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Editorial

Dear Valued Readers,

Welcome once again to the Management Vision Family.

As we sail once again in our quest to enriching our intellectual growth, Management Vision continues to bring to your stable strong research, insightful findings that promise to add to your own growth.

Researchers have always been an inspiration to me and our magazine dwells on the diversity of domains researched. Our current issue is an eclectic mix of papers across subjects: Branding to Human Resources to Cloud Computing and much more awaits you.

To harness the research talent, Management Vision, in December, will host an International Research Conference focusing on management domains. Each one of you will be shortly invited to present your papers which will be head by a panel of esteemed domain experts. The conference aims to create an environment that is intellectually stimulating and leaves you with an imprint that augurs success in your research.

You will hear from us soon, till then happy researching!

Dr Kalim Khan

Contents

RESEARCH PAPERS

BOOK REVIEWS

BIBLIOGRAPHY

GUIDELINES

Customers Perception of Private Labels in Organized Retail Sector with Reference to FMCG Sector

Mr. Sameer V. Charania[1]

Abstract

Private labels are brands that are owned & managed by a specific retailer. Retailer today is more & more focusing on private labels as it offers products to customers at much lesser price as compared to national brands.

This paper attempts to understand the perception of the customers towards private labels in organized retail sector in FMCG category. The paper focuses on analyzing, how quality, advertising, price, packaging influences the customers purchasing behaviour of private label brands. The major objective of the content analysis is to analyze the current position these private label FMCG products occupy in the minds of the customers.

Key Words: *Private Label, Organized Retail, Supermarket, FMCG category*

1.0 Introduction:

The Indian organized retail sector accounts for only 5% of the country's economy and it is expected to contribute 15.5% by 2016. Private Label comprises of 10-12 percent of the organized retail product mix. Private label brands are brands that are owned & managed by the retailer. These products are only available in the retail outlet who owns the brand. These brands are priced much lesser as compared to the national brands as these brands do not have any promotional & distribution cost. As these brands are owned by the retailer itself, these costs are eliminated. The basic objective of a supermarket is to increase its profitability. There is a limit to the profit margin which these supermarkets get from the sales of national brands. Retailers today want to capitalize on their profitability & hence they (retailers) come up with private labels i.e. retailers own brand, also known as store brand or In-house brands.

This paper makes an attempt to evaluate the perception about private labels in the FMCG sector in supermarkets. India is witnessing an increasing trend with respect to acceptance of private label & so their penetration is on the rise in the FMCG sector. In India, many retailers are

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considering to increase their private label brand offering significantly as this can be a very effective tool by the retailer to attract customers to the store.

2.0 Objectives of the Study:

- To understand the customers perception towards purchase of private label products in FMCG sector.
- To understand the factors that influence the customers to purchase private labels in FMCG sector

3.0 Research Question:

Does consumer attitude towards private label affect their intention to buy the same?

4.0 Review of Literature:

This section focuses on understanding the customers' perception of private labels in retail sector and analyzing it based on the research already conducted.

Glynn (2009) indicates that quality variability, price consciousness, price-quality association and brand loyalty influence consumer proneness to buy private label brands. In addition, income, education and household size are factors of private label brands purchasing. It is suggested that while retailers can improve private label brands products in the hope of reducing the quality gap with leading national brands, this strategy may be counterproductive unless retailers address the price-quality aspects.

Pandya & Joshi (2011) Private label offers were rated much lower in revealed taste test than in blind taste test. Private label brands suffer from low quality image when compared with national brands despite improvements made in the quality. Attitudinal differences were observed for attributes like quality, price, risk and image. Quality is more important than price to customers. Customers considered private labels' to be inferior in quality in comparison to national brands. Today's customers are smart enough to understand that since they are not buying branded products, so they need not pay premium.

Goswami (2012), Analysis & evaluates an association between the variables such as quality, number of categories, store name as private label name, innovative private labels promotions and price differentials between national brand and private label. It also examines contribution of private labels in terms of total sales and its growth rate. Quality is crucial in driving the customer

towards the store. Store name is not a necessary condition to enhance the store loyalty. Most of the retailers carry individual brand names which are convincing to the customers with attractive packaging. Wider the price gap between the national brand and private label, the chances of acceptance of the private label are more. Private label name has no association with store loyalty. 56 percent of the respondents believed that private labels are good alternatives to national brands. 62 percent of the respondents feel that private labels are able to position themselves significantly in the minds of the customers and are gaining acceptance.

Beneke Justin (2009) analyzed the consumer perceptions of private label brands within the retail sector of South Africa. Consumers who are heavy purchasers of private label brands may not prove to be more profitable in the long run as these consumers may be substituting a more expensive manufacturer brand with the less expensive private label option. The advantage of private label is increased profitability through cost saving & increased margins, increased store loyalty & creation of distinct corporate identity, opportunities to seize new market ventures & increased bargaining leverage with suppliers. The attractively packaged items address the consumer needs of esteem & status. With respect to the element of price, new private label brand products can be at a lower cost by test marketing in a few of their own retail stores, thereby contributing to lower research & development costs. The primary role of product packaging is to captivate consumer attention by breaking through the competitive clutter. Demographic variables were largely ineffective in determining an individuals' propensity to buy private label brands. Income was found to be the most prominent of all variables, revealing a direct relationship between income & affinity towards private label brands.

Sharma, Dubey & Pandey (2010) researches about the customers' perception of store brands with national brands. It analyzed that private labels account for 5% of the total organized retail market, so the potential for growth is still enormous. Margins on private label products range from 15-20% in the FMCG sector. The primary reason a consumer buys a private label is usually price, but with improving quality of the products as well as labels & marketing, consumers tend to stick with these products rather than go back to branded labels. Most private label products are priced 5-20% lower than regular items. Private label needs to improvise on their packaging. Store Image, Price & quality are factors to select store brand.

Wang & Chen (2011) understood the consumers' attitudes towards different product category of private labels. It investigates the consumer perceptions on product quality, price, brand leadership & brand personality towards convenience goods based on international private labels & local private labels. Consumers in Taiwan believe that international & local hypermarkets both

produce better convenience goods that have quality & deliver more value. International private label has the advantage of economies of scale & the image of commodities of foreign make, which manifests itself as exotic lifestyle & culture. Consumers do not regard highly with local private labels.

5.0 Research Methodology:

A survey was conducted with the help of structured questionnaire. 30 respondents (12 male respondents & 18 female respondents) were selected who purchased private label at least once in FMCG sector. The respondents were asked questions so as to understand their perception on the basis of various parameters in the purchase of private label in FMCG sector in organized retail sector.

Type of Sampling: Stratified Random Sampling

Research Tool: Structured Questionnaire

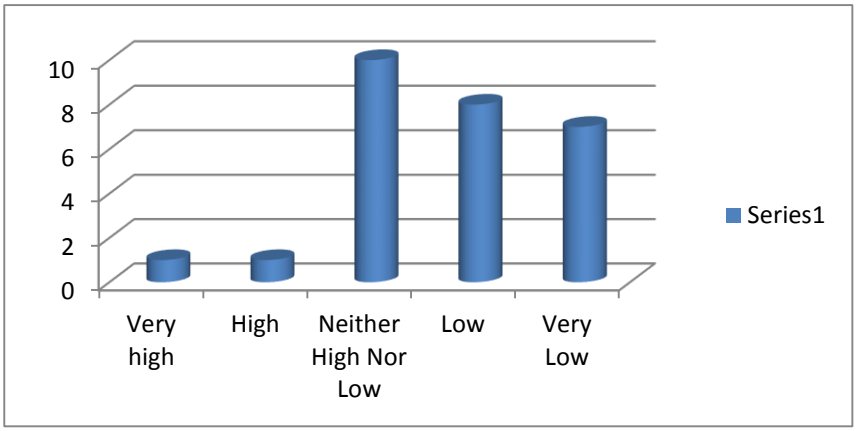
6.0 Data Analysis:

6.1 Perception of customer with respect to quality:

Perception of customer with respect to quality

It is noted that majority of the customer are of the opinion that the quality of private label products are of average quality. This means that the retailers needs to focus more on quality so as to increase the sales of private label product and thereby increase the profitability.

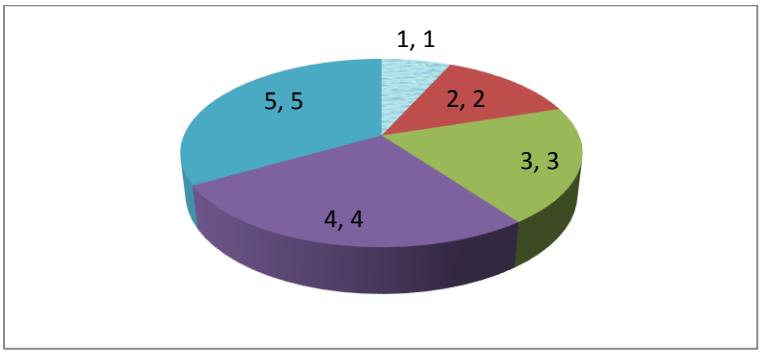
6.2 Perception of customer with respect to Prices of private Label Product:



Perception of customer with respect to Prices of private Label Product

Majority of the customers are of the opinion that the prices of private label products vis-à-vis national brands are neither high nor low. Respondents also are of the opinion that the prices are low. Price being low is a motivating factor for price conscious customers.

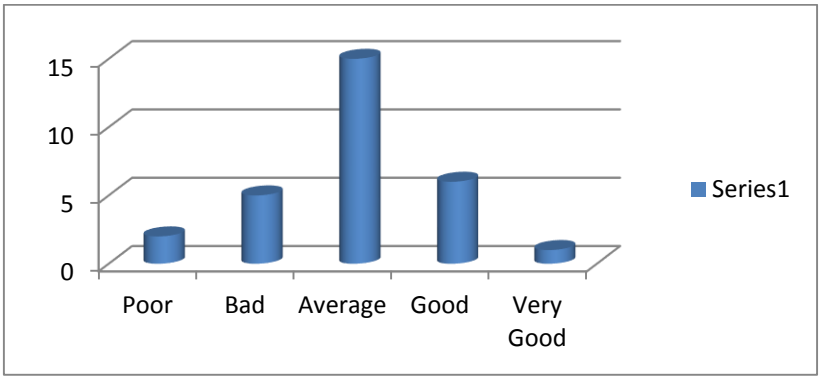
6.3 Customers' perception on availability of private label products:



Customers' perception on availability of private label products

Customers were asked to rate the availability of private label products on a scale of 1 to 5. In this case, 1 is Never Available, 2 is Sometimes Available, 3 is Available in Average Quality, 4 is Available in Less Quantity, 5 is Always Available. Customers have given higher ratings to availability. So there is no problem as far as availability of the product is concerned as the products are distributed through their own retail outlet.

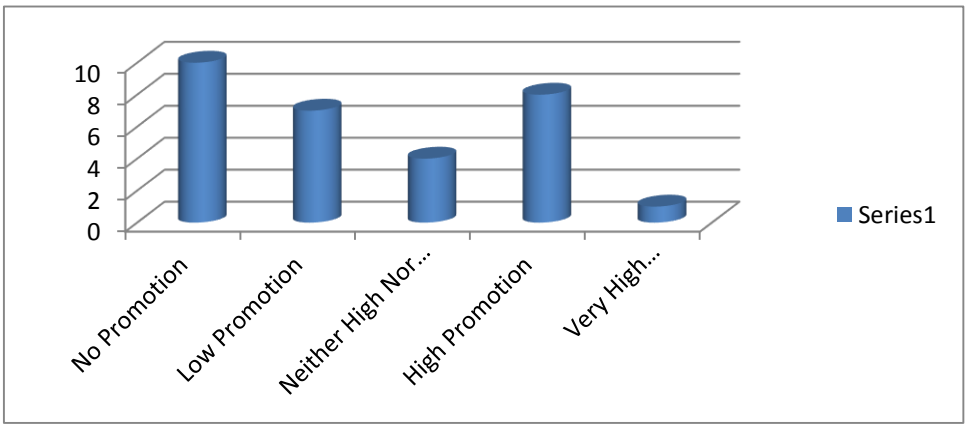
6.4 Customers' perception on the element of packaging:



Customers' perception on the element of packaging

Approximately 50 % of respondents are of the opinion that the retailers have an average quality of packaging for their products. To attract more customers & capitalize on profits, retailers need to improvise on the element of packaging

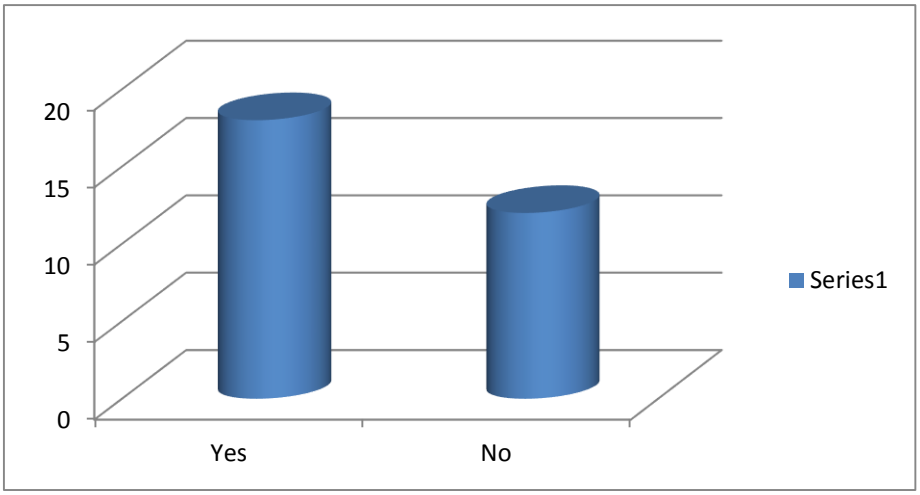
6.5 Customers' perception of sales promotional activities of organized retail sectors with respect to private label brands:



Customers' perception of sales promotional activities of organized retail sectore with respect to private label brands

Majority of the respondents are of the opinion that retailers do not have any sales promotion activities. Even if they have, it is very marginal. So retailers should increase their frequency of their sales promotional activities.

6.6 Customers' preference of private label brand over national brands:



Customers' preference of private label brand over national brands

Majority of the customers are of the opinion that they will prefer to purchase private label brands provided they have a standard quality as compared to private label brands. This indicates that if the retailers focus on maintaining the private label brands, then they have a bright future.

7.0 Major Findings & Recommendations:

Based on the research conducted following implications can be summarized. :

- Customers' perception has changed to a certain extent. In the past, customers perceived private label products as cheaper substitute and many customers did not prefer purchasing it. Today, there are considerable number of customers who prefer purchasing private label product. Wider availability of private label products appear to have increased acceptance among customers
- Retailers must respond by developing consumer-centric strategies & operating models with respect to private label products.
- Determinants for the success of private labels should be more consumer driven in terms of product quality & quality consistency. It should be retailer driven in terms of category retail sales & category gross margin. The number of national brands & national advertising per manufacturer decreases the private label market share.
- Private labels are still in an introductory stage in Indian context as compared to situation in many other parts of the world, because of limited reach of organized retail.
- Customers will be happier if quality product is made available at a reasonable price irrespective of whether it is delivered by a branded manufactured or retailer. National brands are always burdened with promotional expenses. Retailers seek an opportunity to

pass this benefit to customers by developing in house private labels in order to avoid marketing expenses.

- Higher margins private label goods are cheaper to produce than branded goods. Besides, due to the lack of advertising and marketing expenses they provide double advantage to the retailer when it comes to the profit margins.

Following suggestions may help the retailers so as to have a favorable response from the customer:

- Product quality is extremely important. Customers look towards private label for good quality. So, retailers should strive to maintain good standards in the private label merchandise.
- Pricing is a major factor for differentiating from competing national brands & generate preference for private brands. The customers expect to get a good quality at a reasonable price when it comes to purchasing private label. The retailer should set the price at a level where the customers feel that they are getting much more than what they are paying for.
- Maintaining the gross margin is important. Sometimes, in order to increase sales, to compete with other brands, to introduce a new product into the market, the retailers may charge a very low price as competition is tremendous in FMCG sector amongst the national brands. This is not advisable as the low margin leaves very little scope for meeting promotional & operating expense, which could result in private label brand generating loses, which cannot be continued for long.
- Promotion of private label brands is vital for their success. The retailers should promote their private brands, especially at selling points, in order to create awareness as to why customers should purchase them in preference over manufacturer brands. It has been observed that retailers lack promotion for private labels. Many customers visiting the stores still lack the awareness of private label brands. Retailers should communicate through announcements within the store, small posters within the store highlighting the private label brand in each category of FMCG products.
- Proper placement of private label brands in store & on shelves is very important for drawing attention of the customers. Products should be placed in central position in both vertical & horizontal display of merchandise. Private label products should be placed around national brands as it provides the opportunities for customers to compare & evaluate them.

- Private label brands lack to maintain the quality in terms of packaging of the product. Packaging is one of the important tools to attract customer's attention. Retailers can focus on keeping a similar color of packaging of private label like the national brand.

8.0 Conclusion:

The large number of national brands & their popularity are a major hurdle for the growth of private label brands. Retailers have to be patient & make consistent investments in terms of both monetary value & efforts to sustain & grow their private label business. The dominance of national brands demands extra efforts on the part of the retailers to successfully promote private label brands.

Indian consumers prefer national brands over private label due to quality & trustworthiness. Hence retailers need to focus on upgrading quality of private labels. Efforts for positioning of private label in consumers mind is a time consuming process. Therefore, developing quality products & trustworthiness is a big challenge. Indian retailers need to focus on creating value added quality private label.

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Tracking the Global Economy through Dow-Gold Ratio using Elliot Wave Theory

Mr. Imran Kazi[2]

Abstract

Gold is always considered as the ultimate hedge against Inflation which usually surges in times of crisis. When things turn bad people withdraw investments from riskier markets like Equity, Currency, and Commodities etc. and turn towards Gold. Hence the value of riskier markets including global equities dip in such times. DJIA-Gold ratio graph plots the amount of Gold needed in ounces to buy one unit of Dow Jones Industrial Index. This research paper seeks to understand the historical behaviour of DJIA-Gold ratio, and identify its future trend. This trend in DJIA-Gold ratio helps to track the trend of the Equity market using the fundamental co-relation between Equity & Gold which is of inverse nature and the widely used technical analysis tool of Elliot waves.

Key Words: *DJIA-Gold ratio, Elliot Wave Theory, Impulsive Wave, Corrective Wave, Fibonacci Series, Super Cycle, Hedge, Inflation*

1.0 Introduction:

1.1 Gold

Gold's popularity is due to Investor's belief that it is a hedge against inflation. It also works as a hedge against stocks on average and a safe haven in extreme stock market conditions *(Baur, Dirk G., 2010)*. At times when there is economic or political crises market participants turn towards the Yellow metal. Of course, the gold market is subject to speculation like other markets, especially through the use of futures contracts and derivatives but no one can deny the correlation between the value of this precious metal and the value of Global Equity Market.

1.2 Gold versus the Dow Jones Industrial Average (DJIA)

The performance of gold bullion is often compared to stocks due to their fundamental differences. Gold is regarded by some as a store of value (without growth) whereas stocks are regarded as a return on value. It is a known fact that, demand for gold increases when things turn

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bad in the global economy thus pushing the value of Gold up, at the same time riskier markets like Equities and Commodities take a beating due to low confidence of Investors. The same can be justified in the graph below which shows the DJIA-Gold ratio from 1900-2011. In other words the graph illustrates the amount of Gold needed in ounces to buy one unit of DJIA. Thus, an upward move in the graph shows that the Equity market has started outperforming Gold whereas a down move would suggest that Gold has started to regain strength against the Equities.

A: Post World War I Recovery

B: Aftermath of the Great Depression of 1929

C: Post World War II Recovery

D: Energy Crisis

E: The Dotcom Bubble

F: A decade of turmoil- Dotcom Bubble Burst, Subprime Crisis & Euro Debt Crisis.

Figure A: Various phases of Boom and Crisis in the global economy since 1900

Source for Gold prices & DJIA levels: Bloomberg

It is clearly evident that in times of major economic crises like the Great Depression of 1929, the Interwar periods, the first and second oil crisis around 1970-1980, the dotcom bubble burst of 2000, the subprime crisis of 2008 and the ongoing Euro Debt crisis DJIA- Gold ratio takes a beating. It has fallen below the 10-mark and at times even below the 5-mark, as in such times many investors tried to play safe by withdrawing from Equities, Commodities etc. and investing in precious metals, most notably gold and silver.

On the other hand the recovery period after each of the two World Wars, and the Dotcom Bubble phase shows a surge in the DJIA-Gold ratio above the 15-mark. DJIA-Gold ratio even touched a peak value of 42 just before the dotcom bubble busted.

The Dow Jones Industrial Average (Dow)/Gold ratio is important because it indicates the optimism for financial assets versus that of hard assets. A rising ratio demonstrates high confidence in the economy and falling inflation expectations while a declining ratio indicates low confidence in the economy and rising inflation expectations.

1.3 Elliot Wave Theory

In 1930's Ralph Nelson Elliot studied price charts with a focus on stock market behavior and concluded that his observations ultimately encompassed not only the action of equity market averages but actually a much larger law that he believed governed everything from social interaction to the patterns seen in natural phenomena. The Theory states that any market follows a standard wave pattern such that movement in the direction of the trend subdivides into five waves. Movement against the trend subdivides into a three-wave pattern. In rising markets, true bull markets, the subdivisions occur in five waves up, an up-down-up-down-up sequence. Bear markets tend to occur in three wave sequences, down-up-down. Each one of those movements has a shape and a personality. As long as one can recognize the shapes that are occurring, one can forecast about what might happen next.

2.0 Objectives:

1. To study the historical behavior of DJIA with respect to Gold.
2. To explain the broad aspects of Elliot Wave Theory.
3. To analyse the trend of the DJIA-Gold ratio using Elliot Wave Theory.
4. To understand the implications of the DJIA-Gold ratio trend on the Global Equity market.

3.0 Scope and Limitations of Study:

1. The paper would study the global equity market trend using DJIA as a benchmark.
2. The future trend of DJIA-Gold ratio will be analysed using only the technical tool of Elliot Waves.
3. The future movement of DJIA-Gold ratio will be used to assess the global Economic growth.
4. The study gives the future trend of the Equity market and not the target levels.

4.0 Literature Review

Ralph Nelson Elliot in his book 'The Wave Principle' ***(1938)*** and his 12 articles for Financial World Magazine ***(1939)*** concluded that an intricate theory can explain the behaviour of crowds, exposing their dichotomous and ongoing swings between optimism and pessimism. This is something that the world knows today as Elliot Wave Theory. This was discussed in further detail by ***(Frost et al., 2005)***, who advocated that crowd behavior trends and reverses in consistent and recognisable patterns. The patterns that recur in markets are termed as "waves"; they are repetitive in form but not necessarily in time or amplitude. These patterns link together to form larger versions of the same patterns and those in turn become the building blocks for patterns of the next larger size etc. Regardless of the size, the form remains constant.

