desirable but imperative in the emerging economic environment. Increasingly, services are used or consumed in production and distribution of goods and vice versa. Separate taxation of goods and services often requires splitting of transaction values into value of goods and services for taxation, which leads to greater complexities, administration and compliances costs. Integration of various taxes into a GST system would make it possible to give full credit for inputs taxes collected. GST, being a destination-based consumption tax based on VAT principle, would also greatly help in removing economic distortions and will help in development of a common national market. "Goods and Service Tax (GST) is a comprehensive tax levy on manufacture, sale and consumption of goods and service at a national level. GST is a tax on goods and services with value addition at each stage having comprehensive and continuous chain of set-of benefits from the producer's service provider's point up to the retailer's level where only the final consumer should bear the tax[1].

OBJECTIVE

The main objective of this paper is to examine the Goods and Service Tax emerging issues and challenges in India.

GOODS AND SERVICE TAX IN INDIA

The Constitution Amendment Bill for Goods and Services Tax (GST) has been approved by The President of India posts its passage in the Parliament and ratification by more than 50 percent of state legislatures. The Government of India is committed to replace all the indirect taxes levied on goods and services by the Centre and States and implement GST by April 2017. With GST, it is anticipated that the tax base will be comprehensive, as virtually all goods and services will be taxable, with minimum exemptions. GST will be a game changing reform for the Indian economy by creating a common Indian market and reducing the cascading effect of tax on the cost of goods and services. It will impact the tax structure, tax incidence, tax computation, tax payment, compliance, credit utilization and reporting, leading to a complete overhaul of the current indirect tax system. GST will have a far-reaching impact on almost all the aspects of the business operations in the country, for instance, pricing of products and services, supply chain optimization, IT, accounting, and tax compliance systems[2].

Justification at the Central Level

At present excise duty paid on the raw material consumed is being allowed as input credit only. For other taxes and duties paid for post-manufacturing expenses, there is no mechanism for input credit under the Central Excise Duty Act.

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Credit for service tax paid is being allowed manufacturer/ service provider to a limited extent. In order to give the credit of service tax paid in respect of services consumed, it is necessary that there should be a comprehensive system under which both the goods and services are covered.

At present, the service tax is levied on restricted items only. Much other large number of services could not be taxed. It is to reduce the effect of cascading of taxes, which means levying tax on taxes[3].

Justification at the State Level

A major defect under the State VAT is that the State is charging VAT on the excise duty paid to the Central Government, which goes against the principle of not levying tax on taxes.

In the present State level VAT scheme, Cenvat allowed on the goods remains included in the value of goods to be taxed which is a cascading effect on account of Cenvat element.

Many of the States are still continuing with various types of indirect taxes, such as luxury tax, entertainment tax, etc.

As tax is being levied on inter-state transfer of goods, there is no provision for taking input credit on CST leading to additional burden on the dealers[4].

Model of GST

The dual GST model proposed by the Empowered Committee and accepted by the Centre will have dual system for imposing the tax. GST shall have two components i.e. (i) Central GST (ii) State GST.

Central Excise duty, additional excise duty, services tax and additional duty of customs (equivalent to excise), state VAT entertainment tax, taxes on lotteries, betting and gambling and entry tax (not levied by local bodies)would be subsumed within GST.

GST-Features

- It would be applicable to all transactions of goods and service.
- It to be paid to the accounts of the Centre and the States separately.
- The rules for taking and utilization of credit for the Central GST and the State GST would be aligned.
- The Centre and the States would have concurrent jurisdiction for the entire value chain and for all taxpayers on the basis of thresholds for goods and services prescribed for the States and the Centre.
- The taxpayer would need to submit common format for periodical returns, to both the Central and to the concerned State GST authorities.
- Each taxpayer would be allotted a PAN-linked taxpayer identification number with a total of 13/15 digits.

Taxable Event

- At what point of time, the tax will be levied?
- Will TE covers both i.e. supply of goods and rendering of services?
- What will be the nature of TE?
- Will it not involve new language and terminology?
- What impact the change in TE can have?
- GST is proposed to be levied by both the CG and SGs. How will it be defined under CGST and SGST?

There are few other indirect taxes that may or may not be subsumed under the GST regime as there is no consensus among States and Centre & States:

- Purchase Tax,
- Stamp Duty,
- Vehicle Tax,
- Electricity Duty,
- Other Entry Taxes and Octroi,

- There With Be A Two-Rate Structure: A Lower Rate for Necessary Items and Items of Basic Importance and A Standard Rate for goods in general. There will also be a special rate for precious metals and a list of exempted items.

