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EDITORIAL

Out the several articles received, seven articles have been selected for the publication in this issue. Of them three article are on finance, three articles are on human resources and one is on marketing. These articles, I am sure, will enrich the knowledge base concerned. The other articles will be considered for publication in the next issue, of course basing on the review results.

Development of leadership is a problem and integrating the leadership at different levels is much more a problem. Unless leadership is developed and integrated organisations do not survive and grow as a unified whole. Arun Wakhlu & Sunit Bhatewara in their article, titled "Bonding for Greatness…Unfolding Joyful Effectiveness in Leadership Teams" discussed an approach for developing sustainable integration in senior leadership teams in today's volatile, uncertain, complex and ambiguous corporate world. They say this approach can be used in a wide variety of organisations including governments. They say the common patterns of problems revolve round the issues of context, connection, consciousness and commitment. In their article they have explained the philosophical foundations or the underlying paradigms behind this approach, and described the objectives, methodology and design of the "bonding for greatness training programme" and underlined the importance of the quality of facilitation in making this process a success and analysed the results of the study on the impact of this programme in enhancing joyful effectiveness of leadership teams.

The second article selected for the purpose of publication on finance. In that the authors have presented a comparison between the public sector and private sector banks in India using the CAMELS framework. They say that the CAMELS methodology provides a broader view of bank performance than unidimensional ratios such as return on equity. The study takes into account both profitability and risk factors for analysing bank's performance and uses CAMELS parameters as the basis for the comparison. The results of the study suggest that the private sector banks perform better than the public sector banks. The article is found useful in terms of technique, methodology and conclusions.

Kishor P. Bholane and Suryawanshi, in their article, tried to find the relationship between job satisfaction and organizational commitment of the university teachers in Maharashtra State by using a cross-sectional research design. The researcher included 274 university teachers in the sample by using proportionate stratified random sampling technique. The data collected were analysed using appropriate statistical techniques such as arithmetic mean, standard deviation, one way ANOVA, Pearson product moment correlation coefficient and regression analysis. The results of the study found a significant correlation between job satisfaction and organizational commitment of the university teachers.

Governments and market competition regulators are always concerned with the smooth functioning of the 'Markets'. The process of liberalization, privatization and globalization has brought in both good and bad consequences with them. The good part is that, the consumers are able to choose products or services from a wide range of competitive firms and not so desirable part is that the market structures are getting skewed due to dominance of large players. Mergers and acquisitions are giving rise to 'Concentrated Markets' where the competition may be destroyed. The anti-trust law regulators are always on lookout for these types of market imperfections. In this backdrop, the paper titled "Revisiting the Methods for Measuring Market Power and Concentration", tried to bring out the ways and means of exploring the market concentration.

Indian stock market is one of the top performing stock markets of the world and is attracting substantial amount of institutional investments from the last one decade. The increasing participation of institutional investors has assumed to have steadily controlled the investment scenario of the stock market. The article titled "Dynamics of Indian Stock Market – Role of Domestic Institutional Investors – A Causality Study" examines the short-term and long-term causal relationship between Domestic Institutional Investors (DIIs) and the Indian stock market. The study uses monthly time series data on Advances to Declines Ratio (ADR) of Bombay Stock Exchange (BSE) and National Stock Exchange (NSE), and Purchases to Sales Ratio of DIIs. The authors used the empirical techniques such as Unit root tests, co-integration tests and VECM and found that there is a long run association between the variables, unidirectional long run causality running from DIIs to Indian stock market exists and there is no short-run bidirectional relationship between DIIs and Indian stock market.

In the wake of the financial fraud adversely affecting the innocent investors, the authors, in their article titled "Financial Statement Fraud: Case Study of a Few Public Limited Companies in Botswana", have made a humble attempt to identify the awareness on the financial statement fraud and suggested the measures to prevent such fraud.

Man management scenario in the industry is changing. Change in the attitudes of the employers is one of the reasons for this. The last paper, titled "Labour Management Today without Right to Organize and Collectively Bargain", examines how the employers in India are moving ahead in managing workforce without the latter having the right to organize and collectively bargain. In this paper, the authors have elaborated the various factors militating the democratic rights of the workers such as the legal framework of labour relations, legal boundaries of collective bargaining, amendments to the Trade Union Act, judicial precedents, Essential Services and Maintenance Act, Special Economic Zones and National Industrial Manufacturing Zones. All these factors, in their opinion, have led to a very defensive trade union movement.

I hope the articles selected and published in this issue make a good reading material

Dr. P. B. Apparao

CHIEF EDITOR

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Bonding for Greatness…Unfolding Joyful Effectiveness in Leadership Teams

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ABSTRACT

The authors share an approach to developing sustainable integration in senior leadership teams, especially in today's *VUCA (Volatile, Uncertain, Complex and Ambiguous)* corporate world. This approach has applications in a wide variety of contexts, including governments. The common patterns of problems have been spelt out as being centred on the issues of Context, Connection, Consciousness and Commitment. After looking at the philosophical foundations (or the underlying paradigm behind this approach), the paper then goes on to describe the Objectives, Methodology and Design of the Bonding for Greatness TM program. The importance of the Quality of facilitation is underlined as being critical to the success of the process. Preliminary results on the impact of this programme in enhancing joyful effectiveness of Leadership Teams are analysed.

Introduction

Bonding for Greatness

…Unfolding Joyful Effectiveness in Leadership Teams

The usage of the acronym *VUCA*, highlighting the characteristics of the environment in which the current corporate world works (namely *Volatility, Uncertainty, Complexity and Ambiguity)*, has become commonplace in senior leaders' discussions. Where the demands for everything being faster, better and cheaper are ever increasing, organizations grapple with attracting, retaining and developing a workforce that can meet the challenges of this ever unfolding reality. The length and width of organizations spread across geographies in multi-cultural and VUCA environments makes it amply clear that teams working together in a collaborative and cohesive manner has become crucial, and at the same time, challenging.

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In this article, the authors share their observations regarding vital questions like: What are the key people-related challenges the Indian corporate world is facing? How is industry responding to these challenges? What are the real needs or gaps? What interventions are promising and successful in creating a positive impact?

Methodology

The present article derives insights from the vast experience of a learning and development consultancy firm which has designed and delivered a particular programme titled 'Bonding for Greatness'. (The first author is the founder chairman at this organization). The relevance and success of the programme is indicated by the fact that the programme was conducted for over ninety two of middle and senior management cadres from fifty corporate organizations working in varied sectors like Banking, Manufacturing, Hospitality, Telecom etc. over a period of ten years starting from 2005. A total of 1840 corporate participants have undergone this programme. All these programmes, branded as "Bonding for Greatness (or BFGs)" aimed at addressing a single broad need – "how to bring people together to deliver the best".

This article analyses the data from these programmes and aims at deriving actionable insights in the critical area of bringing people together. The data and the findings in this article are based on the hundreds of reports documenting the pre-programme studies, programme designs, documents summarizing the contents and the outcomes of the programmes and the programme participants' feedback, testimonies and commitments for action that they made.

The problem

The origin of the programme design was based on the training firm's work with many organizations over the past twenty years. Past experience showed that certain patterns of problems repeated themselves. For example, most CEOs seemed to be concerned about high levels of attrition and the challenge of attracting and retaining talent. Keeping people "engaged", growing competition, an absence of innovation, shrinking margins and low levels of initiative were some of the stated concerns. Peoples' propensity to stick within their own narrow 'silos' and not communicate and work well with others across boundaries was another common theme observed across the organizations. Along with a host of changes that globalization has brought, apparently, one of the less desired outcomes is that many organizations are becoming well-oiled process driven machines, whereas, the feeling of community (with mutual trust, sharing, support, joy and wholesome growth) is absent. Levels of engagement of people are low. Studies show that among Indians who work for an employer, 60% are not engaged, 31% are actively disengaged while just 9% are engaged (State of the Global Workplace, Steve Crabtree, 2013).

Organizations, including the ones which are epitomes of integrity in the public eye, are seen to be working with a mercenary attitude and a lack of care for people. Many individuals are caught up in well-paying islands of despair, wondering what they are doing with their lives. There is a palpable lack of meaning and joyful purpose in the work lives of many leaders. Many people we speak to, especially women, experience imbalances in their work and home lives. Many express feelings of apathy and powerlessness.

The Solution

Where the issues expressed by the clients seemed to be the ones that can be effectively dealt with a BFG programme, the programme was carried out in the following phases: Step 1: Pre-programme Study, Step 2: Designing and Conducting the Programme and Step 3: Post-programme follow up and Review.

Step 1: Pre-Programme Diagnostic Study

The purpose of the Pre-Programme Study is to collect data for designing and customizing the intervention. It involves the following steps:

- Face-to-face / Telephonic conversations with some of the participants to understand the current reality in the organization, their personal challenges and dilemmas and also to better understand the deliverables from the programme;
- Face-to-face / Telephonic conversations with a few other stakeholders (CEO, HR, etc.) to get their perspectives on the concerns;
- Studying the business plan and growth strategy of the company; and
- Any other meeting / document study that might be required.

The output of the pre-programme study is a clear design for the programme.

Analysing the multiple Pre-Programme Study data, certain common themes emerged which were observed across organizations:

- Vision / Strategy is either not clear and/or not communicated across the different levels of hierarchy;
- Leaders, business units and people not aligned;
- People, heads, departments not talking to each other;
- The different approaches of the old versus the new people;
- Accountability and ownership are a big concerns. People are seen not fully utilizing their potential, not fully motivated and committed, often either falling prey to complacency or putting themselves before the organization;
- Change Management is a big challenge. Integrating the new workforce, adding speed and agility especially in growing business become crucial;
- There is demand or need that people do not operate from the space of ego control or power, but instead operate from the space of trust, care and mutual respect;
- A culture of appreciation is needed instead of one of control and punitive measures;
- Where these challenges are not seen to be addressed at all, attrition could become a challenge;
- Organizations need Space for open honest talk – for good, frank discussions; and
- People Engagement and Development are needed to sustain productivity.

All these can be seen as manifestations or symptoms of a few deeper underlying causes. The key issues could be that people have forgotten the larger context and purpose of life. They are disconnected from each other and enough conversations do not happen. They are out of touch and asleep to the vast inner resources that are invisible in the normal life of "Business As Usual (BAU)". To put these in another way, these appear to be problems of the absence of **Context, Connection, Consciousness, and finally Commitment**. Let us look at these four themes in greater detail below:

Context: *People are out of touch with the "big picture", their own and others' positive potentials, and how all pieces of the jigsaw puzzle fit together.*

Few people understand the larger purpose of their Business as a whole in its environment. The systemic linkages of different stakeholders, the Value that is delivered by the organization to each one, and the Business Model that is at work are rarely understood.

Besides the larger context, people also do not seem to be in touch with their own strengths and positive aspects. They are also often unaware of the positive elements and life-giving forces in other people in their organization. We have seen situations where people who have worked together for over fifteen years do not know about each other's strengths, gifts and talents.

Consciousness: *Levels of positive emotional energy and initiative are low.*

There is an absence of positive emotional energy in many organizations. This is because life appears to be going on in an unconscious way. Many assumptions and beliefs remain unquestioned. We find a high prevalence of fear, despair, anger, hurt and stress. People complain of many physical ailments arising from these negative emotional disturbances. Moreover, people do not seem to be capable of doing what they intellectually know they ought to do. There are large gaps between knowing and doing.

Most people feel helpless and powerless in today's organizations. They feel like victims of a large hierarchy and power structure over which they have no control.

Connection: *There is an absence of adequate connection and conversation.*

Conversations that need to happen, especially across different horizontal layers and departments of the organization, do not take place. Many organizations have no spaces or "platforms" where people can converse on things that they truly care about.

The sharing of knowledge and best practices, which could happen through such conversations, consequently does not happen.

Most of the initiatives that people take are usually disjointed. Since diverse perspectives and viewpoints rarely get a chance to cross-fertilise, we find that the levels of innovation are low. Even the simple conversation required to listen to the voice of the customer is amazingly rare.

Commitment: *Levels of commitment to people development and sustained improvement action are low.*

The fourth thing we have seen is that the time and attention given to systematic improvements and the development of people is lower than needed. Most middle and senior managers are caught up in firefighting and doing work that someone two levels below them could be doing. Even when a change intervention is started, sustaining it is a challenge. The quality of sustained commitment is a big challenge!

The Foundations of the BFG Intervention

Before we go deeper in to the Objectives and Design of the BFG programme, it is crucial to describe its genesis.

Any design, whether it is of a house or of a learning "intervention", reflects the underlying values and views of the designer. How does one design an intervention to change peoples' emotional states and behaviours in a sustainable way?

The philosophical underpinnings and rationale behind the design of "*Bonding for Greatness" (BFG)* can be found in the following fundamental viewpoints:

1. **We view organizations, learning, people and all of life through the lens of wholeness.** We see all as a coevolving dynamic whole and as "perfection in progress". In our designs, we bring in the psychological, emotional, physical and spiritual dimensions into play. Many of these aspects are often ignored. Life is a very intelligent and whole process. Wholesome Learning, Wholesome Leadership, Wholesome Development are all processes that are aligned with the intelligence of the Whole i.e. the intelligence of Life. We believe that this fundamental alignment to Wholeness is the path to not only high performance, but also to sustainable joy, peace and abundance for all. It is the foundation for Human Excellence.
2. **We hold the view that "life is dance and dance is life".** We see all of existence as a universal dance. We trust this dance wholeheartedly. The sciences of Complexity and Chaos Theory seem to be echoing what ancient seers knew long ago. Viewing the world as being a playful and intelligent dance can be marvelously stress-reducing experience for a player in the field of Organizational Development (OD)! The massive sea of changes that we have experienced and agonized over recently – the wave of mergers, greed driven globalization, the AIDS epidemic, global warming, terrorism etc. – are all natural phenomena in a complex adaptive system. Predicting when and where the next big change will come from is futile. Learning to be flexible and adaptable and dancing intelligently with the whole is the only sustainable strategy.
3. **All human beings have some component of greatness in them**. All also have the same common core of unbounded creative intelligence. In many of us, this profound space of pure creative intelligence is overshadowed by memories of distress events and traumatic experiences. These can be easily removed. The removal of these blocks creates an influx of creative energy into the body-mind system leading to all round improvements in joy, responsiveness and integration.
4. **When people are given the space to express what they deeply care about and feel respected and listened to, it creates a space for healing and inspired action.** When we turn to each other in honest and respectful conversation, we are both healed and become instrumental in healing others. We begin to flow more in harmony with the whole.
5. **The whole universe is upheld by universal and unbounded creative intelligence.** This intelligence or energy is constantly orchestrating amazingly beautiful processes without any human intervention. It seems to be doing a pretty good job of design and execution! Our individual and organizational life is inextricably linked to this intelligent energy. The role, then, of an OD practitioner, is to listen to this intelligence in his/her heart and obey its gentle promptings. One mind, no matter how clever, cannot match the brilliance and glory of the creative intelligence or awareness which runs all of life!
6. **Most human situations are complex and unpredictable.** We believe that it is very hard to have a full grasp of all the variables that can affect an outcome of a particular intervention or process. Anyone who claims that they can operate in the command and control mode to look at a situation, design an outcome and come up with a solution, are fooling themselves. However, there is a way to flow along with the intrinsic creative intelligence of nature. As designers we can look for signs of this intelligence at work in the universe. The most optimal design emerges when one is fully integrated with and listening to the whole. This means deeply listening to my own intuition, the people around me, the situation, and responding wholesomely in the moment and every moment. (Wholesome = Whole/Ethical/Excellent in all dimensions) In this mode, one becomes an instrument of the whole and is dancing with the whole. It is like being an empty flute and allowing the whole universe to play its music through you.
7. **Humility arises from a heart full of gratitude.** Gratitude comes from a deep understanding of the beautiful, harmonious and perfect movement of nature. As my heart expands in humility, my integration and oneness with the universe also grows.
8. **Whatever we focus on and hold intensely in our thoughts is attracted into our lives.** So if today, I want to attract more positive organizations into my life, there is something I need to change in myself. This is the principle of taking total responsibility for those aspects of Life which show up in my experience. This calls me to work on my own purification as part of the process of my evolution. As I grow in purity, joyful evolution is a natural outcome.
9. **People are infinitely creative.** Given a few simple tools and the space to play with these, I have invariably been amazed and awestruck by the sheer brilliance of what people come up with. After many years in this field, I still feel like a small child, full of wonder, when I experience these emerging displays of creative energy.
10. **As a dancer dancing with the universal design of life, one need not be stuck with any fixed methods or tools**. One

needs to listen to what needs to be done and use whatever tools or processes are required in the moment.

Objectives of the BFG Workshop

Considering the general understanding stated above and the needs that emerged in the pre-programme diagnostic studies, the broad programme objectives for the participants were arrived at:

- Get to know each other more and work coherently towards a common vision;
- Learn to think and act as one unified team;
- To share best practices and institutionalize a process of sharing best practices,
- Create a process for sustained action after the programme;
- Communicate openly and honestly with each other to resolve conflicts and solve problems harmoniously;
- Create an environment that fosters accountability, trust and customer centric breakthrough innovation; and
- Create a shared vision for the organization and align on key business priorities.

Elements of the BFG Workshop

Stories of success are used to evoke memories of past greatness and also to create a positive emotional state for further work. Elements of Appreciative Inquiry, drawing and collage, drama and song are used in this starting phase. There is also a collective norm setting that happens here. The process of effective open dialogue and group learning is discussed.

Co-creating a very large and expansive shared vision is another exercise that is part of the design. This is done in a way that everyone's voice is honoured and brought into the final vision. People are encouraged to listen to inner guidance through silence, to find out what life is trying to express through them and their organization.

Morning exercises, which include Yoga, Tibetan Rites, Pranayama, Meditation, Laughter and physical team bonding exercises are an important element for unblocking energy flow in the body-mind.

Powerful inputs on Wholesomeness and spiritual insights are shared. Tools like the Emotional Freedom Technique (EFT) to uproot negativity and install more powerful and energising affirmations in the mind are also used in conjunction with this.

Open Space Technology is used to surface issues that people deeply care about and to also get them to take responsibility for the future of the organization. Self-organising and emergence are constantly allowed to function. When working with another facilitator, we constantly listen to our inner guidance, to each other; listen to the people and the situation. This spontaneously guides us to what has to be done.

Detailed action planning with follows up and review mechanisms are also jointly agreed upon. People are also invited to come forward and be trained as "I Catalysts" … people who have a passion and capacity for unfolding inspiration, integration and innovation in the organization. I Catalysts act like little bit of yogurt in a large pot of milk.

The Methodology used in BFG workshops is based on the principles of Adult Learning. Some of the methods used are captured in the list below:

- Experiential Learning through structured exercises;
- Appreciative Inquiry (see *Appendix 1* for more details);
- Open Space Technology (see *Appendix 2* for more details);
- Surfacing and discussing the live challenges before the participants;
- Leveraging the participants' own strengths and expertise;
- Film clips;
- Movement with music;
- The "light seat exercise" or other ways to give and receive Feed forward;
- Open conversations;
- Morning Exercises including meditation and Mindfulness;
- A "Talent Night" on the evening of the first day;
- The use of Graphics, Visuals, Collages;
- Co-creation of a Shared Vision; and
- High Energy Closing exercises based on Commitments, Pledges and Affirmations.

The full programme design with session details can be seen in *Appendix 3*

The Actual Conduct of the Programme

This is to emphasise that while there is a recipe for the BFG workshop, it is also the skill and authenticity of the facilitator which will add value to the whole experience in practice.

In a magical BFG workshop you will notice that not only is the level of participation high, but also the level of energy. The participants' body language indicates this. They bend forward and have an intense and mesmerized look on their faces. Their eyes are shining and filled with interest. Their body language is animated. They radiate happiness and enthusiasm.

Further you will also notice that there is less formality and rigidity in the group. This leads to an opening of the flow of communication. As barriers melt away, locked up emotions, appreciation, gratitude and information are released and flow freely. There are many "Aha" moments, like when two people who have worked together for many years suddenly discover that one is a great cook and the other a good singer. Expanding perceptions leads to clarity and deep insight. This enables people to start noticing more things about themselves as well as the participants.

A certain intensity comes through in the BFG workshop. A palpable energy, arising from the heightened emotions of the participants, can be felt during the sessions. This feeling shows up as deep care and love. From the facilitator's perspective, in a magical BFG workshop, there is a high level of fluency and spontaneity. The sessions flow freely and smoothly in a natural way, just like a river.

In a well facilitated BFG Workshop, all the features mentioned below are brought out:

- Self-forgetting flow
- Oneness with the group,
- Ease and Grace, and
- Balance

It is the inspired facilitation in BFG Workshops that touches and transforms lives. The Workshop is a deeply transformational experience. Facilitators remembering their own innate Creative Intelligence, and seeing this same Inner Resource present in all participants, creates a very empowering and liberating space in the workshop. In a way, the Leaders in the group pick up the ways of creating spaces for connection, conversation and co-creation. The facilitator models new ways of Leading.

The facilitator of a BFG Workshop, is nothing but a conduit that reminds participants of their own magnificence, of who they already are. When this happens, one is not merely working with one's own Creative Intelligence but also with the collective creative intelligence of the whole group. The stories, knowledge and gifts that participants in BFG bring to the workshop add to the process of deep transformation.

Some of the core elements or inner secrets to facilitating a BFG Workshop can be captured in the acronym "HEART", where the word stands for Humour, Empathy, Awareness, Responsiveness, Totality; or alternatively, Humility, Enthusiasm, Attention, Respect, Teamwork. When Facilitators of the BFG Workshop facilitate from the Heart, they evoke the energy of Oneness in the participants. This is the heart of the BFG Workshop! While there is a lot of joy and creativity in BFG Workshops, they also end up delivering valuable business results.

Impact Assessment

Analysis of the impact of BFG programme shows several positive trends. Based on the success of their first BFG batch, fifteen out of fifty clients conducted multiple batches of the BFG programme, indicating their trust in the effectiveness of the programme. The post programme reviews of the programmes highlight and capture changes in various areas. The following observations by the senior stakeholders as well as the participants indicate the impact areas:

- Significant improvements in team working. People often report a " total meltdown of boundaries and barriers";
- Trust was cemented through this workshop and norms to sustain this were also agreed upon. This led to laying the foundation for working together more synergistically;
- The comfort to be able to reach out and asking their colleagues for help and also on focusing on what I can do instead of letting things happen;
- Co-creating a shared vision for the team, which has the buy in of all members;
- To work for the pure joy of it, instead of letting other factors discourage ones efforts;
- Meeting each other with more awareness and respect for the other person instead of it just being a formality. To unlearn what was taught and appreciate it for new nuances;
- Effects of positive and negative thinking;
- Focusing on taking ownership for outcomes and solving problems proactively;
- Feed forward: we got honest and candid feedback from colleagues and team members;
- Trusting each other – having meaningful dialogues to make things happen;
- The group dynamics too have evolved. The highly committed team now follows a focused, prioritized approach and believes in collaborative problem solving;
- A Strengths Matrix of the team members talents and strengths emerged;
- We have become more respectful and appreciative of the diverse strengths that our team members bring to the table. We were unaware of these earlier;
- We have identified the "must win" projects which we need to work on; and
- As a programme outcome, the organization institutionalized a system for developing leaders from within.