Elliot also emphasized that the classification of a wave at any particular degree can vary, though practitioners generally agree on the standard order of degrees (approximate durations given):

1. Grand Super Cycle: multi-century
2. Super Cycle: multi-decade
3. Cycle: one year to several years
4. Primary: a few months to a couple of years
5. Intermediate: weeks to months
6. Minor: weeks
7. Minuette: days
8. Minuette: hours
9. Sub minuette: minutes.

There are two types Wave Patterns:

1. **Impulsive wave**
2. **Corrective Wave**

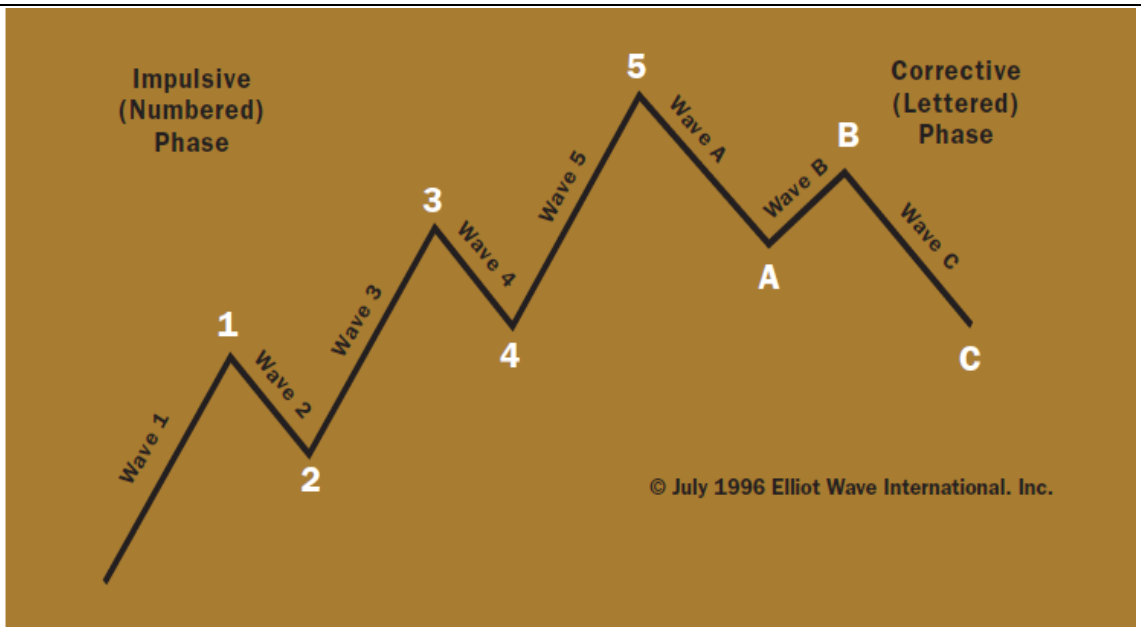

Figure B: 5-part motive wave 1-2-3-4-5 & 3-part corrective wave A-B-C

Impulsive Wave – 5 wave pattern showing dominating trend

Wave 1: Wave 1 is difficult to identify as at its inception, the fundamental news is almost universally negative. The previous bearish trend is considered to be strongly in force as the economy probably does not look strong. Volume might increase a bit as prices rise, but some are sure to miss out the move. It is a five wave pattern.

Wave 2: Wave 2 corrects wave one, but can never extend beyond the starting point of wave one. Volume should be lower than during wave one and prices usually do not retrace more than 61.8% of the wave one gains. Prices fall in a three wave pattern.

Wave 3: Wave 3 is usually the largest and most powerful wave in a trend except for some commodities. This is the phase when the mood is upbeat and prices rise quickly. Wave three often extends wave one by a ratio of 1.618:1. This is a five wave pattern.

Wave 4: Wave 4 is a three wave corrective pattern wherein prices may move sideways for an extended period. This wave four typically retraces less than 38.2% of wave three. Volume is much lower as compared to wave 3.

Wave 5: Wave 5 is the final step before the dominant trend stops. The market mood is universally positive and everyone is bullish. Volume is often lower in wave five than in wave three, and many momentum indicators start to show divergences. It is a five wave pattern.

Corrective Wave – 3 wave corrective pattern

Wave A: Corrections are more difficult to identify than motive waves. At the inception of wave A, the fundamental news is usually positive. Most analysts see this drop as a correction in a still-active bull market. It is a five wave pattern.

Wave B: Prices reverse in the upward direction in the form of three wave pattern, mostly seeming like a resumption of the bull market. The volume during wave B is usually lower than in wave A. By this point, fundamentals are probably no longer improving, but they most likely have not yet turned negative. The wave B should retrace at least 38.2% of Wave A even if it shows sideways movement.

Wave C: Prices move impulsively lower in five waves. Volume picks up. Wave C is typically at least as large as wave A and often extends to 1.618 times wave A or beyond.

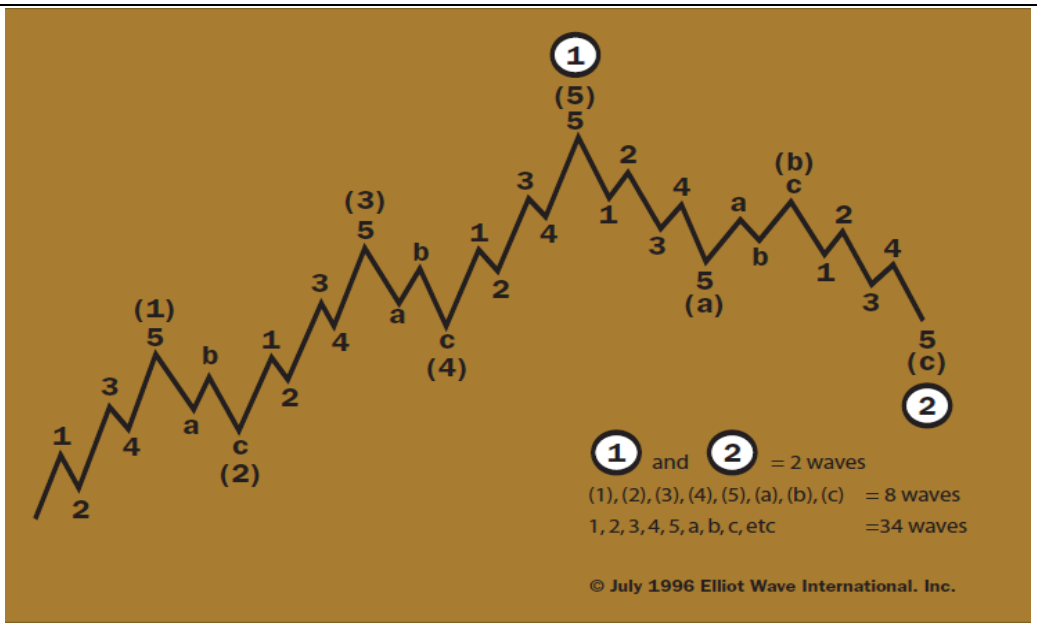

Figure C: Each Wave is further divided into smaller wave patterns

In the book edited by Robert Prechter, 'Market Analysis for the new Millennium' (2002), Jordan E. Kotick points out in the chapter 'The Metaphysical Implications of the Elliott Wave' that the patterns by themselves won't work as a dependable prediction tool without the Fibonacci series, another of Elliott's most important discoveries. The Fibonacci sequence and its corresponding ratios governed the progression and regression inherent in an unfolding Elliott wave. The

sequence, the relationship of the numbers in the sequence (referred to as phi or .618 and its reciprocal 1.618) and the ongoing mathematical calculations associated with these numbers (the ongoing squaring of .618 or 1.1618, for example), helps to determine everything from the relationship between the waves to their inherent length and amplitude. Usually a corrective wave retraces not much beyond 61.8% of the Impulsive Wave.

5.0 Research Methodology

5.1 Sources of Data

1. Primary data:

Content Analysis of DJIA-Gold ratio charts.

The content of DJIA-Gold charts were analysed using the Elliot Wave Principle to find the impending trend and direction of the DJIA-Gold Ratio which was then used to forecast the trend in the Global Equity Market.

2. Secondary data:

DJIA levels & Gold prices sourced from Bloomberg Terminal using daily charts since 1900.

Other data gathered from books and publications, magazines, internet, journals and periodicals, etc.

5.2 Research Design

Quantitative Descriptive Cross-sectional

The research intends to collect and analyze numerical data obtained from Bloomberg terminal to find the trend of Global Economy using the DJIA-Gold ratio and Elliot wave theory. It is temporal in nature and conducted using a sub-section of the total available data points.

6.0 Data Analysis and Findings

The DJIA-Gold ratio chart was prepared using the DJIA levels and Gold prices since 1900 (sourced from Bloomberg). The chart indicates the quantity of Gold needed in ounces to buy one unit of DJIA. It moves up when value of Gold increases with respect to the DJIA and moves down when DJIA surges with respect to Gold. As per many analysts an Elliot wave super-cycle peaked in 2000 when the global market was amidst a frenzy created by the 'Dotcom Bubble'.

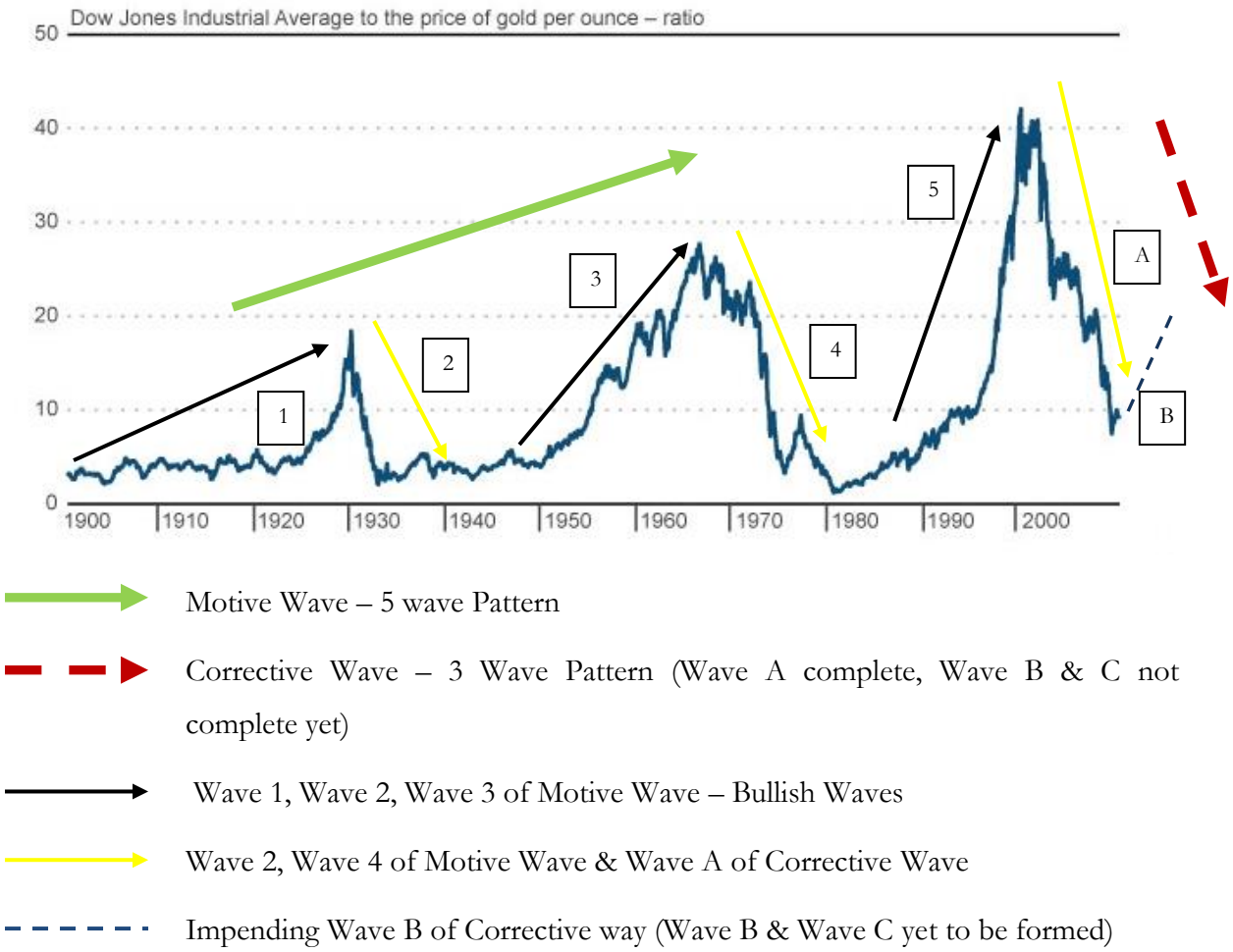

Figure D: Understanding trend of the DJIA-Gold ratio using Elliot wave theory

Source for Gold prices & DJIA levels: Bloomberg

The various sub-waves of the Impulsive wave along with the period and events that define them are as mentioned below:

Wave 1: 1900 to1929	-	Growth in the post World War I era
Wave 2: 1929 to 1945	-	The Great Depression of 1929, its aftermath and World War II
Wave 3: 1930's to 1970's	-	Growth in the post World War II era
Wave 4: 1970's to1980's	-	Energy Crisis
Wave 5: 1980's to 2000	-	Recovery post the crisis finally ending with the Dotcom Bubble Burst

It can be clearly noted that in 2000 the DJIA-Gold ratio was at its peak level of 42 which was also the peak of the grand super cycle. Thus, as per Elliot Wave Theory, the post 2000 era is a one of correction. The sub-wave A of the corrective wave has already extended a little more than 61.8% of the Super cycle's Impulsive Wave and thus as per the Fibonacci ratio is almost done with during the last decade on the back of the Dotcom Bubble burst, the Subprime Crisis and the ongoing Euro Debt Crisis. The Wave B should take off anytime in the near future which is illustrated in the above charts with a dotted line. Considering the fact that Wave A started at 42 and touched a low of 8, it has travelled a distance of 34 points. A retracement of 38.2% of Wave A which amounts to 13 points would mean that Wave B of the DJIA-Gold ratio could extend up to a value of 21.

7.0 Conclusion

As discussed above, any increase in the DJIA-Gold ratio demonstrates increasing confidence in the economy as it suggests that the financial market participants are trusting riskier assets like Equities more than hard assets like Gold & Silver and are thus ready to pay a higher price for the same. On the other hand, any decrease in the DJIA-Gold ratio indicates that people don't want to pay a high price for Equities and thus a unit of DJIA can be purchased with lesser quantity of Gold. The findings of the study clearly show that a super-cycle phase of DJIA-Gold ratio is currently in a 3-Wave corrective mode as per Elliott wave theory. A detailed inspection of the corrective wave leads to an observation that the sub wave A is almost complete. Thus, the next move has to be in the upward direction in the form of sub-wave B of the corrective wave. It implies increase in the comparative value of DJIA against Gold which wouldn't be possible unless there is flow of funds away from the precious Yellow metal thus leading to reduction in demand and price of Gold. With the fundamental correlation being that Gold surges at times

when riskier markets like Equities are in crisis and falls when the riskier markets are doing well the study does bring up optimism regarding the economic growth. The economic recovery seems like a thing too farfetched amidst the prevailing Euro Debt Crisis but if the world can recover from the catastrophe of the two World Wars it certainly can from anything. If not a complete recovery, at least a prevention of default by the weak sovereign states of European Union and a subsequent gradual correction in Global Equity should be witnessed.

7.1 Scope for Future Research

Only the Super-Cycle phase was considered to predict the long term impending movement of the Equity market. Short term movements and correction can be studied using phases of lower tenor like Cycle phase, Primary phase, Intermediate phase etc.

The study gives the future trend and target of the DJIA- Gold ratio Equity market and not of DJIA levels and Gold prices. Further research can be carried out to find the same.

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HR Branding

Ms. Tabassum Dhange[3]

Abstract

HR continues to balance the demands of several different roles: business partner, internal consultant, operational and administrative expert and both employee and employer advocate. The importance of a good Human Resources team in a company is best illustrated by the fact that, when it comes to employment, a company is in the business of people. This research paper seeks to understand the importance of HR branding, steps involved in building a brand for the HR department. It describes the importance of creating a brand for the HR department to attract, motivate and retain the best and brightest in order to survive in the competitive world.

Key Words: *HR Branding, Strategic HR, Change Agent, Talent Acquisition, Talent Retention*

1.0 Introduction:

"Branding is the process of building a favorable image for a product or company that differentiates it, in the minds of prospects and end users, from other competitors" (Glenn Ebersole, 2007). Branding creates a positive image of the subject in the minds of the people, thus drawing them towards it. HR branding which has a similar intention like the normal branding is a new development that has sprung up as a result of the need to survive and flourish in the business.

According to an article in CHRM Global, 1999, HR branding is important for the company as well as for the HR function of the firm. With intense competition prevailing in the market, the companies prefer to outsource the HR function with the intention of minimizing the cost of production. The impact of HR practices on business results can and must be measured. HR professionals must learn how to translate their work into financial performance (Ulrich Dave, 1996).

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Some industry commentators call the Human Resources function the last bastion of bureaucracy. Traditionally, the role of the Human Resource professional in many organizations has been to serve as the systematizing, policing arm of executive management (Ulrich Dave, 1998).

1.1 A Shared Responsibility Is Arising

It is no secret that success in business relies upon excellence in execution. While corporate leaders have historically looked to other functions, such as product development, marketing, and sales, to drive corporate success, today more and more eyes are looking to HR for help (Sullivan John, 2003). The reason for this newfound reliance on HR stems from a decrease in the effectiveness of the traditional levers marketing organizations used to differentiate a firm and their products. Marketers have traditionally used 'the 4 P's' (product, price, position, and promotion) to set the products of their firm apart from those of the competitor in the market place. However, in the new economy, product features, pricing, and positioning become almost irrelevant as competitors can now mimic and upstage ones efforts in very short periods of time, thanks to innovations in technology and reductions in global barriers. While this development forces marketing to become more and more branding oriented, it also forces corporate attention on other avenues that can be used to establish and maintain a corporate brand in the marketplace.

1.2 Workforce Lives the Brand

Companies opting to distinguish themselves in the market through customer service require a workforce capable of providing a notable positive difference in customer experience versus that which a competitor can provide along with an environment that actually lets the workforce live the brand which the HR is trying to build. Billions of Dollars Wasted each year, crafting corporate branding or "identity" strategies (Sullivan John, 2003). The companies update their mission and values statements, and then work with marketers and advertisers to fine-tune and communicate the new perspective to customers. In many companies, the value statements are posted publicly at every facility to remind employees and communicate to customers what attributes matter most to the company. Where most companies routinely fail is in managing the impact employees have on making a brand more than words on paper.

1.3 What Needs To Be Done

There are a lot of things that need to be accomplished in HR before HR programs and practices can begin supporting the corporate brand. According to John Sullivan, 2003 the list is immense, but some recommended starting points follow:

1. Stop executing HR in a vacuum. Managing the most valuable corporate asset in a world-class way requires cooperation with marketing and finance.
2. Identify where the standard operating procedures, policies, and reward systems of the company contradict the customer experience its corporate brand depends upon, and fix them.
3. Measure the success of recruiting and training initiatives based on the customer perception of the quality of workforce; as it is always the perception that matters.
4. Identify how employees perceive their organization, and compare that to how customers should perceive the organization. If there is a disconnect, it must be resolved.

2.0 Objectives

- To understand the importance of building HR as a brand
- To identify ways of building HR as a brand
- To study the impact of effective Human Resource processes on HR branding

3.0 Scope and Limitations of Study

- The paper would describe the study done by various authors on the changing role of HR professionals in the recent times.
- It would study the research done on HR branding and discuss the ways of selling HR as a brand.
- It also attempts to give suggestions for building HR as a brand by revamping the HR processes in the enterprise.
- The study draws heavily from extant literature on the subject; collection of primary data from HR Managers and others involved with HR function is beyond its ambit.
- This study is restricted to finding linkages between HR Branding and various HR processes and practices. To explore the linkages between HR Branding and Business Policy is beyond its scope.

4.0 Sources of Data

Secondary data:

- Changing role of HR given by Dave Ulrich, 1996 and John Sullivan, 2003
- Ways to sell HR as a brand given by Sartain and Finney, 2003
- Other data gathered from books and publications, magazines, internet, journals and periodicals, etc.

5.0 Research Procedure

- A body of literature on various topics viz. HR Branding, Strategic HR, Change Agent, Talent Acquisition, Talent Retention was collected from various secondary data sources. The same were analyzed and later synthesized with the researcher's observation to present a unified perspective.
- Furthermore, ways and means to enhance the importance of HR department and to build its credibility –internally as well as externally – are suggested.

6.0 Literature Review

A brand should serve as a trustworthy guide to help consumers make choices. But before ones product or service leads customers through a crowded, information-sodden marketplace, it must set itself apart from the rest. (McFarland, 2002). According to the article in the Human Resources About.com, the role of the HR manager must parallel the needs of his changing organization. Successful organizations are becoming more adaptable, resilient, quick to change direction and customer-centered.

6.1 Strategic Partner

In today's organizations, to guarantee their viability and ability to contribute, HR managers need to think of themselves as strategic partners. In this role, the HR person contributes to the development of and the accomplishment of the organization-wide business plan and objectives.

The HR business objectives are established to support the attainment of the overall strategic business plan and objectives (Ulrich Dave, 1996). The tactical HR representative is deeply knowledgeable about the design of work systems in which people succeed and contribute. HR professionals have made major strides toward becoming strategic partners. But they need to do more - by generating value through savvy decisions about talent. HR leaders typically assume

that, to make such decisions, they must develop sophisticated analytical tools from scratch (Boudreau John, 2010).

6.2 Employee Advocate

As an employee sponsor or advocate, the HR manager plays an integral role in organizational success via his knowledge about and advocacy of people (Ulrich Dave, 1996). This advocacy includes expertise in how to create a work environment in which people will choose to be motivated, contributing, and happy.

Fostering effective methods of goal setting, communication and empowerment through responsibility, builds employee ownership of the organization. The HR professional helps establish the organizational culture and climate in which people have the competency, concern and commitment to serve customers well (Ulrich Dave, 1996).

In this role, the HR manager provides employee development opportunities, employee assistance programs, gain sharing and profit-sharing strategies, organization development interventions, due process approaches to problem solving and regularly scheduled communication opportunities.

6.3 Change Champion

The constant evaluation of the effectiveness of the organization results in the need for the HR professional to frequently champion change. Both knowledge about and the ability to execute successful change strategies make the HR professional exceptionally valued. Knowing how to link change to the strategic needs of the organization will minimize employee dissatisfaction and resistance to change.

The HR professional contributes to the organization by constantly assessing the effectiveness of the HR function. He also sponsors change in other departments and in work practices. To promote the overall success of his organization, he champions the identification of the organizational mission, vision, values, goals and action plans. Finally, he helps determine the measures that will tell his organization how well it is succeeding in all of this.

