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Impact of MGNREGA on Financial Inclusion- A Case Study of Majri and Dhakori Kalan Villages of Punjab

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Abstract

MGNREGA is widely dispersed flagship programme of Government of India. The issue of financial inclusion is emerging as the new paradigm of economic growth. The purpose is to study the impact of MGNREGA on financial inclusion of selected respondents and to assess the prevailing wage level of MGNREGA workers. The study is based both on primary and secondary data. Field survey is done to collect information from the respondents. The present study uses a structured questionnaire as a tool for data collection. The area covered is Majri and Dhakori Kalan village of Punjab located near Chandigarh. Convenience and Snowball sampling technique was used. 72 respondents were surveyed in Majri and Dhakori Kalan village. Statistical tools and techniques such as percentages, frequencies, and averages are calculated and t- test is applied for analyzing the data. MGNREGA is a relevant programme. It has been observed that wage rate doesn't matter to the workers as they just want to get employment. MGNREGA has not been successful in providing stipulated 100 days employment to all the registered persons in village.

Introduction

Sustainable development and progress of economy depends largely on robust and a strong financial system as a strong financial system facilitates national objectives of creating a market-driven, productive and competitive economy. A strong mechanism and diligent allocation of resources for top to bottom is required to ensure financial inclusion for weaker sections of society. India is the second largest country in terms of population and manpower. India is considered as the land where more than one fourth of population is below poverty line due to fluctuations in employment, shrinking employment opportunities and low wage rates. It is therefore central government has introduced lot of programs in order to financially include the weaker sections of society in financial inclusion and ensured right based and guaranteed wage employment programs.

Financial Inclusion in India

Financial inclusion can be defined as the delivery of financial services at an affordable cost to various sections of low-income and disadvantaged segments of society. An all-inclusive financial system is essential because it enhances efficiency and welfare by providing scope for secure and safe saving practices and by facilitating a wide range of efficient financial services. Financial Inclusion implies facilitating access to adequate and timely financial products and services at an affordable price to vulnerable sections of the society. It enables them to link with formal lending and preventing them with falling into debt-trap. The benefits from lower interest improve their income and wealth. At macro level, financial inclusion broadens the resource base of financial system, removes the rigidities in financial market and promotes inclusive growth. The issue of financial inclusion is emerging as the new paradigm of economic growth. It plays a major role in driving away poverty from the country by delivering banking services to the under privileged and rural sections of society at affordable prices. Numerous steps have been taken by Indian government to financially include people of all the sections of society irrespective of there caste, creed and religion but still there are around more than 40 % of population are financially excluded.

It is since 1994 the concept of financial inclusion got noticed with the establishment of cooperative bank. The next major step was nationalization of commercial banks in 1969. The establishment of Regional Rural Banks (RRBs) in 1975 was another milestone in making banking network accessible to rural population. The issue of financial inclusion was first time included in the Annual Policy of the Reserve Bank for 2004-05. Kisan Credit Card (KCxC) for crop loan started in 1998 which has linked more than 100 million farmers with banks and the current focus is to link remaining small and marginal farmers. Financial literacy and Credit Counseling Centres (FLCC) have been set up in each district by the lead banks. These were renamed as Financial Literacy Centres (FLC) in 2012. A multilingual website has been launched by the Reserve Bank in June, 2007 in 13 languages on all matters concerning financial education and banking for common persons and students. It is however, that the concept of financial inclusion became a buzzword with the launching of Jan Dhan Yojana by Modi's Government.

Overview MGNREGA

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), the most advertised and widely dispersed flagship program of the government of India, was carved out of a statutory act (known by the same name) notified by the Indian parliament in 2005. The MGNREGA was notified on September 7, 2005. The Act came into force on 2nd February, 2006 in the poorest 200 districts, termed the `Phase 1'districts; it was extended to another 130 `Phase 2' districts in April 2007; and in April 2008 it was implemented in the remaining `Phase 3' districts as well. The unique features of the Act include time bound employment guarantee, incentive-disincentive structure of the State Governments for providing employment or payment of unemployment allowance at their own cost and emphasis on labour intensive works prohibiting the use of contractors and machinery. This is a flagship programme of the Government that directly touches lives of the poor and promotes inclusive growth. It is the largest ever public employment programme visualized in human history. It has unleashed a silent revolution by forcing the government and private employers to provide minimum wages to the poorest of the poor. The main and immediate objective of the Act is to enhance livelihood security in rural areas by providing at least 100 days of guaranteed wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work. The government has also fixed the minimum wage rate as per the nature of work in different districts. Today MGNREGA is implemented in 688 districts across the country and benefitting around 5.17 million households all over country and 0.34 million households in 2015-16.

Objectives of MGNREGA

Employment	**Sustainable Development**
➢ Enhancement of Livelihood ➢ Security of Households. ➢ Labour Market and Migration ➢ Environmental Services and Agricultural Productivity	➢ Sustainable Rural Assets creation ➢ Create Livelihood Resource Base ➢ Restore Environment ➢ Gender & Social Empowerment

The MGNREGA, besides, the main features mentioned above also involves participatory planning and implementation of the scheme through:

(i) Proactive role of Gram Sabha,

(ii) Rigorous & continuous monitoring by way of social audit, and

(iii) Involvement of ordinary people at the grass-roots level.