For CGST relating to goods, the States considered that the Government of India might also have a two-rate structure, with conformity in the levels of rate with the SGST. For taxation of services, there may be a single rate for both CGST and SGST.

It will be total of the rate as applicable under CGST & SGST.

It is understood that the Government is considering pegging the revenue neutral rate of GST at a rate between 18% to 22%. This represents the aggregate of CGST and SGST payable on the transaction. However, it may be noted that at this stage, the Government is yet to indicate whether the revenue neutral rate of tax on goods and services would be the same.

GST EMERGING ISSUES AND CHALLENGES IN INDIA

The Goods and Service Tax Emerging Issues and Challenges in India as following;

Emerging Issues in GST in India

- What preparations are required at the level of CG and SG for implementing GST?
- Whether the Government machinery is in place for such a mammoth change?
- Whether the tax-payers are ready for such a change?
- What impact it can have on the revenue of the government?
- How can the burden of tax, in general, fall under the GST?
- In what respect, it will affect the manufacturers, traders and ultimate consumers?
- How will GST benefit the small entrepreneurs and small traders?

GST Challenges in India

- Here are various definitional issues related to manufacturing, sale, service, valuation etc. arises. These needs to be rationalized.
- Several transactions take the character of sales as well as services, thus there is complexity in determining the nature of transaction.
- The mechanism of imposing taxes, exemptions, abatements, other benefits are different in state and centre.
- Existing law has resulted in significant number of issues related to interpretation or various provisions and the category of the products and the nature of services.
- Administration mechanics of the centre and state and even in different states is different.
- India needs comprehensive levy and collection on both goods and services at the same rate with the benefit of input credit.
- A simple tax structure can bring greater compliance, thus increasing number of tax payers and in turn tax revenues of Government.
- GST will ensure competitive pricing. Tax paid by final consumer will come down in most cases. Lower prices will help in boosting consumption which is beneficial to Companies.
- GST will ensure boost to exports. When the cost of Production falls in the domestic market, Indian Goods and services will be more prices competitive in foreign markets.
- The current state of Indian Economy demands fiscal consolidation and reduction in Fiscal deficit. A recent Report by CRISIL states that GST is the country's best bet to achieve fiscal consolidation.
- The taxation of goods and services in India has, hitherto, been characterized as a cascading and distortionary tax on production resulting in mis-allocation of resources and lower productivity and economic growth. It also inhibits voluntary compliance. It is well recognized that this problem can be effectively addressed by shifting the tax burden from production and trade to final consumption. A well designed destination-based value added tax on all goods and services is the most elegant method of eliminating distortions and taxing consumption. Under this structure, all different stages of production and distribution can be interpreted as a mere tax pass-through, and the tax essentially 'sticks' on final consumption within the taxing jurisdiction.
- A 'flawless' GST in the context of the federal structure which would optimize efficiency, equity and effectiveness. The 'flawless' GST is designed as a consumption type destination VAT based on invoice-credit method.

CONCLUSION

The taxation of goods and services in India has, hitherto, been characterized as a cascading and distortionary tax on production resulting in miss-allocation of resources and lower productivity and economic growth. It also inhibits voluntary compliance. It is well recognized that this problem can be effectively addressed by shifting the tax burden from production and trade to final consumption. A well designed destination-based value added tax on all goods and services is the most elegant method of eliminating distortions and taxing consumption. Under this structure, all different stages of production and distribution can be interpreted as a mere tax pass-through, and the tax essentially 'sticks' on final consumption within the taxing jurisdiction. Till now all decisions on GST have been taken without consultation of major stakeholders like businesses and citizens (consumers). All the decisions taken by the Empower Committee of State Finance Ministers and the Central Government are not available in the public domain and therefore it is difficult to get clarity on various aspects of GST. Since businesses are not consulted, their views on the present design and structure of GST are not clear. This may lead to resistance to the tax reform and/or negotiated tax environment which are not conducive for a modern rule based tax system. Keeping major stakeholder out of the discussions on GST is not a good sign for any tax reform as decisions taken by the governments will influence their day-to-day decisions. It is desirable that more transparent approach would be followed to disseminate the decisions among stakeholders and taking into account their views in policy designs.

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