While HR branding has been an established phenomenon in the Western countries, it is still to catch up with Indian organizations. Not many HR departments market themselves correctly, internally as well externally. However, there are few companies like Tata Consultancy Services (TCS), Infosys, IBM, Cadence, HP, Sun Microsystems, Wipro, Daksh, Satyam, Tata telecom, I-Flex solutions, Texas Instruments, Polaris Software and Birla soft, who have successfully established their HR brands both in India and abroad (Ulrich Dave, 1996).

7.0 How to Sell HR?

The eight ways in which HR could sell the Value of its Department are as follows:

7.1 Quantify the Value of HR department Every Chance it Gets

How many of the things HR does can be translated into numbers? Cost per hire is a good start. Even more compelling is turnover costs. Demonstrate in numerical terms that every time the company loses a valued employee, the ripple effect on costs extends far beyond the cost of advertising the opening, a few hours of recruiters' time, and a couple of days of lower productivity Estimates of the costs of hiring a replacement for a key employee range from 30 percent to 200 percent of annual salary. Show numerically what happens when employees are allowed to get frustrated and choose to leave the business (Sartain & Finney, 2003). One source of power is the ability to speak specifically in terms of money saved and money earned.

7.2 Find the Key People-Measurement Gauges That Will Measure HR Contribution to the Overall Corporate Business Plan

HR can focus on productivity measures by looking at data points such as revenue per employee, costs per employee, days lost through absences or injuries, increased performance levels or results, or turnover. They can implement an active cost management program by looking at its department costs per employee, employee benefit costs, hiring costs, turnover costs, overtime costs; temporary labor costs (Sartain & Finney, 2003). They can measure the effectiveness of HR programs by measuring whether or not their bonus plans are yielding the desired results, by evaluating whether their base pay plans are attracting and retaining the right candidates, or by following up with trainees to see if training yielded higher performance levels. What value does its culture contribute? How effective is the service delivered to employees and managers? The ultimate measurement would be the measurement of what HR contributes overall to business results. It is critical for the HR to show the impact of its agenda on the bottom line.

7.3 Make the Business Case for Each of HR's Business Objectives

HR must be able to provide senior leadership with good information about the workforce: what is working and what isn't working, whether there are opportunities to increase productivity or achieve cost saving or what investment is needed to drive the business agenda (Sartain & Finney, 2003). HR must have meaningful metrics to measure the value it delivers. HR should compare what it costs to perform administrative functions internally *is* opposed to outsourcing, and should include costs or the impact on culture if employees cannot get service internally.

7.4 Take Customer Feedback

HR should identify the level of customer satisfaction in terms of the value delivered to the customers when it comes to staffing, compensation and benefits, employee development, or employee service centers (Sartain & Finney, 2003).An internal customer is an important customer, but what the employees do every day affects the *external* customers' experience with the company and its product. If the feedback can be quantified then it can be utilized in the right manner.

7.5 Pick the Right Metrics to measure Organizational Culture

The HR should set metrics that can drive the organization. They can identify how marketing or finance measure their effectiveness and accordingly find parallels for HR that is meaningful to the organization (Sartain & Finney, 2003). They can find out what the finance department use to measure overall company performance and accordingly copy the model somehow.

7.6 Use Language That Excites the Stakeholders

Senior leadership would not get excited when they hear from the HR, "I need *x* amount of dollars for employment advertising to generate applicants." (Sartain & Finney, 2003). To senior leadership an applicant is a faceless, jobless wannabe, just another online résumé submitted using your résumé generation app. But if the HR instead says, "We need to fill the pipeline with talent that's ready to meet our needs, and we have projected that we should have x number of people in that pipeline to ensure that we'll have the best selection when we need it", it will definitely be accepted. HR should make a business case for their need which would address the company's ambitions.

7.7 Brand and Ballyhoo HR

HR should start internal communication initiatives that describe what it's accomplishing. They have to be sincere, genuine, and issued with the right frequency—not too much, not too little (Sartain & Finney, 2003). Another good marketing technique for HR, not only inside the organization, but also to the human resources world at large, is they could publish articles in magazines and speak at HR seminars or conferences and spread awareness (Brown Judith).

7.8 HR should encourage word of mouth

HR should use focus groups whenever required and get people to talk about what's working and what's not working. They can use the information on internet message and chat boards to their advantage. According to Judith Brown if HR wants *human resources to be perceived as a strategic partner*, they will have to quantify the strategic impact of a recent HR program or

decision. They will have to communicate this impact in board meetings, through organization's newsletter, web site or Intranet, or by developing special HR performance reports. Exit interviews are also a good source of what is working and what is not working. HR should model the behavior they want to see take root in the company.

8.0 Recommendations:

Major Ways of Building HR as a Brand pertains to three aspects, namely, Talent Attraction, Acquisition & Development and Retention.

Three Stage Talent Recruiting Business Process is as follows:

8.1 Search

- Employee Referral Scheme- HR can introduce a strong Employee Referral program through which the existing employees can not only refer candidates but also earn certain monetary benefits known as referral bonus. Traditionally, recruiting candidates using employee referral is widely acknowledged as being the most cost effective and efficient recruitment method to recruit candidates and as such, employers of all sizes, across all sectors are trying to increases the volumes they recruit through this channel. The key here is that the employees should connect with the employee referral program.
- Identification Graduate/ Post Graduate Institutes- HR can identify the most relevant institutes as per the industry they belong to and use the campus connect program as a medium to connect with them. This **Campus Connect Program** can help them reach out to the student, college fraternity. The aim of such a program should be to continuously partner with select institutions to help students understand the basics of its business & the new trends in their services. Such a program will give the organization & the student / college fraternity an opportunity to participate in various workshops, events, seminars, faculty development programs, guest lectures, etc. which in turn will help HR build its brand not only internally but also externally.
- Selection of Search Consultants- HR should partner with the search firms that expertise in the industry the company belongs, so that the hiring process becomes more efficient and effective. This shall act as a win-win for both the search firm as well as the company in such a way that their reputation is build and maintained.
- Job Portals- HR should utilize job portals as a prospective source for hiring as it helps in filling vacancies faster by providing a broader candidate base at a lower cost,

thus changing the face of recruitment. Some of the widely used job portals are Naukri, Monsterindia, Times Job, Jobsahead, etc. Efficient use of job portals helps HR to build a brand as it the only source that gives exposure to a huge base of candidates in one go and also provides an opportunity to the company to present itself at such a forum.

SEARCH	SELECT	SECURE
Right Specification	Potential Fit	Backup
Search Effectiveness	Culture Fit	Commitment to join
Screening Effectiveness	Relevant Experience	Speed of offer & on board

The first step in Talent Acquisition is to get the specification of the job accurately followed by identifying the right pool of talent with relevant experience. It is important that HR identifies the competencies required to perform a particular job such that he is a potential both a profile fit as well as a culture fit in the organization. To ensure seamless working of the organization, the HR should always be ready to face any contingency due to lack of resource. Also the process of recruitment should be such that HR should avoid unnecessary delays whether at the interview stage or the offer stage. There should be a strong induction/ orientation program in order to ensure a smooth landing and a feel good factor for the new joinees.

8.2 Orientation Program –

- Concrete Champs – Handholding / Mentoring by Immediate Superior for 45 Days
- Feedback to be provided by the Mentor once a fortnight.
- Presentation to the Management
- Documentation - Induction Policy / Induction Manual / Joining Kit / Employee Hand Book

Aligning Human Resources and Business- HR a Strategic Function

HR must understand…

- ✓ Internal / external customers
- ✓ Key business disciplines
- ✓ Business structure, vision, values, goals, strategies, finances
- ✓ Competitors, products, technology and sources of competitive advantage

Attracting the best and brightest employees is a challenge for any organization. Grappling with tight budgets, slow growth, and layoffs, today's organizations have awakened to a new reality. For every employee lost, businesses lose years of collective experience. The workforce has

evolved into arguably the biggest competitive differentiator for organizations in all industries. Companies must take critical steps to build and maintain a successful HR strategy that addresses these business challenges. In recent years, a growing body of research indicates that spending in human performance areas—training, knowledge management, performance management and advanced human resources practices—translates into bottom line growth. Human Resources professionals need to have the opportunity to educate senior executives through strategic training programs, and focus on the value of their workforce, aligning processes and meeting corporate objectives.

Employee Communication

In a business environment where change, dynamic growth, merger, privatization and re-structuring are commonplace, companies increasingly recognize the need for communication with its employees.

8.3 Open House Sessions:

HR should regularly conduct 'Open House' sessions once at least in 6 months where representatives from every department participate. The Open House provides a forum for employees to discuss official issues pertaining to their work environment and at the same time the Management highlights the latest developments within the organization.

8.4 Open door policy:

We can follow an “Open Door” Policy in which one can approach anyone at any time. Also there can be a common HR id where the requests or concerns can be mailed.

8.5 E-Tools like 'Talk to us' and 'HR Service Register’:

In addition to this, there can be online tools like -"Talk to us" and "HR Service Register" accessible to all employees through the intranet widely known as 'people net'. An employee will be able to raise any issue via these tools without revealing his identity. He / She could report his grievance and check the status the next day. The response time to acknowledge the issue can be 24 hours.

8.6 Employee Engagement

In a competitive world with the need for businesses to be more streamlined and productive a company can often find itself with a workforce working under pressure resulting in low moral and high staff turnover. The benefits of a company having a highly motivated workforce can be considerable and the two goals of having a workforce that is both motivated and productive should not be regarded as being mutually exclusive to one another.

8.7 Need for Employee Satisfaction Surveys

Managers might be "taking the pulse" of their employees periodically, but employees are constantly talking about where they work and who they work with – and work for. So it's a great investment to ask the employees regularly what's on their minds using employee surveys. Employee satisfaction surveys help employers measure and understand their employees' attitude, opinions, motivation, and satisfaction.

8.8 Career Planning

The five steps of Organizational Career Planning Process are as follows:

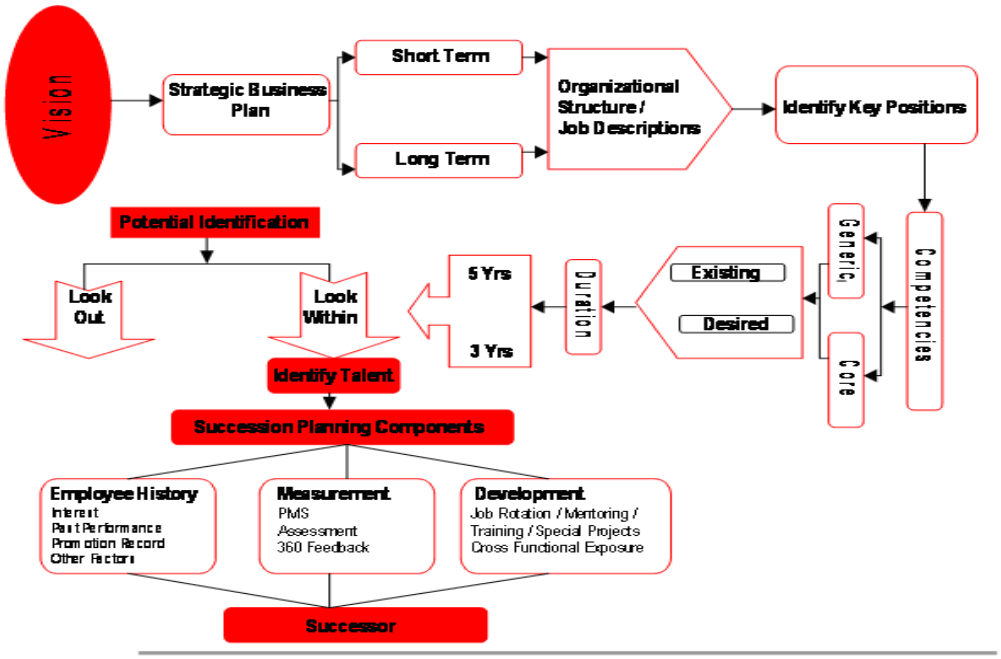
1. Direction
   - ✓ Assessing employee wants and organizational needs
   - ✓ Common Goal Setting
2. Career time
   - ✓ Relates to distance & speed of an employee
3. Transition
   - ✓ Relates to changes expected to a career goal

- ✓ Analyzing transition factors
- ✓ Setting goals and a timetable

4. Career planning options
   - ✓ Advancement
   - ✓ Lateral
5. Projected Outcome
   - ✓ Calculate the risks attached

8.9 Succession Planning

In organizational development, succession planning is the process of identifying and preparing suitable employees through mentoring, training and job rotation, to replace key players. Succession Planning involves having senior executives periodically review their top executives and those in the next-lower level to determine several backups for each senior position. This is important because it often takes years of grooming to develop effective senior managers.



Succession Planning

8.10 Managing Workplace Diversity

Workplace Diversity includes employees with different age, gender, educational background, geographic location, income, religious beliefs, work experience etc.

HR Manager needs to be mindful & may employ a "Think Global, Act Local" approach. The future success of any organizations relies on the ability to manage a diverse body of talent that can bring innovative ideas, perspectives and views to their work. With the mixture of talents of

diverse cultural backgrounds, genders, ages and lifestyles, an organization can respond to business opportunities more rapidly and creatively, especially in the global arena, which must be one of the important organizational goals to be attained.

9.0 Conclusion

With HR branding playing an imperative role in today's scenario, it is evident that the HR has to publicize its activities thus creating a brand image in a way identical to the marketing of a product. HR can become a brand only if they empathize with the employee needs and act accordingly. It is the duty of the HR to recognize the needs and formulate the policies of the company. The HR should conduct surveys of employees to understand how they are being perceived in the company. The next step is to augment the brand image by adding values to their services. The HR strategy must be formulated with great attention as these decisions have a direct impact on the employees who are the driving force of the organization. An extremely contented work force creates the best brand image for the HR.

For HR branding, the HR should also identify the customer needs and perceptions regarding the functioning of the human resources and work for a better relationship. If there are differences in the employee and customer perceptions the HR is to take measures to nullify or minimize them to avoid the loss of business.

By publishing papers or participating in the external seminars, the HR can propagate its brand image across the borders of the business entity. Its achievements, perceptions, mission, etc must be advertised to the employees as well as to the customers. Prompt response from the HR to the needs of the employees has the ability to create a highly energized workforce within the business entity leading to the enhancement of its goodwill. HR branding, therefore, is a powerful tool for business development.

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Branding Imperatives for Handicraft Products

Mrs. Daphne Nair[4]

Abstract

In India, while branding is almost a necessity in urban markets for FMCG, Consumer durables, and services, the rural products including most food grains, fresh produce and handicrafts are mostly sold like commodities in loose and unpackaged form. In the handicraft industry estimated at Rs.26,213 Crore , almost products are still sold unbranded with little or no packaging, whether at a State owned handicraft emporium or at Exhibitions ! This makes it impossible for the customer to understand the 'value proposition' of handicrafts and differentiate handicraft products. Consumers equate handicrafts with machine made products and the value of the 'craft' is lost! However, there are a few privately run handicraft organizations like Fab India , Mother Earth, Good Earth , Tresorie which have successfully invested in branding handicrafts which has paid off with high business growth. A few government run organizations like Mrignaynee – the Madhya Pradesh Handicraft Emporium and KVIC have also taken branding initiatives which will improve the visibility in the market and help increase perceived customer value. This paper highlights the branding initiatives in the handicraft segment, by both Government and Non- Government Organizations and brings out the importance of branding of handicrafts to realize their true market potential.

Key Words: *Handicrafts, Branding, Sub Branding, Packaging and Labeling, Consumer Awareness*

1.0 Introduction

Why is branding important? What's in a name? The answer is - as much as $114.3 billion in Google, $86.3 billion in IBM, $ 14.2 billion in Colgate, $ 66 billion in McDonalds and even $ 9.2 billion in a chewing gum named "Wrigley's" ! And just the top 100 brands are valued at $2.04 according to Millward Brown's the fifth annual publication of the "BrandZ Top 100 Most Valuable Global Brands 2010", while India's GDP stands at $ 1.43 trillion in the IMF 2010 list. This implies that the top 100 brands globally are valued at a little less than one and a half times India's GDP !

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Logos of Various Brands

Branding is important in the long term for generating higher business value while it also increases consumer value.

2.0 Implications of Branding

By valuing brands on the basis of its forecasted future earnings discounted to a present-day value, Millward Brown's "BrandZ Top 100 Most Valuable Global Brands 2010", report further states that on an average, brands account for approximately one third of the shareholder value of a company, making it one of the company's most valuable assets!

Brand Logos

In the Indian Context, there are recent examples of how brand value has helped companies grow.

In 2009, Private Equity News published an article stating how few Indian brands raised debt from financial institutions by offering their brands as collateral !The 2 brands in question were Kingfisher Airlines who offered as collateral to State Bank of India (SBI) their Kingfisher airline brand to raise $400m in debt as the brand was valued at $375m . The other company to follow suit was LT Foods, who offered its "Daawat" brand of packaged rice to raise $50m for an acquisition of US-based rice company Kusha. Brands thus are important not only from the consumer connect point of view, but have an impact on business value as a whole!

This shows that branding is important from both the consumer as well as the company perspective. Given the onslaught of media, information overload and economic uncertainty, customer's look for brands as source of trust! Brands are gaining importance for not just end consumers but stakeholder's across the value chain. Brands are important to both internal as well as external customers as Brands provide a "promise" that builds trust in consumers which generates sales, provides employment security that attracts talent for the company, minimizes risk of vendors, suppliers and business partners that increases the company's negotiation power.

All this adds up to growing sales and eventually enhances the share value of companies! The Economic Times "Brand Equity" Survey 2010 throws up Nokia Mobile Colgate, Lux, Dettol and Britannia's the top 5 trusted brands in India which reflects consumers preferences for brands across product categories from mobiles to personal care and food.

3.0 Purpose of the Research

The purpose of the research is to identify the relevance and gaps in branding handicrafts and recommend a relevant branding strategy to help increase consumer awareness and demand in order to leverage market potential of Handicrafts.

4.0 Research Design: Methodology, Scope and Limitations

4.1 Methodology:

A combination of secondary and primary research was conducted to identify the existing gaps and recommend a branding strategy for handicrafts.

To identify the relevance and gaps in branding handicrafts a secondary research was conducted and the key existing branding initiatives were studied. Data sources included articles, reports, books and online websites.

Primary research consisted of qualitative in-depth interviews with 30 women consumers.

4.2 Sampling selection:

Purposive random sampling of women respondents in the age group 25 to 55 years from SEC A households in Mumbai and Bangalore.

4.3 Tools:

Self constructed In-depth questionnaire schedule. Scope and Limitations of the Research

- Study will be limited to metro city - Mumbai
- Lack of recent updated data on handicrafts market.

5.0 Major Findings of the Research

5.1 Branding Initiatives in the Handicrafts Industry

The secondary research findings indicate that there are good examples of Branded Marketing initiatives in the handicraft segment more by Non Government Organizations that Government run organizations, though the Government support is extended to these organizations. Brands have been developed at the product level and/ or the retail store level like FabIndia and Mrignaynee or at only the product level like Khadi.

5.2 Product and Retail Store Branding Initiatives

In the Non-Government An impressive example is that of „DakshinaChitra"; a destination theme village on a sprawling 4 acre property for experiencing the South Indian culture, arts and crafts and architecture from all the South Indians States of India.

Dakshinachitra : Retail Store Branding

Run by the Madras Craft Foundation, "DakshinaChitra" has opened an innovative "Art Gallery" that showcases contemporary art and design through exhibitions to the public and theme exhibitions cum seminars thus bringing traditional art forms at par with contemporary art and appeals to various segments of customers including art lovers, architects, artists and end consumers. Dakshinachitra also has a Craft bazaar – a south Indian handicraft retail outlet on campus that provides NGOs and artisans a "direct marketing platform" at no cost or commissions platform to showcase their craft products that are sold directly to consumers. Another example is Paramparik Karigar, which is platform for "generations old traditional mastercrafts persons" to sell their products in urban markets by creating demand via multimedia promotions as well as launching a craft awareness program that targets school kids who are future customers. Paramparik Karigar is an NGO that targets 3 stakeholders in the value chain – artisans, current consumers and kids on developing artisans skills and creating market linkages by conducting "workshops" for public as well as creating a unique exhibition in a city like Mumbai and Delhi.

Some brands like Ethicus – a 100% organic cotton handicraft apparel and furnishing brands, has put a picture of the artisan who created the product with the time taken to make the product on the label, which helps consumers connect to the talent and time involved in creating a handmade product.

Apparel & Furnishing Brands

In 2004, The Economic Times of India, awarded Fabindia, a retailer of ethnic Indian handmade product, with a chain of 115 retail stores across India, Dubai, UAE, Rome and Italy, as the "Best Retail Brand" in 2004 beating the likes of private biggies like Shoppers Stop, Pantaloons, Wills Lifestyle and the likes. FabIndia's success story in marketing the diverse crafts of Indian textiles especially in the apparel and home furnishing segment should not only remain a Harvard Business Case study but should be applied to both Government and Non Government organizations that market handicrafts today.

Mother Earth a brand of domestic retail chain stores by Industree Crafts, is a social brand for natural and handcrafted product with a primary aim to provide employment to rural artisans and rural workers. Mother Earth has 3 key sub branded product lines under the Mother Earth Umbrella, which is Earth Fashion for Apparel, Earth Home for Home textiles and home décor products and Earth Food for natural organic food grain and related products. Industree crafts

Mother Earth - Retail Store Branding

are a combination of a for-profit commercial retail that provides marketing expertise and support with a traditional non-governmental organization (NGO) for training in skills training and capacity building. Funding for Industry's 5 year growth plan for a 40-store expansion, building a new multibrand retail company and growing domestic trading revenues from $1 million $38 million was supported with $1.5 million USD from FutureVentures, the investment arm of the Future Group of retailers called, an of the Indian retailing giant Future Group.

Government run organizations like KVIC target both institutional as well as retail consumers through its 7000 retail outlets thus capturing a huge market segment and ensuring livelihood to many artisan.

Khadi & Handloom Branding

5.3 Brand Marks for Generic Products

For the purpose of product identification, there have been many initiatives across categories in developing an "identification label" or "Mark" with which products are tagged. Fibre identification branding marks include the Wool mark, the Silk mark and the Cotton Mark as examples.

In the handmade product segment, the Handloom Board has initiated the Handloom mark which helps consumers differentiate hand woven fabrics from machine woven or powerloom fabrics.

hand woven IN INDIA

craftmark
Hand made in india

Example of Brand Marks

There is also an existing Handicraft mark licensing program of a mark called Craftmark. The Craftmark logo is intended for organizations that are producers or retailers of Indian handicraft products. The logo will be licensed to applicants only after a verification of their craft products and the craft genres they belong to.