In a verbatim testimonial a senior team member said, "The team has showed a marked improvement in motivation levels. The team members are peppy in general and are self-driven. Team members show a sense of ownership."

An elated team member quoted; "We are a Charged Innovative Team now! The renewed force elicited by team members has been transformational in our success."

We have often heard the phrases "awakening" and "huge Eye Opener" after the BFG Workshops.

The Impact of BFG is captured by multiple modalities. The Table 1 gives a snapshot of various data pieces which were analysed to assess the effectiveness of BFG.

Table-1: BFG Impact Assessment

Period / Respondents	Immediate	Mid-term	Long-term
Participants	Post programme feedback: Quantitative & Qualitative	Progress on individual commitments	x
Senior Stakeholders	Qualitative feedback	x	Quantitative & quantitative data

Post Programme Feedback

At the end of each BFG, participants fill up a feedback from which gets collected for both qualitative and quantitative data. The quantitative data analysis of the data shows a very favourable response from the participants. The table in *Appendix 4* (Collated Quantitative Feedback), below shows the data based on about 600 participants' individual feedback on various parameters. The applicability of the learnings and experiences that one gathers in such programmes to their real life is always a concern. The score of 4.5 shows the participants' confidence that the themes they experienced in the programme are in reality practically applicable to their professional life.

The qualitative analysis of the comments from the participants throws light on what they found to be of most value in the programme. The top value of such programmes was seen as learning to converse and actually connecting with their team members at a deeper lever. Participants got to know each other much better and as a result also gathered good understanding of their own and the team's strengths. The bonding that most participants experienced during the programme also created the possibility of continuing to do so even after the workshop. Most importantly, the learning about the importance of such connection was the biggest takeaway for most participants. The other critical areas appreciated by participants were the opportunity for self-assessment and getting feedback from their colleagues.

Progress on Individual Commitments

Individual behavioural changes are the key to achieving team / organizational change. After participating in BFG, as a result of learning and also getting feedback from colleagues, participants often get insights into what are the key areas they need to focus on. Participants make and declare their top 1 or 2 commitments for change to the whole team. These provide a good anchor and reminder to focus one's energy on specific areas to achieve visible improvement.

One such study was carried out to track participants' progress on their commitments. Participants were asked to rate their progress on the commitments on a scale of -3 to +3, where negative ratings show an actual decline in the committed area, 0 indicates no change and positive numbers indicate the magnitude of progress. Results showed that 31% participants rated a slight progress (+1). A majority of 63% participants indicated substantial improvement (+2) and the remaining 6% reported a total improvement in the committed area (+3).

When asked what have been the main aids for their success, the biggest contributing factor for their success was attributed to the concept captured in the acronym AAG which denotes the power of Awareness, Appreciation and Gratitude for creating positive energy in the teams. The second best factor emerged was the concept of 'focusing on the I factor' where participants are encouraged to focus on what's in their locus of control rather than the 'they factors' which pertain to others' behaviour.

Long Term Impact Assessment

Members of top leadership of organizations where BFGs were conducted were asked to report if and what was the long term impact of BFG. 11 senior leaders from 8 organizations responded to the survey. When asked if they would recommend BFG to other organizations, every single leader responded with a 'yes'. The average rating of BFG effectiveness was 7.45 on a scale of 0 to 10, where 0 stood for 'No effect' and 10 for 'Highly effective'.

What changed in many organizations was a much improved bonding among team members, greater trust and an overall positive appreciative attitude. This also resulted in better operations, clearer roles and in some cases direct visible business results.

Challenges for Further Exploration and Research

After creating and delivering a successful programme like BFG, the serious challenge that any learning and development person focuses on is the sustainability of such results. The common fear is that these positively impacting experience will wither away. Even though some of the cases discussed earlier show a tangible impact that sustained over a period of time, more work needs to be done on this dimension. A question to ask is what practices will remind the participants of the importance of teaming. What will actually inspire and remind them to continually practice what they have learnt? How can we innovate to make the learnings more "sticky" and enduring?

Another great way to propagate such work could be to create forums and catalysts who will keep the flame burning. Further research and practice can focus on specifically these aspects of continuity and sustainability of the impact of such programmes.

Conclusion

In this paper we have shared an approach to developing sustainable integration in senior leadership teams. This approach has applications in a wide variety of contexts, including governments. The common patterns of problems have been spelt out as being centred on the issues of Context, Connection, Consciousness and Commitment. After looking at the philosophical foundations (or the underlying paradigm behind this approach), the paper then goes on to describe the Objectives, Methodology and Design of the BFG Workshop. The importance of the Quality of facilitation is underlined as being critical to the success of the process. Preliminary results on the impact of this programme in enhancing joyful effectiveness of Leadership Teams is spelt out. The results are promising and encouraging. A few areas requiring more research have been spelt out.

By working from the very core of Awareness (the generative substratum of our Inner Resource) and taking an Appreciative, and Positive view of Life, we see that the BFG Workshop works in a radical way. People begin to see that they have the power to transform their lives, to take creative steps to make a difference and to work with others in a relaxed and joyful and yet productive way. The impact on results is tangible.

In a world of business organizations which are all looking for inspiration, integration and innovation, how can the BFG movement become a part of the Leadership culture of many organizations? Could this approach, which integrates inner and outer tools, and creative and analytical approaches give us the key for more productive and joyful integration in Leadership Teams? At a time when all spheres of work need people to increase meaningful connection, collaboration and co-creation, BFG may be what we are looking for. For leaders who are looking to enhance Inspiration, Integration and Innovation in their teams, the BFG approach gives some practical insights and ideas to make this happen.

Appendix 1: Appreciative Inquiry (AI)

What Is It?

A powerful approach that invites people to learn through their personal stories of accomplishment and aspirations. Used by individuals, organizations and communities, it begins with an affirmative interview to identify the best of "what is" in order to pursue dreams and possibilities of "what could be."

Probable Outcomes:

Fundamental shift toward cooperation, equality of voice, high participation, inquiry and improvisational learning as daily practices.

Group Size:

20 – 2,000 involved in interviews, large scale meetings and collaborative actions.

Typical Duration:

3 hours to 4 days. The longer it runs, the more embedded into daily practice it becomes.

The Steps in Brief:

1. Select a focus area or topic(s) of interest.
2. Design an interview to discover strengths, passions, unique attributes.

Example Questions:

1. Describe a peak experience or "high point" in your work. What was happening? Who was involved? What made it such a powerful experience?
2. What do you most value about... yourself? Your work? Your organization/school?
3. What core factors give life to your organization/school?

4. What three wishes do you have to enhance the health and vitality of your organization/school?
    a. Identify patterns, themes and/or intriguing possibilities in the interviews.
    b. Create bold statements of ideal possibilities ("Provocative Propositions").
    c. Co-determine "what should be" (consensus re: principles & priorities).
    d. Take action.

For More Information

Appreciative Inquiry commons: http://appreciativeinquiry.cwru.edu

Appendix 2: Open Space Technology (OST)

What Is It?

A methodology of transformation that enables a group of any size to address important, complex issues in a constructive and powerful way.

Probable Outcomes:

Discovery of the capacity to operate as a learning organization with high levels of personal responsibility and leadership.

Group Size:

5 – 1000 people. By using computer connected, multi-site, simultaneous events, theoretically, there is no limit.

Typical Duration:

3 hours to 3 or more days. The longer it runs, the more learning and depth happens. Ultimately, it can be a daily practice for individuals and organizations.

The Steps in Brief:

1. Create a focusing statement or theme that frames your topic in a positive way.
2. Invite the people who care about the theme.
3. Create the space: Set chairs in a circle or in concentric circles, leaving space in the center with blank sheets of news print and coloured felt pens. Label a wall "Agenda Wall".
4. To begin the gathering, explain the theme, the process the group will follow to organize, the Law of Two Feet, and the four principles.
5. Invite anyone who cares about an issue to step into the circle and write the topic, their name, a time and place for meeting, announce it and post the offering on the Agenda Wall. They are responsible for facilitating their session(s).
6. When ALL offerings are concluded, invite people to sign up for what they are interested in.
7. People participate in discussions and take responsibility by using the Law of Two Feet.
8. Closing: reconvene in the circle to share highlights and key learnings, simply listening to whatever people have to offer.

For More Information

Open Space Institute (US), usa@openspaceworld.org

World-wide Open Space web site: www.openspaceworld.org

Appendix 3

The BFG Programme Design
Day 1

Session Title	Learning Objectives	Session Description
Welcome, Context Setting & Creative Introductions.	Getting to appreciatively know the strengths of individuals and our teams	**Welcome** – **Introduction to Pragati Leadership, Valued Customers and Self** **Context Setting-** **Objectives of the Prog, Prog Architecture, Setting Norms,** Discussion of the reasons for this workshop. **Pre Programme Findings,** **Creative Introduction-** **Exercise – Namaste –** We will use this time to know each other beyond your role. Then do an **appreciative look at ourselves.** Strengths of the team, what we feel proud of, our Vision. **Appreciative look at the organization**.
Taking an appreciative look at ourselves & our organization	Where we are now and where is it that we want to be?	**Looking at ourselves** – **What is Wholesome Leadership?** **Visioning exercise** Make collages – **standing in the future exercise** can also be conducted. Make people **stick post it's** on topics/ aspects for addressing in the future, etc. – You can also make them **rate their team functioning**, their organization, etc. on a scale of 1 – 10. Where are they falling short? Why is it happening? How do they plan to overcome these gaps? Etc.
Attitudes for Excellence	What we already possess to be a super team?	**Energiser** **Building a Super Team** **How to be truthful and caring at the same time** Here facilitator must ensure the following:

		Scope for everyone to share ideas. Openness, Comfortable, Spontaneous and uninhabited environment. Give space to speak up. Emotional aspect if prevalent. Boost up Self-confidence. Patience is critical. Destructions prevent us from listening. "Sharpen the axe instead of wasting time in cutting the wood first". **Attitudes in excellence** – main thrust are **Accountability**. **45 mins** Methodology varies from dialogue, storytelling,
Building an Effective Feedback Process Light Seat Method	NVC Feed forward Clarifying mutual expectations and Roles.	**Building An effective Feedback Process:** Close with summary of day and looking forward to talent night.

Evening Day 1 - Talent Night

Dance Drama- My Dream Team, other activities organized by the client

Early Morning Day 2 - Exercises for the Body and Mind

Actual physical exercises (Warm ups and Tibetan Rites); Pranayama Basics, Introduction to Meditation. Learning to be close to nature, wholesome living, and building trust.

Day 2

Session Title	Learning Objectives	Session Description
Team Building Without Time Wasting		**Characteristics of a Good Team** **Team building without time wasting** – individual feedback 1 – 2 team changes – 1 -2 individual changes Everyone makes I commit cards. Trust game – group of people – iron rod – trust fall – or then trust walk.
Creating a Learning Organization 2 behaviours towards building a Super Team		**Getting the group to Share individually** what they think are the 2 behaviours they should commit to build a Super Team. Consolidating and Agreeing to 2 behaviours as a group and defining the measureable behaviour indicators for the same. **Open Space Conversations** On Unblocking the Blocks and How We Can Function As A Team good thinking creating, celebrating being together
Final Recap, Action Planning, Feedback & Closure	Develop an Action Plan for Self and make commitment	What should be the **review mechanism** on reviewing that we are living the 2 behaviours? **Personal Commitments**- I Commit Cards. Closure exercise: What am I leaving back in the Fire of Awareness, and what am I taking back

Appendix 4: Collated Quantitative Feedback

Criteria	**5**	**4**	**3**	**2**	**1**	**Overall Rating**
Overall assessment of the programme just completed.	249	274	27	3	0	4.4
Course objectives as stated in the beginning of the programme have been achieved.	249	267	36	1	0	4.4
I will be able to apply the learnings from this training on the job.	243	177	19	1	0	4.5
Facilitator's ability to enable enhancement of my learning.	215	200	13	1	0	4.5
Overall rating of the facilitator.	367	200	23	9	0	4.5
The methodologies used to deliver the programme have been effective.	184	223	41	2	0	4.3
The course material has been relevant and value adding.	125	238	59	7	0	4.1

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'Personality differences and preferred style of conflict management among managers.' Published in Abhigyan: The quarterly journal of the Foundation of Organizational Research and Education

'Effect of Yoga Nidra and Applied Relaxation Technique on the steadiness and performance of archers.' Published in Psychological Studies

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Comparison of Public and Private Sector Banking Performance using CAMELS Framework

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A R T I C L E I N F O

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A B S T R A C T

This study presents a comparison between the public sector and private sector banks in India using the CAMELS framework. The CAMELS methodology provides a broader view of bank performance than unidimensional ratios such as return on equity, particularly as it takes account of both profitability and risk factors in representing bank performance. The study uses CAMELS parameters as the basis for the comparison, using ANOVA tests. The results of the study suggest that the private sector banks perform better than their public sector counterparts. These results are statistically significant and consistent over the research period.

Introduction

The CAMELS model is a widely-used framework for bank performance evaluation. The CAMEL framework was originally intended to determine when to schedule on-site examination of a bank. The five CAMEL factors, viz. capital adequacy, asset quality, management soundness, earnings and profitability, and liquidity, indicate the increased likelihood of bank failure when any of these five factors prove inadequate. The sixth factor, sensitivity to market risk, was included in 1996 so as to to make the rating system more risk-focused.

Literature Review

Many studies have studied different aspects of banking performance measurement in commercial banks. The following is a partial review of the pertinent literature.

Swamy (2001) studied the factors affecting the position of banks in the overall banking industry. He analyzed the share of rural branches, average branch size, trends in bank's profitability, share of public sector assets, share of wages in expenditure, provision and contingencies, net non-performing assets in net advances, and spread, and found that in many respects public sector banks fared much better than private sector banks and foreign banks.

Shirai (2002) suggested that the entry of new private and foreign banks, which are better capitalized and more technologically advanced, has put competitive pressure on the whole banking sector. He found that, even though private sector banks and foreign banks initially performed better than public sector banks in term of profitability, earning efficiency and cost efficiency, such differences have diminished as public sector banks have improved profitability and cost efficiency.

Sathye (2005) examined the effect of privatization of banks on performance and efficiency. He found that partially privatized banks

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performed better than fully public sector banks in terms of financial performance and efficiency, and have continued to show improved performance and efficiency in the years after privatization.

Pal and Malik (2007) examined the difference in financial characteristics of public, private and foreign sector banks based on profitability, liquidity, risk and efficiency. They found that foreign banks were the best performers in generating business with a given level of resources, and are better equipped with managerial practices and in terms of skills and technology. They found that public sector banks were the next best performers, with a higher return on equity in comparison to foreign and private banks, and economizing their expenses. However, they found that private sector banks were better utilizers of resources as compared to public sector banks.

Prasad et al (2012) studied the financial soundness of Indian banking using the CAMEL model. They suggested that Indian banking is sound overall. Mishra et al (2012) found that private sector banks were highly ranked in terms of economic soundness, while public sector banks such as SBI show relatively lower economic soundness. They suggested that public sector banks must increase the net profit to average assets ratio, profit per employee, and other parameters in order to achieve economic soundness. In terms of convergence, using parameters of the CAMEL model, they found that private sector banks are heading towards convergence in the long run, at a faster pace than public sector banks.

Dash and Das (2013) compared the performance of public sector banks with private/foreign banks under the CAMELS framework. They found that private/foreign banks fared better than public sector banks on most of the CAMELS factors in the study period 2002-03 to 2007-08. They found that the two contributing factors for the better performance of private/foreign banks were Management Soundness and Earnings and Profitability.

The CAMEL model is a widely-used framework for banking performance measurement. This study presents a comparison between the public sector and private sector banks in India using the CAMELS framework.

Methodology

The objective of the study is to analyse the consistency of ranking under the different CAMELS parameters, and to compare the relative performance of public sector and private sector banks in India, using the CAMELS rankings. The data for the study was taken for a sample of thirty-five Indian banks, including nineteen public sector banks, and sixteen private sector banks, as in table 1 below. The study period was 2007-2011. The data for the study were the financial ratios corresponding to the different factors in the CAMELS framework explained below (also refer Dash and Das, 2013), obtained from the Capitaline database[1].

Table-1: Sample Banks

S. No.	Public Sector Banks	S. No.	Private Sector Banks
1	Allahabad Bank	1	Axis Bank
2	Andhra Bank	2	YES Bank
3	Bank Of Baroda	3	Standard Chartered
4	Bank Of India	4	South Indian Bank
5	Canara Bank	5	Kotak Mahindra
6	Corporation Bank	6	HDFC Bank
7	Central Bank Of India	7	Federal Bank
8	Dena Bank	8	Dhanalaxmi Bank
9	Indian Overseas Bank	9	Development Credit Bank
10	Indian Bank	10	Karnataka Bank
11	Oriental Bank Of Commerce	11	J &K Bank
12	Punjab National Bank	12	ING Vysya
13	State Bank Of India	13	Bank Of Rajasthan
14	IDBI	14	Citi Bank
15	Syndicate Bank	15	Tamilnad Mercantile Bank
16	UCO Bank	16	ICICI Bank
17	Union Bank Of India		
18	United Bank		
19	Vijiya Bank		

The data for the study consists of financial ratios based on the CAMELS framework. The variables used in the analysis are discussed in the following.

- Capital Adequacy measures the robustness of a bank in terms of sufficient capital to absorb unexpected losses. Low capital adequacy would result in reducing depositors' confidence and would increase the risk of bank insolvency. In the current study, three ratios are used to represent capital adequacy: the Debt- Equity ratio, the Coverage ratio, and the Capital Adequacy ratio.
- Asset Quality reflects the nature of the loans and advances the bank has made to generate interest income. Low quality assets may yield higher interest income, but increase the credit risk exposure of the bank. Thus asset quality reflects the type of debtors of the bank. In the study, asset quality is measured through a single ratio: Net NPA to Total Advances ratio.
- Management Soundness assesses the management of the bank, i.e. the efficiency of management in generating business (top-line) and in maximizing profits (bottom-line). In the current study, it is represented via four ratios: Total Investments to Total Assets ratio, Total Advances to Total Deposits ratio, Business per Employee, and Profit per Employee.
- Earnings Performance focuses on how the bank generates its profits, which in turn determines the sustainability and growth of earnings in the future. In the study, it is measured via three ratios: Return on Net Worth, Interest Spread to Total Assets ratio, and Profit after Tax to Total Assets.
- Liquidity Position is of critical importance in the banking business, and is the focus of bank asset-liability management. It is closely related with solvency risk. In the current study, it is measured using two ratios: Government Securities to Total Investment and Government Securities to Total Assets.
- Sensitivity to Market Risk involves the bank's ability to identify, measure, monitor, and control market risk. In the study, it is measured by a single ratio: Beta, i.e. the systematic risk of the bank's stock returns.

The study compares the performance of public and private sector banks using parametric tests, viz. one-way ANOVA.

[1] www.capitaline.com

Analysis

The results of ANOVA tests for difference between public sector and private sector banks are presented in Tables 2-6 below.

Table-2: Tests for Difference between Public Sector and Private Sector Banks - 2007

		Public Sector	Private Sector	Overall	*F Stat*	*P-Value*
D/E Ratio	Mean	18.61	15.83	17.34	*3.015*	*0.046*
	Std. Dev.	4.52	4.95	4.85		
Coverage Ratio	Mean	4.45%	6.15%	5.23%	*8.617*	*0.003*
	Std. Dev.	1.53%	1.89%	1.89%		
CAR	Mean	12.27%	12.09%	12.19%	*0.156*	*0.348*
	Std. Dev.	0.95%	1.74%	1.35%		
NNPA/Tadv	Mean	0.98%	1.03%	1.00%	*0.058*	*0.405*
	Std. Dev.	0.56%	0.56%	0.55%		
Tinv/TA	Mean	28.27%	28.71%	28.47%	*0.105*	*0.374*
	Std. Dev.	3.15%	4.79%	3.93%		
Tadv/Tdep (CDR)	Mean	72.02%	72.13%	72.07%	*0.000*	*0.492*
	Std. Dev.	17.96%	12.45%	15.46%		
BPE (Rs. Crore)	Mean	5.28	6.32	5.75	*1.397*	*0.123*
	Std. Dev.	2.32	2.91	2.62		
PPE (Rs. Crore)	Mean	0.03	0.06	0.04	*3.418*	*0.037*
	Std. Dev.	0.02	0.05	0.04		
RONW	Mean	18.08%	15.68%	16.98%	*1.130*	*0.148*
	Std. Dev.	5.29%	8.01%	6.68%		
Intspr/TA	Mean	0.30%	0.67%	0.47%	*12.231*	*0.001*
	Std. Dev.	0.19%	0.41%	0.36%		
PAT/TA	Mean	0.84%	0.98%	0.91%	*1.226*	*0.138*
	Std. Dev.	0.24%	0.50%	0.38%		
Gsec/Tinv	Mean	1.68%	0.78%	1.27%	*200.718*	*0.000*
	Std. Dev.	0.24%	0.09%	0.49%		
Gsec/TA	Mean	0.47%	0.22%	0.36%	*343.257*	*0.000*
	Std. Dev.	0.05%	0.03%	0.13%		
Beta	Mean	1.16	0.85	1.02	*4.473*	*0.021*
	Std. Dev.	0.23	0.59	0.45		

With respect to Capital Adequacy, public sector banks had significantly higher debt-equity ratio than private sector banks, while private sector banks had significantly higher coverage ratio than public sector banks. In terms of Management Soundness, private sector banks had significantly higher profit per employee than public sector banks. Also, the Liquidity Position ratios for public sector banks were significantly higher than for their private sector counterparts. Finally, in terms of Sensitivity to Market Risk, public sector banks had significantly higher beta coefficient than private sector banks.

Table-3: Tests For Difference Between Public Sector and Private Sector Banks - 2008

		Public Sector	Private Sector	Overall	*F Stat*	*P-Value*
D/E Ratio	Mean	18.62	12.22	15.60	*20.139*	*0.000*
	Std. Dev.	4.25	4.29	5.301		
Coverage Ratio	Mean	4.38%	8.46%	6.31%	*23.444*	*0.000*
	Std. Dev.	1.38%	3.37%	3.23%		
CAR	Mean	11.89%	14.26%	13.01%	*5.744*	*0.011*
	Std. Dev.	1.04%	4.18%	3.16%		
NNPA/Tadv	Mean	0.83%	0.75%	0.79%	*0.203*	*0.378*
	Std. Dev.	0.52%	0.57%	0.54%		
Tinv/TA	Mean	27.14%	27.88%	27.49%	*0.362*	*0.276*
	Std. Dev.	2.42%	4.69%	3.63%		
Tadv/Tdep (CDR)	Mean	71.63%	71.93%	71.77%	*0.007*	*0.468*
	Std. Dev.	10.66%	11.62%	10.96%		
BPE (Rs. Crore)	Mean	6.65	7.03	6.83	*0.127*	*0.362*
	Std. Dev.	3.04	3.37	3.16		
PPE (Rs. Crore)	Mean	0.04	0.08	0.06	*3.299*	*0.039*
	Std. Dev.	0.02	0.09	0.06		
RONW	Mean	19.44%	16.46%	18.04%	*2.299*	*0.070*
	Std. Dev.	6.05%	5.70%	6.00%		
Intspr/TA	Mean	-0.02%	0.51%	0.23%	*10.985*	*0.001*
	Std. Dev.	0.25%	0.64%	0.54%		
PAT/TA	Mean	0.86%	1.22%	1.03%	*7.012*	*0.006*
	Std. Dev.	0.32%	0.49%	0.44%		
Gsec/Tinv	Mean	1.41%	0.78%	1.11%	*150.502*	*0.000*
	Std. Dev.	0.19%	0.10%	0.35%		
Gsec/TA	Mean	0.38%	0.21%	0.30%	*226.017*	*0.000*
	Std. Dev.	0.04%	0.03%	0.09%		
Beta	Mean	1.16	0.80	0.99	*5.784*	*0.011*
	Std. Dev.	0.23	0.61	0.48		

With respect to Capital Adequacy, along with coverage ratio, CAR was significantly higher for private sector banks than for public sector banks, while debt-equity ratio was significantly higher for public sector banks than for private sector banks. In terms of Management Soundness, private sector banks continued to have significantly higher profit per employee than public sector banks. However, in terms of Earnings Performance, public sector banks had significantly higher RONW than private sector banks, whereas private sector banks had significantly higher interest spread ratio and profit after tax ratio than public sector banks. Also, public sector banks continued to have significantly higher Liquidity ratios and higher betas than for their private sector counterparts.

