PBME

PERSPECTIVES ON BUSINESS MANAGEMENT & ECONOMICS

Volume I • June 2020

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PREFACE

Research plays a vital part in the life of a learner. In the current scenario, research has become an essential part of once growth concerning the academic enhancement of knowledge, let be it for an Academician or be it a Research Scholar. Every second or a minute spent in gaining or regaining insights into new concepts are worth for any researcher.

This book on **Perspectives on Business Management & Economics - Volume I • June 2020** gives a broad platform to those individuals who want to leave an impact on discoveries and bring them out for others interested to understand and imply them where ever possible in a productive manner. The main idea of bringing out this book is to disseminate collective thought on various aspects and current potential issues related to management and economics background. Editors tried their best to put in all the facts stated by various authors in a very systematic manner creating a single window for all the individuals or scholars to explore the available knowledge gaps and evaluate the same to come out with their discoveries with full enthusiasm and encouragement. This book publishes the original work by the researchers that prove to be of practical importance and significant value.

This book focuses on free access to thoughts, discoveries, and innovations by publishing various research papers for the public to read and incorporate their views. The research papers covered areas one umbrella from the field of Management Studies, General Management, Accounting and Finance, Marketing, Banking, Entrepreneurship, Human Resource Management, Knowledge Management, Management Information System, Organizational Innovation, Retail Management, Strategic Management, Travel and Tourism management.

It provides a forum for deliberations and exchange of knowledge among academics, industries, researchers, planners, and practitioners who are concerned with management areas. The scope of the book is not restricted to those subjects; however, it is the broader coverage of all the newest updates and specialties.

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Vijaya Kittu is an avid author and is the author of an academic book – *Foreign Exchange Markets*. He was a columnist to several magazines on IT and newspapers but has switched his focus to investing, he currently writes for four leading financial weeklies – Smart Investment (in English & Gujarati), Smart Plus Newsletter (English) and Smart Bonanza (Gujarati). He also writes to other national newspapers regularly on topics related to Finance and Economics.

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Dr. Matharu has shown her expertise in the fields of finance and marketing related subjects. Her several papers were published in National and International journals and presented papers at several Conferences. She authored a book on Banking Law and Operations for Bangalore University and on Organisational Behaviour for Mysore University. She was awarded as Indo Global Exemplary Educator award from Indo Global Chamber of Commerce and Agriculture Industries, Pune. She is a Review member for the Journal of Emerging Technologies and Innovative Research and the Associate Editor of the International Journal of Commerce and Management Studies.

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IMPACT OF COVID-19 ON THE INDIAN ECONOMY

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ABSTRACT

COVID-19 is an unfolding event bringing uncertainty in every aspect of the society. The safety of the people is the utmost priority. So is continuity of business and providing consistent and transparent financial reporting to stakeholders. As the coronavirus pandemic continues to wreak havoc across the globe disrupting lives and economies, various industries are grappling with the challenges posed by this unforeseen health menace. The global outbreak of coronavirus has adversely impacted business models, supply chain networks, and jeopardized business continuity operations. The UN Conference on Trade and Development states that the coronavirus can cost the global economy close to US$ 2 trillion. The potential impact of this crisis on the Indian economy is yet to be ascertained as the economic activity continues to slide. Both the corporate sector and manufacturing units will suffer due to the pandemic because their working capital gets chocked due to the standstill of work across sectors. With the burden of the working capital, they would also have to pay salaries to their employees. Doing so would strengthen the employee's loyalty, and the Government also suggests the companies not to cut their salary. Except for a few industries, everything will suffer.

KEYWORDS: indian economy, pandemic impact, sector analysis, bank liquidity

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1. INTRODUCTION

Banks are not as uncovered as the corporate sector during the initial stage of the pandemic; the strain on lenders could ultimately be profound. Banks face a second-order hit compared to the corporate and household sectors. Banks in the country are likely to witness a spike in their non-performing assets ratio by about two percent, and very recently, RBI has announced repayment moratorium for three months for its outstanding loans. As a result, all Indian Banks' NPAs will increase immediately, but in the long run, it may not be a problem.

Demand Side Impact

The travel industry, Hospitality, and Aviation are among the most exceedingly awful influenced divisions that are confronting the greatest brunt of the current emergency. Closing of cinema theatres and declining footfall in shopping complexes have affected the retail sector by impacting the consumption of both essential and discretionary items. Consumption is also getting impacted due to job losses and a decline in income levels of people, particularly the daily wage earners due to slowing activity in several sectors, including retail, construction, entertainment, etc. With widespread fear and panic now increasing among people, the overall confidence level of consumers has dropped significantly, leading to the postponement of their purchasing decisions. Travel restrictions have severely impacted the transport sector. Hotels are seeing large scale cancellations not only from leisure travelers but even business travelers as conferences, seminars, and workshops are getting canceled on a large scale.

Supply Side Impact

On the supply side, the shutdown of factories and the resulting delay in the supply of goods from China has affected many Indian manufacturing sectors, which source their intermediate and final product requirements from China. Few sectors like automobiles, pharmaceuticals, electronics, chemical products, etc. are facing an imminent raw material and component shortage. This is hampering business sentiment and affecting investment and production schedules of companies. Besides having a negative impact on imports of important raw materials, the slowdown in manufacturing activity in China and other markets of Asia, Europe, and the US is impacting India's exports to these countries as well.

Some sectors got benefited through the crisis. These sectors are utilities, Pharma, diagnostics, consumer goods, and durables, agrochemical and fertilizers

2. SECTORIAL ANALYSIS

IMPACT ON BANKS

Digitalization of the Banking sector in India due to COVID-19

Banking services in India are classified under the essential services list. Banking and financial institutions were under immense pressure to ensure business-as-usual amidst the lockdown and health crisis.

Banking operations such as cash deposits, withdrawals, clearing of cheques, and other traditional teller services had to be executed by maintaining a safe distance of at least a meter.

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Social media was abuzz with a bank employee's effort to handle cheques with tongs and sanitize them with a steam iron.

The immediate learnings from the current COVID-19 situation will add the much-needed rigor towards digitizing and optimizing the bank's backend operations. This will eliminate the dependency on manual entries, person-led reviews, i.e., paper and employee intervention within banks.

When the COVID-19 situation is past us, it is expected that the Indian Banks will shift gears to move away from traditional forms of banking. The traditional banks will stand the opportunity to leapfrog adopting cutting edge banking technologies and blaze the digital transformation trail. Currently, 27 of the Indian public sector (PSU) banks are on a path of consolidation to 10 large banks. It is an opportune time for the PSU's to explore better technology integration and customer adoption.

Other Indian banks (both public and private), which are already online with some core banking functions, will focus on a complete transition by the digitization of all their functions, processes, and systems. They also wanted to start the new technologies of Fintechs.

The COVID-19 situation will not only accelerate the adoption of technology but will renew focus on the following four key areas of banking:

Embracing neo technologies: In the aftermath of the pandemic and economic uncertainties, emerging technologies will play a key role in speeding up transactions and reducing costs for banks. The Indian banking sector has already realized the role of technology in achieving the reach and scale.

The authors foresee higher rates of adoption of microservice architecture by dropping vertically integrated stacks, APIs, containerization, cloud computing, AI, and blockchain. These technologies will play critical roles in the digital transformation of Banks and Financial Institutions and re-imagine digital delivery of services.

Channels of digitization: As per the 2017 global index report by the World Bank, India is home to the world's second-largest unbanked population at 190 million adults without access to a bank account. With increased penetration of mobile and Internet, the primary focus would accelerate technology-enabled digital financial inclusion.

The business focus would also be to create a gradual shift in customer preference from visiting bank branches to using digital channels. Banks will enable its customers to interact over multiple automated and digital channels to offer the optimal channel mix. Banks will consider important factors such as demographics, access to the internet, last-mile connectivity, customer banking behavior patterns, etc. to enable effective adoption by the Indian banking consumers.

Security, privacy, and customer trust – According to RBI, for the financial year 2017-18, India's banking sector witnessed a spike in cyber frauds and pegged the losses at $ 13.7 million. With the increased use of cashless and digital economy, it will be imperative for banks to implement secure frameworks and systems. Some of the obvious cyber risks include financial frauds, money laundering, data loss, identity thefts, and privacy breaches.

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Banks need to take stringent steps to identify both internal and external system vulnerabilities. They should be technically strengthened by rigorous KYC, strong customer authentication (SCA), financial grade APIs, firewalls, smart networks, etc., for secure and seamless transactions. Robust banking solutions and cybersecurity initiatives help safeguard against malicious attacks.

Policy and compliance – The focus should be on increased digital payment infrastructure, especially in rural India, to create a financial ecosystem for the unbanked and underbanked population of our country.

From a security and privacy standpoint, India is already on its path to introduce the Personal Data Protection bill (PDP) on the lines of GDPR in the EU. This bill protects the personal information of consumers, including sensitive financial information. It would be in the best interest to implement stringent penalties on erring entities found in violation of the bill.

India's banking revolution can be further catalyzed by the introduction of the open banking directive on the lines of the UK and the EU.

The COVID-19 impact on the global and Indian financial systems will be phenomenal and multifold. It is important to take the long view and prioritize accordingly. For Indian banks, particularly, resilience, driven by digital agility, is a way to achieve relevance and success on the other side of COVID-19.

3. COVID-19 IMPACT ON FINANCIAL STATEMENTS

COVID-19 has already had a significant impact on the global financial markets, including India, and it may have accounting and reporting implications for many entities. As Coronavirus continues to spread, and more information comes to light, the BFSI sector, with March 31, 2020, year-ends, needs to consider this impact on their business and in their financial statement reporting. COVID-19 may impact the BFSI sector in a significant way, particularly in their financial reporting for entities that follow Indian GAAP as well as the entities that follow Ind AS.

The RBI has given certain waivers to the borrowers, which include moratorium to pay principal and interest with relaxation on their classification as a non-performing asset or a restructured asset. This has been implemented to help borrowers' tide over temporary financial difficulties. However, banks will have to identify and monitor borrowers who are facing temporary and long-term financial difficulties. Such borrowers will be provisioned accordingly. Due to the pandemic, it might become too cumbersome or difficult for banks to determine the extent and adequacy of collaterals available with them and the subsequent provisioning. There may be additional disclosures required in the financial statements and the computation of capital adequacy for COVID-19. Banks would, therefore, be required to maintain robust risk management functions and track their borrowers individually to determine and segregate the permanent impact from the temporary impact and make appropriate provisions. We have mentioned below some of the key areas that merit consideration:

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4. LIQUIDITY PROBLEM OF BANKS

Given the situation of the lockdown in the country, the defaults may have increased substantially, as many companies would have lost revenue for a long time. An increase in defaults is likely to cause issues in liquidity and capital adequacy. However, the RBI has come up with specific measures to provide liquidity to all the lending institutions. This include

Auctions of targeted long-term repos operations of up to three years tenor of appropriate sizes at a floating rate linked to the policy repo rate to be deployed in investment-grade corporate bonds, commercial papers and non-convertible debentures over and above the outstanding level of their investments in these bonds as on March 27, 2020 (50 percent from primary market issuance and 50 percent from the secondary market including from mutual funds and non-banking finance companies).

Reduction of Cash Reserve Ratio (CRR) of all banks by 100 basis points to 3 percent of the net demand and time liabilities with effect from the reporting fortnight beginning March 28, 2020. This dispensation is available for one year ending on March 26, 2021, and will release liquidity symmetrically benefitting banks.

The requirement of minimum daily CRR balance maintenance has been reduced from 90% to 80%, effective from the first day of the reporting fortnight beginning March 28, 2020. This one-time dispensation is available up to June 26, 2020.

Under the Marginal Standing Facility (MSF), RBI has permitted banks to borrow overnight at their discretion by dipping up to 2 percent into the Statutory Liquidity Ratio. This limit has been increased to 3% with immediate effect. This measure will be applicable up to June 30, 2020.

The central bank has widened the existing policy rate corridor from 50 bps to 65 bps. Under the new corridor, the reverse repo rate under the liquidity adjustment facility (LAF) would be 40 basis points (bps) lower than the policy repo rate. The MSF rate would continue to be 25 bps above the policy repo rate. Further, consequent upon the widening of the LAF corridor, the reverse repo rate under the LAF stands reduced by 90 basis points to 4.0%. The widening of the corridor between the reference rates is expected to ease short-term volatility and bring stability to money markets.

The policy repo rate has also been reduced under the LAF from 5.15% to 4.40% (i.e., by 75 basis points) with immediate effect. Accordingly, the MSF rate and the bank rate to stand reduced from 5.40% to 4.65%. The above advantages would be offset by the moratorium being allowed to the borrowers. On an overall basis, there would be liquidity in the banking system. However, this may impact the banks in the following ways:

The reduced minimum daily Cash Reserve Ratio (CRR) maintenance to 80% would allow banks to use excess money in certain days. However, aggregate CRR will have to be maintained on an overall basis. Accordingly, the banks are required to have adequate processes in place to ensure that excess funds are used only for short-term purposes to maintain the overall CRR.

The banks may need to set up sufficient processes to ensure that these funds from the targeted long-term repos are deployed only in the allowed investments. The management of the bank will have to ensure that the bank manages the duration of the investments based on the

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borrowings under the long-term repos to avoid any asset-liability mismatches. Banks need to analyze its impact on the Net Demand and Time Liabilities (NDTL) computations as well as the capital requirements. Though not specifically mentioned, these amounts would need to be disclosed separately. In addition to the above, the Banks would be required to analyze the credit risk appropriately as Income Recognition, and Asset Classification (IRAC) norms would apply to the investments.

Given the unpredictability of the potential impact of the outbreak of COVID-19, there may be material uncertainties that cast significant doubt on the entity's ability to operate under the going-concern basis. If the entity prepares the financial statements under the going-concern assumption, it will be required to disclose these material uncertainties in the financial statements to clarify that the assumption is subject to such material uncertainty. The degree of the consideration required, the conclusion reached, and the required level of disclosure will depend on the facts and circumstances in each case. This is because not all entities will be affected in the same manner and to the same extent. Significant judgment and continual updates to the assessments until the date of issuance of the financial statements may be required, given the evolving nature of the outbreak and the uncertainties involved. Further, the BFSI sector in India will need to ensure that effective processes are in place to identify and disclose material events such as bankruptcies of the borrowers or the impact on lending portfolio due to liquidity or business issues in particular sectors such as real-estate, Small and Micro Enterprises (SME), etc. after the reporting period

5. HEDGING STRATEGIES

Business transactions may be postponed or canceled, or they may occur in significantly lower volumes than initially forecasted due to COVID-19 lockdown. If an entity has designated a transaction such as the expected issuance of debt, as a hedged forecasted transaction in a cash flow hedge, the entity will need to consider whether the transaction is still a highly probable forecasted transaction. This includes whether the volume or amounts involved will be lower than how they were forecasted or whether there is uncertainty on the duration of the forecasted transaction. Currently, increased volatility and decline in prices across many asset classes have impacted the trading books of banks, and consequently, the capital allocated to address such market and counterparty credit risks. Firms will need to consider how quickly they can adjust their hedging strategies across forex, commodities, equities, or fixed income as the COVID-19 situation evolves. The offshore Indian Rupee (INR) derivative market such as the Non-Deliverable Forward (NDF) market has been growing rapidly in recent times. At present, Indian banks are not permitted to participate in this market. However, RBI, in consultation with the Government, has permitted banks in India that operate International Financial Services Centre (IFSC) Banking Units (IBUs) to participate in the NDF market with effect from June 1, 2020. This decision allows banks to participate through their branches in India, their foreign branches, or through their IBUs. This was a long-standing demand of the industry and had the potential to help in removing segmentation between offshore and onshore markets for banks with an international presence at this juncture and allow better price discovery and forex risk management.

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6. ADVERSE IMPACT ON SPECIFIC LOAN COVENANT RATIOS BEING TRIGGERED

Given the current crisis and its impact on capital markets and businesses across, banks and NBFCs will face clients who are potentially experiencing stressed financial conditions, including deterioration of their credit ratings and credit quality. In certain cases, there is a likeliness of borrowers to breach certain covenants linked to ratios like the current ratio, profitability ratios, return on equity (ROE), debt coverage ratios, etc. In some cases, the breach of the covenant could lead to the classification of a loan as a non-performing asset.

7. IMPACT ON NBFCS

Due to the significant change in the market conditions, firms may have to revisit their business model assessment for their existing financial instruments. In case the sale of loans or investments is due to an increase in credit risk, then it would be consistent with the business model objective hold to collect as the credit quality of financial assets is relevant to the entity's ability to collect contractual cash flows and the sale is triggered due to significant deterioration in the market condition or counterpart specific credit risks problem. However, the entity may have to assess the business model of such financial assets/ instruments which it plans to sell.

There might be large-scale business disruptions that can potentially give rise to liquidity issues for certain entities. This might also have consequential impacts on the credit quality along the supply chain.

The deterioration in the credit quality of loan portfolios due to the outbreak will have a significant impact on the expected credit loss (ECL) measurement. To compute ECL, companies need to keep the following specific factors in mind:

1. A case by case ECL impact would need to be done industry-wise given the varying degree of COVID-19 impact across various industries that constitute the borrower population.
2. Entities should carefully assess the extent to which the high degree of uncertainty and any sudden changes in the short-term economic outlook is expected to affect the life of their financial instruments. It is important to remember IND AS 109/IFRS 9 has always been based on a set of principles that, by nature, are not mechanistic and offer a certain degree of flexibility. Greater emphasis may be attributed to a long-term stable outlook, as evidenced by past experiences, and to the relief measures granted by regulatory authorities.
3. Macro-economic factors will be a key input in computing ECL since the RBI, and the Finance Ministry has introduced several measures in this regard.
4. Thirty-days norm may not be enough for a stage's classification. There may be a need for firms to consider qualitative criteria. If the payment terms are extended, considering the current economic circumstances, the terms and conditions of the extension will have to be assessed to determine their impacts on the ECL estimate along with any other accounting impacts. For Example, if the payment terms of a receivable are extended from 90 days to 180 days, this would likely not be considered a substantial modification of the receivable. However, such extension is expected to result in an increase in the probability of default (PD), which would, in turn, affect the measurement of ECL.

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5. Valuation of collateral in determining the loss given default (LGD) needs to be considered considering the impact of the outbreak on the values of collaterals and guarantees (e.g., shares or bonds prices, real-estate values and the credit standing of a guarantor(s)). Besides these factors, entities will also be required to assess and apply significant judgments. They will have to update their macroeconomic scenarios and consider the use of top-down management overlays to calibrate the ECL risks that are not yet fully captured by their business models. Given the level of uncertainty and the sensitivity of judgments and estimates, disclosures of the key assumptions used, and judgments made in estimating ECL, as well as the impact of any relief measures, is going to be critical.

8. FAIR VALUE COMPUTATION MAY UNDERGO A CHANGE

Indian Accounting Standard113 Fair Value Measurement specifies the measurement date exit price estimate based on assumptions (including those about risks) that market participants would make under current market conditions. The first quarter of 2020 has seen increasing market volatility. On the basis that these are still quoted prices in an active market or are still observable, the increase in volatility should not change the way fair value is measured at the measurement date. In Level 3 where unobservable inputs are significant to the measurement as a whole, incorporating such an increase in volatility into valuation models may pose challenges to reporting entities. When making critical assessments and judgments for measuring fair value, the entity should consider what conditions, and corresponding assumptions were known to market participants. While volatility in the financial markets may suggest that the prices are aberrations and do not reflect the fair value, it would not be appropriate for an entity to disregard market prices at the measurement date, unless those prices are from transactions that are not orderly. The concept of an orderly transaction is intended to distinguish a fair value measurement from the price in a distressed sale or forced liquidation. The intent is to convey the present value of the asset or liability at the measurement date, not its potential value at a future date.

9. MARK TO MARKET LOSSES DEPLETING CAPITAL

Given the sizeable portion of NBFCs' loan or investment portfolio may be classified at fair value through other comprehensive income (FVOCI), the MTM losses could potentially wipe out a significant amount of capital resulting in potential breach of capital adequacy norms and may further require capitalization to continue its trading operations.

10. IMPACT ON INSURERS

Insurers are getting impacted in terms of their assets and liability reflected in the balance sheet. This, as a result, threatens their business continuity as well as future growth. The pandemic is an acid test for financial institutions and, more so, insurers as stress that they have tested and scrutinized in their financial risk analysis, operational risk analysis, and business continuity planning. As an impact, insurers can expect to be flooded with general inquiries and claims across multiple different lines, whether that be for health, life, or non-life cover. The following are the specific areas that are likely to be affected in the Indian insurance sector:

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11. MORTALITY CLAIMS

Life and health insurers, while evaluating the impact of COVID-19 on their claims, may consider alternative scenarios that would have led to the spread of the pandemic. This may vary from short-term outbreaks (viz., one to two months) to the medium-term epidemic (viz., up to six months) and longer-term pandemic (viz., effects lasting for around 12 months). Health insurers also need to factor in the capacity of the Indian healthcare system and the effectiveness of actions taken by the Government.

12. LOSS OF PROFIT CLAUSE

Quite a few companies may eye claims under the loss of profit clause in their insurance contracts. This typically covers losses due to factory shutdowns when unforeseen circumstances such as fire or accidents occur. Many companies had taken insurance policies to cover loss arising due to certain unforeseen circumstances, but it is uncertain whether they will be covered for Coronavirus under such policies.

13. FINANCIAL AND CASH FLOW IMPACT

All insurers, including reinsurers in India, will need to evaluate the pandemic's impact on their financial statement and cash flows. This includes:

1. On the asset side, how will ratings and the expected loss in the debt portfolio be affected? What is the likely range of monetary policy responses from RBI, and how will these affect short-term yields? Will, evolving market conditions (e.g., possible contraction of bond issuance and trading volumes) make it feasible to execute an effective reinvestment strategy? How will duration matching/asset and liability management (ALM) objectives be met amidst market uncertainty?
2. On the liability side, what will be the impact of the stretched healthcare system on mortality, which includes deaths due to COVID-19 and otherwise? How will the health, economic, and social impacts of the pandemic affect lapse rates? Broadly, all insurers need to analyze financial and operational risks and their impact on the cost of capital under different economic scenarios, viz., deflationary conditions, economic downturn, or stagflation. Accordingly, these insurers need to define the triggers for remedial management actions under each of these scenarios.

14. IMPACT ON TOURISM & HOSPITALITY

The Federation of Associations in Indian Tourism & Hospitality (FAITH) projected that over 95 percent MSMEs of 53,000 travel agents, 115,000 tour operators, 15,000 adventure, 911,000 tourist transporters, 53,000 hospitality and five lakh restaurants are facing the heat due to lack of cash flows, said the federation. This industry employs an estimated 3.8 crore jobs. Also, the federation representing entities in the tourism, travel, and hospitality industry, has appealed for an immediate relief package from the Government to stay afloat and avoid job losses.

The Indian tourism industry, in 2018-19, handled the business of over 10.5 million foreign tourists, more than five million visiting NRIs, 1.8 billion domestic tourist visits, and over 26 million outbound travelers.

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FAITH also reported that the industry is facing its biggest economic challenge with the larger and combined effect of 9/11 and the slowdown of 2009 and estimated bigger effect than the Economic Depression and World War II.

FAITH has further sought a complete deferment for 12 months of all statutory dues payable by the tourism, travel, and hospitality industry at the central, state, and municipal government level without attracting any penal interest.

These would include GST, Advance Tax payments, PF, ESI, customs duties, excise fees, fixed power & water charges and any fees for licenses and renewal at the state level, as part of the relief package.

It has also appealed for an extension of the moratorium period requested by the RBI to 12 months as against three months without any accrued and accumulated interest during this period.

Real estate players from the organized hotel sector have taken loans to fund expansion or renovation. As of January 2020, their total debt outstanding stood at Rs 45,000 crore. Further, in the coming months, fixed costs for the hotels would be anywhere between Rs 12,000 to Rs15,000 crore, as per estimates.

FAITH also added that the Government needs to stimulate domestic tourism by giving a 200 percent weighted reduction of expenses to Indian corporates for undertaking their meeting, conferences, and exhibitions in India. LTA like income tax exemption of up to Rs 1.5 lakh to Indians for undertaking their holidays within the country, these exemptions to be availed against invoices issued by GST registered Indian Tourism service providers.

Hotel room occupancies all over India slumped 67 percent by March 21 (three days before the three-week nation-wide lockdown was announced). They were 12 percent down on March 7, according to research firm STR.

Revenues fell even sharper. By March 21, revenues were 73 percent down, as against 20 percent recorded on March 7 as earnings from food and beverage and events took a hit. Occupancies in April have dipped to between 5-15 percent, according to EIH, the operator of Oberoi and Trident hotels.

However, this time around nearly 90 percent of bookings of hotels and flights for the peak time has been canceled. Cruise bookings for destinations such as Thailand, Singapore, and Malaysia have also been canceled by travelers in huge numbers.

According to the Indian Association of Tour Operators (IATO) estimation, the hotel, aviation, and travel sector together may incur a loss of about Rs 8,500 crore due to travel restrictions imposed on foreign tourists by India for a month. This is also expected to have a negative impact on jobs in the industry.

15. IMPACT ON AVIATION

According to the Indian Brand Equity Foundation (IBEF), the civil aviation industry in India has emerged as one of the fastest-growing industries in the country during the last three years. India is presently considered the third largest domestic civil aviation market in the world. India

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has enhanced the third-largest domestic aviation market in the world and is expected to overtake the UK to become the third-largest air passenger market by 2024.

According to the Credit rating agency CRISIL estimation, the Indian aviation sector, including airlines and airports, will be witnessing revenue losses of ₹24,000–25,000 crore, as air travel remains suspended due to the national lockdown.

CRISIL also reported that the airlines would be the worst-hit, contributing to more than 70% of the losses, or about ₹17,000 crore, followed by airport operators with ₹5,000-5,500 crore, and airport retailers, including retail, food and beverages and duty-free, with ₹1,700-1,800 crore in which this would reverse the trend growth of roughly 11% per annum, which the industry has seen in the past ten years, making it one of the most affected sectors of the economy.

CRISIL also expects that these losses will rise if travel restrictions last longer in hubs such as Mumbai, Delhi, Chennai, and Kolkata and it will take nearly two years for the industry to return to pre-pandemic levels.

As per the International Air Transport Association (IATA) report, the COVID-19 crisis is expected to impact over 29 lakh jobs (2,932,900 to be precise) in India's aviation sector.

A 47 percent decline in the passenger traffic has been noticed in India amid the pandemic crisis. The impact on airlines' revenue would be US$ 11.221 billion, indicating a fall in passenger revenue compared to 2019.

The IATA report shows that airlines in the Asia Pacific region will see the largest revenue drop of US$ 113 billion and a 50 percent fall in passenger demand in 2020 compared to last year.

16. IMPACT ON E-COMMERCE

Intending to prevent community spread of COVID-19, the Government has issued an advisory for social distancing and isolation by asking corporates to allow work from home to their employees. Moreover, several State Governments have imposed city lockdown as a preventive measure. Given the likelihood of such lockdowns being extended to several regions across the country, there could be unintended consequences on the e-Commerce industry as some of their operations get disrupted. This could affect the e-commerce business, especially at a time when there is a surge in demand for home delivery of goods under present circumstances. While there is a need to ensure the safety of all citizens, it is suggested that unintended consequences of any lockdown on the e-commerce industry be looked into.

According to Global Data, a London-based data analytics firm, the coronavirus pandemic will accelerate the growth of India's e-commerce market, pushing it to ₹7 trillion by 2023 in which the growth of Indian e-commerce market has been revised up, considering the positive push due to coronavirus (COVID-19) outbreak.

The e-commerce market in India is set to grow at a compound annual growth rate (CAGR) of 19.6% between 2019 and 2023 as consumers are increasingly shifting to online spending to avoid exposure to disease vectors such as cash and point of sale (POS) terminals, e-commerce payments are set to record a steep increase of 25.9% in 2020.

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While the current lockdown in the country has led to the overall decline in consumer spending, this is being partially offset by a rise in online spending, as wary consumers stay at home and utilize online channels to purchase products. Online payment solutions from the likes of Paytm, Amazon Pay, and Paypal could potentially benefit from the current situation.

India, in lockdown since March 25, has seen easing of restrictions in each successive phase. As a result, e-commerce companies can now deliver non-essentials products barring the so-called Red Zones.

The COVID-19 outbreak will have greater implications on Indian consumers' buying behavior, pushing them to embrace e-commerce. The market is anticipated to continue its growth exceeding the previous forecast levels to reach $98.4 billion in the next four years. Indian Brand Equity Foundation (IBEF) reported that driven by a rise in smartphone penetration, the launch of 4G networks and increase in consumer wealth, the Indian e-commerce market is estimated to grow to $200 billion by 2026 from $38.5 billion in 2017, in which the growth is primarily being led by Flipkart and Amazon India.

In 2019, smartphone shipments in India rose 8% year-on-year to 152.5 million units, making it the fastest-growing market among the top 20 in the world.

Of late, the competition in the digital payments space--the most critical element of e-commerce market--and the race among retailers to tie-up with neighborhood stores have also intensified.

17. IMPACT ON AUTOMOBILES

China accounts for 27% of India's automotive part imports, and major global auto part makers such as Robert Bosch GmbH, Valeo AS, and ZF Friedrichshafen AG have factories located in the Hubei province. Owing to factory closure by companies, they reported delays in the production and delivery of vehicles like Bharat Stage Four (BS-IV) compliant models. These models can now be produced and sold until the end of March this year.

Moreover, the situation has become more precarious after the decision of the Chinese Government to limit all shipments by sea until further notice. Since air shipments are not suitable for Auto Components and forging industries, the Indian OEMs are finding it difficult to plan production beyond the available inventory.

Indian passenger vehicle industry declined 18 percent to 27.75 lakh units sold till the March ended fiscal from the 33.77 lakh units sold until FY'19. The industry declined amid slowing demand though retail sales were open and dealerships sold for most of the fiscal, except for the last 10-days of March 2020.

Most industry pundits are predicting that sales would plummet by another 15-20 percent at least going by the current expected trends and if the festive period turns out to be euphoric on an expected market revival. However, even if that happens, the decline is preemptive on a weaker economy and slowing the demand cycle.

Along with it, the extreme caution expected from the financiers like HDFC Bank, ICICI Bank, or the public sector banks led by the State Bank India that might disburse money with more discretion. Amid a weakening economy, the term loan defaults are likely to rise too. While some automakers with captive finance companies like Daimler Finance, Volkswagen Financial

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Services, Mahindra Finance, or Tata Capital might tide over the crisis with some dedicated help to their respective brands, but it's only a miracle that can keep the industry on a positive side.

According to recent reports of FITCH solutions, vehicle production in India is likely to contract by 8.3 percent in 2020, following an estimated 13.2 percent decline in 2019.

According to CRISIL reports, the domestic industry has inventories for up to 30-60 days, which could help tide over the crisis for the short-term, any shortage of critical components such as printed circuit boards could impair the ability of manufacturers to produce vehicles.

18. IMPACT ON PHARMACEUTICALS

The Indian pharma industry has been a world leader in generics both globally and domestic markets contributing significantly to the global demand for generics in terms of volume. Made-in-India drugs supplied to developed economies such as the US, EU, and Japan are known for their safety and quality.

In recent years, India has seen increasing competition from China, which it has been able to leverage due to its inherent cost advantage, manufacturing intermediates and APIs at a cost much lower than those in India which has resulted in a gradual increase in API imports from China to India and this, in turn, has led to the killing of domestic manufacturing capacity for certain key APIs and their advanced intermediates.

India's large import dependence on China (nearly 70% by value) has become a significant threat to India's healthcare manufacturing and global supply chain. While Indian pharma players over a time period have steadily migrated up the value chain to focus on value-added formulations with higher margins, but this over-dependence on China has increased the threat to the nation's health security as some of these critical APIs are crucial to mitigate India's growing disease burden.

Edelweiss Securities says the novel coronavirus or COVID-19, a pandemic has caused severe supply-side disruptions in various sectors, earnings will be cut by 10-15%. Pharma as a sector has emerged as a strong contender to drive the next leg of the rally, whenever it comes. In anticipation, pharma stocks have seen an immense run-up in the last ten days. This is not just true for India, but globally too pharma companies have performed well. While in the short term, most companies will bounce back from the last 5 years of underperformance, this time around, the leader will be different.

19. INDIA'S GROWTH PROJECTIONS REVISED DOWN

Given the challenges that the businesses and people are facing currently, the Indian economy is most likely to experience lower growth during the last quarter of the current fiscal. In case the spread of the coronavirus continues, growth may remain subdued in the first quarter of FY 20-21 as well. Most multilateral agencies and credit rating agencies have therefore revised their 2020 and 2021 growth projections for India, keeping in view the negative impact of coronavirus-induced travel restrictions, supply chain disruptions, subdued consumption, and investment levels on the growth of both global and the Indian economy.

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Asian Development Bank (ADB): The COVID- 19 outbreak could cost the Indian economy between $387 million and $29.9 billion in personal consumption losses. The projections have been made by ADB under four different scenarios: best-case, moderate-case, worse-case, and a hypothetical worst case. Under the best-case scenario, if the outbreak is contained and the precautionary measures are put on halt after two months from late January, the impact on India will be limited to about US$ US$ 387 million worth of decline in retail sales. Similarly, in a moderate case, the losses will be about US$ 640 million while in a worst-case scenario when the precautionary measures continue for six months, personal consumption expenditure in India can decline by US$ 1.2 billion.

Organization for Economic Co-operation and Development (OECD): As against the forecast made in November 2019, OECD has revised down India's growth forecast by 110 basis points to 5.1% for 2020-21 and by 80 bps to 5.6% for 2021-22. OECD has also warned that global growth in 2020 could come down by 50 bps as compared to what was projected in November last year.

Fitch: Fitch projects that India's gross domestic product (GDP) growth will slip to 0.8 percent for the year April 2020 to March 2021 (FY21) as compared to an estimated 4.9 percent growth in the previous fiscal. Growth is, however, expected to rebound to 6.7 percent in 2021-22.

Moody's: Moody's Investors Service reported India's growth forecast for the calendar year 2020 to 0.2 percent, from 2.5 percent projected in March.

S&P Global Ratings: S&P has projected India's economic growth forecast to 3.5% for the coming fiscal from a previous downgrade to 5.2%.

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COMPARATIVE ANALYSIS OF SMES HEDGING AND NOT HEDGING THE EXCHANGE RATE FLUCTUATIONS

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ABSTRACT

Organizational performance is mostly affected by the environment in which it operates. Favorable uncertainties boost the performance of the organization, whereas unfavorable ones will hinder the performance of the organization. Exchange rate fluctuations have been affecting businesses in India that engage in import and export of materials. Uncertainty in the currency rate can lead to around 30% erosion of profit from an organization. Larger companies hedge their exposure in order to manage the risks of currency fluctuations. SMEs also do the same.

SMEs engaged in the business of import and export have to deal with currency risk exposure constantly. They can manage this by entering into derivates contracts – something that larger players frequently do. There are many impacts of exchange rate fluctuations like stagnant growth of industries, loss of market share, impact on profit margin, merchandise trade loss, reduction in capital flows.

In light of the above reasons, the present study is undertaken to compare the performance of SMEs hedging and not hedging exchange rate fluctuations. The research focuses on the effect of exchange rate hedging on the volatility of revenues and profits after tax of SMEs the operations of small and medium enterprises in India that are listed on the NSE Emerge, a portal explicitly catering the SMEs.

KEYWORDS: hedging, exchange rate fluctuations, small enterprises

JEL CLASSIFICATION: C11, L33, H2, H11, D81

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1. INTRODUCTION

The performance of any organization is largely affected by the environment in which it operates. The favorable uncertainties boost the performance of the organization whereas the unfavorable one will hinder the performance of the organization. The world of business is full of risks. The risks are the results of the uncertainties. These uncertainties can be in the forms of changing interest rates, fluctuations in exchange rate, changes in commodity prices, and the credit risk of the customer. The financial management analyses these unfavorable uncertainties or risks. The concept of risk management ensures minimizing or controlling the risks however there is no possibility of complete elimination of risks.

Exchange rate fluctuations have been affecting businesses in India that engage in import and export of materials. Uncertainty in the currency rate can lead to around 30% erosion of profit from an organization. Larger companies hedge their exposure in order to manage the risks of currency fluctuations. The same is being done by SMEs. But the smaller turnover and lack of knowledge and skills acts as a drawback for these companies.

The SMEs that are engaged in the business of import and export have to constantly deal with currency risk exposure. This is managed by entering into derivates contracts and is frequently done by the larger players. The SMEs do not possess the technical background in order to participate in such activities. Taking external help increases the cost of hedging thereby not making the entire process feasible. Banks too do not aid these enterprises in hedging their currency exposure. Therefore, this becomes a grave hurdle in order to be competitive in the international market.

SMEs do not hedge their entire risk, which leads to little effect on the volatility of loss or gain. The companies need to be given the confidence to engage in such activities for the growth of the business in the long run. The research done in this field has been qualitative, wherein industry personnel have been interviewed in order to establish and understand the benefits of hedging and the impact of it on the financial performance of an organization. This is the research gap as no quantitative data has been utilized in order to analyze the effect of foreign currency fluctuations of the performance (Revenue and profit) of SMEs in India.

In the light of reasons like the present study is undertaken to know the performance of SMEs hedging and SMEs not hedging the exchange rate fluctuations. The research focuses on how SMEs are performing during the exchange rate fluctuations. For this purpose of revenues and profits after tax of SMEs the operations of small and medium enterprises in India that are listed on the NSE are considered.

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CONCEPTUAL DEFINITIONS

Small and Medium Enterprises

According to the Micro, Small & Medium Enterprises Development (MSMED) Act, 2006, "Small Enterprises are those who have an investment in plant and machinery between Rs 25 Lakhs to Rs 5 crores in the manufacturing enterprises and Up to Rs 10 Lakhs to Rs 2 Crores in the service enterprises. The Medium Enterprises, on the other hand, are those enterprises which have an investment in the plant and machinery between Rs 5 crores and Rs 10 crores in the manufacturing enterprises and between Rs 2 Crores to Rs 5 crores in the services enterprises."

Exchange Rate Fluctuation

The exchange rate between the currencies that is allowed to fluctuate with the market forces of demand and supply.

Exchange Rate Fluctuation Risk

Companies that deal with companies situated in order countries have to deal with the risk of exchange rate fluctuations. These fluctuations can hamper the operations of the organization as it creates an uncertainty in the working of the business.

Impact of Exchange Rate Fluctuations on the SMEs

The exchange rate fluctuations can affect small and medium enterprises in various ways. The micro and macro effects of exchange risk fluctuation are:

MICRO IMPACT

Stagnant Growth of Industries

Exchange rate fluctuations can be volatile thereby leading to uncertainties in the business. This leads to a stagnant growth of companies as the business is unable to allocate resources efficiently in order to safeguard it from the fluctuations of exchange rate risk.

Loss of Market Share

Another result of exchange rate fluctuation is the loss of market share. Companies that export its products or services reduce the volumes in order to reduce the uncertainly due to the volatility in the prices. This thereby leads to loss in sales and loss of market share.

Impact on Profit Margin

Since the loss of gain on currency fluctuations is uncertain, it is difficult to analyze the expenses or costs to be added to the product or service. This leads to an impact on the profit margin marking the cost structure of the product of service unsustainable.

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MACRO IMPACT

Merchandise Trade

Trade refers to a nation's import and export of goods and services. With major exchange rate fluctuation, a sense of uncertainty is created which affects the business negatively thereby reducing the volume of trade. This thereby results in loss of income for the nation.

Economic Growth

Companies that have saturated the domestic market look for foreign market in order to sell their goods and services. This helps in further developing in the economy by providing employment and bringing in foreign currency as reserves. If the fluctuation in the exchange rate reduces the trade occurring, the companies reduce their sales which reduce their growth rate. This in turn reduces the economic growth.

Capital Flows

Exchange rate fluctuations create a sense of risk and uncertainty in a business. The business is unable to operate efficiently and in harmony. This reduces the investor trust in the company and thereby reduces the investment made by foreign players into the country's economy. Along with this, domestic investors to find foreign players to be more lucrative and invest in other nations leading to capital outflows.

In the light of above reasons, the present study is undertaken to compare the performance of SMEs hedging and not hedging the exchange rate. This study will help to understand the impact on hedging and not hedging the exchange rate fluctuations on the performance of SMEs

2. REVIEW OF LITERATURE

(PWC, 2013) The paper analyses the risks and benefits of currency hedging. It also mentions that hedging is not only limited to reduce financial issues. The paper looks into the effect of hedging on the potential drag on the stock prices of the companies. An important aspect of hedging is that the decision is taken only by the top management of any company.

(Energy, 2013) The paper highlights the importance and benefits of hedging. The paper talks about the various theories of hedging and establishes hedging as an "insurance against price risk". The paper then talks about portfolio hedging in which it mentions the importance to using a portfolio of instruments to hedge the risk of currency exposure.

(Simika, 2013) The paper discusses the impact of currency fluctuation on EXIM businesses in Tanzania. Companies were selected that are into import and export. Questionnaires were used to obtain primary data from the managers of these companies while secondary data was collected from the World Bank website. The study suggests that the exchange rate is overvalued by 30%. The exchange rate volatility is high is Tanzania. Between 1995-2011, the volatility averaged 3.9. The paper also analyzed the relationship between exchange rate fluctuations and trade flows. There is a significant correlation established between the elasticity of export supply to real exchange rate changes at -0.83. The paper also suggests that

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exchange rate has significant impact on the economy. The domestic prices, competitiveness of exports and import substitution are all affected by the exchange rate fluctuations.

(Clark, Judge, & Mefteh, 2015) The paper discussed corporate hedging with foreign currency derivatives and the value of the firm. The research includes 176 French companies over a period of 3 years from 2003-2005. The paper focusses on the application of Accounting Standards 32 and 29 that requires the disclosure of the hedging practices utilized in an organization. The paper found out a negative relationship between leverage and hedging which leads to lower tax shields and a loss to the firm. The sample have been taken from various industries namely, petroleum, consumer durables, food and beverages, etc. The test used is MANOVA with various dependent variables used in the process. The study analyzed the relationship between firm value, foreign exchange rate fluctuations and corporate use of derivatives. It is concluded that there is a small sample of industries on which the currency exposure is significant.

The paper discusses the impact of foreign exchange fluctuations of the stock market in Japan. For the research, the Nairobi Securities Exchange Market was selected. The author talks about the unpredictability of the stock market in 2006. The paper tries to find a relationship between this instance and the foreign exchange rate fluctuations. The authors found our that a depreciation in the currency led to a fall in stock prices. There was a negative relationship established between the exchange rate volatility and the stock market returns. The research also concluded that as the Dollar, Euro and lending and deposit rates have declined, the stock market has been promising. Therefore, the study concludes by establishing a relationship between foreign exchange and the stock market returns by establishing a stronger yen to a prosperous Nairobi Securities Market.