The Craftmark initiative is an effort by the All India Artisans and Craft workers Welfare Association (AIACA) to help denote genuine Indian handicrafts, develop sector-wide minimum

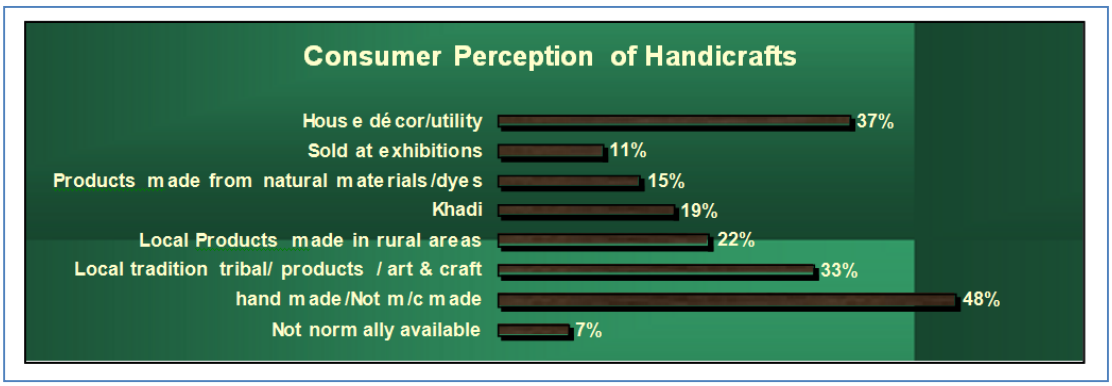
standards and norms for labeling a product as a handicrafts product, and increase consumer awareness of distinct handicraft traditions. Under this initiative, AIACA will license the Craftmark logo for use by Craft-based businesses, cooperatives and NGOs for use on product tickets and labels.

6.0 Consumer's Awareness and Attitudes Towards Handicraft

The exploratory research, involving In-depth Interviews with 30 End consumers, threw up interesting findings about the consumer's perceptions and awareness about handicrafts.

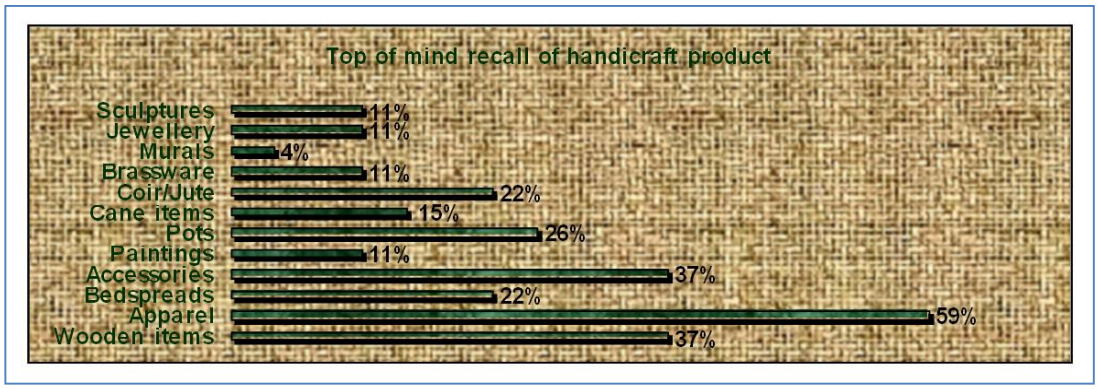
6.1 Consumer Awareness about Handicrafts and Handicraft Brands

The Exploratory research shows that at the Spontaneous level there exists awareness about handicrafts in general with almost 1 out of two consumers (49%) defining them as "handmade", and 1 out of 3 perceiving (37%) them as tribal/traditionally crafted products and a similar number (33%) associating them with "home décor" items.



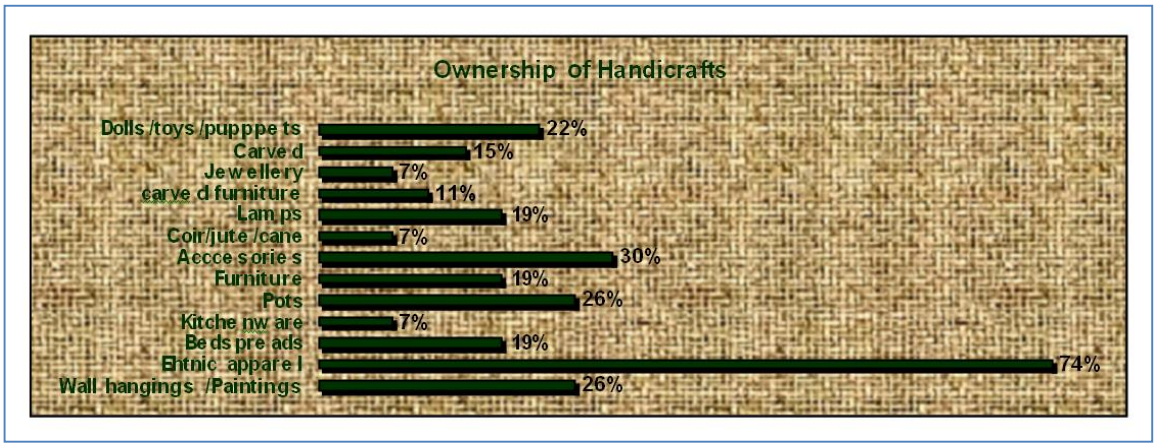
Consumer Perception about Handicrafts

In terms of Familiarity with Types of Handicrafts , utilitarian handicrafts like Apparel got the highest top of mind recall followed by with apparels (67%) getting a highest mention followed by accessories and Wooden items (37% each), Pots (26%) and bedspreads (22%).



Top of Mind Recall of Handicraft Products

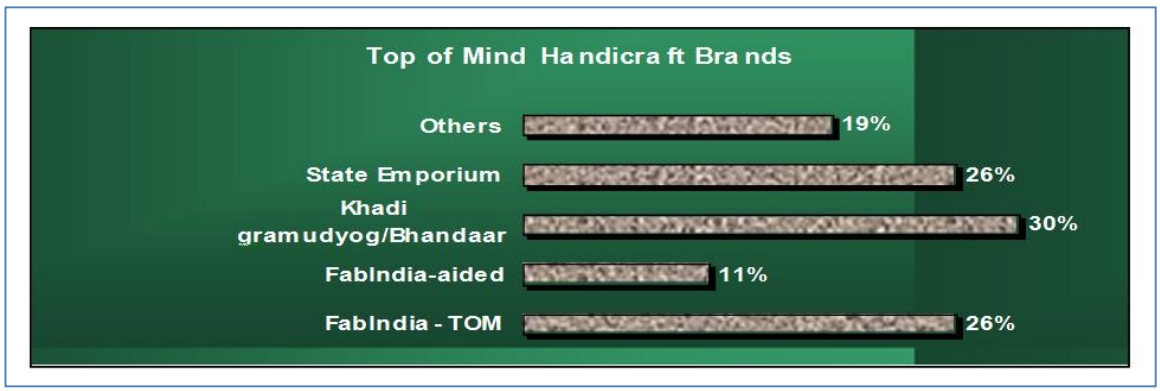
However the top of mind products mentioned varied between consumers and did not match with the ownership of handicraft products mentioned by them.



Ownership of Handicrafts

Penetration for handicraft products is high in certain categories like furniture, apparel including Saris and jewellery but customers do not spontaneously perceive them to be „handicraft" and thus the awareness of the types of handicrafts in general is very low. Thus there is a need for creating value and companies like FabIndia have been successful by employing innovative marketing models to bridge this gap. Consumer's awareness about Handicraft Brands, Khadi got the highest mention with 30% recall followed by State government outlets and FabIndia both at 26% top of mind recall.

This proves that, there exists significant equity of government traditional retail brands like Khadi and the State Emporium brands with consumers, especially as the consumers perceive that they can get handicrafts at rebated prices. This potential can be leveraged to capitalize on the extensive retail assets with the government and maximize value.



Top of Mind Handicraft Brands

7.0 Major Implications of the research: Imperatives for Branding in the Handicraft

7.1 Segment

Communication plays a key role in marketing to help customers make a choice and take the buying decision. However, many a time, failure in articulating the value proposition effectively leads to poor communication and lack of customer understanding, no matter what the media or promotion mix employed. Branding helps bridge the communication gap by creatively representing the value proposition and helps consumers identify and bond with products easily. The key imperatives recommended for Branding in the Handicraft Segment are as follows:

7.2 Generic brand mark for product identification

The government should take the initiative to develop and promote a "Indian Handicraft" mark on lines of the "Craftmark" label which can be licensed at a fee to make itself sustainable. This would help consumers, authenticate" the product and raises the perceived value of the product.

7.3 Ingredient brand : Sub branding of key Crafts

Crafts like Handblock prints, Needlework like Kantha Embroidery, Crew embroidery, Chikankari, Carving, engraving and Scupltures like Bidri work, Painting like Kalamkari, Pattachitra for example need to be sub branded like the "Alphonso" or "Basmati" variety of commodities or the key "ingredient" in the product so that consumers can develop a craft appreciation for the product and differentiate the crafts involved.

7.4 Branded Packaging and Labeling

For both functional and aesthetic purposes, as well as communication, packaging is critical as it is the ultimate last mile media vehicle that reaches the end consumers. For utilitarian handicrafts, communication needs to begin at the product level with the basic labeling and packaging.

7.5 Branding at Point of Sale: In store and at Exhibitions

At the retail level either in store and especially at Exhibitions where space is not an issue, there is a need of craft branding with product display cum story board kits for highlight the "craft involved".

8.0 Conclusions and Recommendations

There exists a huge communication gap as between the proposed value and the perceived consumer value of handicrafts products as most handicrafts are sold like commodities with no branding or packaging. Consumers are not really aware of the handicraft options available leave aside a comprehension of the "specialty" of each variety. Low awareness and appreciation results in lower perceived value and price realization, due to which handicraft are not a profitable proposition to artisans who resort to menial labor work which guarantee minimum wages. It is necessary to brand handicrafts at the generic product level so that consumers can differentiate handicrafts from substitute machine made products as well as at the craft level, to develop an appreciation and value for the craft involved. Basic packaging and labeling can be an effective and low cost means of communicating and educating customers. Customer education and engagement at Exhibitions is another potential avenue for branding and generative value for handicrafts.

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Seeking Financial Inclusion through Islamic Finance: Opportunities & Challenges

Mr. Umar Farooq[5]

Abstract

"Nobel Laureate Prof. Amartya Sen (2000) convincingly argued that poverty is not merely insufficient income, but rather the absence of wide range of capabilities, including security and ability to participate in economic and political systems."

This paper attempts to understand the fundamental working of Islamic Finance in the Indian context, the challenges and opportunities to attain inclusive growth.

Key Words: *Islamic Finance, Micro-Finance, Financial Inclusion, Financial Exclusion, Return on Investment (ROI)*

1.0 Introduction:

Notwithstanding India's seemingly linear growth as reflected in the GDP year after year, the number of the poor living below poverty line (BPL) has increased. Household income has declined while corporate income has consistently headed north. The fruits of growth, in this manner seem to have favoured the corporate sector more than vast sections of the population. Today when we are talking about 8% - 9% growth, nearly 500 million marginalized 'aam' Indians are only earning Rs 20 a day. What exactly we are seeing in today's society, there are super rich and then there are the super poor. There are oceans of poverty and islands of prosperity. An astounding fact of this is that the top 10 richest individuals on the annual Forbes Magazine list for the year 2012 hold more wealth than 50 poorest nations put together. A financial system that can help in justifiable redistribution of wealth in the society has become the need of the hour. So, if we want justice and equity, Islamic Banking and Finance can be an alternative as its core principle is sharing of profit and loss. One of the most important characteristics is, that the distribution of wealth should be just and fair and it should percolate from top to the bottom,

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from bottom to the top, so that it may not circulate only amongst the rich. Thus, it can help in achieving the objectives of financial inclusion to reform the lives of the minority communities by eliminating barriers.

2.0 Purpose of Research:

- To understand the extent of Financial Inclusion in Indian Context
- To understand the challenges and opportunities for Financial Inclusion
- To understand the potential role Islamic Finance can play in the area of Financial Inclusion in Indian context

3.0 Research Approach:

A secondary data survey was conducted wherein various sources viz. RBI Reports, Research papers, online data bases, Concept papers developed by organizations were tapped to identify similarities and differences in opinion of various stakeholders. The various standpoints are analysed to present the role Islamic Finance can play in country's onwards journey towards Financial Inclusion.

4.0 Definitions of Financial Inclusion:

1. "The process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost." - C. Rangarajan Committee on Financial Inclusion (2008)
2. **"**Expanding access to financial services, such as payments services, savings products, insurance products, and inflation-protected pensions.**"** – Raghuram G. Rajan Committee on Financial Sector Reforms (2008)
3. "Financial Inclusion or broad access to financial services is defined as an absence of price or non-price barriers in the use of financial services." – World Bank

5.0 Determinants of Financial Inclusion

The determinants of financial inclusion can be studied from different dimensions like widening (savings / credit), deepening (credit) and the number of financial services / products offered. In India, the focus of financial inclusion at present is confined to ensuring a bare minimum access to having a savings bank account without frills, to all. Internationally, financial exclusion has been viewed in a much wider perspective. Having a current account / savings account on its

own, is not regarded as an accurate indicator of financial inclusion. The key determinants of financial inclusion are as follows;

- Banking penetration – How many people have access to banking services or the size of the banked population
- Availability of banking services – Number of bank and / or ATM outlets per 1000 people. Apart from bank branch or ATM it is important to note what all services are offered.
- Usage of banking services – Merely having a bank account does not ensure that the system is inclusive; it is also imperative that the banking services are adequately utilised
- Availability of insurance products (both General and Life)
- Availability of inflation protected pensions

6.0 Initiatives for Financial Inclusion in India:

In India, microfinance gained momentum in 1992 with the introduction of Self Help Groups (SHGs) – Bank Linkage program by National Bank for Agriculture and Rural Development (NABARD). Subsequently, several Non-Government Organisations (NGOs), Cooperative Societies and Non-Banking Financial Companies (NBFCs) have entered the sector. Currently, three popular models of microfinance are operating in India. They are; SHG-Bank Linkage model, NBFC-MFI model and others (comprising of trusts, NGO and cooperative societies). At the end of 2011, of the total outstanding loans portfolio of the micro finance sector, SHG-Bank Linkage model accounted for 58%, followed by NBFC-MFI model at 34% and the remaining 8% was accounted by trusts, cooperative societies, NGOs, etc. Presently, the incumbent government and the Reserve Bank of India (RBI) are undertaking various initiatives to achieve the goals of financial inclusion. The broad strategy for financial inclusion in India in recent years comprises of the following elements:

- The RBI issues timely guidelines and directives to banks on priority sector advances (broadly comprises of agriculture, small-scale industries, retail traders, etc.). At present, it has set a target of 40% of all aggregate bank advances being directed to the priority sector.
- The Aadhaar Card – Unique Identification Number is being issued to every citizen of the country just like the Social Security number issued in the US. This will facilitate the entry of poor and underprivileged residents into the formal banking system and the opportunity to avail services provided by the government and the private sector.

- Encouraging penetration into unbanked and backward areas.
- Encouraging agents and intermediaries such as Non-Government Organisations (NGO), Micro Finance Institutions (MFI), Self-Help Groups (SHG) and Business Correspondents (BC).
- Focusing on a decentralised strategy by using existing arrangements such as State Level Bankers' Committee (SLBC) and District Consultative Committee (DCC) and strengthening local institutions such as Cooperatives and Regional Rural Banks (RRB).
- Creating synergies between the formal and informal segments.
- Leveraging technology to reduce the cost and making available the financial services in the remotest possible areas.
- Advising banks to open a basic banking 'no frills' account.
- Emphasis on the importance of financial literacy and credit counseling.
- The Government of India set up two funds in 2008 with National Bank for Agriculture and Rural Development (NABARD), namely; The Financial Inclusion Promotion and Development Fund and Financial Inclusion Technology Fund for eliminating financial exclusion of poor, each having a corpus of Rs.500 crore to begin with.

7.0 Current Status of Financial Inclusion in India

- As per the estimates of Planning Commission of India, nearly 28% of the country's population is below the poverty line (BPL).
- As per the C. Rangarajan Committee report on financial inclusion, only 27% of the Indian households have access to formal banking services. Marginal farmers, landless labourers, self employed and unorganized sector enterprises, ethnic minorities and women, continue to be financially excluded class.
- India has 135 million financially excluded households, the second highest after China.
- The country is grossly under-penetrated in terms of financial services. Meager 5.2% villages have bank branches. For six lakh villages we have 31,000 branches.
- There are about 60,000 villages with population of 2,000 and above with no banking facilities. Banks have been asked to provide appropriate banking services to villages having a population in excess of 2,000 by 2012.
- Nearly 40% of the bank account holders use their accounts not even once a month.

- More than 60% of the households do not have life insurance.
- Only 3% of the households have medical insurance.
- Ethnic minorities and weaker sections of the society continue to remain financially excluded.
- The first-ever Index of Financial Inclusion prepared by Indian Council for Research on International Economic Relations (ICRIER) to find out the extent of reach banking services among 100 countries, India has been ranked 50, much below the African nations like Kenya and Morocco. The index is topped by Spain.
- With economy losing steam, the credit flow towards financial inclusion have also shrunk.
- In India, there are three types of initiatives in microfinance field;
  - ✓ not for profit
  - ✓ mutual benefit and
  - ✓ for profit

In the recent past, it is for profit firms that have witnessed a huge inflow of funds through various channels; private equity and foreign venture capitalists amongst others. The reason for this inflow is returns on investments (ROI) which is ascertained at the valuation phase. Why not-for-profit / mutual-benefit firms are unable to garner the same inflow of funds? Where are the lacunae? Is it the weak policy structure, the bleak future due to paucity of funds or low / no return on investments? Can these two types of organizations earn profit without any compromise on its purpose of existence so that it becomes an attractive investment avenue? The answer is yes, provided there is a policy that is conducive for growth, which means the betterment of mankind. Simply put, if non–profit / mutual benefit organisations earn profit the benefit will be for all to reap.

8.0 Challenges to Financial Inclusion

The incumbent Governor of Reserve Bank of India, Dr. Duvvuri Subbarao (2009) said, the question we should ask ourselves is, despite the rural policy-push, why are so many bankable people unbanked? There are barriers to access financial services emanating from both demand side and supply side factors.

From the demand side, the big barriers are the financial capability, lack of awareness about financial services and products, limited literacy, especially financial literacy of the populace, and social exclusion. Many of the generic financial products are unsuitable for the poor and there is not

much of an effort to design products suitable to their needs. The unfriendly and unempathetic attitude of the banks to the customers also plays an important role in undermining the demand for financial services. Additonally, exorbitant and oftentimes non-transparent fees, combined with burdensome terms and conditions attached to the financial products, also dampens the demand.

From the supply side, the main barrier is the transaction cost that the bankers perceive. Because of current low volumes, banks find that extending financial services is not cost effective. Furthermore, nearness of bank office, right kind of products, easy accessibility, lack of communication, lack of infrastructure, language barriers and low literacy levels all raise the cost of providing services and inhibit bankers from taking initiative from the supply side.

The following are the major challenges to financial inclusion both from demand as well as supply side;

- *Legal identity* – It is imperative to ascertain the identity of the person before entering a contract. Lack of legal documents like birth certificate, voter I-Card, driving license, etc. creates an identity crisis and it is very difficult for financial institutions to operate
- *Meager Income* – As per 2011 – 12 report of National Sample Survey Organisations report (68th round) the poorest 10 per cent of India's rural populations expenditure is less than Rs.17 a day or Rs.500 per month. The daily expenditure of their urban counterparts is marginally higher at Rs.23.4 or Rs.700 a month. With such low levels of income it is difficult to meet the demands of the day to day requirement; the question of doing anything else doesn't even arise.
- *Low Literacy* – Poor standard of formal education system coupled with high dropout rates acts as one of the major deterrents to financial inclusion. Low literacy levels keep the general public away from the domain of formal financial markets
- *Lack of financial knowledge and understanding* – Low literacy levels especially financial literacy prevents people from accessing financial services. Due to this a majority of the population is not aware of the importance of financial products and services like banking and insurance
- *Cultural barriers* – As the Raghuram Rajan Committee (2008) on Financial Sector Reforms stated in its report that people belonging to certain faith are not part of the financial system because of their religious beliefs
- *Lack of access to bank capital* – The two important factors, according to Armendariz and Morduch (2005) for banks not lending to the poor are; adverse selection or banks not

being able to determine which customers are likely to be more risky than others; and moral hazards or banks being unable to ensure that their customers are making the fullest effort to ensure the success of their investment projects

- *Lack of infrastructure* – The financial institutions mainly operates only in those regions where the population density is high and it is commercially viable to do business
- *High transaction cost* – Due to lack of infrastructure and low volumes in under developed or backward areas, the cost incurred in executing a financial transaction escalates sharply, which deters bankers from doing business in such pockets
- *Lack of support and confidence* – Many a times the financial institutions including the micro-finance institutions feel that there is not proper support from the government and the central bank and it ultimately dents their confidence
- *Lack of robust technology* – Due to high operational cost of a brick and mortar bank branch and the lack of technological support it becomes difficult to reach out to people in remote hamlets

9.0 Opportunities for Financial Inclusion

Being students of perspectives of management, it is upon us as to how do we approach a situation. Whether we look at it as a challenge or an opportunity? With the slew of challenges and hindrances dominating our dream of achieving complete financial inclusion, the same situation presents us with numerous opportunities and turns the negative scenario into an affirmative outlook. The opportunities for financial inclusion in India stem from the following facts;

- As the agriculture sector employee's majority of the poor in our country, the government must lay emphasis on investments in agriculture rather than subsidy. The sector has registered a compounded annual growth of 3.7% over the past seven-years beginning 2004-05. A higher growth in agriculture will empower the farmers and will be a more inclusive growth.
- Off the six lakh villages in India, more than 90% do not have a bank branch. This means there is a lot of scope for the financial institutions to expand their services in these areas and generate business. The latest directives from RBI, asking banks to offer their services in villages with a population in excess of 2,000 presents them with a substantial opportunity for business

- Nearly 73% of the Indian households still do not have access to formal banking system. Once financial institutions expand their services and induct the excluded households into the banking domain, their liquidity will rise substantially and so will be their opportunity to disburse loans
- Off all the bank accounts, almost 40% are used less than once a month. This implies that once money is deposited into the bank account the usage is rare and the banks can use this capital for extending credit for short duration of less than a month and generate sufficient income
- As per the annual report of Insurance Regulatory and Development Authority (IRDA) for the financial year 2010-11, the insurance penetration in India was 5.10% (Life: 4.4% and Non-Life: 0.7%). The world average for the corresponding period was 6.90% (Life: 4.0% and Non-Life: 2.9%). For the same period, the insurance density in India stood at USD 64.4 (Life: USD 55.7 and Non-Life: USD 8.7). Whereas the average density worldwide stood at USD 627.3 (Life: USD 364.3 and Non-Life: USD 263.0)
- Justice Rajindar Sachar committee on Social, Economic and Educational condition of the Muslim community in India in its report (2006) stated that Muslim population dominated areas are regarded by the banking community as the negative zones. There is huge opportunity to include ethnic minorities and weaker sections of the society into the mainstream financial domain which are excluded either because of their faith or lack of finances. Their inclusion will not only benefit the individuals / households but it shall also help the financial institutions with enhanced liquidity and business opportunity
- As per the RBI report, interest capital amounting to more than Rs.40,000 crore is lying unused in the bank accounts of Muslims. So if we can make them a part of the mainstream financial system, there unused interest money can be utilised towards productive activities like education and healthcare
- The Foreign Direct Investment (FDI) in retail can be used to maximum effect. Presently, the policy framed by the government has some stringent clauses which are deterring investments from major retail players across the world. The government should not only look at financial and technological gains which these investments will bring, rather it should exploit the additional benefit of higher skill and productivity levels. This will not only make investments more profitable, but more inclusive as well

- If the government allows the functioning of banks and financial institutions as per Islamic Finance guidelines (Islamic Laws), there is lot of scope and potential to attract investments from middle-east (Gulf Cooperation Council). The region is investing more and more capital in the developing countries as against the developed nations. From 10% of their total investment in emerging markets about a decade ago, the investments now stand at approximately 45% of the total investment quantum of GCC
- Individuals and households who are connected with the formal financial system are better placed to raise finance for their business or personal needs vis-à-vis those who are excluded from the financial system

10.0 What is Islamic Finance?

Islamic Finance is a system of finance based on *Islamic law*, or *Shariah*. It aims to achieve economic and social justice in all financial matters. Islamic Banking and Finance is more stable option vis-à-vis the conventional system as its fundamentals are not based on interest and speculation, uncertainty and gambling which are the key ingredients of the current turmoil in the financial markets. In contrast to conventional finance, Islamic finance takes into consideration the moral consequences of financial transactions. It ensures that financial contracts are fair and equitable and guarantees that financial rewards are correlated with the level of risk and responsibility borne by all parties. Islamic finance is also commonly known as "*Ethical Finance*" or "*Participatory Finance*" or "*Interest-free Finance*". Islamic finance has emerged as a viable alternative world over after the meltdown of the developed economies post 2008. It is growing annually at a rate of more than 15%. Not only Muslim countries but modern, secular and industrialized countries like UK, France, Japan, Singapore and Hong Kong have become hub of Islamic finance. Islamic financial institutions are operating in more than 75 countries and assets under management are approximately US$ 1.5 trillion.