Table-4: Tests for Difference between Public Sector and Private Sector Banks - 2009

		Public Sector	Private Sector	Overall	*F Stat*	*P-Value*
D/E Ratio	Mean	18.92	12.02	15.66	*30.916*	*0.000*
	Std. Dev.	3.81	3.60	5.06		
Coverage Ratio	Mean	4.17%	8.26%	6.10%	*24.585*	*0.000*
	Std. Dev.	1.28%	3.34%	3.20%		
CAR	Mean	12.42%	15.07%	13.67%	*11.041*	*0.001*
	Std. Dev.	1.09%	3.28%	2.70%		
NNPA/Tadv	Mean	0.79%	1.22%	0.99%	*2.673*	*0.066*
	Std. Dev.	0.49%	1.03%	0.80%		
Tinv/TA	Mean	26.62%	29.82%	28.13%	*5.718*	*0.011*
	Std. Dev.	2.14%	5.37%	4.26%		
Tadv/Tdep (CDR)	Mean	71.46%	71.77%	71.60%	*0.007*	*0.467*
	Std. Dev.	6.15%	14.88%	10.98%		
BPE (Rs. Crore)	Mean	8.15	7.73	7.95	*0.132*	*0.359*
	Std. Dev.	3.31	3.75	3.48		
PPE (Rs. Crore)	Mean	0.05	0.09	0.07	*2.691*	*0.055*
	Std. Dev.	0.02	0.11	0.08		
RONW	Mean	19.64%	15.12%	17.50%	*5.214*	*0.015*
	Std. Dev.	5.68%	6.18%	6.27%		
Intspr/TA	Mean	0.42%	0.68%	0.54%	*8.478*	*0.003*
	Std. Dev.	0.15%	0.35%	0.29%		
PAT/TA	Mean	0.86%	1.05%	0.95%	*1.036*	*0.158*
	Std. Dev.	0.33%	0.76%	0.57%		
Gsec/Tinv	Mean	1.16%	0.76%	0.97%	*100.238*	*0.000*
	Std. Dev.	0.12%	0.11%	0.23%		
Gsec/TA	Mean	0.31%	0.23%	0.27%	*47.004*	*0.000*
	Std. Dev.	0.03%	0.04%	0.06%		
Beta	Mean	1.16	0.80	0.99	*5.784*	*0.011*
	Std. Dev.	0.23	0.61	0.48		

With respect to Capital Adequacy, the coverage ratio and CAR were again significantly higher for private sector banks than for public sector banks, while debt-equity ratio was significantly higher for public sector banks than for private sector banks. In terms of Management Soundness, private sector banks had significantly higher total investment to total assets ratio than public sector banks. In terms of Earnings Performance, public sector banks continued to have significantly higher RONW than private sector banks, whereas private sector banks again had significantly higher interest spread ratio than public sector banks. Also, public sector banks continued to have significantly higher Liquidity ratios and higher betas than for their private sector counterparts.

Table 5: Tests for Difference between Public Sector and Private Sector Banks - 2010

		Public Sector	Private Sector	Overall	*F Stat*	*P-Value*
D/E Ratio	Mean	19.56	12.04	16.12	*37.982*	*0.000*
	Std. Dev.	3.38	3.84	5.20		
Coverage Ratio	Mean	4.02%	8.27%	5.96%	*31.498*	*0.000*
	Std. Dev.	1.28%	3.01%	3.08%		
CAR	Mean	12.27%	15.52%	13.76%	*15.577*	*0.000*
	Std. Dev.	1.28%	3.31%	2.90%		
NNPA/Tadv	Mean	1.00%	1.04%	1.02%	*0.029*	*0.434*
	Std. Dev.	0.60%	0.83%	0.71%		
Tinv/TA	Mean	27.81%	30.20%	28.90%	*3.280*	*0.040*
	Std. Dev.	3.22%	4.57%	4.02%		
Tadv/Tdep (CDR)	Mean	71.10%	73.07%	72.00%	*0.608*	*0.221*
	Std. Dev.	4.85%	9.66%	7.39%		
BPE (Rs. Crore)	Mean	9.60	8.52	9.12	*0.608*	*0.221*
	Std. Dev.	3.96	4.25	4.07		
PPE (Rs. Crore)	Mean	0.06	0.08	0.07	*1.005*	*0.162*
	Std. Dev.	0.03	0.08	0.06		
RONW	Mean	20.76%	11.20%	16.39%	*12.793*	*0.001*
	Std. Dev.	5.97%	9.69%	9.15%		
Intspr/TA	Mean	0.34%	0.19%	0.27%	*1.095*	*0.152*
	Std. Dev.	0.18%	0.57%	0.41%		
PAT/TA	Mean	0.87%	0.89%	0.88%	*0.006*	*0.469*
	Std. Dev.	0.31%	0.86%	0.61%		
Gsec/Tinv	Mean	0.93%	0.75%	0.84%	*22.538*	*0.000*
	Std. Dev.	0.11%	0.11%	0.14%		
Gsec/TA	Mean	0.25%	0.22%	0.24%	*12.773*	*0.001*
	Std. Dev.	2.11%	3.23%	3.11%		
Beta	Mean	1.16	.85	1.02	*4.473*	*0.021*
	Std. Dev.	0.23	0.59	0.45		

With respect to Capital Adequacy, the coverage ratio and CAR were again significantly higher for private sector banks than for public sector banks, while debt-equity ratio was significantly higher for public sector banks than for private sector banks. In terms of Management Soundness, private sector banks continued to have significantly higher total investment to total assets ratio than public sector banks. With respect to Earnings Performance, public sector banks continued to have significantly higher RONW than private sector banks. Also, public sector banks continued to have significantly higher Liquidity ratios and higher betas than for their private sector counterparts.

Table-6: Tests for Difference between Public Sector and Private Sector Banks - 2011

		Public Sector	Private Sector	Overall	*F Stat*	*P-Value*
D/E Ratio	Mean	18.42	12.06	15.62	*37.530*	*0.000*
	Std. Dev.	2.61	3.45	4.36		
Coverage Ratio	Mean	4.29%	8.54%	6.16%	*39.189*	*0.000*
	Std. Dev.	1.07%	2.72%	2.89%		
CAR	Mean	12.30%	14.62%	13.32%	*14.532*	*0.001*
	Std. Dev.	1.16%	2.31%	2.09%		
NNPA/TAdv	Mean	1.00%	0.54%	0.80%	*9.788*	*0.002*
	Std. Dev.	0.42%	0.44%	0.48%		
TInv/TA	Mean	26.24%	29.43%	27.65%	*5.702*	*0.012*
	Std. Dev.	3.00%	4.77%	4.14%		
TAdv/TDep (CDR)	Mean	73.83%	76.47%	75.00%	*0.897*	*0.176*
	Std. Dev.	5.09%	10.76%	8.06%		
BPE (Rs. crore)	Mean	11.00	9.86	10.50	*0.515*	*0.239*
	Std. Dev.	4.43	4.87	4.60		
PPE (Rs. crore)	Mean	0.07	0.10	0.09	*2.490*	*0.062*
	Std. Dev.	0.03	0.09	0.06		
RONW	Mean	19.45%	13.97%	17.03%	*10.836*	*0.001*
	Std. Dev.	3.93%	5.77%	5.49%		
IntSpr/TA	Mean	0.82%	0.64%	0.74%	*4.838*	*0.018*
	Std. Dev.	0.18%	0.32%	0.26%		
PAT/TA	Mean	0.86%	1.12%	0.98%	*4.076*	*0.026*
	Std. Dev.	0.61%	0.48%	0.39%		
GSec/TInv	Mean	0.81%	0.73%	0.77%	*4.666*	*0.019*
	Std. Dev.	0.07%	0.15%	0.11%		
GSec/TA	Mean	0.21%	0.21%	0.21%	*0.042*	*0.420*
	Std. Dev.	0.01%	0.03%	0.02%		
Beta	Mean	1.16	0.91	1.05	*3.193*	*0.047*
	Std. Dev.	0.23	0.56	0.42		

With respect to Capital Adequacy, the coverage ratio and CAR continued to be significantly higher for private sector banks than for public sector banks, while debt-equity ratio was again significantly higher for public sector banks than for private sector banks. In terms of Asset Quality, public sector banks continued to have significantly higher net NPA ratio than private sector banks. In terms of Management Soundness, private sector banks continued to have significantly higher total investment to total assets ratio than public sector banks. With respect to Earnings Performance, public sector banks had significantly higher RONW and interest spread ratio than private sector banks, while private sector banks had significantly higher profit after tax ratio than public sector banks. Also, public sector banks continued to have significantly higher Liquidity ratios and higher betas than for their private sector counterparts.

Findings

The major findings of the study are as follows

- There was significant difference in the performance of the public sector and the private/foreign sector banks. It was also found that the latter has performed better in contrast with the former.
- Although public sector banks have lagged behind their private sector counterparts, they have maintained good liquidity position, which may be attributed to strict regulatory measures.
- The public sector banks have high beta which means that they are more sensitive to market risks than the private banks in India.

Recommendations

For sustainability of their business, banks must focus on performance. The results of the study suggest that most of banks are not optimally utilising their assets. Hence banks need to concentrate on the better utilization of assets to improve their profitability. Based on the results of the study, the following are some recommendations for the banking sector:

- The public sector banks should improve their capital adequacy and reduce their exposure to market risk. Also, in order to improve earnings performance, they should recruit and retain talented employees who can translate the banks' management policies into effective results.
- The private sector banks should improve their liquidity position, as capital adequacy only ensures long-term availability of funds, but short-term availability of funds is also very important.
- Most public sector banks have performed poorly in terms of earnings and asset quality. Thus, they need to improve their portfolio management, targeting higher returns in best possible way whilst minimising risk.
- The public sector banks are not optimally utilising their resources. The business per employee and profit per employee ratios are too low. Hence they should improve the efficiency of employees either by training or by providing incentives, i.e. by linking the business targets of employees to their salaries. For example, if an employee earns an annual CTC of Rs. 5 lakhs then the business target for that employee may be set at a minimum of five times of their salary, i.e. Rs. 25 lakhs. By implementing such a policy, the banks can ensure a minimum target ratio of business per employee.

Conclusion

The present study presents a comparison between the performance of public sector and private/foreign sector banks using CAMELS approach. The results of the study show that private/foreign banks fared better than public sector banks on most of the CAMELS factors in the study period. The contributing factors for the better performance of private/foreign banks were Capital Adequacy, Management Soundness, and Earnings Performance.

Thus, public sector banks should inculcate better management practices and recruit prudent staff members in order to improve their performance. As far as risk measurement is concerned, even experts suggest that there many evolving dangers that may trap banks. Apart from the known types of risks, there are many emerging risks that the present measurement tools are incapable of capturing. This is all the more urgent due to RBI's recent stress on Risk-Based Supervision (RBS). Thus, it may necessary to expand the CAMELS approach in order to reflect the relevant risks and measure them correctly.

Another emergent challenge for the Indian banking industry is the adoption of the updated Basel III norms. The new norms would imply that banks would need to sharply improve their capital adequacy, and that the government would need to infuse capital to the tune of Rs. 900 billion into the banking system.

There are some limitations inherent in the study. The sample size considered in the study is relatively small. Also, the study period is only five years, and includes the period of global financial turmoil and crisis. Thus, the results of the study may be period-specific and may not be generalisable. Also, although the CAMELS framework is used extensively by regulators for measuring and benchmarking banking performance, it suffers from certain shortcomings. There are several other dimensions of risk that are not presently captured in the CAMELS framework. For instance, the interest rate risks or forex risks influence market risk, yet they are not represented in the framework. So the model can be made better by an inclusion of such parameters. Also, the CAMELS framework cannot adequately capture qualitative aspects of performance and efficiency.

There is great scope for futher research in the area of banking performance. The banking environment is very dynamic, and therefore the tools to assess banking performance and risk measurement also need to keep evolving. There are many areas such as efficiency of banks, effective implementation of internal management practices, comprehensive risk meaurement and many others that can be studied to contribute in better understanding of performance assessment of banks and risk management strategies, not only in India but also in other countries.

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A Study of the Relationship between Job Satisfaction and Organizational Commitment of University Teachers in Maharashtra State

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ABSTRACT

This paper seeks to investigate the relationship between job satisfaction and organizational commitment of university teachers in Maharashtra state. Cross - sectional research design is used in the present study. The researcher included 274 university teachers in the sample by using proportionate stratified random sampling technique. The data collected are analysed using appropriate statistical techniques such as Arithmetic Mean, Standard Deviation, One Way ANOVA, Pearson Product Moment Correlation Coefficient and Regression Analysis. The results of the study found a significant correlation between job satisfaction and organizational commitment of university teachers.

Introduction

Universities are institutions with duties like nurturing the qualified manpower needed by state and society, progressing science and technology, providing solutions to national problems, being the producer and carrier of culture. They are organizations with the human being as sole input and output where human relations are at the highest level. Universities are the center for imparting higher education.

A nation is built to a large extent in its universities – in its classrooms, laboratories, and libraries. The universities produce highly skilled manpower needed for the economic, political and social transformation and development of our country. The teacher is the backbone of the educational system, the maker of the mankind and the architect of the society. A nation grows with the teachers and with the education imparted to the people. It is in this respect, the role of teachers acquires significance in shaping the society and in bringing revolutionary changes in the development of a country. The performance of teachers largely influences the effectiveness of the organization. Teachers can perform their functions well, if they are contented and satisfied with their jobs. Job satisfaction among teachers in the university is necessary for effectively and properly making use of the large resources poured in directly and indirectly through UGC by the State and Central Governments and for rendering maximum service to the society through building up of future human resources of the nation.**[1]**

The ability of any university to achieve its goals is a function of its ability to attract, retain and maintain competent and satisfied staff into its employment. University lecturers are currently facing many challenges in education and society, which may well affect their levels of job satisfaction.**[2]** This raises concern regarding the attitudes of educators towards their work and their levels of job satisfaction or dissatisfaction.**[3]** A key variable associated with a faculty member's decision to leave or to remain at a higher education institution is job satisfaction.**[4]**

There is much research suggesting that organisational commitment is related with variables of great importance for organisational success and efficiency such as labour turnover, absenteeism and productivity. Quality at higher education is almost impossible without satisfaction and commitment of the university teachers. And so this study is aimed at investigating the relationship

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between job satisfaction and organisational commitment of university teachers in Maharashtra state.

Job Satisfaction

In general, job satisfaction is the content workers feel about their job. It is a set of favorable or unfavorable feelings and emotion with which employees view their works. Locke (1976) stated job satisfaction as a pleasurable positive state resulting from one's job and job experience.

Organizational Commitment

Organizational commitment refers to an individual's orientation towards the organization in terms of loyalty, identification and involvement. Organizational commitment is represented by "(a) a strong belief in and acceptance of the organization's goals and values; (b) a willingness to exert considerable effort on behalf of the organization; and (c) a strong desire to maintain membership in the organization" (Hart & Willower, 2001).

Significance of the Study

With increase in competition firms have recognized importance of employee's satisfaction and performance and are developing their human resource capital to compete in this global market. Job satisfaction and organizational commitment in organizations have been receiving increasing attention because they reduce employee turnover, absenteeism, tardiness, and health setbacks due to stress. An individual who has high level of job satisfaction holds positive attitudes towards the job. Highly committed individual is more likely to be a better performer is less prone to resign than the one with a low level of organizational commitment. An understanding of the job satisfaction of university teachers is important since their dissatisfaction will hinder their performance and ability to deliver quality education to students and this will in turn affect the image of university.

Literature Review

The study conducted by **Jermier & Berkes (1979)** showed that police officers who were more satisfied with their job had higher levels of organizational commitment.[5] **Niehoff (1997)** found a small but significant correlation between job satisfaction and organizational commitment among employees in a Catholic university.[6] **Irving, Coleman & Cooper (1997)** found that job satisfaction was positively related to both affective and normative commitment. But the relationship between job satisfaction and continuance commitment was negative.[7] **Sagie (1998)** reported a high positive correlation between job satisfaction and organizational commitment among 140 clerks in an Israeli municipality.[8] **Al-Aameri (2000)** found a strong positive relationship between job satisfaction and organizational commitment nurses in public hospitals in Riyadh City.[9] **Tella A., Ayeni C. O. and Popoola S. O. (2007)** examined job satisfaction, organisational commitment and work motivation of library personnel in academic and research libraries in Oyo state, Nigeria. There was a positive correlation between job satisfaction and organizational commitment with coefficient value r = 0.1383.[10] **Hsiu-Yen Hsu (2009)** studied the relationship between organizational learning culture, job satisfaction and organizational commitment among research & development professionals in Taiwan during an economic downturn. There was a significant and positive correlation among the job satisfaction, organizational commitment and organizational learning culture with a range of 0.60 to 0.71.[11] **Gunlu E., Aksarayli M. & Percin N. S. (2010)** conducted a study on the relationship between job satisfaction and organisational commitment among hotel managers in Turkey. The results obtained from this study showed that intrinsic, extrinsic and general job satisfaction have a significant effect on normative and affective commitment. The findings further suggested that the dimensions of job satisfaction had no significant impact on continuance commitment among the hotel managers.[12] **Karim F. and Rehman O. (2012)** studied impact of job satisfaction, and perceived organizational justice on organizational commitment in semi-government organizations of Pakistan. The results of this research showed a strong correlation between organizational commitment and job satisfaction.[13] **Javad E. and Davood G. (2012)** studied organizational commitment and job satisfaction of Iranian employees in a firm of services. The results indicated that all three factors of Job satisfaction (Promotions, Personal relationships, and Favorable conditions of work) had positive and significant effects on organizational commitments.[14]

Objectives of the Study

Following are the objectives of this study:

1. To measure the level of job satisfaction of university teachers.
2. To measure the level of organizational commitment of university teachers.
3. To examine the relationship between job satisfaction and organizational commitment of university teachers.

Hypotheses of the Study

In this study the following hypotheses are formulated and tested:

1. There is no significant correlation between job satisfaction and organizational commitment.
2. Job satisfaction does not significantly explain the variance in organizational commitment.

Research Methodology

Cross-sectional research design is used in the present study. This is a descriptive and correlational research in which quantitative method is used. Maharashtra state is divided into five geographical divisions namely Konkan, North Maharashtra, West Maharashtra, Marathwada and Vidarbha. From each division one university is selected for the study. The universities selected are Mumbai University, North Maharashtra University, Pune University, Dr. Babasaheb Ambedkar Marathwada University and Sant Gadge Baba Amravati University. The population consists of full time permanent teachers such as assistant professors, associate professors and professors appointed by the universities. The proportionate stratified random sampling technique is used to choose the sample. The stratification is made on the basis of university and designation by choosing 28.75% of population as sample, so as to make the sample representative. The sample included 274 university teachers. In this study both primary and secondary data are used. Primary data are collected by administering Job Satisfaction Questionnaire and Organisational Commitment Questionnaire to the university teachers. Five point Likert's Scale is used to measure the level of job satisfaction and organizational commitment. Secondary data are collected through books, journals, websites and office records of universities. The data collected are analysed using appropriate statistical techniques such as Arithmetic Mean, Standard Deviation, One Way ANOVA, Pearson Product Moment Correlation Coefficient and Regression Analysis.

Data Analysis

Measurement of the Level of Job Satisfaction

The mean score of job satisfaction of the sample found to be 3.38 (M) with standard deviation (σ) 0.49. The university teachers can be grouped into three levels, viz., high, average and low based on their job satisfaction scores obtained through the Job Satisfaction Questionnaire. Those getting scores at or above 'M+σ' are grouped as 'high job satisfaction group' and those getting scores below 'M-σ' are grouped as 'low job satisfaction group'. Those getting scores between 'M+σ' and 'M-σ' are grouped as 'average job satisfaction'. Here 'M' is mean and 'σ' is standard deviation.

Table 1: Level of Job Satisfaction of University Teachers

Level	Frequency	Percentage
High Job Satisfaction	49	17.88
Average Job Satisfaction	179	65.33
Low Job Satisfaction	46	16.79
Total	**274**	**100**

Note: Mean = 3.38 and Standard Deviation = 0.49.

Source: Primary Data

From table 1, it is clear that 49 (17.88%) of the university teachers have high job satisfaction, 179 (65.33%) have average job satisfaction and 46 (16.79%) have low job satisfaction.

Measurement of the Level of Organizational Commitment

The mean score of organizational commitment of the sample found to be 3.47 with standard deviation 0.60. The grouping of university teachers into three levels, viz., high, average and low based on their organizational commitment scores obtained through the Organizational Commitment Questionnaire is shown in the following table.

Table-2: Level of Organizational Commitment of University Teachers

Level	Frequency	Percentage
High Organizational Commitment	52	18.98
Average Organizational Commitment	184	67.15
Low Organizational Commitment	38	13.87
Total	**274**	**100**

Note: Mean = 3.47 and Standard Deviation = 0.60.

Source: Primary Data

From table 2, it is clear that 52 (18.98%) of the university teachers have high organizational commitment, 184 (67.15%) have average organizational commitment and 38 (13.87%) have low organizational commitment.

Relationship between Job Satisfaction and Organizational Commitment

Table 3 indicates the relationship between job satisfaction and organizational commitment.

Table-3: Correlation between Job Satisfaction and Organizational Commitment

		Job Satisfaction	**Organizational Commitment**
Job Satisfaction	Pearson Correlation	1	0.434*
	Sig. (2-tailed)	-	0.000
Organizational Commitment	Pearson Correlation	0.434*	1
	Sig. (2-tailed)	0.000	-

* Correlation is significant at the 0.01 level (2-tailed).

Pearson correlation coefficient (r = 0.434) between job satisfaction and organizational commitment of university teachers is significant at 0.01 level (as $p < 0.01$), so the null hypothesis stating that there is no significant correlation between job satisfaction and organizational commitment of university teachers is rejected and it is concluded that there is significant correlation between job satisfaction and organizational commitment of university teachers. Based on a guideline developed by Cohen (1988) about the interpretation of correlation coefficient, it can be said that the correlation between job satisfaction and organizational commitment is moderate and positive.