It addresses:

- Chronic poverty
- Drought
- Deforestation

- Soil erosion etc.

It also aims at:

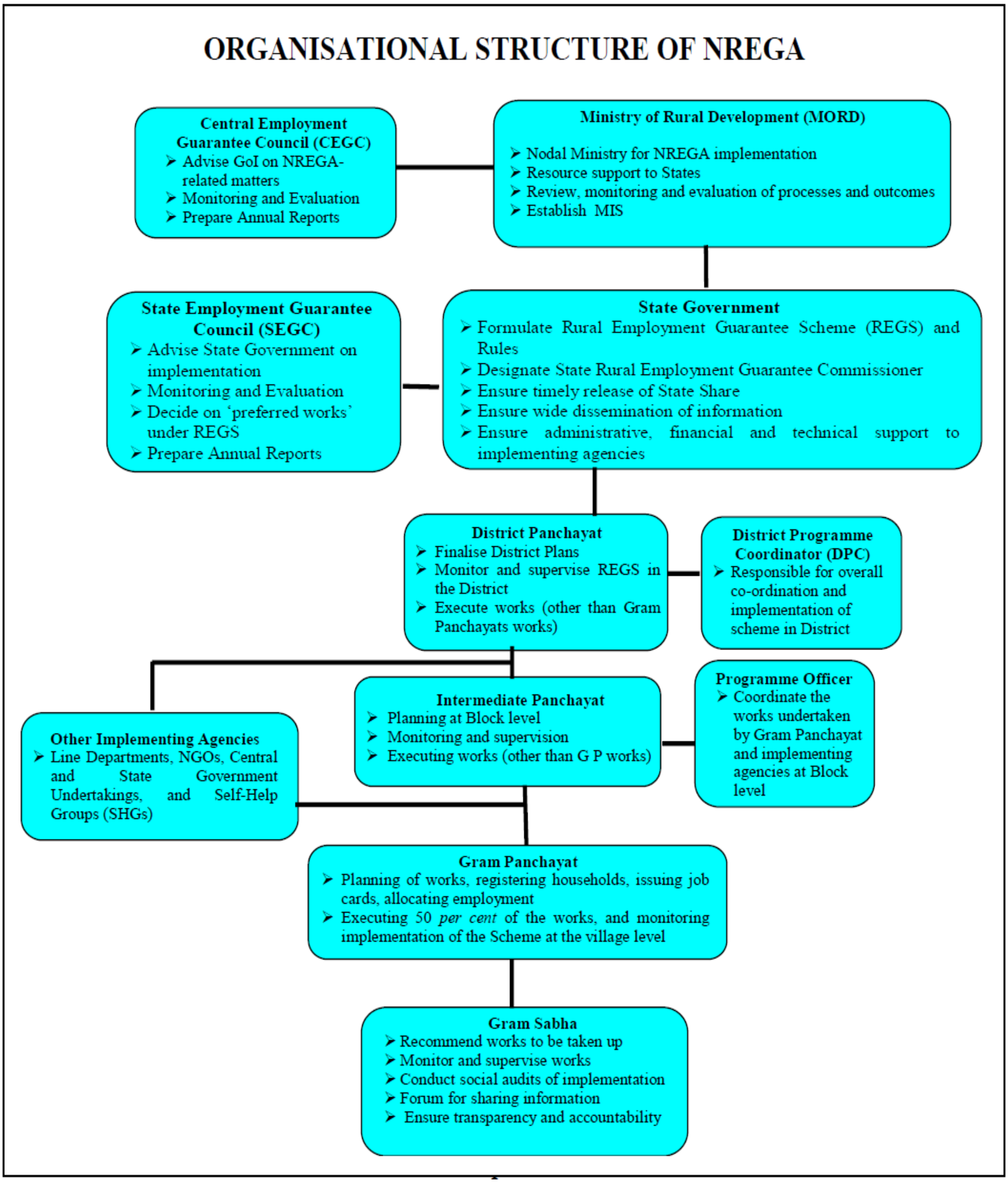
- Generating productive assets,
- Protecting the environment,
- Empowering rural women, and
- Arresting rural-urban migration.

The Act is further marked by certain salient features that purport to facilitate in achieving the act's goals and objectives. Notable among them are: (a) all adult members of a rural household, willing to do unskilled manual work, may apply for registration in writing or orally to the local Gram Panchayat (b) the Job Card should be issued within 15 days of application (c) employment will be provided within 15 days of application for work, if it is not then daily unemployment allowance as per the Act, has to be paid (d) wages are to be paid according to the Minimum Wages Act 1948 for agricultural labors in the State unless the Centre notifies a wage rate which will not be less than Rs. 60/ per day. Equal wages will be provided to both men and women (e) at least one-third beneficiaries shall be women who have registered and requested work under the scheme (f) permissible works predominantly include rural connectivity, water and soil conservation, afforestration and land development works (g) Work should ordinarily be provided within 5 km radius of the village. In case work is provided beyond 5km extra wages of 10% are payable to meet additional transportation (h) and living expenses social audit has to be done by the Gram Sabha and (i) all accounts and records relating to the Scheme should be available for public scrutiny.