10.1 How Islamic Finance can eliminate the problems?

The timing could not have been more apt than it is now: As the plague called 'Liquidity Crisis' that is continuing to wreck financial world and a sustainable solution is the need of the hour. Banks are now facing the wrath of the depositors / investors: as the pressure to survive is insurmountable. Easy access to credit to shallow debtors has adversely impacted several countries in Europe and US including ours. Growth and investments are thus steadily on the decline. The RBI has exhibited a biased dependence on interest rate structures and reserve ratios

to tackle the crisis, in the short term. Further, the shaken developed economies become largely stringent in their overseas investments and have been pulling out money from the Indian system to finance their domestic needs. The central bank's efforts to ease interest rates to enhance liquidity in association with the country's large dependence on funds from the West (Europe and US) which are dwindling steadily, is leading to depreciation of the rupee and inflation, thus entangling the economy in a vicious circle. RBI's credit policies are struggling to maintain sanity in the current conundrum. To add further to the misery, the acute paucity of rains resulting in price escalation of essential food commodities, this will further add to the fiscal burden. To regain growth and prosperity, this paper reinforces the application of Shariah principles of Islam.

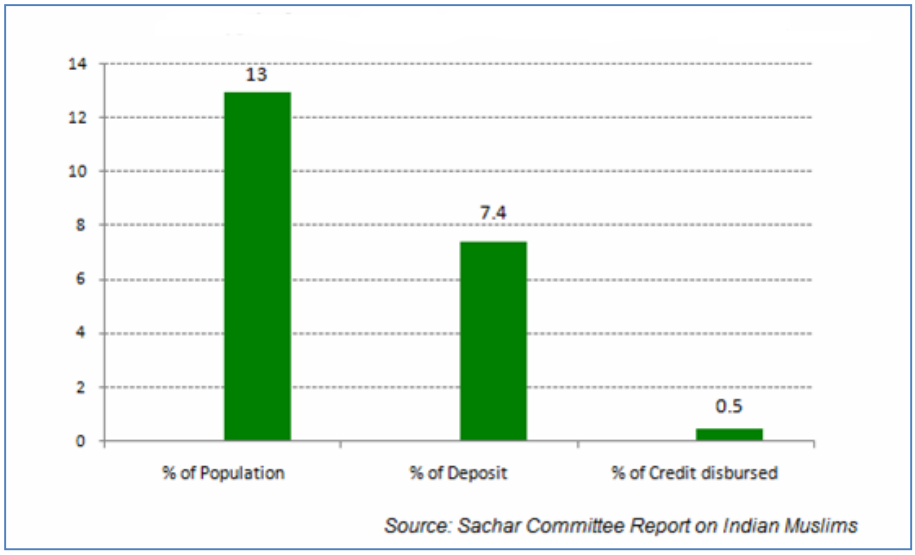
With the advent of Islamic finance in India, the country will witness a burgeoning capital inflow from Gulf Cooperation Council (GCC). The region is booming with surplus oil revenues and is on the lookout for avenues to invest this money. Till few years ago, GCC used to park a majority of its surplus capital with developed nations like US and Europe and only a miniscule proportion in the developing nations. With the slowing economy of the developed nations, the tide has now turned in the favour of developing nations. GCC's exposure to developing markets has increased from 10% a decade ago to 45% at present of its total investment quantum. It is estimated that GCC has savings of approximately USD 1.5 trillion and it is likely to increase to USD seven trillion by 2020. If our financial institutions are allowed to work on the principles of Shariah finance, then we can definitely attract a major portion of these investments. The additional liquidity in the system will not only help in reining the inflation and control the depreciation of the national currency, but shall also help with the increased foreign exchange reserves. Further, this shall safeguard the economy against the vulnerability of the global financial markets.

10.2 How will Islamic Finance help in achieving the goals of Financial Inclusion?

The followers of Islam (Muslims) are the second largest community in India with a population of approximately 200 million as per the latest population census of 2011. But Muslims are the most disadvantaged community in the financial sector according to Justice Sachar Committee report. Due to interest based deposit and credit from commercial banks, 80% of Muslims are financially excluded. This fact is further substantiated in the report of the committee on Financial Sector Reforms under the Chairmanship of Prof. Raghuram G. Rajan (2008). Without naming Muslims, the report states that people belonging to a particular faith are not part of the mainstream financial system because of their religious beliefs. The worker participation of Muslims in financial sector is also less; Muslims have just 0.78% and 2.2% employment with RBI and Scheduled Commercial Banks, respectively. Similarly in other financial institutions like Small

Industries Development Bank of India (SIDBI) and NABARD Muslim's presence is negligible. Hard to believe but true, that even Institutions like National Minority Development and Finance Corporation (NMDFC) have no Muslim managers.

According to RBI's report, Muslims lose around Rs. 63,700 crores annually because they have a credit deposit ratio of 47% against national average of 74%. The Justice Sachar committee report also proves this fact. The report states that of the total bank deposits, the deposits of Muslims are only 7.4% whereas the credit disbursement is a miniscule 0.5% of the total credit disbursed. With 31% Muslims living under poverty line and 40% Muslim workers as own account workers, this big deficit can only be covered by Islamic banking.



11.0 Conclusion: The Benefits:

The heralding of Islamic finance in India will not only help in bringing the Muslims into the mainstream financial system, instead, the benefits of it can be reaped by all. As it is evident that the additional capital inflow and the edifice on which Islamic Finance works takes care of growth and at the same time captures adverse impact of uncertainty through a robust mechanism. This paper throws light on how Islamic Finance will help the country in meeting its capital requirement towards various sectors like infrastructure, healthcare, education and achieve its objective of 8 – 9 per cent growth in the 12th five year plan.

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Virtualization of IT Resources with Focus on BFSI Sector

Mr. Sanjay Gupta[6]

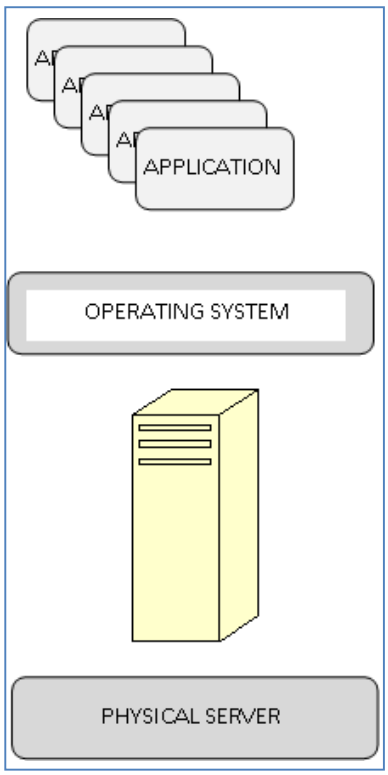
Abstract

Virtualization is a concept, which describes the separation of a resource or request for a service from the underlying architecture of delivery of the service. Virtualization within the IT environment helps in efficient utilization of existing software and hardware resources. Using virtualization, it is possible to create virtual machines that share hardware resources while functioning as completely independent entities on a network. Here in this article are described some concepts related to Virtualization and its probable opportunities to utilize the existing IT hardware in a creative way without imposing additional budget on IT for better utilization of resources

Key Words: *Virtual Machine, Virtual Computer, Logical Machine, Hypervisor*

1.0 Introduction:

A virtual computer is a logical representation of a computer in software. By separating the physical hardware from the operating system, virtualization provides more operational flexibility and increases the utilization rate of the underlying physical hardware. As specified in IBM Global Education White Paper, Virtualization in Education, although virtualization is implemented primarily in software, many modern microprocessors now include hardware features explicitly designed to improve the efficiency of the virtualization process.



Traditional Physical Server

In a traditional physical computer, multiple application programs are supported by one instance of the operating system. In a virtualization environment, a single physical computer runs software such that the physical computer's

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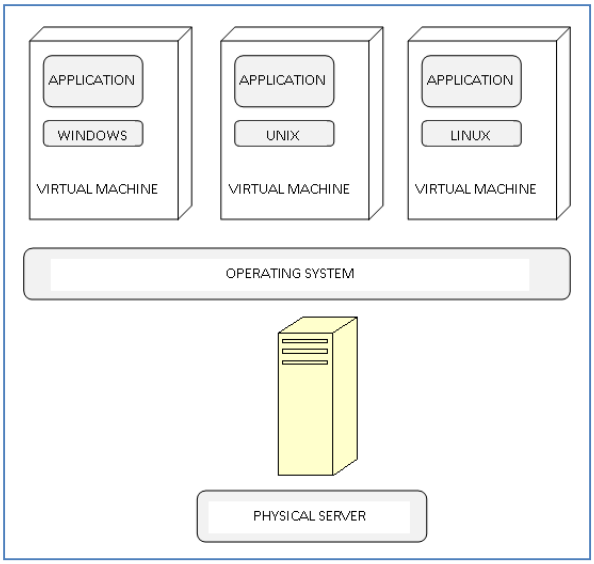
resources can be shared between multiple virtual computers. Each virtual computer is capable of running a different operating system from all of the other virtual machines on the physical machine. A crash or other program error on any of the virtual machines leaves all of the other virtual machines unaffected.



Virtualised Server

Over the years, computers have become sufficiently powerful to use virtualization to create the illusion of many smaller virtual machines, each running a separate operating system instance. *Doug Hyde, in his project report on 'A survey on the security of virtual machines'* describes a virtual machine, or VM, as a layer of software that runs on top of a virtualization management layer and encapsulates entire independent software stack of an operating system and various applications. Since multiple VMs can be loaded on a computer, multiple operating systems and applications can run simultaneously on a single hardware unit.

2.0 Objectives

- The main objectives of this study are as follows:
- To describe the concept and implications of virtualization.
- To explore possible benefits of virtualization in IT.
- Identify impact of virtualization on Business operations
- Identify impact of Virtualization on security and downtime.

3.0 Research Methodology

Type of Research	:	Exploratory
Scope & Limitations	:	The study focuses on Organizations in BFSI sector. Other organizations are beyond the ambit of this research. The study is limited to the extent only secondary data sources are used.
Research Design	:	Case Study

Type of Data used	:	Secondary data
Sources of Secondary data	:	Research Journals, Company Websites, Online Data Sources etc.
Approach	:	Various secondary data sources were tapped to gather information on way Virtualization has impacted organization on various parameters viz. costs, security, resource usage, organizational flexibility. The information collated from different sources is presented in the form of 3 case studies pertaining to three organizations in BFSI sector.
Type of Data Analysis	:	Qualitative

4.0 Concept of Virtualization

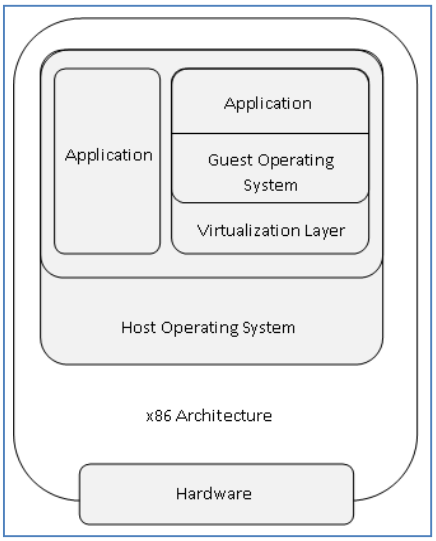
Virtualization software (VS) is a way of running multiple operating systems on the same computer, all at the same time. It is like having many computers inside one computer.

"Virtualization Software: A Computer Inside Your Computer," by Joseph D. Foran.

Virtualization software is a software application, which is capable of installing "guest" operating system on existing "host" operating system. When operating systems are installed in an emulated hardware environment, they are called "guest" operating systems, while the main operating system is called the host OS. The software, which provides virtualization, is called VMM (virtual machine monitor) or hypervisor. A hypervisor can run on the hardware directly or on the host operating system.

5.0 Benefits of Virtualization

Virtualization is gaining widespread adoption due to the benefits it offers to the clients. From *Intel Technology Journal, Virtualization in the Enterprise*, it is realized that the main benefits of virtualization are as follows:



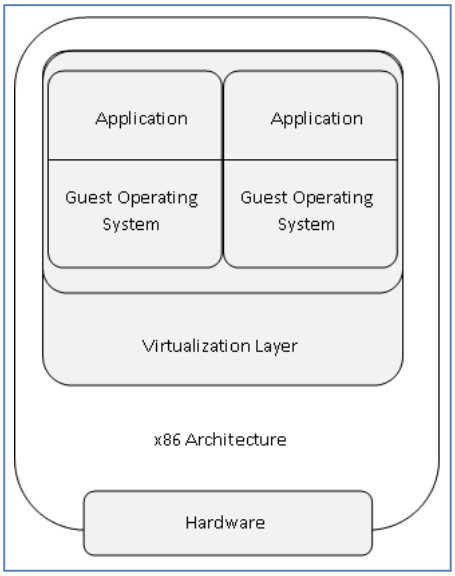
Hosted Architecture

5.1.1 Partitioning

Partitioning is the splitting of a single, usually large, resource into a number of smaller, more easily utilized resources of the same type. Multiple applications and operating systems can be supported within a single physical system. The two approaches typically used with software-based

partitioning are hosted and hypervisor architectures. A hosted approach provides partitioning services on top of a standard operating system and supports the broadest range of hardware configurations.

In contrast, a hypervisor architecture is the first layer of software installed on a clean x86-based system. Since it hasdirect access to the hardware resources, a hypervisor is more efficient than hosted architectures, enabling greater scalability, robustness and performance.



Hypervisor Architecture

5.1.2 Isolation

Virtual machines are completely isolated from the host machine and other virtual machines. If a virtual machine crashes, all the other virtual machines remain unaffected. Data does not leak across virtual machines and applications can only communicate over configured network connections.

5.1.3 Encapsulation

Complete virtual machine environment is saved as a single file; easy to backup, move, and copy. Standardized virtualized hardware is presented to the application - guaranteeing compatibility.

5.2 Business transformation using virtualization:

According to Nexgen, 'Software Engineering at its best', improving the efficiency and availability of IT resources and applications can be done through virtualization. This can be done by eliminating the old "one server, one application" model and run multiple virtual machines on each physical machine. The IT administrators can be freed from spending time maintaining the servers, innovating instead. A major chunk of a typical IT budget in a non-virtualized datacenter goes towards just maintaining the existing infrastructure, with little left for innovation.

5.3 Reduced Management and Resource Costs

The most important factor associated with the implementation of virtual machines is cost. The organizations have to deal with issues such as storage space, power and cooling due to the total number of physical servers in use today. This excess power usage is not only bad for the environment but also very costly for the business. Hiring, buying or building more space for

servers is equally expensive. Using a virtualized infrastructure, businesses can save large amounts of money as they require much lesser physical machines. They also improve flexibility because computing resources can be quickly assigned and re-allocated as they are needed – all from a centralized point of management. By reducing costs, simplifying resources, providing greater flexibility to allocate resources and improving service levels to your customers, virtualizing your IT environment can give you the ability to actually do more with less.

5.4 Improved Business Flexibility

Expanding the number of workstations or servers in a corporate office is often a lengthy and costly process. The company first has to hire, buy or build to make room for the physical location of the machines. The new machines then have to be ordered, set up, etc. This is a time consuming process and wastes a business's resources both directly and indirectly.

Virtual machines can be easily set up. There are no additional hardware costs, no need for extra physical space and no need to wait around. Virtual machine management software also makes it easier for administrators to set up virtual machines and control access to particular resources.

5.5 Improved Security and Reduced Downtime

When a physical machine fails, usually all of its software content becomes inaccessible. All the content of that machine becomes unavailable and there is often some downtime to go along with this, until the problem is fixed. Virtual machines are separate entities from one another. Therefore if one fails, they are completely isolated from all the other software on that physical machine, including other virtual machines. This greatly increases security, because problems can be contained.

Case Study 1

"Server virtualization helped Financial Technologies save Rs. 2 Crores."

AnupVarier, A case study on Virtualization in BFSI

Organization Case

Financial Technologies India Ltd. (FTIL) work forms the backbone for a number of international exchanges including Dubai's Gold and Commodities Exchange and Singapore's Mercantile Exchange. In India, it runs the Multi Commodity Exchange (which trades oil seeds, cereal, pulses, etc.) and online trader Sharekhan, among a number of others. FTIL wanted to maintain its position as the fastest-growing company in its space. And it could do that by helping exchanges expand by adding new asset classes (like interest rate derivatives) or by creating

networks of exchanges. But to do so, it needed to boost its own capacities and it had exhausted all the available space in its datacenter.

Virtualization Solution

Keshav Samant, VP and head-IT of Mumbai-based Financial Technologies started a virtualization project in 2009 and brought down the number of physical servers from 78 to 2. Currently FTIL runs 40 virtual machines on 2 physical servers each. Apart from popular virtualization benefits like the ability to provision new virtual servers in 15 minutes, and reducing recovery time by 90 percent, the project also trimmed operational expenditure. By cutting down electricity consumption, lowering server AMC costs, trimming manpower needs, FTIL brought down the operational cost considerably.

Case Study 2

"Dhanlaxmi Bank future proofs its storage with Hitachi's Universal Storage Platform VM"

RajendraChaudhary, Banktech India, 4/8/2012

Organization Case

Dhanlaxmi Bank has been an avid user of IT to enable speedier delivery of services to its customers. One of the challenges, the bank faced was on data storage front. With majority of its storage boxes becoming old, the bank was exploring how it could future-proof its storage since a strong storage backbone was key for all the other IT implementations. Plus, the bank also wanted to streamline activities like data archival, backup and recovery.

Virtualization Solution

Venkat Krishnan, Senior Vice President, Head of Strategic Projects, Data Center, Network Infrastructure, PMO and Technology Management Group at Dhanlaxmi Bank choose Hitachi Data Systems Universal Storage Platform Virtual Machine (USP VM) and decided to adopt a virtualization strategy. It moved all its non-core banking applications like lending system, loan processing, cheque truncation systems to the virtual machine including the database. The benefits for the company were manifold. Firstly the existing storage boxes were virtualized, thus preventing bank to spend heavily on updating existing storage technology. Secondly storage became scalable, thus as the storage requirements grow, more storage can easily get added to the system. As specified by Venkat Krishnan, virtualization has also helped the bank to plan a 3-way disaster recovery mechanism.

Case Study 3

"Fidelity's Gamble with Server Virtualization Pays Off"

Sneha Jha, A case study on Virtualization in BFSI

Organization Case

During the times, when IT industry followed 'One Server One Application', Fidelity Business Services were using 'Four Servers One Application' approach due to their emphasis on business continuity. Due to this, the company had invested in over 1000 servers with an abysmally low average usage of 2 to 3 percent. During recession, Fidelity's underutilized IT infrastructure put pressure on finances.

Virtualization Solution

Amit Gupta, head-technology infrastructure services, Fidelity Business Services migrated the low risk platforms to the virtual environment in the first phase. Fidelity's business is regulated by many overseas financial regulators and hence any failure would have had a direct impact on the business. But, fortunately for Amit Gupta the server virtualization was a successful implementation. The virtualization brought down the physical servers in Fidelity from 1000 to 660, thus reducing the maintenance cost by 20 percent and power consumption by 30 percent. The average server utilization has gone up to 15 percent from 3 percent.

6.0 Conclusion

Server and Storage virtualization has reaped several benefits in BFSI sector. Some of them are as mentioned below:

- Hardware maintenance cost and power consumption reduces due to lower number of physical servers.
- Space utilization efficiency increases in the data center due to server consolidation.
- Server virtualization lowers the cost of ownership.

7.0 Summary

Virtualization is a powerful technology trend that is happening now. The trend is already underway and the outlook is that it will grow very rapidly. Implementers owe it to themselves and their organization to examine the opportunity very closely and see when and how they can

start taking advantage of this exciting capability. Virtualization lets the IT staff deliver better service at lower cost and with greater security and reliability.

Companies are likely to be using one solution or another already, either through server virtualization or hosted architecture. Initial approaches to virtualization should not be a technology platform choice, but rather as a service delivery issue.

As IT Managers are asked to do more with less and deliver services to increasingly more sophisticated and demanding users, efficiency will probably be the biggest driver from the IT side. IT Managers will need to work with their business owners to determine if the potential benefits are worth the risk, cost and work involved with moving to a virtualization model.

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Measuring the Impact of Online Advertisements

Mr. Mohammed Osaid Koti[7]

Abstract

The concept of Online Advertising has started making a lot of waves with the advent of internet. Online advertising refers to a type of promotion on the Internet to deliver commercial messages to allure the customers. Search Engine Results Pages, Banner Ads, Blogs, Social Network Advertising, Email Marketing are some of the Online Advertising examples. This article intends to understand the effects of online advertising on the customers and the companies with the help of some examples where online advertisements have made a difference in the sales of the product / service. Apart from this, the article also highlights some indicators for measuring online performance.