Table 4 indicates the results of regression analysis between job satisfaction and organizational commitment. Results of regression analysis indicate that the correlation coefficient between job satisfaction and organizational commitment is 0.434. The R-Squared value (i. e. coefficient of determination) of 0.188 indicates that job satisfaction explains 18.80% of the variance in organizational commitment. The F-statistic of 63.098 is statistically significant at the 0.01 level (as $p < 0.01$). So the null hypothesis stating that job satisfaction does not statistically explain the variance in organizational commitment of university teachers is rejected and it is concluded that job satisfaction statistically explains the variance in organizational commitment of university teachers.

Table-4: Regression Analysis between Job Satisfaction and Organizational Commitment

R	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
0.434	0.188	0.185	0.434

ANOVA

	Sum of Squares	**df**	**Mean Square**	**F**	**Sig.**
Regression	11.885	1	11.885	63.098	0.000*
Residual	51.233	272	0.188		
Total	63.118	273			

*$p < 0.01$

Predictors: (Constant), Job Satisfaction Dependent Variable: Organizational Commitment

Conclusions

On the basis of above data analysis the following conclusions can be drawn.

1. Majority of the university teachers have moderate job satisfaction.
2. Majority of the university teachers have moderate organizational commitment.
3. There is significant correlation between job satisfaction and organizational commitment of university teachers. The correlation between job satisfaction and organizational commitment is moderate and positive.
4. Job satisfaction statistically explains the variance in organizational commitment of university teachers.

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Revisiting the Methods for Measuring Market Power and Concentration

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ABSTRACT

Governments and market competition regulators are always concerned with the smooth functioning of the 'Markets' and are in constant watch with respect to 'Market Power'. The process of liberalization, privatization and globalization has brought in both good and bad consequences with them. The good part is that the consumers are able to choose products or services from a wide spectrum of competitive firms and the not so desirable part is that the market structures are getting skewed due to dominance of large players. The mergers and acquisitions are giving rise to 'Concentrated Markets' where the competition may be destroyed. The anti-trust law regulators are always on lookout for these types of market imperfections. In this backdrop, the present paper aims at bringing out the ways and means of exploring the market concentration. The concepts such as concentration ratios, Herfindahl-Hirschman Index and Lerner Index will be elaborated. The concept being new to the Indian context would be using exploratory method of research.

Introduction

1.0 Introduction

According to Bishop and Walker (2010) in competition policies, the notion of market power is a fundamental category. Practically the majority of market regulators focus on market power and concentration especially during mergers and combinations; therefore, its measurement is of paramount importance. Market power indicates capability of companies to sustain their prices for prolonged periods above the competition[i]. The regulators are considered with quantifying the market power for ensuring smooth functioning of the markets. The regulatory bodies are always on watch such that no individual firm or group of firms gains such a market power, which is not desirable for the functioning of the markets[ii]. The regulators many times analyze the 'Supply Side Dynamics' for deciding on the market power. Traditionally, the concept of market power and concentration was more focused on manufacturing sector but of late, the regulators of services sector also started to analyze the market power and concentration[iii]. Understanding the concept of market power as well as having operational level knowledge relating to the assessment of market power is very essential to the managers and budding corporate legal professionals. The importance of understanding the concept and methods of assessment relating to market power emerges from the crucial fact that antitrust cases deal with the market power and anti-competitive behavior of the larger players[iv]. All the antitrust laws[v] or competition laws deal with creation, existence and exercise of market power and the ways and means of curbing unwanted market power. Analysis of market concentration gains more importance in the case of corporate restructuring cases like mergers and acquisitions. Competition authority's world over try to preserve the market efficiencies and protect the consumer from anti-competitive environment[vi]. Three critical questions typically arise in deciding upon the Abuse of Dominance (AoD)[vii] which are:

a) What is the relevant market in which the abuse of dominance is alleged?

b) Is the firm, which is being reviewed, or the merger being reviewed having dominant position in the relevant market?

c) Is there any abuse of dominance in the relevant market?

2.0 Review of Literature

The review of literature relating to market power and concentration is closely related to the body of knowledge relating to the 'Income Inequality' in economics and the past studies made with respect to market concentration draw lot of analogies from studies of income inequalities. The previous studies on 'Market Power' and 'Concentration' focused on various dimensions relating to

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concentration and competition. The early studies have tried to understand the relation between 'Market Structure' and 'Market Performance'. Scherer (1980) and Shepherd (1979) have stated that the relationship between market structure and market performance could not always be found using the indexes of concentration. Another studies made by Collins and Preston (1969) and Heggestad (1979) have documented the presence of weak or nonexistent relations between market structure and market performance. Studies made by Adelman (1969) and White (1982) have pointed out that even if the concentration indexes do not always reveal the relationship between the market structure and market power the indexes have importance in the antitrust cases. The consistent relationship between performance and concentration in financial markets has been studied by Heggestad (1979) and found that "The concentration-profitability relationship in banking has been found to be quite weak, which is surprising, since many studies find that price and non-price competition is affected by concentration."

The usage of concentration indexes has increased over a period of time. According to Albert O. Hirschman (1945), statistical indexes of industrial concentration grew out of attempts by economists and statisticians in the early twentieth century to measure income distribution and inequality[viii]. Lorenz Curve[ix] and Gini Coefficient[x] could be considered as the initial measures of concentration. The Gini coefficient was developed to measure the degree of concentration (inequality) of a variable in a distribution of its elements. The past studies have quoted that as a measure of concentration, the Lorenz-Gini measure works well when the resource under measurement is allocated over a sufficiently large number of observations, such as in the distribution of wealth or income across a society. As applied to industrial concentration, however, the Gini Index fails to provide crucial information about the number of firms in the industry.

The methods for the measurement of competition are categorized into two streams such as 'Structural' and 'Non-Structural' methods[xi]. Mason (1939) and Bain (1956) developed the structural models for measuring competition and the methods are referred to as Structure-Conduct-Performance (SCP) paradigm. Under the SCP paradigm the most commonly used methods are a) number of firms[xii], b) the concentration ratios and c) Herfindahl-Hirschman Index (HHI). Bikker and Haaf (2002) present other concentration measures such as the Hall-Tideman index, the Rosenbluth index, the CCI, the Hannah-Kay index, the U-index, the Hause indices, and the Entropy measure. SCP suggests that higher concentration leads to higher prices which lead to higher financial returns. Contradictory studies exist on SCP models. Berger and Hannan (1989), Okeahalam (1998) Prager and Hannan (1998) support the SCP framework. There is also theoretical criticism of the SCP. Demsetz (1973) and Berger (1995) have criticized the efficiency of the SCP methods.

Even though there are various methods of assessing market power and concentration there is no universally accepted method or approach. For the purpose of this paper several commonly used indicators of concentration, namely, Lerner Index, Boone Indicator, CR2, CR4, as well as the Hirschman-Herfindal index (HHI) will be analyzed. Further, a brief discussion on SSNIP test for determining the 'Relevant Market' is also conducted.

3.0 Objective of the Study and Methodology

The general objective of this study is to analyze the conceptual differences between various methods or approaches used to measure concentration or market power. The study being a review of conceptual and theoretical framework follows descriptive method of research.

4.0 Introduction to Measures of Market Power

The fact that competition is a complex notion, and therefore not directly observable, has resulted in the development of many methods for its assessment. The methods for the measurement of competition are generally categorized into two streams. The two streams of methods may be grouped into 'Structural' and 'Non-Structural' measures of market power and competition. The basic methods or approaches used to measure concentration are popularly referred as 'Concentration Indices'. Concentration indices are employed to measure the level of competition in an industry, often to examine whether concerns for dominant position creation exist in the case of mergers and acquisitions.

4.1 Concentration Indices

Theoretically, the market structures would be having two extremes such as perfect competition and monopoly. The market structure depends on the number of sellers and number of buyers. From the seller side we could visualize the markets as monopoly, monopolistic competition[xiii] and oligopoly and from the buyer side we may summarize the markets as monopsony, monopsonistic competition and oligopsony. When the markets are not functioning perfectly the role of the regulatory would be on a higher side. Market concentration is the key element of market structures and important determinant in the conduct of the markets. Studying the market structure and concentration would help the regulators frame appropriate competition policy. The concentration indices used in measuring market concentration include Concentration Ratio, Herfindahl-Hirschman Index (HHI), Lorenz Curves and Gini Coefficient.

Traditionally, economists and regulators used the concept of 'Concentration Ratios' (CRs)[xiv] to assess the degree of competition in the market. CR uses the 'Turnover or Sales' as the basis for measuring the degree of concentration[xv]. Concentration ratios also provide information regarding the industry's competitiveness and the scope of available for economies of scale. According to Hannaford (2006),[xvi] 'The Concentration Ratio indicates the relative size of k-large firms in relation to their industry as a whole'. It shows whether a few large firms or many small firms dominate an industry. Therefore, CRk was used as an indicator of the relative size of firms in relation to the industry as a whole. Normally 4-firm and 8-firm concentration ratios are used conventionally. The ratio has an upper limit of 100%, which would be obtained if the k-largest firms accounted for all of the industrial sales. This is applicable in pure monopoly or monopsony. Thus, the more the market is dominated by a few large firms the large the concentration ratio will be. Market is often deemed highly concentrated, implying that few firms are controlling the market, when the CR4 or CR8 is equal to or greater than 75%. However, the concentrations suffer from some limitations such as, no explanation for taking four or eight firms for analysis and the concentration ratios would not give explanation about actual market structure.

Another commonly used measure of market concentration is Herfindahl-Hirschman Index[xvii] and it is calculated by squaring the market share of each firm competing in the market and then summing the squared market shares. The HHI value can range from near to zero to 10,000. The higher the ratio the closer is the market to monopoly. The HHI reaches a maximum value of 10,000 when a monopoly exists in which one firm has 100 percent of the market, that is, the HHI = $(100)^2$ = 10,000. In contrast, the HHI takes on a very small value, theoretically approaching zero, in a purely competitive market in which there are many firms with small market shares. The Federal Trade Commission of US divides the spectrum of market concentration as measured by the HHI into three regions that can be broadly characterized as unconcentrated (HHI below 1000), moderately concentrated (HHI between 1000 and 1800), and highly concentrated (HHI above 1800). Despite its popularity, HHI suffers from few fundamental model limitations[xviii].

Apart from HHI another index that has got popularity is the 'Lerner Index[xix]' for measuring market power. Lerner Index is used to identify and analyze the existence of monopoly or monopsony power and the index values vary between zero and one, with higher values indicating greater monopoly power. Under the conditions of perfect competition, the value of Lerner index would be zero. Researchers prefer the Lerner index because of its more direct measurement of market power[xx]. Lerner index measures the capability of the firm to raise the selling price above the marginal cost.

Market shares and the overall level of concentration in a market normally give useful first information about the competitive situation in a market. The main purpose of assessing market share and concentration levels is to specify in which situations the competition regulators are not likely to have competitive concerns and in which situations they may have such concerns, and to improve the predictability of the enforcement system during anti-trust litigations. Competition authorities such as CCI advise the companies while applying for approvals to mergers or combinations to specify the relevant markets and possible anti-competitive situations that may arise due to such mergers or combinations. As stated above there are many approaches for measuring 'Market Power' and 'Concentration'. These measures differ in their assessment of the magnitude of inequality of market. One of the major challenges in application of the concentration indices is the determination of the 'Relevant Market' for determining market power and concentration. The next section discusses the methods for determining the relevant markets for the market competition analysis.

4.2 Major Challenge in Applying Concentration Indices

One of the major challenges in application of concentration indices for measuring market power and concentration is the definition of 'Relevant Market'. The relevant market maybe further categorized into 'Product Market' and 'Geographic Market'. Relevant market analysis depends on the concept of 'Substitutability' (both demand-side substitutability and supply-side substitutability)[xxi]. The definition of markets forms a major part of anti-competitive cases against horizontal mergers. Competition regulators use market definition to identify the relevant products and markets, market participants, market shares and concentration[xxii]. Market definition focuses on the customers' ability to get product or service substitution even after the horizontal merger. Given the importance of market definition, it is not surprising that various jurisdictions publish documents, which provide a systematic conceptual framework of defining relevant markets[xxiii]. There are various quantitative techniques available for determination of relevant markets and are generally categorized into direct and indirect techniques. Direct quantitative techniques take into account SSNIP test criterion and indirect tests do not take into account the SSNIP test criterion[xxiv].

A market definition should normally contain two dimensions: a product and geographic area. It is often practical to define the relevant product market first and only then to define the relevant geographic market[xxv]. The competition authorities may define the relevant market either 'broadly' or 'narrowly'. The most common tool used to define the relevant market is 'Small But Significant and Non-Transitory' (SSNIP) and this tool is also referred to as 'Hypothetical Monopoly Test'. The purpose of this tool is to define the smallest possible markets in both the product and geographic dimension, whereby a hypothetical monopolist could profitably and permanently raise the price of the products by 5 to 10 per cent above the competitive level. Loosely, a market defined by such a methodology is "something worth monopolising", and therefore high market shares within such a market might imply the ability to exercise market power. In Indian context, the quantitative data needed to carry on SSNIP tests are often not available. Often the competition regulatory authorities are faced with situations where the standard well-known methods of determining substitutability are not effective because of non-availability of quantitative data or irrelevance of price as a competitive parameter or the price being not a major parameter for decision making for the customer[xxvi].

5.0 Conclusion

Market power and concentration arises where firm(s) does not face effective competition pressure. Both suppliers and buyers can have market power. Generally, the market power is discussed from supplier point of view. Market power may lead to misuse of the 'Dominant' position. The competition statutes around the world are always in a lookout for eradicating market power and concentration. During the process of deciding on the anti-trust cases, the competition regulatory authorities use many quantitative and qualitative tools for measuring market power or concentration. The present paper has made a review of the popular concentration indices. In Indian context, these concepts have not yet been fully adopted. With respect to the competition regulation, India has made a great progress but there is a long way to go.

Foot Notes and References

[i] In a sense, the market power is the ability of the firm to increase the prices above the marginal costs and gain profits. Market power is closely associated with the firm's Price-Elasticity of Demand (PED). The more the market power of the firm, the less effect and increase in price will have on quantity demanded with the change in the price.

[ii] Firms, which exercise more market power, are referred as 'Price Makers' Market power generally exists when the nature of the market is either monopoly or oligopoly. The topic of market power and concentration are well-researched topics in economics and industrial organization.

[iii] To quote an instance the Telecom Regulatory of India (TRAI) has undertaken a study in 2003 to understand the market structure in telecom industry. The study dealt with Intra-Circle Mergers and Acquisitions. The study has used the HHI and Concentration Ratios to frame guidelines with respect to competition. As per the study in India, the HHI indices for fixed-line telephony were quoted to be above 5000 indicating very strong concentration and lack of competition because of the monopoly of BSNL. The HHI calculated for mobile services increased from 1200 in 2002 to 1700 by the end of 2005 and this indicates the decrease in competition and increase in concentration.

[iv] Anti-competitive behavior of the large market players can be categorized into a) anti-competitive agreements b) abuse of dominance and c) mergers and acquisition and in most countries, the role of the competition authority or competition commission is similar to the role of the regulator for market development such as TRAI.

[v] The Sherman Antitrust Act (Sherman Act) of 1890 is a landmark US statue that deals with the prohibition of certain business activities that would hamper the competition. Article 82 of EU Treaty prohibits Abuse of Dominance (AoD). In India, competition law replaced the MRTP. The Competition Act, 2002 was passed by Parliament in the year 2002; to which president give assent in Jan. 2003. The provisions of the Competition Act relating to anti-competitive agreements and abuse of dominant position were notified on May 20, 2009.

[vi] The competition commission of India (CCI) tests merger activity for its ability to cause an Appreciable Adverse Effect on Concentration (AAEC) by using the concentration indexes. The AAEC test is an economic assessment of the competitive effect of a concentration including factors such as the existence of barriers to entry, countervailing buying power, efficiencies generated by the transactions and the level of control in India.

[vii] In the famous Microsoft Anti-trust case, it was alleged that Microsoft, which has dominant (having 95% share) in the operating software market, abused its dominance to gain advantage in the application software market viz. internet browser and MP3 player market. In Indian context, the CCI in September 2014 has identified that 14 car manufacturers (OEMs) has abused the dominance. According to CCI the 14 carmakers has restricted the sale and supply of genuine spare parts in open market thereby violating the provision of Competition Act, 2002. The companies, which were fined, are BMW India, Ford India, General Motor India and others. In determining the dominance of OEMs, CCI observed that due to the technical specificity of the cars manufactured by each OEM, the spare parts of a particular brand of an automobile could not be used to repair and maintain cars manufactured by another carmaker. Further, each OEM is a monopolist player and owns 100% of the market share of the spare parts and repair service market. Based on these facts the CCI observed that each of the OEMs is a 'Dominant Player' in the 'Relevant Market'.

[viii] National Power and the Structure of Foreign Trade (1945)

[ix] Developed by Max O. Lorenz in 1905 for representing the inequality of the wealth distribution

[x] Developed by Corrado Gini in 1912

[xi] Structural approaches are related to traditional industrial organization theory, which uses structure-conduct-performance paradigm. On the other hand, non-structural approaches assume that factors other than market structures and concentration may affect competitive behavior. Non-structural approaches have new empirical industrial organization (NEIO) as background. Lerner Index and PE elasticity are the well-accepted non-structural approaches to measure competition.

[xii] The number of firms is the simplest index to assess competition. However, the index does not take into account the distribution of firms. On the other hand, the concentration ratio and HHI are the preferred methods for measuring competition by researchers.

[xiii] The most famous case dealing with monopolistic competition is the case of United States vs. Microsoft Corp.

[xiv] The use of concentration indices was mostly in the manufacturing sector to study the market structure. Of late, these indices have been used to study the concentration in the financial services also

[xv] In telecommunication sector number of subscribers, revenues or capacity determines the market share of the operators.

[xvi] Hananaford, S. 2006. Measures of market concentration.

[xvii] The economists A.O. Hirschman (in 1945) and O.C. Herfindahl developed the index independently (in 1950). Hirschman presented the index in his book, National Power and the Structure of Foreign Trade (Berkeley: University of California Press, 1945).

[xviii] Rhoades (1995) has quoted a major limitation of HHI. The limitation is that the distribution of market shares with radically different tail properties may have HHI of similar magnitude. Maasoumi and Slottje (2002) have argued that common economic phenomena like mergers between a strong and a weak firm or entries and exits only change certain parts of the distribution of market share – often the tails only. Indices based solely on "dispersion'' or variance, (e.g., HHI, Gini, etc.) may miss such changes.

[xix] Introduced by Abba P. Lerner in 1934

[xx] According to Berger (1995) and Rhoades (1995), HHI as a measure of market power lacks consistency and robustness.

[xxi] In Indian scenario, the concept of substitutability has been demonstrated by CCI in the case of DLF Real Estate Developer case. The CCI examined the question of relevant geographic market. Based on the facts of the case the Gurgaon has been decided as the relevant market. The CCI contended that a decision to purchase a high-end apartment in Gurgaon is not easily substitutable by a decision to purchase a similar apartment in another geographical location. In DLF case, CCI also has observed that characteristics of certain sectors will not always permit the application of the SSNIP test because in some cases the quality of service and not price, exerts the greater influence on customer choice.

[xxii] In April 2015, the CCI has cleared the proposed merger of French cement maker Lafarge and Swiss peer Holcim. The CCI has analysed the market power and concentrations issues and has given approval for merger with some riders such as both the firms have to divest two cement plants to address monopoly concerns. CCI ordered Lafarge to divest plants at Jharkhand and Chhattisgarh plants. The plants were selected by CCI after considering the appreciable adverse effect on competition in India in the relevant market for grey cement in the Eastern Region. The pre-merger market share of Holcim in the relevant market is around 25% and that of Lafarge is around 16%, thus resulting in a market share of around 41% after merger. The total cement manufacturing capacity of Holcim and Lafarge in India was about 67 million tonnes in 2013 – 14. The total installed capacity of cement manufacture in India was 350 million tonnes. The closest rival for the combined firm is considered as Aditya Birla Group's Ultratech Cement has an annual capacity of 63 million tonnes. The divesting by the Lafarge and Holcim will reduce the capacity by 5 million tonnes making the market competitive.

[xxiii] In EU, European Commission published Notice on Definition of the Relevant Market for the Purposes of Community Competition Law (1997) and in the US the market definition methodology is laid down in the Horizontal Merger Guidelines (2010) and in Mexico the assessment of relevant markets are documented in 'Market Definition: Assessment of the Relevant Market in Competition Matters' (2011).

[xxiv] In the historic case of MCX vs. NSE, the CCI has used SSNIP test. In the said case, MCX has alleged that due to the transaction fee waiver by NSE (due to high market power and dominance) the MCX has also forced to waive the transaction fee for the transaction in currency derivatives. The losses suffered by the MCX were much higher than the NSE because the NSE at that point of time was enjoying 'economies of scale' and has the ability to cross-finance the losses from the profits made in the other segments. The CCI in the case has

found that NSE was using dominance position because of its overall financial strength and vertical integration in the stock markets.

[xxv] In December 2014, the Competition Commission of India (CCI) has analysed the market power and concentration issues in the case of horizontal merger of Sun Pharma Industries Limited and Ranbaxy Laboratories Limited. The CCI has put the multi-billion dollar deal for public scrutiny. This is the first case where the mergers in India have been put for public scrutiny. The scrutiny is to analyse the market concentration resulting from merger in the molecules market, the basic building block of the pharma market. It has been observed that both the parties to the merger are engaged in the manufacture, sale and marketing of various pharma products including formulations / medicines and APIs. On the basis of the combined market share of the Parties, incremental market share as a result of the merger, market share of the competitors, number of significant players in the relevant market, the commission found that there are 49 relevant markets where the proposed merger was likely to have appreciable adverse effect on competition in the relevant market in India.

[xxvi] In the NSE case, the CCI has observed that the trading fee is very small part of overall cost of trading in securities. A minor change of 5 – 10% change in the trading fee would not motivate the traders to shift to another segment.

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Dynamics of Indian Stock Market – Role of Domestic Institutional Investors – A Causality Study

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ABSTRACT

Indian stock market being one among the top performing stock markets of the world has been attracting substantial amount of institutional investments from the last one decade. The increasing participation of institutional investors has assumed to have steadily controlled the investment scenario of the stock market. The present article examines the short-term and long-term causal relationship between Domestic Institutional Investors (DIIs) and Indian stock market. The study uses the monthly time series data on advances to declines ratio (ADR) of Bombay Stock Exchange (BSE) and National Stock Exchange (NSE), and purchases to sales ratio of DIIs. The sample period spans from April 2007 to December 2013. To attain the intent of the study, the article employs the empirical techniques such as Unit root tests, co-integration tests and VECM as part of research methodology. From the result of co-integrating relationship it is found that the variables understudy are co-integrated which holds that there is long run association between the variables. Moreover, the empirical results of VECM confirm a unidirectional long run causality running from DIIs to Indian stock market. Also, it is evident from the test results that there is no short-run bidirectional relationship running between DIIs and Indian stock market.