(Ouma, 2016) The paper discusses the foreign exchange risk exposure faced by the SMEs in South Africa. The paper states that small and medium enterprises are more vulnerable to exchange rate fluctuations. This paper analyses the risks associated with operating in the industry and the strategies used by the SMEs to manage their forex risk exposure. It also researches upon the viability and effectiveness of the strategies being adopted. For this purpose, 10 individuals were questioned who belong to the same industry. The study was conducted using qualitative approach. The results said that SMEs in South Africa only use the stepping mechanism to hedge their risk. Stepping mechanism refers to hedging of risk before entering into exchange contracts by purchasing forward or spot currencies. The author suggests and advices the companies to use other instruments and techniques to hedge the currency exposure faced by such organizations

(Gerber & Woodtly, 2018) The paper concentrates on the SMEs in Switzerland. The paper has analyses 300 companies that are classified as SMEs and have found out that around two-third of the companies hedge against their currency risks. An important aspect of hedging used by Swiss companies is natural hedge. The expenses are being incurred in the same country it is getting receipts from. Another method of hedging the risk is by purchasing the foreign currency itself. This requires a higher level of investment as compared to other strategies and also hold an opportunity cost along with it. The paper further talks about the achievements of planning how to secure foreign transactions but also mentions hedging as a

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way to profit. The authors state that foreign currency risk should not hamper the core business of organization.

3. RESEARCH METHODOLOGY

3.1. LIST OF SMES SELECTED FOR STUDY

The data collected is limited as only 184 SMEs are listed on the plated of NSE Emerge. The companies selected were into the business of import and export which makes the data availability limited.

The population involved in the process of secondary data collection includes the SMEs that are listed on the portal of NSE Emerge. Data for 60 companies will be selected which will be broken down in two portfolios:

Companies that actively hedge their foreign currency risk

Companies that do not hedge their foreign currency risk

The sampling is done on the basis of the portfolios created. Each portfolio has 30 companies. The 30 companies are divided into two sectors:

1. Manufacturing Sector (15 companies)
2. Non-Manufacturing Sector (15 companies)

TABLE 1: LIST OF COMPANIES NOT HEDGING THEIR EXCHANGE RISK EXPOSURE

Manufacturing Industry		**Non-Manufacturing Industry**	
Sr. No	**Company Name**	**Sr. No**	**Company Name**
1	Airo Lam limited	16	Creative Peripherals and Distribution Limited
2	Five Core Electronics Limited	17	Soni Soya Products Limited
3	Jash Engineering Limited	18	Anisha Impex Ltd
4	Marshall Machines Limited	19	Ambani Organics Limited
5	Saketh Exim Limited	20	Kritika Wires Limited
6	Servotech Power Systems Limited	21	Universal Autofoundry Ltd
7	Shanti Overseas (India) Limited	22	Vadivarhe Speciality Chemicals Limited
8	Ushanti Colour Chem Limited	23	Lagnam Spintex Limited
9	Milton Industries Limited	24	Marine Electricals (India) Limited
10	Sintercom India Limited	25	Sakar Healthcare Limited

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11	Uravi T and Wedge Lamps Limited	26	Rudrabhishek Enterprises Limited
12	Vaishali Pharma Limited	27	Cadsys (India) Limited
13	Shrenik Limited	28	Penta Gold Limited
14	South West Pinnacle Exploration Limited	29	Accuracy Shipping Limited
15	Sirca Paints India Limited	30	Akg Exim Limited

Source: Author compilation

Table 2: List of Companies actively Hedge their Exchange Risk Exposure

Manufacturing Industry		**Non-Manufacturing Industry**	
Sr. No	**Company Name**	**Sr. No**	**Company Name**
1	Ahimsa Industries Limited	16	Softtech Engineers Limited
2	Ahlada Engineers Limited	17	InfoBeans Technologies Limited
3	Avon Moldplast Limited	18	R&B Denims Ltd
4	Emkay Taps and Cutting Tools Limited	19	JAKHARIA FABRIC LIMITED
5	Latteys Industries Limited	20	Jet Knitwears Limited
6	Marvel Decor Limited	21	Macpower CNC Machines Limited
7	Nitiraj Engineers Limited	22	MMP Industries Limited
8	Panache Digilife Limited	23	Sarveshwar Foods Limited
9	Thejo Engineering Limited	24	Euro India Fresh Foods Limited
10	Vera Synthetic Limited	25	Aarvi Encon Limited
11	Worth Peripherals Limited	26	SecUR Credentials Limited
12	Zodiac Energy Limited	27	Dev Information Technology Limited
13	Ice make refrigeration limited	28	Jet Freight Logistics Limited
14	Mohini Health & Hygiene Limited	29	Total Transport Systems Limited
15	Zota Health Care LImited	30	Maheshwari Logistics Limited

Source: Author compilation

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3.2. OBJECTIVES OF THE STUDY

1. To compare the performance of SMEs hedging and not hedging the exchange rate fluctuations.
2. To know the effect of exchange rate hedging on the volatility of revenues and profits after tax of SMEs in India

3.3. DATA COLLECTION METHOD

The study relies upon secondary data sourced from the annual reports of the companies selected. The collection of data has been done through the following sources:

1. **NSE Emerge**: NSE Emerge is a portal catering to the small and medium enterprises in India. SMEs that wants to get listed can do so through this platform. The NSE Emerge was launched in 2012 and currently has 184 listed companies. The names of the companies were collected from this source.
2. **Company Websites - Annual Reports**: The reason for choosing two years data is because the regulation to disclose hedging activities was introduced in 2015. Along with this, most of the company were listed on the NSE Emerge between 2016-2018.

4. DATA ANALYSIS AND INTERPRETATION

The data collected is analyzed with the help of statistical tools and the results of the analysis are interpreted in this section.

Table 3: Grouping of companies based on hedging

		Value Label	N
Hedge	G1 Companies hedge risk	Yes	30
	G2 Companies do not hedge risk	No	30

Source: Author compilation

Companies that hedge have been taken under group 1 whereas the companies that do not hedge their currency risk exposure have been demarked under group 2.

Table 4: Descriptive Statistics for Revenue and Profits After Tax for the year 2016-17

	Hedge	Mean	Std. Deviation	N
Rev	Yes	.00112	.00148	30
	No	.00368	.00378	30
	Total	.00240	.00313	60
PAT	Yes	.04080	.07227	30
	No	.17302	.20011	30
	Total	.10691	.16338	60

Source: Author Compilation

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The data that has been analyzed in the revenue and profit as an absolute percentage of the loss or gain due to foreign currency fluctuations. The test results suggest that the mean ratio of revenue to the gain/loss is lower for companies that hedge their risk as compared to companies that do not hedge their risk in 2016-17. The mean revenue to gain/loss is .0011 for companies that hedge their risk whereas it is .0036 for companies that do not hedge their risk.

The profit as a percentage of fluctuation gain/loss has also been taken. The mean profit to gain/loss for companies that hedge their risk is .0408 while it is .1730 for companies that do not hedge their exposure. This suggests that by hedge, the loss/gain due to fluctuations can be reduced.

Table 5: Impact of Hedging on the Revenue and the Profit in the Year of 2016-17 - Tests of Between-Subjects Effects

Source	Dependent Variable	Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Eta Squared
Hedge	Rev	9.855	1	9.85	11.899	.001	.170
	PAT	.262	1	.262	11.585	.001	.166

Source: Author compilation

a. R Squared = .170 (Adjusted R Squared = .156)

b. R Squared = .166 (Adjusted R Squared = .152)

The MANOVA test applied shows a significant impact of hedging on the revenue and the profit in the year of 2016-17. The p value is .001 for both revenue and profit. This suggests that hedging effects the value of profit or revenue in the companies.

Table 6: Estimated Marginal Mean for the year 2016-17

Dependent Variable	Hedge	Mean	Std. Error	95% Confidence Interval	
				Lower Bound	Upper Bound
Rev	Yes	.001	.001	7.28	.002
	No	.004	.001	.003	.005
PAT	Yes	.041	.027	-.014	.096
	No	.173	.027	.118	.228

Source: Author compilation

The estimated marginal mean is taken to find out the mean from a regression line. The results state that hedging reduces the volatility in the loss/gain due to currency fluctuations as it can be seen by comparing the estimated marginal means.

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Table 7: Descriptive Statistics for Revenue and Profits After Tax for the year 2017-18

	Hedge	Mean	Std. Deviation	N
Rev	Yes	.00093	.00317	30
	No	.00751	.01949	30
	Total	.00422	.01423	60
PAT	Yes	.00714	.00797	30
	No	.16906	.25798	30
	Total	.08810	.19851	60

Source: Author compilation

The MANOVA states that in 2017-18, the volatility is greater in companies that do not hedge their risk. The mean volatility of companies not engaging in hedging activities is .0075 for revenue and .1690 for profit. While companies that hedge have a mean volatility of .0009 on revenue and .0071 on the profit. The deviations is also greater for companies not hedging.

Table 8: 2017-18 Levene's Test of Equality of Error Variances

		Levene Statistic	df1	df2	Sig.
Rev	Based on Mean	3.862	1	58	.054
	Based on Median	2.152	1	58	.148
	Based on Median and with adjusted df	2.152	1	30.575	.153
	Based on trimmed mean	2.332	1	58	.132
PAT	Based on Mean	20.022	1	58	.000
	Based on Median	7.478	1	58	.008
	Based on Median and with adjusted df	7.478	1	29.034	.011
	Based on trimmed mean	12.672	1	58	.001

Source: Author compilation

Levene's Test is analysed to understand the impact of significance on the variables. The data above shows that the impact of hedging of foreign currency is high on the profits of a company whereas it is lower when the revenue is considered. This can be understood by the difference in the values of revenues and profit. As the turnover is high for companies, the loss/gain from exchange rate fluctuations do not affect most of the company's revenues.

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Table 9: Impact of Hedging on the Revenue and the Profit in the Year of 2017-18-17 - Tests of Between-Subjects Effects

Source	Dependent Variable	Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Eta Squared
Hedge	Rev	.001	1	.001	3.329	.073	.054
	PAT	.393	1	.393	11.806	.001	.169

Source: Author compilation

a. R Squared = .054 (Adjusted R Squared = .038)

b. R Squared = .169 (Adjusted R Squared = .155)

The test suggests that the impact of hedging on profits of companies in the year 2017-18 is significant with a p value of .001. Whereas, the impact of hedging on the revenue of the company is insignificant at 5%. The data becomes significant at 10%. This suggests that the effect on profit is greater than the effect on revenue.

Table 10: Estimated Marginal Mean for the year 2017-18 – Hedge

Dependent Variable	Hedge	Mean	Std. Error	95% Confidence Interval	
				Lower Bound	Upper Bound
Rev	Yes	.001	.003	-.004	.006
	No	.008	.003	.002	.013
PAT	Yes	.007	.033	-.060	.074
	No	.169	.033	.102	.236

Source: Author compilation

The estimated means of the regression line formed suggests that the volatility after hedging is lower than the volatility for companies that do not hedge their risk. The mean volatility for revenue of companies that hedge their risk is .001 and for-profit is .007, which is .008 for revenue and .169 for profit for the companies not into hedging.

5. SUGGESTIONS, RECOMMENDATIONS & CONCLUSIONS

5.1. FINDINGS

1. In 2017-18, the effect of foreign currency fluctuations on the profit of the company is significant. It is found out that hedging can reduce the volatility of loss or gain due to forex fluctuations, which in turn affects the profit of the company. By hedging, the company has a volatility of 0.71% on profit, whereas, without hedging, the effect of profit is 16.9%.
2. In 2016-17, the effect of forex fluctuations on the profit of the companies was significant as well. The mean volatility for companies that did not hedge was 17.3% which the volatility

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for companies that did hedge was 4.08%. This suggests that the companies have started hedging effectively which has led to a drop in the volatility from 4.08% to .71%.

3. In 2017-18, the effect of forex fluctuations on the revenue of the companies is no significant. Even though there is an impact of 0.09% for companies that hedge and 0.75% for companies that do not hedge, the data is insignificant.
4. In 2016-17, the effect of forex fluctuations on the revenue had a significant impact with 0.11% impact on the revenue of the companies that hedge and 0.37% on the revenue of companies that do not hedge their risk.
5. The t-test conducted stated that the impact of forex fluctuations is greater in the profit rather than the revenue of a company. This means that the profits of the company would be affected on a greater extent as compared to the revenues of the company in a situation of currency fluctuation.
6. The correlation between the forex fluctuations and revenue of a company was .312 in 2016-17 and reduced to .209. Hence, we can say that there is a positive low correlation between the revenue and fluctuations in foreign currency.
7. The correlation between the forex fluctuations and the profit of the company was .112 in 2016-17 but became negatively correlated to -0.099 in 2017-18. This states that the companies are successfully hedging their risk in order to increase their profits in 2017-18.

5.2. SUGGESTIONS AND RECOMMENDATIONS

1. Guidance to all the SMEs to enhance the performance need to be provided.
2. Standard of Accounting Exchange Rate Fluctuation: The companies show the loss or gain from fluctuations in the income statement. Some companies show it in the cash flow statement under the operating activities while some show it as under financing activities. A set standard should be followed in order to make the interpretation of data more significant and easier.
3. Implementation of Hedging Policy will help the SMEs to reduce the exchange rate fluctuation risk.

6. CONCLUSIONS

The SMEs in India are on a growth trajectory. They cater to various industries and the market includes both domestic and international customers. As and when the domestic market gets saturated, the SMEs will look to export more products and services. This would eventually require the need to hedge one's risk. Therefore, it can be concluded that hedging of foreign exchange has a significant impact on the performance and growth of small and medium enterprises in India.

The hedging can be conducted by many contracts, however the most preferred tools used are forwards contracts. All the SMEs are not specialized in using the tools effectively as a result they will be able to hedge only a percentage of their entire risk. This leads to extreme volatility as seen in the research.

The research also looked in to the comparison of the performance of the SMEs hedging and not hedging the exchange rate fluctuations. . This suggested that the SMEs not hedging are

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badly affected by the exchange rate fluctuations than the SMEs hedging the exchange rate fluctuations. The change in the fluctuation has leads to a change in revenue and profits of both the SMEs. Since the fluctuations are quantified in loss or gain due to the fluctuations of foreign exchange, the profit is impacted directly. With stability in the foreign exchange, Both the SMEs tend to increase their exports, thereby increasing the sales.

This study concludes that the performance of the SMEs hedging against exchange rate fluctuations is better than the performance of SMEs not hedging the exchange rate fluctuations. As the concept of hedging for SMEs is new, this can be an aspect that will get growing importance going forward.

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SMART WEARABLE HEALTHCARE DEVICES: PERSONAL HEALTH CARE COMPANION, CURRENT AND FUTURE CONSUMER ADOPTION STATUS

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ABSTRACT

Healthcare wearable devices are gaining momentum in this era of digitalization as these devices enable an individual to monitor their health on a regular basis with the inbuilt capability of tracking the individual's health and the allied fitness activities. When the adoption of wearable devices is considered it came into light that the adoption of wearable devices is quite less as compared to other smart devices as smart and trending phones. Now a days, manufacturers and designers are depicting increased interest to understand the factors influencing in adopting of these technologies which in turn will help them improve the features and desirability of wearable devices in order to create sensation among consumers and win them over. Due to the privacy issues and concerns involved with these devices the users are facing a trade-off between the perceived risk and the perceived benefit associated with it. The goal of this chapter is to review and synthesize the literature of consumer's adoption of healthcare wearable technologies and associated factors along with it.

KEYWORDS: wearable technology, healthcare wearable devices, technology acceptance theories, privacy risks

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1. INTRODUCTION

Self-tracking has recently surfaced as a big market trend with respect to lifestyle and personal optimization which can be labelled as life-monitoring, calculated-self, individual analytics, self-monitoring and individual informatics. Through self-tracking people can monitor and trach some activities of their day to day life with the help of digital technology willingly and with self-interest (Lupton, 2014a).In this recent trend different individuals track the data about their health pertaining to their daily activities – on regular basis post which that data is analyzed to generate different statistical chart and image.(Choe et al., 2014; Sjöklint et al., 2015). Different Technology and devices can be used to do so like smart watches, Blood pressure monitors, computers, tablets, smart phones wearable devices. Wearables refer to smartwatches, wristbands, patches, clip-on devices and jewellery or textiles with embedded sensors which measure bodily functions or physical activity (e.g., Nike Fuel, Jawbone or FitBit) (Lupton, 2013a; Swan, 2012b). Wearables are to be worn 24 /7 by anybody and it records the daily readings of the body movements like heart rate, blood pressure, pulse body temperature, calories burn and number of steps (Lupton, 2013b). The collected data can be analyzed to have a better track of the daily activities to enhance the quality of life. The recent advancements in sensors and communications have made it possible for individuals to monitor their various physiological conditions using the wearable healthcare devices. Human health and fitness are areas in which wearables can offer insights and it is also quite evident with the popularity of the fitness trackers. Smart healthcare has become especially important in this ever-increasing world population, the conventional patient-doctor appointment has lost its effectiveness. Smart healthcare can be implemented at all levels starting right from the temperature monitoring to tracking vital signs in the elderly. The technology of wearable device can be used to encourage the individuals to be more active and in turn make good lifestyle choices.

The domain of internet of things is extending itself into healthcare both the medical and social care (Mittelstadt, 2017). Internet of things is defined as an innovation that is radical and disruptive in nature which transforms the way the consumers lead their live through creating products which are connected and smart (Sivathanu, 2018). Devices which are enabled using internet for the monitoring the health of users outside the traditional medical institutions are becoming greatly common in the healthcare sector (Mittelstadt, 2017). The healthcare wearable technologies are playing a important role in the management of health of an individual by doing the functions of prevention of disease, real time monitoring of health of an

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individual, medication dispensation, fitness and well-being monitoring and also helps in the collection of data for health related research work (Mittelstadt, 2017).

Wearable technology in healthcare includes the healthcare wearable devices and the fitness trackers like the Samsung gear, Fitbit, apple watch which ensures that this emergence is one of the most prominent fields in the areas under the internet of things (IoT) (Marakhimov & Joo, 2017). These devices also do not limit the user's normal activities and still monitor the health of the individual involved (Sivathanu, 2018). They allow the consumers to monitor their health on a personal level and in turn the health data generated is accessed by the physicians in order to provide a personalized health and medical care (Marakhimov & Joo, 2017). They monitor the various activities of the individual ranging from the quality of sleep of the individual, body temperature, blood pressure to blood oxygen levels (Sivathanu, 2018).

These devices also prove to be of immense value for the older people. With the increasing aging population in countries like India displays a potential market for these healthcare devices (Sivathanu, 2018). They are in certain cases life savers to the older people as it records and guards the health of the individual. This has led many corporate giants to like the Infosys, Intel, IBM and Wipro into making these IoT enabled wearable devices to monitor health (Sivathanu, 2018).

Mostly the fitness wearable devices attracts the young users as they help them in monitoring their day to day fitness conditions and the wearable devices used in the medical field for monitoring the health is preferred mostly by the middle age to old age people (Luo, 2015).

The usage of the healthcare wearable devices and the research prospect of it can be divided into two main sub sections which includes the adoption intention of the consumers on the first place and the privacy aspects therein through the health data collected in order to monitor the health of the individuals. The articles reviewed mainly focuses on the models used to evaluate the acceptance of technology and the adoption intention factors involved. The future challenges mainly involve the implementation factors and the privacy risks associated with it.

2. TECHNOLOGY ACCEPTANCE THEORIES

Technology acceptance model: The technology acceptance model (TAM) that was proposed by (Davis, 1989) is one of the most important and highly valued models among the researchers and scholars who have investigated the consumer's acceptance of various innovative technologies in various contexts. TAM is one of the models which has been used the most in order to evaluate and understand the technology adoption depending upon the varying contexts (Mercado, 2018). Accordingly, the factors that are considered are perceived usefulness, Perceived ease of use, Attitude towards using and behavioural intention to use, Compatibility and Perceived risk (Nasir & Yurder, 2015).

TAM additionally identifies the lack of instructions as a barrier to a person adopting, because it is a barrier to actual system use and can imply to the user that they should be able to use the device and that difficulties are personal failing. The TAM model also provides with two main factors and elements which are considered to influence the consumers or the users to adopt a particular technology, those elements are perceived usefulness and perceived ease of use (Jusob, George, & Mapp, 2016). Perceived ease of use depends on the consumer or the user

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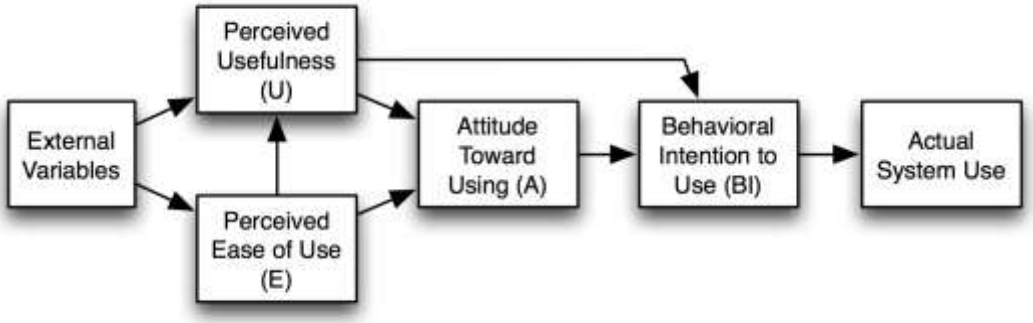
considering whether using that particular device or technology would improve the work efficiency. Perceived ease of use on the other hand depends on the consumers attitude and belief that using certain system would enhance the efficiency of work.

Figure 1: Technology acceptance model



Source: Davis et al. (1989)

3. UNIFIED THEORY OF ACCEPTANCE AND USE OF TECHNOLOGY

The unified theory of acceptance and use of technology (UTAUT) model is an extension of the TAM. This model integrated the TAM with other decision making theories such as the theory of reasoned action, theory of planned behaviour, social cognitive theory, and innovation diffusion theory (Mercado, Adoption of fitness wearables : Insights from partial least squares and qualitative comparative analysis, 2018). This model also includes the performance-expectancy theory, facilitating conditions and the social influence to explain the use and behavioural intention. Other main reason for the researchers to use this particular model is mainly due to the growing and increasingly huge market for the healthcare wearable devices along with the proliferation of the brands makes an interesting case in order to study the technology adoption in the enabling technologies category.

The unified theory of acceptance and use of technology compared to the technology acceptance model is a more recent approach in the field of technology acceptance (Venkatesh, Thong, & Xu, 2012). This model understands the use of information systems and the intention to use to use them from various theories like the expectancy theory which focusses on effort expectancy, social cognitive theory which focusses on social influence and personal computing utilisation which focusses on facilitating conditions.

4. UNIFIED THEORY OF ACCEPTANCE AND USE OF TECHNOLOGY 2

The extended version of UTAUT is the UTAUT2 which was meant to be a more integrative model. The hedonic motivation was added to the model due to its key predictor in the earlier researches and the importance therein (Talukder, Chiong, Bao, & Malik, 2018). The factor of price value was also added because in the consumer context, the users must bear the costs associated with the service use.

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UTUAT2 provides seven direct factors that affect the intention of the consumers to adopt a new technology (Gao, Li, & Luo, 2015). Hedonic motivation involves the pleasure which is derived from the adoption and usage of technology (Venkatesh, Thong, & Xu, 2012). As the consumers have to bear the costs involved in adopting a technology, in UTUAT2 they usually face a trade-off between the perceived benefits and the monetary value involved. As the monetary cost is involved with the adoption of a technology, this particular factor also measures the quality factor involved along with the wearable technology (Venkatesh, Thong, & Xu, 2012). UTUAT2 differentiates itself from the UTUAT by theoretically hypothesizing and in turn testing the positive impacts of facilitating the conditions involved in the consumers intention to adopt (Venkatesh, Thong, & Xu, 2012).

5. BEHAVIOUR REASONING THEORY

Behaviour reasoning theory provides a common platform which enables the researcher to study the relative influence of the "reasons for" and "reasons against" adoption (Sivathanu, 2018). The behavioural reasoning theory enables the study of adoption and the resistance factors in a single framework (Sivathanu, 2018). "Reasons for" basically elaborates about the intention to adopt and the factors involves and the "reasons against" the adoption are the reasons for the resistance for the adoption of the wearable device.

DIFFUSION OF INNOVATION:

The diffusion of innovation theory is useful for examining innovation and success of their dissemination through a more precise indicator of consumer behavior (Talukder, Chiong, Bao, & Malik, 2018). This model is used to determine their influence on the adoption of fitness wearable technology. This theory suggests that through a process called innovation-decision, individuals pass from obtaining knowledge about an innovation to forming an attitude about it (Demir, 2006). Innovation diffusion related researches show that innovation is a an important element and that personal innovativeness is also a important variable in determining the outcomes related to the outcomes of technology adoption (Talukder, Chiong, Bao, & Malik, 2018).

This attitude will then impact the individual's decision to accept or reject the innovation. The influence of certain variables like the effort expectancy from expectancy, social influence from social cognitive theory and facilitating conditions from personal computing utilization on the use and the intention to use are segregated according to the gender, age and experience in using the particular system and the voluntariness to use the system (Mercado, 2018).

6. WEARABLE TECHNOLOGY ACCEPTANCE IN HEALTHCARE

The results from a research show that technology acceptance, health behavior and privacy context perspectives has a significant effect on the consumers intention whether or not to adopt the wearable device (Luo, 2015). The findings also suggest that consumers pay more attention to social influence, perceived privacy risk and perceived vulnerability in their acceptance of wearable technology in healthcare, since they focus more on the enjoyment, their comfort level and price of the particular wearable device.

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By the wearer using the technology is able to become aware of the daily distance walked and monitor his health in order to lead a healthy life (Haghi, Thurow, Habil, Stoll, & Habil, 2017). Many wearable devices have been implemented to measure critical elements in the monitoring of healthcare.

Attitudes have also been used to predict and explain the individual's intentions to adopt various technologies and devices. An individuals' innovativeness is also connected with their personal traits (Lee & Lee, 2018). Consumers who are innovative tend to adopt early. The results of this study also revealed that there is not much difference between people who are aware of the fitness trackers and those who are not aware of these devices. An individuals' intention to adopt the fitness tracker is positively correlated with the variables representing interpersonal influence, technology self-efficacy, information technology related innovativeness.

Most of the users who adopt the wearable tend to stop using the wearables within 6 months (Canhoto & Arp, 2016). Sometimes the users may not reap the necessary benefits as promised while buying. The usage of a technical product is largely influenced by technical and social contexts. The technical context involves what the technology can actually do and the social context what is acceptable in a particular social context.

The managers and the social planners involved in marketing these wearable devices should implement strategies which should not only focus on the usefulness and the ease of use but it should also focus on the consumer's healthcare behaviours and protect the privacy of the users (Luo, 2015).

7. FUTURE CHALLENGES IN IMPLEMENTATION OF HEALTHCARE WEARABLE TECHNOLOGIES

There are certain challenges for both the healthcare system and the wearable technologies industry for the implementation of these devices in healthcare (Lewy, 2014). In the aspect of the healthcare system the main challenge is to enable the use of these technologies by changing the model of care and sharing information. Implementation of these technologies requires the collaboration of the healthcare professionals and patients, not just in adoption, but also according to process of development and implementation in best practice and care pathways.

Giving a user centric approach in which the ability to control the data access and issue permissions is given to the user itself (Liang, et al., 2018). By this way they get the owner ship of their data and whether or not to make their data available public or private. This would lead to decentralized permission management through which a permission should be needed to access the personal health data. Wearable devices does the work of conversion of transforming the original health of an individual into a readable format and that on the other hand is synced on with the account of the patient or individual online (Liang, et al., 2018). To enable the device to store the data online for any further investigation during times of data leakage the user should create an account with a cloud database server. When the data related to the individual's health is generated through the healthcare wearable devices, in order for a better protection it is uploaded to the blockchain network. In this way a confidence for the user

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of these wearable devices for healthcare is created since there is a trusted security along with it (Liang, et al., 2018).

The immaturity of the solutions existing today pose as an important barrier to the implementation of wearable technologies in healthcare (Lewy, 2014). The time required by the physician to use the data compared with the added value provided by it poses as an important challenge for the implementation of healthcare wearable technologies.

8. PRIVACY RISKS AND ISSUES ASSOCIATED WITH THE ADOPTION OF HEALTHCARE WEARABLE DEVICE

With the invention of smartphones, security measures and protocol has changed as the technology becomes more advanced (Chalif, 2016). The future of wearables is in the augmented reality and virtual reality. Wearable devices are often open to security breaches at many different places due to the complexity of the device. There is the device itself which transfers the data to a phone or a web app and then transfer the data to a cloud or device server. During the connection of Bluetooth from the device to the web or phone app there are many areas for security breaches.

As the data which is collected from the wearables can be related to the user, privacy is one of the major concerns in the utilization of these devices (Perez & Zeadally, 2017). These wearables can collect data about events that a user might not want to share with cloud service providers. Some wearables have sensors that not only capture data about the wearer, but allow the collection of data about the user's surroundings.

Integrating the block chain technology with healthcare industry would reduce the privacy concerns due to the enhanced security because of it (Liang, et al., 2018).

The data generated by these healthcare wearable devices in a way create ample opportunity in order to cultivate healthy habits among the users (Mittelstadt, 2017). Privacy is a very important aspect involved as health-related data is generated in real time they provide with greater scope (Mittelstadt, 2017). Once the data is generated, they must be transferred, curated, labelled, stored and finally analysed which would be of an immense benefit for the user especially, service provider and other stakeholders involved. Informational privacy involves the control of data about an individual and at its narrowest part the informational privacy is directly involves with hiding the personal data from the unauthorised parties (Mittelstadt, 2017). The owner ship regarding the redistribution of the health-related data collected through the wearable devices is quite vague (Mittelstadt, 2017). The factor of law comes in this case when the rights are guaranteed through the privacy and protection law.

With the development of the health care industry into a smart healthcare industry brings along with it the need for collecting the personal health data of individuals in order to improve their services (Kim, Jang, & Yoo, 2018). The smart watches and smart bands like apple health and google fit are wearable devices which collect and accumulate personal health data in a large scale. Since the data collected through the wearable devices is stored in a cloud environment, the privacy there in is questioned as the cloud servers are often beyond the trusted domain (Kim, Jang, & Yoo, 2018).

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9. CONCLUSION

This paper provides a review of the literature of the various research papers related to the adoption of wearable technologies by consumer's and the privacy risks associated with it. By doing that, this paper brings together the overall approach of the research works involving the wearable technology adoption. Technology adoption theories related papers were also reviewed. Since healthcare wearable devices are a currently growing market, the other aspects related to it like the adoption of those devices by the consumers and the underlying factors associated with it including the challenges and privacy issues related to it are also an important element to be discussed and reviewed in research.

The companies involved with the manufacturing and selling of healthcare wearable devices should focus more on protecting the privacy of its users and create more trust in certain ways as to how they protect the privacy and overcome all the challenges which inhibits a particular consumer from actually adopting the device. If the concentration is done on that basis the rate of adoption might as well increase. Apart from these the various technology adoption theories also display various components depending on that particular theory using which they evaluate the adoption intention of consumers is also useful during the course of the research.

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A STUDY ON TOURIST BEHAVIOR TOWARDS ADVENTURE TOURISM

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ABSTRACT

Adventure tourism continuous to expand and become one of the largest and fast-growing sectors that contributes to the economy of nation as it attracts a lot of youngster and who want to experience unknown world of adventure tourism. India is blessed with plenty of adventure destination and have enough opportunities to engage the tourists because it can boost the tourism industry as it has lots of products to offer. Karnataka offers variety of activities as a state that is blessed with rich biodiversity that attracts number of tourists from all over the world. It has one of the major assets that is the Western Ghats, extending from Maharashtra to Kerala having national parks, biosphere reserves, Wildlife sanctuaries and highest peak in Karnataka after Karakoram mountain range in Himalayas. Adventure tourism is about thrill and excitement which pushes their physical limits such as leading to achievement and risk taking, ego enhancement, novelty, knowledge seeking and exciting experience who participated in adventure tourism. Market should be active to understand the needs and demand of tourists according to the scenario in order to satisfy them and enhance their product by modifying and adding a pinch of risk along with quality in equipment.

KEYWORDS: adventure tourism, tourist satisfaction, tourist behavior

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1. INTRODUCTION

Adventure tourism is an outdoor activity which is rapidly growing popularity, as tourists want to experience thrill and risk on their holidays. Mathieson & Wall (1982) defines tourism as a temporary movement of people to destinations outside their normal places of work and residence, the activities undertaken during their stay in the destination and the facilities created to cater to their needs. It is estimated to grow by 178% from 2017 to 2023 in India (Reported by Thrillophilia). According to ATTA (Adventure Travel and Tourism Association) adventure tourism includes three elements such as physical activity, natural environment and cultural immersion. Adventure travelers wants to seek new experiences and visit destination. 27% people are interested to travel Himalayas and there is an increase by 18% in solo travelers and there is also a rise in demand for soft activities. Adventure tourism is both domestic and international which includes an overnight stay (UNWTO). The ministry of tourism promotes India with a tag line as Atithi Devo Bhava as India is rich in resources, culture, and geography and weather condition and especially hospitality. India has plenty of adventure destinations and landscape which are enough to provide a thrilling opportunity to engage in adventure activities in India. Adventure travel is in trend and it has generated a lot of avenues for youth like blogging, travel, photography, and travel series.

Adventure tourism is niche tourism where the traveler should expect the unexpected and participating or stepping outside their comfort zone. Adventure tourism has started around 30 years ago when people moved around from one region to another to explore. India had emerged as one of the leading destinations in the world. Nowadays adventure companies have come up with a complete tour package including trainer and quality equipment. Entrepreneurs have built unique infrastructure for tourists to get a complete package for adventure tourism. The family of defence people are familiar with the techniques, ideas and skills needed in adventure activities whereas many small adventure businesses have budded up and special classes and clubs have been formed to educate, empower and enrich people about adventure.

Thrillophilia has collected data from the tourists stating that they prefer their friends to travel with them and there is also an increase in solo travelers. There is a drastic increase in travelers between the age group of forty to sixty years, they are coined baby boomers. It also states that there is a rise in the demand of soft adventure activities than hard activities and tourists is twilling to spend a reasonable amount for the activities, for example Himachal Pradesh and Goa have gained a lot of popularity for adventure activities and is suggested as one of the most preferred adventure destination. Adventure tourism is seen as a great opportunity to boost the tourism industry by creating employment for local people. It is trending in social media, creating revenue though youth blogging, travel photography and travel series.

Adventure tourism is where one pushes himself for physical activity. According to Adventure Travel Trade Association, adventure activity includes physical activity, cultural exchange or activities within nature. It connects you with new landscapes and pushes your boundaries. Adventure travel involves exploration or travelling to exotic places and is gaining a lot of popularity. Adventure tourism in India is also a major source of income and employment. Adventure activity is categorized into two groups-hard and soft activities and adventure activities are divided into land based, water based and air based. It can be undertaken solo,

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with friends, as a group, as a couple and with family. Adventure tourists are motivated to achieve healthy mental state of mind by participating in adventure as an activity. Some forms of adventure travel also include disasters and ghetto tourism. Adventure travelers prepare themselves for trips through various sources such as family friends, travel show, newspaper and magazines, guide book, tour operators.

Hard adventure activities include high risk and requires a lot of skills like trekking, climbing, scuba diving and caving whereas soft adventure activities represent camping and destinations that offers eco-tourism or special interest expeditions. Soft activities which needs less physical activities are horse riding, snorkeling, kayaking and nature walks. Internet based mobile application, audio guide, heritage walk and nature trails, event-based tourism such as art, craft and culture programs also are included in tourist packages.

Adventure tourism has picked up the market in India and has a lot of potential wherein outdoor environmental education helps the participants to understand more about region, communities and their histories. Adventure travelers prepare themselves for trips through various sources such as family friends, travel show, newspaper and magazines, guide book, tour operators, etc. The ministry of tourism has formulated safety and quality norms and standards for adventure activities. It is mandatory that the stakeholders should give higher and stricter adherence to these guidelines.

These guidelines cover land, air and water primarily based activities which incorporates climbing, trekking, hand flying, paragliding, bungee cord jumping and watercourse rafting. The Indian International School of Mountaineering was made fully operational in Gulmarg from January 2009.This institution has its own building and all modern equipment and training facilities for adventure sports. The National Institution of Water Sports based in Goa is for training in water sport activities. The ministry is working with the Indian Mountaineering Federation and the Adventure Tour Operators Association of India to explore India as an adventure destination. Adventure tourism products are designed according to the demand and needs of the market and it is divided into: Aerial, Water and Land activities.

India is blessed with natural wealth like the Himalayan states, coastal areas, hilly and mountain areas, water bodies, desert of Rajasthan etc. India is a varied and diverse form of adventure opportunities where individuals takes pleasure. The increase in accessibility to any place and remote areas (Singh& Dingh, n.d) can lead to the improvement in adventure tourism. The tourists are involved in different forms of adventure tourism activities like bungee jumping, rock climbing, wall climbing, cycling tours, snowboarding, trekking, rafting. The individual should be physically fit to experience the activities and generally when one participates in adventure activities, they feel that there is a requirement of training and developing skills. There are soft and hard adventure activities which are undertaken by the traveler. Adventure tourists also look for cultural and environmental aspects in the destination. States like Jammu & Kashmir and the North Eastern states promotes socio-economic and cultural development of the region (Adventure Tourism Market Study, 2016). Adventure Tourism is divided into Aerial, Land and Water based.

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AERIAL ADVENTURE ACTIVITIES

It was popular from the times air travel was invited. The Federation Aernautique International which oversees all international aerial competition was founded in 1905. The oldest form of aerial adventure is ballooning and it is used for recreation. There are two types of ballooning, hydrogen and hot air ballooning. To promote this product there is a ballooning fair at Delhi and Ahmedabad every year. Balloon festivals are a source of entertainment and amusement. Ballooning is the best way to experience the immensity of the sky and to enjoy the view of land from above. Parachute jumping and sky diving both requires the use of an aircraft with proper training and trainer. Paragliding is a thrilling aero sports activity with the chance to view beautiful valleys. It is done by using jeep or speed boats in water. Bungee jumping is part of aerial adventure sports and is performed keeping in mind the weather observation and trainer experience.

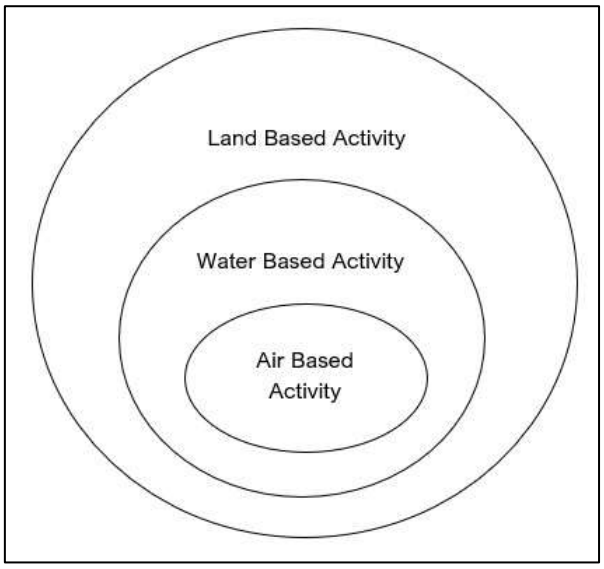
WATER ADVENTURE ACTIVITIES

It is an activity based on water resources such as lake dams, canals, rivers, waterways, seas and oceans. Water based activities are sailing, surfing, motorized sports, white water rafting, kayaking, scuba diving and snorkeling. Famous water adventure spots in Karnataka are Malpe beach, Udupi, Karwar Island, Chikmagalur, Gokarna, Konkan coastal, Kunti Betta, Chitradurga, and Dandeli.

LAND ADVENTURE ACTIVITIES

Adventure activity on land is considered as soft activity. It is based on safari, mountaineering, trekking, rock climbing and mountain climbing, enjoying in the lap of the nature. Trekking is popular among all ages. It is an activity which requires determination and fitness with budgeted package and less cost of equipment.

Figure 1: Various types of adventure activities



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Source: Author compilation

2. DIFFERENT TYPES OF ADVENTURE ACTIVITY IN KARNATAKA

1. Trekking: Trekking is an extended journey with joyful walking experience with the motive of exploring and enjoying nature. It is the only way to see beautiful places and is usually performed in remote areas on foot. Trekking involves some degree of physical ability and knowledge. Some of the famous destination is India known for trekking are Nepal, Tibet, Bhutan and Sikkim. There are numerous budding trekking companies like Bangalore Mountaineering Club, Adventure Nation, Countryside, Flying Fox, Mercury Himalayan Explorations, Thrillophilia etc. Famous trekking places in Karnataka are Dandeli, Mullayanagiri, BabaBudangiri, Point, Shivaganga Hills, Yana, Devarayanadurga, Kumaraparvatha, Pushpagiri, Kudermukh, Savandurga hills, Makalidurga.

2. Scuba Diving: It is an activity performed recreationally and professionally by swimming underwater and experiencing the fantastic marine life with protection and diving equipment. Scuba divers are trained and skilled, authorized and certified along with a minimum level of fitness. Some of the famous organization conducting scuba diving are West Coast Adventure Murudeshwar, Dive Goa, Netrani Adventure. Tourists prefer scuba diving in places like Murudeshwar, Udupi, Goa, Karwar, Netrani Island in Karnataka.

3. Parasailing: It is a fun ride where the person is towed behind the vehicle or boat. Parasailing is also known as parascending which is a recreational activity. As the vehicle takes up speed the person rises and glides through the air. It also needs a lot of caution while performing this activity. Solo parasailing is very thrilling. While performing parasailing the instructor makes sure that the tourists are following the guidelines and wearing all the safety equipment's like helmet, harness, life jacket, knee bands. Places know for parasailing in Karnataka are Malpe beach, Jakkur, Om Beach whereas in India it is seen in places like Goa, Pondicherry, Hampi, Maharashtra, Himachal Pradesh and Uttrakhand.

4. Paragliding: It is an aero-sport and a recreational adventure activity mostly preferred by youngsters, it can cover hundreds of kilometers giving a feeling of a free bird with fun and safety. This adventure activity is gaining a lot of attention and India attracts lot of tourists worldwide. There are courses opened for tourists to practice paragliding. Different events such as Arco Show, Spot Landing Contest, Free Flying and Tandem Flight are conducted. Huge number of paragliding pilots participated in this festival both form national and international.

5. Cycling and Biking: India is blessed with a beautiful landscape and mesmerizing climate. Cycling can be a means to and good combination of both physical activity and sightseeing. Cycling helps to stay fit both mentally and physically. It is also a source of travelling and exploring destination with fun. Individuals prefer cycling to stay fit.

6. White Water Rafting: It is a recreational outdoor activity performed on water bodies in a group of eight to ten people. A journey where it includes excursion which can stretch for longer hours and requires navigation skill. Famous destinations for white water rafting is, Coorg and Dandeli.