Key Words: *Online Advertising, Internet Advertising, Online Marketing Trends, Measurement of Advertising Effectiveness*

1.0 Objectives of the Study:

- To understand the effects of online advertising on the customers
- To understand the impact of advertising on companies based on parameter like sales
- To identify tools for measuring online advertising performance

2.0 Introduction:

Online advertising has gained immense importance and is now a crucial platform in brand development, brand promotion and brand management. Advertising is being done through websites, social networking sites to reach out to consumers who are now heavily dependent on technology and above all the internet. Traditional media in today's highly competitive world has proved to be insufficient in fulfilling any advertiser's exacting standards of efficiency and customer interaction. Online marketing is interactive and cost-effective. One major benefit of

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online advertising is the immediate publishing of information and content that is not limited by geography and time.

One foremost advantage of online advertising is the immediate publishing of information and content, which is beyond geography and time. To that extent, the age of interactive advertising offers innovative challenges for advertisers who have so far adopted an interruptive strategy.

Another advantage of online advertising is the efficiency it provides to the advertiser's investment. It allows for the customisation of advertisements, including content and posted websites. For example, AdWords, Yahoo! Search Marketing and Google AdSense enable ads to be shown on relevant web pages or alongside search results. As compared to the traditional advertising, advertising via the Internet has the dual benefit of being generally more efficient and effective compared to other media channels. As per the Internet World Stats, the internet user population has reached 1.40 billion worldwide, a growth of 290% from 2000 to 2010.

Below is a list of top Ad server vendors in 2010 with figures in millions of viewers published in an Attributor survey. Since 2008 Google has controlled an estimated 69% of the online advertising market.

Vendor	**Ad viewers (millions)**
Google	1,118
DoubleClick	1,079
Yahoo!	362
MSN (Microsoft)	309
AOL	156
Adbrite	73
Total	**3,097**

Share of Ad Servers in 2010

3.0 Who Benefits from Internet Advertising?

- Online ad companies such as Google, Yahoo! and Microsoft's MSN account for a large portion of all PPC advertising (mostly search). Google in particular dominates the field, growing at a faster rate than Internet advertising overall while maintaining its leading position in the industry.

- Media companies with less exposure to traditional advertising and a greater dependence on other revenues drivers such as subscription (e.g., cable TV, satellite radio, premium newspapers) may benefit relative to their peers.
- Companies such as provider of infrastructure products and services for the Internet. If Internet traffic--and hence, advertising--grows, then these companies may benefit for the demand of higher bandwidth and faster connections (e.g., online videos)
- Advertising agencies focused on Internet advertising would benefit from the increase in agency services in this space.
- Technology platform developers such as MODAVOX INC (MDVX) allow organizations to create, manage, and monetize internet radio and video content.

4.0 Who Loses Out without Internet Advertising?

- Traditional media companies such as Time Warner, Viacom, Walt Disney Company (DIS), News Corp, Cablevision Systems (CVC), Time Warner Cable, Hearst-Argyle Television (HTV) and CBS depend heavily on advertising in traditional channels. Some media companies, however, are more exposed than others and several have even focused on building up their own Internet property portfolio.
- Major advertising agency conglomerates such as Omnicom Group (OMC) and Interpublic Group of Companies (IPG) source a large portion of revenue from media buying. If Internet advertising continues to put pricing pressure on more expensive media channels (such as newspaper and TV), traditional agencies' revenues may be negatively affected.
- Paper companies who provide stock for newspapers, magazines, yellow pages, and direct mail may see business decline, as the Internet continues to take advertising away from print media. Several newspapers such as the Wall Street Journal have also moved to reduce the size of their physical newspaper.

5.0 Online Marketing Trends

If speaking about the internet trends sector wise, a research published by Indian Online Association (2008) shows the following facts:

World Trends	Indian Trends
30% of Net advertisers are from FMCG industries	40% of the Net advertisers are from finance sector
15% are from the financial sector	20% are from the FMCG sector
11% hail from technology-driven companies	15% are from consumer durables sector
7% are from the communication / publication industry	10% from media

Source: Advertising Express (2010)

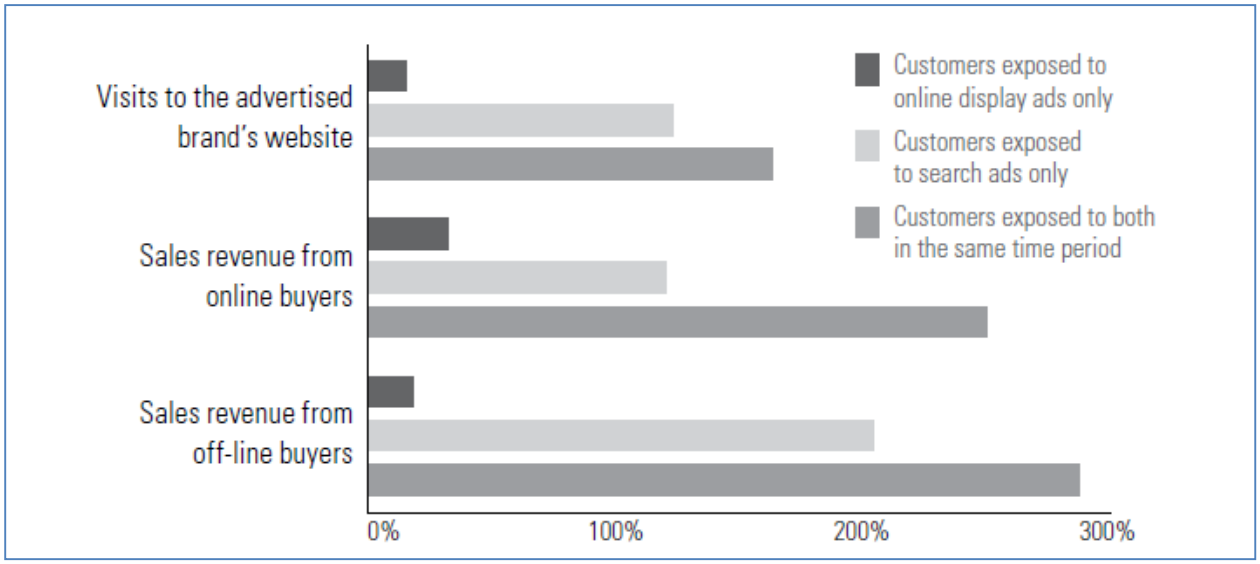
By tradition, prospective buyers of the product preferred to touch, feel and taste the product, which used to be a decisive factor for the end result. A standard advertising cost metric is CPM or Cost per Thousand Impressions. For example, a $1 CPM (Cost Per Mille) equates to a cost of $1 to reach 1,000 viewers or readers. An advertiser can tell, for example, who clicked on an Internet ad and even who bought a product or service during an internet session. Companies such as Google and Yahoo! have leveraged the measure-ability of the Internet to charge advertisers for clicks rather than impressions, further attracting advertisers with its pay-for-performance model. On the other hand, it is extremely difficult to measure how effectively television, newspaper, radio or magazine ads drive sales.

While TV, direct mail and newspapers account for nearly three-fourths of all advertising spending combined, the Internet channel has grown the fastest since 2001, taking share away from most traditional channels. Internet advertising grew at an annual clip of 18% from 2001-2006 and only cable TV (10%) was close to a double digit growth rate. Other channels basically kept pace with GDP growth (about 3%), with newspapers (1%) and radio (2%) most negatively affected.

6.0 Online Advertisement's Offline Behaviour

In an article by Magid Abraham on the offline impact of online ads, published in HBR, he mentions that internet is widely considered the most measurable of advertising media, internet advertising stimulates off-line sales. Results from 18 studies in the finance, travel, telecommunications, and retail sectors by Abraham, M. collectively show that online ads have a

powerful effect on off-line sales. Running search ads tends to be more effective than using display ads, and combining both types is more effective still.



Percentage Increase over Control Groups that did not see the ads

The real value in this study is that it brings further validity to the online marketing space. As commercials migrate from television to the Internet, marketers need to use different techniques to keep viewers watching--and to encourage them to send the ad to others.

The advertising community has two long-standing demands of online marketing:

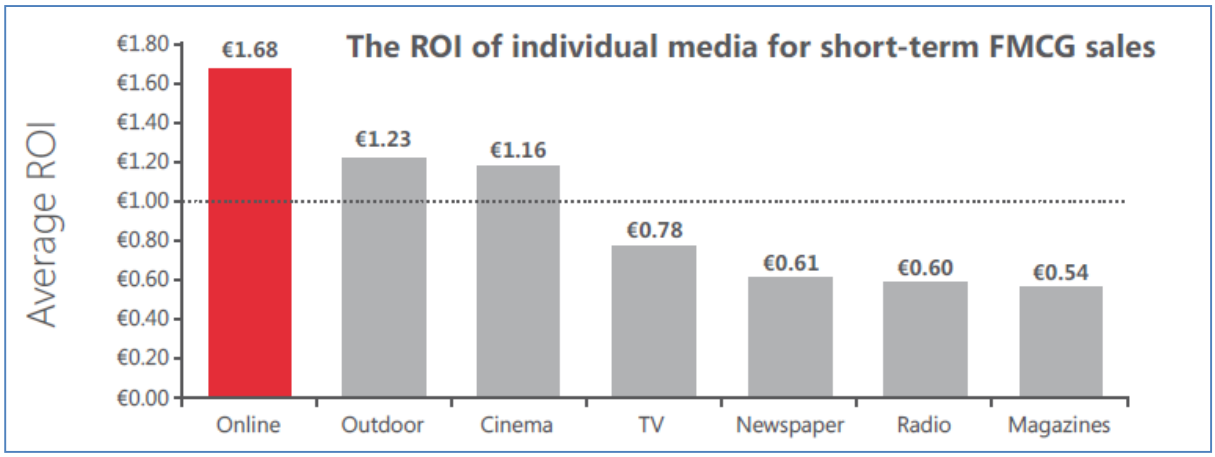
- Prove that the online channel can build brands, and
- Prove that it can drive offline sales.

Even as there has been plethora of branding studies undertaken to address the first point, comparatively a smaller amount of attention has been paid to the second. Researchers are still struggling to demonstrate a clear link between Online Advertising and the in-store behavior.

Microsoft Advertising, in a report named Check out : An ROI analysis of the FMCG sector (2011) in partnership with econometric experts BrandScience, surveyed and came out with the following conclusion:

The overall conclusion of their study is that online is the most efficient medium for driving short-term sales in the FMCG sector, as recorded in actual sales data. Online returns €1.68 in actual recorded sales for every €1 invested. Yet despite this, only 1% of FMCG advertising budgets are spent online.

According to the report, some media with a greater share of spend show negative ROI. The role of these channels within the media mix is best understood in terms of longer-term revenue gains.



ROI of Individual Media for Short Term FMCG Sales

The report also recommended :

- Online performs well for FMCG brands, delivering strong and scalable ROI.
- Leveraging online's synergistic effects is the simplest way to optimize overall campaign ROI.
- Adjusting the media mix to increase online's allocation will deliver scalable increases in ROI whilst increasing the duration of campaign impact.

Kierzkowski et al. (1996), Digital Marketing Cycle, proposed an emarketing cycle that applies to the internet and consists of the following five activities:

- Attract Visitors;
- Engage them;
- Retain them;
- Learn from them; and
- Relate to them.

Kierzkowski et al. (1996) used a circular pattern to illustrate their framework. The relationship of each of the elements contributes to marketing activities and is aimed at achieving profitable acquisition and retention of customers.

The above proposed emarketing cycle by Kierzkowski is seconded by a supporting article by Mahajan. R, & Mahajan D., wherein the authors point out some advantages of e-marketing cycle. According to them some of the benefits which can be achieved by following the emarketing cycle proposed by Kierzkowski et al. (1996), are :

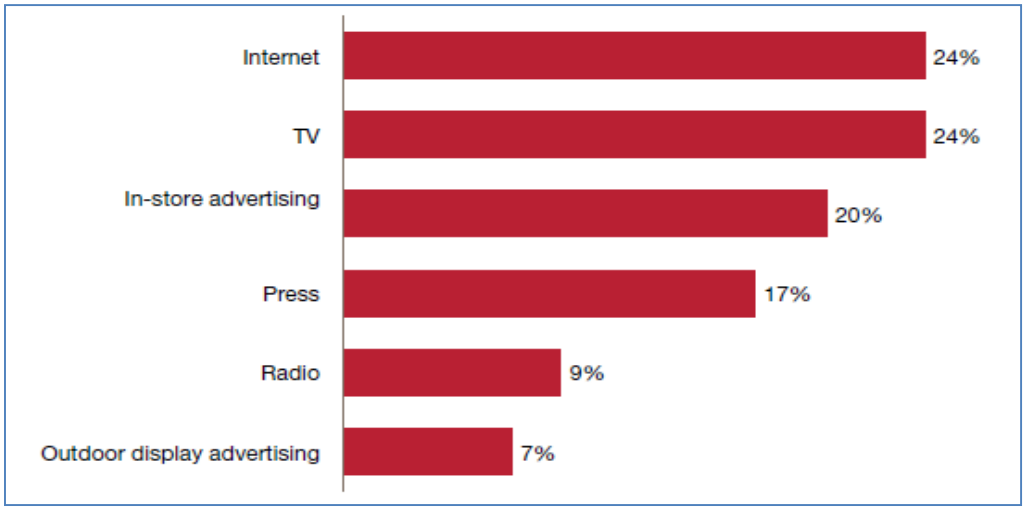
- Global Reach to Target Audience
- Informative & Affordable
- Easy to Track and Measurable Conversion
- Speed
- Flexible Payment
- Better ROI

A US based research company Applied Predictive Technologies, in its report titled "Measuring Offline Sales from Online Ads 2009)", done for a US-based specialty retailer, tests the impact of online advertising on in-store sales. According to the report, the client was trying to understand if online advertising was driving offline sales. The problem was that daily sales varied by over 100% in any given week and by well over 400% seasonally. A change of only 1.5% in daily store sales would drive a terrific ROI but the client was not able to accurately read any change in sales in the test markets given the noise in the data.

The researcher developed "Test & Learn for Ads™ to analyze the impact of Search advertising on in-store sales. A Search campaign was implemented in selected markets, and the change in performance of the stores in those test markets was compared to the change in performance of stores in control markets where no Search advertising campaign was implemented. The Search campaign was focused on key words relating to a specific product line.

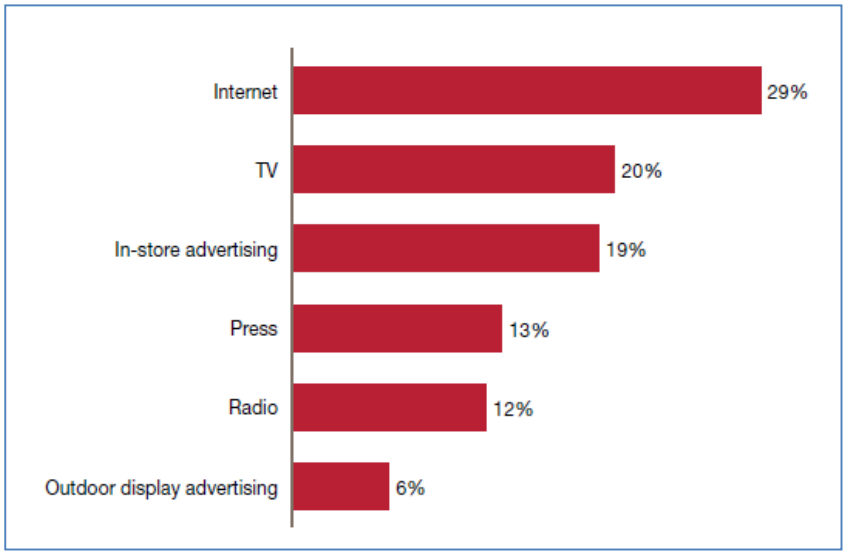
The Test & Learn approach provided the retailer with a means of targeting its ongoing search campaigns and investing only in those markets that would perform best. As a result, the retailer was able to scale back advertising costs in low impact markets, while maintaining a large majority of the lift and thus significantly improve ROI.

Similarly to offline media, exposure to online advertising awakens the consumer's intention or impulse to purchase. In 2009, 24% of French internet users interviewed by IFOP41 responded that they could be enticed to buy a product advertised online. The same percentage of respondents said that TV advertising could influence them in the same way.



Advertising media having the greatest impact on the impulse to purchase (% of respondents)

Furthermore, a study conducted by IAB NetImpact in 2009 revealed that exposure to an online advertising campaign increased internet users' purchase intent by 11%. After having been exposed to an online advertising campaign, 59% of internet users said that they intended to purchase or use the advertiser's products, compared to 53% of internet users who had not been exposed to the campaign. These studies reveal that the reach of online advertising is not only restricted to online sales. Understanding the impact on offline sales has become essential for advertisers to develop their media strategies.



Media considered the most reliable (% of respondents)

In addition to fuelling the impulse to purchase, consumers rely increasingly on the internet as a source of information and a medium for preparing their purchases. In 2010, eight out of ten internet users surveyed by Médiamétrie responded that they consulted a website before purchasing a product, representing 3% more than in 2009. Internet users primarily seek reliable information by checking descriptions of the product they wish to buy (66%), consumer reports (63%) or other websites such as those allowing consumers to compare prices (55%). For 29% of French internet users, the internet is the most reliable medium for finding information about potential purchases. This

is even more the case in the tourism (63%) and automotive (53%) industries where purchases are less frequent but involve higher amounts.

7.0 Conclusion: Towards an effective measurement approach

When it comes to Internet Marketing, a lot of people get really confused about it. In short, Internet Marketing means the ability to market your services on the Internet. Conventional marketing strategies have always been associated with a hefty budget and market research requirements. As the world is becoming smarter and more efficient people across the globe have started realizing the benefits of Internet Marketing. Internet has been able to penetrate all parts of the globe. Businesses and humans are not limited to a particular geography and all corners of the world are facilitating from the ease and use of Internet marketing initiatives. Here are some of the advantages and disadvantages of Internet Marketing.

Measuring online advertising effectiveness is a complex matter especially in a perpetually changing environment where new resources, formats and uses are constantly being developed. With an increasing portion of advertising budgets going to online campaigns, measuring performance is more than ever a key issue. Advertisers do not wish to blindly invest in this type of media even if they believe it is the right decision in the long run.

It is seen that there are many measurement tools, out of which some are discussed, and how important it is to select the appropriate ones. If the above questions are answered, the objective of measuring the impact of online advertisements on sales of products or services is achieved with a high degree of reliance and acceptability for the same.

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Attributes of Effective Celebrity Endorsement

Mr. Rahul Madhyani[8]

Abstract

"A sign of a celebrity is that his name is often worth more than his services".

DanielJ. Boorstin

Any brand can get a celebrity. This is easy, but leveraging a celebrity with the brand to create a difference is a challenge. This research paper attempts to understand the nuances the link between the brand and the personality.

Key Words: *Brand, Celebrity endorsements, personality traits*

1.0 Objective

- The objective of this paper is to understand:
- The personality traits of the ambassador with the brand
- Attitude of the personality with the brand
- Negative impact of an ambassador

2.0 Introduction

The brand endorsement business is around Rs.1,000crore (Rs.10 Billion), including star appearances and ground - events, according to *Manish Porwal, CEO of Celebrity Management Co.; Percept Talent Management*. Celebrity endorsement has been established as one of the most popular tools of advertising in recent time. It has become a trend and perceived as a winning formula for product marketing and brand building. It is easy to choose a celebrity but it is tough to establish a strong association between the product and the endorser. Celebrity endorsement is always a two-edged sword and it has a number of positives - if properly matched it can do wonders for the company, and if not it may produce a bad image. In the process, companies hire celebrities from a particular field to feature in its advertisement campaigns. The promotional features and images of the product are matched with the celebrity image, which tends to persuade a consumer

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to choose. Celebrity endorsement is perceived as a winning formula for product marketing and brand building.

3.0 Understanding Celebrity Endorsement in the Indian Context

India is one country, which has always idolized the stars of the celluloid world. Therefore it makes tremendous sense for a brand to procure a celebrity for its endorsement. In India there is an exponential potential for a celebrity endorsement to be perceived as genuinely relevant, thereby motivating consumers to go in for the product. This would especially prove true if the endorser and the category are a natural lifestyle fit which can be described as per the attitude and traits they carry with themselves.

There are many research scholars who have emphasized on **TEAR Model**. The attributes highlighted are gauged for celebrity selection. These are:

- Trustworthiness
- Expertise
- Attractiveness
- Respect
- Similarity

A celebrity scoring high on all the above attributes and traits can turn out to be good endorser for the brand.

There are few other traits which need to be taken into consideration before building an association with celebrity to the brand.

4.0 Attitudes & Traits:

The concept of celebrity endorsement has become a rage in India as well, with every company trying to rope in a brand ambassador of sorts for their brands. The increasing number of endorsements throws a valid question to the consumers. Is there a science behind the choice of these endorsers or is it just by the popularity measurement? What are the reasons which lead to impact of celebrity endorsement on brands? The success of a brand through celebrity endorsement can be cumulative of the following attributes and traits as below:

a. **Celebrity-Product Match:** the match-up hypothesis proposes positive effects of a congruent association between a celebrity and a product being promoted. Cyrus Broacha is the brand ambassador for MTV since both the celebrity and the brand are considered

as friendly, young, mood-boosting, humorous and outspoken. MTV's brand personally overlaps Cyrus Broacha's image as brand.

b. **Celebrity Values:** Amitabh Bachan and Shahrukh Khan campaigning for Pulse Polio or Aishwarya Rai appearing in the donate eyes campaign are few examples, which reflect the transfer of celebrity values to the brand, creating an impact that generates recall.

c. **Celebrity Controversy Risk:** Association of the celebrity with a controversy or ill behavior can cause negative impact to the endorsements. Any act on the part of the endorser that gives him a negative image among the audience and goes on to the affect the brands endorsed. Eg: Salman Khan's accident issue affected Thumbs up.

d. **Multiple Endorsements:** consumers do get confused about the brand endorsed when a single celebrity endorses numerous brands. For eg; in case of Sachin Tendulkar people recall Pepsi, TVS Victor and MRF, but might not remember brands like Britannia and Fiat. Thus, for multiple endorsements where the same celebrity endorses several brands, it boils down to the strength of the brand and the advertising content.

e. **Celebrity Availability:** Due to multiple endorsements by certain celebrities, brands refuse to adopt celebrity endorsement since they fear dilution of the brand image. So, prior to the endorsement, availability should be judged

f. **Costs of Acquiring the Celebrity:** Although nobody is willing to say exactly how much celebrities get paid, industry sources say Indian cricketer Sachin Tendulkar's price is believed to be between Rs.2.0-2.5 Crore per endorsement, and Oscar winning musician A.R.Rehman, who had signed up with AirTel, is believed to have picked up Rs. 1.75 Crore.

g. **Unique Image:** Marketers seek to adopt 360 degree brand stewardship in which the brand sees no limits on the number of the contact points possible with a target consumer. Advertising ideas, thus, revolve around this approach, and the celebrity endorsement decisions are made through these strategic motives. Celebrities do have some common characteristics which include their recognition, their status or their popularity but each celebrity may have his or her own unique image or cultural meaning which can be identified.

h. **Celebrity Regional and International Appeal Factors:** In a market with a very high proliferation of local, regional and international brands, celebrity endorsement was thought to provide a distinct differentiation. While selecting an endorser its regional

effect always comes into play. Where as while going global, the celebrities should be chosen in such a way that can create a global overall impact. For eg: Maharashtra Tourism wanted to endorse Sachin Tendulkar for Promoting Tourism.

i. **Celebrity Should be the Brand User:** To make an endorsement successful, the customer should believe in the endorsement. If the endorser using a brand and promoting a different brand in the advertisement, then this may create a non-sense image to the customer. One of the most successful campaigns has been executed by PETA in which celebrities like Shilpa Shetty, Amisha Patel, Yana Gupta, Sheetal Malhar, Mahima claimed to believe in PETA's ***(People for the Ethical Treatment of Animals)*** philosophy, and thereby endorse the brand.

j. **Previous Endorsements:** while endorsing a celebrity, his/her prior endorsements should be monitored carefully. This will help in analyzing celebrity's dedication, professionalism and credibility as well as will help in evaluating the impact. Endorser campaigning for the similar line of products should not be endorsed. Even for an endorsing brand, its prior engagements with same or different celebrities should be kept in mind.

k. **Interest of Endorser:** An endorsement became most successful when the endorser is also interested in the association with the brand not only for financial benefit, but also for his/her own image building also. Several celebrities have ventured into the fashion and accessories businesses and more are on the way.