Introduction

Institutional investors are playing an increasingly important role in the development of Indian stock market. Existence of large numbers of institutional investors in the stock market tend to be less volatile and allocate resources and capital more efficiently to companies requiring funding. Institutional investors being highly specialized and managing substantial capital are better positioned to put pressure on corporations and their management to improve corporate governance and transparency. By pooling assets and employing high quality investment professionals, institutional investors can develop better investment strategies and build solid risk management systems, which results in higher and more stable returns for investors. Hence there is a need for institutional investors and it is particularly important to create domestic institutional investors, as without these investors the flight to capital by foreigners in times of crisis and uncertainty will create even greater volatility in the stock market.

India being one of the favorite investment destinations for the foreign institutional investors attracted huge amount of funds from these investors. Indian stock market has been depending on the money flow from foreign financial institutions for sustainable rallies and FIIs have consistently dominated market and their investments are directly related to rise and fall of the Indian stock market. The FIIs in rush of maximizing their returns look for better investment destinations and shuffle their investments from one market to another. The withdrawal of investments by FIIs from the stock market tends to create pressure on selling side and increases volatility in the market, which the Indian stock market experienced in many occasions.

In a scenario of extreme pessimism surrounding the stock markets during the year 2008, it is the Domestic Institutional Investors (DIIs) who have kept faith in the market, while Sensex had lost 8,000 points

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by the end of year 2008 prompting retail (small) investors to follow FIIs, who had been in a sell mode all throughout. DIIs had provided the much needed support to the markets; this is why their conviction, as evident from their continuous buying in domestic equities stood out even as every other influential investor segment had lost hope in stocks in 2008. DIIs consisting of banks, financial institutions, insurance companies and mutual funds, had net investments to the tune of Rs 72,966.78 crore till December 2008, cumulative data for both Bombay Stock Exchange and National Stock Exchange show. Whereas, FIIs are the biggest category of net sellers, offloading shares amounting to Rs. 101,802.57 crore in the same period.

While Indian investors cheered the bull-run in stock markets, nearly 3,000 point-rally in Sensex post elections in June 2009, which seems to be the handiwork of foreigners. Foreign institutional investors (FIIs) were doing most of the buying, while domestic institutional investors (DIIs) such as banks, financial houses, insurance companies and mutual funds have largely remained on the sales side.

Domestic institutional investors have emerged as net buyers during the period of recession in the Indian stock market on one hand and were on the selling mood in the boom period on the other hand. Therefore, the increasing influence of domestic institutional investors forms an essential component of the Indian stock market behavior and it is necessary to analyze the causal relationship between them. There are few research studies, which analyzed the impact of mutual funds on the Indian stock market, which forms only a part of DIIs. Hence, there is a lack of research activity on establishing the causal relationship between; DIIs which includes the institutional investments made by the banks, financial institutions, insurance companies and mutual funds, and the Indian stock market.

Objective of the Study

The present study aims at analyzing the co-integration and consequently to find both long run and short run causal relationship i.e., unilateral or bilateral between domestic institutional investors' investments and the Indian stock market.

Hypothesis of the Study

The present study is carried out to test the following hypothesis:

H_o: There is no causality between domestic institutional investors' investments and Indian stock market.

H_a: There is causality between domestic institutional investors' investments and Indian stock market.

Data and Research Methodology

The study used the monthly time series data of Domestic Institutional Investors' (DIIs) investments and Advances to Decline Ratio (ADR) of BSE and NSE. Further the DIIs investments Purchase to Sales Ratio (PSR) are calculated by the following method:

DIIPSRt= log (Pt/St)

Where, DIIPSRt is the monthly purchase to sale ratio of domestic institutional investments and Pt denotes the monthly DIIs purchases, whereas St denotes the monthly DIIs sales. The calculated monthly purchase to sales ratio of domestic institutional investors' investments is represented by DIIPSR.

The ADR for BSE and NSE have been calculated on the basis of monthly advances and declines of the respective stock exchanges through following value:

ADRt=log (Xt/ Yt)

Where, Xt is the monthly advances of the stock exchange and Yt denotes the monthly declines of the stock exchange. The calculated ADR of BSE is represented by BSEADR and that of NSE is represented by NSEADR.

The study covers a period from April, 2007 to December, 2013. Monthly time series data is used in the study to capture the insights into the market movements comprising 81 observations from April, 2007 to December, 2013.

To carry out the predetermined objective and to test the hypothesis the study employed the empirical tools such as Unit Root Tests, Co-integration Tests, Vector Error Correction Model (VECM) and Variance Decomposition Analysis as part of research analysis.

Test of Normality:

Jarque-Bera (JB) test is used to test whether the variables understudy follow the normal probability distribution. The Jarque-Bera test of normality is an asymptotic or large sample test. This test computes the skewness and kurtosis measures and uses the following test statistic:

JB=n [S2/6+ (K-3)/24]

Where n=sample size, S= skewness coefficient, and K=kurtosis coefficient. For a normally distributed variable, S=0 and K=3, therefore the JB test of normality is a test of the joint hypothesis that S and K are 0 and 3 respectively.

Unit Root Test (Stationarity Test)

The variables in a regression model must be stationary or co-integrated so as to avoid spurious regression. Therefore, unit root tests are conducted to verify the stationary properties of the time series data. A series is said to be integrated of order d, denoted I (d), if it has to be differenced d times before it becomes stationary. If a series, by itself is stationary at level without having to be first differenced, then it is said to be I (0). The stationary properties of the time series data understudy are tested using Augmented Dickey Fuller (ADF), Phillips – Perron (PP) and Kwiatkowski-Phillips-Schmidt-Shin (KPSS) Tests.

Co-integration Test:

In order to verify the existence of co-integration between the variables understudy, Johansen Co-integration Test is used. The precondition for the conduct of Johansen co-integration test is that all the variables must be stationary. This method allows the empirical determination of the number of co-integrating relations and produces maximum likelihood estimators of the parameters of these relations. Two test statistics namely Trace Test Statistic and the Maximum Eigen Value Test Statistic are used to identify the number of co-integrating vectors. Finding of co-integration implies the existence of long-term relationship between the dependent and independent variables. If there is at least one co-integrating relationship among the variables, then the causal relationship among these variables can be determined by estimating the Vector Error Correction Model (VECM).

Vector Error Correction Model (VECM)

Vector error correction model is a dynamical system with the characteristics that the deviation of the current state from its long-run relationship will be fed into its short-run dynamics. An error correction model doesn't correct the error in another model. Error Correction Models (ECMs) are a category of multiple time series models that directly estimate the speed at which a dependent variable (Y) returns to equilibrium after a change in an independent variable(X). VECM is theoretically driven approach useful for estimating both short term and long term effects of one time series on another. Thus, it often meshes well with our theories of political and social processes. VECM is a useful model when dealing with co-integrated data.

Empirical Analysis

I. Jarque-Bera Statistics are used to test the Normality of the variables i.e., DIIPSR, BSEADR and NSEADR. The results are shown in Table1 along with descriptive statistics. The skewness coefficient in excess of unity is taken to be fairly extreme (Chou, 1969). High or low kurtosis value indicates extreme leptokurtic or extreme plyatykurtic (Parkinson 1987). Skewness value 0 and kurtosis value 3 indicates that the variables are normally distributed. As per the statistics of Table1 frequency of all the three variables are normally distributed.

Table 1: Descriptive Statistics

	DIIPSR	BSEADR	NSEADR
Mean	0.010469	-0.098436	-0.119869
Median	0.041404	0.000000	-0.105361
Maximum	0.529703	2.476538	2.351375
Minimum	-0.535311	-2.302585	-2.302585
Std. Dev.	0.257272	1.115463	1.003239
Skewness	-0.245117	0.018013	-0.233677
Kurtosis	2.334593	2.663443	3.470023
Jarque-Bera	2.305446	0.386668	1.482779
Probability	0.315776	0.824207	0.476451
Sum	0.848009	-7.973293	-9.709354
Sum Sq. Dev.	5.295099	99.54062	80.51909
Observations	81	81	81

The results are further supported by Jarque-Bera (probability > 5%) for the three variable understudy. The null hypothesis of normality assumption cannot be rejected and concludes that all the variables understudy are normally distributed. The standard deviation indicates that the DIIPSR is relatively less volatile as compared to that of other two variables and BSEADR is highly volatile among the three variables.

II. To check the stationary properties of the time series, unit root tests such as ADF, PP and KPSS tests are performed. The results of these tests are shown in Tables- 2 and 3.

Table 2: Augmented Dickey-Fuller (ADF) Test and Phillips-Perron (PP) Test

Variable	ADF Test Statistics	PP Test Statistics	Probability
DIIPSR	-6.723748*	-6.712684*	0.0000
BSEADR	-6.951356*	-6.886075*	0.0000
NSEADR	-6.693340*	-6.721198*	0.0000

*Denotes statistically significant at 1% and 5% levels

The critical value of ADF Statistics and PP Statistics are -4.076860 and -3.466966 at 1% and 5% level of significance respectively.

The results of ADF and PP unit root tests performed to confirm the stationary properties of the time series data shows that the absolute value of calculated ADF test statistic and PP test statistic is greater than its critical value at both 1% and 5% level of significance for the entire three variables understudy. This indicates that the integration of all the series is of order I (0) and there is no unit root. Therefore, the null hypothesis of non-stationary data cannot be established and hence all the three series are fit for further research.

Table 3: Kwiatkowski-Phillips-Schmidt-Shin (KPSS) Test

Variable	KPSS Test Statistics	Critical Value (1%)	Critical Value (5%)
DIIPSR	0.064200	0.216000	0.146000
BSEADR	0.072777	0.216000	0.146000
NSEADR	0.065191	0.216000	0.146000

Further in order to verify the results of ADF and PP unit root test, Kwiatkowski-Phillips-Schmidt-Shin (KPSS) test is applied. The results of KPSS test statistics for all the three variables understudy are less than the critical values at 1% and 5%. Therefore, the null hypothesis of stationary is not rejected. So, all three series in the study viz. DIIPSR, BSEADR and NSEADR are stationary and fulfills the requirements for further research process.

III. As all the three variables are found to be I (0), then the next step is to test for the existence of co-integration between them. This is accomplished by using Johansen co-integration test. In order to conduct the co-integration test, the appropriate lag length of the model is determined by using Vector Auto Regression (VAR) model. Both Akaike Information Criterion (AIC) and Schwarz Information Criterion (SIC) have selected lag 1 as appropriate lag for the model. Therefore, for the present model lag 1 is selected as the appropriate lag for the conduct of the co-integration test and for running VECM.

The results of Johansen co-integration test are given in Table 4 and the null hypothesis of r co-integrating vectors is given in column 1 of the table.

Table 4: Johansen Co-integration Test between DIIPSR, BSEADR and NSEADR

Unrestricted Co-integration Rank Test (Trace)				
Hypothesized No. of CE(s)	**Eigen value**	**Trace Statistic**	**Critical Value (0.05)**	**Probability**
r=0	0.404390	76.97153*	29.79707	0.0000
r=1	0.296452	36.03613*	15.49471	0.0000
r=2	0.099255	8.258155*	3.841466	0.0041
Unrestricted Co-integration Rank Test (Maximum Eigen value)				
Hypothesized No. of CE(s)	**Eigen value**	**Max-Eigen Statistic**	**Critical Value (0.05)**	**Probability**
r=0	0.404390	40.93541*	21.13162	0.0000
r=1	0.296452	27.77797*	14.26460	0.0002
r=2	0.099255	8.258155*	3.841466	0.0041

*denotes statistically significant at 5%

The maximum Eigen value and trace statistics are used to deduce whether the null hypothesis of r = 0 is rejected at 5 % level of significance. The rejection of null hypothesis implies that there exists at least one co-integrating vector which confirms a long run equilibrium correlation between the three variables. We reject the null hypothesis that r, the number of co-integrating vectors if the test statistic is greater than the critical values specified. The results of multivariate co-integrating vectors discloses the rejection of null hypothesis of no co-integrating vectors under both the trace statistics and maximum Eigen value forms of test. The probabilities for different levels of number of co-integrated equations also confirm the rejection of null hypothesis. Therefore we may infer that there is a presence of even more than two co-integrated equations among the three variables understudy and which confirms a long run equilibrium correlation between the variables.

IV. The co-integration between series confirms the existence of long-term equilibrium relationship among the variables. The Vector Error Correction Model (VECM) can be applied only when there is at least one co-integration equation between the variables. As the Johansen Co-integration test revealed that there is co-integration among the variables understudy, we can apply VECM in order to evaluate the short run properties of the co-integrated series. The structure lag is chosen on the basis of Vector Auto Regression (VAR) model, using Akaike Information Criterion (AIC) and Schwarz Information Criterion (SIC). To maintain consistency, the same lag length has been chosen as used for co-integration test.

In order to find out the long run and short run causality between the three variables viz. DIIPSR, BSEADR and NSEADR three models of VECM are applied.

Model A: DIIPSR as dependent variable and NSEADR and BSEADR as independent variables.

Model B: BSEADR as dependent variable and NSEADR and DIIPSR as independent variables.

Model C: NSEADR as dependent variable and BSEADR and DIIPSR as independent variables.

Table 5: Results of VECM for Models A, B & C

Model	Coefficient of First Co-integration Equation C(1)	Std. Error	t-Statistic	Prob.
Model A	-0.027978	0.023739	-1.178561	0.2424
Model B	-1.008720	0.188039	-5.364418	0.0000*
Model C	-0.725892	0.179310	-4.048255	0.0001*

*denotes statistically significant

Coefficient of first co-integration equation (C1) is considered to find the long run causality between dependent variable and independent variables. The null hypothesis of no long run causality among the variable can be rejected when the C (1) has negative value and is significant i.e., the corresponding probability is less than 0.05. As per the results disclosed by the VECM for Model-A, B & C, C (1) has negative value for Model A, but its corresponding probability is more than 0.05, which is insignificant. Therefore, the null hypothesis of no long run causality cannot be rejected and hence confirmed that there is no long run causality running from BSEADR and NSEADR to DIIPSR.

Coefficient of first co-integration equations (C1) for both the Models B and C has negative value and its corresponding probability is significant i.e., less than 0.05. Therefore, the null hypothesis of no long run causality is rejected and it is confirmed that there is long run causality running from independent variables to dependent variable i.e., both NSEADR and DIIPSR cause BSEADR, and BSEADR and DIIPSR cause NSEADR.

In order to analyze the short run causality from the independent variables to dependent variable Wald test is employed. Lagged Coefficients of independent variables in the Model A i.e., NSEADR and BSEADR are represented by C (4) and C (5) respectively, whereas C (4) and C (5) in the Model B represents that of lagged coefficients of NSEADR and DIIPSR respectively. For Model C Lagged coefficients of independent variables BSEADR is C (4) and DIIPSR is C (5). The null hypothesis of no short run causality from independent variables to dependent variables is denoted by C (4) =0 and C (5) =0. The null hypothesis is tested with the use of Wald test, the results of which are presented in Table 6.

Table 6: Results of Wald Test for Models A, B & C

Model	Null Hypothesis	Test Statistic Value	Probability
Model A	C(4)=0	-1.233831	0.2212
	C(5)=0	0.477101	0.6347
Model B	C(4)=0	-1.161524	0.2492
	C(5)=0	-0.879014	0.3823
Model C	C(4)=0	-0.017175	0.9863
	C(5)=0	-1.811574	0.0742

The null hypothesis of no short run causality between the variables can be rejected when the Wald test statistic is significant (less than 0.05). As per results disclosed in the Table 6, the test statistic for all the three models is more than 0.05, and the null hypothesis cannot be rejected. Therefore, it confirms that there is no short run causality from independent variables to the dependent variables under the three models. It can be concluded the variables under study viz. DIIPSR, BSEADR and NSEADR does not cause each other in the short run.

Conclusion

This study examined the dynamic interaction between DII's Investments and Indian Stock market. From the statistical analysis it is found that the variables understudy are co-integrated which holds that there is long run association between the variables. Moreover, the empirical results of VECM confirm a unidirectional long run causality running from Domestic Institutional Investors' Investments to Indian stock market. Also, it is evident from the test results that there is no short-run bidirectional relationship running between DII's and Indian stock market. The empirical results also reveal a long-run bilateral relationship between BSE and NSE, but there is no short run causality between them. Therefore, it is concluded that the DIIs investments influence the price changes in the Indian stock market in the long run, whereas the Indian stock market does not influence DII's investments in both long run as well as in short run.

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Financial Statement Fraud: Case Study of a Few Public Limited Companies in Botswana

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ABSTRACT

Financial Statement Fraud is a worldwide issue that has affected many companies', such as Enron and WorldCom and many others in the world. The scholars' objective was to identify the awareness of financial statement fraud specifically in Public Limited Companies in Botswana and also to find out if there were measures put in place to prevent financial statement fraud. As a case study at random, fifteen Public Limited Companies out of 23 listed in the Botswana Stock Exchange were taken into account for this research. It was located that the companies were aware of the need of strong and relevant internal controls over financial reporting as to detect or better yet prevent fraudsters from destroying their companies. Further it was identified that companies have put in place sufficient and effective measures to prevent and also to detect fraud in their organizations. When the scholars had a cross check with the Criminal Investigation Department (CID) in Botswana, it was highlighted that financial statement fraud is an extremely bad issue in Botswana. Therefore, the study recommends Public Limited Companies have to make intensive investigations on the individuals they hire regardless of the sufficient measures already put in place to prevent fraud.

Introduction

Financial statements are quantitative documents prepared by accountants that show the financial position of a company. Financial statements include: Statement of Financial Position, Income Statement, Cash flow Statement and Statement of changes in Equity. Qualified accountants prepare these statements. Financial statements are used to show the financial position, financial performance and changes in the financial state of a company. Information produced from the prepared financial statements enables financial statement users to make economic decisions. Financial statement users include managers, prospective investors, government, consumers, shareholders, financial institutions, suppliers, employees, competitors and the general public. Users of financial statements exploit the data given to them differently, meaning they look at financial statements differently.

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Companies benefit from preparing financial statements as this guides them to asking for loans, getting investors, gauging their performance with that of their competitors and also to see if they will still continue operating in the foreseeable future.

Financial statements are susceptible to audits, which form an opinion on whether financial statement information has been presented in a true and fair view. The auditor has to submit a report on his findings and report on whether the financial statement is in compliance with International Standard on Auditing.

This research investigated financial statement reporting in Public Limited Companies. Public Limited Companies operate their businesses as separate entities from their owners. These are companies' owned by shareholders and their shares are listed and traded in Botswana Stock Exchange. In Botswana, according to the Companies Act (2003), requires all Public Limited Companies in Botswana to prepare financial statements and also audit should be done to determine the true and fair value of the statements. The Botswana Stock exchange requires companies listed to produce annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

Financial statements are prone to fraud as those preparing them may be influenced or may take the liberty themselves of producing false information on the financial statements. Financial statement fraud is a worldwide issue that has been prevalent for many years. The act of intentionally omitting or changing financial statement information can be linked to the famous case of Enron in the United States during 2001-2002 (Federal Bureau of Investigation, 2006). This goes to show that this is an issue that has been going on way before the Enron saga. Financial statement fraud is an act that can include top management, directors, internal auditors or even employees. Fraudulent financial reporting arises because the top managers reporting accounting numbers intentionally misrepresent underlying economic conditions to advance their own economic interest (Lenard & Alam, 2009).

Problem Statement

The Committee of Sponsoring Organizations of the Treadway Commission (Website) analyzed 347 fraudulent financial reporting cases amongst the United States Public Limited Companies, for the 10-year period, 1998-2007, revealing that this is a serious problem. Given these facts, this indicated a problem that had to be researched on to find out Botswana's Public Limited Companies' awareness on this issue. Basically to explore their views on this matter and to find out if necessary means are being used to prevent this issue.

Objectives of the Study

1. To examine causes of financial statement fraud in public limited companies.
2. To examine awareness (knowledge, understanding) of financial statement fraud amongst Public Limited Companies in Botswana.
3. To review ways/means in which Public Limited Companies in Botswana prevent financial statement fraud.
4. To investigate procedures taken by audit firms in Botswana in ensuring that financial statements are in accordance with International Standards on Auditing.
5. To explore the effectiveness of Internal Controls over Financial Reporting in Public Limited Companies.

Hypothesis

H1: Public Limited Companies' in Botswana do not have efficient and effective procedures to prevent or measure financial statement fraud in their companies.

Scope of the Study

The study focused on Public Limited Companies' in Botswana. However the study covered Public Limited Companies in the capital city of Botswana, Gaborone. The study covered the period 2009 to 2013. This period was set to explore the issue of financial statement in Botswana, Gaborone.

Literature Review

Financial fraud is defined as the deliberate misrepresentation of the financial condition of an enterprise accomplished through the intentional misstatement or omission of amounts or disclosures in the financial statements to deceive financial statement users (Franceschetti and Koschtial, 2013).

Many executives work hard to build a culture of trust in their organizations- that is, one in which leadership can remain confident that policies, procedures and ethical standards are maintained throughout the enterprise. But fraudsters strive to build trust as well, with the sole purpose of duping colleagues and management in many of those same countries (Marks, 2013). This statement goes to show that one cannot trust everyone who may look or sound to have the best intentions for the company's reputation. It also goes to show that those involved in financial statement fraud conceal these activities so much that other people cannot recognize what is really happening.

Fraudulent financial reporting (FFR) is an issue of great concern to the business community. Auditors, boards of directors, and managers all have an interest in preventing and detecting fraud before investment decisions are made on materially misstated financial statements. Moreover, unlike many accounting issues, FFR is of concern to the general public and, as a result, to regulators, legislators, and other public policy makers. The revelation of materially misstated financial statements due to fraud often results in large investor losses, subsequently followed by intense media and regulatory scrutiny (Carcello and Herman, 2008).

The financial statement fraud of the public company appeared rampantly, which has a strong impact on the economic development. It has seriously imperiled the user of the financial statements from all circles including investors, creditors and the government. Also it brought the huge working and mental pressure to the auditors. To avoid the huge harm brought by financial statement fraud, reduce the heavy work of the auditors; increase the efficiency and precision of detection, it is more and more important to study detecting technology (Jie and Wei, 2009). Therefore in the fight against fraud, trust must be counterbalanced by a healthy sense of skepticism- that is; a "trust but verify" mentality for navigating everyday business processes in financial reporting (Marks, 2013).

Glen Harloff (n.d.) stated in his report that the perpetrator of financial statement fraud is not necessarily the company itself but more commonly a group of people within it, including senior executives at the very top of leadership who have the ability to override internal controls. His view on this matter goes to show that the issue of financial statement fraud is mostly committed or initiated by people of higher authority or people who have much control in a company. Glen Harloff continues by saying the motivation behind financial statement fraud may be an alleged good of the company and its stakeholders which can allow the fraudsters to rationalize their actions.

Financial statement frauds fall into general categories. These include improper revenue recognition, manipulation of liabilities, manipulation of expenses, improper disclosures on financial statements and overstating assets (Chris Bradford, Demand Media, n.d.).