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7. Camping: It is an outdoor activity and a recreational activity which includes an overnight stay away from home within nature in a tent. Camping is an activity which can be enjoyed in all seasons. It is a combination of activities such as climbing, fishing, canoeing, hunting and nature walk. Camping in Bengaluru has bought a lot of tourists who wants to experience nature and energize themselves to the maximum. Some of the places known for camping in Bengaluru are Savandurga, Nandi Hills, Ramnagara, Kankapura, Bheemeshwari, Coorg, Sakleshpur, Chikmagalur, and Kundadri Hill.

8. Snorkeling: Snorkeling is swimming through a body of water with a diving mask and a breathing tube. Use of these equipment's allow the snorkelers to experience the underwater world. It is a recreational activity, and attracts all ages and is safe for non-swimmers hence they don't go alone. Snorkeling requires the right equipment like eye mask, fins, and snorkel.

3. ADVENTURE TOURISM IN KARNATAKA

The number of tourists visiting Karnataka have crossed to eighty-five million whereas government is also constantly promoting the UNESCO heritage sites of Hampi and Pattadakal. Karnataka has offered end number of opportunities for tourism and other industries and it has a lot to offer to the tourists like heritage, pilgrimage, adventure, beaches, waterfall and rivers. Karnataka aims to promote it as one among the top tourist's destination in the country.

Karnataka is known for its cultural diversity and breath-taking historic architecture and state of industrialization. It is a well-developed state with traditional exports, trade and commerce. Seven national highways pass through the state. Karnataka is made up of a narrow coastal strip along the Arabian Sea. The Western Ghats running from the capital city of Bangalore is well known as the Silicon Valley of India and is one of the fastest growing information technology centers in Asia. Karnataka is known for its sandalwood handicraft, gold and silk which have been popular for centuries.

Karnataka is rich in flora and fauna with has magnificent wildlife, beaches, monuments, temples and world-famous architecture. The state earns a lot of profit from tourism and has declared it as an industry. Government promotes tourism by giving incentives and concessions to the tourism industry. Department of tourism in the year 1993 has prepared a master plan for the development of tourism in Karnataka. Tourism Policy 2015-2020 strives to an outcome-based initiative. The policy is based on safeguarding environment and promoting sustainable tourism in Karnataka. The Ministry of Tourism issued a guideline for approval of adventure tour operators which is a voluntary scheme for adventure tour operators.

Social media is considered as one of the major tools to promote adventure tourism. Facebook has become one of the most preferred apps for travelers. Through these sites motivation is built within the traveler because they are ''pushed'' into making travel decisions by internal, psychological forces, and ''pulled'' by the external forces of the destination attributes.

Kudermukh is the second highest mountain peak in Karnataka and the Western Ghats and is known for trekking. The trek is organized in an amazing environment surrounded by forest, and waterfalls. Kodachari is located in the district of Shimoga and is known for its sunset and one can see the view of the Arabian Sea. Kumara Parvata is located in the Western Ghats and is the most significant peak, it is blessed with beautiful nature and climate. Whereas

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Tadiyandamol Hill is the highest peak in Kodagu and is a paradise for trekkers with an amazing view of Kodagu and the Arabian Sea with the best time to visit being during winter. Honnemaradu is one of the best place to participate in all water sports including surfing, kayaking, canoeing, parasailing. It is an awesome place for adventure activities along with food, accommodation and entertainment.

4. ADVENTURE TOURISM IMPORTANCE AND BENEFITS

Employment Generation-Adventure tourism generates job opportunities both directly and indirectly. It is a source of income and youths participate in it actively,

Foreign Exchange: Adventure tourism attracts foreign tourists on a large scale. When tourists travel, they spend a large amount of money on accommodation and accessibility and recreation. It supports economy of the host country.

Economy Development- Adventure tourism helps in the development of the host country's income and supports various other form of tourism.

Support Local Communities-Adventure tourism helps in the development of infrastructure and supports local development and to increase the living standard of the host community.

Conservation of Natural Resources-Adventure tourism involves nature-based activities. Players in the industry are dedicated to mold the tourism industry to sustain the environment and conserve the natural resources.

Creating Business Opportunities-Adventure tourism activities creates new business opportunities emerging in the industry.

5. GROWTH OF ADVENTURE TOURISM IN KARNATAKA

Karnataka is a state in the southern western region of India, it is known for tourism and is one of the most visited destination in the world as it is rich in flora and fauna. There are regions in Karnataka which are not explored. The Western Ghats, a hotspot of Karnataka is on the list of world heritage sites of UNESCO. Monsoon in Karnataka marks the arrival of mixed emotions for the people near Western Ghats because it is blessed with natural wealth. The mountain ranges are perfect for monsoon trekking in Karnataka.

Honnemardu is a small village situated in Shivomoga town of Karnataka. It is known as an adventurous location with kayaking, trekking and boating. This town is famous for birdwatching where one can spend endless hours watching large varieties of birds in the town. This village got the name from the tree named as honnee tree which is now submerged under the water of the dam.

Though there is no human habitation there are two tiled houses which are accommodated by adventurers participating in activities like trekking, kayaking, boating, camping. As the darkness cover the sky you can set up a bonfire and lie down gazing towards the sun. Honnemardu is considered as the perfect holiday-cum adventure destination in South India. 'Script your Adventure' is the theme picked by the Karnataka tourism department for the year 2018 to focus on adventure tourism and tap into the state's potential of being 'one state many

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worlds'. Karnataka offers rich heritage, culture, nature, beaches and wildlife. Karnataka has the largest number of tourist destinations and the government wants it to make the top preferred destination in the country.

Adventure Tourism in Karnataka has grown immensely over the years and the growth of tourism is seen by the increase in promotional activities and social media trends which has created a lot of opportunities for adventure seekers. People want to tick off on their bucket list and make hobbies out of their adventure. Karnataka with its diverse topography and climate offers tremendous potential for the growth and development of adventure tourism. The state's hilly regions present many opportunities for adventure activities with pleasing weather.

6. NEW TRENDS IN ADVENTURE TOURISM

1. **Bot:** Chat bots are designed to craft and provide immediate personalized response to the customer; Chat bot will help to interact and engage the customer. It also gives additional information to the customer. It is also responsible for good customer service.
2. **Virtual Reality**: It is an in-demand marketing tool for adventure tourism. The customer can see and feel the intangible tourism products like nature, activities, resorts which is like story telling. Virtual reality was introduced to more than 85% of people according to the study and they wanted to visit the place in person.
3. **Big Data**: It is a large set of data which can lead to new insights, trends, opportunities and threats. The data is collected through tourism satellite accounts, foreign travel advisories, and Trip Advisor reviews. Most of the operators won't have access to the big data. Only destination management organizations and the government will have access to the data. Travel companies use big data to improve customer experience. Data is a need to deliver service and create customer experience.
4. **Solo Travel**: There is an increase in the number of solo travelers and specific itineraries is made to meet their needs by the travel companies. Solo travelers may not be single or wish to travel individually, they may be tourists whose partners do not share their interest or who don't want to join them for vacations. Solo travelers enjoy by themselves more than in a group and there are lot of Travel Company budding up with solo travel plans.
5. **Slow Travel**: It happens when a visitor stays in a place for more than a week or for a extended periods of time. Here the traveller stays in a place and explores new destinations with accommodation, food, activities and attractions.
6. **Women travelers:** Travel caters everyone's need and breaks all boundaries. Female solo travel is increasing day by day and itineraries are planned specifically for women only. Travel Company hires female guides for the tours because there is an increase in women travellers. Women travellers are breaking all the typical stereotypes when in comes to traveling solo. There is nothing more important than inspiring and motivating women to take up travel and stand as an example in the travel industry.
7. **Silver Hair Trend:** It is also called as grey hair tourism or baby boomers when the kids have flown and the nest is empty, where the parents are retired and are looking for the opportunity to travel. Silver hair tourism is the main contributor for the growth of the tourism industry and they mainly focus more on soft adventure activities and are ready to pay for

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the activities. They take up adventure travel to make them feel that they are mentally fit and healthy.

Table 1: List of Adventure Activities in Karnataka

Sl.No	Name of the Destination	Activities
1	Mysore	Skydiving
2	Murdeshwar	Scuba Diving
3	Dandeli, Netravadi, Devabagh, Karwar, Gokarna, Coorg	White Water Rafting
4	Ramanagara	Rock Climbing
5	Mullayanagiri,Yana,Baba Budangiri	Trekking
6	Kolar (Antharagange cave)	Cave Exploration
7	Udupi	Parasailing
8	Nelaguli (Dirt Mania Outdoor Adventures)	Dirt Biking
9	Mysuru, Tumkur, Bengaluru (Ramdevarbetta,Dandeli,Ghati Ghats)	Cycling and Biking
10	Coorg	Angling

Source: Author compilation

7. TOURISTS BEHAVIOUR TOWARDS ADVENTURE TOURISM

Achievement and risk taking, Ego Enhancement, Novelty and knowledge seeking and exciting experience were found to be the most significant motivations related to the reason for tourists choosing to participate in adventure tourism. Travel motivation is also related to the widely accepted Maslow's hierarchy of needs which understands motivation through five different levels of needs, such as physiological, safety or security relationship, self-esteem or development and fulfilment. Motivation can be-Escape, relaxation, self-exploration, and prestige, enhancement of kinship, social interaction, and seclusion while cultural motives involves only novelty and education. Motivations such as the desire to relax, rest, stay inactive are now replaced with the desire to discover new places, to learn, meet people and to taste new experiences. Increasingly more tourists want holidays that stimulate them mentally.

Motivation is categorized into intrinsic and extrinsic. Intrinsic is because of something enjoyable or interesting a person is moved to engage with or in things that foster enjoyment and engagement whereas Extrinsic motivation is a person's motivation for a given behavior which can be affected by a positive motivation or by unwillingness. The decision to revisit a destination is complex which involves numerous factors as prior experience, tourist

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motivations, and satisfaction of stay. Adventure behavior may be defined as the behavior of an individual who is taking part in an adventure activity that involves risk, an uncertain outcome and potential danger. Travel motivation is perceived as one of the most useful methods to understand tourists demand and their behavior and to predict their decision-making procedure.

Tourists are attracted because of the destination attraction, activities, amenities, climate, culture and food and accessibility. The study also shows that push factor plays a major role in motivation of an individual to travel than pull factors. The pull factors are external motivational factors such as better health, higher income, more free time and the attractiveness of the physical environment, advertising campaign, promotion packages and word of mouth.

Tourist's behavior towards adventure activities is explained by two elements, which is the satisfaction level and loyalty towards tourism products. If a tourist is satisfied it is not necessary, then he may opt for the same activity or may purchase it often but on the other hand if a tourist is loyal there are more chances that he will participate in the activity frequently and refer others to experience the same. It is believed that destinations with more positive images attract more tourists and destination image also affects the behavioral intentions of customers. Attitude of a tourist is categorized into positive and negative and differs from person to person. Tourists carry different perceptions before experiencing the thrill or risk from an activity, this perception can be seen on how they react towards a particular activity. Scholars suggested that highly educated and qualified people are likely to have more positive risk-taking attitude.

According to the study perceived value is where tourists are concerned about the price and quality in an activity in which they choose to participate and their direct effect on purchase intension. There is also a difference of opinion observed about adventure activity between male and female. Soft activities are mostly preferred by females whereas males prefer hard adventure activities. Females are more conscious about the price and quality of the activity compared to males.

As per the study females participate in adventure activity mostly in winters than summer and male visitors participate more in summer than female tourists. Males participate in more air-based adventure activities than female.

Swarbrooke et al., 2003, Positive risk refers to risk that a person can control and this is perceived as a challenge, whilst negative risk refers to risk that a person cannot control and this is perceived as danger. These risk levels are linked to an individual's skills, experience, and knowledge of the adventure activity.

Perception of risk is an important component in the tourists' behavior. Most youths love to engage in challenging activities as for them when they perform adventure activities; they are achieving something higher for their self-development.

While engaging with adventure tourism which is related to high level of risk, safety awareness is important as it is the feeling when people understand that they are safe and that no harm will befall them, physically, mentally or emotionally.

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8. TOURIST'S BEHAVIOR

According to Oliver's definition (1997, p. 392), 'loyalty is understood from the behavioral point of view as it refers to the future product or service repeat purchase commitment despite situational influences and marketing efforts directed at causing changes in behavior'. An adventure tourist is also identifying through its profile. Bigne and Andreu (2004) and Xia et al. (2009) Behavioral Segmentation is an effective method for identifying various consumer patterns. Some tourists are loyal to a brand and quality of a destination. A good customer service uses product variety and quality to increase consumer loyalty and promote the activities in the destination. According to Ha and Jang (2010) adventure tourism companies should recognize the important of brand-loyal consumer and use relation-marketing techniques. Customer satisfaction is a post consumption evaluation that either meet or exceeds expectation and is based on whether the importance of emotions in the customer's behavior has increased significantly during the last few years. Tourists travel to different destinations to meet their travel expectations and this also known as travel motives.

9. TOURISTS SATISFACTION

Tourist's satisfaction is an important element in marketing of tourism products and services. Visitor's satisfaction is used to identify the long-term success of the destination and brings benefit to the destination. Satisfaction is used for long term success of the destination and it brings benefits to the stakeholder. Customer satisfaction includes word of mouth, consumers complaining behavior, brand loyalty, continence, recommendation, repurchase intention. Visitor's satisfaction also leads to a high level of satisfaction that leads to encourage tourists to revisit the destination. Satisfied tourists also tell their relatives and friends, giving them free advertisement and help them to take part in travel to the destination or participate in the activities. A satisfied tourist is willing to pay higher price (Wang and Davidson, 2010). Repeated purchase and positive word of mouth reduces business cost (Sheth, 2001).

Satisfaction is defined as the consumers' overall cognitive or affective response to product use, and consumers' judgment of whether a product provides a pleasurable level of consumption-related fulfilment. A trip of tourists visiting a destination and experiencing through natural and cultural destination attribute affects tourist's perceptions of service quality and pricing. Expectations are defined as individual beliefs on how a product is performing in the future (Oliver, 1987). Individuals have a psychological conflict when they carry their vie between performance and beliefs and individual's feelings towards the service. Loyalty or commitment with respect to brand is considered to be the main reason for satisfaction along with experience.

10. CONCLUSION

Tourists are influenced due to the products marketed by the players in the industry as they have different expectations. It is difficult to identify their needs as the industry offers alternative tourism services. It is difficult to identify tourist behavior. Components of an adventure trip include environment, activities, motivation, feeling of rush and experience. The demand in adventure tourism has grown twice so there is also environmental concerns whereas emphasis is on personal motivation of tourists towards healthier activities during vacations. It was

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suggested by Chen & Tasi (2007) understanding the relationship between future behavioral and its determinants, whereas the challenge faced by the destination managers are to create an attractive image and improve their marketing efforts. So it is important to identify repeated visitors in the destination for increase in revenue because it is important from the economic perspective.

Promotional costs of attracting repeat visitors are less than first time visitors. Marketing of destination should be guided by analysis of tourist's motivation and tourist's satisfaction and loyalty. Karnataka is rich in its environment and biodiversity and offers diverse nature-based tourism activities such as biking, safaris, scuba diving which have a severe impact on the environment if not managed properly. Adventure activities also leads to environmental issues which is extreme or less. One such research focuses on tourists that are aware of environmental issues but displayed an indifferent attitude towards it.

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GLOBAL TRADE: ITS ORIGIN, EVOLUTION AND THE PRESENT SCENARIO

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ABSTRACT

Global Trade or International Trade refers to the exchange of goods, capital, resources, manpower, technological exchanges etc between countries for their mutual benefits. Detailed explanation on the subject in the present context is outlined. The Historical Trade patterns and Modern Trade Patters are compared. The historic evolution of trade from ancient times to the present scenario has been analyzed. Various ancient and present trade routes like the Silk Route discussed along with the measures to revive some of them. Explains how the international trade affects the economy of the nations and the world economy. Merits and de-merits of the global trade discussed categorically. How nations are utilizing the various means of international trade is also dealt with. Goods are imported and/or exported which forms a major part of the national revenue. Present trade agreements with nations area wise (like American Trade, European and Asian) and their impact on the national as well as International economy studied in detail. Existing Trade agreements are dealt with. Salient features of world Trade Organization analyzed. Major power stalkers in the present Global trade identified. Prof. Paul Krugman's New Trade Theory is detailed. Also explains the global economic prospects, present trend and the future predictions/growth projections of the world trade through various means of analysis.

KEYWORDS: global trade, international trade, history of trade, globalization, multimodal, trade agreements

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1. INTRODUCTION TO GLOBAL TRADE

Trade in general is a basic economic concept involving the buying and selling of goods and services, with compensation paid by a buyer to a seller, or the exchange of goods or services between parties. There are two types of trade namely internal or Domestic Trade and External or International trade. Global Trade otherwise called International Trade refers to the export and import of goods and services across international boundaries. The exchanges can be goods, capital, resources, man power, and even technological exchanges for mutual benefits of the countries involved. Goods and services that leave the country to another are called exports and the ones which are brought for sale are called imports. The basic principle of Global trade is the concept of comparative advantage. A country may be able to produce some goods at a cheaper rate than others and thereby enabling it to export the same while accepting some imports. Even though broadly speaking both are one and the same, there is a fine difference. Global trade refers to the issues and concerns of the entire world but international trade involves only a few countries.

2. HISTORY OF GLOBAL TRADE

Trade is believed to have originated in the pre-historic time when humans used the barter system to get certain goods and services in exchange of another. It is even dated to 150000 years back to Circa. First long-distance trade is believed to have been between Mesopotamia and the Indus Valley around 3000 B.C. But most of the ancient long-distance trades were for luxury items like silk, spices, textiles, metals, gold and gems.

Ancient Trade

Ancient trade provided the general meeting point or the market. Barter system was the most primitive means of trade where all agricultural products and household items were traded in exchange of another item or service. Trade between distant places involved middlemen in addition to tradesmen. There were risks of the commodity being destroyed or looted. But imperishable goods like spices, costly textiles, gold and silver earned the traders fame and money even though they also were liable for loot en route. Cyprus with its rich deposits of copper which it traded had famed itself as a rich nation in ancient times.

Means of transporting goods by waterways started as early as 3000 and the trade was mainly concentrated around rivers like the Nile, the Euphrates, the Tigris, the Indus etc. where ancient civilizations were concentrated. When more sophisticated and better boats were built coastal trade became predominant. The Mediterranean Sea became a major trade hub with links with the nations and islands even up to the African coast.

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Caravan trade

The Caravan trade flourished around 1000 BC in the desert areas of Asia and Africa where the traders used camels as the means of transport and moved round in groups. The caravan trade linked the western Arabia with India, Egypt and Mesopotamia. By 300 BC, the Greek invasions of the Egypt and Mesopotamia led to the ancient multimodal transport of goods, through caravans and then through ships to the Mediterranean. Goods coming from Mesopotamia in caravans were shipped at the port of Seleucia. Two main stop points in this route were the old Babylonian town of Doura, on the west bank of the Euphrates and the oasis city of Palmyra. By the first Century BC Palmyra became buzzing with all trade activities but the Greeks had already lost Persia or Mesopotamia. A new and rich supply of goods started coming from the Far East in this time through the so-called Silk Route.

In 106 BC a caravan of goods left China and reached Persia through the Himalayan route without any issues of plunderers of the steppes thanks to the patronage of the Han Dynasty rulers of China. This is considered the first successful trade through the Silk Route. In the first Century BC the Romans conquered Syria and Palestine and thereby controlling the terminal hub of the Silk Route and sending goods directly by the sea. China was adamantly trading silk for gold only and this caused the introduction of Global economics as the Mediterranean countries especially Rome was buying silk with huge amounts of gold. Both east Asia and Western Europe had their own sophisticated trade systems and the Silk route acted as a link between these countries. The world's oldest trade route thus came into existence as the caravan route of the Middle East and the shipping lanes of the Mediterranean. At this time only the Indo China connections and trade was established as a maritime link. In the first Century AD itself Indian merchants were trading through the seas up till South China. In this trade they also were spreading Hinduism and Buddhism.

African Trade

Prominent trade patterns were also established in the African Continent during these times. The caravan trade flourished running North and South across the Sahara Desert and also due to the patronage of the strong rulers in the area. The African gold was the most precious commodity which was moved to the northern areas. Old kingdom of Ghana could have a full control of this trade due to its strategic geographical location, in the south west corner between Senegal and Niger. The second valuable commodity of trade from Africa was the slaves. Caravans also brought salt in addition to the African commodities like ivory, cola nut (containing caffeine), ostrich feathers and eggs, dates, metal items etc. These caravans never used to transport goods at a stretch; instead the goods were many times handed over or repacked and handled by many caravans till it reached the final destination. These handlings were always carried out at some resting points in the oases. There were middlemen involved and sometimes even partnerships of trade existed.

Russian Trade

The Vikings generally invaded the regions of Northern Europe and the Baltic with the sole aim of plundering. But the river routes of Eastern Europe extending further inland tempted them for trade and thereby landing them even up to Russia in the Ninth Century. Important trading

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centers were developed along the riverside as transit points. Goods ferried by water between the important trading points converge on this area. By the early 9th century Viking tribes known as the Rus had developed a base on the site of Novgorod thereby leading to the establishment of Russia. All goods gathered from all parts: gold, clothes, wine, fruits from the Greeks; silver and horses from the Czechs and Hungarians; furs, wax, honey and slaves from the Rus' used to arrive and depart these transit points.

European Trade

In 1159, Henry - The Lion, the then Duke of Saxony and Bavaria of Germany invaded and established the town of Lubeck which later flourished as a town to cater the trade needs of the Baltic. Goods from Netherlands and the Rhine River found ways to the Baltic markets through this city and Hamburg to the North Sea. These twin centers of a network of trading alliances later came to be known as the Hanseatic League (Hanse means a guild of traders). The German merchants used to make mutual alliances to protect their interest and the goods. The main agenda was the control of pirates thus enabling the safety of goods. In the 13th Century the Hanseatic Trade flourished well with the growth of the European Economy. The towns in the guild organized themselves in a more formal fashion with membership fees and rights of the members established. There were about 100 such German towns by 14th Century who controlled the trade of the Baltic and the North Sea. But the glory of these towns and the guild faded with the decline in the European Economy towards the end of 14th Century. The political developments and the unity of certain areas like the merger of the Scandinavian Countries, merger of other small countries) and the hostility of the new rulers also contributed to the decline of the Hanseatic League. The last league operation is believed to be in 1669. The ups and downs of the European Economy from 11th to 14th century greatly affected the trade in Europe. The European economy saw an uptrend in the 12th and 13th Centuries and the cities prospered; rich monasteries controlled by powerful abbots became predominant in Europe during this time creating a feudal system. The development in trade caused many cities to flourish and improving the life style and standards of living. The coastal Italian cities became the hubs of trade and Venice became prosperous especially after the Fourth Crusade. Netherlands, France, Germany and England became trade partners.

Banking also developed along with the flourishing trade. Previously Jews were the pioneers in banking but around 13th Century, predominant Christian Families, particularly from the Northern parts of Italy became money lenders thus amassing wealth.

This trade and prosperity began to decline in the 14th Century due to multiple reasons. Cultivation became less thereby reducing trade. A succession of bad harvests occurred which was a blow to the farmers and in general the economy. The Black Death or the plague pandemic of 14th century coasted many lives and that was the final blow to the fall of the trade and economy of Europe. In 15th Century, with the Renaissance and the geographic explorations, the European trade and economy recovered from its decline and again attained prosperity.

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Chinese Sea Trade

The greatest extent of Chinese trade was achieved in the early 15th century when Zheng He, a Muslim eunuch, sailed far and wide. He reached up to the Persian Gulf, the coast of Africa (returning with a giraffe on board) and possibly even Australia. Typical Chinese exports during this time included porcelain, lacquer, silks, items of gold and silver, and medicinal preparations. The junks returned with herbs, spices, ivory, rhinoceros horn, rare varieties of wood, jewels, cotton and ingredients for making dyes.

Pax Mangolica and Silk Road

Even though the Silk Road was started during the Han Dynasty in the first Century itself the route was not that economical due to various reasons like robbery en route, the fierce climate, lack of proper transport etc. By the middle of the 13th Century the Mongol King Genghis Khan took control of the region from the Northern parts of China till the Black sea thereby controlling the trade and economy of the Asian continent. The opportunity of trade through the Silk Road attained its peak during these times. In the beginning the Silk Road was unsafe due to the plundering by the nomads of the steppes like the Mongols at the Eastern side and the fierce rivalry between the Muslims and Christians at the West end. But with the unity of the area under Genghis Khan the situation became favorable. Like the Pax Romana this time was called the Pax Mongolica. Trade with the Mongols is described by the famous trader Marco Polo, his father and his uncle.

Portuguese and their Slave Trade

The Portuguese Expeditions of the 15th Century made their ships reach up to the sub-Saharan areas of the African continent. They started sourcing slaves from these regions. The Portuguese gained occupancy of the volcanic and fertile land of the Cape Verde Islands and they used to employ some slaves in Cape Verde for the estates and major part of the captured slaves were taken to Europe for auctions. On the Guinean coast the Portuguese made trading stations to buy captive Africans to trade to the Europe. Cape Verde Island coast came to be known as the Slave Coast. The Islands flourished with its cultivation of tobacco, cotton and sugar cane. The Portuguese started slave trade to their colony in Brazil too. Sooner or later other nations with trans-Atlantic interests also started trading for these goods and slaves in the Slave Coast.

In the 16th Century the spices trade was done mainly by the Venicean merchants and the goods were brought from India and Arabia through land. By the invention of the sea route around the Cape of Good Hope by Vasco De Gama the Portuguese could have the monopoly of the spices trade as the goods now started to be shipped. The Portuguese under Albuquerque had captured strategic transit points like Hormuz in the Persian Gulf, Goa in the west coast of India, Bombay and the Malacca thereby enabling them to control the entire trade through sea with their own might and supremacy. Developing maritime trade and explorations improved the sailors' knowledge of ocean meteorology and the phrase trade winds became common.

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In the 17th Century with the formation of the English East India company the trade in the Indian coast became divided. The English established a base factory or warehouse at Surat in 1613 to cater the storage of textiles, spices and indigo and then to ship to Europe. But there were strong contenders for the trade.

The Spanish, The French, The Dutch and the British all wanted to overpower the monopoly of the Portuguese trade. By the 18th Century the British also became predominant in the global trade with their ships reaching almost all parts of the continents and colonizing many coasts. They used to follow triangular trade pattern without wasting any leg of any voyage. Soon the trade patterns and the monopolies started shifting around these major maritime powers and the entire trade came under the control of the strongest of them from time to time. Slowly the British took over the trade monopoly both in Asia and also in the Europe. But the greater volume of trade across the Atlantic was carried out by the Spanish people.

Global Trade in 19th and 20th Centuries

Trade and commerce have achieved remarkable growth in the 19th century. The concept of Globalization came into being with the integration of national economies and trade interests to a global economic system thereby taking care of the interests of all the countries involved. Globalization has helped to improve the trade between different countries to achieve multi fold growth.

Globalization is considered to have two phases, the first from the beginning of the 19th century till the First World War and the second phase from the end of the Second World War till now.

Countries have realized their own potentials of production and export and have come to mutual agreements on the trade thereby enhancing mutual co-operation. Many trade agreements and treaties came into force during these times. Economic interactions help to sustain the prosperity and individual national interests.

The first wave of Globalisation was also backed up by the technological advances the human kind made in the beginning of the 19th Century. Until 1913 the global trade growth was more than 3% annually. International trade suffered a setback with World War 1 due to the rise of nationalism and decline of liberalization.

World trade grew after the World War 2 but collapsed with the Economic depression. But the period from 1950 to 1960 saw a phenomenal growth in the world trade. This was not long lasting. It again plummeted with the oil crisis of the 1960s. From 1970 the Global trade graph again rose till 2007 when the great recession shook the entire world. The growth is quite appreciable except for the small breaks during the times of various recessions as mentioned. Again, the cold war climate in Europe also has caused the global trade to slow down but was not for long.

The revolutionary changes in technology and transport has entirely changed the global trade in the end of 20th century. Globalisation and the improved and fast means of transport enhanced the global trade especially with the multimodal transport system of goods.

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3. INDIA'S GLOBAL TRADE – A BRIEF HISTORY

India boasts of the first ever global trade through the maritime sector by the Mesopotamians trading with the Indus Valley people as early as the 3rd Millennium BC. The world's first ever dock was found at Lothal which dates back to 2400 BC. After the Roman invasion of Egypt there was an increase in trade with India and Rome around 25 BC. India had developed a predominant trade relationship with South East Asian Empires of Arabia and Persia during the 8th Century. Excavations in the Odisha coast had yielded proof of Indo China Trade dating back to 2300 BC due to the presence of some artifacts which were common in Vietnam area. Chandra Gupta Maurya (322-298 BC) tried to make a naval force in India as per the writings of Megasthenes. The Mauryas had ventured out and achieved many ocean voyages for various reasons.

The Maritime Silk route (2nd Century BC to 15th Century AD) was the major maritime trade route connecting India, China, SE Asia and Arabia, Somalia, Egypt and Europe and goods even from South India found their way out to foreign nations. Kalinga (present Odisha) after its annexure to the Maurya Empire by Ashoka in 3rd Century BC, had established maritime trade with China, Java and Sumatera etc.

From 200 to 1280 AD, the Chola Emperors had an upper hand in developing the maritime trade with China and Java as they had absolute control over the west and eastern side of Indian peninsula. Their empire the Srivijaya was the largest empire in SE maritime Asia. Even the Pandyas and Cheras also had developed ports like Kollam and engaged in maritime trade.

In 1497 AD, four merchant vessels set sail from Portugal under the leadership of Vasco De Gama as per the orders of the then Portugal ruler Manual 1. They rounded the Cape of Good Hope sailing towards India and finally made landfall in India in 1499 thus providing an alternate sea route between India and Europe paving way for a strong trade pact even though the chain of events that followed led to the colonization of India.

On April 05th1919, SS Loyalty, the first ship of the Scindia Steam Navigation Company sailed from India to the UK which was a mile stone in India's Maritime history as the sea routes were all dominated then by the British.

4. MAJOR INTERNATIONAL TRADE AGREEMENTS

World trade is governed by certain trade agreements and treaties. They can be free trade agreements, unilateral, bilateral or multilateral agreements.

The concept of Free Trade among nations as suggested by Adam Smith in his Wealth of Nations has been well acclaimed by all nations. Free trade, usually defined as the absence of tariffs, quotas, or other governmental impediments and allows each country to specialize in the goods it can produce cheaply and efficiently relative to other countries. Such specialization enables all countries to achieve higher real incomes. But the domestic producers and other intermediate persons in trade may get affected. Some countries, such as Britain in the nineteenth century and Chile and China in recent decades, have undertaken unilateral tariff reductions—reductions made independently and without reciprocal action by other countries. The advantage of unilateral free trade is that a country can reap the benefits of free trade immediately. Countries that lower trade barriers by themselves do not have to postpone reform

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while they try to persuade other nations to follow suit. The gains from such trade liberalization are substantial: several studies have shown that income grows more rapidly in countries open to international trade than in those more closed to trade. Dramatic illustrations of this phenomenon include China's rapid growth after 1978 and India's after 1991, those dates indicating when major trade reforms took place. Some countries believed in unilateral reforms in trade as the only effective way to boost up the domestic sector. But multilateral and bilateral agreements of trade were more advantageous as they enhance the economic benefits of International trade and also help in specialization of products by nations. It also may reduce political oppositions.

GATT

After World War II, the United States helmed in establishing the General Agreement on Tariffs and Trade (GATT) in 1947, which quickly became the world's most important multilateral trade arrangement. This agreement, after many negotiations, substantially reduced the tariff barriers of the manufactured goods. This helped to revive the world trade and hence the economies of the countries involved. After the introduction of GATT, the average tariffs set by industrial countries have fallen from about 40 percent to about 5 percent. These tariff reductions helped promote the tremendous expansion of world trade after World War II and the concomitant rise in real per capita incomes among developed and developing nations alike. The annual gain from removal of tariff and nontariff barriers to trade as a result of the Uruguay Round Agreement (negotiated under the auspices of the GATT between 1986 and 1993) has been put at about $96 billion, or 0.4 percent of world GDP.

In 1995, the GATT became the World Trade Organization (WTO).

The WTO oversees four international trade agreements:

1. General Agreement on Tariffs and Trade (GATT)
2. General Agreement on Trade in Services (GATS)
3. Agreements on trade-related intellectual property rights (TRIPS)
4. Trade-related investment (TRIMS)

The WTO is now the forum for members to negotiate reductions in trade barriers; the most recent forum is the Doha Development Round, launched in 2001.

World Trade Organization and its role in Global trade

The countries realized the importance of a governing body or a regulatory committee to cater the interests of the individual nations in global trade. Hence on January 1st 1995 the World Trade Organization (WTO) was formed with its headquarters at Geneva under the Marrakesh Agreement signed by 123 nations in 1994. WTO is the international body formed by its member nations to monitor and execute the trade agreements between different nations thereby ensuring fare trade between nations. The WTO is a place where member governments go, to try to sort out the trade problems they face with each other. The WTO is not just about liberalizing trade, and in some circumstances its rules support maintaining trade barriers — for example to protect consumers, prevent the spread of disease or protect the environment.

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At present there are 164 member nations which forms 98% of the world trade and has Mr. Roberto Azevedo as its Director General. The last country to join WTO was Afghanistan in 2016. 16 countries do not wish to be part of WTO (Aruba, Curacao, Eritrea, Kiribati, Kosovo, Marshall Islands, Micronesia, Monaco, Nauru, North Korea, Palau, the Palestinian Territories, San Marino, Saint Maarten, Turkmenistan, and Tuvalu)

The WTO is committed to protecting fair competition. There are rules on subsidies, dumping WTO is committed to economic development. For example, recent rounds have put pressure on developed countries to accelerate restrictions on imports from the least-developing countries.

Main Functions of WTO

1. Administering WTO trade agreements
2. Forum for trade negotiations
3. Handling trade disputes
4. Monitoring national trade policies
5. Technical assistance and training for developing countries
6. Co-operation with other international organizations

Principles of WTO

The trading system should be

Without discrimination: A country should not discriminate between its trading partners (giving them equally "most favored nation" or MFN status) and it should not discriminate between its own and foreign products, services or nationals (giving them "national treatment")

Freer: Barriers coming down through negotiation

Predictable: Foreign companies, investors and governments should be confident that trade barriers (including tariffs and non-tariff barriers) should not be raised arbitrarily; tariff rates and market-opening commitments are "bound" in the WTO

More competitive: Discouraging "unfair" practices such as export subsidies and dumping products at below cost to gain market share

More beneficial for less developed countries: Giving them more time to adjust, greater flexibility, and special privileges

Advantages of the WTO

1. Helps to promote peace among nations
2. Disputes are constructively handled without bias
3. Freer Trade cuts the cost of living
4. Products qualities and choice increased
5. Better Economy through better and fair trade
6. Better shielding for nations against lobbying
7. Makes an efficient market system

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Drawbacks

1. More Economic dependence on Global markets which causes domestic economic instability
2. More competitive environment for establishing new industries and firms
3. More imports may lead to less demand of domestic products and lead to unemployment
4. Unequal developments of member nations
5. Dominated by wealthy nations
6. Opposed certain environmental laws like the US Clean Air Act
7. Not generally democratic in nature

The WTO has not contributed much as yet to improve Global trade by introducing any new trade-agreements or treaty but has helped to keep up the pace of the market and avoid disputes as far as practicable.

4. LIST OF OTHER MAJOR TRADE AGREEMENTS

African, Caribbean, and Pacific Group of States (ACP Group)

Establishment Date: 6 June 1975

Aim: to manage their preferential economic and aid relationship with the EU

Members (77)

Angola, Antigua and Barbuda, The Bahamas, Barbados, Belize, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Republic of the Congo, Cook Islands, Cote d'Ivoire, Djibouti, Dominica, Dominican Republic, Equatorial Guinea, Eritrea, Ethiopia, Fiji, Gabon, The Gambia, Ghana, Grenada, Guinea, Guinea-Bissau, Guyana, Haiti, Jamaica, Kenya, Kiribati, Lesotho, Liberia, Madagascar, Malawi, Mali, Marshall Islands, Mauritania, Mauritius, Federated States of Micronesia, Mozambique, Namibia, Nauru, Niger, Nigeria, Niue, Palau, Papua New Guinea, Rwanda, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, Solomon Islands, Somalia, South Africa, Sudan, Suriname, Swaziland, Tanzania, Togo, Tonga, Trinidad and Tobago, Tuvalu, Uganda, Vanuatu, Zambia, Zimbabwe

Andean Community of Nations (CAN)

Note – formerly known as the Andean Group (AG), the Andean Parliament, and most recently as the Andean Common Market (Ancom)

Establishment Date: 26 May 1969; present name established 1 October 1992; effective -16 October 1969

Aim: to promote harmonious development through economic integration

Members (5): Bolivia, Colombia, Ecuador, Peru, Venezuela

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Arab Cooperation Council (ACC)

Establishment Date: 16 February 1989

Aim: to promote economic cooperation and integration, possibly leading to an Arab Common Market

Members (4) Egypt, Iraq, Jordan, Yemen; note – the ACC has remained inactive since the Gulf crisis

Asia-Pacific Economic Cooperation (APEC)

Establishment Date: 7 November 1989

Aim: to promote trade and investment in the Pacific basin

Members (21) Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, Mexico, NZ, Papua New Guinea, Peru, Philippines, Russia, Singapore, Taiwan, Thailand, US, Vietnam

Observers (3) Association of Southeast Asian Nations, Pacific Economic Cooperation Council, Pacific Islands Forum

Black Sea Economic Cooperation Zone (BSEC)

Establishment Date: 25 June 1992

Aim: to enhance regional stability through economic cooperation

Members (11) Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Turkey, Ukraine

Observers (9) Austria, Egypt, France, Germany, Israel, Italy, Poland, Slovakia, Tunisia

Caribbean Community and Common Market (Caricom)

Establishment Date: 4 July 1973; effective – 1 August 1973

Aim: to promote economic integration and development, especially among the less developed countries

Members (15) Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago

Associate members (4) Anguilla, Bermuda, British Virgin Islands, Cayman Islands, Turks and Caicos Islands

Observers (8) Aruba, Colombia, Dominican Republic, Mexico, Netherlands Antilles, Puerto Rico, Venezuela

European Free Trade Association (EFTA)

Establishment Date: 4 January 1960; effective – 3 May 1960

Aim: to promote expansion of free trade

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Members (4) Iceland, Liechtenstein, Norway, Switzerland

North American Free Trade Agreement (NAFTA)

Establishment Date: 17 December 1992

Aim: to eliminate trade barriers, promote fair competition, increase investment opportunities, provide protection of intellectual property rights, create procedures to settle disputes

Members (3) Canada, Mexico, US

In addition to the above there are many Free Trade Arrangements both bilateral and multilateral between various countries like the Singapore FTA, Bahrain FTA, Chile FTA etc.

MULTIMODAL TRANSPORT SYSTEM AND CONTAINERIZATION IN GLOBAL TRADE

5. MULTIMODAL TRANSPORT SYSTEM

Multimodal transport means the transportation of goods under a single contract, but performed with at least two different modes of transport; the carrier is liable for the entire carriage, even though it is performed by several different modes of transport. Goods are transported from the interior areas of the countries through different means of transport including waterways, rails and road till they finally reach their destination. Sometimes the goods are further shipped to different nations after reaching the port city.

The International Multi modal transport regulations were framed based on the guidance of the United Nations Convention of 1979 and 1980 on the subject.

Advantages of multimode Transport System

1. Decrease in customs controls.
2. Only one contract is made.
3. Tracking cargo through satellite systems.
4. Low rates of theft or damage to the cargo that favor the costs of insurance premiums abroad.
5. Most cost and time effective way

Disadvantages

1. Inter modal cargo transport yields from relatively high foundation costs.
2. Lack of reliability- Because of its dependence on more than one mode of transportation

This system of transporting goods has become the backbone of the International Trade as this is cost effective and faster as efficient transport system is a prerequisite for better trade.

Around 80% of the volume of International trade is carried by the sea. The goods have to travel from far and wide to the seaports for exports and same is the case of imports to reach their final destination. Multimodal transport has eased the problems of delivering the goods safely and timely. Multimodal Transport allows to combine in one voyage the specific advantages of

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each mode, such as the flexibility of road haulage, the larger capacity of railways and the lower costs of water transport in the best possible fashion. Multimodal Transport also offers the shipper the possibility to rely on a single counterpart, the multimodal transport operator who is the architect of the entire journey and only responsible party from pickup to delivery, rather than having to deal with each and every modal specialist of the transport chain.

While Multimodal Transport seems to offer only benefits to all parties, shippers and service providers, it is also very difficult to achieve. Multimodal Transport requires a thorough control over all the steps involved in international transport, including multiple storage and handling stages; this means extensive use of information technologies and carriers' networks and regulatory frameworks that can provide freedom to plan and operate to carriers and reliable liability regimes to customers. On top of that Multimodal transport needs to be competitive in markets where uni-modal operations not only have been there for a long time but also are simpler to handle and, most of time, more cost effective.

Containerization

With the containerization the trade through land and water has improved multifold and has given a boost to the maritime and the Global trade. Goods could be delivered safely without damages to the final consignee with the containerization. b goods can be safely transported with reefer containers. Even animals could be transported with half height containers. Tank containers and open top containers can be used as required. Containerization is a system of intermodal freight transport using intermodal containers (also called shipping containers and ISO containers). The containers have standardized dimensions. Containers can be made of weathering steel to minimize maintenance needs.

Once containers reach the port on ships they are stored in yards and then transported by road/rail/inland waterways till they reach the final destination. They can't be easily opened and hence the cargo is safer, not exposed to the weather damages and hence the claims are less comparatively. Containerization has these advantages over the conventional break bulk cargo carriage.

The main advantages of containerization are:

Standardization. Standard transport product that can be handled anywhere in the world (ISO standard) through specialized modes (ships, trucks, barges, and wagons) and equipment.

1. Flexibility
2. Cost Effective
3. Improved Velocity of trade
4. Warehousing possibility
5. Improved Security and safety

The main drawbacks of containerization are:

6. Site constrains. Large consumption of terminal space (mostly for storage)
7. Capital intensiveness.

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8. Stacking and extra labor
9. Repositioning
10. Theft and losses especially at the yards
11. Illicit trade possibility since the transporter or the carrier does not know the actual content of the container

Container trade has helped the remote rural products to reach far and wide to other major areas of the world. For example, the Coffee and from Brazil gets transported via road/inland waterways and shipped in containers. They reach the transit point at the port of Freeport at Bahamas from where they get shipped on to other vessels to Europe, North America or Asia as the case may be. Similarly, products from Europe or North America come to the transit points and find their way to the final destination. There are similar transit points all over the world like Singapore, Shanghai, Rotterdam, Amsterdam etc. Similarly, products from China and other Asian countries reach Europe and Americas. Hence containerization has helped global product distribution. Container ships are time bound and hence faster. Moreover, the turnaround time being fixed the goods are delivered or shipped without causing undue delays or legal formalities.

Bulk goods are transported via sea using the bulk carriers. Another very important trade aspect is oil trade. Tankers carry the oil products across the seas to the various customers across the globe. With the modernization in shipping and the expansion of ports the global trade has increased even though the recession has affected all fields including shipping. Since shipping is the best option for bulk transfer of goods shipping transportation still remains a major stake holder in international trade.