5.0 Conclusion:

Advertising is seen as playing a manipulative and merciless role in the emerging brandscape, seeking to transform customers into the personification of brand identity. Successful celebrity/brand partnerships have resulted in significant gains in income for brand owners. Celebrity endorsement if used effectively, makes the brand stand out, galvanizes brand recall and facilitates instant awareness. To achieve this, the marketer needs to be really disciplined in choice of a celebrity. Hence the right use of celebrity can escalate the Unique Selling Proposition of a brand to new heights; but a cursory orientation of a celebrity with a brand may prove to be claustrophobic for the brand. A celebrity is a means to an end, and not an end in himself/herself.

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Erratum

D'Souza, Ruth. Strategy to Launch Institute for Values-Based Leadership Development. Management Vision - A Compendium of Papers, January 2012, Volume Vol 3, Issue 1.

A misprint has occurred in the afore-mentioned article. The same is being published in the correct form as the ensuing article.

The editors would like to apologise to readers for any confusion or inconvenience this may have caused.

Strategy to Launch Institute for Values-Based Leadership Development

Ms. Ruth D'Souza[9]

Abstract

The paper delves into the development of trust deficit manifesting itself in the form of a series of scams on national as well as international level. The recent global financial crisis origins are also traced to ethical crisis of sorts plaguing the whole world. Various definitions of ethics and business ethics are discussed. Need and significance of Business ethics is delineated .The paper draws on the findings of AMA/HRI Business Ethics Survey 2005 to put forth a strong case for employment of ethics in various aspects of business. Barriers faced by organizations in operationalization of ethics in business eco system are listed with real life illustrations.

Last the role of teaching ethics in business schools and its importance in giving the managers-to-be an ethical direction when taking managerial decisions and actions is underlined.

Key Words: *Trust deficit, global financial crisis, corporate scams, Business ethics, Business Ethics teaching*

Introduction:

The trust deficit

The fiscal year 2010 – 2011 will go down in the annals of Indian history as a year of 'Scams'. What began with the discovery of the biggest corporate scandal involving the inflating of profits of the IT global major - Satyam- dubbed by leading economists as' India's Enron', has turned into a virtual tidal wave of exposes on corruption. The blatant corruption in the awarding of contracts during the Commonwealth Games, the leaked telephone conversations in the 2 G scam depicting the connivance of corporate lobbyists with media and politicians to defraud the exchequer of revenue to the tune of $ 40 million, the under pricing of spectrum by ISRO topped by the estimates of black money ranging from $500 million to $1400 million stashed away in tax havens expose just how extensive is the rot.

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Just a few months ago, India was preening itself in the global spotlight. World leaders were queuing up to visit, and President Obama famously declared that the country was not simply emerging: It had "emerged." Yet the elation the nation has felt has been short-lived. With India's pride buffeted on a daily basis by tales of collusion between politicians, bureaucrats and businessmen and reports of billions of dollars lost to flagrant corruption, the mood among the nation's middle class is distinctly crestfallen.

The Prime Minister of India has himself been forced to agree to appear before a parliamentary panel investigating the mobile spectrum scam. The telecom minister is in jail, and the Supreme Court has struck down the appointment of the Central Vigilance Commissioner who runs the country's anti-corruption watchdog because he was facing charges of graft.

In a February 2011 survey of urban middle-class Indians by the Times of India newspaper, 83 percent said corruption was at an all-time high, two-thirds said the government was not serious about tackling it, and 96 percent said it had tainted the government's image.

At the time of writing this paper, there has been a nationwide outcry against graft and the Anna Hazare led anti-corruption campaign has created public pressure on the government to draft and pass the controversial Lokpal Bill which seeks to bring government agencies to book for corruption.

- **The new global phenomenon**

  The problem is not limited only to India buts seems to be a global phenomenon. Transparency International's *Global Corruption Barometer* (the Barometer) 2010, derived by interviewing over 91,500 people in 86 countries has some very interesting findings: (source www.transparency.org)

  - ✓ Corruption levels around the world are seen as increasing over the past three years
    - Almost six out of 10 report that corruption levels in their country have increased over time
  - ✓ Political parties are identified as the most corrupt institution around the world
    - Eight out of 10 judge political parties as corrupt or extremely corrupt, followed by the civil service, the judiciary, parliaments and the police
    - Over time, public opinion about political parties has deteriorated, while opinions of the judiciary have improved

- ✓ Experience of petty bribery is widespread and has remained unchanged as compared to 2006
  - The police is identified as the most frequent recipient of bribes in the past 12 months. The police also has the biggest increase in bribery incidents over time, according to the general public surveyed
  - In eight out of nine services assessed, people in lower income brackets are more likely to pay bribes than people in higher income brackets
  - The reason most often given for paying a bribe is 'to avoid a problem with the authorities'
- ✓ Government action to fight corruption is often seen as ineffective
  - Across the world, one in two considers their government's actions to be ineffective to stop corruption
- ✓ There is little trust in formal institutions to fight corruption
  - One in four worldwide does not trust any particular institution 'most of all' to fight corruption
  - Nearly one in four trusts the media or government the most to stop corruption
- ✓ There is significant belief that the public has a role to stop corruption – and a willingness for action in reporting on corruption when it occurs
  - Seven out of 10 respondents think ordinary people can make a difference in the fight against corruption, while half could imagine themselves getting involved

- **The spate of corporate scandals**

"The damage done by the financial & business scandals witnessed recently in corporate America to the US economy is far greater in American history than the cataclysmic events of September 11, 2001." - *Paul Krugman, Economist*

In recent years, the business world has experienced a disturbing decline in the expression of positive values by some of its leaders which, in turn, led to difficulties and even collapses of several significant companies. The list of scandals is growing and ranges from insider trading to responsible treatment of the environment.

Enron, World-Com, Lehman brothers, Galleon and closer home Union Carbide, Satyam, the 2G scam and DB realty are all examples of an abbreviated list of corporations

involved in scandals that rocked the financial markets, decimated the lives and fortunes of millions of employee's, investors and innocent people.

The corporate scandals appear to be a direct consequence of widespread greed. Managers and their lawyers, investment bankers and accountants simply lied to investors for their own avaricious gain. But the root of the problem is not just human nature. It stems from the overriding objective of a company's management to maximize shareholder value – that is, keep the stock prices rising, with a philosophy that ends justify the means!

- **The global financial crisis - a crisis of ethics**

The global financial crisis of 2008 that led to the domino effect of stock markets plummeting around the world, wiped out 33% of the value of companies equalling $14.5 trillion. The extent of the problems has been so severe that some of the world's largest financial institutions have collapsed. Others have been bought out by their competition at low prices and in other cases, the governments of the wealthiest nations in the world have resorted to extensive bail-out and rescue packages for the remaining large banks and financial institutions. Perpetrators of the crisis are being bailed out by large amounts of taxpayers' money. These values are staggering ... they could have wiped out developing world debt many times over.

A fact not discussed is that the financial crisis has also been driven by widespread ethical lapses that have manifested themselves just as much on "Main Street" as on Wall Street. One example is the subprime-mortgage fiasco. We now know that thousands of Main Street borrowers *lied* about their income, assets, and liabilities when applying for subprime loans. Likewise, many lenders failed to do even the most rudimentary checks on borrowers' credit history.

Recklessness also features among the sins underlying our present financial turmoil. On Main Street, thousands of investors mortgaged themselves to the hilt on the highly-imprudent assumption that house-prices could only continue to soar. Meanwhile on Wall Street, investment banks overleveraged themselves, sometimes at ratios of 30-to-1.

Then there is the rampant *materialism* "I-want-it-all-now" mentality that has apparently permeated Main Street and Wall Street to equal degrees.

Thus at the heart of the banking crisis, housing crisis, credit card crisis, job crisis and in general the economic crisis is a crisis in ethics.

- **Ethics- the heart of the problem**

  There is clearly a trust deficit in leadership in India as well as around the world and a growing sense of frustration at the increasing lack of ethics in public life. Ethical lapses are having far reaching consequences. Virtually institutions in all walks of life, be it political, religious, educational, philanthropic, sports organizations or corporates – none have been immune. The media's continuing interest in ethical issues and the current anti corruption campaign in India suggests that ethics is a real problem which needs to be addressed.

What is Ethics?

If a cross section of society was interviewed on their understanding of ethics, I would imagine the findings would be very similar to those of renowned sociologist Raymond Baumhart SJ. Typical replies may include:

> "Ethics has to do with what my feelings tell me is right or wrong."
>
> "Ethics has to do with my religious beliefs."
>
> "Being ethical is doing what the law requires."
>
> "Ethics consists of the standards of behaviour our society accepts."
>
> "I don't know what the word means."

Most people may identify with these responses. The meaning of "ethics" is hard to pin down, and the views many people have about ethics are shaky.

Often people tend to equate ethics with their feelings. But being ethical is clearly not a matter of following one's feelings. A person following his or her feelings may recoil from doing what is right. In fact, feelings frequently deviate from what is ethical.

Nor should one identify ethics with religion. Although most religions advocate high ethical standards, it goes without saying that ethics applies as much to the behavior of the atheist as to that of the saint. Religion can set high ethical standards and can provide intense motivation for ethical behavior. Ethics, however, cannot be confined to religion nor is it the same as religion.

Another approach is to consider being ethical as the same as following the law. The law often incorporates ethical standards to which most citizens subscribe. Yet examples are rife in history which exemplify that the law can deviate from ethics. Case in point being the Pre-Civil War slavery laws in the US and the apartheid laws of South Africa.

Using standards of behaviour acceptable to society is also not reflective of being ethical. In any society, most people accept standards that are, in fact, ethical. But standards of behavior in society can deviate from what is ethical. Nazi Germany is a good example of a morally corrupt society. Moreover, if being ethical were doing "whatever society accepts," then to find out what is ethical, one would have to find out what society accepts. Take the case of deciding on abortion, or euthanasia - one would have to take a survey of society and then conform ethics to whatever society accepts. Some people accept abortion but many others do not. If being ethical were doing whatever society accepts, one would have to find an agreement on issues, which does not, in fact, exist.

What then, is Ethics?

First, ethics refers to well-based standards of right and wrong that prescribe what humans ought to do, usually in terms of rights, obligations, benefits to society, fairness, or specific virtues. Ethics, for example, refers to those standards that impose the reasonable obligations to refrain from rape, stealing, murder, assault, slander, and fraud. Ethical standards also include those that enjoin virtues of honesty, compassion, and loyalty. And, ethical standards include standards relating to rights, such as the right to life, the right to freedom from injury, and the right to privacy. Such standards are adequate standards of ethics because they are supported by consistent and well- founded reasons. Secondly, ethics refers to the study and development of one's ethical standards. As mentioned above, feelings, laws, and social norms can deviate from what is ethical. So it is necessary to constantly examine one's standards to ensure that they are reasonable and well-founded. Ethics also means, then, the continuous effort of studying our own moral beliefs and our moral conduct, and striving to ensure that we, and the institutions we help to shape, live up to standards that are reasonable and solidly-based.

Definitions of Ethics

- Ethics is a set of moral principles or values which is concerned with the righteousness or wrongness of human behaviour and which guides your conduct in relation to others (for individuals and organizations).
- Ethics is the activity of examining the moral standards of a society, and asking how these standards apply to our lives and whether these standards are reasonable or unreasonable, that is, whether they are supported by good reasons or poor ones.

- Ethics are in play when a person takes the moral standards absorbed from family and friends and asks: what do these standards imply for the situations in which I find myself? Do these standards really make sense? What are the reasons for or against these standards? Why should I continue to believe in them? What can be said in their favour, and what can be said against them? Are their implications in this or that particular situation reasonable?

Business ethics - an oxymoron

Most large organisations with listing on stock exchanges have explicit business values and ethics policies, a key element of which is a code of ethics. Yet on a daily basis the media is full of examples of serious violations involving many of these companies. Large organisations like the Tata group, Reliance, ADAG, Satyam, Loop, Essar, Union Carbide, Posco, Vedanta, PWC... the list is long and growing ... are facing charges and are under investigation. At the moment 4 Indian telecom CEO's are in jail in the context of the telecom scam.

What are the causes of the apparent gap between having published ethical principles and their becoming embedded in the bloodstream of an organisation? Has the teaching of business ethics in business schools and management colleges been a waste of time? Is it true that business ethics is truly an oxymoron?

The term business ethics is generally used to portray two different concepts. First, it describes the relationship of civil society to the business sector. Second, it involves the interaction of business entities with their main constituents: employees, customers, suppliers and shareholders. These are usually categorised today as stakeholders.

There is still no set of guidelines or standards that clearly distinguish what is right and what is wrong in the business world. There are certain norms that people follow in life such as being honest, trustworthy, and respectful. These norms are pretty basic and most people understand them to an extent. Ethics in the workplace though is a whole new ballgame because many different situations will arise that deal with complex issues where one may not know what is wrong and what is right.

Economic theory is concerned with the efficient utilization of resources to satisfy consumer wants and to maximize profit and satisfaction. Yet, how business is to be pursued, at what costs and by what means has been the subject of endless research and debates by famous economists, industry experts & management gurus over the past decade. The ethics debate kicked off with the following view of Milton Friedman, Nobel Laureate "Business's only social

responsibility is to maximise profits so long as it stays within the rules of the game; which is to say engages in open and free competition without deception or fraud". Friedman's view was further echoed by Theodore Levitt "In the end, business has only two responsibilities - To obey elementary canons of face to face civility (honesty, good health and so on) and to seek material gain".

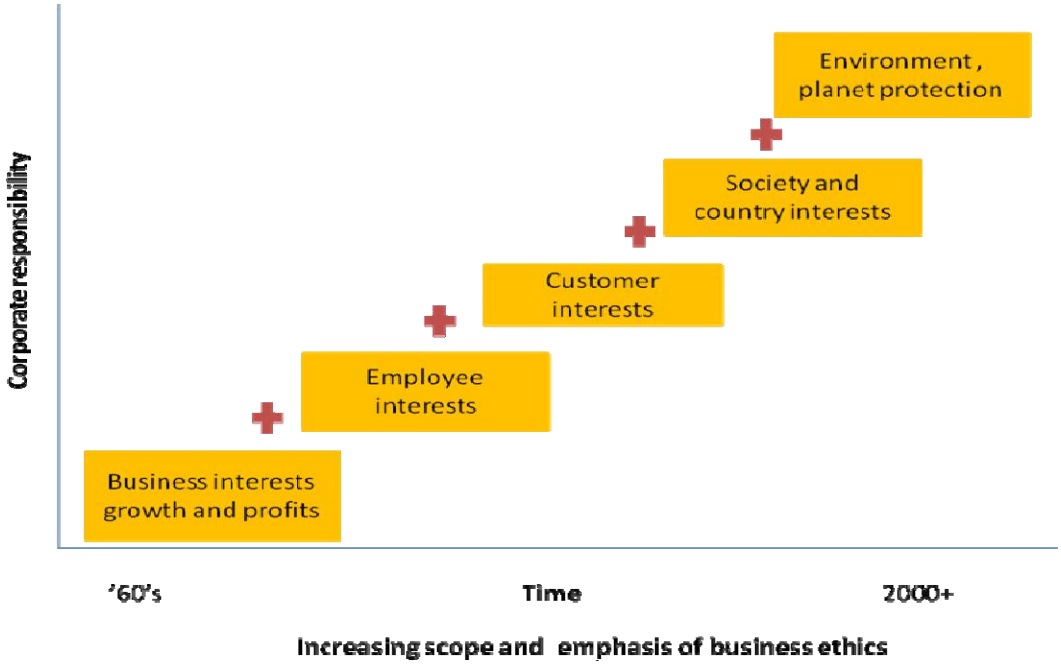
Ethical issues often arise when the desire for short term profit affects the way a business is run. 'Short-termism', driven by the need for quarterly reporting, does nothing for the requirement to do business ethically. However, that cannot be made an excuse for a business (or any organisation) neglecting high standards of behaviour.

However, these arguments cannot be used as an excuse for business to be unethical. Business does not operate in a vacuum. It operates within the thick of the social environment. Business has its ethical casualties. It has externalities, victims, stakeholders. The ethics of business has to be seen as the right of its actual and potential stakeholders.

Today, companies face more ethical dilemmas than ever before. Technological change brings new debates, on issues ranging from genetically modified organisms to privacy on the Internet. Globalization brings companies into contact with other countries that do business by different rules. Competitive pressures force firms to treat their staff in ways that depart from past practice. To add to that, firms are subjected to scrutiny from outside, led by the media and non-governmental organizations (NGOs) and dealing with ethical issues has now become an integral part of every manager's job.

The new economy is changing the world of work and the people who work in it fundamentally. Technology, globalization, intangibles and the war for talent are all driving the new economy and helping to create new corporate paradigms. In the new economy, business models can be seen as groupings of assets (or stakes), and businesses will need to be accountable to each asset owner (or stakeholder) in some kind of mutually agreed way. Wider accountability involves wider ethical dimensions that businesses must grapple with, and with this comes a greater risk of ethical conflicts that can damage an organization.

From the mid-nineties, the discussion involving the question of ethics and social responsibility in business has been gaining prominence. In the face of worsening social and environmental problems (unemployment, social exclusion, deforestation, extinction of species, water, air, and soil pollution) in every part of the world, consumers, investors and society in general have begun to call on companies to assume their portion of social responsibility and to conduct their businesses in an ethical manner.



One of the major challenges faced by organizations at the present time is to balance the search for competitiveness with ethical and responsible business operations. The pressure brought to bear in terms of ethical and socially responsible business practices has become even stronger, as companies expand their operations to various parts of the world, thereby demanding coherence relative to their activities at a global level, due to the speed with which information is distributed throughout the market.

A problem of choice- conflict of interest

Ethical problems arise not because of people's tendency to do evil, but because of the conflicting nature of standards and interests, which are valid in themselves. Problems in ethical decision-making and behavior occur only when individual interests and social norms conflict with each other.

Every organization has its own accountability towards its stakeholders – employees, capital investors, consumers, government, competitors, suppliers, and other community members. In most situations the organizations are able to balance its obligations towards these varied stakeholders. However, sometimes conflicts do arise between the interests of two or more stakeholders. In such situations the more influential and powerful group could gain precedence over others, to protect their own interests.

For example, though maximizing financial returns is an organization's obligation towards its shareholders, it could be at the cost of the ecological system or legal business practices.

Managers under these situations face the dilemma of protecting long-term interests of the organizations and short-term profits. The current emphasis on short term results with a focus on driving up stock prices often leads to compromises.

However, research has already shown that ethics do pay. Since unethical practices cost industries billions of dollars a year and damage the images of corporations, emphasis on ethical behavior in organizations has increased over the recent years. Societal expectations and pressures from legal and professional bodies have forced organizations to be more concerned about their social responsibilities and ethical practices.

Why Is Business Ethics Needed?

For businesses to exist in contemporary global markets, it is necessary to incorporate ethical behavior into their practices. The major reasons behind ethical business practices are:

- To prevent businesses from abusing the rights of the general public. For example, some business practices can cause harm to consumers through the production of defective products, it is the ethical responsibility of these companies to recall such products;
- To protect employees from being subjected to unethical practices. For example, sales representatives should not be given quotas that may induce them to partake in unethical dealings;
- To ensure businesses remain economically viable by complying to the value system of a society in which they operate. That is, for businesses to be successful they must abide by the established ethics of society;
- To protect business itself from unethical practices of employees. For example, if a business has its own set of ethical guidelines, employees will be unable to harm the good name of the business. Such ethical guidelines also provide security against unethical competitors;
- To act as major motivator for ethical employees to achieve a high degree of productivity (i.e. employees will be proud to belong to a company where sound ethical behavior is the prevailing norm)

In the long run sound ethics was good for business. A business cannot afford to have a reputation for not behaving ethically, which can in turn be damaging to its business interests.

What's Driving Business Ethics Today?

The AMA/HRI Business Ethics Survey 2005 clearly illustrates that businesses view ethics as having a big impact on their brands and reputations as well as on customer trust and investor confidence. Business ethics isn't only about "doing the right thing" or even avoiding the kind of scandals that can utterly devastate a company. It's about good business.

Some of the key findings in that survey on what is influencing ethics in today's organizations, and how business ethics may evolve over the course of the next 10 years are given below:

- The number one reason for running an ethical business, today and in the future, is protecting a company's reputation.
- Maintaining an ethical business environment has become more important and more challenging in today's fast-changing global marketplace.
- The pressure to meet unrealistic business deadlines or objectives is the factor most likely to cause people to compromise ethical standards in companies.
- Business scandals have had a major impact on business ethics issues in recent years but, in the future, globalization and competition will be the top business drivers of ethics.
- Laws and regulations are, and will remain, the most influential external drivers of corporate ethics, but issues related to the environment are expected to become considerably more important in the next 10 years.
- As technologies grow ever more powerful and pervasive, they will raise difficult ethical questions with which companies will have to deal.
- Globalization brings many ethical challenges, especially in developing nations where issues related to forced labor, child labor, and working conditions are top concerns.
- Corporate culture is crucial to creating and maintaining an ethical environment, but culture is notoriously difficult to shape and change. Doing so requires a systems framework approach.
- Leaders who support and model ethical behavior and communicate such values are critical to a company's ethics.
- Establishing codes of conduct and training programs are seen as the most important corporate practices for contributing toward an ethical culture. Also important are ombudsmen to provide confidential and informal guidance and help lines to officially report malfeasance.