Financial fraud can have serious ramifications for the long-term sustainability of an organization, as well as adverse effects on its employees and investors, and on the economy as a whole. Several of the largest bankruptcies in U.S. history involved firms that engaged in major fraud (Abbasi, Albrecht, Vance and Hansen, 2012). Financial statement fraud has the effect of deteriorating company's reputation in the companies' eyes. Famous cases of revealed fraudulent financial statements such as Enron and WorldCom proved to destroy the company's reputation which led to the companies shutting down.

According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Fraudulent Financial Reporting 1998-2007 cited that the motivation for fraud included the need to meet internal or external earnings expectations, an attempt to conceal the company's deteriorating financial condition, the need to increase the stock price, the need to bolster financial performance for pending equity or debt financing, or the desire to increase management compensation based on financial results.

‘‘Fraud is a human Endeavour, involving deception, purposeful intent, intensity of desire, risk of apprehension, violation of trust, rationalization, etc. So, it is important to understand the psychological factors that might influence the behavior of fraud perpetrators ....” (Ramamoorti and Olsen, 2007, p. 522). As fraud is a human activity, derived from people’s minds, it is safe to analyze the psychological aspects of people to see if those involved in fraud have similar qualities. Common general red flags of financial statement fraud are accounting anomalies; unusually rapid revenue and/or profit growth; readily noticeable internal control weaknesses; noticeably “aggressive” financial actions by senior management (Financial Statement Fraud: Detecting the Red Flags, n.d.).

Methodology

Sampling Scheme

The target population for this research was 15 out of 23 Public Limited Companies listed on the Botswana Stock Exchange (BSE). The sampling frame consisted of a complete list of companies registered in the Botswana Stock Exchange. The sampling technique used in this study was Probability Sampling specifically Simple random sampling, which involved selecting sample at random from the sampling frame using random number tables (Saunders, Lewis & Thornhill, 2009).

Procedure of Data Collection

Data was collected using Mixed Methods approach, which is a mixture of both qualitative and quantitative techniques. The use of questionnaires, which is a method of quantitative data collection, was used to ask the selected public limited companies and also audit firms their take on the issue of Financial Statement Fraud. Data on Public Limited Company awareness on financial statement fraud was gathered; data on how they prevent such matters was also gathered. The use of questionnaires entailed delivery and collection of questionnaires. Interviews were scheduled by the scholars and the respondents to ask the questions relevant to the study.

Processing

After the data was collected it was converted into information that would be easily understood. As the data was raw and unorganised and unexplainable it was transformed into understandable information. To analyze the qualitative data the use of summarising was used to elaborate on the data collected. The use of summarising compresses long statements into brief statements in which the main sense of what has been said or observed is rephrased in a few words (Kvale, 1996). To analyze qualitative data, re-reading of raw data collected was analyzed. The revised qualitative data, which is transformed into information, was then presented through summarizing. Quantitative data collected was captured using Portable IBM SPSS Statistics version19 and Microsoft Excel. The captured data was presented through means of tables, graphs, pie charts and percentages and the data was then analyzed.

Source of Information

Information was gathered from various places to meet the research objectives. As already stated questionnaires and interviews were used to possibly answer the research questions. Delivery and collection questionnaires were sent to knowledgeable individuals to ask questions on the subject matter. These individuals included knowledgeable employees from public limited companies listed on the Botswana Stock Exchange, knowledgeable individuals from audit firms. However the down side of delivery and collection questionnaires was that some of the respondents did not respond to the questionnaires thereby decreasing the total response rate.

Limitations of the study

The total number of companies’ that responded to the questionnaires was eleven in total, which was contrary to the initial intended sample frame of fifteen companies. This shows that there was only a 73.3% response from the selected sample frame. The non-response therefore had to be accounted for in the research project according to Saunders, Lewis & Thornhill, 2009. Most companies refused to respond due to the apparent sensitivity of the research topic.

Analysis of Data, Discussions and Findings

Responses

Table 1 below shows the total number of companies that responded to the questionnaire were eleven in total, out of a total of twenty-three Public Limited Companies listed on the Botswana Stock Exchange. Table 1 below illustrates the different sectors that responded to the questionnaires used for data analysis. The table shows that there was diversity in the types of sectors approached. It is located that a high response rate by companies in the banking sector, showing a 36% response rate. The lowest response rate was from the Brewery and Safari Sectors, showing only a 9% response rate each.

Table 1 analyses the demographic factors of the responding companies:

Table-1: Demographic Factors

Sector	Number	Percentage
Banking	4	36.30%
Retail	3	27.30%
Property Management	2	18.20%
Safari	1	9.10%
Brewery	1	9.10%
Total	**11**	**100%**

Importance of Company Financial Reporting

The scholars aimed to establish the company’s viewpoint on the importance of reporting finances. This factor is highlighted in Chart 1 below.

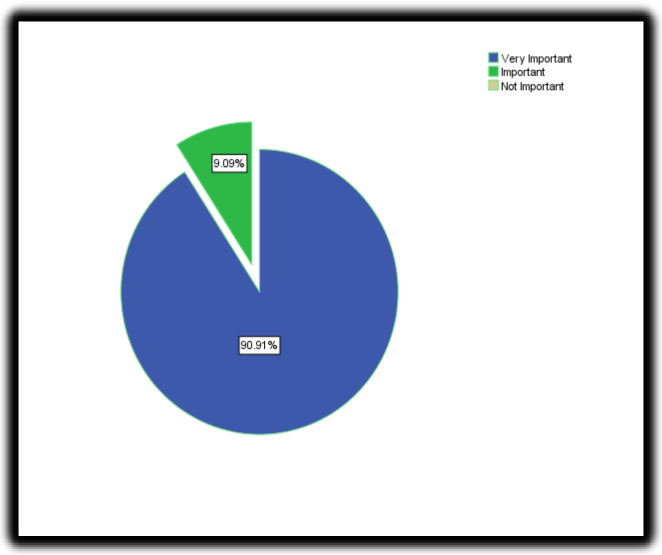


Chart 1: Importance of Financial Reporting

As indicated in chart 1, 90.91% of the respondents selected very important and 9.09% of the respondents viewed financial reporting as just important. This shows that they understood the significance of financial reporting, as it is important to the users of financial statements, such as investors, employees, etc, to make an economic decision.

Challenges faced by the companies with the standards they follow

The respondents' reply is reflected in graph 1 below:

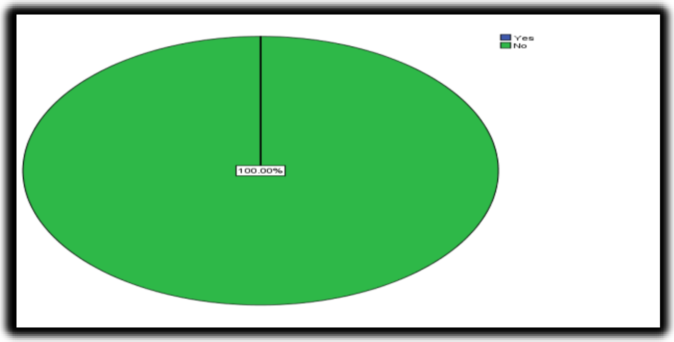
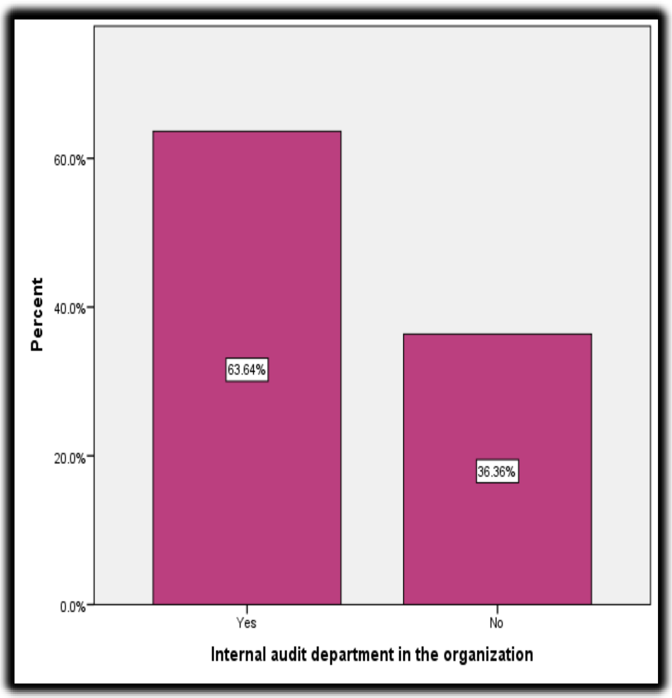


Chart-2: Challenges

Chart 2 above shows that 100% of the respondents were satisfied with the standards they follow, which are the International Financial Reporting Standards (IFRS). Standards followed as a requirement by the Botswana Stock Exchange for all Public Limited Companies.

Existence of Internal Audit Department

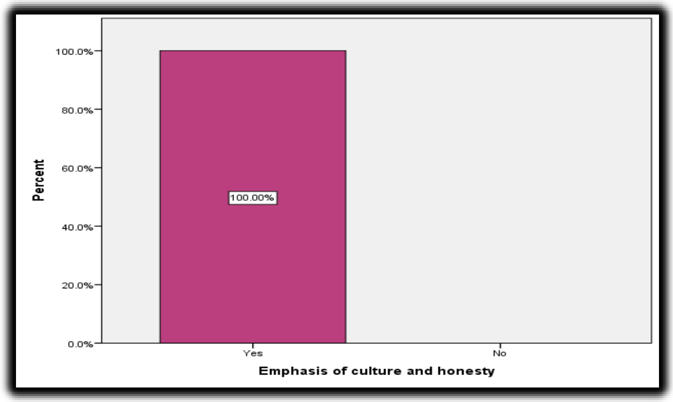
Graph 1 displays the existence of an Internal Audit Department in the companies approached.



Graph-1: Internal Audit Department

Graph 1 indicates that 63.64% of the respondents do have an internal audit department in their companies, whilst 36.36% of the respondents do not have an internal audit department.

Emphasis of cultures of honesty and ethical behavior in the organization



Graph-2: Honesty and ethical behavior in the organization

Graph 2 shows that 100% of the respondents emphasize cultures of honesty and integrity in their organizations.

Financial Statement Fraud (FSF) and Measures Taken

Companies need to take necessary measures when an individual is found to have engaged in Financial Statement Fraud. Companies were given options to tick the measures they would take when faced with the issue. They were also given an open-ended space to write any other measures they would take in the situation.

Table-2: Measures taken when FSF is detected

Measures Taken	Number	Percentage
Suspension from position held in the organization	2	18%
Expulsion of individual(s) from organization	4	36%
Imprisonment of individual	2	18%

Table 2 highlights that 36% of the companies would take the liberty of expelling individuals from the organization if found guilty of committing fraud. Some of the respondents opted to suspend or imprison the individual if found guilty of fraud, both 18% respectively. In addition to the measures to be taken in Table 2, the scholars sought to ascertain further measures that the companies would take against fraud. These are:

1. Investigation leading to dismissal, criminal and civil litigation
2. Disciplinary procedures where conducted to decide whether to open a criminal case or to dismiss an employee
3. Improvement of defective controls
4. Notify professional bodies that the employees are registered with, example, BICA, CIMA, ACCA, AAT.

Sole member to manage organization as well as implementation of Internal Control

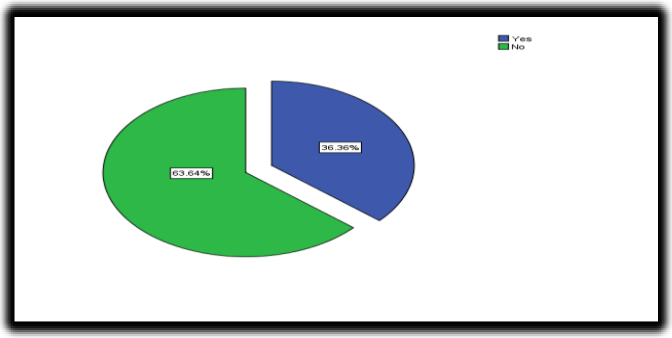


Chart 3: Managing and Implementation of Internal Controls

Chart 3 illustrates that 63.64% of the respondents do not agree with an individual managing an organization and also designing the internal controls because they believe in separation of duties. On the other hand, 36.36% of the respondents found it appropriate to allow an individual to do that. On of the respondents gave reason saying that, “Some cases can be outsourced to defend the practice”

Existence of measures taken to prevent fraudulent activities

Chart 4 below shows the existence of measures taken by the respondents in preventing fraudulent activities in their organization

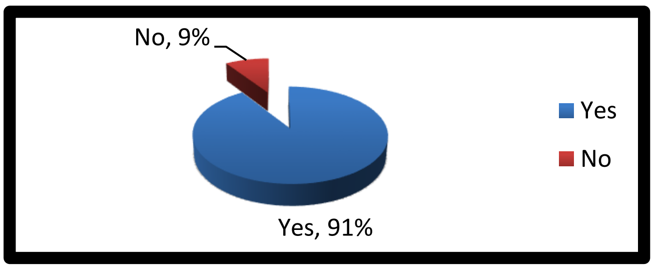


Chart-4: Existence of measures

The chart above shows that 91% of the respondents have measures set out to ensure that their statements are free from fraudulent activities. The respondents were asked to state the measures they have set to ensure that financial statements are free from fraudulent activities. The measures are stated in Table 3 below:

Table-3: Measures Taken

Measures Taken	Responses	Percentages
BOB Reporting	1	3
Audit committee checks	1	3
Board Reviews Financial Statements	1	3
Checks by Regulatory Bodies	1	3
Efficient Monitoring	1	3
Group Reporting	1	3
International Financial Reporting Standards	1	3
Reduce situational pressures	1	3
Segregation of duties	1	3
Timely Reporting of Financials	1	3
Employment of professional staff	2	7
Assessment of Controls over Financial Reporting	2	7
Professional ethics- Code of Conduct	2	7
Well designed internal controls	2	7
Internal Audits	3	10
Risk Management and Compliance Reviews	3	10
External Audits	5	17

The data displayed in table 3 is further highlighted in Chart 5 below:

Table 3 above and Chart 5 below illustrate that External Audits are mostly favored, with 5(17%) companies stating it as a measure taken. Followed by Internal Audits and Risk Management each 3(10%), Employment of professional staff, Assessment of controls, Professional ethics and well-designed internal controls were each stated by 2(7%) companies. The rest of the measures taken were each stated by 1(3%) company as measures taken in ensuring the financial statements are free from fraudulent activities.

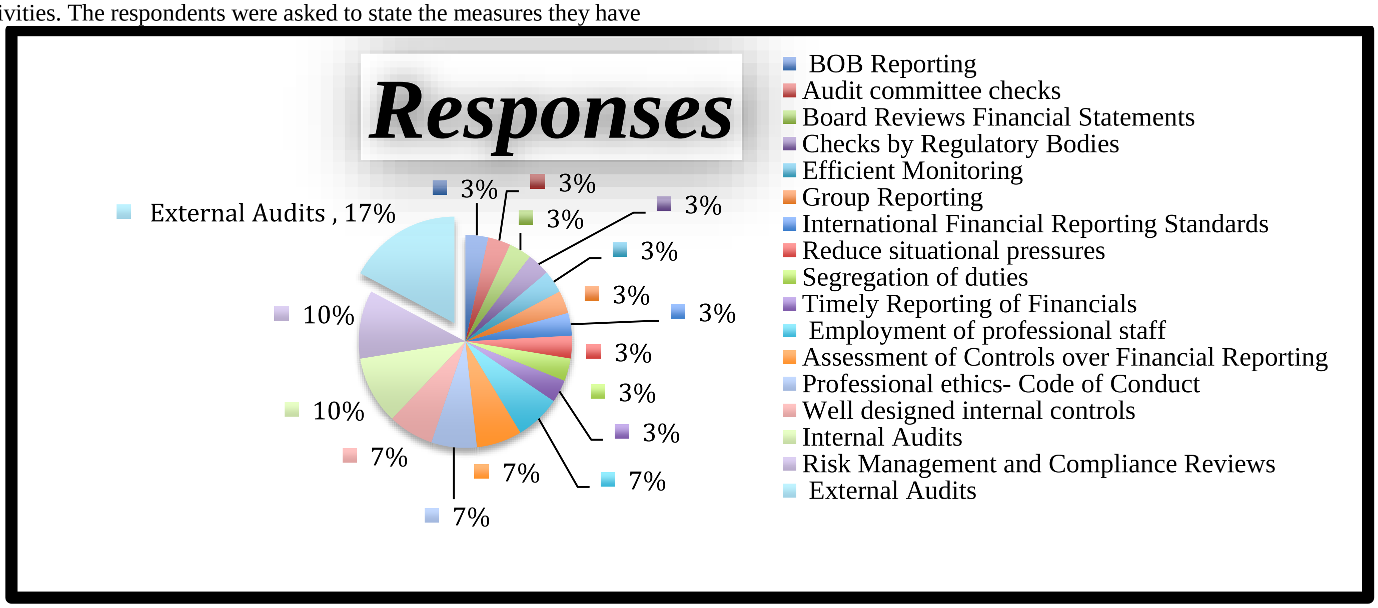
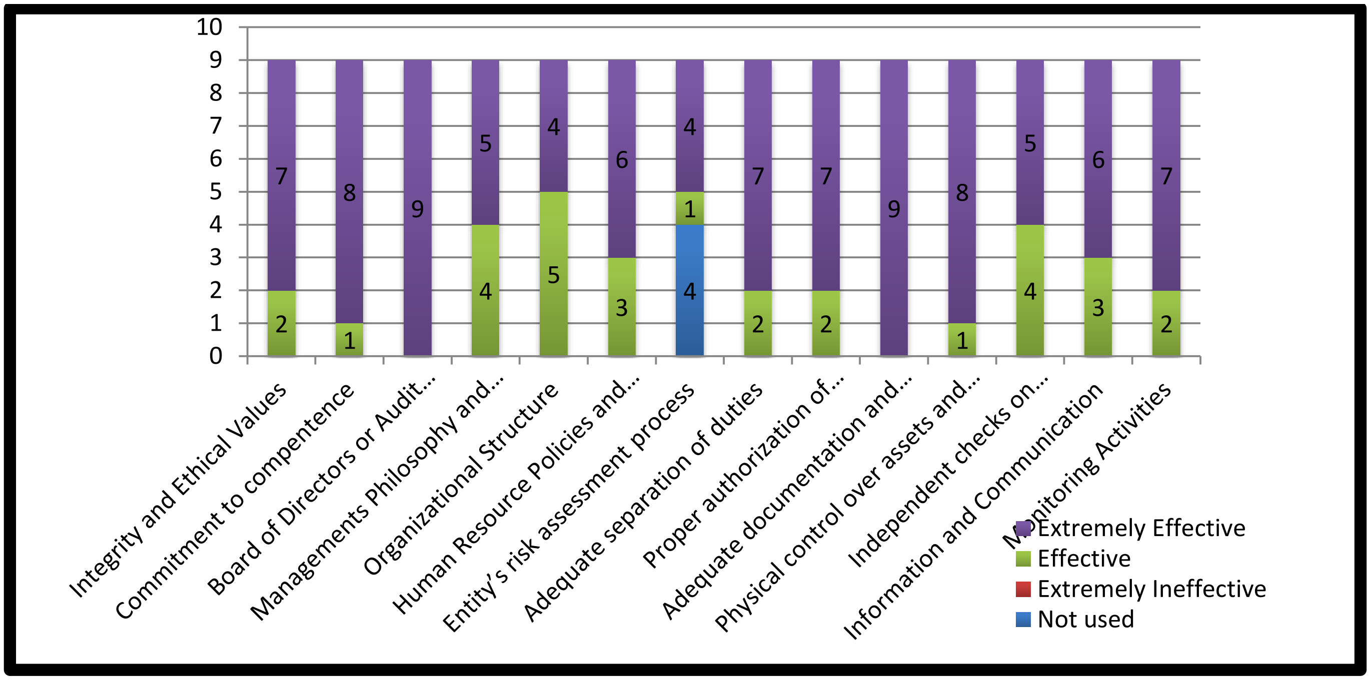


Chart 5: Measures Taken

Internal Controls VS Reliability of Financial Reporting

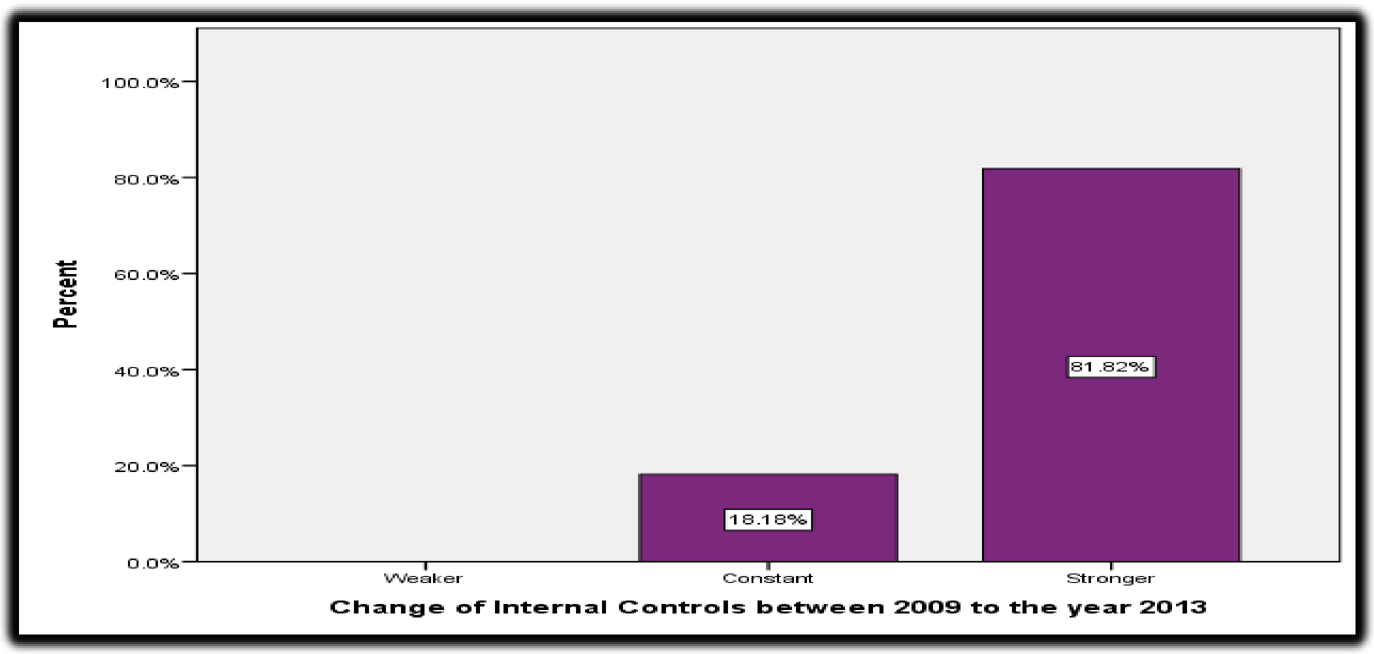
This question was aimed at finding out which internal controls are effective in ensuring that financial statements are reliable and free from fraud. The information is reflected in the following graph (Graph 3) below:



Graph-3: Internal Control VS Reliability of Financial Reporting

As per Graph 3 above, Board of Directors or Audit Committee and Adequate documentation and records are considered to be the most effective controls to implement in ensuring reliable financial statements.