3. INSURANCE AND GLOBAL TRADE

Insurance has become an inevitable part of the Global Trade. It is an economic compensation to the losses which may encounter due to certain unforeseen circumstances. Insurance enables to mitigate loss, financial stability and promotes trade and commerce activities those results into economic growth and development. Thus, insurance plays a crucial role in sustainable growth of an economy.

Shipping of goods could not function without insurance. Ways of protecting valuable vessels and cargoes by transferring or sharing risk have been known since ancient times. . Hull insurance was known to the Phoenicians, Greeks and Romans. The first statute dealing with the insurance of ships was recorded in Barcelona in 1434. The first marine insurers were established in Italy in the seventeenth century. By 1700 the name of Lloyd's was already synonymous with the London marine insurance market. Lloyd's, with Royal Exchange Assurance and Royal London Assurance, dominated the market. It was resentment of this virtual monopoly among ship owners in English ports outside London which prompted them to form the first mutual hull insurance clubs through which they insured each other against loss. The concept of mutuality, the sharing of common interests, was central to these clubs, their successors and those still flourishing today. It was a form of self-help dependent on trust and loyalty. 'The whole principle of Mutual Clubs is, if there is a loss all owners contribute, and if there is a gain all owners get the return'. It drew on the tradition of mutual assistance at sea

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when seafarers in distress relied on help from passing ships, even if owned by competitors. One rule common to almost all mutual marine insurance clubs, most of which were originally hull insurance clubs, was that Members should come to the aid of ships in distress belonging to fellow Members. These clubs were the first Insurance firms of trade. A Protection and Indemnity or P&I club is a non-governmental, non-profitable mutual or cooperative association of marine insurance providers to its members which consists of ship owners, operators, charterers and seafarers under the member companies. Now there are 13 P and I clubs all over the world like the London P and I Club, Steamship Mutual etc.

Foreign Trade involves the transportation of goods through various means of transport which involves many risks of loss or damage due to natural calamities, accidents or thefts. In order to guarantee safe transport of goods, the importer and the exporter, and the urgent need for both sides are willing to participate in the insurance, which is the basic reason that insurance has become one of the fundamental prerequisites for foreign trade. First, there must be a country's foreign trade, then need import and export insurance. If there is no foreign trade, insurance will lose clients. The development of foreign trade is a prerequisite for the development of insurance, in turn, the development of insurance has provided a guarantee for the foreign trade business, help to further engage in foreign trade.

4. DIFFERENT TYPES OF INSURANCES APPLICABLE TO TRADE

There are several core insurance policies that are likely to need for export of either products or services. Main insurance policies are listed below.

1. Product Liability
2. Professional Indemnity
3. Marine / Cargo / Transit

1. If exporting a physical product then it needs to move from the factory or warehouse to the customer and Marine insurance provides cover for this. There are a number of means of covering goods in transit and often this depends on who is made responsible for the goods whilst they are in transit.
2. If the exporter is responsible for the risk of loss or damage while transporting the goods to the customer, then cover will normally be arranged by the exporter. Alternatively, the transport of the goods may be carried out by a specialist third party haulier. In this case, the haulier may provide cover. The haulier may charge a higher cost than if the exporter insured himself, and cover may be limited.

In some cases, the customer will prefer to arrange the transit themselves and if this is the case then they will usually insure. Exporters can either insure single transits, or put an annual policy in place to cover all transits.

Present Global Trade area wise

The present trend in global trade differs area wise as the trade agreements vary with areas and countries. Let us analyze the general trade in different areas of the world with a broader continent-wise segregation.

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European Trade

EUs trade policy protects its member nations by ensuring that the consumer protection acts are always adhered to. It also promotes human rights, safety standards and environmental protection. The EU has the ultimate authority of trade negotiations in the Europe. Even though the present-day European Market is sluggish it has the USA as its main trade partner with almost 633000 trade followed by China, Switzerland and Russia. Till 2019 USA remained EU's biggest export market and China the biggest importer. Present day trend in European trade with other countries are dipping due to various political and other reasons.

North American Trade

The US trade has currently 14 FTAs with almost 20 countries. The U.S. Constitution, through the Commerce Clause, gives Congress exclusive power over trade activities between the states and with foreign countries. Trade within a state is regulated exclusively by the states themselves. China is the biggest ally of US trade followed by Canada, Mexico, Japan and EU. The Transatlantic Trade and Investment Partnership (TTIP) - 2018 is a proposed trade agreement between the European Union and the United States, with the aim of promoting trade and multilateral economic growth. The largest US exporter is Apple Inc. followed by Pfizer and ExxonMobil.

Asian Trade

The trade in Asia is largely governed by the Asia-Pacific Trade Agreement (APTA) which is a preferential regional trade agreement formerly known as the Bangkok Agreement. APTA aims to promote economic development of its members through the adoption of mutually beneficial trade liberalization measures that contribute to regional trade expansion and economic cooperation. China is the world's biggest exporter with US as its main trading partner. China may look for new partners or different trade policies in the future as it holds the main share of Asian global trade. Most Asian countries have risen in economy through global trade in the 21st century. The growth in foreign trade has also attributed to the improved economies of the Asian countries especially East Asian countries and the trend may help them to surpass the European economy in the coming future.

The African Trade

The Continental Free Trade Area is the governing agreement in trade and commerce in and out of the African continent. Most of the African Countries are part of this agreement. The IMF also sees a jump in the African trade in the coming years due to more liberalized approach and inclusion of latest technologies. Giving African countries the opportunity to participate in the global economy through trade helps grow their economies, creates jobs, and reduces poverty. Under AGOA, U.S. imports from sub-Saharan Africa have increased considerably. Major imports to Africa are pharmaceuticals, textiles, automobiles, food, electronics, plastics etc. whereas the major exports are precious gems and metals, fertilizers, ores, iron and steel, fuel oil, fruits and nuts etc. Africa's main trade partner is the EU followed by China, Japan etc. There are inter-continental trade patterns in the African trade also.

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Latin American Trade

The Latin American Free Trade association formed in 1960 is the main governing body of the Latin American trade. By size and economic importance, the region has three major free trade deals: the still-to-be-implemented renegotiation of NAFTA, known as the United States-Mexico-Canada Agreement, or USMCA; Mercosur, the four-country common market made up of Argentina, Brazil, Paraguay and Uruguay; and the Pacific Alliance The Latin American market is one of the largest markets. The main exports are agricultural products, natural resources like metals, ores, coffee, textiles and petroleum. The main imports are plastics, machinery, vehicles, iron and steel, wheat, and paper. Latin America & Caribbean major trading partner countries for exports are United States, China, Brazil, Argentina and Canada and for imports United States, China, Brazil, Germany and Japan.

Global trade of India

India exports approximately 7500 commodities to about 190 countries, and imports around 6000 commodities from 140 countries. Major exports from India are engineering goods, refined petroleum, gems, jewelry, chemicals, agricultural products and textiles, the major Indian imports were crude petroleum, gold, coal briquettes, diamonds and petroleum gas. India has signed bilateral FTAs with Sri Lanka, Afghanistan, Thailand, Singapore, Bhutan, Nepal, Korea, Malaysia and Japan. Free Trade Agreement (SAFTA, 2004) and the India-Association of Southeast Asian Nations Agreement (ASEAN, 2010). India's trading partners include China, USA, UAE, African countries etc.

India with the co-operation of other Asian countries including China is trying to revive the ancient Silk Road trade and has largely succeeded in its efforts.

Theories of Global Trade

The aim of Trade Theory is to explain the existing patterns of trade, the impact on the domestic economy, and the type of public policies that should be introduced to increase a country's well-being.

A classical, country-based international trade theory that states that a country's wealth is determined by its holdings of gold and silver. When the value of exports is greater than the value of imports. When the value of imports is greater than the value of exports.

New trade theory (NTT) suggests that a critical factor in determining international patterns of trade are the very substantial economies of scale and network effects that can occur in key industries.

These economies of scale and network effects can be so significant that they outweigh the more traditional theory of comparative advantage. In some industries, two countries may have no discernible differences in opportunity cost at a particular point in time. But, if one country specializes in a particular industry then it may gain economies of scale and other network benefits from its specialization.

Another element of new trade theory is that firms who have the advantage of being an early entrant can become a dominant firm in the market. This is because the first firms gain

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substantial economies of scale meaning that new firms can't compete against the incumbent firms. This means that in these global industries with very large economies of scale, there is likely to be limited competition, with the market dominated by early firms who entered, leading to a form of monopolistic competition.

Monopolistic competition is an important element of New Trade Theory, it suggests that firms are often competing on branding, quality and not just simple price. It explains why countries can both export and import designer clothes.

This means that the most lucrative industries are often dominated in capital-intensive countries, who were the first to develop these industries. Therefore, being the first firm to reach industrial maturity gives a very strong competitive advantage. (some may say unfair advantage)

New trade theory also becomes a factor in explaining the growth of globalization.

It means that poorer, developing economies may struggle to ever develop certain industries because they lag too far behind the economies of scale enjoyed in the developed world. This is not due to any intrinsic comparative advantage, but more the economies of scale the developed firms already have.

Paul Krugman was a leading academic in developing New Trade Theory. He was awarded a Nobel Prize (2008) in economics for his contributions in modeling these ideas of International Trade and for his analysis of trade patterns and location of economic activity.

5. CONCLUSION

Global trade has helped many countries to improve their economic status and GDP. Each country can produce and export goods and services in which it has a comparative advantage and import goods and services in which it doesn't make.

Advantages of global trade include specialization, economic growth and reduction of global conflict. Barriers to trade can be either policy driven or natural.

But at the same time the domestic market loses as there is tight competition in quality and tariffs of the imported goods. This may lead to unemployment in the domestic sector and a fall in GDP. Furthermore, some developed countries may make forceful markets in developing countries thereby forcing their products and sometimes they may harm the indigenous environment thereby destroying it.

The current trend in the International trade is increasing foreign trade and interdependence of the countries. But the market growth in 2019 was weak owing to the comparatively higher tariff rates and prolonged trade policy uncertainty. There is a severe competition among the countries as the market is more open and tariffs are negotiable. The trade trends are subjected to the changing environments like political, technological and cultural grounds. The trend also depends on the agreement and co-operation among countries with respect to their foreign trade policies. Liberalizations, emerging market growth and cross border freedom of movement and trade are some other factors which decide the trend of International Trade. After a few years of increasing uncertainty and upheaval, most outlooks are finally showing a trend for an easing of global trade volatility into 2020 post COVID-19 as expected.

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PROSPECTS AND CHALLENGES OF MICRO AND SMALL-SCALE BUSINESS RUNNING ENTREPRENEURS

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ABSTRACT

Micro and small-scale industries are essential for providing subsidiary or alternate occupations and utilization of local labor and raw materials. They facilitate an effective mobilization of resources of capital and skill and also stimulate the growth of industrial entrepreneurship. Thus, the development of micro and small-scale industries is an integral part of the overall economic, social and industrial development of a country. Micro and Small-scale industries are important because it helps in the employment generation and thereby development of the country. This study aims to examine the prospects and challenges of micro and small-scale business running entrepreneurs in Palakkad district in Kerala. Both secondary and primary data are used in this study. Primary data are collected from forty respondents by using an interview schedule based on convenience sampling technique. Percentage analyses, Weighted Average Ranking, Mann Whiteney Test, Krusikal Wallis Test, etc. are the statistical tools used to analyze collected data. Output of the study reveals that the government has to take more initiatives to enhance the prospects and overcome the obstacles of micro and small-scale entrepreneurs in Palakkad district in Kerala.

KEYWORDS: MSME, entrepreneurs, prospects, government schemes

JEL CLASSIFICATION: L2, L26

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1. INTRODUCTION

Micro and Small-scale industries are the smallest business in a country, which operates with least capital and low number of employees. Usually, it operates in a small geographical area to provide goods and services for their community. Micro and small-scale industries play a vital role in economic and social development of the country. They also contribute significantly in generating highest employment, increasing production and exports. It also helps to reduce regional imbalances by equitable distribution of national income and wealth.

Realizing the importance of micro and small-scale industries, the government has undertaken a number of schemes or programmes such as the Prime Minister's Employment Generation Programme [PMEGP], Credit Guarantee Trust Fund for Micro and Small Enterprises [CGTMSE]. Credit Linked Capital Subsidy Scheme [CLCSS] for technology upgradation, scheme of fund regeneration of traditional industries for the establishment of new enterprises and development of existing ones.

Micro and Small-scale industries are those industries in which manufacturing, providing services, productions are done on a small scale or micro scale. These industries do a onetime investment in machinery, plant and industries which could be on an ownership basis, hire purchase or lease basis, but it does not exceed Rs.1crore.Role of small scale industries are to help the government in increasing infrastructures and manufacturing industries, reducing issues like pollution, slums, poverty and, many developmental acts. Micro and Small-scale industries contribute significantly to the country's manufacturing output, employment and exports, is credited with generating the highest employment growth as well as accounting for a major share of industrial production and exports. The small-scale industry is highly heterogeneous in terms of the size of the enterprises, variety of products, services and levels of technology.

The industries coming under the micro and small-scale sector includes handicrafts, handlooms, khadi, food producing industries, garment making, textile industries, industries related to coir, wood, plastic, rubber, leather, clay, electronic and electronic components. In Indian economy small-scale and cottage industries occupy an important place, because of their employment potential and their contribution to total industrial output and exports. Government of India has taken a number of steps to promote them.

2. SCOPE OF THE STUDY

Micro and Small-scale industries are important because it helps in the employment generation and thereby development of the country. They also help to reduce many problems like poverty, unemployment, pollution etc. They help to reduce unemployment problems by providing opportunities for self-employment. They also help to reduce regional imbalances by equitable distribution of income and wealth. The micro and small-scale industries are geographically located in rural areas improving the standard of living of rural society by providing goods and services of their needs. They also facilitate local utilization of resources. They are set up mainly by low amount of capital and with a smaller number of employees. This study helps to learn more about the importance of micro and small-scale industries and how small-scale industries help in developing the country. For a meaningful study relating to small scale industries (SSIs)

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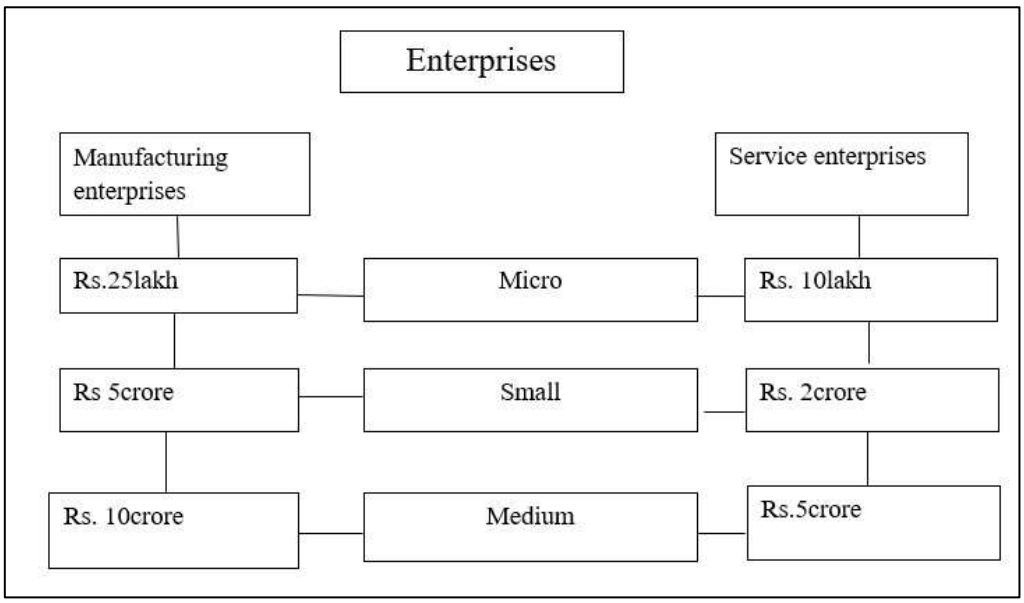
it is important to develop a broad conceptual foundation, which can act as authentic frame of reference for the study.

Industries are part of the secondary activity. Secondary activities or manufacturing converts raw materials into products of more value to people.

Figure 1: Types of Enterprises



Source: Author compilation

Table 2: Classification of Industries

Micro Enterprises	Small Enterprises	Medium Enterprises	Large Enterprises
• Below Rs. 25 lakh • 10 employees • Examples: Catering, Childcare, Photography Services, House Cleaning and Event Planning	• Rs. 25 lakhs - Rs. 5 crore • 50 employees • Examples: Convenience stores, Small grocery stores, Bakery, Restaurants	• Rs. 5 crore – Rs. 10 crore • 250 employees • Examples: Garment factory, Supermarket	• Above Rs. 10 crore • 500 employees • Examples: Tea industry, Food processing Industry, Automobile Industry, Paper Industry

Source: Author Compilation

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Micro and Small-scale industries are those industries in which the manufacturing, production and rendering of services are done on a micro or small-scale basis. These enterprises must fall under the guidelines, set by the government of India. These industries are generally labour intensive and hence they play an important role in the creation of employment.

3. LITERATURE REVIEW

1. Diana Ann Issac (2018), conducted a study on knowledge management and industrial growth. A study on small scale enterprises of Kottayam district, Kerala. She focused on enterprises development programme (EDP). Knowledge management in SSI units and training programmes to develop entrepreneurs and also reveals the training efficiency in different models. She also focused on various schemes and programmes for developing EDP and SSI units.
2. Ms. S H Afroze, Dr. Arul Jyothi (2018) they conducted a study on women entrepreneurship in beauty parlour services. They mainly focused on to study the socio-economic profile of women entrepreneurs and to study the different motivational factors of women entrepreneurs and also studied the extend of different types of services provided by the selected industry and reveals the relationship between effective utilisation of both fixed and working capital. They mainly focus on the problems faced by the women entrepreneurs in different industries. The study finds that the economic status of women entrepreneurs has improved and also found out the new business opportunities for women entrepreneurship.

4. STATEMENT OF THE PROBLEM

Micro and small entrepreneurs contribute nearly thirty percent to the GDP. They play a vital role to enrich the economy by way of using indigenous resources, generating employment to the local people, making in India, quality production and distribution and generating revenue to the society. Government of India has lots of initiatives to boost this sector by recognizing that micro and small businesses are social solutions to mitigate poverty and unemployment. Various kinds of assistance such as financial, technical, managerial, etc are provided both by the central and the state government to enhance the growth of micro and small entrepreneurs. Whatever strategies made by the government so far is not enough to evolve these units in a fully-fledged manner. They are still facing many challenges to run their businesses. Considering this phenomenon, the author has entitled this paper as prospects and challenges of micro and small-scale business running entrepreneurs. This study is mainly focused to understand the business profile of micro and small business units, their perception towards government schemes and the challenges in their track.

5. OBJECTIVES

1. To understand the government initiatives for the growth of micro and small-scale businesses
2. To understand the business profile of micro and small-scale business running entrepreneurs

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3. To understand the challenges faced by the micro and small-scale business running entrepreneurs.

6. HYPOTHESES

1. H0: Perception of entrepreneurs towards government schemes not significantly different in male and female.
2. H0: Perception of entrepreneurs towards government schemes not significantly different in various locations.
3. H0: Perception of entrepreneurs towards government schemes not significantly different in various age groups.

7. RESEARCH METHODOLOGY

Research Design: The study is basically inferential in nature.

Sources of Data: The present study is based on both primary and secondary data.

Secondary Data: Secondary data were collected from the various sources such as websites, journals, articles, books and newspapers etc.

Primary Data: The primary data are collected by using a well-structured questionnaire.

Sample Design: Sample design involves sample size, period of study and method of sampling.

Population: The study is conducted in Palakkad district. Micro and small-scale business running entrepreneurs in Palakkad district constitutes the population.

Sample Size: The sample size taken for the study is 40 micro and small scale business running entrepreneurs in Palakkad District, Kerala, India.

Sampling Method: The sampling respondents are selected based on convenience sampling method.

Statistical Tools: Percentage analyses, Weighted Average Ranking, Mann Whiteney Test, Krusikal Wallis Test amongst others are the statistical tools used to analyze collected data. Tests are executed with the assistance of SPSS.

8. LIMITATIONS

1. The sample may not constitute the whole population
2. Some respondents were reluctant to give correct information.

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9. RESULTS AND DISCUSSIONS

Table 2: Demographic Details of Respondents

Criteria	Options	Frequency	Percent
Gender	Male	30	75.0
	Female	10	25.0
	Total	40	100.0
Age	Less than 40	14	35.0
	40 – 50	15	37.5
	More than 50	11	27.5
	Total	40	100.0
Education	SSLC	22	55.0
	Plus Two	6	15.0
	Graduate	8	20.0
	Post Graduate	1	2.5
	Others	3	7.5
	Total	40	100.0
Number of Workers	Less than 10	31	77.5
	10- 50	8	20.0
	50 – 250	1	2.5
	Total	40	100.0
Activities of business	manufacturing	20	50.0
	Services	12	30.0
	Repairs	3	7.5
	Small traders	5	12.5
	Total	40	100.0
Problem on running business	Financial	29	72.5
	Labour	7	17.5
	Marketing	3	7.5
	Managerial	1	2.5
	Total	40	100.0

Source: Primary data

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Table 2 shows infers that 75 percent respondents are male and the remaining 25 percent are female. Out of 40 respondents, 37.5 percent comes in the age category of 40-50; 35 percent falls under less than 40 categories and the rest of 27.5 percent are in the age group of more than 50.It can be opined that majority of the respondents have their qualification of SSLC, followed by 20 percent of graduates, 15 percent are having their qualification of plus two and least are with post graduate degree. Among the 40 respondents, 7.5 percent comes in the category others; which include diploma and computer courses as their qualification. It is observed that majority of the respondents are engaged in manufacturing, followed by 30 percent in services, small traders constitute 12.5 percent and the least 7.5 percent falls in the category repairs. Major obstacle faced by the respondents is financial crisis, followed by labour issues, marketing and managerial problem.

Table 3: Business Profile

Variable	Opinion	Frequency	Percent
Location of the firm	Rural area	30	75.0
	Semi-rural area	9	22.5
	Urban area	1	2.5
	Total	40	100.0
Sources of money	Government	28	70.0
	financial institution	4	10.0
	corporate sector	1	2.5
	Private sector	7	17.5
	Total	40	100.0
Investment	Less than 25 lakhs	34	85.0
	25 lakhs - 5 crore	6	15.0
	Total	40	100.0
Number of workers	Less than 10	31	77.5
	10- 50	8	20.0
	50 – 250	1	2.5
	Total	40	100.0

Source: Author computed value

It can be observed from Table 3 that majority of the entrepreneurs located their business in rural area and least preference to urban area. Majority of the entrepreneurs prefer government sources to acquire their funds, followed by private sources, financial institutions and corporate sector. Upto rupees twenty-five lakhs investment is given most preference by the entrepreneurs. Majority of the units having less than 10 numbers of employees.

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10. HYPOTHESIS TESTING

H0: Perception of entrepreneurs towards government schemes not significantly different in male and female

Table 4: Mann-Whitney U Test

Gender	Mean Rank	Mann-Whitney U (Z)	P value
Male	20.02	0.456	0.648
Female	21.95		

Source: Author computed value

Table 4 shows that the calculated 'P' value is greater than the 0.05. That means, Perception of entrepreneurs towards government schemes not significantly different in male and female. So null hypothesis is accepted.

H0: Perception of entrepreneurs towards government schemes not significantly different in various locations.

Table 5: Results of Kruskal–Wallis Test

Location	Mean Rank	Chi-square	P value
Rural	21.23	3.367	0.186
Semi-rural	16.22		
Urban	37.00		

Source: Author computed value

The K-W test shows that P value is greater than 0.05. It depicts that perception of entrepreneurs towards government schemes not significantly different in various locations. Hence, null hypothesis is accepted.

H0: Perception of entrepreneurs towards government schemes not significantly different in various age groups

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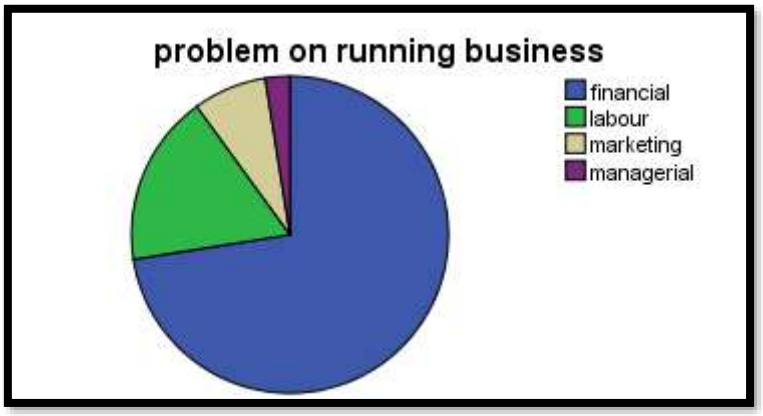
Table: 6: Results of Kruskal –Wallis Test

Age	Mean Rank	Chi-square	P value
Less than 40	23.68	1.929	0.381
40-50	17.70		
Greater than 50	20.27		

Source: Author computed value

Table 6 infers that P value is greater than 0.05. Since the P value is larger than 0.05, perception of entrepreneurs towards government schemes not significantly different in various age groups. The output is null hypothesis is accepted.

Figure 2: Problem of running business



Source: Primary Data

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Table 6: Ranking of Government Assistance on the basis of preferences

Priorities	Number of entrepreneurs											Total Score	Mean	Rank
	1	2	3	4	5	6	7	8	9	10	11			
Weights	11	10	9	8	7	6	5	4	3	2	1			
Scheme														
Mudra loan	121	50	36	48	35	48	20	8	9	12	4	391	9.75	1
Credit guarantee fund scheme for small scale sector	66	50	63	32	56	24	10	12	21	6	5	345	8.625	2
NSIC	0	40	45	56	35	42	15	16	9	16	4	278	6.95	3
Credit-linked capital subsidy scheme	0	40	27	40	28	18	10	20	6	10	3	202	5.05	7
Udyog Aadhar memorandum	0	30	63	48	21	18	15	28	15	6	2	246	6.15	5
Pradhan Mantri Mudra Yojana	0	30	54	24	21	30	10	4	9	4	3	189	4.725	9
Bank credit	110	20	18	24	35	18	20	12	0	6	5	268	6.7	4
PMAY(Prime Minister's Awas Yojana)	44	30	36	24	35	12	25	16	15	2	2	241	6.025	6
PMEGP (Prime Minister's Employment Generation Programme)	22	50	9	16	14	18	35	12	15	4	5	200	5	8
Startup India	4	3	1	2	0	1	5	5	3	3	3	168	4.2	10
Stand up India	3	3	0	0	0	1	3	3	4	3	3	117	2.925	11

Source: Primary Data

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Table 6 depicts that most of the entrepreneurs prefer mudra loan as a source of capital and least of them prefer stand up India scheme.

11. MAJOR FINDINGS

1. Most of the enterprises are owned by men. So, it is clear that selected sample micro and small-scale sectors are dominated by male entrepreneurs.
2. Most of the entrepreneurs belong to 40-50 age groups. It is found that middle aged entrepreneurs are more enthusiastic in doing business and taking risk.
3. Among the 40 respondents, 55% respondents are with an educational qualification of SSLC.
4. Majority of enterprises, which is 50 percent of them, belongs to manufacturing sector and least of them belong to repair category.
5. Most of the entrepreneurs are availed any one of the government schemes. While measuring the preference level of entire respondents it is found that the entrepreneurs highly prefer mudra loan among all other government schemes.
6. Out of the 40 samples selected, 70 percent of respondents depend on government for their capital requirement followed by private sector, financial institutions and corporate sector respectively.
7. Among the 40 respondents, 75 percent locate their business in rural area and respondents have least preference to launch their business in urban areas.
8. Majority of the respondents belong to the category of less than 10 number of employees which means that they run a micro unit.
9. Out of the 40 respondents, 85 percent belong to less than 25lakh category and 15 percent belongs to the service and other sectors.
10. Out of the 40 respondents, majority face financial problems followed by marketing, labour with adequate skills etc.
11. Most of the entrepreneurs are highly satisfied with the government initiative taken for the growth of micro and small-scale units.
12. Perception of entrepreneurs towards government schemes not significantly different in male and female.
13. Perception of entrepreneurs towards government schemes not significantly different in various locations.
14. Perception of entrepreneurs towards government schemes not significantly different in various age groups.

12. CONCLUSION

Micro and small-scale sectors have been globally considered as an engine to economic growth and as key instruments for promoting equitable development. They play a crucial role in the development of Kerala. They offer good employment opportunities of comparatively lower capital cost than large industries but also help in industrialization of rural and backward areas, reducing regional imbalances and assuring more equitable distribution of national income and wealth. Government of Kerala has undertaken supportive measures to motivate entrepreneurship in the State.

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This study is carried out to analyze the government initiatives taken for the growth of micro and small-scale units and also their business profit of micro and small-scale units. The majority of entrepreneurs are satisfied with the government grants provided to them. The study also helps to find out the various problems faced by enterprise in Palakkad district. They are facing various problems among which the most crucial is financial problems. The government should take new measures or steps to tackle the problems at micro and small-scale units.

Some of the measures taken by the government for the development of micro and small-scale units are Udyog Aadhar Memorandum for registration process, Prime Minister's Employment Generation Programme (PMEGP), Micro Units Development Refinance Agency (MUDRA), Credit Linked Capital Subsidy Scheme (CLCSS), ASPIRE etc. This initiatives or schemes help the entrepreneurs to get various solutions to their problems and help the new entrepreneurs to start new units easily.

13. SUGGESTIONS

The following are some of the suggestions based on the analysis:

1. Steps may be taken to provide maximum assistance while setting up the micro and small-scale units. This will encourage the entrepreneurs to start new micro and small-scale units.
2. Steps may be taken to provide more employment opportunities in micro and small-scale units.
3. Infrastructure advancements should not be limited to large scale industries only. Appropriate infrastructure such as land, transportation, water supply, telecommunication facilities should be provided to the micro and small-scale units also. So that there is significant increase in the number of viable micro and small-scale units.
4. Technology up gradation should be periodically done in micro and small-scale units.
5. Separate markets are to be created for the products and services of micro and small-scale units. This will help to provide quality product and services to consumers. This will help the units to have a better market.
6. Labour problems can be solved to the maximum extend providing suitable training facilities and proper working conditions. Workers' participation in decision making will also reduce the labour problems at micro and small-scale units.
7. Steps may be taken by government to provide suggestions to financial institutions for providing necessary fund and support to micro and small-scale units and providing credit through government sponsored agency. This will help to increase productivity and economic growth.
8. From the findings, it is found that most of the entrepreneurs are facing financial problems. So, the local government should take initiatives to provide financial assistance to meet their financial crisis.

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TRENDS IN INDIA'S FOREIGN TRADE: EXPERIENCE OF THREE DECADES OF POST LIBERALISATION

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ABSTRACT

The pattern of India's foreign trade has changed during the last three decades. India's imports, however, have expended faster than the exports, therefore, Balance of Payment problems may make the economy vulnerable. The pattern of India's foreign trade has changed considerably since the early 1990s. From the financial year 1990-91 to 2019-20 the total value of goods exports increased more than 18 times, from $ 18 billion to over $314 billion. During the same time span, goods imports increased almost 20 times, from $ 24 billion to more than $467 billion. India's share in global exports have moved up from mere 0.6 per cent in early nineties to 1.6 per cent currently likewise, India's share in global imports has increased from around 0.6 per cent during early nineties to 2.6 per cent currently. To become a $5 trillion economy, India must increase its share in global trade to 8-10 per cent. This chapter seeks to examine the export, import and trade balance structure of India in the past three decades. Accordingly, the chapter has been divided into three sections. Section I deals with the Introduction as well as Trends of export, import and trade balance structure with rate of change during last three decades. Section II examines the share and percentage change of major exports and imports in three decades, while conclusions and suggestions have been given in section III.

KEYWORDS: foreign trade, balance of payment, exports and imports, trade balance

JEL CLASSIFICATION: F10, F13, F17, F60

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1. INTRODUCTION

After the independence, Indian economy achieves a remarkable success in economic development. The economy's unprecedented growth especially in the second half of past decade, build the confidence amongst the economist in India. Liberalisation, growing economies of scale of Indian enterprises, increased access to advance technology and growth in FDI has now become the important driver for economic growth. The private sector also played an important role in India's progress on the high growth trajectory during past decades.

Most developing countries are now closely linked to the global economy by trade, development and FDI flows. Globalization process integrated the Indian economy with the economies of the world, which enabled India to move on to a higher growth path and reduce poverty. International trade serves an engine of growth and helps in a substantial way to fight poverty and raise living standards.

Foreign trade plays a vital role in economic development. From 1947 to early 1990s, India was a closed economy and governed by socialistic pattern. Foreign trade of India suffered from strict bureaucratic and discretionary controls. Liberalisation began in the early 1990s. In the beginning of 1991, the Government of India introduced a series of reforms to liberalise and globalise Indian economy. The Major trade policy started in the post reform included import liberalisation and export liberalisation. Import liberalisation included Import of capital goods, import of raw material, Import policy for registered exports, policy for export/trading houses and policy for import of technology. Export liberalisation included rupee depreciation and convertibility, partial convertibility of rupee, full convertibility on trade account, full convertibility on current account, decanalisation, duty exemption scheme enlarged more facilities to export houses and trading houses, export scheme for the service sector and focus on service exports. Liberalisation programme has also resulted in the creation of a new business framework. Today, India has trade relations with all the major trading partner countries. India is now a major player in global trading system and all the major sectors of Indian economy are linked to world outside either directly or indirectly through foreign trade.

The pattern of India's foreign trade has changed considerably since early 1990s. From the financial year 1990-91 to 2019-20 the total value of goods exports increased more than 18 times, from $ 18 billion to over $314 billion. During the same time span, goods imports increased almost 20 times, from $ 24 billion to more than $467 billion. India's share in global exports have moved up from mere 0.6 per cent in early nineties to 1.6 per cent currently likewise, India's share in global imports has increased from around 0.6 per cent during early nineties to 2.6 per cent currently.

2. LITERATURE REVIEW

There are enormous literatures on India's Foreign Trade during the period of post liberalisation. Krueger (1978), in his study on trade liberalisation and economic growth observed that trade liberalization improves and enhances productivity in the long run. Tayler (1981), in their study on OPEC and middle-income countries that improvement in the manufacturing export induces technological progress and economic growth. Nishimizu and Robinson (1984), in their study observed that increase in export leads to improve factor

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productivity, economic efficiency and economic growth. Bhagwati (1978) observed that trade openness boosts domestic industries and enhances productivity in long run.

(Henry, 2008) pointed out that Indian's international trade policy has been a picture of the contradiction. India's economic policy, itself is an expression of the living political situation in New Delhi. The author opines that Indian trade turns up to less receptive and less liberalized than the number of its economic and trade agreement just preferential tariff agreements; subsequently they admit only positive lists of items.

Grossman and Helpman (1990); Rivera-Batiz and Romar (1991); Barro and Sala-i-Martin (1997), have observed that trade liberalization enables a country to access know-how and high-tech machinery. They observed that trade openness have a positive impact on economic growth in the long run. Almeida and Fernandes (2008), indicates that trade liberalization induces inflow of foreign capital and are an important means of acquiring foreign technology. Redding (1999), observed that trade liberalisation are not favorable to economic growth due to competitive inefficiency. Villanueva (1994) observed that human capital formation improves the positive effects of trade liberalisation on economic growth.

3. DISCUSSION

For the study of trends of India's foreign trade during last past three decades, Table 1 presents information on the exports, imports and trade balance in India over the period of post liberalisation in terms of US dollars. As is clear from this table 1, the value of India's exports and imports has increased considerably over the period of 30 years. From $ 18143 million in 1990-91, exports rose to $ 44076 million in 2000-01 and further to $ 314310 million in 2019-20. Imports during this period rose from $ 24075 million in 1990-91 to $ 49975 million in 2000-01 and further to $ 467190 million in 2019-20. It can also be noted that the India has faced continuous trade deficit during the entire period of post liberalisation. In fact, a study of foreign trade data reveals that trade balance was positive in only two years during the entire period 1949-50 to 2019-20. These were the years of 1972-73 and 1976-77 when the country recorded small trade surpluses of $134 million and $77 million respectively. In all other years, deficits in balance of trade were recorded.

Table 1: Exports, Imports and Trade Balance

Year	Exports (including re-exports) (US $ millions)	Imports (US $ millions)	Trade Balance (US $ millions)	Rate of Change (Per cent)	
				Export	Import
1990-91	18143	24075	-5932	9.2	13.5
1991-92	17865	19411	-1546	-1.5	-19.4
1992-93	18537	21882	-3345	3.8	12.7
1993-94	22238	23306	-1068	20.0	6.5
1994-95	26330	28654	-2324	18.4	22.9
1995-96	31797	36678	-4881	20.8	28.0
1996-97	33470	39133	-5663	5.3	6.7

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1997-98	35006	41484	-6478	4.6	6.0
1998-99	33218	42389	-9171	-5.1	2.2
1999-2000	36715	49738	-13023	10.5	17.3
2000-01	44076	49975	-5899	20.0	0.5
2001-02	43827	51413	-7587	-0.6	2.9
2002-03	52719	61412	-8693	20.3	19.4
2003-04	63843	78149	-14307	21.1	27.3
2004-05	83536	111517	-27981	30.8	42.7
2005-06	103091	149166	-46075	23.4	33.8
2006-07	126414	185735	-59321	22.6	24.5
2007-08	163132	251654	-88522	29.0	35.5
2008-09	185295	303696	-118401	13.6	20.7
2009-10	178751	288373	-109621	-3.5	-5.0
2010-11	249816	369769	-119954	39.8	28.2
2011-12	305964	489319	-183356	22.5	32.3
2012-13	300401	490737	-190336	-1.8	0.3
2013-14	314405	450200	-135794	4.7	-8.3
2014-15	310338	448033	-137695	-1.3	-0.5
2015-16	262291	381008	-118717	-15.5	-15.0
2016-17	275852	384357	-108505	5.2	0.9
2017-18	303526	465581	-162055	10.0	21.1
2018-19	330078	514078	-184000	8.7	10.4
2019-20 P	314310	467190	-152880	-2.0	-8.9

Source: Economic Survey 2019-20, and P: Provisional

It is the fact that the trade deficit has increased significantly over the last thirty years in India. The year 1990-91 saw a trade deficit of $ -5932 million as imports rose by 13.5 per cent against a rise of 9.2 per cent registered by exports over the year. However strict import restrictions were imposed in 1991-92 which led to a 19.4 per cent reduction in the value of imports and trade deficit declined to $1546 million. As can be seen from table 1, the next three years (1993-94 to 1995-96) saw a strong resurgence in export earnings. Although imports also increased yet the overall situation was better. Two years in the first decade of liberalisation, 1991-92 and 1998-99 registered negative export growth rates while year 1991-92 registered negative imports in 1999-2000 and 2000-01 is the Asian Crisis and the adoption of various export facilitating measures. The first year and last year in the second decade of liberalisation, 2001-02 and 2009-10 were bad for exports as they registered a decline by 0.6 per cent and -3.5 per cent. In 2001-02 due to weakening of global demand, poor supply response of exports due to various domestic impediments to export growth, appreciation of rupee etc. The last year of second decade of liberalization 2009-10 registered negative exports growth by -3.5 per cent due to global recession of 2008-09. However, the period 2002-03 to 2007-08 was marked by considerable revival of foreign trade. The rate of growth of exports in this period was consistently above 20 per cent per annum with the rate of growth touching 30.8 per cent in 2004-05 which was highest since 1975-76. Both external and domestic factors contributed to

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this satisfactory performance. Improved global growth and recovery in world trade aided the strengthening of Indian exports. Merchandise imports also increased considerably during this period. The main reasons were high international prices of crude oil, lower import tariffs and a buoyant domestic economy. During this period, imports increased by three times from $61412 million in 2002-03 to $ 251654 million in 2007-08. Because of substantial increase in imports, the trade deficit rose considerably. The main reason for this was the substantial increase in oil imports. The year 2008-09 was the year of global recession. However, despite this, exports managed to increase at a reasonable rate of 13.6 per cent in this year. However, trade deficit in 2008-09 touched the highest ever level of $ 118.4 billion recorded in post-independence period. In 2009-10, export growth was negative at -3.5 per cent, partly reflecting the effect of global exports. This year import growth was also negative -5.0 per cent. When we look at the last decade of liberalization (2010-11 to 2019-20), four years 2012-13, 2014-15, 2015-16, and 2019-20 registered negative export growth rates while year 2013-14, 2014-05, 2015-16 and 2019-20 registered negative import growth rate. Exports growth remains subdued with external demand weakened by slowdown in global investment, output and heightened trade tensions, notwithstanding resilient service exports.

Table 2: Principle Exports (in US $ million)

Quantity	1990-91	2000-01	2010-11	2019-20 (Apr-Sep) P	Percentage Share			
					1990-91	2000-01	2010-11	2019-20
Agriculture and allied products	3521	6256	24448	16875	19.6	14.2	9.8	10.7
Ores and minerals (excl. coal)	834	906	8581	3526	4.6	2.0	3.5	2.5
Manufacturing Goods	13229	35181	173263	113989	72.9	79.4	69.7	72.8
Mineral fuels and lubricants (incl. coal)	528	1931	42280	22115	2.9	4.4	17.0	14.0
Total Exports	18143	44274	248572	156505	100	100	100	100

Source: Computed from the secondary data obtained from Economic Survey 2019-20 and P: Provisional

Principle exports and percentage share of principle commodities is presented in Table 2. A clear trend over the years has been a declined in the importance of agriculture and allied products and a substantial increase in the importance of manufacturing products. For instance, the share of agriculture and allied products in total exports declined considerably from 19.6 per cent in 1990-91 to 10.7 per cent in 2019-20. While that of manufacturing products

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increased from 72.9 per cent in 1990-91 to 79.4 per cent in 2000-01 and 72.8 per cent in 2019-20. A declined trend in ores and minerals from 4.6 per cent in 1990-91 to 2.5 per cent in 2019-20. While increasing trends in minerals fuels and lubricants from 2.9 per cent to 14.0 per cent over the same period.

Table 3: Principle Imports (in US $ million)

Quantity	1990-91	2000-01	2010-11	2019-20 (Apr-Sep)	Percentage share			
					1990-91	2000-01	2010-11	2019-20
Food and live animals chiefly for food (excl. cashew raw)	102	20	119	150	0.4	.03	.03	.06
Raw materials and intermediate manufactures	18140	45859	318743	212388	75.3	89.2	86.2	86.0
Capital goods	5833	5534	50907	34393	24.3	10.7	13.7	13.9
Total Imports	24075	51413	369769	246931	100	100	100	100

Source: Computed from the secondary data obtained from Economic Survey 2019-20 and P: Provisional

Table 3 presents the principle imports and percentage share of principle imports of Indian economy in the last three decades of liberalisation. There has been a substantial rise in the import of raw materials and intermediate manufacturing. For examples, it accounted 75.3 per cent share of imports in 1990-91 to 86.0 per cent in 2019-20. Food and live animals chiefly for food recorded from 0.4 per cent to 0.6 per cent over the same period. While decreasing trend in imports of capital goods from 24.3 per cent in 1990-91 to 13.9 per cent in 2019-20.