- Having the right measurements and indicators is necessary to gauge the corporate ethics environment.
- The companies with best-in-class ethics practices will increasingly gear their strategies toward "external" stakeholders, such as customers, suppliers, business partners, investors, and communities.
- In terms of serving customers and investors, ensuring transparency is key.
- The best way of encouraging ethical conduct among suppliers is through codes of conduct and audits.
- In the near future, companies will seek ways to become more proactive in terms of dealing with problems that pose, or may soon pose, ethical challenges.

Operating ethically - Barriers faced by organizations

The modern world is becoming more and more interdependent due to increasing globalization of the world economy. While on the one hand businesses have open markets and unprecedented opportunity, on the other there are many ethical barriers facing firms operating in different countries. Some of ethical dilemmas include bribery; deceit/false information; anti-competitive behaviour; discrimination; environmental issues and social responsibility.

However not all the challenges are external or cultural. Many of them are also internal to the organisation and have to do with the corporate culture operating within the firm.

Understanding the barriers

Bribery

This is a typical phenomenon facing businesses around the world. Bribery is defined as remuneration for the performance of an act that is inconsistent with the work contract or the nature of the work one has been hired to perform.

Universally, bribery is not accepted as an immoral, illegal or unethical business practice. European law contains measures against corruption exercised within the European countries, but unethical behavior of European businesses overseas is not covered within the European laws. For example, European firms can deduct foreign bribes as business expenses from their taxable income which give legitimacy to bribery or extortion payments. On the other hand American executives have been prosecuted for paying bribes. Bribery in Japan is an open kind of

activity that is culturally accepted. In India, the license raj ensured the widespread prevalence of this evil but even post the liberalisation of the economy, the country is currently grappling with a number of graft cases. In the 2G telecom scam of 2010, the CBI and ED believe that telecom minister A Raja got bribes to the tune of Rs 3,000 crores.

False Information

Another related issue is the question of deceit/false information facing international trade. One serious detriment to the expansion of international business is the degree to which various nations condone the practice of falsifying information. Lying is particularly a complex phenomenon: the person lying must intend to deceive the person with whom he or she is communicating.

Falsifying reports

Is a highly unethical practice and ranges from falsifying reports to clever accounting to padding expense statements. However perceptions about the severity vary around the globe.

Dealing with Competitors

The manner in which companies compete with one another in the international market is a vital issue. If companies feel that some nations do not provide a level playing field for all competitors, they are less inclined to do business there all other things being equal. Two overriding concerns are violation of patents and copyrights and obtaining information about competitors. Piracy is still considered legal in Indonesia, and Thailand, although software copyright protection legislation has been passed in Japan and Philippines.

Environmental and Ecological Concerns

One of the most pressing and thorny international management problems is the ecological impact of industrialization around the globe. To protect the environment and the people from the unintended consequences of industrialization, most developed countries have established numerous regulations and enacted specific environmental legislation. Today, because of the increased knowledge about the environmental impact of industrialization, there are worldwide pressures and demands to curve the damage to the environment.

Examples of Ethical issues faced by organizations

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Examples of Ethical issues faced by organizations

Arising from the nature of markets

The 18th Century economist Adam Smith demonstrated how in a free market the self interest of producers and consumers will produce an outcome desirable to all concerned

But the market can also lead to inequality of income, wealth and market power:

- Monopoly suppliers can exploit consumers
- Monopsony buyers can exploit supply firms
- Worldwide inequality of income can result in unethical practices such as the child labour

Involving society

- Involvement in the community
- Honesty, truthfulness and fairness in marketing
- Use of animals in product testing
- Agricultural practices e.g. intensive faming
- The degree of safety built into product design
- Donation to good causes
- The extent to which a business accepts its alleged responsibilities for mishaps, spillages and leaks
- The selling of addictive products e.g. tobacco
- Involvement in the arms trade
- Trading with repressive regimes

Arising from internal and industry practices - examples

- Treatment of customers - e.g. honouring the spirit as well as the letter of the law in respect to warranties and after sales service
- The number and proportion of women and ethnic minority people in senior positions
- The organisation's loyalty to employees when it is in difficult economic conditions
- Employment of disabled people
- Working conditions and treatment of workers
- Bribes to secure contracts
- Child labour in the developing world
- Business practices of supply firms

Arising from unethical practices in marketing

- Lack of clarity in pricing
- Dumping – selling at a loss to increase market share and destroy competition in order to subsequently raise prices
- Price fixing cartels
- Encouraging people to claim prizes when they phoning premium rate numbers
- "Bait and switch" selling - attracting customers and then subjecting them to high pressure selling techniques to switch to an more expensive alternative
- High pressure selling - especially in relation to groups such as the elderly
- Counterfeit goods and brand piracy
- Copying the style of packaging in an attempt to mislead consumers
- Deceptive advertising
- Irresponsible issue of credit cards and the irresponsible raising of credit limits
- Unethical practices in market research and competitor intelligence

Arising from unethical practices relating to products

- Selling goods abroad which are banned at home
- Omitting to provide information on side effects
- Unsafe products
- Built in obsolescence
- Wasteful and unnecessary packaging
- Deception on size and content
- Inaccurate and incomplete testing of products
- Treatment of animals in product testing

In relation to the supply chain

It would be hypocritical to claim to be a ethical firm if it turned a blind to unethical practices by suppliers in the supply chain. In particular:

- The use of child labour and forced labour
- Production in sweatshops
- Violation of the basic rights of workers
- Ignoring of health, safety and environmental standards

An ethical producer has to be concerned with what is practiced by all firms (upstream and downstream) in the supply chain.

Can ethics be taught?

The former president of Enron, Jeffrey Skilling, was a top student at the Harvard Business School. On being questioned by his professor "what he would do if his company were producing a product that might cause harm, or even death, to customers that used it. According to his professor [...] Jeffrey Skilling replied 'I'd keep making and selling the product. My job as a business man is to be a profit-centre and to maximize return to shareholders. It is the government's job to step in if a product is dangerous'. The possible roots of the ensuing Enron crisis were already visible in this bright student.

Perhaps recognising the danger of students carrying such beliefs into the corporate world, and in response to the increasing number of corporate scandals, management institutes like the IIM's have now made it mandatory for students to take a course in business ethics.

Yet, the debate is: Can business ethics be taught? The views on both sides of the debate are strong. Many people feel that ethics is simply something you must learn at a young age. By the time someone reaches adult hood it is too late for them to learn ethics. If one subscribes to this view then ethics education is a waste of time and money. In such a situation, efforts should be devoted to identifying and eliminating those who are potential violators, not developing them.

On the other hand, many also feel this is not true. Each of us has faced numerous ethical dilemmas. When we observe a friend cheating should we stick by a friend, or turn in a cheater? Knowing full well that delivery schedules cannot be met, should you lie to the customer and get the order or fail to meet your targets and face the boss? How do we choose when the consequences are real?

The first approach is convenient in a sense because the blame can be shifted to a few. But will the problem be eliminated by weeding out the so called unethical characters? The organization must scrutinize itself to determine if there's something wrong within the organization. Contrary to popular belief, most people are not guided by a strict internal moral compass. Rather, they look outside themselves—to their environment— for cues about how to think and behave. This is particularly true when circumstances are ambiguous or unclear as they are in many ethical dilemma situations. At work, the organizational culture transmits many cues about how one should think and act.

Let's take the case of the Enron scandal. Information to date suggests that both Enron and Arthur Andersen had cultures that encouraged unethical behavior. Enron allowed (and perhaps encouraged) unethical behavior throughout the organization and Arthur Andersen's actions with a series of clients is still under scrutiny from law enforcement and regulatory agencies.

If ethics problems are rooted in the organization's culture, discarding a few people without changing that culture isn't going to solve the problem. An effective and lasting solution will rely on management's systematic attention to all aspects of the organization's culture and what it is explicitly or implicitly "teaching" organizational members.

This broader question about the source of ethical and unethical behavior is based on the "nature/nurture" debate in psychology. Are we more the result of our genes (nature) or our environments (nurture)? Most studies find that behavior results from both nature *and* nurture. When it comes to ethical/unethical behavior, the answer is not either/or, but *and*.

The above proposition makes it clear that ethics can indeed be taught. Ethical behavior relies on more than good character. Although good upbringing may provide a kind of moral compass that can help the individual determine the right direction and then follow through on a decision to do the right thing, it's certainly not the only factor determining ethical conduct. In today's highly complex organizations, individuals need additional guidance. They can be trained to recognize the ethical dilemmas that are likely to arise in their jobs; the rules, laws, and norms that apply in that context; reasoning strategies that can be used to arrive at the best ethical decision; and an understanding of the complexities of organizational life that can conflict with one's desire to do the right thing. For example, businesses that do defence-related work are expected to comply with a multitude of laws and regulations that go far beyond what the average person could be expected to know.

The ethical decision-making process involves three basic steps:

- Moral awareness (recognizing the existence of an ethical dilemma),
- Moral judgment (deciding what's right), and
- Ethical behaviour (taking action to do the right thing).

All of these steps are influenced by two types of factors:

- Characteristics of individuals and
- Characteristics of organizations.

The question of whether ethics should be taught remains. Many still believe that ethics is a personal issue that should be left to individuals. They believe that attempts to teach ethics are inappropriate efforts to impose certain values and to control behavior. But this does not negate the need for employers responsibility to teach employees what they need to know to recognize and deal with ethical issues they are likely to face at work. Failing to help employees recognize the risks in their jobs is like failing to teach a machinist how to operate a machine properly. Both situations can result in harm, and that's just poor management.

Individuals do come to organizations with predispositions that influence their behavior, but the work environment can also have a large impact. Making ethical decisions in today's complex organizations isn't easy. Good intentions and a good upbringing aren't enough. The special knowledge and skill required making good ethical decisions in a particular job and organizational setting may be different from what's needed to resolve personal ethical dilemmas, and this knowledge and skill must be taught and cultivated.

Therefore, organizations that neglect to teach their members "ethical" behavior may be tacitly encouraging "unethical behavior" through benign neglect. It's management's responsibility to provide explicit guidance through direct management and through the organization's formal and informal cultural systems. The supervisor who attempts to influence the ethical behavior of subordinates should be viewed not as a meddler but as a part of the natural management process.

Conclusion

Educational institutions and work organizations should teach people about ethics and guide them in an ethical direction. Adults are open to, and generally welcome, this type of guidance. Ethical problems are not caused entirely by bad people. They're also the product of organizational systems that either encourage unethical behavior or merely allow it to occur.

While individual characteristics are a factor in determining ethical behavior, good character alone simply doesn't prepare people for the special ethical problems they're likely to face in their jobs or professions. Special training can prepare them to anticipate these problems, recognize ethical dilemmas when they see them, and provide them with frameworks for thinking about ethical issues in the context of their unique jobs and organizations.

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Book Review

Bijapurkar, Rama; Customer In The Boardroom? Crafting Customer-Based Business Strategy; 2012, SAGE Response, New Delhi, India, pp.230, Price Rs. 495

CUSTOMER IN THE BOARDROOM? Crafting Customer-Based Business Strategy (genre: Strategic Management) is the second book from the highly acclaimed columnist and author of **'We are like that only Understanding the logic of Consumer India'** and its International edition christened as 'WINNING IN THE INDIAN MARKET Understanding the Transformation of Consumer India'. While the first book was a definitive guide on assessment of the Indian consumer market and provided a key to winning in the Indian market, the new book makes a strong, compelling case for business strategists in India to forego their 'supply-sided' perception of the market and its resultant 'competitor-focused' approaches in favour of making the customer the core of their strategy formulation and development for bottom-line growth and survival in today's tumultuous environment. In doing so she goes against the grain of the very essence of strategy (derived from the greek word Stratagos; used in military parlance; meaning to contain the competitor) as also the current practice of 'competitor-centric' formulation of strategy.

Parallels can be drawn with other books in strategy domain namely, 'The Blue Ocean Strategy' (2005), written by Kim and Mauborgne, wherein the author duo make a rational appeal for making competition irrelevant by means of 'Value Innovation'. But Bijapurkar's prescriptions are different. Another book 'Customer Worthy: Why and How Everyone in Your Organization Has to Think Like a Customer' (2010) by Michael R Hoffman, as the title suggests echoes her proposition.

The tone of the book is set by forewords by none other than India Inc stalwarts namely, K V Kamath, Anand N Mahindra and Vinita Bali; in the preface to the book Bijapurkar illustrates her search for the Holy Grail by way of a four quadrant matrix representing two variables viz. business understanding and customer understanding to make sense of the current practice of business consultants whose analysis of markets is product or competitor centric and their standpoint is supply sided. She also mentions the CBBS (Customer Based Business Strategy) course in strategy area she created in conjunction with Prof. Abhinandan Jain for second-year MBA students at IIM Ahemdabad to give competition to the prevalent popular course in the area, CCCS – Core Competence and Competitive Strategy. Over the years the course as well as its implementation in the real world gained traction- therein lies the germane of this book. Bijapurkar's consulting and teaching experience stands her in good stead in the writing of this

treatise on developing Business strategy around the crux of customers, factoring in demand side view rather than the competitors i.e. supply sided approach.

The Prologue enumerates the potential challenges of adopting the demand side in strategy development namely fight for the companies budget spanning across various product categories; maturing of competition in all sectors; emergence of various types and kinds of consumers; operational effectiveness no longer translating in out winning the competition and regulators changes deeply impacting the competitive landscape. Arguing in her inimitable style that in such a scenario, supply focused strategies will not take the companies too far, the author lays down the purpose of the book to throw light on ways and means to enable companies to build defensible market position by embedding customer focus into Business strategy as also how to actually make it work in the real market place.

The book is spread over 10 chapters – each chapter is a step-by-step explication of the CBBS framework put forth by the author- followed by 5 articles written by Bijapurkar on related subjects in the Business World magazine during 1998-2005. The Appendix, besides these articles also includes an exhaustive bibliography on Business & Marketing Strategy domain and an index for easy reference for research scholars and management practitioners in the area. Each consecutive chapter builds on the previous one to elucidate the CBBS construct ably illustrated by way of tables, figures and boxes.

The first chapter, titled 'Is the Customer in the Boardroom?' points to the walk-talk gap in customer centricity and explains why does customer centricity gets overlooked in Business strategy development. Chapter 2 namely "Locating 'Customer' in Business Strategy" discusses the various frameworks and approaches –viz. Hax 's 'Unified concept of strategy framework' (Strategy Concept and Process: A Pragmatic Approach1995); The McKinsey Framework; David Aaker's framework and George Day's framework- and points to the common thread running through them.

Chapter 3 aptly titled 'Customer Based Business Strategy Framework' puts forth the framework and delineates the difference between Business-Market Strategy and Functional Marketing Strategy. This framework is based on the construct given by Hax and Majluf and that given by Kenichi Ohmae. The following chapters present each element of the framework in details which at once explain and give actionable insights.

Chapter 4 titled 'Business- Market Strategy : Where? Choosing Market Segments' dwells on defining/ identifying sub-markets, the process of strategic market prioritization and resultant Business actions. The CBBS approach is all about scouting for those opportunities in consumer

environment that may prove advantageous to the company to achieve its goals and following it up with design or alignment of products to meet the same. With examples drawn from automobile sector (Maruti), airlines (SWA) and Indain IT Sector the author drives home the point that Sub-markets or Business-Market Segments should be based on Customer variables and not Supply side variables- the latter is the current practice. A case is also made for using 'market attractiveness' instead of 'industry attractiveness' to acknowledge the fact that markets are aggregation of customers "rather than a collection of suppliers with P& L statements". The conventional supply side analyses looks at industry attractiveness from the standpoint of Industry Structure Conduct Performance (SCP) to determine attractiveness; the proposed CBBS framework looks at market attractiveness from the standpoint of structure of customer demand, conduct and concerns of customers, and satisfaction level with available options. Carrying this logic further competitiveness is defined as ability to do better than competitors on dimension that customers value.

In Chapter 5 titled 'Business-Market Strategy: How? Developing Rivalry Propositions' the author puts forth a new coinage/ label namely Customer/ Consumer Value Advantage (CVA) or 'why buy me proposition'. Again the concept is explained from real world examples of the likes of Philips and Nirma. The rivalry proposition is defined as 'why buy me and no one else' and 'value' is as perceived by customers and not as perceived by the suppliers/companies themselves. Using a few formulas and Ohmae's Strategic Triangle, CPVA (Customer Perceived Value Advantage) concept is built up. Variables used by consumers to process cost and benefits of any product offer and the methodology they use for the same is delineated in great detail. Bijapukar goes on to give a low-down on crafting the Profitable Rivalry Proposition.

Chapter 6 titled 'Translating Strategy into Customer Value Delivery' begins with an assertion that every function in the organization should be designed in a manner so as to enable the delivering of business-market strategy. The chapter captures the entire process of translating strategy in marketplace - from designing the Value Package to Mapping 'resultant experiences' to designing the Value Delivery System to communicating the Value through all forms and kinds of customer interface.

Chapter 7 titled 'The Art of Business-Market Segmentation' covers the art as well as science of segmentation and uses a combination of mathematics, consumer insight and sheer intuition. The author puts forth certain conceptual ideas -8 to be precise- to be used as pole stars to guide companies through the tumultuous journey of market segmentation. She makes a strong rational plea for markets to be defined as need spaces or value spaces. This is followed by case examples

from as diverse sectors as paperboard manufacturing , tractor, water treatment equipment, biscuits restaurants to impress upon the idea that product-based segmentation should be abandoned in favour of consumer-need based segmentation which in turn opens a plethora of avenues for the companies.

Chapter 8 'Consumer Insight for Business Strategy' begins with bringing out the distinction between functional marketing (which is about translating a chosen business direction into a concrete product-price-distribution-communication experience in the marketplace)- and business –market strategy (which is about addressing all embracing question such as 'how do we grow business'). There is also a detailed discussion of mindsets, approaches, methodologies, tools to obtain customer insight relevant for business strategy. The author provides us a guideline for constructing Insightful Market structure map for Business-market strategy; analyzing benefit structure, identifying value spaces and finding ways to create discontinuous value advantage. In doing so she draws heavily on the works of stalwarts in Strategy domain, namely Hamel and her mentor C.K. Prahalad. The chapter ends with a prescription from Prahalad and a poem from Anglo – American poet W.H.Auden 'The Unknown Citizen' which at one level examines the alienation of modern life and loss of personal identity and autonomy accelerated by the advent of technology that leaves individuals helpless and on other level is a satire of standardization at the expense of individualism.

The penultimate Chapter 9 'Strengthening Strategy Foundation Analyses' gives templates for making conventional SFA(Strategy Foundation Analyses) -with its 2 buckets of foundation or baseline analyses namely, external analysis to identify opportunities and threats and internal analysis to identify its strengths and weaknesses- more customer based. Bijapurkar's prescription for strategists is that instead of going for the traditional industry analysis consisting of Structure, Conduct and Performance, companies would do well to go for Customer-based Industry analysis consisting of SCS (Customer base structure, Customer conduct and Customer Satisfaction).

In the last chapter "Removing Organizational Roadblocks" offers a concept of bifocal vision which requires mapping external opportunities against internal resources and focusing on the meeting ground between the two. Some of the barriers discussed are gaining the confidence of top management; absence of 'customer' in all aspects of strategy namely Mission & Vision statements and Brand identity taglines; focus on short-term solutions in Business planning.

Throughout the book Bijapurkar makes copious use of Tables, Figures and Boxes to demonstrate the CBBS framework and its various components. All chapters differ in structure but this seems to be done on purpose to make the book readable and the matter comprehensible

by the audience. Some chapters end in a summary; a few begin with recapitulation of the precedent chapters. The style is conversational and engaging- each chapter is interspersed with anecdotes from management world, case histories, and corporate examples. Theory is fused with practice. Words used are simple yet effective.

The book would prove to be invaluable for management students, research scholars as well as management practitioners. The ideas presented in the book can help strategists/ decision makers in businesses and organizations plan and act more effectively in an increasingly turbulent world. Moreover these ideas and prescriptions have applicability in diverse business contexts.

By Garima Sharma
Associate Professor, Rizvi Management Institutes

Book Review

Rajan, Raghuram; Fault Lines : How Hidden Fractures Still Threaten the World Economy, Princeton University Press, Price Rs. 350/-

Dr. Raghuram Rajan, serves as the Chief Economist with the Government of India, is a Professor, a distinguished Service Professor with Booth School of Business and at the University of Chicago. He also contributes to the World Bank, Federal Reserve Board, and Swedish Parliamentary Commission.

Fault Lines is dedicated to the financial turmoil that rocked the world in 2008. Rajan's rather audacious analysis of the inevitable crisis unearths the wretched system of which we have been a victim to. He clearly narrates factual accounts of the evil political system that is and has always been the foundation of the financial mayhem.

The book which in 10 chapters , covers the labyrinth 2008 crash in of disastrous decisions that caused the disaster.

An Unfair Structure

If life was fair then it would not be life. This very adage is the basis on which Rajan explains how unfair structural policies were created to gain political mileage led to the US government backing Fannie Mac and Freddie Mae. Both these firms went bust when mortgage could not be paid and the credit system despite all sorts of acrobatics finally collapsed. Unemployment, in several cases reported rendered people homless and the financial saga multiplied.

These problems cannot be reduced to simple market or government failure. In the past too, regulators and the markets have failed, in other words, this is not a phenomenon people are not used to witnessing. Rajan stresses 'Integration' of the economy and the political framework globally. He differentiates the consequences of an incentive system: for an individual who works in a closed society it works very well, but not when the market place is a global platform, the outcome is poor, rather very poor.

Linking Education and Wages:

Rajan in his books explains the link between low wages and education. An unequal access to education has resulted in stagnant wages but this has not stopped them from accessing credit. This link openly allows people to live a life they are not working hard enough for but yet aspire

to live so. Easy credit and the inability to play back resulted in the crash of Fannie Mac and Freddie Mae. This was inevitable.

Banking regulations was deregulated by Alan Greenspan and this resulted in easy lending. In fact 'Populist Lending' as Rajan puts it benefited the Clinton government. The lending sharply increased in the last 30 years which to some extent matched the rising income levels. But populist lending was tilted towards small incomes groups, which has seeded the bigger disaster that has taken place.

Linking Export Intensive Countries

Rajan takes us through export – intensive countries like Germany and China and their ability to generate debt based sales eventually has led to a decline of consumption in US and several Euro – Zone countries. This fracture of the growth of the country has eventually led to crippling economies the world over. Rajan's views India's GDP growth rate slower than China's but at some level realistically balanced. The balanced approach is mainly because of India's dependence on domestic consumption.

Rajan's writings are an insightful compilation facts and data beautifully articulated in a descriptive format. The book has shades of brutality when Rajan explains the nuances of evil profit making practices and their spiraling consequences. The book highlights the vicious cycle of capital imbalances that has plagued the world and fractured the system to bankruptcy.

This book is a boon for students, financial professionals and research scholars who are keen to understand how financial markets go bust due to inefficiencies regulatory bodies. Yes the book drives home an impactful narrative on how greed can have a spiraling impact and how it causes havoc.

By Anjali Talreja
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