Effectiveness of Internal Controls over Financial Reporting since 2009 to 2013



Graph-4: Effectiveness of Internal Controls over Financial Reporting

Graph 4 above shows that 81.82% of the respondents internal controls are stronger, followed by 18.18% of the respondents with constant internal controls over financial reporting.

External Audit Firm

A questionnaire was delivered to an external audit firm to get their viewpoint on the issue of Financial Statement Fraud.

Researchers have claimed that top management or individuals with more responsibilities or individuals who basically have access to more resources in the organization mostly commit Financial Statement Fraud. The audit firm agreed with this point when given a statement saying: "Financial Statement fraud is mostly committed or initiated by people of higher authority".

The audit firm was also asked whether most misstatements are caused by intentional misstatements or by unintentional misstatements. The audit firm stated that most misstatements are caused by Intentional Misstatements. They practically agree with the definition of fraud which is, the act of intentionally deceiving.

The external audit department stated that it is very important to audit companies' financial statements. As Table 3 and Chart 5 above show, the Public Limited Companies chose Internal Audits and External Audits as one of the measures taken in ensuring that Financial Statements are free from fraudulent activities. However, only 3(10%) of the Public Limited Companies chose Internal Audits when 5(17%) of the companies chose External Audits, as means of ensuring that financial statements are free from fraudulent activities. The external audit firm stated that the department a Public Limited Company should strengthen internally to ensure the prevention of financial statement fraud is the internal audit department. They stated that this was the department in an organization that deals mainly with the design of controls and procedures for an organization. The external audit firm stated the procedures set to respond appropriately to fraud during an audit:

- Identifying and assessing the risks of material misstatement of financial statements due to fraud and respond appropriately to fraud if identified.
- Assessing risk of material misstatement at financial statement line items.

The external audit firm highlighted that the duty of an external auditor is not to detect fraud in financial statements but rather to express an opinion on whether to financial statements show a true and fair view, therefore they advised the scholar to contact the Criminal Investigation Department of Botswana for in-depth clarity on the issue of financial statement fraud in Botswana.

Criminal Investigation Department

The Criminal Investigation Department (CID) stated that the issue of Financial Statement Fraud is an **Extremely Bad** issue in Botswana. The respondent stated that financial statement fraud is normally caused by:

(a) Bitterness- towards low remuneration (b) Gender inequality- jealousy (c) Wanting to live lavish lives that an individual cannot afford

The respondent highlighted an interesting point, stating that past investigations have shown that computerised systems have increased fraud in companies. The use of the Internet has made it easy for perpetrators to communicate confidential company information to outsiders. The respondent also stated that the use of the computerised system has made it easier for perpetrators to delete information or add information, leaving no traces of fraud behind. Basically perpetrators use technology as a means to assist in intentionally deceiving the company.

The respondent stated that managers or accounts clerks are most likely to commit financial statement fraud in the company because of access to many resources in the company.

The respondent said that there are Business Community Clusters, which are basically groups where businesses are advised and given updates on current fraudulent activities that are taking place in the country or in the world. Business Community Clusters are basically used to warn businesses on certain matters or issues that have risen in the business world.

Discussion

The objective of undertaking an interesting and "broad" topic such as Financial Statement Fraud: Case study of a few Public Limited Companies was the interest in mainly finding out whether companies do enough to ensure that their Financial Reports are free from fraudulent activities. Eleven Public Limited Companies, one audit firm and the Criminal Investigation Department of Botswana, popularly known as CID were approached to hopefully answer the research objectives above

As stated early that financial statements are used to show the financial position of a company and assist financial statement users in making economic decisions. Financial statements are important tools, not only to the company but also to the users of these statements. Chart 1 above highlighted the awareness of this fact by the respondents as they all stated the importance of financial reporting. The respondents were also satisfied with the standards they followed when preparing financial statements, with all respondents (100%) satisfied with the standards they follow (Chart 2).

As the scholar already highlighted that financial statements are prone to fraud as those preparing them may take the liberty of producing false information (Chapter 1). The researcher sought to investigate the measures taken to prevent such matters. As Table 3 and Chart 5 above have displayed, External Audits, Risk Management & Compliance Reviews and Internal Audits proved to be extremely popular measures that the companies have taken to prevent the possibility of fraudulent statements in their organizations. Even though external audits are the most popular amongst the respondents (Table 3 & Chart 5), the external audit firm highlighted that the department that Public Limited Companies should strengthen internally to ensure the prevention of financial statement fraud, is the internal audit department. They explained that this department mainly deals with the design of controls and procedures for an organization. Only 63.64% of the respondents indicated the existence of internal audit departments in their organization. Leaving 36.36% of the respondents without internal audit departments, which can design controls and procedures for an organization as the external audit firm highlighted (Graph 1).

The issue of effectiveness of internal controls arises when dealing with financial statements as these controls provide reasonable assurance on the reliability of financial statements. The scholar sought to discover the most effective internal controls used by the respondents to ensure the reliability of financial statements. As Graph 3 reflected, the most effective control over financial reporting, are the board of directors or audit Committee and also adequate documentation and records controls.

The respondents showed to be clearly satisfied with the internal controls designed and implemented in their respective companies and would not make any changes to the current controls (Graph 4). Graph 5 proves this as 81.82% of the respondents indicated that the internal controls implemented in their companies are stronger and 18.18% showing a constant growth between the years 2009 to the year 2013.

Conclusions & Recommendations

Conclusion

Causes of Financial Statement Fraud in Public Limited Companies

The study established that the causes of fraud in public limited companies was because individuals wanted to live lavish lives, they were bitter or because of jealousy in the company as highlighted by the CID. However this is a cause not only for Public Limited Companies but for companies nationwide and worldwide also. The external auditors stated that misstatements were mostly caused by intentional misstatements.

Awareness and measures put in place

The study has shown that public limited companies are aware of the issue of financial statement fraud. They have even put in place measures to prevent or detect the issue of financial statement fraud with **External Audits** being the most popular measures implemented in most companies. This is shown in Table 3 and Chart 5 in Chapter 3.

Procedures taken by audit firms

The procedures taken by audit firms to ensure that financial statements are appropriately prepared are:

- Identifying and assessing the risks of material misstatement of financial statements due to fraud and respond appropriately to fraud if identified.
- Assessing risk of material misstatement at financial statement line items

Effectiveness of Internal Controls over Financial Reporting

Public Limited Companies' have proven to know the importance of internal controls. They use designed internal controls to prevent financial statement fraud. The more effective or properly designed and implemented controls are, the more a perpetrator hesitates to commit fraud. Adequate separation and Board of Directors or Audit committee have proven to be the most effective internal controls over financial reporting (Graph 3).

Criminal Investigations Department

The government of Botswana has proven to be of major assistance in investigating and educating companies on the issue of fraud. Programs such as Business Community Clusters and Itshereletse are great initiatives by the government in keeping companies aware of what is happening in the country.

Hypothesis

H1: Public Limited Companies' in Botswana do not have efficient and effective procedures to prevent or measure financial statement fraud in their companies.

The study has proven that the hypothesis is incorrect because indeed companies have proven to have sufficient procedures to prevent or measure financial statement fraud as highlighted in Table 3 and Chart 5. Research has shown that Public Limited Companies are aware of the issue of financial statement fraud that they have even set measures in their companies to prevent the issue. They have designed internal controls that ensure the reliability of financial statements for the utility of financial statement users. The government is also working on preventing fraud in the country, creating great initiatives such as Business Clusters and Itshereletse to educate the nation on any criminal cases.

Recommendations

Going through the research it has been proven that Public Limited Companies are hands on, in ensuring that fraud does not take place in their companies. However, Glen Harloff stated in his report that the perpetrator of financial statement fraud is not necessarily the company itself but more commonly a group of people within it, including senior executives at the very top of leadership who have the ability to override internal controls (Harloff, n.d.). Therefore:

- Public Limited Companies should be careful not to trust an individual entirely because they can never know the true intentions of a person. Therefore there should be a balance of trust and verification of documents. There should basically be separation of duties in the company.
- Public Limited Companies should make intensive investigations on the individuals they hire.
- Public Limited Companies should also take part in programs set up by the government such as Business Clusters, to get an update on fraud in the country and also to learn how to prevent and detect such issues in the company.

The external audit firms also made recommendations to the Public Limited Companies, stating that they should:

- Train staff on the importance of good ethical behaviors as well as ensuring that their hiring policies are such that they is no room for hiring employees who are technically incompetent. Management should ensure that they have policies and procedures to detect fraud.
- Have trained ethical employees in each department so that any employees who come across fraud can know where to report.

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Labour Management Today without Right to Organize and Collectively Bargain

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A B S T R A C T

This paper examines how the employers in India are moving ahead fast in managing workforce without the latter having the right to organize and collectively bargain. Accordingly, the various factors militating against this democratic right of workers in terms of the legal framework of labour relations, legal boundaries of collective bargaining, proposed amendments to the Trade Union Act, judicial precedents, Essential Services and Maintenance Act, Special Economic Zones and National Industrial Manufacturing Zones, are elaborated. All these factors have led to a very defensive trade union movement and minimum wages as maximum for most workers and overall decline in wage share. By way of conclusion, industrial unionism and collective bargaining are proposed as the effective alternatives to promoting labour welfare.

Introduction

In a capitalist society, ownership and control of crucial means of production is generally concentrated in a small elite section of the society and the large majority of masses survive only on their labour power. This is not only true for wage labour but also for the large section of the peasantry (small peasants who live on an illusion of being the owners of means of production even as actually market forces have converted them into wage labour on their own fields). In such situations, the nature and content of social progress in terms of inbuilt concerns of wellbeing of the people depends only on the strength and power of collective bargaining of the masses at different levels--at the level of a production unit, at the level of industry, and at the level of policy making.

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It follows that the right to organize and collectively bargain becomes a broad social and political issue and not just an economic issue. The struggle for unfettered right to organize and collectively bargain is actually a struggle for building a democratic and civilized society. It is so important that the extent of freedom, space and smoothness of collective bargaining can be considered as a barometer to measure 'how civilized is a society'.

The issue of right to organize and collectively bargain has, however, always remained a contentious issue. Actually, there is an inbuilt contradiction in capitalist democratic system-- on the one hand, its economic system is based on inequality (centralization of ownership and control of means of production in the hands of a small section of society) and on the other, its political system claims to be based on equality and built on broader democracy, which offers a space for representation of interests of different sections of society (collective bargaining). It is obvious that if democracy is real and effective, it will be next to impossible to run a capitalist economic system based on centralization of ownership and control of all resources in a few elite hands to generate private profits. Practically, this contradiction is resolved in favour of the capitalist class by allowing large scale corruptions and violations of all democratic rights (most importantly, the right to organize and collectively bargain) of the people.

This can be seen in the contemporary context of liberalization and globalization wherein all kinds of barriers have been removed in all possible ways to exploit nature and human labour and to promote easy transfer and centralization of ownership of natural resources and other means of production in corporate hands. Privatization of the public sector, opening of the economy to foreign capital, liberalization of trade, transfer of huge amount of agriculture land to the industrialists by uprooting millions of rural people and efforts to amend the labour laws to make hire and fire smooth and easiest are all parts of the policies of liberalization. The role of the state here is not neutral. The state has become an active agent of the corporates. Little wonder that a war (by the state and the corporates) has been waged against 'rigid' labour laws and the right to organize and collectively bargain all over the world. In India, even if the state and the corporates have not been able for a long time to blatantly amend labour laws towards the hire and fire labour system, they are largely successful in making the labour laws meaningless de facto by means of allowing large scale violations, anti-labour judicial pronouncements, creating special economic zones, not recognizing trade unions, and unleashing repression on trade unions, workers and peasants whenever they agitate for collective bargaining.

It is in this light that the right to organize and collectively bargain has emerged as one of the issues of prime concern in India. It is this issue in terms of cause-effect analysis that this paper addresses.

Legal Framework of Indian Labour Relations

In India, the labour laws have systematically promoted and perpetuated a duality of labour—there is a minority of formal sector workers with better protection and social security on the one hand and a majority of informal sector workers with least or no protection and social security benefits on the other. Similarly, the formal sector workers have enjoyed a better space for collective bargaining in comparison with the informal sector workers with very little or no scope for collective bargaining.

Indian labour legislation may be classified as follows:

Labour Relations Laws

Trade Union Act, 1926

Industrial Disputes Act, 1947

Industrial Employment (Standing Orders) Act, 1946

Laws for Regulating Working Conditions

The Factories Act, 1948

Mines Act, 1952

Beedi and Cigar Workers (Conditions of Employment) Act, 1966

Building and Other Construction Workers Act, 1995

Motor Transport Workers Act, 1961

Plantation Labour Act, 1951

Working Journalists (Conditions of Service) and Miscellaneous Provisions Act, 1955

Apprentices Act, 1961

Weekly Holidays Act, 1942

Sales Promotion Employees (Conditions of Service) Act, 1976

Contract Labour (Abolition & Regulation) Act, 1970

Inter State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979

Shops and Establishment Acts of various States

Wage Laws

Minimum Wage Act, 1948

Payment of Wages Act, 1936

Payment of Bonus Act, 1965

Social Security Laws:

Employees' Provident Fund and Miscellaneous Provisions Act. 1952

Employees' State Insurance Act, 1948

Maternity Benefit Act, 1961

Payment of Gratuity Act, 1972

Workmen's Compensation Act, 1923

Unorganized Workers Social Security Act, 2008

Labour Laws Relating to Human Rights

Child Labour (Prohibition and Regulation) Act, 1986

The Children (Pledging of Labour) Act

Bonded Labour System (Abolition) Act, 1976

Equal Remuneration Act, 1976

The applicability of these labour laws is limited by the number of workers engaged in an establishment, and this denies any protection and any social security to the vast majority employed in smaller factories with less than ten workers.

The Factories Act provides for the health, safety, welfare and other aspects of workers while at work in the factories. Under this Act, an establishment with 10 workers (and electricity connection) or 20 workers in case of no power connection is a factory, but following provisions of the act are not applicable to all factories:

Provision for crèche—applicable only if 30 or more women are employed

Provision of a rest room—applicable only if there are 150 or more workers

Provision of canteen—applicable only if there are 250 or more workers

Provisions for ambulance, dispensary, and medical and para-medical staff— applicable only if there are 500 or more workers

The Employees Provident Fund and Miscellaneous Provisions Act, Maternity Benefit Act and Payment of Gratuity Act apply to all establishments with 10 or more workers. But the Employees State Insurance Act applies to only those establishments (not seasonal) with 20 or more workers. The Employees Provident Fund Act is applicable to the workers getting a salary less than or up to Rs.6,500 per month (raising it up to Rs.10,000 is under consideration), while the Employees State Insurance Act is applicable to the workers getting a salary less than or up to Rs.15,000 per month (before 2010 it was up to Rs.10,000).

The Minimum Wages Act applies to all establishments and all workers, but the Payment of Wages Act applies only to those establishments with 10 or more workers, and also only to those workers getting wages less than Rs.1,600 per month. The Payment of Bonus Act is applicable to only those enterprises employing 20 or more workers and only to those workers getting wages less than Rs.3,500 per *month.*

The Industrial Disputes Act lays down the procedures for the settlement of industrial disputes. Its procedural aspects are applicable to all enterprises for the settlement of industrial disputes. However, the protective clauses for the workers pertaining to layoffs, retrenchments and closures, which are really contained in Chapter VA and Chapter VB, have limited applicability. Chapter VB does not apply to any establishment employing less than one hundred workers, and Chapter VA does not apply to any establishment employing less than 50 workers.

The Industrial Employment (Standing Orders) Act makes it compulsory to have Standing Orders in each enterprise in order to define misconducts and other service conditions, and also declares that for any misconduct no worker will be punished without due process of law using the principles of natural justice. But this law does not apply to those enterprises employing less than 100 workers (only in a few states like Uttar Pradesh, it is made applicable to all factories, i.e. employing 10 or more workers).

The Trade Union Act applies to all establishments with 7 or more workers, since a minimum number of 7 members is necessary in order to register a trade union.

If we, thus, look at the general picture, only a tiny section of workforce is protected by the labour laws and has guaranteed space for collective bargaining in well-defined legal boundaries. According to the Fifth Economic Census (1999) more than 97 per cent of the enterprises employ less than ten workers, and most of these employ less than five workers (GoI 2005). Therefore, protective labour laws apply to only less than three per cent of the enterprises; and in the rest of the 97 per cent enterprises only the Industrial Disputes Act (minus its protective sections like sections VA and VB), Minimum Wages Act, Workmen's Compensation Act, Equal remuneration Act, and Shops and Establishments Act (enacted by each state separately) and some pieces of labour legislation enacted for specific occupations are applicable. Generally these 97 per cent enterprises are said to represent the informal sector of the economy (those not covered under the Factories Act) and the three per cent as the formal sector of the economy (those covered under the Factories Act).

The total workforce employed in different sectors in India (principal plus subsidiary employment) is 456 million, of which informal sector accounts for 393.2 million (86 per cent). Out of 393.2 million informal sector workers, agriculture accounts for 251.7 million and the rest 141.5 million are employed in the non-agriculture sector. The agriculture sector consists almost entirely of informal workers who are mainly the self-employed (65 per cent) and the casual workers (35 per cent). The per centage of non-agricultural workers in the informal sector rose from 32 per cent to 36 per cent between 1999-2000 and 2004-05. The non-agriculture workers in the informal sector are mainly the self-employed (63 per cent) and others are more or less equally distributed between the regular salaried/wage workers (17 per cent) and casual workers (20 per cent). The share of informal sector in non-agriculture sector increased to nearly 72 per cent in 2004-05, from 68 per cent in 1999-2000. Only about 0.4 per cent workers in the informal sector are formal workers in terms of receiving social security benefits like Provident Fund etc. (NCEUS 2009).

It is also to be noted that informalisation of the workforce that was accelerated with the advent of liberalization, has transformed the formal sector also in terms of shifting the jobs from the formal to informal sector and also by informalisation of jobs within the formal sector units. Now, in the formal sector, the number of formal workers is 33.7 million and informal workers 28.9 million (2004-05). The total employment in the Indian economy increased from 396 million to 456 million between the two National Sample Survey (NSS) rounds in 1999-00 and 2004-05. In the formal sector the employment increased from 54.9 to 62.6 million. However, there was no significant increase in formal employment (33.6 million to 35.0 million). This means that the entire increase in the employment in the formal sector has largely been of informal nature i.e. without any job or social security (NCEUS 2009).

It is also worth mentioning here that the complex structure of labour legislations in India has provided a huge scope and also incentives for violation of labour laws, especially in terms of putting less number of workers on the rolls than actually engaged. It has been the story of all the industrial areas that when labour department officials visit the factories for inspections, the factory managements ask large number of workers to leave the factory from the back gate. This practice exists only because they engage large number of workers illegally (not showing them on records) in order to escape from the applicability of most protective labour laws. Large number of factories escape from the Factories Act and other important labour legislations by showing less than 10 workers on record, but actually engaging large number of workers illegally. It is a great incentive for them to do so since they save huge costs by escaping from all obligations towards workers.

The Unorganized Workers Social Security Act 2008 came into existence after a long-drawn struggle, and this makes provision for certain social security benefits to the informal/ unorganized sector workers. But it actually provides nothing. It only includes certain schemes like the National Old Age Pension Scheme, National Family Benefit Scheme, and scheme for protection during maternity period, and some insurance schemes. Moreover, only those who are below poverty line will be entitled for its benefits. Practically, it systematizes the duality of labour and also comes as a face saving scheme for justifying the rampant informalisation in the formal sector.

Legal Boundaries for Collective Bargaining

India has neither ratified ILO convention on Freedom of Association and Protection of the Right to Organize 1948 (C.87), nor the Right to Organize and Collective Bargaining Convention, 1949 (C.98). According to the Indian government, the ratification of C.87 and C.98 would involve granting certain rights that are prohibited under the statutory rules for government employees, namely the right to strike and criticize openly government policies, right to accept freely financial contribution, right to join freely foreign organizations, etc. The Indian government argues that since there is no change in the basic policies, it is unable to ratify these two Conventions.

Therefore, it is not surprising that the Trade Union Act provides the right to association only with a limited scope and limited coverage. The Police and Armed Forces do not have the right to form trade union. It is also not applicable in the state of Sikkim, where the registration of trade unions is subject to a police inquiry and then depends upon receiving the permission of the Land Revenue Department of the Government of Sikkim. One negative comment by the police about a member of the union's executive can be a ground for refusing registration. Moreover, the objection can also be made by general public against the registration of a particular trade union and it can also prevent the registration (UNHCR 2009).

However, with the above exceptions, the workers of India have got the right to form trade unions as per the Trade Union Act and to practice collective bargaining in the framework and limitations contained in the Industrial Disputes Act.

The trade union movement in India comprises over 70,000 registered unions (politically affiliated as also independent) and an unaccountable number of non-registered organizations engaged on the issue of promoting and protecting workers' interests. Trade unions in India largely represent only formal sector workers but recently trade unions working in informal sector have grown enough to get a place in the list of Central Trade Union Organizations (CTUOs) like the Self Employed Women's Association (SEWA). There are now 12 Central Trade Unions[1] in India as follows:

- BMS--Bharatiya Mazdoor Sangh (linked with the far right political party BJP), members: 6 million
- INTUC--Indian National Trade Union Congress (linked with the centrist Congress Party), members: 3.8 million
- AITUC--All India Trade Union Congress (linked with the Communist Party of India), members: 3.3 million
- HMS--Hind Mazdoor Sabha (independent-socialist), members: 3.2 million
- CITU--Centre of Indian Trade Unions (linked with the Communist Party of India (Marxist), members: 2.6 million
- UTUC (LS)--United Trade Union Congress (Lenin Sarani) (linked with the party mainly based in West Bengal, viz. Socialist Unity Center of India)
- UTUC--United Trade Union Congress (linked with the political party mainly based in West Bengal, viz. Revolutionary Socialist Party)
- TUCC--Trade Unions Co-ordination Centre (linked with the political party mainly based in West Bengal, viz., All India Forward Bloc)
- SEWA--Self-Employed Women's Association (independent), recently included in the list
- LPF--Labour Progressive Front (linked with the regional political party in Tamil Nadu, viz. Dravida Munnetra Kazhagam), recently included in the list
- ICCTU--All-India Central Council of Trade Unions (linked with the Communist Party of India (Marxist-Leninist)-Liberation group), recently included in the list
- INTTUC--Indian National Trinamool Trade Union Congress (linked to the regional political party in West Bengal, viz. All India Trinamool Congress), recently included in the list

Union density or unionization rate in India is only 8 per cent and in this regard it ranks at 48th position in the world. In the new verification of membership in 2001, the growth in trade union membership is very much visible, but this growth is largely from the informal sector, particularly from rural labour getting organized around the National Rural Employment Guarantee Act (NREGA).