4. CONCLUSION

Over the last 73 years, India's foreign trade has undergone a complete change. The destination pattern of Indian foreign trade i.e. Exports and Imports has remarkable changed in the sense that the importance of developing countries as foreign trade has considerably increased. After independence, especially from 1990-91 to 2019-20, significant changes have witnessed which table number 1, 2, 3 already showed. Hence, it may be also concluded that India's foreign trade has become much more diversified and excessive. Sometimes drastic decline in foreign trade was primarily due to structural constraints and global recession in international trade and economy. This recessionary and decline tendencies across the world affected the foreign

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trade. Such slow down and contraction of foreign trade also resulted in emergence of protectionist policies by India in some foreign trade sector in the form of barriers of technological, social and environmental standards affecting market access and disrupting exports from India. But it is true that India may have been slow to embark on export led growth, but its growth rate of exports is among the highest among major Asian countries. So, that there is continuous need for India to move up strengthen of high-quality infrastructure and exploration of new markets and working out more adequate and comprehensive EXIM policy and foreign trade policy and working strongly on export promotion, gives the potential for improvement trades. The Indian Government is trying to transform the economy into a vibrant outward looking; liberalised market economy driven by the forces of competition, productivity and efficiency by the various economic reforms but the country has not been able to fully utilize its potential in foreign trade.

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ANALYTICAL CUSTOMER RELATIONSHIP MANAGEMENT AS AN OPPORTUNITY FOR ENHANCING ORGANIZATIONAL GROWTH

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ABSTRACT

In today's business world, enhanced organizational growth is an essential element that often eludes even the biggest of businesses. Achieving organizational growth is often the sum-total of different factors. Businesses can manage its sales pipeline usually with a good customer relationship management platform. Analytical Customer Relationship Management (Analytical CRM) can make a significant impact on organizational growth by shifting the focus from product to customer, streamlining the offer to what the customer needs rather than want the organization can make.

In the context of marketing and sales, there are many areas where Analytical CRM can enhance revenue, quality, and profit. Analyzing product queries shows where the most likely problems will occur. It is a powerful tool designed to analyze deeply the customer's data and unwrap or disclose the essential convention and intention of behavior of customers on which capitalization can be done by the organization.

KEYWORDS: organizational growth, convention, intentions, competencies, beliefs

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1. INTRODUCTION

Analytical Customer Relationship Management uses consumer information to help understand and to make efficient relationship management by supporting the company personnel with operations and its strategic analysis which includes all business structure that don't deal directly with the customer. It becomes a decision support system aims to help facilitate the decision making for personnel such as executives, marketing, finance, sales and customer support to help in understanding their customer's wants and needs. The systems associated with this customer discovery process are termed 'Analytical CRM' (Kelly, S). In analytical Customer Relationship Management, customer information gathered within the range of operational CRM are examined to help identify customers and their wants, through their selling perspective and also allows companies personnel to observe and understand the customer actions as well as preferences using techniques such as sales forecasting. And Analytical CRM accumulate information by relying heavily on techniques such as information gathered through a data warehouse, data mining, CRM software, and information gathered by business intelligence to better understand and have insight into customer behaviors. It includes all CRM programs mentioned and analyzes data about a company's customer and represents it in a method that is straightforward so that the results will lead to make faster as well as better business decisions that would assist improve selling techniques to their targeted customers. How analytical CRM systems are used to support customer knowledge acquisition and how such a system can be developed (Xu, M. and Walton, J., 2005) Analytical CRM may also provide information for better measuring the effectiveness of a company's market campaigns for their products as well as analyzes customer data for a variety of purposes such as:

1. **Campaign Analysis** - To assess and examine the effectiveness of a customer's response to a market campaign, sales promotions, and advertisements, and other activities.
2. **Customer Attrition Analysis** – To better understand the reason and the impact of the loss of a company's client.
3. **Customer Behavior** - To know the customer past and future trends, purchase activity, and patterns. And assists to understand the condition of the company's' products and services to provide better service to the community.
4. **Customer Interaction Analysis** – To better understand how a company's interaction with their customers and help to evaluate the effectiveness of communication with its customers to better understand the products and services.

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5. **Customer Loyalty** - To understand the customer loyalty that a customer has to the company and its products. And also, to understand how to retain our customers with continuing the use of products and services of the company.
6. **Lead Analysis** - To assist in identifying potential and prospective customers for a company's new product and/or services.
7. **Market Analysis** - To help in identifying and determining how to attract the demographics of customers of a particular market.

KEY FEATURES OF ANALYTICAL CRM

1. It accumulates all relevant information about customers from various channels/sources and builds a knowledge base for an organization
2. It analyzes the customer data based on rules and methods set by business and prepares report to improve customer relationship activities and interaction
3. Helps business to segment their customers and run more customer centric marketing campaign activities to increase sales
4. Determine what if scenarios – probability of a customer that purchases one product could buy another product
5. Monitors activities like customer may purchase gifts on his marriage anniversary
6. Helps business to forecast the probability of customer defection and take necessary steps on it.
7. It aids top management to do better financial forecasting and planning

COMPONENTS OF ANALYTICAL CRM

Data Warehousing

Data warehousing technology and a comprehensive customer data warehouse are key elements to making analytical CRM work. Preferably, there should be a single customer repository for all transactions, behaviors, buying preferences, customer profitability and valuation, and segmentation treatments - but the reality is that most of the organizations have created silos of data and it will not be easy to coordinate all of the sources initially. Data warehousing technologies consist the extract the data, transformation and load (ETL) functions to move data in and out of legacy systems and disparate data marts into the comprehensive customer data warehouse.

Data Enhancement

Data Enhancement is a broad category consisting of data cleansing, data enhancement, and customer profitability. Data cleansing has cleaning up, standardizing, and linking the data as it is loaded from the legacy systems. Data enhancement has the activity adding external data such as demographic or spatial information. Customer profitability is the application of identifying the historical, present, and projected value of our customers and then using it to improve market segmentation and to implement customer strategies. Customer profitability analysis is one of the major important and underappreciated components of analytical CRM.

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Data Mining, Personalization and Segmentation

Data mining is the major technology of analytical CRM (Z. Qiaohong et al). Finally, they are performing the same task - using various modeling techniques to forecast, tailor, and present customers with better messages and increase the odds of acceptance. Analytical CRM aids in better understanding of the customers by evaluating customer-related data using the tools like Data mining (Jayanthi Ranjan et al)

Business Intelligence

Business intelligence is range from ad hoc query and OLAP analysis to portals, standardized reports, and balanced scorecards. Business intelligence gives users access to customer information and will be different for different types of users. Business intelligence is the window into understanding the analytical information.

Marketing

The marketing management or campaign management application is usually seen as the link between the analytical and operational worlds. The marketing application controls the marketing process by creating, executing, and tracking offline batch and real-time offers to customers. The execution of marketing offers is the link into the operational or customer-facing CRM solutions and the reason marketing is sometimes seen as the Trojan Horse of the traditional CRM world.

Data Movement, Workflow and Integration into other CRM Applications

This category is the glue that will connect the analytical and operational solutions into a cohesive and seamless total solution. Without getting into too many details, the emergence of XML (eXtensible Markup Language) as a standard for integration will be a huge enabler. Workflow and business-rule driven capabilities are also an important element. Finally, suites of CRM applications will dominate the landscape and reduce the integration issues - but it will take time and money to swap existing systems for new systems.

DIFFERENT REPORTS GENERATED BY ANALYTICAL CRM

Analytical CRM examines data coming from every aspect of business and generates reports.

Customer Analysis Report

It is the basic report based on the analysis of the customer knowledge base. This gives a 360-degree view of a customer that assists a company to gain further insights about customer's needs and preferences.

Sales Analysis Report

This type of report depicts the organization's trend of sales for a specified period i.e. monthly, quarterly, yearly, or any time frame that is significant for business. It gives support to streamline all sales opportunities by improving the sales cycle. This helps managers to identify market opportunities, predict sales volumes and profit by analyzing historical sales data.

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Marketing Analysis Report

Marketing Analysis report aids to discover new marketing opportunities and increase marketing performance by maximizing Return on Investment (ROI). It determines marketing performance based on various parameters like region, channels, political influence. And it also mainly focuses on campaign planning and execution, product analysis.

Service Analysis Report

Service Analytics is an important area in Analytical CRM. It provides a deep insight into customer satisfaction, quality of service, and areas of improvement in service. It finds out the opportunities to cross-sell or up-sell products. It aids to track employee performance appraisal and productivity, tells management to conduct required adequate training for employees.

Channel Analysis Report

Channel Analysis report aids businesses to study customers' behavior across channels such as email, phone calls, social media or face to face interaction. This kind of knowledge can be used to interact with ultimate customers more effectively and efficiently.

APPLICATIONS OF CRM ANALYTICS

After implementation of Analytical CRM, it gives insights to understand and use the data that is mined. Most of the Organizations use CRM analytics in the following ways.

Customer segmentation groupings: Dividing the customers into those most and least likely to repurchase a product.

Customer value and Profitability analysis: Learning which customers contribute to the highest profits over time. This function includes understanding not just how much a customer spends, but how many resources you dedicate to that customer in return.

Personalization: It is the concept of the ability to market to individual customers based on the data collected about them. This function needs to obtain a 360-degree customer view.

Measuring and tracking escalation: It is the process of the ability to assess how often problems arise with a product and/or service to eliminate that issue and rapidly achieve customer satisfaction.

Predictive modeling: Comparing various product development plans in terms of future success given the customer knowledge base by assessing engagement levels through customer shares.

ORGANIZATION GROWTH IMPROVEMENT WITH ANALYTICAL CRM

A well-accepted wisdom in the industry is that it costs 5 to 7 times as much to acquire a new customer than to continue an existing one (Srivastava J.et al).

The research conducted by McKinsey, companies using the data and customer analytics in effective ways shows increased productivity and profitability. Companies that put data at the

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center of marketing efforts improve their Return on Investment (ROI) by 15% to 20%. This adds up to several billions of additional dollars in sales.

It can improve our marketing in these ways:

1. Define our potential customer
2. Optimize our customer engagement
3. Improves customer loyalty and retention
4. Marketing optimization and performance
5. Reputation management
6. Competition analysis

Use customer analytics to identify opportunities

It refers to moving away from the normal way of doing things. Businesses require to focal point on the data available to them, both from within the company and from outside sources. In this way, the company finds specific geographic locations where our products and/or services sell well, where sales are lagging and where there's an opportunity for development.

Understand their customers' decision journey

Knowing how our customers get from finding out about our company to making an initial purchase is critical. Targeting customers, CRM system is definitely of strategic importance for enterprises (L. Kong et al). The truth is that the most of the purchasing decisions are now made online. This indicates our website needs to include all of the information needed to encourage sales. But our CRM software and strategy are of super importance in this regard.

They know what to say and who to say it to

Data and customer analytics can be intimidating. This means the people right at the front of customer service, the call center operators, and the sales representatives; need to have data at their fingertips. They need to know what items were browsed through, where the browsing process ended and where the customers may be interested in returning to the sales funnel.

That list just scratches the surface of what is possible with data. Research has represented that personalization of interaction with customers improves the likelihood of conversions. It indicates emails will be opened instead of trashed and Facebook posts engaged with rather than blocked.

2. ANALYTICAL CRM: CAPTURING DATA TO CATER TO CUSTOMERS

Customer relationship management (CRM) is a big and developing field that includes a diverse range of activities:

1. customer-facing applications like sales force automation;
2. collaborative applications, including e-mail and instant messaging applications, which promote interaction with customers; and;
3. analytical CRM that manages information in data warehouses to understand, predict and shape customer behavior

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AMR Research foretells that extension in the CRM market will exceed 40% per year over the next several years. That phenomenal expectation helps explain why enterprise resource planning (ERP) firms, whose software manages back-office functions, have reached out to the front office through aggressive acquisitions or by developing their tools. For instance, PeopleSoft bought call center Vantive, SAP plans a front-office capability, and Oracle is already marketing an e-business suite, which adds front-office CRM capability to its back-office functionality. On the other hand, CRM firms, have not been drawn to the slower-growing back-office market. Market leader Siebel, for instance, remains to focus exclusively on the front office, as do many other CRM companies.

Analytical CRM is a great tool, although surprisingly, it is used by only about half of CRM implementers, according to the META Group. Different types of data can be gathered and examined, from customers purchases and complaints to clickstream data that reveals where customers are encountering difficulties on Web sites.

Although notable challenges remain in combining data from disparate sources into one data warehouse, analytical CRM presents the greatest value when it combines front- and back-office data, such as customer revenues, to guide marketing and other planning efforts. Both the Gartner Group and AMR understand that CRM companies lacking a back-office component will significantly limit their client base in future years.

In addition to a comprehensive data warehouse, the other key ingredient is an analytical technique such as online analytical processing (OLAP), which provides analyses requested by the user, or data mining, which seeks for patterns in the data that the user may not have suspected. The effects of those analyses determine which business rules are triggered, most often implementing a market campaign but sometimes changing workflow or other business processes. The nature of marketing has changed dramatically in the past several years, in terms of both timing and focus.

“Decision support used to be about watching at quarterly data to see how sales were doing in certain regions and to adjust marketing strategy as needed,” says Mark LaRow, VP of the applications division at MicroStrategy. “Now, target marketing demands organizations to look at an individual’s purchasing profile, match it to other similar customers, and then foretell what this individual might purchase next week, not subsequent quarter.” Data warehouses that used to be populated on a monthly cycle are now down to a weekly cycle and are moving toward a daily update.

“And also, CRM marketing strategies turn around integrated customer contact,” says LaRow. For most of the companies, that means blending their online and offline interactions, including telemarketing, direct mail marketing, and e-mail marketing channels.”

MicroStrategy eCRM allows e-business as well as brick-and-mortar companies to conduct detailed investigations of their data. Kiko.com, which hosts an e-learning site, is using MicroStrategy eCRM to track membership growth and new content that is added by its members, which comprise educational institutions, corporations, and individual teachers. The firm also observes clickstream data to find out which links are most heavily traveled.

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3. BENEFITS OF ANALYTICAL CRM

Improved Customer Experience

Marketing specialists have noticed that the best way to get on the customer's good side is by providing a positive customer experience. If we keep our customers happy and engaged, they will feel more confident about doing business with your company.

Positive customer experience is the result of interactions between our business and the customer. These interactions involve product purchases, information, doubts, comments on social media, etc. To ensure that each of these interactions has a positive outcome. The company needs to understand what the customers want, and then provide it.

This is where Analytical CRM software comes into play. A CRM tool will help you keep track of customers as you interact with them, enabling to adjust your approach on the fly. This is especially useful for small local businesses that handle a lot of customers daily. If we keep track of each customer's interaction history through CRM software, we'll find it much easier to present relevant product recommendations, sell related products and/or services, discover new customers, and offer effective customer support.

For example, we can ask customers to provide their email address after purchasing a product and/or service. we can then invite them via email to follow us on social media to get informed about sales, special offers, or product updates. And the best part is that you can do this for each customer with only a few button presses in your CRM tool of choice.

Marketing Workflow Automation

Software-based automation has transformed the way small businesses operate. Tasks that were too heavy or too expensive to solve manually can now be relinquished to software algorithms, which are both more active and less error-prone than human operatives.

Email marketing was one of the first areas where software-based automation rose to prominence in the world of small business. Sending out marketing emails was a slow, time-consuming task, which you nevertheless had to perform to keep up with competitors. And CRM software allows us to completely sidestep this issue.

Today's feature-rich CRM systems allow you to set up sequences of actions to be performed automatically whenever certain conditions are met. For example, we can arrange to send discount coupons via email to customers that haven't bought from us in a while.

Software automation is also integral for running a sustainable small business as it allows you to keep your staff lean while maintaining a high level of productivity.

Sales-Marketing Alignment

To generate revenue as a small business, we need to be strong in sales and marketing. Marketing requires attracting leads via strategic messaging, which you then have to convince to buy from you with an effective sales pitch. It sounds simple in theory, but a lot can go wrong with this process.

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If we fail to attract qualified leads through marketing, we will have to spend a lot of time selling to them. Conversely, if we don't have an adequate sales strategy, we will have a harder time creating effective marketing materials.

The solution to this is to keep our marketing and sales efforts aligned, which can be accomplished with the help of Analytical CRM software. Analytical CRM tools will further keep marketing and sales data synchronized, so we can keep track of customers throughout the conversion process.

Lead Segmentation

Lead segmentation is the activity of separating our leads into lists to manage them more effectively. Lead segmentation used to be something only large corporate enterprises with developed IT infrastructure could carry out. But thanks to modern Analytical CRM software, small businesses can also leverage the benefits of lead segmentation.

Analytical CRM tools allow us to group leads based on a variety of criteria, including:

1. Demographic data (age, gender, marital status, etc.)
2. Online activity (How much time spent on site, social (Internet) media posts, chat logs, etc.)
3. Customer data (customer lifetime value, before purchased products, support tickets, etc.)

When we apply these criteria to our lead database, we will start seeing patterns in lead behavior. we can then organize our leads according to these patterns, which will give you several segments to work with. We can then create custom email templates, content, product recommendations, and entire marketing campaigns for each segment.

Though, the best part about using Analytical CRM software for lead segmentation is the fact that we can run these campaigns from the tool itself.

Multichannel Marketing

Modern customers use a variety of channels to interact with businesses, from social media to email, live chat, and even phone calls. For small businesses, it can be difficult to keep track of all these channels at the same time. And if we don't communicate with customers through their preferred channel, we will miss out on many sales opportunities. Analytical CRM software allows you to circumvent this issue completely. Substantially all Analytical CRM tools provide us the ability to manage all our communication channels from a unified dashboard. we can send personalized emails while keeping an eye on live chat, and making status updates on social media like Twitter or Instagram.

Even better, we can use a technique called multichannel marketing. The idea here is to leverage the powers of each channel to better engage customers during conversion. We can ask the customer for their email through live chat, and then send them an invite for a webinar we're hosting on our website.

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Enhanced Communication

Despite its name, Analytical CRM software is not limited to solving management tasks. Analytical CRM tools also have specialties that can help us achieve better communication with customers, colleagues, part-timers, and other professionals work with. Gone are the days where we had to keep stacks of memos and cabinets full of files to communicate reliably.

Analytical CRM software makes it easy to share customer data between team members, so each member will be in a position to render the same high level of service. Analytical CRM software also comes with built-in communication features such as chat and shared dashboards, which refers we can run complex, multi-stage strategies with ease.

It also gives it convenient to work with partners, shareholders, marketing agencies, and other people outside our organization. For example, if we're working with a marketing agency to update our website SEO, we can create a user account for them within the Analytical CRM to eliminate the need for juggling spreadsheets and shared folders.

4. CONCLUSION

Even though updated technology, data, and analytics can improve marketing in many ways, it can never replace the innovation and insights from the minds of intelligent marketers. But it is indispensable to remember the importance of data. For an organization, the collection of customer data and its analysis is a continuous and iterative process. Decisions based on customer data and feedback becomes better and more accurate over time.

One of the things worth mentioning is that most modern Analytical CRM software is mobile ready by design. This allows us to turn your Smartphone into a communication hub, so we can communicate with customers on the move.

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FINANCIAL ANALYSIS OF ACQUIRING COMPANIES- INDIAN PHARMACEUTICAL INDUSTRY

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ABSTRACT

Over the last few years, Indian pharmaceutical companies have been increasingly targeted by multinationals for both joint venture agreements as well as for acquisition. Mergers and Acquisitions in the pharmaceutical sectors have grown considerably in the past few years. The researcher attempted to analyze the financial performance of Acquirers of Indian Pharmaceutical Industry. For the present study, relevant financial ratios are identified (Profitability and liquidity ratios ROCE, RONW, ROTA, NPM, DER, and CR respectively and efficiency ratios like DTR, CTR and STR) and categorized into three broad groups. The sample for the study consists of 24 Indian Pharmaceutical Companies selection was done based on data availability according to the set performance standards. Further, five-year data pre-M&A and post M&A for every company has been carried out. The hypotheses are tested using the Paired Sample t-test. The research finds that there was no significant difference in pre- and post-M&A periods. Further, the study also investigates the question of why there is an insignificant difference using DuPont Analysis.

KEYWORDS: financial analysis, ratio analysis, mergers, acquisitions, pharmaceutical industry

JEL CLASSIFICATION*:* M40, M41, M49

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1. INTRODUCTION

Mergers and acquisitions are the most popular means of corporate restructuring or business combinations. They have played an important role in the external growth of several leading companies the world over. Economic reforms and deregulation of the Indian economy have brought in more domestic as well as international players in the Indian industries. The Indian pharmaceutical industry currently tops the chart amongst India's science-based industries with great varying abilities in the complicated field of drug manufacture and technology. Mergers and Acquisitions in the pharmaceutical sectors have grown considerably in the past few years. It has been a common trend that large pharmaceutical companies which enter into transactions with effectively or potentially competing companies, in many cases are found to do so patents are about to expire, to maintain their market share and try to reduce competition with other new-generation drugs.

Over the last few years, Indian pharmaceutical companies have been increasingly targeted by multinationals for both joint venture agreements as well as for acquisition. Some of the recent collaborations include Bayer and Zydus Cadila agreeing to set up a joint venture called Bayer Zydus Pharma (BZP), for the sales and marketing of pharmaceutical products in India, Sun Pharma working with MSD (Merck & Co) to market and distribute Merck's Januvia (sitagliptin) and Janumat (sitagliptin+metformin), Lupin-Lilly agreed to enter into collaboration to promote and distribute Lilly's Huminsulin range of products in India and Nepal, Biocon-Pfizer JV collaboration to give Pfizer exclusive rights to commercialize Biocon products globally including co-exclusive rights with Biocon in Germany, India, and Malaysia, etc. Some of the Indian pharmaceutical companies that have been acquired by MNCs in recent times include US$ 4.6 billion acquisition of Ranbaxy by Daiichi Sankyo of Japan, Mylan taking over Matrix Labs, Sanofi buying Shantha for US$ 783 million in 2008, Abbott of USA buyout Piramal Healthcare in 2010, Aventis acquired Universal Medicines for over US$ 100 million, etc.

2. LITERATURE REVIEW

Merger and acquisition activity could be largely explained by the factors that motivate a firm to grow and expand, it is considered as a faster and efficient way of developing firm's asset base and productive capacity **(Vyas & Narayana, 2015). Harford (2005) and Qui & Zhou (2006)** found in their study that M&A's have taken place in the waves, wherein merger and acquisition activity is concentrated in certain periods. According to the study conducted by **McDonald, Jarrod, Max Coulthard, and P. D. Lange (2005)** strategic planning has long been emphasized by organizations as an important tool leading to business success.

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Bower and Sulej (2006) have pointed out that Indian pharmaceutical firms have built wide global networks and have been able to access external knowledge through western alliances and acquisitions. **Brick, Haber and Weaver (1982)** empirically explored the financial motives in mergers. To isolate the effect of diversification from other possible motives for mergers such as operational synergies. They have confined their analysis to conglomerate mergers only. Their study analysed 57 conglomerate mergers to investigate the role of leverage and diversification in the determination of total merger premium. The regressions performed indicated that significant positive correlation exists between the merger premium and diversification. The results confirmed the view that diversification, especially in the presence of high levels of debt provided a powerful stimulus for mergers. Another study conducted by **Myers and Majluf (1984)** suggested a specific financial motive for mergers based on a complementary fit between slack rich bidders and slack poor targets. The study assumed asymmetry in information between managers and shareholders, and that manager's act in the interest of existing shareholders. The assumption made the form of financing important that is the model generally predicted disadvantage to equity financing and value to internal financing.

Patricia M. Danzon, Andrew Epstein and Sean Nicholson (2004), examined the effects of merger activity in the pharmaceutical/ biotechnology industry from 1988 to 2001. The study has found that the firms that experienced merger had slower growth in operating profit as compared to the similar firms that did not merge. For smaller firms, mergers were mainly an exit strategy in response to financial trouble.

Michail Pazarskis, Manthos Vogiatzogloy, Petros Christodoulou and George Drogalas (2006), examined the impact of mergers and acquisitions on the operating performance of fifty Greek companies from 1998 to 2002. Both financial and non-financial parameters were used to analyse the performance. Ratio analysis was done to measure pre and post-merger/acquisition financial performance and it was found that the profitability of the merging firms decreased post-merger/acquisition event. Furthermore, the operating performances of the firms were evaluated on a set of non-financial variables which include the type of deal, the method of evaluation and the method of payment. These non-financial characteristics were not found to influence the operating performance of the firms.

Kruse, Park and Suzuki (2007), examined the long-term operating performance of Japanese companies using a sample of 56 mergers of manufacturing firms in the period 1969 to 1997. By examining the cash-flow performance of five years following mergers, the study has found evidence of improvements in operating performance. The study concluded that control firm adjusted long-term operating performance following mergers in the case of Japanese firms was positive but statistically insignificant.

Pankaj Sinha and Sushant Gupta (2011), studied the impact of mergers in the Indian Financial Services Sector during the period 1993-2010 & has found that merger activity had a positive effect on the profitability in of the majority cases but the liquidity position has deteriorated after the mergers pointing to the fact, that though companies may have been able to leverage the synergies arising out of the mergers they were not able to manage their capital structure to improve their liquidity.

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Sonia Sharma (2013), measured the post-merger performance of BSE listed companies of the metal industry during the period 2009-10 and has found that the there was a marginal but not significant improvement in the liquidity and solvency ratios while in case of profitability ratios, there was a significant decline post-merger.

Muhammad Ahmed and Zahid Ahmed (2014), analysed the post-merger financial performance of the acquiring banks in Pakistan during the period 2006-2010. The study has found that the financial performance of merging banks improved in the post-merger period but insignificantly. Post-merger profitability improved insignificantly, liquidity significantly, capital leverage insignificantly while as assets quality parameter showed significant deterioration.

Neha Verma and Rahul Sharma (2014), analysed the impact of mergers and acquisitions on the performance of Indian Telecom industry during the period 2001-02 to 2007-08, by examining pre and post-merger financial and operating variables. The study has found that though, companies may have been able to leverage the synergies arising out of the merger or acquisition, but they haven't been able to improve their financial and operating performance. The decisions of M&A's might have been inspired by the intention of empire building, market consolidation or acquiring bigger size which led to the declining performance.

3. OBJECTIVES OF THE STUDY

The analysis of the financial performance metrics provides a relative basis for comparing the company with itself and its peer's overtime and within the industry. The financial statements are often considered as the language of business. The quantitative figures of business can be used to analyze strengths and weaknesses in a firm's performance. Such analysis must include the consideration of strategic and economic developments for the firm's long-run success. Moreover, such metrics provide actionable feedback to improve the operations of the firm and carefully plan investment decisions. The researcher would like to investigate the sources of performance as well. This is to be done to know the reasons for increasing or decreasing performance using DuPont Analysis.

1. To analyse the acquirer's financial performance in the pre-M&A & post-M&A periods.
2. To investigate the sources of the financial performance of the acquirers in the pre-M&A and post-M&A periods.

1. H0: There is no significant positive influence of M&A on profitability improvements for the surviving company in the Indian pharmaceutical industry.

2. H0: There is no significant positive influence of M&A on liquidity and solvency position for the surviving company in the Indian pharmaceutical industry.

3. H0: There is no significant positive influence of M&A on efficiency standards for the surviving company in the Indian pharmaceutical industry.

4. SCOPE OF THE STUDY

The study has been carried on to analyze corporate restructuring practices in India with special reference to the Pharmaceutical Industry, to explore the impact of Merger & Acquisition on the financial performance of the surviving firm.

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The mergers and acquisitions have increased in the Indian Pharmaceutical industry as compared to other industries. There are various reasons which can be attributed to such a dramatic increase in M&A. Some of them are discussed below:

Expansion of the product range: To build a good product portfolio companies find M&A lucrative. This way firms grow inorganically rather than building organically through research and development activities which involves a massive amount of finance.

Access to the cross-border facilities: Indian companies have faced import bans and penalties under the scrutiny of US regulatory authorities for irregularities in the manufacturing facilities, therefore the Indian Pharma looked out for approved facilities to overcome such constraints.

Marketing and distribution: This is another focus area for Indian Pharma companies to access and cater to different geographical areas. Moreover, use already established marketing networks and distribution channels.

There is tremendous pressure by the government agencies to reduce the cost of medicines. Indian Pharma companies look for overseas acquisitions as well as domestic ones due to difficulty in meeting mounting healthcare costs.

5. RESEARCH METHODOLOGY

In this paper, the researcher has tested the impact of M&A on the financial performance of the surviving company by considering Pre and Post M&A financial ratios. For the present study, relevant financial ratios are identified and categorized into three broad groups. Each group is further classified into various significant ratios for pre & post-performance analysis and they are as follows:

Table 1: Profitability Ratios

Ratio	Description	Standard
ROCE	EBIT/Capital Employed.	High
ROTA/ROI	NPAT/ Average Total Assets	High
RONW/ROE	Net Income / Shareholders' Equity	High
NPM	NPAT/ Sales	High

Source: Author compilation

Table 2: Liquidity and Solvency Ratios

Ratio	Description	Standard
CR	Current Assets/ Current Liabilities	High
DER	Total Assets/ Equity Share Capital	Low

Source: Author compilation

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Table 3: Efficiency Ratios

Ratio	Description	Standard
DTR	Net Credit Sales/Average Account Receivable	High
CTR	Net Credit Purchases/ Average Trade Payables	High
STR	COGS/ Average Inventory	High

Source: Author compilation

SAMPLE SELECTION

To perform this research, 24 Indian Pharmaceutical companies were selected. The study period is post-recession i.e., 2009 to 2019. The selection was done based on data availability according to the set performance standards. Further, five-year data pre M&A and post M&A for every company has been carried out.

DATA COLLECTION

The data required for this research is collected from the PROWESS CMIE and different web sites journal and annual reports.

STATISTICAL TOOLS & TECHNIQUES

To analyze the data collected and to prove the hypothesis, various statistical tools and techniques have been applied in this study. Mean, Variance and standard deviation were used for descriptive statistics. The hypotheses are tested using the Paired Sample t-test. The data has been analyzed with the help of SPSS and MS-Excel.

6. DATA ANALYSIS

Pre- and post-merger performance ratios are computed for every company. The pre and post-M&A performance ratios are compared to see if there is any statistically significant change in the financial performance of surviving firm after M&A using paired sample t-test at a confidence level of 95%.

TESTING OF HYPOTHESIS

To test the hypotheses, Pre and Post M&A financial performance standards of the surviving firm is compared to see if there are any statistically significant changes in the financial performance after M&A, using "paired sample t-test" at a confidence level of 95% {2-tailed} and also descriptive statistics analysis has been performed to ascertain the mean difference. The results are shown in the following tables related to the sample firms.

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ANALYSIS OF PROFITABILITY STANDARDS

It is hypothesized that the profitability position of acquirers has improved during the post-M&A period. The Sample t-test values for comparison of means of profitability ratio based on ROCE, RONW and ROI before and after M&A have been presented in three different tables 4, 5 and 6 respectively. The relevant data contained in the tables show that mean profitability in terms of these ratios show a sharp decline in the post-M&A period. The paired sample t-test for comparison of means reveals that ROCE exhibits a decrease of -1.76% (-5, +5) during the post-M&A period. Similarly, RONW and ROA have declined in post M&A period -8.43% and -1.24% respectively. But these declines are not statistically significant as the p-values are greater than the significance level.

Table 4: Paired Sample t-test for ROCE

ROCE						
Pre-M&A Post-M&A	**Post-M&A Mean Ratio**	**Pre-M&A Mean Ratio**	**Mean Difference**	**t-Value**	**DOF**	**Significance**
(-1 +1)	12.51	12.14	0.37	0.210	23	0.84
(-2 +2)	11.30	8.49	2.81	1.098	23	0.28
(-3 +3)	9.19	9.45	-0.26	-0.117	23	0.91
(-4 +4)	6.36	6.56	-0.21	-0.073	23	0.94
(-5 +5)	7.06	8.82	-1.76	-0.712	23	0.48

Source: Author compilation

Table 5: Paired Sample t-test for RNOW

RNOW						
Pre-M&A Post-M&A	**Post-M&A Mean Ratio**	**Pre M&A Mean Ratio**	**Mean Difference**	**t-Value**	**DOF**	**Significance**
(-1 +1)	19.69	21.59	-1.90	-0.62	23	0.54
(-2 +2)	17.30	65.28	-47.98	-0.95	23	0.35
(-3 +3)	12.51	16.51	-4.01	-1.22	23	0.24
(-4 +4)	8.24	-1.15	9.39	0.63	23	0.53
(-5 +5)	6.48	14.91	-8.43	-1.45	23	0.16

Source: Author compilation

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Table 6: Paired Sample t-test for ROA

ROA						
Pre-M&A Post-M&A	**Post-M&A Mean Ratio**	**Pre-M&A Mean Ratio**	**Mean Difference**	**t-Value**	**DOF**	**Significance**
(-1 +1)	8.99	9.31	-0.32	-0.27	23	0.79
(-2 +2)	8.48	6.62	1.86	0.96	23	0.35
(-3 +3)	7.17	7.49	-0.32	-0.19	23	0.85
(-4 +4)	5.15	5.31	-0.17	-0.08	23	0.94
(-5 +5)	5.73	6.97	-1.24	-0.63	23	0.53

Source: Author compilation

Table 7 & 8 present the paired sample t-test for comparison of means of profitability of NPM and PAT respectively before and after M&A. The relevant data contained in the tables show that NPM has exhibited mediocre improvement of 1.13% in the 4th year and then again decreased to -0.68% in the 5th year. The PAT has exhibited impressive improvement for the last 3 pairs and is significant in the last year where the p-value is less than 0.05.

Table 7: Paired Sample t-test for NPM

NPM						
Pre-M&A Post-M&A	**Post-M&A Mean Ratio**	**Pre-M&A Mean Ratio**	**Mean Difference**	**t-Value**	**DOF**	**Significance**
(-1 +1)	11.86	11.36	0.50	0.28	23	0.78
(-2 +2)	10.09	8.85	1.24	0.51	23	0.62
(-3 +3)	8.53	9.81	-1.28	-0.49	23	0.63
(-4 +4)	7.10	5.97	1.13	0.30	23	0.76
(-5 +5)	7.55	8.23	-0.68	-0.27	23	0.79

Source: Author compilation

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Table 8: Paired Sample t-test for PAT

PAT						
Pre-M&A Post-M&A	**Post-M&A Mean Ratio**	**Pre-M&A Mean Ratio**	**Mean Difference**	**t-Value**	**DOF**	**Significance**
(-1 +1)	2329.49	2027.01	302.48	0.56	23	0.58
(-2 +2)	1214.95	1555.97	-341.02	-0.20	23	0.85
(-3 +3)	2236.33	1123.21	1113.11	0.70	23	0.49
(-4 +4)	1970.76	659.78	1310.98	1.08	23	0.29
(-5 +5)	3251.13	573.27	2677.85	2.23	23	0.04

Source: Author compilation

The analysis reveals the negative relationship between profits earned and capital employed. ROCE had shown declining trends over the years due to non-strategic investment decisions. The management team has able to provide a minimum return on capital employed on account of sound financial decisions.

The comparison of pre and post-merger financial performance of sample companies indicates that there was a decline in all the mean-values of selected performance standards but it is observed that the declines were not statistically significant because the calculated t-values are less than the DF table value and p-value are greater than set confidence level value.

Based on the results of the paired sample t-test analysis at 95% confidence level, the Hypothesis

H0: There is no significant positive influence of M&A on profitability improvements for the surviving company in Indian Pharmaceutical industry was not rejected, since paired sample t-test failed to reveal a statistically reliable difference between the pre & post-M&A mean values, SD, t-calculated value < t-table value and p-value > $\alpha = 0.05$ for all the select profitability standards in sample company under study.

ANALYSIS OF LIQUIDITY AND SOLVENCY STANDARDS

A comparison has been made between liquidity position before and after M&A, prima-facie, Indian Acquiring firms seem to have an adequate and satisfactory level of liquidity position before as well as after M&A as reflected in mean current ratio. The corporate firms in India have access to short term borrowings in the form of bank borrowings, overdraft and cash credit limits form banks (Jain and Yadav, 2000). These facilities enable management to operate on a lesser margin of working capital reflected in lower current ratio. The mean current ratio is moderate which means the firms have adequate inventories for the current requirements before as well as after M&A. the high current ratio is indicative of slack management practices and poor credit management in terms of overextended accounts receivable also. The acquiring firms have managed better liquidity during both the phases, as reflected in Table 9.

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Table 9: Paired Sample t-test for CR

CR						
Pre-M&A Post-M&A	**Post-M&A Mean Ratio**	**Pre-M&A Mean Ratio**	**Mean Difference**	**t-Value**	**DOF**	**Significance**
(-1 +1)	1.34	1.55	-0.21	-1.19	23	0.25
(-2 +2)	1.32	1.53	-0.21	-0.90	23	0.38
(-3 +3)	1.52	1.40	0.12	0.49	23	0.63
(-4 +4)	1.50	1.50	0.00	0.00	23	1.00
(-5 +5)	1.61	1.63	-0.02	-0.07	23	0.94

Source: Author compilation

Debt is a vital part of capital structure and a significant source of financing total assets of the acquiring company. The debt to equity ratio represented in Table 10; evidently, seems to be almost satisfactory before as well as after M&A. Paired t-test has not identified any considerable change in the leverage of acquirers over the post-M&A period. As expected, there is no change in the leverage of acquirers over the post-M&A period. Based on these findings, it may be concluded that M&A has no impact on the leverage of acquiring firms before and after M&A.

Based on the results of the paired sample t-test analysis at 95% confidence level, the Hypothesis

2H0: There is no significant positive influence of M&A on liquidity and solvency improvements for the surviving company in Indian Pharmaceutical industry was not rejected, since paired sample t-test failed to reveal a statistically reliable difference between the pre & post-M&A mean values, SD, t-calculated value < t-tab value and p-value > $\alpha = 0.05$ for all the select profitability standards in sample company under study.

Table 10: Paired Sample t-test for DER

DER						
Pre-M&A Post-M&A	**Post-M&A Mean Ratio**	**Pre-M&A Mean Ratio**	**Mean Difference**	**t-Value**	**DOF**	**Significance**
(-1 +1)	0.79	0.76	0.03	0.52	23	0.61
(-2 +2)	0.81	1.52	-0.71	-1.06	23	0.30
(-3 +3)	0.71	0.84	-0.13	-1.13	23	0.27
(-4 +4)	0.75	0.80	-0.05	-0.34	23	0.74
(-5 +5)	0.90	1.05	-0.15	-0.45	23	0.66

Source: Author compilation

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ANALYSIS OF EFFICIENCY STANDARDS

Efficiency ratios have been used to assess the operational performance of acquirers before and after M&A. Analysis has been carried out primarily based on efficiency ratios (DTR, ATR, & STR). It is hypothesised that the efficiency of the acquirers has shown improvement in utilization of resources after M&A. The relevant data contained in tables 11, 12 &13 below suggest that the ratios of sample companies for both the periods (before and after M&A). It is evident from the data that ATR has shown a significant change in post M&A period, whereas, DTR and STR remained unchanged in both the periods. This represents the picture of efficiency in the utilization of fixed assets which was better in pre-M&A phase than the post-M&A phase.

Table 11: Paired Sample t-test for DTR

DTR						
Pre-M&A Post-M&A	**Post-M&A Mean Ratio**	**Pre-M&A Mean Ratio**	**Mean Difference**	**t-Value**	**DOF**	**Significance**
(-1 +1)	6.09	6.02	0.07	0.17	23	0.87
(-2 +2)	5.82	5.66	0.16	0.30	23	0.77
(-3 +3)	5.42	5.43	-0.01	-0.02	23	0.98
(-4 +4)	4.93	5.66	-0.73	-1.19	23	0.25
(-5 +5)	4.88	6.00	-1.12	-1.92	23	0.07

Source: Author compilation

Table No 12: Paired Sample t-test for ATR

ATR						
Pre-M&A Post-M&A	**Post-M&A Mean Ratio**	**Pre-M&A Mean Ratio**	**Mean Difference**	**t-Value**	**DOF**	**Significance**
(-1 +1)	4.59	5.25	-0.65	-2.39	23	0.03
(-2 +2)	4.41	5.26	-0.84	-1.80	23	0.09
(-3 +3)	3.94	5.78	-1.83	-2.08	23	0.05
(-4 +4)	3.65	6.36	-2.71	-2.15	23	0.04
(-5 +5)	3.68	5.47	-1.79	-3.56	23	0.00

Source: Author compilation

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Table No 13: Paired Sample t-test for STR

STR						
Pre-M&A Post-M&A	**Post-M&A Mean Ratio**	**Pre-M&A Mean Ratio**	**Mean Difference**	**t-Value**	**DOF**	**Significance**
(-1 +1)	44.13	54.40	-10.27	-1.69	23	0.10
(-2 +2)	41.95	47.05	-5.10	-0.63	23	0.53
(-3 +3)	41.76	28.42	13.34	1.19	23	0.25
(-4 +4)	26.34	21.93	4.41	0.98	23	0.34
(-5 +5)	30.18	24.71	5.47	0.74	23	0.47

Source: Author compilation

Based on the results of the paired sample t-test analysis at 95% confidence level, the Hypothesis 3H0: There is no significant positive influence of M&A on efficiency improvements for the surviving company in Indian Pharmaceutical industry was not rejected, since paired sample t-test failed to reveal a statistically reliable difference between the pre & post-M&A mean values, SD, t-calculated value < t-tab value and p-value > α = 0.05 for all the select profitability standards in sample company under study.

ANALYSIS OF SOURCES OF PERFORMANCE

The performance of the sample companies has not improved post-M&A period so the researcher tried to investigate further using DuPont analysis model. This model was developed in the 1920s by the DuPont Corporation. It is a tool that may help us avoid misleading conclusions regarding a company's profitability. The analysis of a company's profitability involves some nuances. The DuPont analysis model is a method of breaking down the original equation for ROE into three components: operating efficiency, asset efficiency, and leverage. Operating efficiency is measured by Net Profit Margin and indicates the amount of net income generated per dollar of sales. Asset efficiency is measured by the Total Asset Turnover and represents the sales amount generated per dollar of assets. Finally, financial leverage is determined by the Equity Multiplier.

Below is the given equation:

$$\boldsymbol{ROE = Net\ Profit\ Margin \times Total\ Asset\ Tunover \times Equity\ Multiplier}$$

To ascertain the sources of long-term performances pre and post M&A periods, the researcher collected the data related to the three components of DuPont analysis for each company. The data were divided into two groups Pre-M&A and Post-M&A. The means of each component was calculated for both periods before M&A and after M&A. We plotted the means on the graphs and it is clear that in post M&A period total asset turnover and equity multiplier have changed negatively while as operating efficiency has increased. DuPont analysis indicates that the companies are not able to use their assets efficiently. Moreover, that use of debt has increased post-merger and increase in leverage increases the interest payments and reduces the net income and cash flow. This cycle affects the financial performance of the companies.

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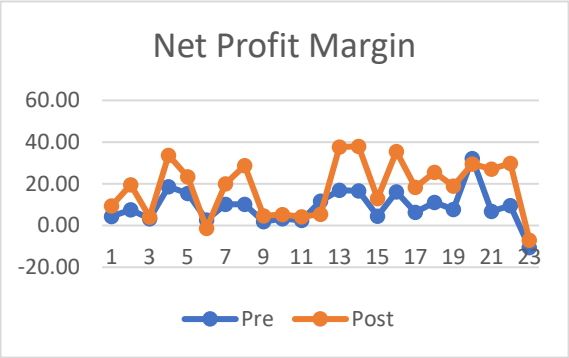
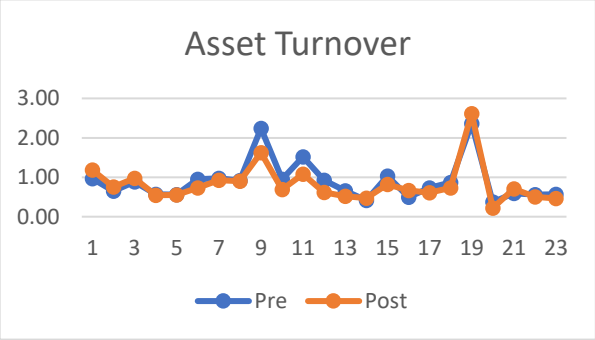
Graphs of the sample companies:

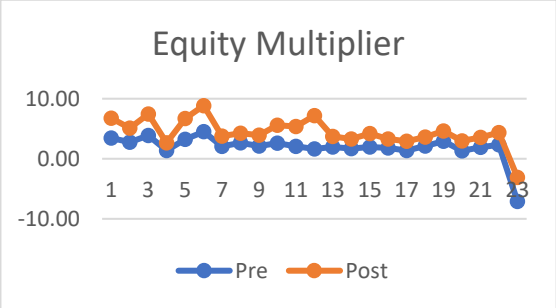
Graph 1: Net Profit Margin



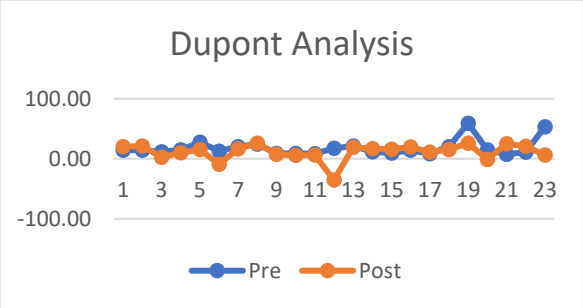
Graph 2: Asset Turnover



Graph 3: Equity Multiplier



Graph 4: DuPont Analysis



After Dupont analysis, it is quite clear why companies were not able to increase overall financial performance. The analysis reveals that companies have increased their operating efficiency post-merger but at the same time efficiency of assets was decreased as well as the leverage increased which offsets the increase in NPM overall. So, when we see the graph of DuPont analysis it shows that there is not much difference in pre and post-merger periods.

7. LIMITATIONS OF RESEARCH

1. The research was restricted to Indian Pharmaceutical companies.
2. The study shall focus on M&A in Indian Pharmaceutical Industry for the post-recession period and did not consider other M&A that took place during the study period due to inadequacy of time and resources.
3. The word 'Strategy' has multiple definitions and the proposed definition is concerning survival and growth in the business environment.
4. The study did not consider the changes in the international political situation and its impact on global marketing scenario.

8. CONCLUSION

The financial analysis of the sample companies shows that there is an insignificant statistical improvement in the financial position of the companies in the post-merger phase. The result from paired sample t-test at a significance level of 95% illustrated that there is no significant

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difference in the mentioned financial performance standards between pre-merger and post-merger due to the significance value is greater than 0.05. Studies with similar results, Neha Verma and Rahul Sharma (2014), Sonia Sharma (2013); and Mohamad Ahmed and Zahid Ahmed (2014). To look for the reasons of the insignificant performance the researcher used DuPont analysis. The result throws light on two important aspects that are aggressive use of debt and the inefficient use of assets. In the post-M&A period efficiency of assets has declined which affect the profitability of the companies, on the other hand, the use of more debt in the capital structure has increased the interest payments so shareholder value is also affected. Hence, this study has not rejected the null hypothesis which mentions that there is no significant positive influence on surviving firm's financial performance after M&A; so rejected the alternate hypothesis which considers that there is a significant positive influence on the financial performance of surviving company's post-M&A.

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CHANGING DYNAMICS OF BRAND CHOICE AND BRAND SWITCHING OF PRESCRIPTION DRUGS IN A VUCA ENVIRONMENT: A STRATEGIC PERSPECTIVE OF HOSPITAL DOCTORS IN DELHI-NCR

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ABSTRACT

The study helps the pharmaceutical marketers to understand the doctor's decision-making process for the choice of the brand and the strategies that could be evolved to meet them. The same holds true for the chemists as well. The physicians live in a VUCA world. Therefore, the changing dynamics of prescription generation and drug sale in pharmaceutical business is not very obvious, but it is volatile, uncertain, complex and ambiguous. VUCA plays an active role in generating the prescription demand on the basis of the assumption of what would be suitable in a fast-changing pharmaceuticals business environment.

The study was done in the region of Delhi-NCR among the Specialist Doctors/ Physicians in the private / government hospitals/ nursing homes and the Retail Chemists around the hospitals/ nursing homes and other localities. It was done to understand their perception about the brand of drugs available and the factors influencing their choice of drugs. The same study for the perception of the retail chemists was also conducted. The study also included the

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factors impacting the choice of brand name desired by the doctors and chemists as well. The reasons for shifting from one brand to another brand in the same therapeutic domain by the doctors have also been explored. The study was carried out over the period of three months. The methodology for analysis was done through percentages and averages methods.

Similar studies and survey have been done in the past, but a corresponding back-to-back survey for the retail chemists to understand the wider aspects of brand choice across the supply chain has been scant. Thus, it will help to get a better perspective.

KEYWORDS: brand choice, brand switching, pharmaceutical business, prescription drugs, vuca environment

JEL CLASSIFICATION: M30, M31, M37

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1. INTRODUCTION

The Indian Pharmaceutical Market is competitive and dominated by generic medicines that are growing at a 14% CAGR in value and 7% CAGR in volume. The generics market revenue increased to USD 26.1 billion in 2016 from USD 21 billion in 2015. The rural sector accounting for more than 35% of the industry's turnover has a significant influence on growth. The hospital market is fast emerging as an important avenue for growth within the IPM (IBEF, 2017; Dun & Bradsheet, 2016).

The hospital segment market size would reach USD 200 billion by 2024 and it is expected to sustain the fast growth for the following reasons: there is increasing access to healthcare in metros as well as rural areas; also with strengthening of economy more in rural areas, there is greater focus on health and affluence-driven increase in healthcare consumption. There is increasing penetration of health insurance and OTC drugs will be readily available with greater penetration of chemists in rural India. The launch of Government's Ayushman Bharat medical insurance scheme for middle class and rural families has been a boon in this direction.

The growth in number of prescriptions with a greater number of doctors will further add to the growth in demand for the medicines. Though the conventional face-to-face product detailing to doctors remains the main means for prescription demand generation in a VUCA world, the new Internet based initiatives also play an important role in the generation of demand. India's

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large population base and a stable growing economy will help the growth of the pharmaceutical and healthcare industry.

The process of generation of prescription demand in the digital VUCA world of today is:

1. Volatile: The medical communication based on the modern technological tools is subject to rapid outdating.
2. Uncertain: The assessment of outcomes of expensive product detailing inputs in unpredictable.
3. Complex: The doctor- MR interaction is complicated due to the time limitation in detailing the product.
4. Ambiguous: The changing need of the doctors' lead to a cause & effect confusion among the pharma market strategy planners.

2. LITERATURE REVIEW

Brand building in the Indian Pharmaceutical market (IPM)

In an Indian pharmaceutical market building a brand is a very challenging task; every product has hundreds of generics variants. It means improving its equity, creating a strong brand identity and strong mind share, that is the perceived brand image in the mind of customer (doctor) through ethical brand promotion (Hattangadi, 2014; Aaker, 1996; Kapferer , 1997) .

Brand Choice and loyalty

Ahmed, Ahmad, and Haq (2014) stated that currently customers are aware and have good insights about the brands and prefer to purchase those that fulfill their needs at affordable cost. According to Upamannyu, Gulati, and Mathur (2014), as customer brand loyalty about a product increases, the loyal ones are always ready to pay a higher price.

Drug product quality

Jan et al. (2013) stated that long term achievement depends upon customer loyalty. Waheed (2011) stated that specialists develop knowledge about t the drug based on the result and prescribe the same brand to the patients for the comparable disease.

Regular Visits of Medical Representatives

The regular visits of the trained M.R help the doctor to recall the brand and increase the number of prescriptions of a certain brand (Rao; Inamdar & Kolhatkar, 2012).According to doctors' opinion, the most imperative source of information are medical representatives (Day, 2000; Alkhateeb et al., 2009). The studies establish that the interaction between physicians and MRs, though essential for improvement of medical care, is indeed complex as it may affect the doctors' prescription decision-making process.

Brand Name and Brand Image

A great name can position the brand as a leader in the crowded market (Delano, 1999; Hattangadi, 2014). It is vital for an organization to focus on its promotion to create brand image

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which enhances brand loyalty which results in greater profit and revenue (Alhaddad, 2015; Anwar, Gulzar, Sohail, and Akram, 2011; Olson, 2009).

The promotional tools like gifts and support to seminars/ conferences are sometimes more influential for the physicians in contrast with the consultants for prescription generation (Corckburn et al., 1997; Couturier et al., 2000; Boltri et al., 2002). However, many physicians are more concerned of ethical values and issues contrary to resident physicians (Gonul et al., 2000; Greene, 2000; Clark et al., 1998).

All factors discussed above show that marketing strategies related to 4Ps influence the physician prescription behavior in this study (Greene, 2000).

3. OBJECTIVES OF THE STUDY

1. To study the factors responsible for a hospital specialist's decision process and choice of a particular brand of drug for prescription; to evaluate the norms of institutional selling to hospitals in terms of B2B marketing for pharmaceutical industries.
2. To understand the factors that influence the hospital specialist's mind to recall the name of a particular brand of drug.
3. To explore the factors behind the brand switching behavior of the hospital specialists for competitor's drug.
4. To recommend appropriate marketing strategies to pharmaceutical companies as per current customer needs.

4. SCOPE OF THE STUDY

The study covers survey with a structured questionnaire for specialists doctors/ physicians in the OPD (out-patient department) of private specialty and super specialty hospitals (big and small), for example, those in cardiology, nephrology, neurology, gastroenterology, orthopedics, gynecology, oncology, pediatrics, urology, ENT, pulmonologists, dermatology, ophthalmology, internal medicine etc , around Delhi –NCR region. The survey also covers the chemists in hospitals and retail locations in the same Delhi-NCR region.

5. RESEARCH METHODOLOGY

Research Design: It is exploratory and descriptive in nature. Both the quantitative approach (with questionnaire) and the qualitative approach (with interaction interview during questionnaire response) have been adopted.

Questionnaire design: The questionnaire consists of different sections of questions related to the variables under study and these variables are mapped to the objectives, so that we obtain what we are trying to find out from the respondents. The research objectives and the variables/ themes for the study emerged from the research gaps identified from the literature review, past research surveys and focused group discussions with sample of respondent doctors.

The factors/ items are used in the weighted importance scale (Likert Type Scale, from very important=5 to least important=1) marked by the doctors/ respondents for each questionnaire as per their perceived importance

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Sources of Data: The researcher collected data by getting questionnaire filled up from chosen hospital doctors of Delhi- NCR region. This helped to do the quantitative analysis. The face to face interaction and interview notes to ascertain the reasons for response helped us to get a deeper qualitative insight from both the doctors. The researcher has referred to various Pharmaceutical and Marketing reference books/ texts, Journals, Magazines, Reports & websites.

Sample Design: For population under study, a representative sample of at least 120 Specialist Doctors were chosen from different regions of Delhi and NCR region. 100 filled responses were found acceptable. The specialist doctors were approached and depending upon their availability, they were requested to respond. We cannot force them to respond. Each doctor serves as sampling unit. Hospitals (mainly private specialty type, big nursing homes, and some government specialty type) were conveniently selected in five regions (north, south, west, and east and central) of Delhi and other NCR regions (Faridabad, Gurgaon, Noida, Bahadurgarh etc) as far as possible, so that geographical spread gives a representative of the population of doctors under study.

6. ANALYSIS & DISCUSSION

A pilot study consisting of 25 doctors was done. This helped to clarify the factors in the questionnaire for the main study. The descriptive method of result analysis was used. The excel spreadsheet was used to derive the tables and the bar graphs for analysis and interpretations. The method of averages was used to understand the relative importance of the factors. The weighted average marks were then calculated on the basis of percentage of response in five categories of importance multiplied by their respective weights and the sum total gave their relative average out of a maximum of 5 to find out important factors influencing prescription behavior.

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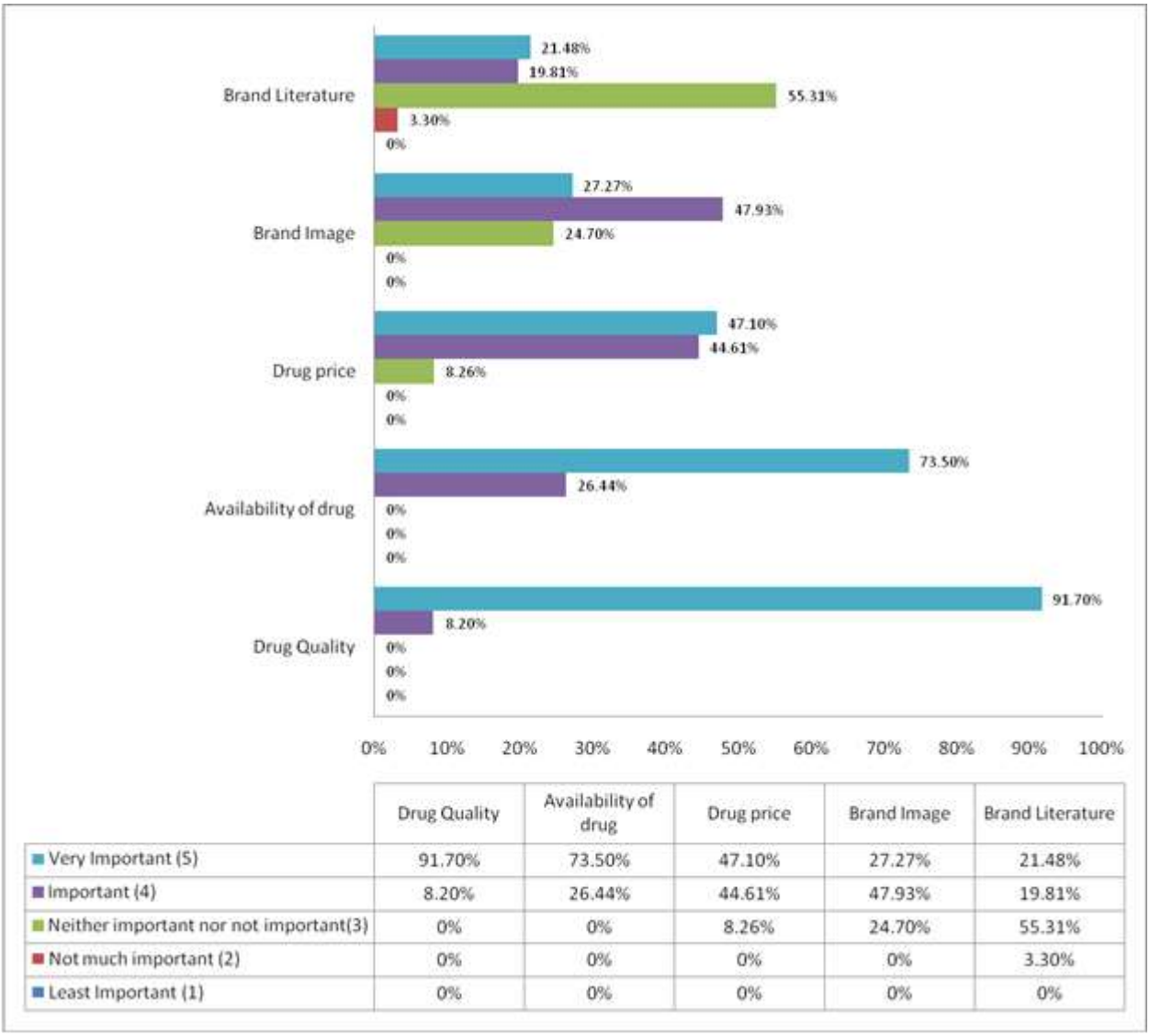
Graph 1: Factors influencing Prescription behavior of Specialist Doctors/Physicians and their Choice of Drug



	Drug Quality	Availability of drug	Drug price	Brand Image	Brand Literature
Very Important (5)	91.70%	73.50%	47.10%	27.27%	21.48%
Important (4)	8.20%	26.44%	44.61%	47.93%	19.81%
Neither important nor not important(3)	0%	0%	8.26%	24.70%	55.31%
Not much important (2)	0%	0%	0%	0%	3.30%
Least Important (1)	0%	0%	0%	0%	0%

Source: Researcher's own survey

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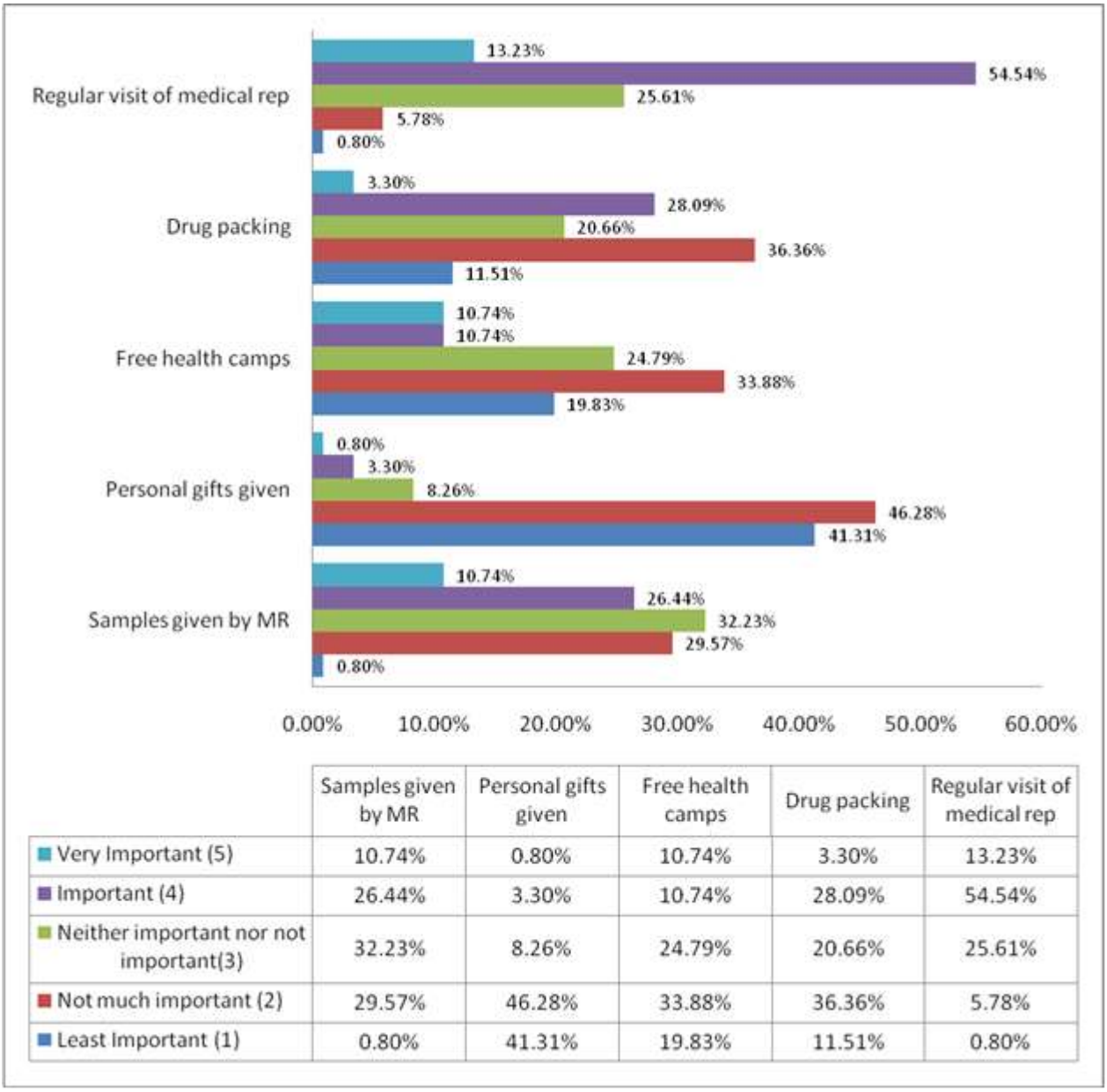
Graph 2: More Factors influencing Prescription behavior of Specialist Doctors/ Physicians and their Choice of Drug.



	Samples given by MR	Personal gifts given	Free health camps	Drug packing	Regular visit of medical rep
Very Important (5)	10.74%	0.80%	10.74%	3.30%	13.23%
Important (4)	26.44%	3.30%	10.74%	28.09%	54.54%
Neither important nor not important(3)	32.23%	8.26%	24.79%	20.66%	25.61%
Not much important (2)	29.57%	46.28%	33.88%	36.36%	5.78%
Least Important (1)	0.80%	41.31%	19.83%	11.51%	0.80%

Source: Researcher's own survey

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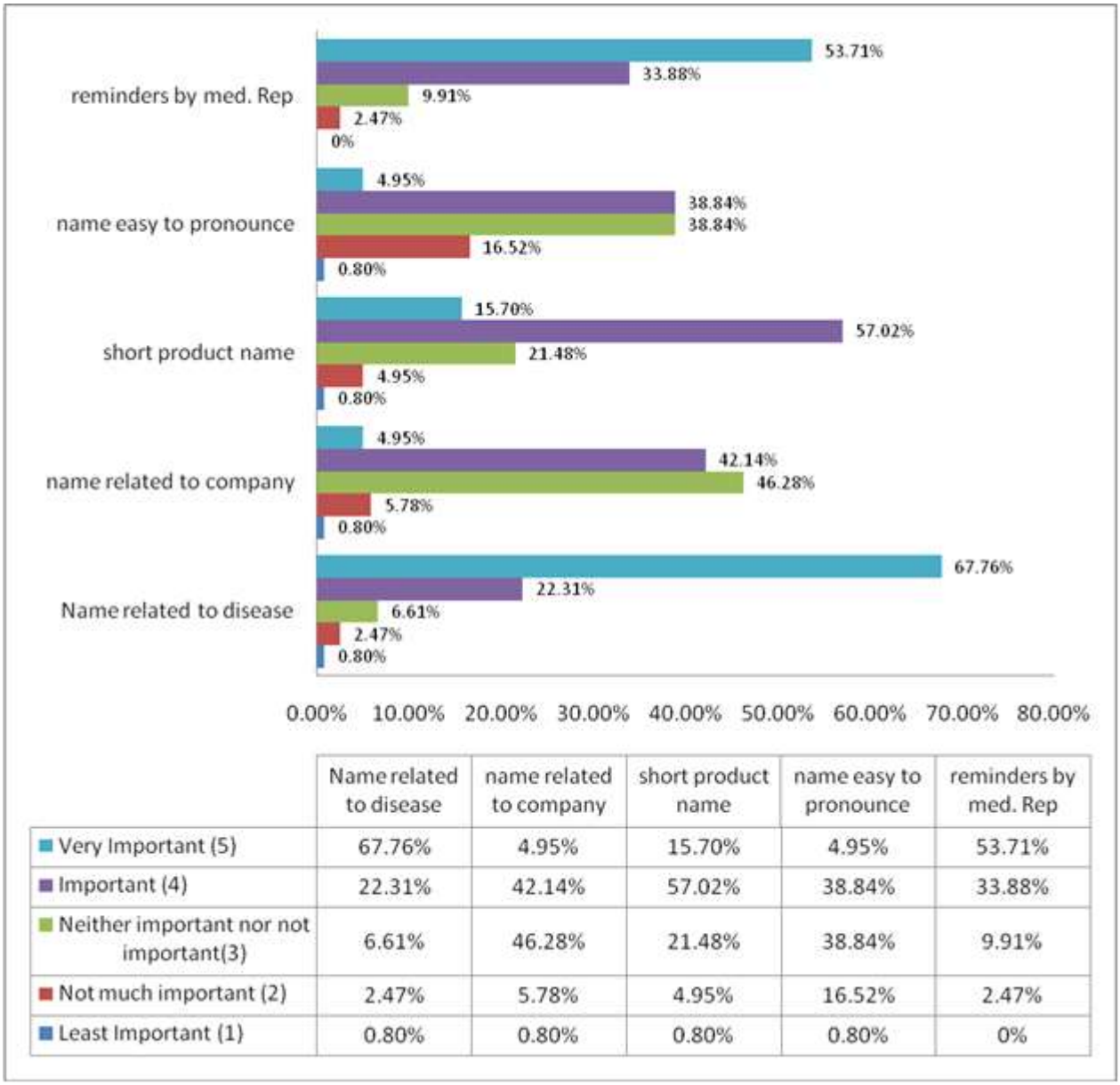
Graph 3: Factors of Brand name, which help Specialists Doctors/ Physicians in Brand Recalling



	Name related to disease	name related to company	short product name	name easy to pronounce	reminders by med. Rep
Very Important (5)	67.76%	4.95%	15.70%	4.95%	53.71%
Important (4)	22.31%	42.14%	57.02%	38.84%	33.88%
Neither important nor not important(3)	6.61%	46.28%	21.48%	38.84%	9.91%
Not much important (2)	2.47%	5.78%	4.95%	16.52%	2.47%
Least Important (1)	0.80%	0.80%	0.80%	0.80%	0%

Source: Researcher's own survey

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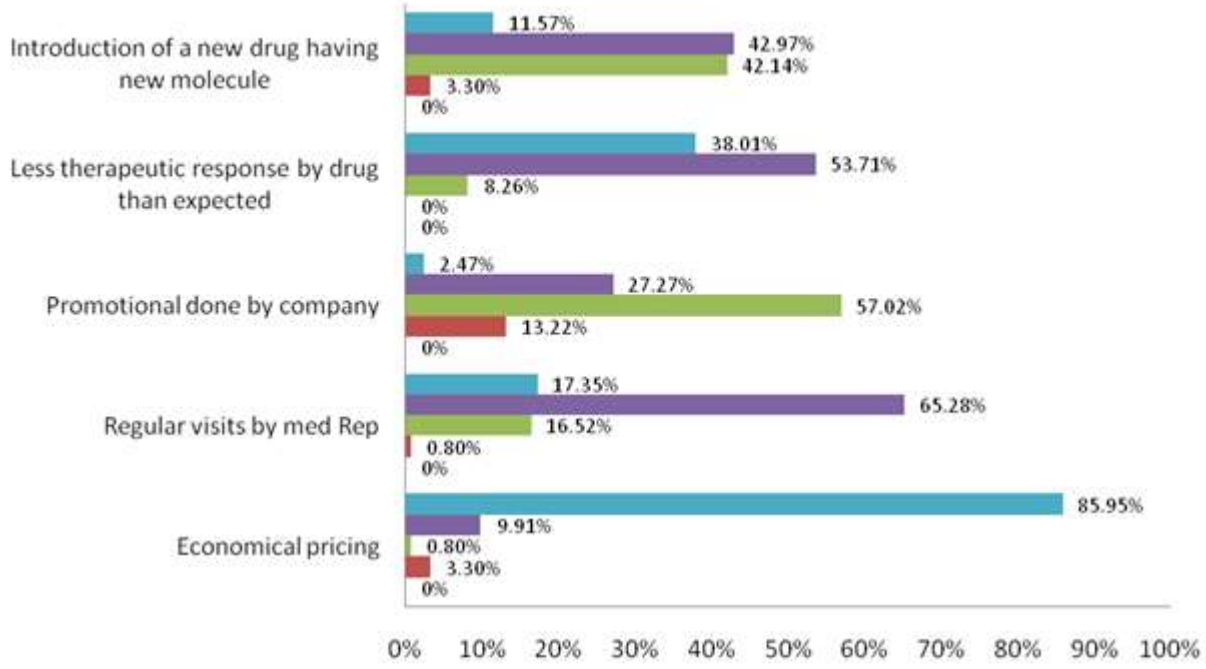
Graph 4: Factors influencing Brand switching for Specialist Doctors/ Physicians; Reasons for shifting from one Brand to another in the same therapeutic category



	Economical pricing	Regular visits by med Rep	Promotional done by company	Less therapeutic response by drug than expected	Introduction of a new drug having new molecule
Very Important (5)	85.95%	17.35%	2.47%	38.01%	11.57%
Important (4)	9.91%	65.28%	27.27%	53.71%	42.97%
Neither important nor not important(3)	0.80%	16.52%	57.02%	8.26%	42.14%
Not much important (2)	3.30%	0.80%	13.22%	0%	3.30%
Least Important (1)	0%	0%	0%	0%	0%

Source: Researcher's own survey

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Table 1: **Factors influencing Prescription behavior of Specialists Doctors/ Physicians and their Choice of Drug**

RANK	FACTORS/VARIABLES	AVERAGE
1	Drug quality & efficacy	4.88
2	Availability of drug	4.74
3	Drug price	4.38
4	Brand image	4.01
5	Regular visits of Medical representatives	3.72
6	Brand literature	3.52
7	Samples given by MR	3.12
8	Drug packing	2.71
9	Free health camps	2.67
10	Personal gifts given	1.73

Table 1 indicates that doctors are quality, price and availability conscious persons. As the specialists deal in chronic therapy segment and the patients use the drug for a longer period of time, the recurrent expense and availability is important. The quality of medicines is most important for physicians, as it not only helps in curing the disease, but also helps in building their reputation. Physicians on the basis of the brand image of the drug and consistent results with a product, judge the quality of products. So brand image is also on high priority in their mind while prescribing medicines.

Purchasing power of patients is always considered by the physicians, the price factor is always in forefront while prescribing a medicine; otherwise patients may change the doctor. Availability of products; especially newly launched drugs is questionable in doctor's minds. So physicians before prescribing a new drug either wait for some time or check at nearby chemist counters.

The Table 1 shows that regular visit by the MRs and seminar enhances the sale of existing or newly launched product. We found from the survey that the most important tool in product selling and launch is report study. Most of the doctors agreed that they keenly look into knowledge of the product and the company to which the concerned medical representative belongs to as the company whose name is good in market is easy to be trusted. The doctors are prepared to lead change particularly in a complex and unsettled environment.

The discussions about the product with medical representatives are more important than anything, as once the doubts clear it's easy to prescribe the drugs. However, due to the time constraint the product detailing by the M.R is restricted and the situation becomes complex. It also helps doctors to update their knowledge about new entity and their therapeutic effects. Most of the doctors gave importance to the fact that brand image of the drug and hence the

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company profile matters a lot while prescribing a drug. So, the reputed companies easily promote their newly launched products.

Therefore, frequent and planned visit by smart and dedicated medical representatives is the best tool of promotion for a pharmaceutical company. Presenting good quality literature, journals and sponsorship for conferences or personal tours are preferable promotional tools in comparison to organization of free camps, personal gifts, medicine samples or any other incentive. The physician-MR interaction proves to be beneficial for the patients.

The perceived brand image has a relatively high importance to the doctors. Doctors come into contact with the brand in different ways; pharmacology of the product, its efficacy, side-effect profile, packaging, price, marketing, medical representative and other aspects. Each of these touch points create the doctor's impression about the brand. The dominant touch point however is the medical representative - the most powerful. Therefore, brand equity, brand identity and brand image get translated into prescriptions or no prescriptions.

Table 2: Factors of Brand Name, which help Specialists Doctors/ Physicians in Brand Recalling

RANK	FACTORS/VARIABLES	AVERAGE
1	Name related to disease	4.52
2	Consistent reminders by the MR	4.23
3	Short product name	3.76
4	Name easy to pronounce	3.62
5	Name related to company	3.39

From Table 2, we found that the best way to promote a product is regular visit with reminder of newly launched product as this will help in remembering the product name. The second important thing is product quality which helps the doctors to remember the product name. The doctors also accord high relative importance to name related to disease, so that it is convenient for them to memorize and recall.

Most of the doctors replied that product efficacy and quality of medicine is the first choice of consideration while detailing of newly launched product. Later on, the short name which

is easy to remember and is more preferable. It is challenging for the M.R to deliver an effective message on the efficacy of the drug in a short time due to the scarcity of the doctor's time.

A great brand name would be something that a doctor can associate with what the product is offering. The most important point for the doctor is to remember and identify a product with its attributes, the benefits and relief for the related symptoms Therefore, a name linked to the disease is very attractive to the doctors for brand-name recall.

The name is the foundation of the brand. In Table2, although the names related to the company is last on the priority, it has high significant importance in a scale of 5. Most of the prescriptions are given to certain companies because the doctors recognize and trust their brand names.

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When the doctors associate the name of a company with its brands, that company finds the success in brand recognition. The doctors will prescribe it because it is recognizable. A well branded company also has more loyal customers.

Table 3: Factors influencing Brand switching for Specialist Doctors/ Physicians; Reasons for shifting from one Brand to another in the same therapeutic category

RANK	FACTORS/VARIABLES	AVERAGE
1	Economical pricing	4.70
2	Regular visits by MR	3.96
3	Introduction of a new drug having a new molecule	3.58
4	Less therapeutic response from the earlier drug	3.45
5	Promotions done by the company	3.15

From Table 3, we found that mostly the doctors have doubt related to effectiveness of the newly launched product. In the literature review we have found that effectiveness of the drug is a vital point to be considered before prescribing and after prescribing a new product.

Most of the doctor replied that efficacy and quality of medicine is the first choice of consideration while detailing of newly launched product. Therefore, in some clinical cases, older drugs do not give effective therapeutic response or they are being used for a long period of time in chronic cases, they become less effective. In those cases, doctors would try new drugs. Also, in some cases, where patients have systemic problems and the conventional brand of medicines may not be very effective, in those cases the new brand may be tried out. The physicians based on their practice specialization create a customized plan for each patient. The specialized physicians turn into leaders to drive and sustain the required change.

On the contrary, new drug may have unexpected adverse side effects in a smaller population of patients. The brands set expectations. When the doctors are faced with uncertainty, they tend to prescribe the safer options, the brands they know.

The company profile matters a lot while prescribing a drug as the reputed company is easy to be trusted. So, it is more convenient for such companies to promote their newly launched products.

c) Comparative Analysis between Doctor's and Chemist's perceptions

a) The drug quality and availability are the two top most priorities for the doctors as he is not only concerned for the effectiveness of the drug but also the availability of the drug. It becomes highly embarrassing for the doctor to face his patients if the drug is not available and the line of treatment cannot be followed.

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b) The other issue of price is also of prime importance and third in the rank of relative importance. The doctor takes care to understand the affordability, depending upon the income level and corresponding paying capabilities of the consumer/ patients.

c) The brand image of the drug is of high importance to the doctors in the hospitals and ranks fourth in their priority. The good brand image also includes the good company image and reputation that signifies doctors' trust and faith on all the products from that company too. This brand image evolves from the research-based activity and quality assured manufacturing of the pharmaceutical company. This ensures effectiveness, efficacy, and sustained action of the drug, safety and minimum side effects. This helps to keep up the consulting practice reputation of the specialist doctors in the hospital. This can also enable the company to charge a price premium on their product, which is acceptable to the doctors and the patients. Because of high brand image, it assures the doctors that they would be available in the retail chemists' shop for the patients.

d) At times doctors also recommend the substitute drug when the original is found to be expensive for the patients. Since the profit margins from the drugs have reduced, retail chemists do attach a high importance to the level of profit margins desired. This commercial motive and incentive cannot be overlooked in the present competitive scenario for stocking and dispensing drugs. Yet we know that a well-researched drug with quality production has higher cost in terms of investment in R&D and quality manufacturing infrastructure. The companies do have sufficient margins, which are largely consumed in the supply distribution chain negotiated by the AIOCD. It is a very complex supply chain and very well crafted by the AIOCD that has a strong lobby to monopolize that.

e) Thus, the drugs have good brand identity as effectively communicated by the company MRs and the managers with the help of different promotional tools. The MR visits ranks fifth and sufficiently high in this survey among the hospital specialist doctors. They are important to the doctors in terms of continuous updating, discussion and clarifications and scores more than3.72 in a scale of 5. The interactions with MRs fulfill doubts and clarifications, and are more important than brand literature and leave behind leaflets. The doctors' opinion and perceived image and brand acceptance of the drug for trial and further use is also formed from the regular seminars and continued medical education (CME) conducted by the pharmaceutical companies, peer reviews/ communications in their association meetings, sponsored conferences and the key opinion leaders and early adopters of new drugs/ key opinion leaders (KOL) in the different therapeutic areas among the medical fraternity who help to conduct these symposia and CMEs.

f) The drug packing is rated higher in fifth position by the chemists as it helps to stock properly, prevents damage in transportation, act as guidance for a stipulated course of tablets and also justify the higher pricing, if any. However, it is ranked much lower in importance by the doctors.

The samples, personal gifs and free health camps are rated lower in importance by the doctors; similarly, the chemists also give less importance to samples and gifts.

g) In terms of brand name recalling, it emerges from this survey that doctors prefer names related to disease names and ranks it as the highest; it helps in convenient memory recalls in their related therapeutic area of specialization. Here consistent reminders by the MRs help to

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keep the brand names on the top of the mind of the doctors. The doctors rank them as second most important. The doctors also prefer short names and which are easy to pronounce. Although, the brand name related to the company is given lowest preference by both the doctors and chemists, they give an importance score of nearly 3.5 in a scale of 5, thereby signifying that company image is quite important to them as far as quality and trust of the drug products are concerned.

h) In terms of shifting from one brand to another brand in the same therapeutic domain, the regular visits of the MRs help to make the new products recognized and helps in promotion and launch of the new products. The MRs visit the doctors and their adoption of the new formulation helps to drive the market stocking and availability at the chemists' level. This happens in the case of Pull model for new product introduction in the chronic therapy segment. In the case of Push model for the new products in the acute therapy segment, MR drives and persuades both the doctors and chemists to support their brands to prescribe and stock respectively.

7. CONCLUSION

Thus, we may summarize and conclude, corresponding to each of the objectives:

a) The most important factors that influence the decision process and choice of the particular brand of drugs for the specialist doctors in hospitals are drug quality, availability of drugs, drug price, brand image and regular visits of the medical representatives. The other important issues considered by the doctors are brand literature, samples given by the MRs, drug packing and free health camps. However, surprisingly, the personal gifts have been accorded last priority and almost least importance score of 1.73 in a scale of 5. It appears that either the doctors have not given their true opinion or the ethical ways of interaction are gradually taking place between the doctors and the pharmaceutical companies!

b) The doctors prefer a brand name that relates to disease and short one that is easy to pronounce. They attach lot of importance to their interactions with the MR in forming a decision for choice of drugs. The doctors have also considered the company brand image important as that gives them a sense of trust and faith on the efficacy and quality of the products.

c) The consideration of price is a very important consideration for shifting to another brand in the same therapeutic domain (brand switching); if the other alternative brand available is effective and quality oriented at a lesser price, then that is more acceptable to the doctor on behalf of the patients particularly those undergoing treatment for a longer period of time. In the case of new products, regular visits by the MRs to update them about the introduction of new molecules are important. It also shows that regular MR visit is more important than any other promotion tools deployed by the company for new drugs. The MRs play a vital role in interacting with the doctors and providing the product details in a short time and convincing the doctors for the drug.

d) On a comparative note, both attach high importance to drug quality and brand image and availability. Both the stakeholders are concerned about the drug price as that denotes the affordability factor and hence the demand. The doctors prefer regular visits by the MRs to update them; whereas the chemists do not quite appreciate the frequent visits by the MRs.

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The other factors like drug packing, samples given to them and personal gifts are considered less important.

e) The role of a medical representative has to be redefined; he needs to have in-depth product knowledge to discuss about the drug effects and its pharmacology. He needs to take more feedback from the doctors and the chemists about the outcome of their own brand and the competitors' brands in the same category; it would help to understand the weakness of own product as well as the others' products. That would enable the MRs to give feedback to the parent company and thus help to work on new projects to introduce new products in the market. They need to convince and persuade the doctors to encash their meetings into prescriptions. MRs play a significant role in the prescription decision-making process of the doctors, especially for expensive medical products. The pharmaceutical companies prefer maintaining influencing roles of MRs to enhance revenues of their brands and this process assumes much importance in a VUCA world**.** The MRs and the Product managers need to be aware about the details of clinical trial activity report of the new molecules in the pipeline. They should be able to launch the new molecules and new formulations after gauging the specific requirements of the doctors and disease situation in the region. The MRs and product managers also need to interact with the patients to understand the effects and side effects.

The MR has to present the scientific information in a way, that it is a learning and problem-solving process opportunity for the physicians. The MRs needs to be trained accordingly; the scientific information is more effective when used as an educational tool rather than a sales tool. Though traditional face-to-face product detailing to doctors may continue to be the crucial means for prescription demand generation in a VUCA world but new Internet based initiatives could also be used to mark a difference. The concepts of digital marketing can be used for digital communication with the doctors which would drive them to the respective product websites for comprehensive and credible medical treatment solutions. The M. Rs could be trained suitably to make the modern digital interfaces successful.

The launching of a new product is usually done through brand extension. It capitalizes on the equity of the already established core brand name or even the company name. The firms can use the brand extension strategies to enter new categories. The consumer can transfer their positive attitude towards the parent brand to the newly launched products through brand extension. The marketers have to keep in touch with the key opinion leaders (KOL) and the early adopters of the new drugs.

8. LIMITATIONS OF THE STUDY

1. The study was conducted in the Delhi-NCR region only; perhaps a wider sample base could have been taken, so that the results could have been more generalized. The sample size could have been larger.
2. More different category of doctors from different specializations could have been considered, with cluster mode of sampling.
3. Some of the doctors were busy and impatient and in hurry, so the response could be a bit biased.

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4. Regarding the gifts etc. the response appears to be ethically good, but it is contrary to the general perception.
5. The different category of distribution chain, like stockiest and distributors and C&F agents could have been included in the survey for non-physicians. The sample size could have been larger.
6. The corresponding patients of the doctors could have been surveyed to understand their perception whether their medication was effective in order to ascertain the doctors' choice of drugs.
7. The patients buying from the chemists' shop could have been interviewed to ascertain whether chemists followed the prescription drugs or suggested alternative brands. It could also help to find out if there is any other kind of practice prevailing, which is not ethical.
8. The chemists could also give us a clue whether the patients prefer certain brand of drugs contrary to what is prescribed; with the increased awareness through internet and social media communication, consumer in India are now more aware, particularly of direct to consumer advertisement done abroad for the drugs.