It is worth mentioning that only when the unions are recognized by the management, then only they have the full-fledged rights as bargaining agent on behalf of workers. But both the Trade Union Act and Industrial Disputes Act are completely silent on the issue of recognition of trade unions. There is no law for compulsory recognition of trade unions. There is no legal obligation on employers to recognize a union or engage in collective bargaining. As a result, on the one hand, the managements can refuse to recognise a particular union and refuse to engage in collective bargaining with a union or they can choose one union against the other for their own benefit. Managements are at freedom to recognise both minority and majority trade unions as bargaining agents and are free to make collective agreements with their pocket union and impose it on the workers. The statutes of only a few states such as Maharashtra, Gujarat, Madhya Pradesh and Rajasthan have made some provisions for recognition of unions with a specific percentage of the workforce.

In India, the right to protest is a fundamental right under Article 19 of the Constitution of India but the right to strike is not a fundamental right. Right to strike as also right to lock-out is a legal right governed by the Industrial Disputes Act.

Under the law, all strikes need due notices. Moreover, in the meantime, if management requests for a third party intervention through the labour department of the government, then the strike is not legal and justified until the conciliation continues. Even if conciliation fails, the government has all the rights to refer the dispute to compulsory arbitration or to a labor court or industrial tribunal for a final decision.

Under the Industrial Disputes Act, the conditions are laid down for a strike to be legal and justified. These conditions drastically limit the freedom of trade union actions. Under section 10K of this Act, the State Governments, may, make provisions for prohibiting strikes or lock-outs, for securing the public safety or convenience or the maintenance of public order or supplies and services essential to the life of the community or for maintaining employment or maintaining industrial peace. Under section 22 of this Act, strikes and lockouts in the public utility services are prohibited - no worker in these services can go on strike in breach of contract: (a) without giving to the employer notice of strike, within six weeks before striking; or (b) within fourteen days of giving such notice; or (c) before the expiry of the date of strike specified in any such notice as aforesaid; or (d) during the pendency of any conciliation proceedings before a conciliation officer and seven days after the conclusion of such proceedings. Section 23 gives directions for general prohibition of strikes and lockouts during the pendency of conciliation, arbitration and court proceedings and even during a few days or a few months after conclusion of such proceedings; and also during any period in which a settlement or award is in operation. Under section 24, such strike is declared illegal which is commenced or declared in contravention of section 22 or section 23; or continued in contravention of an order; or continuance of a strike in pursuance of an industrial dispute, when dispute is referred to a Board, an arbitrator, a Labour Court etc.[2] In the first schedule of this Act, a list of industries is given which can be declared as public utility services. These include, transport (other than railways) for the carriage of passengers or goods by land or water, banking, cement, coal, cotton textiles, foodstuffs, iron and steel, defence establishments, service in hospitals and dispensaries, fire brigade service, India government mints, India security press, copper mining, lead mining, zinc mining, iron ore mining, service in any oil field, service in uranium industry, pyrites mining industry, security paper mill Hoshangabad, services in bank note press Dewas, phosphorite mining, magnesite mining, currency note press, manufacture or production of mineral oil (crude oil), motor and aviation spirit, diesel oil, kerosene oil, fuel oil, diverse hydrocarbon oils and their blends including synthetic fuels, lubricating oils and the like, service in the International Airports Authority of India, and industrial establishments manufacturing or producing nuclear fuel and components, heavy water and allied chemicals & atomic energy.[3]

It clearly follows from above that a wide range of industries (included in the first schedule of the Industrial Disputes Act) is protected from strike. And the compulsory notice period of 14 days and prohibition to go on strike during pendency of conciliation etc. make the weapon of strike toothless.

Trade union activities are in general granted immunity from the applicability of Criminal Penal Codes. But in case of illegal strikes, the following penalties are imposed:

- "Any workman, who commences, continues or otherwise acts in furtherance of, a strike which is illegal under this Act shall be punishable with imprisonment for a term which may extend to one month, or with fine which may extend to fifty rupees, or with both."
- "Any person who instigates or incites others to take part in, or otherwise acts in furtherance of, a strike or lockout which is illegal under this Act, shall be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to one thousand rupees, or with both."
- "Any person who knowingly expends or applies any money in direct furtherance or support of any illegal strike or lock-out shall be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to one thousand rupees, or with both."[4]

Moreover, if the strike is illegal, in certain cases the employers can claim damages for the loss of property, etc. caused by violent acts of trade union members. The courts have also powers for labour injunctions. The general practice is that whenever workers organize a strike or any type of protest, the employers easily get court order prohibiting the workers to stage any kind of protest within say 100-500 meters distance from the factory premises. Workers can also get injunctions against employers in certain cases, for example prohibiting the employers to shift machinery, etc. if it has any linkage with the dispute.

Other Factors Further Shrinking the Space for Collective Bargaining

With privatization of public sector and other liberalization initiatives, there have been attempts at amending the labour laws in order to grant full freedom of hire and fire and to reduce the power of labour and trade unions to the minimum. But due to protest from the trade unions, the state could not succeed in amending the major labour laws so far. All the same, by allowing the informalisation of workforce and downsizing, and by providing various relaxations in labour laws to particular sectors and especially to Special Economic Zones (SEZs) and making the inspection machinery of labour department totally defunct, the goals have been well achieved to a large extent. Moreover, the Trade Union Act has been amended to make unionization more difficult. Many industries are declared as public utility services in order to make the legal and justified strike next to impossible. The Essential Services Maintenance Act has been used to unleash unimaginable repression on striking workers. This is not all. Even when the laws are not amended, the anti-labour judicial pronouncements have virtually changed the meaning of labour laws against the workers and in favour of employers.

It is to be noted that proposals have been made from the planning commission, national commission on labour, state governments, and various other committees and business forums for amendments in labour laws that include:

- Allowing employment of more and more workers as casual and contract workers, and withdrawal of the protection provided in the Industrial Dispute Act for nearly seventy five per cent of the industrial units employing less than 300 workers;
- Excluding workers getting more than Rs. 25,000 per month from the definition of 'worker' under the Industrial Disputes Act;
- Allowing employers to retrench and close any factory employing more than 300 workers if the government does not reply within sixty days;
- Making it compulsory to hold secret ballot for strike and allowing a legal strike only if 51 per cent workers vote in favour of the strike;
- Making provision for deducting wages of the strike period from the salary of the workers, etc.; and
- Allowing self-certification on various aspects of the Factories Act including occupational health and safety and for the environmental issues and discouraging inspections for ensuring compliance.

Amendments in the Trade Union Act

The Trade Union Act 1926 was amended in 2001 and after the amendment it became more difficult to form trade unions. In the Act of 1926, only seven members were required to register a trade union, but after the amendment at least 10 per cent or 100, whichever is less, subject to a minimum of 7 workmen engaged or employed in the establishment, are required to be the members of the union before its registration.

Actually, in practice, generally the trade unions are formed and applications are sent for registration secretly without the knowledge of managements. Only when the union is registered, it is made public. If anyhow the information is leaked out before the registration, the leading workers face worst kind of victimization and all efforts for unionization are foiled by the managements. In these situations, it is highly difficult to organize 10 per cent or 100 workers before registration of the union, since there is always a fear of losing the job. The registration process takes almost 2-3 months and therefore there are all chances that management is informed about unionization efforts for victimization to follow.

The amendment also introduces a limitation on the number of outsiders among the office bearers: "All office bearers of a registered trade union, except not more than one-third of the total number of office bearers or five, whichever is less, shall be persons actually engaged or employed in the establishment or industry with which the trade union is connected."[5] This is not going to affect the trade unions in any big way; however, it shows the motive of the state which wants to completely prohibit outsiders in the executive body of the trade unions. It is better expressed in the amendments done/proposed in labour laws by the state governments for SEZs.

Banning the Strikes by Using Essential Services and Maintenance Act (ESMA)

In the 1980s, the state started a major initiative to amend some important labour laws and therefore there were a series of strikes, big demonstrations and rallies of trade unions all over India in protest against such attempts. This decade is many times referred as 'the decade of trade union action'. Therefore, ESMA has been systematically used to suppress the labour movement. ESMA was enacted in 1957, 1960 and also 1968, but in 1981 it was enacted with a long term perspective. It was enacted for four years and thereafter extended up to 1990. Under this Act strikes were banned in listed essential services including, any postal, telegraph or telephone service; any railway service or any other transport service for the carriage of passengers or goods by land, water or air with respect to which the Parliament has power to make laws; any service connected with the operation or maintenance of aerodromes, or with the operation, repair or maintenance of aircraft; any service connected with the loading, unloading, movement or storage of goods in any port; any service connected with the clearance of goods or passengers through the Customs or with the prevention of smuggling; any service in any mint or security press; any service in defense establishment of the Government of India; any service in connection with the affairs of the Union; and any other service connected with matters with respect to which the Parliament has the power to make laws and a strike in which, the Central Government feels the public safety or the maintenance of supplies and services will be hit. Moreover, various state governments at different times (e.g. Tamil Nadu in 1979 and 1981; Maharashtra in 1981) enacted ESMA. As the protests against the 'new economic policies' grew, the government re-enacted ESMA in 1992. ESMA thereafter became a handy instrument to suppress strikes and protests by workers and particularly by public employees. The Government of Uttar Pradesh (UP) used ESMA and the National Security Act (NSA) against the UP Electricity Board Workers' strike in January 2000. Many states including Uttar Pradesh, Andhra Pradesh and Orissa have included health services under ESMA and invoked the Act against striking doctors. In 2006, ESMA was imposed against striking airport employees who were protesting against privatization process in Delhi and Mumbai airports.

The most publicized and sensational case of ESMA is that of Tamil Nadu. In 2003, after general strike of government and public sector employees ESMA was imposed by Tamil Nadu government and 1,70,000 employees were dismissed from the service. Later some relief was granted and lastly the number of dismissed employees was reduced to 6074. While granting this relief the court delivered a judgment which made a precedent against the strike. The court clearly opined that the government employees did not have the right to strike. The Tamil Nadu ESMA includes a large number of public services within the definition of "essential", including those relating to the supply of water and electricity, passenger and goods transport, firefighting and public health, etc. And it is very unique in the sense that the "strike" in the Act not only includes the refusal of employees connected with these "essential services" to "continue to work or to accept work assigned", but also a "refusal to work overtime" and "any other conduct which is likely to result in, or results in cessation or substantial retardation of work in any essential service." It prescribes a punishment of up to three years imprisonment and a 5,000 rupee fine for participants in a strike involving essential services. An activist who calls for a strike or instigates workers to go on strike, or anyone who provides financial assistance for the conduct of a strike, risks the same penalties as striking workers.

In 2010, the Gujarat government imposed ESMA on striking nurses of the UN Mehta Institute of Cardiology and Research Center, who were demanding implementation of Sixth Pay Commission recommendations.

Judicial Precedents Imposing Further Limitations on Trade Union Actions

Judgments made by the Supreme Court set legal precedents on the issues and they are respected as laws unless and until another judgment comes and sets a different precedent. In recent decades, a number of judgments came from the Supreme Court setting precedents against the right to strike. We can here only make reference to a few judgments as follows:

In a case of general strike by the government employees in Tamil Nadu (TR Rangarajan vs Government of Tamil Nadu, AIR 2003 SC 3032), the Supreme court held thus: "Now, coming to the question of right to strike whether fundamental, statutory or equitable moral right - in our view, no such right exists with the government employees." And that: "Law on this subject is well settled and it has been repeatedly held by this court that the employees have no fundamental right to resort to strike."

In 1998 the Supreme Court of India had upheld the 1997 verdict of the Kerala high court directing that the *bandhs* (general strikes) are illegal and violate the Indian Constitution. The Kerala High Court had held thus: "There cannot be any doubt that the fundamental rights of the people as a whole cannot be subservient to the claim of fundamental right of an individual or only a section of the people." And that: "no political party or organisation can claim that it is entitled to paralyze the industry and commerce in the centre, state, nation and is entitled to prevent the citizens not in sympathy with its viewpoints from performing their duties... Such a claim would be unreasonable and could not be accepted as a legitimate exercise of a fundamental right by a political party or those comprising it."[6] The Supreme Court was here of the view that the *bandhs* basically interfere with the exercise of the fundamental freedoms of (other) citizens while causing economical loss to the nation.

Then again in 2002, the State of Kerala issued an order stating that all general strikes were illegal when they involve a complete close down of all activities. Furthermore, organizers of a general strike who cause a shutdown can also be held financially liable for damages caused to an employer. The Kerala state order was challenged, but it was upheld as legal by the Supreme Court.

In 2004 the Calcutta High Court, in 2006 the Kerala High Court and in 2007 the Supreme Court again reiterated that the general strikes are illegal and not Constitutional.

It is worth mentioning that the opinion of the Supreme Court on the right to strike before 1990 was completely different. It was more or less recognized as the fundamental right. Here we can see the precedent set on the issue by Justice Ahmadi in case of BR Sigh vs. Union of India (1990 AIR 1, 1989 (1) Suppl.SCR 257):

"The right to form associations or unions is a fundamental right under Article 19 (1) (c) of the Constitution. Section 8 of the Trade Union Act provides for registration of a trade union if all the requirements of the said enactment are fulfilled. The right to form associations and unions and provide for their registration was recognized obviously for conferring certain rights on trade unions. The necessity to form unions is obviously for voicing the demands and grievances of labour. Trade unionists act as mouthpieces of labour. The strength of a trade union depends on its membership. Therefore, trade unions with sufficient membership strength are able to bargain more effectively; reduced if it is not permitted to demonstrate. Strike in a given situation is only a form of demonstration. There are different modes of demonstrations, e.g., go-slow, sit-in, work-to-rule, absenteeism, etc., and strike is one such mode of demonstration by workers for their rights. The right to demonstrate and, therefore, the right to strike is an important weapon in the armory of the workers. This right has been recognized by almost all democratic countries. Though not raised to the high pedestal of a fundamental right, it is recognized as a mode of redress for resolving the grievances of workers."

Making SEZs and NMIZs Immune to Trade Union Actions

Hundreds of SEZs that are coming up in the country are declared public utility services under the Industrial Disputes Act. The whole labour relations machinery is put out of the interventions of state labour departments. For SEZs, the powers of labour departments are transferred to the SEZ development authorities that include the representatives of private developers of the zones. Moreover, the state governments have done/proposed major amendments in labour laws for SEZs. It is proposed that outsiders must not be allowed in trade unions in SEZs. Moreover, the entry in the zones is highly restricted and therefore it becomes highly difficult for outside trade union organizers to organize the SEZ workers.

Now the new manufacturing policy is proposing to establish National Industrial Manufacturing Zones (NIMZs) in line with SEZs. SEZs are for exporting units and NIMZs are proposed for manufacturing units in general. It is proposed that all NIMZ units will be declared Public Utility Services on permanent basis. It is also proposed that NIMZs will be exempted from the applicability of all important labour laws. There is a clear indication that the intention is to completely informalise the workforce of the zones. If NMIZs get exemption from labour laws, SEZs will also automatically get these benefits. Not only this, it is also proposed that the right to join unions in NIMZs would be confined only to the workers drawing salary below a certain limit.

Defensive Trade Union Movement

In light of the above, it is not difficult to understand the decline and fall of the trade union movement in India. Dispersing the assembly line, adopting lean production techniques and rampant informalisation of the workforce along with and anti-labour economic-legal initiatives (relaxation in labour laws, anti-labour judicial pronouncements and SEZs, etc.), have been among the most important factors causing an overall decline in the collective bargaining power of the workers.

If we look at the period before liberalization, the trade union movement was more and more offensive and was actually struggling for more labour rights, extending the coverage of protective labour laws to wider sections of the wage workers, and extending the scope and coverage of collective bargaining. Here we can make reference of two issues: (a) Under pressure of the trade union struggles, the Contract Labour (Abolition and Regulation) Act 1970 was enacted which provided principles and procedures for regularization of casual-contract workers and prohibited engagement of contract workers in core activities; and (b) After a long struggle of trade unions, applicability of chapter VB of the Industrial Disputes Act (protection in case of retrenchment, closures and layoff) was extended to establishments with 100 or more workers, rather than the earlier limit of 300 and more workers.

But, with the advent of liberalization an all-round offensive has been launched against labour and the trade union movement has been forced to go on the defensive for maintaining status quo rather than pushing forward for more labour rights and further extending the scope and coverage of labour legislations and collective bargaining. Even if the trade union movement has been successful in not letting the government amend labour laws towards hire and fire labour system, the state has indeed achieved its goals by way of changing the meaning of labour laws through judicial pronouncements, by SEZs and by granting relaxations to employers and allowing violation of labour laws (making inspection machinery totally defunct). It is to be noted that over the last two decades the casual-contract workers' claims for regularization are rarely entertained by the courts even as permissions for closures and retrenchments are easily granted by the governments.

All these changes have resulted in the decline in the trade union strength and the collective bargaining power of labour. There is no strong movement for compelling the government to ratify the ILO conventions on right to organize and collectively bargain. Trade unions are also unable to put any pressure on the government to ratify the social security convention.

Minimum Wages as Maximum and Declining Wage Share

Taking the benefit of paralyzed labour law enforcement machinery, highly informalised and least unionized workforce, and declining strength and collective bargaining power of trade unions, employers have become so aggressive that the minimum wage has actually become the maximum wage. Approximately 73 million out of 173 million wage earners throughout India do not receive statutory minimum wages (ILO, 2010).

The share of wages in the organized Indian industry declined considerably between 1973 and 1997. The end to end drop was 19 per cent, and the wage share fell from 51.7 per cent to 32.8 per cent. In proportionate terms, the decline in wage share was between 30-40 per cent (Shastri and Murthy Undated). If we look at the overall picture of wage share in recent decades, the trend of decline in share of wages has continued during 1993-2007 (ILO 2010).

What is the Effective Alternative for Labour?

Collective bargaining in India has remained largely decentralized in that it has been company or unit level bargaining rather than industry level bargaining. Only in the public sector industries, the industry level bargaining was to a large extent practised. But with the privatization of public sector, and informalization in formal sector, on the one hand, industrial bargaining has almost disappeared and on the other hand, with decline in trade union strength and power at shopfloor level the company level collective bargaining has also became difficult. Generally, formal workers in comparatively larger proportion in only larger industrial units are able to exercise their right to collective bargaining. In most of smaller and medium sized industrial units, it has become next to impossible for workers to exercise their right to organize and collectively bargain. They can only do collective begging or individual begging. Collective bargaining possibility also depends on the nature of industries. For example, workers are in a better position in the auto industries than in garment industries in terms of their collective bargaining power. In garment industry in India, the workforce is almost completely informalized and the company level trade unions in this industry are rarest of the rare.

In these situations, two types of deterioration in the trade union movement can be noticed. First, there is individualized bargaining for getting legal benefits. This happens in the larger context when the workers are informal workers and not unionized and so there are rampant violations of labour laws and the workers virtually face slave labour like situations. In these conditions the grievances of the workers generally come out as individual grievances or as grievances of small groups of workers. The protests and revolts from the workers also generally come out as individual protests or the protest of a small group of workers. Danger of losing job makes it highly difficult to organize collective protests. Thus in this context, we observe a spurt in individualized bargaining in the form of large number of cases filed in labour departments and labour courts challenging various kinds of victimization and violation of labour laws by employers and for claiming legal benefits. High level of informalisation of workforce combined with the individualized bargaining has actually changed the character of the trade unions also. Many trade unions are performing the role of the brokers and legal consultants, pursuing individual cases, facilitating individual settlements with employers, and charging fees from the workers for their services, rather than acting as collective bargaining agents. It is interesting to note that grass-root level branches of almost all national trade unions are largely converted into legal consultants. This is not all. A large number of such consultancy shops in the name of independent trade unions (registered as federations/industry unions, or general unions) have emerged which provide legal services to the workers in the labour department during conciliation. All these unions (branches of national trade unions also) generally also keep a lawyer in their office to pursue the cases in the labour courts.

Secondly, there is company level bargaining based on paying capacity of of the units rather than industry standard. With the company level bargaining as the dominant trend wherever the workers are unionized, the trade unions are generally approaching the issues of wages and working conditions by looking at the paying capacity of the particular firms rather than the industry standard. This problem of trade union movement is to a large extent a continuity of the past due to lack of a strong focus on industrial unionism and industrial collective bargaining. But in the present situation it is emerging as a very intense problem and in many ways the fate of labour movement actually depends on resolution of this problem. The conditions are deteriorating to the extent that not only there are very wide gaps in wages and working conditions of workers in various factories in the same industry, but also there are huge gaps in wages and working conditions of formal and informal workers doing the same work in the same factory. This divide is systematically established and maintained by the representatives of capital to create and maintain a division among labour, so that the scope for emergence of any class solidarity among the working class is minimal. These conditions are compelling the workers and the trade unions to understand this problem as reflected in some recent trade union struggles. For example, in the recent strike at Satyam Auto and Rockman Industries in Haridwar, the workers argued for a wage hike on the basis that wages in other similar factories are far more than paid in their factories. However, this is raised by only those workers who are getting less than the others, and not by those who are getting more than the others. Similarly, in Gurgaon the autoworkers' unions of various factories in the region have made a joint forum to support the struggles of workers in various auto industries in that region. Solidarity actions have played a very important role in achieving success (to whatever extent) of strikes in various factories in the region. But it does not go beyond solidarity and in terms of industrial bargaining it has a very limited value only in terms of compelling the employers to respect the workers' right to collective bargaining. The wages and working conditions are widely different in various factories and still there is no discussion among trade unions on the issue of struggle for setting an industrial standard for wages and working conditions at least in the region. There is another important development in the trade union movement towards realization of the importance of industrial bargaining. One of the major demands put forward by the joint council of central trade unions in the historic general strike on 28th February 2011 was for equal wages to both formal and informal workers doing similar work in the same factory. However, they also did not put forward the demand for equal wages and working conditions across the industries.

It is worth mentioning here that the strategy of industrial unionism and industrial bargaining is not just important for achieving uniformity and a higher level of unity of labour across a particular industry. In the present conditions, industrial unionism also seems the only effective strategy for building and strengthening company level trade unions and company level collective bargaining. In a situation of highly informalised labour force, when workers keep on moving from factories to factories even as generally remaining in the same industry for a longer period, organizing them at the factory level is highly difficult; they can only be organized in the industry unions, and only industry unions can ensure a sustainable presence of factory level unions. Also, in these situations only industry level unions can ensure an effective support to factory level unions against any victimization by employers. Industrial unionism may also provide immense scope for organizing the workers in small informal sector units in particular industries and address the issue of inhumane wages and working conditions that the informal sector workers are facing.

Notes

1. Any federation of trade unions, with at least 500,000 members spread over at least four states and in four industries is eligible to be considered as a National Federation or Central Trade Union Organization. There are many national level federations which do not qualify to be placed in this list because they do not have the required membership.
2. See http://udyogbandhu.up.nic.in/Act/THE_INDUSTRIAL_DISPUTES_ACT.pdf
3. Ibid.
4. See The Industrial Disputes Act, 1947; Chapter VI: Penalties, http://www.advocatekhoj.com/library/bareacts/tradeunion/17.php?Title=Trade%20Union%20Act,%201926&STitle=Criminal%20Conspiracy%20in%20trade%20disputes
5. Trade Union Act 1926, http://www.advocatekhoj.com/library/bareacts/tradeunion/index.php?Title=Trade%20Union%20Act,%201926
6. See http://www.indiankanoon.org/doc/994831/

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