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CIRCULAR ECONOMY – A PARADIGM SHIFT FOR SUSTAINABLE DEVELOPMENT

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ABSTRACT

Sustainable development meets the needs of the present generation without compromising the ability of the future generations to meet their own needs. The single use consumption behaviour of the economy (which is referred to as the linear economy model) has hampered the concept of sustainable development over the years. This linear economy model envisages the conversion of inputs into outputs which are to be disposed of after the consumption without any scope of recycling. This results in underutilization of inputs and add up to the wastage in the economy. This unsystematic production and consumption, tests the physical limits and hampers the sustainable development of the economy.

In such a situation, the concept of circular economy would be a powerful tool that would help revamp the economy and promote sustainable development. This model advocates 3R principles of reducing, reusing and recycling of materials. This results in multiple use of products with less waste generation which would be less harmful for the environment. The concept of circular economy helps the economy to live longer and become capable to cater the needs of both present and future generations. This chapter aims at discussing the concept of circular economy model and its benefits, from the viewpoint of sustainable development.

KEYWORDS: circular economy model, linear economy model, sustainable development, recycle, reuse, reduce, waste

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1. INTRODUCTION

The 18th century saw the emergence of rapid industrialisation. The arrival of machines resulted in massive production of goods/products at cheap prices. Bulk of industrialisation happened in the capitalist world, where there was intense competition among the industrialists. The focus was on reducing the price of the final product. For achieving this objective, there was uncontrolled exploitation of natural resources. The focus was primarily on extraction of raw materials and cost-effective mass production of products using them. There was no emphasis on efficient use of raw materials. Such a type of business/production model (called as the linear economy model) resulted in large wastage of raw materials and energy.

With passage of time, manufacturing based on linear economic model resulted in the depletion of raw materials/natural resources. The cost of extraction of many raw materials like gold, silver, steel, coal, petroleum, etc. became costly. Economists realised that development based on linear economy model cannot be sustained for long. It was also realised that there was a need to change the business practices for the purpose of ensuring that natural resources are also available for future generations. These realisations resulted in major nations of world changing their national development polices to promote sustainable development (Stahel, 2013) (Sariatli, 2017). The various international conventions beginning with the Stockholm Convention of 1972 were the result of this realisation. This change in perception also resulted in the beginning of the gradual remodelling of business/manufacturing processes. The emphasis shifted to better utilisation of natural/raw materials including recycling. The attempt was to decouple economic growth from the extraction and consumption of scarce natural resources (Ruíz, 2015). Such a business/manufacturing model, which came to be known as circular economy model, is now beginning to be preferred over the linear economy model (Frodermann, 2018). This article seeks to critically evaluate the circular economy model of production and consumption from the perspective of sustainable development

2. DEFINITIONAL ISSUES

Linear Economy Model (LE Model)

To properly understand the concept of circular economy, it is essential to first understand the concept of linear economy. Linear economy model of production and consumption can be defined as a system wherein products/goods are produced, sold, used and eliminated as waste, once the products/goods have fulfilled their function/utility (Bonciu, 2014). In this model there is no scope of reuse of the product. Consequently, such a model of economy is referred

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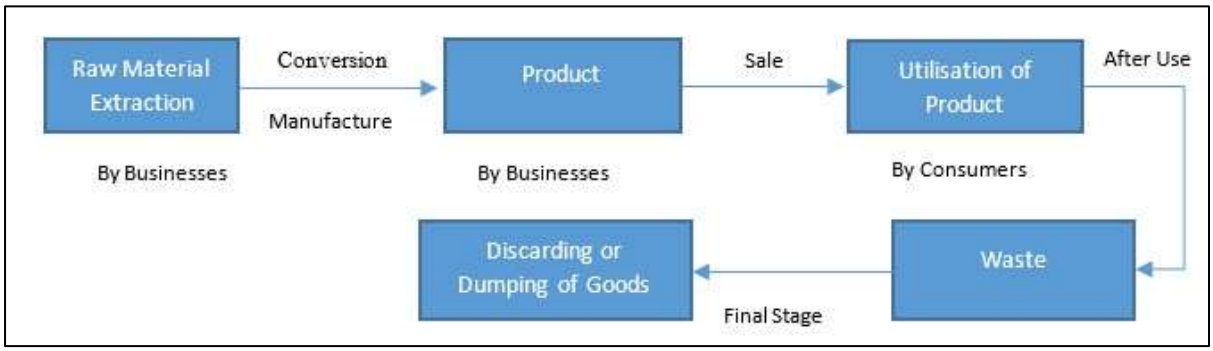
to as 'take, make and dispose' economy wherein the raw materials are extracted, manufactured, used and then discarded (Millar et al., 2019). Thus, in this model, businesses/companies harvest and extract materials, use them to manufacture products and then sell it to consumers. The consumers use those products and discards it, when its utility is over (Ellen & Company, 2014). These discarded items accumulate in a landfill or are destroyed (Upadhayay & Alqassimi, 2019). The figure 1 below illustrates a linear economy model flow chart (Upadhayay & Alqassimi, 2019).

Figure 1: Linear economy model flow chart



Circular Economy Model (CE Model)

The circular economy model, on the other hand, functions on a diametrically opposite principle, wherein, the emphasis is on a better utilisation of resources. The attempt is to avoid wastage of all kinds, while promoting recycling and reuse. Circular economy is restorative and regenerative by design and aims to achieve highest utility and value for products at all times (García-Barragán et al., 2019) (Moreau et al., 2017). The circular economy aims at extending the life cycle of a product to get maximum value from it (European Environment Agency, 2017). When the life cycle of a product does eventually come to an end, this model attempts to convert that product into an alternative resource/raw material for some other product manufacturing process. Thus the circular economy model is in the form of a closed loop wherein there is minimization of waste (Upadhayay & Alqassimi, 2019). The circular economy model also focuses on reuse of raw materials and hence promotes the minimization of use of virgin raw materials in the production and consumption process (Sariatli, 2017).

The circular economy model of production and consumption is thus based on the 3R principles namely; i) reducing, ii) reusing and iii) recycling of materials (Heshmati, 2017).

1. **REDUCING**: Reducing the use of materials aims at reducing the flow of materials into the production/consumption process (Zhao et al., 2012). This is achieved by reducing resource consumption and waste production through increased production efficiency (Su et al., 2013).
2. **REUSING**: Reusing of materials relates to the extending of the useful life of the product (zhao et al., 2012). This is achieved by reselling of discarded products or using by-products of other business processes as input resources (Frodermann, 2018).

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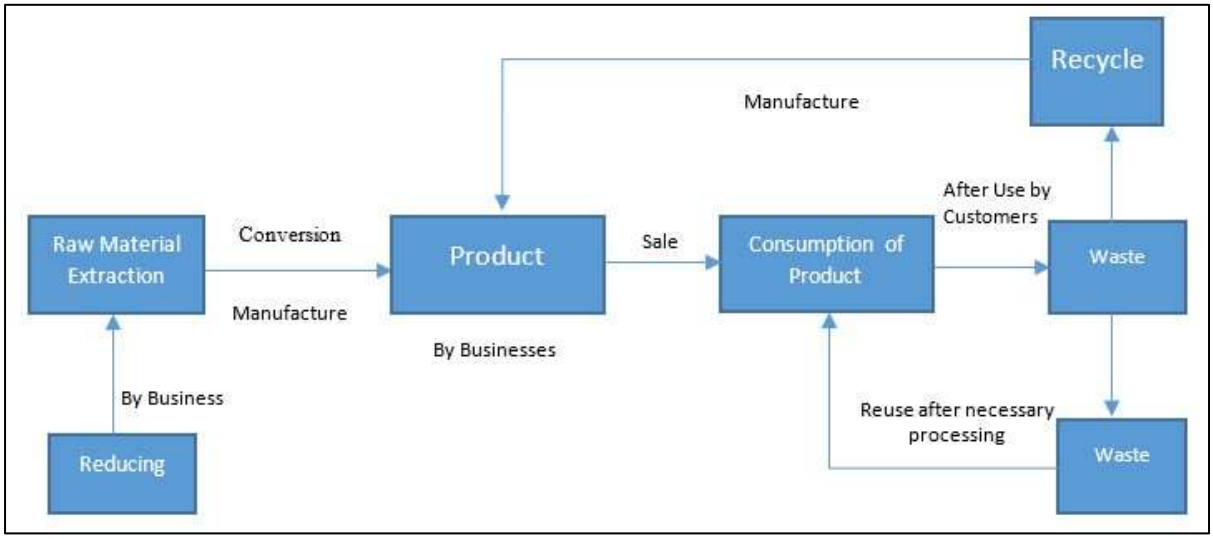
3. **Recycling**: Recycling of materials relates to reprocessing of recovered materials at the end of useful life of the product by returning them into the supply chain (Upadhayay & Alqassimi, 2019) (Moreau et al., 2017).

Figure 2: Circular economy flow chart (Upadhayay & Alqassimi, 2019)



Waste

No study of the concepts of linear economy and circular economy can be completed without a study of the concept of waste. This is because, the essential difference between linear economy and circular economy lies in the manner in which waste is dealt with, by each of them.

Waste can be defined as the 'material left over or thrown away' during or after the production/consumption process (Merriam-Webster, 1994). Hence, it refers not to the word 'junk' in the usual connotation, but refers to any kind of underutilization of resources/assets (Jain et al., 2018). The waste generated during the different stages of production/consumption process can be classified into four categories (Ruíz, 2015) (Esposito et al., 2018). These are as under:

1. **Wasted resources**: These are materials/energy that cannot be regenerated continually. They are consumed and lost forever when used (e.g. petrol).
2. **Products with wasted life cycles**: These are products that have artificially induced short working life or are disposed of even if there is still demand for them from other users (e.g. mobile phones).
3. **Products with wasted capacity**: These are products which sit idle unnecessarily for most part of their productive life (e.g. cars).
4. **Wasted embedded values**: These are materials, energy and components that are not recovered from disposed materials and put back to use (e.g. battery, motherboard etc. of a mobile phone whose screen was broken and hence disposed of as waste).

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Sustainable Development (SD)

An in-depth study of the concept of sustainable development is essential for fully understanding the concept of circular economy. Sustainable development has been defined as a development that meets the needs of the present generation without compromising the ability of the future generations to meet their own needs (Keeble, 1988). Sustainable development, therefore seeks to achieve economic growth and progress without causing damage to the environment. This means that sustainable development aims at the long term stability of the economy and environment (Emas, 2015).

Sustainable development also seeks to change the purposes of conventional development by adding a wide variety of environmental protection goals. It also incorporates environmental issues into social goals that ensures that the economic goals are compatible with environmental protection. It also adds a further dimension to the process of development by recognizing the present generation's responsibility to future generations (Dernbach, 1998). The key concept of sustainable development is the integration of environmental, social and economic concerns into all aspects of business or other such decision making (Emas, 2015). There are four core principles relating to sustainable development. They are outlined below:

1. **Principle of substitution**: According to this principle, all resources should, wherever possible, be replaced with substitutes which have a lower negative impact on the environment. This is particularly true in case of non-renewable natural resources like minerals which do not regenerate themselves (Stoddart, 2011). For e.g. coal is a non-renewable natural resource used for generation of electricity. Instead of using coal to generate electricity, solar energy or stored water energy can be used to generate electricity.
2. **Principle of intergenerational equity:** Accordingly, to this principle, the use of available natural resources must be done in such a manner that the present generation must achieve an equitable balance between satisfying their own needs and leaving enough natural resources for future generations to satisfy their own needs. It is not about the present generation leaving behind an equal share for future generations, but it is about passing on the benefits that the past generation left behind for the present generation, to the future generations (Spijkers, 2018).
3. **Polluter pays principle**: This principle puts an obligation on the governments to require the polluting entities to pay the costs of the pollution caused by them, instead of imposing that cost on others or on the environment (Dernbach, 1998). This principle suggests that government policy should ensure that environmental costs are internalized as far as possible (Emas, 2015).
4. **Precautionary principle**: This principle lays down that wherever there are serious threats or possibility of irreversible damage to the environment, lack of scientific certainty shall not be used as a reason for postponing cost effective measures to prevent environmental damage/degradation(United Nations, 1992). This means that any person/business entity proposing to carry out an activity, must bear the burden of proving that the proposed action will not cause significant harm to the environment (Emas, 2015).

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Comparative Analysis: Linear Economy Model vs. Circular Economy Model

As it has been explained above, the linear economy model focuses on mass production and consumption of goods without any effort to conserve the materials used to produce the finished product. On the other hand, the circular economy model focuses on reducing, reusing and recycling of materials that are used in producing the final product. In today's global economy, where sustainable development is the key priority, the preference is gradually shifting towards the circular economy model. However, both models have their own advantages and disadvantages which are based on their distinct features. A comparative analysis of these distinct features of both the models are discussed below:

1. In the linear economy model, the primary focus is on the mass production and consumption of goods without any concern for resources that are consumed in the process of production and consumption. However in the case of circular economy model, the emphasis is on the efficient use of the resources that are used to produce goods (Lacy et al., 2020).
2. In the linear economy model, there is no effort to increase the life span of the resources/products. But in the case of circular economy model, the business processes are so designed to enhance the circularity of materials, thereby increasing the life span of resources/products (Lopes de Sousa Jabbour et al., 2018).
3. In the linear economy model, there is significant waste generation. This model does not focus on reducing waste. However, in the circular economy model, there is an attempt to reduce waste generation at all stages of the production/consumption process. This is ensured by the 3R principles namely; a) reducing, b) reusing, and c) recycling of materials (Lacy et al., 2020) (Esposito et al., 2018).
4. In the linear economy model, the focus is on obtaining cheap raw materials/resources so as to keep the cost of production low. However, in circular economy model, the attempt is to use raw materials/resources that generate no waste or very little waste. Also materials/resources that can be reused/recycled are preferred. This promotes less dependence on virgin materials/resources (Sariatli, 2017).
5. The linear economy model is based on open loop processes and hence is highly susceptible to price fluctuation of materials. On the other hand, the circular economy model is based on closed loop processes and hence is less susceptible to price fluctuation of materials due to the efficient use of resources in terms of both value and volume (Sariatli, 2017).
6. The linear economy model involves simple processes as there is no reverse material flow at any stage of the production/consumption process. However, the circular economy model has reverse material flow arising from reuse and recycling of materials. Hence the processes involved in such a model is more complex (Sariatli, 2017).
7. The linear economy model has no reverse material flow and consequently, the cost of production and consumption of the product is comparatively lower. However in the circular economy model there is reverse material flow which involves additional complex processes and hence the production and consumption cost is comparatively higher (Sariatli, 2017).

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8. The linear economy model produces comparatively more waste and hence is less environmentally friendly. The circular economy model on the other hand focuses on reduction of waste in the production and consumption process. Hence, it is environment friendly and supports sustainable development (Sariatli, 2017).

Circular Economy and Sustainable Development

As seen in the previous sections, circular economy model is based on the 3R principles of reducing reusing, and recycling of materials. The focus is on reduction of waste as well. Circular economy model gives a longer shelf life to both raw materials and products and hence help conserve natural resources for future generations. All these principles of circular economy model are identifiable with the various principles of sustainable development like principle of substitution, intergenerational equity, etc. Also, both circular economy and sustainable development seeks to protect the environment. The adoption of 3R principle and focus on reduction of waste has resulted in circular economy being viewed as a sustainable economic system wherein economic growth is decoupled from resource use, through the reduction and recirculation of natural resources (Corona et al., 2019).

From Theory to Practice

The term 'circular economy' was coined for the first time by Pearce and Turner in 1989 (Segerson et al., 1991). However, the theoretical development of the concept of circular economy can be tracked back to Boulding, who in 1966, suggested to adopt a cyclic economic model instead of the wasteful linear economic model (Cesari & Jarrett, 1967) (Sariatli, 2017). Thereafter, in 1982, Stahel developed the concept of closed/spiral loop, self-replenishing economy, which was subsequently remodelled as 'performance' economy by Stahel himself in 2010 (Walter R. Stahel, 2011). The concept of self-replenishing economy developed by Stahel was, in 2002, incorporated into the cradle-to- cradle concept developed by Bracingest and Mcdonough. The said concept considers all materials involved in commercial and industrial processes to be nutrients which are basically of two types, namely, technical and biological (Braungart, M., & Mc Donough, 2008). Subsequently, many other authors like Bengus, Ellen MacArthur Foundation, etc. contributed significantly to the growth of theory relating to circular economy (Sariatli, 2017).

In spite of the tremendous growth in theoretical aspects, governments across the world are very slow in implementing circular economy model of development. This is primarily because businesses are reluctant to implement circular economy model for a variety of reasons. One primary reason for such reluctance is the organisational inertia and resistance towards radical transformation. The managers of businesses prefer the existing status quo of the linear model as they are able to predict their future based on available historical data (Lahti et al., 2018). Transition from linear economy model to circular economy model also requires a significant number of businesses to change their entire value chain including the most complex task of establishing and organising reverse value chain activities which spans all activities of the firm, from product returns to the potential recovery of the product's maximum value using recycling and up-cycling activities (Govindan et al., 2015). The uncertainties relating to costs that

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surround the transition from linear economy model to circular economy model is also deterring businesses from shifting towards circular economy model.

In spite of these problems many nations around the world have started implementing circular economy related rules and regulations. China is arguably the first country to enforce circular economy related legislation. In 2009, China enacted the Circular Promotion Law to achieve the objective of transition from linear economy to circular economy (Zhu et al., 2019). The European Union (EU) has also taken a number of steps to stimulate transition from linear economy towards circular economy. In 2018, the European Parliament approved a package that aims at reducing waste across Europe. The said package has fixed various targets including recycling targets for EU countries to achieve**.** In most of the other countries, there is no compulsion to adopt circular economy model, but businesses can voluntarily adopt circular economy model.

3. CONCLUSION

The circular economy model of production and consumption aims at reducing waste of materials/energy and hence promotes sustainable development. Waste is reduced by implementing the 3R principles of reduce, recycle and reuse materials. Shifting from linear economy model to circular economy model offer businesses/companies, a variety of new opportunities including cost savings through waste reduction, better supply chain management, lower sensitivity to resource price volatility and long lasting, better relationship with customers (Sariatli et al., 2018) (Ellen & Company, 2014) (Lahti et al., 2018). These advantages provide the obvious incentive to businesses to shift from linear economy model to circular economy model. In fact, it is estimated that circular economy model can generate annual benefits of up to € 1.8 trillion by 2030 for Europe alone (Ellen & Company, 2014). Similarly, it is estimated that the circular economy development path could create annual value of `14 lakh crore (US $ 218 billion) for India by 2030 (Ghosh, 2020). In spite of these obvious advantages, businesses are reluctant to make the transition from linear economy model to the circular economy model, due to various uncertainties. It is the duty of the national governments/legislatures to enact necessary laws and regulations to address the uncertainties and to facilitate the gradual transition from the linear economy model to the sustainable development enabled circular economy model.

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IMPACT OF COVID-19 ON WORK-LIFE BALANCE OF EMPLOYEES: A STUDY OF THE INDIAN BPO SECTOR EMPLOYEES

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ABSTRACT

The COVID-19 is the greatest pandemic in our history. The world that survived the economic downfall during "The Great Depression" is victim to yet another economic disaster. This paper intends to present how COVID-19 has had an elaborate impact on the work-life balance of employees. Approximately about 48% of the Indian population are individuals who win bread by being employed. Business Process Outsourcing (BPO) is one of the lucrative Indian industries that provided employment opportunities for over 74,000 employees, and the numbers are constantly on the rise. This study is majorly focused on the impacts on the work-life balance of Indian BPO employees. The pandemic has had its fair share of impact on employees from various walks of life. An in-depth analysis and comparison based on gender and age of BPO employees will form the nucleus of the study. Work-life balance- a myth or reality during the pandemic would be an arguable human resource topic, that could forever change its definition. The concept of working from home during this time sets the tone for the study to determine the impact of the pandemic assuming all the samples have an active family. The study calls for the implementation of a more qualitative research technique than a quantitative one. The outcome thus obtained will help in categorizing them into two major categories- positive and negative. The conclusion will be a thorough understanding and study of work-life balance, especially during situational emergencies, such as lockdown with reference to a real-world experience such as COVID-19.

KEYWORDS: HRM phenomenon, work-life balance, bpo sector, work from home

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1. INTRODUCTION

HISTORY OF WORK-LIFE BALANCE

We live in an era where technology has taken the top position in all our lives. Early morning news reading has become digital to going to bed with mobile phones is the trend. This has significantly reduced human interactions and real-world experiences. Over the year human resources management subject has dealt with bringing balance and stability to the life of employees. One such debatable topic is the work-life balance of employees. The history of the term work-life balance is a fairly new and dates back only to the 1970's. The cornerstone to build the work-life balance concept was the fact that women also entered the working arena to make dual-income and build a financially stable home. In the 1970's workers in UK used to work an average of 14 to 16 hours a day and 6 days a week, this began creating health issues and social issues in the society. This was majorly because both the parents had become earning partners who were unable to spend any time of their children and also fell prey to health hazards due to long hours of work.

Since the introduction of this term, employers have constantly been implementing policies that support work-life balance of each employee. In the past, institutions were constantly adopting policies that created and kept family-friendly employees, which included 50% of merry employees, 36% higher rate of retention, and a 24% decrease in absenteeism (Cully,1999). An in depth understanding of the term will be discussed further in the conceptual frameworks. The current study focuses on the impacts of this phenomenon during the pandemic that struck the work in the beginning of 2020.

2. BACKGROUND OF STUDY

The major focus of the study is to determine the impacts of COVID-19 on the work-life balance of employees. The major focus on the impacts during the pandemic is the base on which the study is built. COVID-19 is one of the worst pandemics that hit the world hard. The history of pandemics in this world dates back to the B.C.'s (Before Christ). The world has seen many such pandemics including the black fever, Cholera, Asian Flu (Patterson, 1986). These pandemics also had their magnitude of impacts on many aspects of conducting business. However, COVID-19 has proven to be brutal and unsettling. The present world as is, forms the foundation on which the study is built. The study is constricted to the Business Process Outsourcing (BPO) employees in India. This would enable narrowing down the study and aid in synthesizing the results more effectively.

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3. STATEMENT OF PROBLEM

The present condition prevailing across the world has crippled the regular lives of people. The human resource management phenomenon are also victims to the situation. The various impacts have been on the HR front including dwindled pay, cost-cutting and layoffs. The work-life balance policy is no exception to the situation. It is important to study the effects of such pandemics on the work- life balance of salaried employees because the ultimate goal of the implementation of the policy remains vague and unclear in such situations. The problem focuses on answering the "what" question by determining the outcomes of the aforementioned pandemic on the work-life balance of employees. The investigation is confined to the employees of the BPO industry in India.

4. SIGNIFICANCE OF RESEARCH

This research is logical, considering the fact that the pandemic is happening right now. The significance of this study could not be higher at any given point in time than now because the pandemic is at its peak and the study would reveal more realistic results under such situations. This examination is conducted on the BPO sector in India. The BPO sector is one of the lucrative industries in India. India contributes about 51% of BPO requirements across the world (Rajeev & Vani, 2009). The Economic Times (2010) forecasted an increase in Compound Annual Growth Rate (CAGR) of 15% in the year 2020. This means the export of BPO to the world from India is rising as always. Most employments in India is contributed by the BPO sector and would be a temping field to carry out investigations.

5. SCOPE AND DELIMINATION

The pivotal goal of conducting this research is to better understand the concept of work-life balance under emergency situation like the ongoing pandemic, COVID-19. There have been many pandemics in history, each having its own share of impacts on various human resources phenomenon. This study is majorly focused on the cross-sectional analysis of the BPO industry only in India. The study reckons that the investigation is carried out only for the situation specified, it eliminates exploitable variables, receiving information only from a given set of population at that particular time. This investigation reviews a number of characteristics at a particular juncture. Overall, the pandemic sets the boundaries of this research, thus making it a situational study and its relevance to work-life balance in the course of human resource management topics.

6. FRAMEWORK OF THE RESEARCH

CONCEPTUAL FRAMEWORK:

The conceptual framework of this investigation is to first ponder on given problem and create interrelationships that would result in outcomes (Ravitch & Riggan, 2016). The aim of this study is to collect primary and secondary data to understand and analyze on what could be the impacts of the current pandemic, COVID-19 on the work- life balance of employees especially in the Indian BPO sector. Bringing together the various component of research and the relationships between these components would allow in arriving at the required result. The major component of this research is the present scenario that has caused a complete

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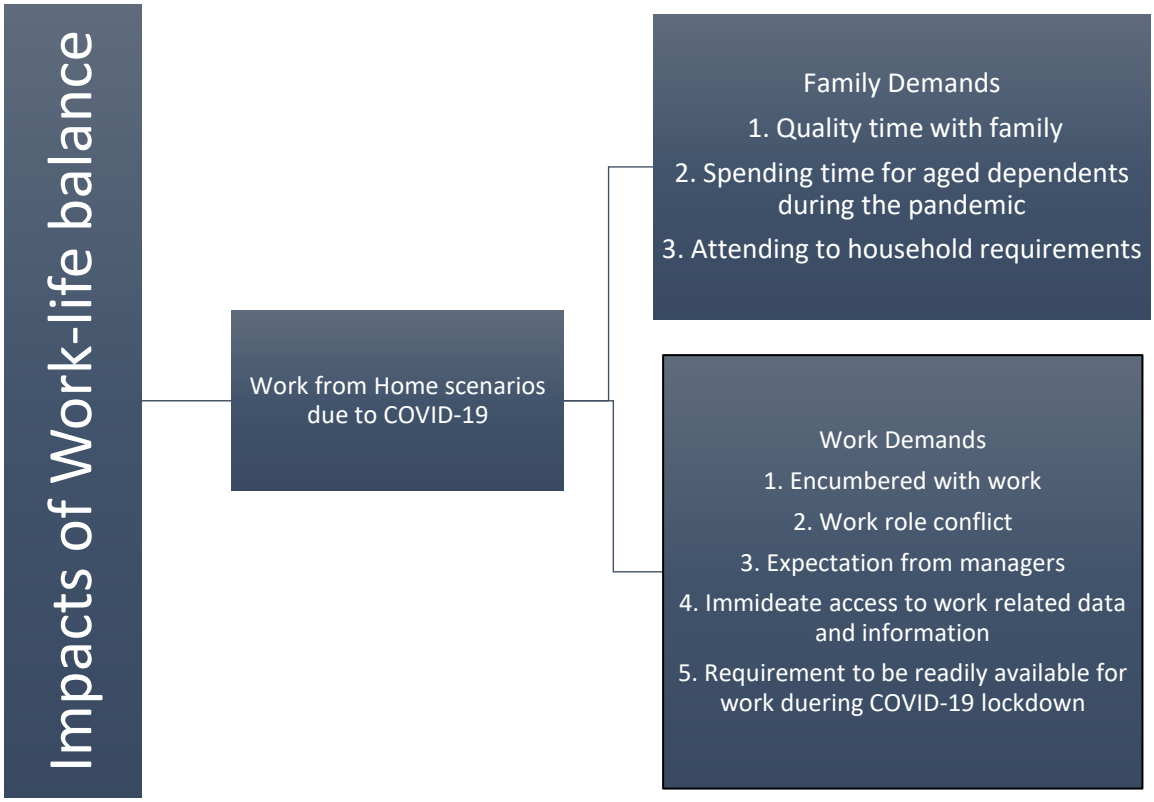
lockdown and has forced the option of working from home on employees. Secondly, the study is conducted to understand the meaning of the term "work-life balance" during such situations. This research could lead to turn of events in history by completely redefining work-life balance phenomenon at the given time. Lastly, the research is majorly conducted on the BPO industry in India that account for the major revenue from exports.

Establishing a relationship between the aforementioned elements of research would help in interpreting the conceived framework more effectively. The framework also surmise that this interrelation of elements would result in providing the outcome of the research and would help better in understanding work-life balance concept. This HR concept was originally created for employees to spend quality time physically with family amidst being employed in a full-time job. However, with change of events there could a be a forecasted disparity of work-life balance's vice versa. Below diagram would enable to better understand the skeletal conceptual framework.

Conceptual Framework



7. THEORETICAL FRAMEWORK

The theoretical framework forms the backbone of conducting the research. The aim of this section of study is to lay in limelight the underlying theories of work-life balance and thus enabling the analysis and synthesizing of data. Although work-life balance is a fairly new concept the researchers in the field of HR have been constantly defining the term and enabling implementation of policies pertaining to this term in organizations. The best way to begin

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understanding the underlying theories would be to begin with understanding the definition of the term "work- life balance" and a brief explanation of a pandemic.

Work-life Balance - Definition

In the words of Hudson (2005), "Work-life balance, in its broadest sense, is defined as a "satisfactory level of involvement or 'fit' between the multiple roles in a person's life" (Lazar, Osoian & Ratiu 2010).

From the work of Buddhapriya (2009), Work-life balance is defined as "the management of one's professional responsibilities and family responsibilities towards children, ageing parents, and disabled family member, or a partner/spouse effectively. One can have work-family balance, but may or may not have anything left for oneself, for one's community, for one's own personal growth and development, rest and relaxation"

Work-life balance can also be defined in a context of conflict. In their work titled "Sources of Conflict Between Work and Family Roles", Greenhaus & Beutell (1985) defined the term as "a form of friction in which role pressures from work and family domains are mutually incompatible in some respects"

These are the few among the famous definition for the term work- life balance. The ultimate understanding of the definition would mean that there is a correlation between the work life and family life of each employee. Employees have roles at work and family that can never be compromised. The facts that are rudiment in the above definitions include a situation where each employee has an active family to take care and is an active earning member by being employed in an organization. The theories enlisted below will make emphasis on bringing about the relationship between these roles of an employee and will form the basis to analyze and synthesize information.

Prelude to the Pandemic: COVID-19

The term pandemic is a situation in which a particular geographical area or the whole world has been infected by a novel disease through spread of viruses and other microbiological organisms. A pandemic could happen due to various other reasons that results in the impact of an individual's health (Morens, Folkers & Fauci 2009). One such event is the introduction of Corona virus to the world. The virus that claims Wuhan as its start point has already claimed close to 362, 786 lives across the globe and has impacted the routine of everything on the world (World Health Organization, 2020). The novel virus has also undesirable impacted the economy of countries across the world. It has also impacted the regular work hours and work spaces of each employee. Comprehensively COVID-19: the novel virus has only had negative impacts on the society from an economical perspective.

Underlying theories of work-life balance

Literatures have unveiled that there have been many challenges in forming an intersection between work and life. This is due to the lack of basic language and critical constructs. Having this as the crucial component the following theories have been analyzed so as to assist in calculating and responding to the problem statement at hand.

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Spill-Over Theory

This theory was first developed by Edwards and Rothbard (2000). This theory is a process in which an individual is assumed to have more roles and the experiences of one role impacts the role of the same individual in another. The theory focused on the spill-over of mindset, values, expertise, and behavior in the various roles of the individual. The outcome of this theory would define the outcome as either or positive or negative (Morris & Madsen, 2007). Two interpretations of the spill-over theory are (i) the positive relationship between outside life and job satisfaction and life and work values (Zedeck, 1992) (ii) switching entire skills and behaviors between both life and work spheres (Repetti, 1987).

Compensation Theory

Compensation theory emphasizes on the fact that an individual puts in efforts to convert the negative experience in one domain by increasing the efforts for a positive experience at lease in the other domain (Edwards & Rothbard, 2000). In simple term an employee who is dissatisfied at his job would aim at performing better at home so there could be satisfaction and a positive outcome at home. According to this theory an opposite relationship exists between work and life, therefore a negative experience at work would result in an effort to make it a positive experience at home and vice versa. (Clark, 2000).

Resource Drain Theory

This theory translates to the shifting of resources such as time, money, attention from one domain to the other (Morris & Madsen 2007). The theory also assumes that these resources could also be shifted to other domains other than work and life.

Congruence Theory

It refers to how other variables that are not directly associated with work and life regulate the balance of the multiple roles. The other variable that the congruence theory takes into consideration includes the personality, behavior, genetic forces and socio-cultural forces (Staines, 1980; Zedeck, 1992)

Integration Theory

This theory refers to aggregate understanding that the healthy system of flexible and porous limits can enhance and encourage work-life balance and community- life domains. This theory further emphasizes on contemporary understanding that rearrange the traditional work-life set up and ensure that all elements of the set up including (employers, workers, and communities) have equal participation rights to create a holistic model of a balance between life and work (Morris & Madsen 2007). In circumstances where all parties in this theoretical equation shared equal responsibility, the outcome as comparatively better than the ones obtained in isolation (Googins, Pitt-Catsouphes & Lilly, 1997). This theory reemphasis on a positive outcome under circumstances.

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Inter-role Conflict Theory

This theory refers to what happens when meeting the expectation of one domain makes it hard to meet the expectations in another (Greenhaus & Beutell 1985). In peer-reviewed papers this theory is also referred to as opposition or incompatibility theory. This theory takes into consideration the capacity of an individual in achieving the expectations of one particular domain which in turn impacts meeting the expectations of the other domain (Katz & Kahn 1978).

8. STUDY METHODOLOGY

RESEARCH PROCESS

The world has been under lockdown due to novel Corona Virus since mid of March 2020, therefore conducting a quantitative research was almost impossible. Therefore, the current study has been based on secondary data available from earlier literature. Procuring primary data from samples had been a fairly difficult, however for the purpose of more realistic results sporadic samples were collected from about 20 employees situated across India in the BPO sectors. The first-hand information obtained through the questionnaire survey was only to compare with the actual result obtained through qualitative analysis with the theoretical underlay.

QUALITATIVE ANALYSIS

Qualitative analysis is the best way to carry out investigations on uncertain topic that cannot be pinned such as Work-life balance. This research has analyzed and documented about six theories that bring out comprehensive understanding of the phenomenon. Theories in a qualitative research aids as an “optical lens” through which the researchers are allowed to simplify and study various complicated phenomenon and social issues such as this one (Reeves et. al 2008).

DESCRIPTIVE ANALYSIS

A descriptive analysis is a method in which the characteristics of a particular demographic or a complicated phenomenon. This is a research method that is frequently in social sciences such as human resources management. This research is carried out when the study is pertaining to a particular scheme or category (Salaria, 2012). The current study is specific to a time period of the COVID-19 pandemic. Therefore, this kind of research would serve as the best process to be implied.

9. FINDINGS AND ANALYSIS

To reiterate, the ultimate goal of this study is to understand and the impacts on the work-life balance of employees in the Indian BPO sector during the COVID-19. As determined earlier COVID-19 is one of the novel pandemics that has hit the world and has left an impact on the routine of the world. This has brought unspeakable loss to lives, businesses, health issues and so many more. However, the current study is carried out to answer the “what” question of the

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problem statement. The outcome is based on the conceptual framework that was laid down earlier. It conceptualizes the fact that COVID-19 is an ongoing pandemic and has severely impacted the lives of the salaried employees especially on the work-life balance front.

In agreement with the various theories that have been reviewed and understood, the conceptual framework has been descriptively analyzed to bring about the below outcomes. The below are presentation of obtained data divided into two main domains- family demands and work demands during COVID-19.

COVID-19 IMPACT ON FAMILY DEMANDS

The family demands focus on the three major scenarios including quality time with family, spending time for aged dependents during the pandemic and attending to household requirements. First demand of the family domain is the quality spend of time. From the responses from the samples 17 out of 20 employees mentioned that they were asked to extend work hours due to COVID-19 this means lack of time to spend on family. The major reason that was received for the reason to spend more time on work was the fear of losing their job during COVID-19 as they are sole breadwinners. This is a reflection of the resource drain theory where the individual transfers the available resource such as money to his family instead of time that is a scarce resource.

Spending time for aged dependents during the pandemic is the second expectation of the family demands. Aged dependents are the ones who are excited to spend more time while working from home because due to a busy schedule we fail to spend time otherwise. However, since 85% of the population spend more time of extended work hours while working from home, they are unable to spend more time with the aged dependent making a disagreement with the Integration theory. The factor that hinders the outcome of the integration theory is that the boundaries are not flexible or permeable.

Finally, attending to household requirements is a family demand is also not possible due to work-life imbalance and the individual used the other resources as per the resource drain theory. This takes into consideration that factors other than work and life as per the congruence theory. To attend to the household requirements socio-economic factors would impact the individual. In a household where the employee is pushed by socio-economic factors, the impact would be positive especially considering the fact that the curfews due to COVID-19 is rigid and compelling.

COVID-19 IMPACT ON WORK DEMANDS

The impact of COVID-19 on the work demand of BPO employees has been extreme and reflects the underlying work-life balance theories. The demands of work are encumbered with work, work role conflict, expectation from managers, immediate access to work related data and information, requirement to be readily available for work due to COVID-19 lockdown. All of the demands of work during the lockdown are based on the spill- theory where the individual focuses on discharging his official duties and due to that the demands of family are impacted therefore being unable to satisfy the demands on one domain more than the other.

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All the demands of the work domain clearly gratify inter-role conflict theory. When an individual is focused on accomplishing his work demands he is unable to meet the family domain demands. This clearly is not a positive outcome of a work life balance as envisioned by visionaries of the phenomenon. The findings thus suggest that COVID- 19 has had more negative effects on the work-life balance of employees compared to a normal time frame. BPO employees who have been asked to extend their support from home face work-life imbalance amidst various other challenges during COVID-19 lockdown. These would result in an impact on the physical and mental health of BPO employees.

10. CONCLUSION

The above investigation is a complete descriptive analysis of the impact of work-life balance of BPO employees during the COVID-19 pandemic. The descriptive analysis aided in examining the cross section during this emergency therefore these results will not imply to a study conducted otherwise. The family demands clearly depict a negative impact on BPO employees' work-life balance while they work from home. The work demands have managed to score a few positive impacts while the other situations have clearly attained negative impacts. The outcome therefore obtained includes lack of time to spend for dependents and a quality family time due to long working hours which is a result of not marking boundaries between office and personal space- work from home situation due to COVID-19. On an aggregate the negative impacts outnumber the positive ones on the work front. Concluding on a positive note in the words of Swati Rustagi, Amazon, "The world has survived different kinds of crises. People have seen world wars and the economic depression, but the human spirit has endured and survived."

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I believe in no bigger force than the Almighty who I am immensely grateful for this opportunity. 2020 has been a difficult year for everyone, but I would like to remember and pay condolences for those who have lost their lives in this pandemic. I solemnly acknowledge all kinds of losses that my fellow humans have faced during COVID-19. The situation has inspired me carry out the research. Following the words of Author Laini Taylor, "Hope can be a powerful force. Maybe there's no actual magic in it, but when you know what you hope for most and hold it like a light within you, you can make things happen, almost like magic." I begin this chapter with the hope of a magic in these dark days.

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THE EVOLUTION & DEVELOPMENT OF THE CONCEPT OF ORGANIZATIONAL COMMITMENT: A CRITICAL AND COMPREHENSIVE REVIEW OF LITERATURE

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ABSTRACT

Many types of research have been piloted on the concept of organizational commitment. This paper tries to review established exploration of the existing literature related to the development of the concept of Organizational commitment critically. It has considered the literature related to the approaches of Organizational Commitment, advanced in past decades and has provided an overview of different methods. Every approach has been an extension and modification over the preceding ones. Precisely, this paper will be built on the following theories of organizational literature, from within the commitment and has highlighted the theories regarding organizational commitment chronologically and the gaps those are identified in the proposed theories have been reviewed critically. It argued some of the ideas and thinking, developed so far, to provide the platform to conceptualize and measure the concept of organizational commitment. By considering the importance of social exchange theory in today's world in enhancing the commitment level of the employee towards its organization, we have proposed a model that displays the specific relationship between social exchange variables and their assumed outcomes which is yet to be empirically tested.

KEYWORDS: employee commitment, attitudinal approach, organizational commitment, reciprocal relationship, social exchange theory

JEL CLASSIFICATION: M50, M51, M59

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1. INTRODUCTION

The term commitment refers to "participation or engagement that limits freedom of action" (Oxford Dictionary). Organizational commitment has been one of the most challenging and the most -researched topic of organizational researchers in the area of Human Resource Management and organizational behaviour (Morrow 1993; Cohen 2003; Cooper-Hakim and Viswesvaran, 2005). The conceptual framework of other forms of commitment like the commitment to the work, workgroup has been affected by the conceptual and operational development of organizational commitment (Gordon, Philpot, et al., 1980; Morrow, 1993; Cohen, 2003). Most of the researches have been focused on inspecting the predictors and outcomes of commitment in the organization as it is a basic predictor of an individual's attitude towards the organization. Its importance has been encouraged by several studies that supported the positive relationship between organizational commitment and organizationally salient outcomes such as job satisfaction, retention, performance, and employee wellness (Meyer and Allen, 1997) as well as a consistent pointer of citizenship behaviour, turnover intentions and work withdrawal (Mathieu and Zajac, 1990; Morrow, 1993; Sinclair and Wright, (2005). Commitment has a rich and long multidisciplinary history and has been examined from a variety of perspectives (for example, economic, behavioural, and psychological) and conceptualized in a variety of ways.

We discuss various commitment conceptualizations in chronological order from Becker's side bet approach (1960) to Klein et al., (2012) and then present most recent models of uni-and-multidimensional commitment conceptualization. Every approach has defined this concept in its way. For better understanding, this paper has reviewed the development of the concept of organizational commitment critically as needed.

2. RESEARCH OBJECTIVES

1. To analyze the extant literature on the concept of the evolution of Organizational commitment and its different research theories based on different approaches.
2. To understand the comparative aspects of different theories and thereby examine the limitations of the theories.

3. METHODOLOGY

A structured review of the literature on commitment was conducted by adopting the exploratory approach and analysis to review the concepts of organizational commitment. The high-impact, seminal articles on the organizational commitment which are the most cited &

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statistically stated by Google Scholar are considered for review to analyze and understand the evolution of the concept of Organizational Commitment and to study the available theoretical framework on it. The research studies available from the 1960s till present are reviewed to frame the development of organizational commitment as a construct. The search strategy began with online databases (ERIC, Emerald, Ebsco, Jstor, Sage, Research gate & Psycnet). Keywords used for the review are organizational commitment, workplace Commitment, commitment propensity, commitment theory & approaches.

4. APPROACHES RELATED TO THE DEVELOPMENT OF THE CONCEPT OF ORGANIZATIONAL COMMITMENT

THE SIDE-BET APPROACH

This theory of Commitment has initially been presented by Howard Becker (1960). However, the earliest works, which focused on understanding loyalty and collective action (e.g. Roerthlisberger and Dickson, 1939), the commitment was implicitly discussed as a singular construct. The 1960s saw the emergence of the behavioural perspective on commitment. The relationship between an organization and its employee is established on behaviours that are confined by a "contract" of economic exchange and gains (Becker's theory). Employees feel committed due to their hidden investments or side-bets. These are the accumulation of the investments in terms of time, effort and money, valued by the individual. Although the side-bet approach was left as a leading commitment theory, yet its impact in Meyer and Allen's Scale (1991), is very apparent, recognized as continuance commitment scale. This scale was developed (Meyer and Allen 1991) to better testing of the side-bet approach.

"Organizational commitment comes into being when an individual, making an investment, links extraneous interests with a consistent line of activity" (Beckar, 1960, p.32). Becker's approach claimed that there is a close linking between employees' voluntary turnover behaviour and an organizational commitment. This argument was carried by the followers of Becker's side-bet theory (Alutto, Hrebiniak, and Alonso, 1973; Ritzer and Trice, 1969).

The early multi-dimensional view appeared around the same time, including Gouldner's (1960) distinction between cosmopolitan integration and organizational introjection based on different commitment targets, and Etzioni's (1961) typology of involvement based upon the use of power and organizational control. The final example here is Kanter's (1968) model of control, continuance, and cohesive commitment. Although Kanter described three distinct types of commitment. It should be noted that she also defined commitment singularly as 'the willingness of social actors to give their energy and loyalty to social systems' (p. 499).

THE PSYCHOLOGICAL ATTACHMENT APPROACH

The second period of organizational commitment was proposed by Porter, Steers, Mowday, and Boulian (1974). In this period, the focus shifted from an individual's tangible investments to the psychological attachment to the organization. It is founded on the individual's identification with, and involvement in, the organization. This theory-based conceptualization became identified as the exchange theory of an individual's commitment (Porter, Steers, Mowday, & Boulian, 1974, Mowday, Porter, and Steers, 1982). Accordingly, Porter and his

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followers define commitment as "*an attachment to the organization, characterized by an intention to remain in it; identification with the values and goals of the organization; and a willingness to exert extra effort on its behalf".* (Mowday, Steers and Porter 1974; p.604). Strong Acceptance, Participation, and Loyalty are three parts of it. Although described using multiple terms and indicators, this view presented commitment as uni-dimensional. They advanced that sometimes commitment was a better alternative to predict turnover intentions rather than job satisfaction.

While Porter et al. had contributed to the evolution of the concept of organizational commitment, they continued with one of the underlying assumptions that organizational commitment and turnover are highly correlated. A scale in the form of organizational commitment questionnaire (OCQ), consisting of 15 items was developed. Despite the items that revealed the attitudinal commitment, the organizational commitment Questionnaire (OCQ) comprised items, termed as the consequences of commitment by O'Reilly and Chatman (1986). Critics of the Organizational Commitment Questionnaire claimed that some items that scale dealt with turnover intentions and some items with performance intentions. The solution was found to use a shorter version of 9 item scale by deleting the six negatively worded statements (Iverson, 1999) or by deleting the three statements of turnover intentions, use a 12-item scale (Becker and Wilson, 2000). During this time, additional multidimensional models were also put forth, for example, Buchanan's (1974) model of identification, involvement, and loyalty as components of commitment.

THE MULTIDIMENSIONAL APPROACH

The era of 1980s saw two multidimensional approaches to organizational commitment. The key promoters of the multi-dimension approach are Meyer and Allen (1984) who used methodological paper to examine the side-bet approach and O'Reilly and Chatman (1986) who developed a conceptual and operational alternative to the OCQ.

MEYER AND ALLEN THEORY

The Three-component (Affective, Continuous & Normative) Theory (1984, 1990, and 1997) of Meyer and Allen has been the dominant theory to organizational commitment for more than twenty years. The theory of Allen & Meyer (1984) started with a paper that argued about the inappropriate operationalization of Becker's Side-bet theory. It was claimed that the scales developed by the followers (Alutto et al., 1973; Ritzer and Trice, 1969) of Becker, measured attitudinal commitment, not side bets. The best way to measure side-bets, they asserted, was to use scale, which could directly assess individual's perceptions in terms of the number and magnitude of investments in terms of effort, time and money etc., an individual has made. For this, the interrelationships among some standard scales of commitment were compared and two scales; continuance commitment and affective commitment, were developed. The Continuance commitment scale, proposed, was a better demonstration of the side-bet approach of Becker. It was considered for the measurement of an employee's commitment towards his organization for his advantage. The affective commitment scale was developed as a noteworthy improvement over the Organizational Commitment Questionnaire. Successively, Allen & Meyer added normative commitment as the third dimension; of Organizational

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Commitment in the year 1990. This type of commitment rooted from the belief to remain with the organization due to a sense of obligation. This type of commitment is influenced by social experiences or cultural background before entering into an organization. It is worth noting that, parallel to Kanter (1968), the Three-component model holds that commitment is experienced as multidimensional mindsets, but the essence of commitment is uni-dimensional, defined most recently as 'an internal force that binds an individual to a target (social or nonsocial) and/or to a course of action of relevance to that target' (Meyer., 2009, p. 39).

Even though Meyer & Allen's theory has been preferred as a basis for future research, Criticisms have also been levelled against it. Vandenberg and Self (1993) and Vandenberg, Self, and Seo (1994) found significant differences particularly between affective and continuance commitment across the three different time frames. Though they did not redefine Organizational commitment but found that individuals at different stages of their career experienced a varying degree of psychological and economic attachment.

A stronger criticism against Meyer & Allen's scales about its discriminant and content validity was levelled. Ko et al. 1997 claimed that Allen & Meyer's definition of commitment did not embrace all the characteristics related to affective, normative, and continuance commitment. They also targeted two key issues identified in this approach. The first was related to Becker's continuance commitment dimension, representing attitudinal commitment according to Meyer et al., (1993). Ko et al. contended that their argument is unsound as according to Becker, commitment is a "consistent line of activity". Hence, Becker's view of commitment was as similar to the behavioural approach rather than the attitudinal approach of Porter et al. (Ko et al., 1997). Their second criticism based on the findings of Allen & Meyer that showed a lack of discriminant validity between Affective & Normative Commitment. It was unclear how Normative Commitment can be conceptually separable from Affective Commitment. (Ko et al., 1997). Some changes were proposed and tested in the scales throughout the years. A six-item version of the three scales was developed.

O' REILLY & CHATMAN THEORY

O'Reilly and Chatman (1986)'s theory based upon to differentiate cautiously between the predictors and outcomes of commitment and the basis of attachment to the organization. They claimed that an individual's psychological connection could be predicted by three factors independently: (a) compliance (b) identification (c) internalization. A sharp difference between the psychological attachment and the instrumental exchange was made well by O' Reilly and Chatman. The other exciting contribution made by them was to identify the relationship between Organizational Commitment and consequences. They pointed to organizational citizenship behaviour (OCB) as an appropriate outcome of organizational commitment.

Vandenberg, Self, and Sep (1994) & Bennett & Durkin (2000) claimed that the scale of "identification" and "internalization," developed by O' Reilly & Chatman, captured the same explanation as an OCQ. Mathieu & Zajac, 1990; Meyer & Herscovitch, 2001 claimed that the compliance dimension did not show any emotional attachment to the organization.

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NEW DEVELOPMENT: MODEL-BASED ON TWO DIMENSIONS: TIME AND BASES OF COMMITMENT

The theories of Organizational Commitment, those are developed so far, contribute significantly to understanding the concept of Organizational Commitment. However, a need to give more focus to the concept of time was felt in the conceptualization of commitment because of different timeframes (Vandenberg & Self, 1993). Further, in the meta-analysis study of Meyer et al., (2002), the high correlations between normative commitment and affective commitment was found as well as the bi-dimensionality of continuance commitment advocated some amendments in these dimensions (Ko et al., 1997). Considering some of the above conclusions in his projected conceptualization Cohen (2007), specified two bases of organizational commitment (that is, instrumental or psychological attachment) that can occur pre-or post-entry.

As explained in Figure 1, the first two forms; one is instrumental commitment propensity that an individual brings to the organization before he enters into the organization. They were subjective to personal values, beliefs, socialization, expectations about the job, and prior experiences, stated as commitment propensity. It has resulted from his/her general expectations in terms of rewards and benefits, he/she might expect and get from his/her organization, and second was normative commitment propensity, based on his/her moral obligation towards his/her firm.

The other two forms that grow after entry are the Affective commitment is an emotional attachment to the organization developed by identification with it and the Instrumental commitment, deriving from the perception of an individual on the quality of the exchange between her/his contributions and the tangible rewards that he/she receives. It demonstrates that these forms are theoretically distinct from one another, but associated as the two forms of pre-entry commitment are essential predictors of the two forms of post-entry commitments.

Figure 1: Two-dimensional organizational commitment

		Nature of commitment	
		Instrumental Connection	Psychological Connection
Time	Pre-entry	Instrumental commitment propensity	Normative commitment propensity
	Post-entry	Instrumental commitment	Affective commitment

Source: Adapted Cohen. A (2006, 2007)'s two-dimensional commitment model

The two-dimensional model could solve two problems:

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1. First, there is a close relation between affective commitment and normative commitment. This has given rise to enquire on how the normative commitment has enriched the theorization of commitment. This theory resolved the issue by defining normative commitment as the time- dimension as well as the propensity to the affective commitment. It contended that the high correlations between these two arise as the normative commitment tends to be committed due to personal characteristics & experiences about the organization before entry. So, it should be observed before entry.
2. Second, the limitation, related to the definition and measurement of the continuance commitment could be resolved by defining it as an instrumental commitment that better characterizes the notion of exchange.

THE COMBINED IMPACT OF EFFECTIVE, CONTINUANCE AND NORMATIVE COMMITMENT APPROACH

John Somers (2009) in his research gave the preferences to the combined effect of commitment on work outcomes; mainly, employee retention and citizenship behaviour. He had compared the commitment profiles with job search behaviour, turnover intentions, absenteeism, lateness, work stress etc. Affective–normative, continuance–normative, continuance, highly committed and uncommitted have occurred as five empirically-derived dominant commitments. Findings showed that lower turnover intentions and lower levels of psychological stress are the most positive work outcomes, which was associated with the normative dominant profile. The more general psychological state of commitment, experienced by each individual is influenced by the relative levels of commitment. Such as, when Affective Commitment and Normative Commitment are high, consequently, the adverse effects of Continuance Commitment are eased out.

NEW DEVELOPMENT- THE KLEIN, MOLLOY AND BRINSFIELD'S UNI-DIMENSIONAL MODEL

The most recent uni-dimensional Perspective is proposed by Klein, Molloy & Brinsfield. Klein et al. (2012) redefined commitment on three primary objectives: (1) conceptualization commitment as a unique type of psychological attachment or bond to highlight the distinctiveness of the commitment construct; (2) Reconceptualizingg commitment in a target free manner – one applicable to any workplace target (3) drawing the construct boundaries narrowly to exclude perceived confound in prior definitions. Based on their analysis, Klein et al. (2012) concluded that commitment is a "volitional psychological bond reflecting dedication and responsibility for a particular target" (p. 137). Defining the commitment as a particular type of bond is not just relabeling or excluding some of the TCM (Three-Component Model) mindsets. The definition is distinct from the TCM essence of commitment in three ways. First, commitment is defined as a type of bond rather than a binding force. Second, commitment is defined as a particular bond type, eliminating the need for ancillary mindsets. Finally, there is no reference to a 'course of action'.

Klein et al. (2012) propose two proximal outcomes (Continuation & Motivation). In short, committed individuals are less likely to withdraw from the target of that commitment. In term of motivation, high commitment results in individuals allocating more effort and resources in

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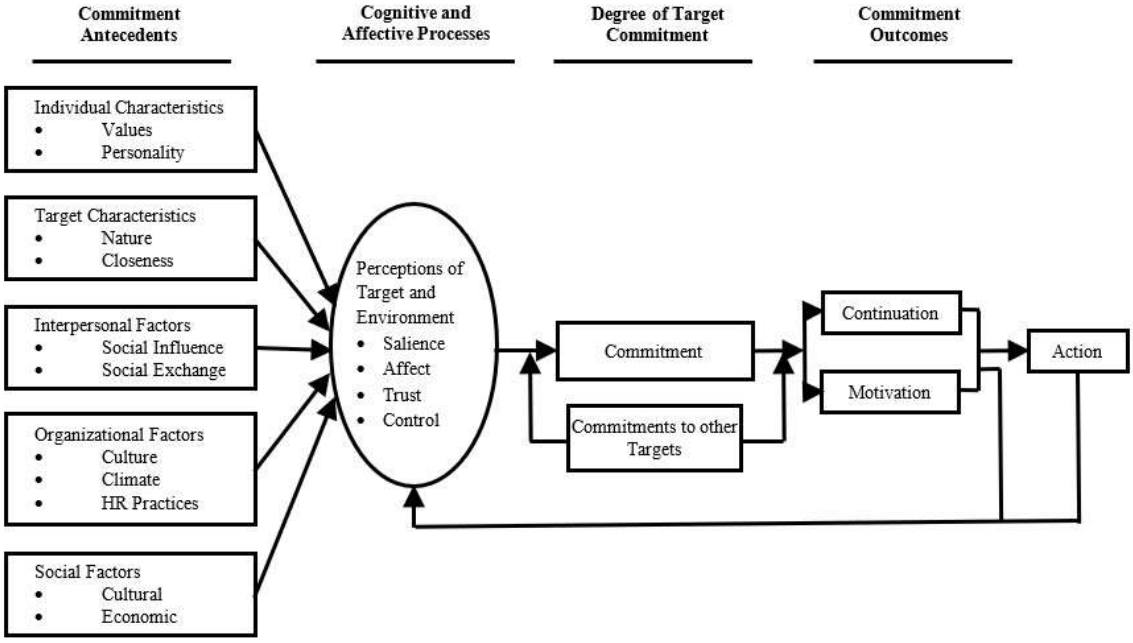
support of the target, and being more willing to make the trade-offs in favour of the target when allocating constrained resources such as time & attention (Klein et al. 2012).

Figure 2: Klein et.al (2012) process model of commitment to any workplace target



COMPARATIVE ASPECTS OF DIFFERENT THEORIES OF OC WITH THEIR LIMITATIONS

The approaches examined organizational commitment has been steered either through side-bet theory or through psychological attachment, attitudinal and behavioural commitment and time and bases. The following table 1 briefed about the comparative aspects of different organizational commitment theories with their limitations.

Table 1

Approaches	Researchers	Conceptual framework	Concepts	Scales	Limitations	Comments
Side-bet theory	Howard Becker (1960)	Economic Exchange & gains contract	One dimension; Organizational Commitment leads to voluntary turnover/ turnover intentions	RitzerTrice Scale, Hrebeniak Alutto Scale	Content and discriminant validity were not satisfactory	Allen & Meyer (1991) termed it as "Continuous Commitment"
Attitudinal approach/Ps	Porter, Steers, Mowday, and	Affective/ emotional attachment		Organizational Commit	Despite the widespread use of OCQ,	Allen & Meyer termed it as

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ychological attachment	Boulian (1974)	3 independent aspects: Strong acceptance; Participation and Loyalty		ment Questionnaire	relatively little evidence for its construct validity exists (Morrow, 1993; Price & Mueller, 1986; White et al., 1995).	"Affective Commitment".
Multi-dimensional Approach	O'Reilly and Chatman (1986)	independently three factors; Compliance, Internalization, and Identification Commitment	Multi-dimension; Organizational Commitment leads to Organizational citizenship behavior, Turnover, Job search, Withdraw, Absenteeism, Lateness, Job stress, and so on		The scale captured the same explanation as an OCQ and also facing difficulties in implementing its mechanism, so very few followers.	
	Meyer and Allen (1984, 1990, 1997)	Continuous Commitment and Affective Commitment		Continuous Commitment Scale and Affective Commitment Scale	Continuance Commitment Scale is relatively independent of both the ACS and NCS, having content and discriminant validity. The OCQ correlated significantly with the Affective Commitment Scale.	
		Normative Commitment		Normative Commitment Scale	Affective Commitment Scale & Normative Commitment Scale are highly correlative/interrelated.	
Two-dimensional Approach	Cohen.A (2007)	Two dimensional: Time be parted into pre (commitment Propensity) and post (Organizational commitment) entry commitment to the org; nature of Commitment be parted into Instrumental Commitment and Affective Commitment and normative commitment			Need to be validated	

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Combined influence Approach	Somers (2009)	Eight commitment profiles: Highly Committed, Affective Commitment dominant, Continuous Commitment dominant, Normative Commitment dominant, Affective Commitment-Continuous Commitment, Affective Commitment-Normative Commitment, Continuous Commitment-Normative Commitment dominant and Un-commitment.	More complicated to assess clearly
New Development	Klein, Molloy and Brinsfield (2012)	Uni-dimensional Model- commitment as a psychological bond conveys that it is a psychological state which can change over time. Volition indicates that commitment requires individuals to choose or decide to be committed, regardless of what led to the perceived bond. The definition is also target-free, which was defined previously and, from a measurement perspective, requires that scale items be applicable to any target.	Having very high internal consistency reliability, with Cronbach's alphas ranging from .86 to .97 and above .90 for seven of the eight targets but does have limitations. The KUT relative to eight commitment targets, several prior commitment measures, and a variety of contexts. but there are other targets that warrant exploration, other prior commitment measures that await comparison, and additional contextual dimensions for which generalizability needs to be determined

Sources: Researcher's analysis

5. CONCLUSION

After reviewing the literature available, it may be concluded that most of the approaches to OC developed so far have the potential to contribute to a better understanding of OC. Prior commitment conceptualization includes both uni and multidimensional perspectives, with both represented with the employing organization as the target and the uni-dimensional perspective being more prevalent for other targets. Research on organizational commitment spans over four decades and remains an area of interest to both researchers and practitioners. The criticism levelled against these approaches can be used as a basis for furthering the scope of research in organizational commitment.

6. PROPOSED FUTURE RESEARCH AGENDA

Today Organizations are facing challenges in retaining its workforce. Therefore, this study suggests that Organizational Commitment deserves much more analysis & research. The existing literature on Commitment might be a source of major empirical research and could be designed to further measure this construct. Though all the aforementioned effects on

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Commitment are important and worthy research topics, it is suggested that future researches should be focusing more on the strength of individuals' employment relationships that are largely rooted in an exchange process and has been described as an exchange relationship (Mowday, Porter, & Steers, 1982). Organizational commitment has been associated with the balance between investment and outcomes. Both the organizational commitment and the psychological contracts literature have emphasized the importance of employee perceptions of the exchange relationship with the organization. Eisenberger and his colleagues (Eisenberger, Fasolo, & Davis-LaMastro, 1990; Eisenberger, Huntington, Hutchison, & Sowa, 1986) proposed that commitment is best conceptualized as a social exchange relationship. The core idea behind social exchange theory is the concept of "reciprocity"; similarly respond to each other.

This theory explains social exchange as a process of negotiated exchanges between parties in which both parties involved in the exchange take responsibility for one another and strongly depend on each other. Besides, the interactions between parties are usually seen as mutually dependent and contingent on the actions made by the other persons (Blau, 1964). Emerson (1976) who studied social exchange theory in psychological was concerned on the individual behaviour when interacting with one another and suggested that power, conformity, status, leadership and justice within the social behaviour are important in explaining the theory. Cropanzano and Mitchell (2007) discovered that the social exchange relationship in a typical work setting determines the continuous retention or termination of contract from either party. The authors suggested that one employee can form distinguishable social exchange relationship either with his or her immediate supervisor, co-workers, organizations, customers, as well as the suppliers, where these distinct relationships have implications on their behaviour. Although the importance of this reciprocal relationship between the organization and employee has been recognized throughout the literature, this notion yet to be explored much to understand relations at the workplace in terms of reciprocal exchange of rewards (tangible and intangible) as well as to be attempted to link employee commitment with social exchange process and its variables. In fact, according to a study (Social Exchange Theory: An Interdisciplinary Review by Russell Cropanzano & Marie S. Mitchell, 2005), social exchange theory is one of the most influential conceptual paradigms in organizational behaviour. It has been fruitfully applied to the workplace to explain employee interactions. This makes perfect sense because we spend so much at our lives at our jobs. Work is a give and take. Everyone has hit the wall at one point or another and questioned whether sticking around at a company was worth it. They then make decisions about the relationships in their lives by comparing alternatives.

Considering the importance of enhancing employee commitment towards its organization via social exchange process, we propose the specific relationship between social exchange variables and their assumed outcomes that constitute the basis for future research. In the below figure, the reciprocity at both levels of social exchange is expected to be connected with organizational commitment. The below model is yet to empirically tested.

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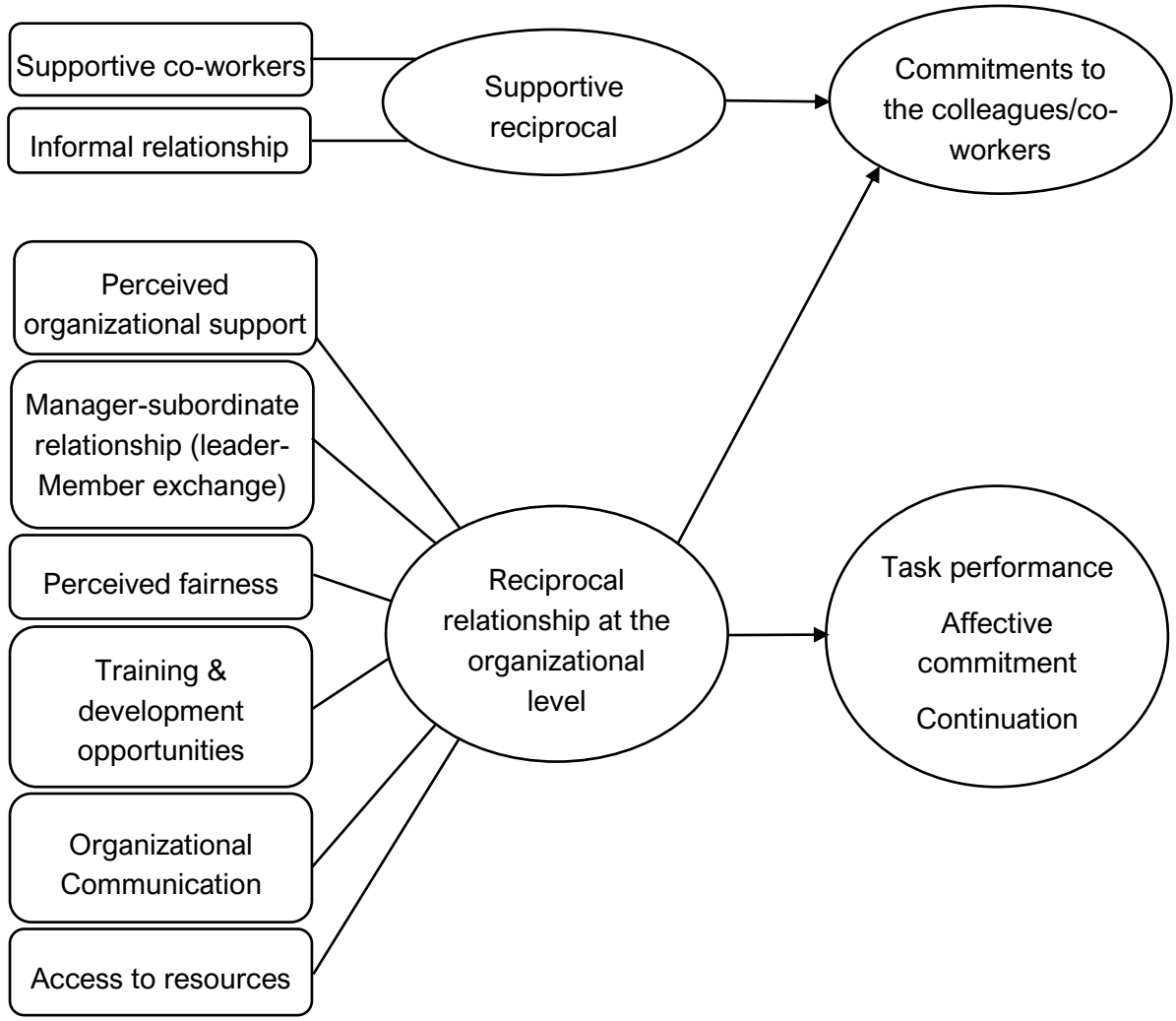
7. PROPOSED MODEL



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EMI MORATORIUM IN COVID CRISIS – THE EFFECTS ON INDIAN ECONOMY

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ABSTRACT

Moratorium period refers to the period of time during which you do not have to pay an EMI (Equated Monthly Instalment) on the loan taken. This period is also known as EMI holiday. Usually, such breaks are offered to help individuals facing temporary financial difficulties to plan their finances better.

The Reserve Bank of India (RBI) announced loan Equated Monthly Instalment (EMI) deferment primarily to provide relief to those whose loan repayment capacity has been severely impacted because of disruptions caused by the lockdown due to COVID-19. The customers can choose to defer their EMI payments scheduled from 1st March 2020 to 31st May 2020.

Though the specifics will vary across banks, borrowers are likely to be given three options by lenders. Moratorium does not mean a cancellation or waiver of interest. The moratorium is only an option to defer or postpone EMI repayment for the borrower. It does not mean the interest during this period is cancelled or waived off. If the individual avails the moratorium facility, the interest will continue to accrue or get added to the principal outstanding amount. Then, from June 2020 onwards, when EMI will be restarted, the interest will essentially be calculated on the higher principal amount. So, effectively an individual could end up paying a higher interest from June onwards. Hence, one should keep this in mind while deciding to avail the option of EMI moratorium.

KEYWORDS*:* EMI, loan moratorium, loan deferment, COVID impact

JEL CLASSIFICATION*:* E20, E52, E58

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1. INTRODUCTION

The entire world is battling from the pandemic of COVID-19 and this fight cannot be won if the countries will fight individually. It will take a joint effort by everyone to fight come out of it. While the fight is majorly for human survival but at the same time it is creating a major turmoil in the economies too. Every government's first priority is to keep its people safe and hence nationwide lockdowns have become the new normal. The economic activities have come to a standstill except for essential commodities and services. Manufacturing has been severely affected and this has created a ripple effect in the economy where the business and employees both are taking a hit on their earnings. The companies are making partial payment of remuneration to their employees or in worst scenario they are laid off.

Amid this crisis the Reserve Bank of India (RBI) announced the deferment of Equated Monthly Instalment (EMI) primarily to provide relief for those whose loan repayment capacity has been severely impacted because of economic disruptions caused by the lockdown due to COVID-19 (Economic Times, 2020). As RBI announced relief measures for the common man to deal with corona virus, several banks have come out with their explanations on what will the impact on the EMIs for the customers if they opt for deferring the EMIs by three months.

"However, those availing the deferment will continue to accrue interest on the outstanding amount of their term loans during this period. As the interest accrual will increase their total interest cost, existing borrowers' capable of servicing their term loans should continue with their original repayment schedule. This will save them from incurring higher interest costs on their loans. Only borrowers unable to service their terms loans because of restrained cash flows should opt for the loan deferment." says Naveen Kukreja – CEO & Co-founder, Paisabazaar.com

"The loan moratorium is a help for cash flow only, not a reduction in payable amounts. Hence, only those who have liquidity issues (lost a job, cut in salary, etc) should avail the loan moratorium; as they continue to pay interest on the loan outstanding -- and the tenure will be extended by the 3 months period too." said Lovaii Navlakhi, Founder & CEO, International Money.

With the intent to contain the spread of COVID-19, India's Prime Minister Honarable Mr. Narendra Modi with effect from March 25, 2020 announced a nationwide complete lockdown. India had the world's biggest lockdown that shut a majority of the businesses and factories, suspended domestic and international flight operations, stopped all passenger trains and restricted movement of majority of vehicles and peoples. 70 per cent of the economic activities, investments, exports and discretionary consumption came to a standstill. Analysts

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and industrial bodies have suggested, this biggest lockdown had cost the Indian economy lakh crore during this period. Only essential goods and services, such as agriculture, utility services, mining, some financial and IT services and many public services were allowed to operate. It is stated that this pandemic came at the most inopportune time for India, where economy was showing positive signs of recovery after some bold fiscal and monetary measures taken by the government.

Centrum Institutional Research has projected the country again stares at the possibility of low or negative growth for FY2021 (April 2020 to March 2021). It was further estimated by Acuite Ratings & Research Ltd that "Nationwide complete lockdown is likely to shave off at least Rs 7-8 trillion," which implicates that the lockdown will cost the Indian economy almost USD 4.64 billion (over Rs. 35,000 crore) every day and the entire first phase of lockdown resulted in a GDP loss of almost USD 98 billion (about Rs 7.5 lakh crore).

The sectors that are most severely impacted are tourism, transportation, dine outs, multiplexes, cinema halls and real estate activities. Many relief packages have been announced by the government for the upliftment of these industries but the losses that these industries are facing are growing day after day. The Confederation of All India Traders estimates that the losses incurred by the retail trade of the country in the second half of March due to the COVID-19 pandemic were a massive USD 30 billion. The Indian retail sector comprising 70 million small medium and big traders employing 45 crore people, does a monthly business of approximately USD 70 billion. All India Motor Transport Congress (AIMTC) Secretary-General Naveen Gupta said that “The accumulated losses to truckers during the first 15 days of lockdown were about Rs. 35,200 crores given an average Rs. 2,200 loss to per truck per day. More than 90 per cent of the about one crore trucks in the country are off roads during the lockdown as truckers with only essential commodities are on the move," he said. "Even if the lockdown is lifted, it will take at least 2 to 3 months for truckers to limp to some normal scale as we apprehend consumption of nonessential items to remain hit on the account of lack of purchasing power." National Real Estate Development Council - a body of realtors, puts the loss in real estate sector at Rs. 1 lakh crore. "I am scared to estimate what the losses would be. I think, a potential loss of maybe Rs 1 lakh crore on a conservative basis on an all India basis. It is a conservative figure. I cannot think of the upper end of the figure. Based on thumb rule, at least Rs.1 lakh crore," said its President Niranjan Hiranandani (Economic Times, 2020).

A host of international rating agencies have cut India's economic growth estimate for FY21 on concerns about the fallout of COVID-19 outbreak. World Bank said earlier that India's economy is expected to grow 1.5 per cent to 2.8 per cent in financial year 2020-21. This will be the slowest growth rate recorded for Indian economy since the economic reforms of 1991. Asian Development Bank (ADB) estimated India's economic growth slipping to 4% in FY21, while S&P Global Ratings has further slashed their estimated GDP growth forecast for the country to 3.5 per cent from a previous downgrade of 5.2 per cent. Fitch Ratings puts its estimate for India growth at 2 per cent while India Ratings & Research has revised their FY21 forecast to 3.6 per cent from 5.5 per cent earlier. Latest rating given by Fitch Ratings for India is decline of 5 percent in its GDP (CNBC, 2020).Moody's Investors Service has slashed its estimate of India's GDP growth during the 2020 calendar year to 2.5 per cent, from an earlier estimate of

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5.3 per cent which was further reduced to 0.2 percent and said the corona virus pandemic will cause unprecedented shock to the global economy (Economic Times, 2020).

Moratorium period refers to that duration of time during which the customers do not have to pay their EMIs on the loan availed by them. This period can also be referred as EMI holiday. Usually, such breaks are offered by the financial institutions to help customers facing temporary financial difficulty so that they can plan their finances better.

Some deferments are automatically done by the financial institutions, such as in the case of student loans, where the EMIs are automatically deferred when students enroll themselves in a college or university degree/diploma program till the end of such course. In some cases it is further differed for next year till the student is able to get an employment. In other loan cases deferments needs to be proven to the lender with documentation support. The lender can decide to approve or deny the request of deferment based on the lender's policies, submitted documentation or opinion regarding the validity of the deferment request. Most of the deferments are not guaranteed by the financial institutions and borrowers need to be prepared to pay their loans or they risk going into default. Deferring any loan payments does not stop interest from accumulating, so it can be quite impactful on the interest owed on loan, depending on the loan's terms.

During these difficult economic situation RBI has allowed all Banks and other Financial Institutions to offer its customers, an option, of EMI moratorium up to 3 months. This means that a customer can choose to defer the payment of their EMIs scheduled from March 1, 2020 to May 31, 2020.

All those customers are eligible to avail moratorium who have existing over dues prior to 1st March 2020. Their requests shall be considered by the bank based upon its merits. For such customers, the extant IRAC norms will apply. Under the category all kinds of retail loans or Term loan like Car Loan, Personal Loan or any other retail credit facilities prior to 1st March 2020 are eligible. All Agri Loans (Kisan Gold Card) and Micro finance customers under the initiative of Bank’s Sustainable Livelihood are also eligible. All Corporate customers as well as SME customers are eligible for moratorium. Customer can get information on the moratorium process by their respective branches or relationship managers. Business heads will share details with the branches and relationship managers on the process of availing corporate and SME moratorium.

Though the specifics of moratorium will vary across the financial institutions, borrowers are likely to be given three options by lenders.

• Option I: The borrower can make a one-time payment in June of the interest that accrues in April and May.

• Option II: The interest is added to the outstanding loan which will increase the EMI for the remaining months.

• Option III: The EMI is kept unchanged but the loan tenure is extended.

Suresh Sadagopan, Founder, Ladder7 Financial says: “If they have a regular income which is not expected to be interrupted or if they have liquidity enough to pay the EMIs irrespective of

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disruptions, they may continue with the loan repayments as before. Only those who are expected to be adversely affected in terms of cash flows need to opt for moratorium".

Explaining further as to how the stipulation by RBI will have an impact its customers? When a customer chooses EMI moratorium, then: Financial institutions will not ask for any EMI Payment until May31st, 2020. Though the interest will continue to accrue on the outstanding principal for the period of moratorium at the contracted rate of interest. Thus, loan tenure will get extended by the corresponding period for which the moratorium has been availed. For example, if a customer has paid the EMI for the month of March 2020 and has opted for moratorium for April & May 2020, then the loan tenure will get extended with only the corresponding effect of two months.

The EMI of a borrower is dependent on multiple factors, such as:

1. Principal borrowed
2. Rate of interest
3. Tenure of the loan
4. Monthly/annual resting period

For a borrower, loan taken at a fixed interest rate, the EMI will remain fixed for the entire tenure of the loan, provided there will be no default or part-payments in between. The EMI is used for paying off both the principal and interest components of an outstanding loan. The first EMI has the highest interest component and the lowest principal component. With every subsequent EMI, the interest component keeps on reducing while the principal component keeps rising. Thus, the last EMI has the highest principal component and the lowest interest component. In case where the borrower makes a pre-payment or part payment through the tenure of an existing loan, then either the subsequent EMIs get reduced or the original tenure of the loan gets reduced or a mix of both. The reverse will happen when the borrower skips an EMI throughout the tenure of the loan. Skipping of EMI can be for the reasons like EMI holiday or cheque dishonor/bounce or insufficient balance in bank account where EMI gets auto deducted or a default. In that case either the subsequent EMIs will rise or the tenure of the loan will increase or a mix of both. Also, there can be penalty from the financial institution for nonpayment of EMI on time.

Similarly, in the case of floating rate loans, if the rate of interest reduces throughout the tenure of the loan the subsequent EMIs will get reduced or the tenure of the loan will fall or a mix of both. The reverse will happen if the rate of interest increases. Suppose a person borrows Rs one lakh for one year at the fixed rate of 9.5 percent per annum with a monthly interest. In this case, the EMI for the borrower for 12 months (1-year X 12 months = 12 months) works out to approximately Rs. 8,768, divided between Principal and interest as shown in Table 1.

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Table 1

Month	Principal Outstanding	Interest	Balance Remaining
1	7977	792	92023
2	8084	729	83983
3	8103	665	75880
4	8168	601	67712
5	8232	563	59480
6	8297	471	51183
7	8363	405	42891
8	8429	339	34390
9	8496	272	25849
10	8563	205	17331
11	8631	137	8699
12	8699	69	0

Source: BankBazar.com

Here, during the entire tenure of twelve months it has been assumed that there is no default in payment of EMI.

Total Principal amount paid: Rs. 1,00,000

Total interest paid: Rs. 5,220

Now, for a borrower moratorium does not mean either cancellation or waiver of interest. It is only an option to defer or postpone, your EMI repayment. Thus, the interest accumulated during this period is not cancelled or waived off. If a borrower avails of the moratorium facility, the interest will continue to accrue and get added to your principal outstanding amount. When, from June 2020 onwards, the borrower restarts the payment of EMI, then the interest will essentially be calculated on a higher principal amount. So, effectively the borrower could end up paying a higher rate of interest from June onwards. A simple interest rate will be calculated by banks for the period in which loan repayment was due but was not paid under the scheme of moratorium. This interest would be added up into the borrower's principal at the end of three-month forbearance, raising their monthly payout.

So, if the customer is availing the moratorium facility and deferring their payment of an EMI of, say Rs. 1,000, and the bank is charging an interest of 10 percent on outstanding, then the borrower will end up paying Rs. 25 extra on each of the three EMIs which has not been paid during the moratorium. This additional interest may either be added up to all the future EMIs or to the loan tenure which can get extended at the same EMI level (Economic times, 2020).

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So, if the borrower is capable to pay the EMI amount for the next 3 months, then the experts suggest that the repayment of EMIs should not be avoided. Let us understand this via chart that how it is going to impact the borrower's loan (3 months EMI moratorium):

For Loan of Rs. 50,00,000 @ 8.5% p.a. for 20 years

EMI: Rs. 43,391/-

Total interest: Rs. 54,13,879/-

Table 2

Remaining Tenor	Outstanding	Additional Interest for three months	New Principal	New EMI (same tenor)	Total interest payable	Extra tenor if EMI unchanged
19 years	49,00,489	1,04,875	50,05,364	44,320	55,20,727	13 months
15 years	44,06,359	94,300	45,00,659	44,320	54,86,728	8 months
10 years	34,99,691	74,896	35,74587	44,320	54,50,412	4 months
5 years	21,14,936	45,261	21,60,197	44,320	54,24,328	2 months
1 year	4,97,492	10,647	5,08,139	44,320	54,14,369	1 month

Source: BankBazar.com

For Credit Card customers Kukreja says- "While credit card dues are also eligible for moratorium, it should be avoided to the extent possible. The interest cost, popularly known as finance charges, of credit card dues can range anywhere between 23-48% p.a., which is way higher than the usual loans. Instead, credit card holders unable to repay their dues should convert their bill amount to EMIs to repay back in smaller instalments. The interest rates of EMI conversions are much lower than the finance charges and the tenure usually ranges between 1-5 years."

2. IMPACT ON STAKEHOLDERS

Positive effects for borrowers

1. Banks are ready to offer easier credit to small and medium sized enterprises that are facing maximum pressure in the current quarter as sales have falter because of supply chain disruptions and lack of customers.
2. The moratorium offers some respite during these troubled times of a financial emergency. A borrower can defer their loan repayments during this period while diverting the funds for essential needs and sustainability of the business.
3. The bank will not be charging any penalty even though the borrower will not repay the loan during moratorium period.
4. Since it is a relief measure, the banks will not report the borrower as a defaulter to the credit bureau during the moratorium period. Even if you don't repay your loan, your credit

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score and credit history will not see an adverse impact. This will help in the future when you need to take another loan and need a good credit history.

5. As the borrowers can differ their EMIs, the corporate as well as small businesses will now have excess liquidity which can be utilized for the development of the business or other business-related activities. It is estimated that the corporate will have an enhanced liquidity of Rs. 2.1 lakh crore during these three months (Economic Times, 2020).

Positive effects for financial institutions

1. The accrued interest will be collected by the lender institution in the form of additional EMIs from those borrowers who will opt for three months moratorium. For as example a borrower has taken a home loan of Rs 30 lakh with a maturity of 15 years at the rate of 8%, the net additional interest for the borrower would be approx. 2.34 lakh which will be equal to 8 EMIs for those borrowers who opt for the moratorium.
2. The three-month suspension of EMI payments might not result in significant gains for borrowers as they will get charged the additional interest for the moratorium period, as per the scheme announced by their banks. As the borrowers will get charged for 3 months interest the revenue earned will be beneficial for banks.
3. While the borrowers get immediate relief, banks will recover the entire cost once the moratorium is over, resulting in higher EMIs. In case the borrower can't afford higher EMIs, then the financial institutions will likely give them the option to increase the tenure of loan.

Negative effects for customer

1. Since the interest continues to accrue, during the moratorium period the borrowers' EMI could increase after June 2020. Hence, the borrowers need to make provision accordingly if they choose to avail the benefit of moratorium.
2. In the case the borrower is not able to increase the higher payout of EMIs then in such case the tenure of the loan will get increased. Thus, again a payment of higher interest to the financial institutions.
3. The borrower will not be able to use their credit card during the availed moratorium period.

Negative effects for financial institutions

1. As per an estimate if more than 50% of the borrowers opt for EMI moratorium, then the additional liquidity made available by the financial institutions through the RBI measures could be far less than the amount that they would not receive as principal repayments and interest payments from borrowers during the moratorium period. The reason being that the banks will have to continue to pay depositors the interest and principal amounts on their deposits. Such a situation will have a negative impact on the liquidity position of banks.
2. EMI moratorium can cause concern for the financial institutions over higher credit-deposit (CD) ratio. Under the present circumstances, the central bank of India might have to consider for opening a general line of credit to the financial institutions.

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3. With more and more borrowers opting of EMI moratorium the chances to these assets turning NPA for the banks also increase. The borrowers who opt for moratorium are already under financial stress and if there will be negative economic impact on them, the chances of repayment of loans further decreases.

Now the questions arise how to understand whether borrowers should opt for EMI Moratorium or not?

1. If borrower is salaried and the employer has announced a salary cut or if the borrower is businessman and the business has been shut down due to the lockdown, then there EMI can increase the financial burden. In such cases, the moratorium can provide financial relief. But, if the current finance permits the borrower to repay the loan, then they may continue to do so, as this will help avoiding additional interest burden on the loan amount.
2. If the borrower has more than one loan, then the moratorium should be availed based on the loan which is likely to see a bigger impact post the moratorium period. This decision will depend on the amount of loan, the interest rate and the residual loan tenure.
3. If the borrower's loan is in its initial stages, then it makes more sense for them to continue repaying their EMIs, as interest portion in the EMI during the initial period of the loan is considerably higher than the EMIs at a later stage. Hence, if the borrower defers their EMI at an initial stage, the impact on loan will be larger, than someone whose loan tenure is nearing the end.

3. CONCLUSION

The impact of EMI deferment on borrowers is mostly negative, as they have to pay higher rate of interest for the deferment of their existing EMIs. When the borrower avails the deferment of EMIs, that amount will be added to the total principal amount and therefore the interest on loan will increase. At the same time, there is also a positive impact on fund strapped borrowers as opting for moratorium will give must respite to them financially as they don't need to worry about payment of their EMIs and such funds can be utilized for other preferential decisions.

The impact of EMI deferment on financial institutions is mostly positive, as they will be earning higher income from the same assets. The interest rates charged will be higher for every EMI deferment thus, giving them higher income. However, there can be negative effect as well. The borrowers who will not have sound financial stability will tend to default of their EMIs once the moratorium period is over. This can lead to higher NPAs for the financial institutions which will be a burden on the financial stability of the institutions and for the country as a whole. There can be a possibility that the default will start not only for big credits but also for small credits.

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