2.0 REVIEW OF LITERATURE

Ranaware Kruhna et.al (2015) surveyed the 4,881 users of more than 4100 works created under the MGNERGA in Maharashtra. It provides evidence that MGNERGA works support agriculture and benefit a large number of small and marginal farmers. 90 percent of the respondents considered the works very useful and only 8 percent felt they were useless. Overall, this study suggests that the widespread perception that the MGNERGA does not create anything productive appears to be misplaced although there is scope for improving the choice of works, their design and their execution.

Organisational Structure of NREGA and Governance Responsibilities of Governments at Various Levels



Source: MRD, GOI (2008), Performance Audit of Implementation of National Rural Employment Guarantee Act (NREGA).

Indrakant S. (2015) examined the enhancement of financial inclusion through MGNERGS in Andhra Pradesh. It analysed the status and performance in financial inclusion of AP at state and district levels with help of CRISIL Inclusive Index. Financial Index has been constructed. Field-level data from six villages has been used to examine the impact of policy change in payment of wages on financial inclusion in different types of villages. The study concluded that status and performance of AP during 2009-2012 in terms of CRISIL Inclusive score appears to be satisfactory. There are some indications of widening variations in the extent of financial inclusion across the districts.

Sangwan S.S (2014) The study has examined the scope of MGNERGA in promoting financial inclusion. An analysis of reasons for opening bank account reveals that 41 percent males and 62 percent females opened an account to get wages form MGNERGA. His work based on field study of two villages from Punjab also reveals that villagers preferred to have an account in a commercial bank rather than in Regional Rural Bank.

Agriculture Development and Rural Transformation Centre & Institute for Social & Economic Change (2013) The report has major objective to measure the extent of manpower employment generated under MGNREGA, their various socio-economic characteristics and gender variability in implementing MGNERGA since its inception in selected states. The study is based on both primary and secondary data. The study discussed total employment generated and their socio-economic characteristics, number of projects completed and total amount spent. Qualitative aspects and indicators of MGNREGA were also discussed. In the end suggestions of villagers were given to raise efficacy of MGNERGA. The major suggestions were increasing working days and wage rate, providing food within the programme, allowing private land development through MGNREGA for longevity of the programme and by providing proper information on various aspects of the programme.

Objectives of the Study

- To study the impact of MGNREGA on financial inclusion of selected respondents.
- To assess the prevailing wage level of MGNREGA workers.

Research Hypotheses

H_{01}: MGNREGA workers are ready to work even on lesser wages than official minimum wage rate.

Research Methodology

The present study is descriptive and analytical in nature. The study is based both on primary and secondary data. Field survey is done to collect information from the respondents. The present study uses a structured questionnaire as a tool for data collection. The questionnaire comprised of two sections. The first section enquired about the demographic data of the respondents. The second section was used to record their awareness and their behavior and intentions regarding the MGNREGA schemes and to analyze the impact of financial inclusion on selected respondents. The area covered is Majri and Dhakori Kalan village of Punjab located near Chandigarh. Convenience and Snowball sampling technique was used. 72 respondents were surveyed in Majri and Dhakori Kalan village. Statistical tools and techniques such as percentages, frequencies, and averages are calculated and t- test is applied for analyzing the data.

Analysis & Interpretation of Data

Socio-Economic Demographic Profile of Respondents

Table 1: Education-wise Respondent

Education	**Respondents**	**%**
Illiterate	23	32
Literate up to primary	13	18
Middle	8	11
Matriculation	13	18
Higher Secondary	9	12
Graduation	4	6
Post Graduation or above	2	3
Total	72	100.00

Source: Field Survey, 2016

Table 1 indicates that 32% of the respondents are illiterate followed by 18% as literate up to primary and 18% as matriculation, followed by 12% who got education up to higher secondary, 11% did their qualification up to middle, followed by 6% Graduates and only 3 % of Post graduates.

Table 2 Occupation-wise Respondents

Occupation	Respondents
Cultivator	1
Agricultural Labourer	5
Livestock and Allied Activities	2
Mining and quarrying	1
Manufacturing process, servicing and repairs	7
Construction	0
Trade and Commerce	4
Transport, storage and communications	3
Other Services	15
Household Work	25
Student	1
Non Worker	6
Seeking Work	2
Total	72

Source: Field Survey, 2016

It is discovered that out of 72 respondents 25 respondents were busy with household work, followed by 15 % respondents doing other services like working in banks, running beauty parlours, etc., followed by 6 % who were free and 5 % working as agricultural labourers and so on.

Table 3: Caste-wise Respondents

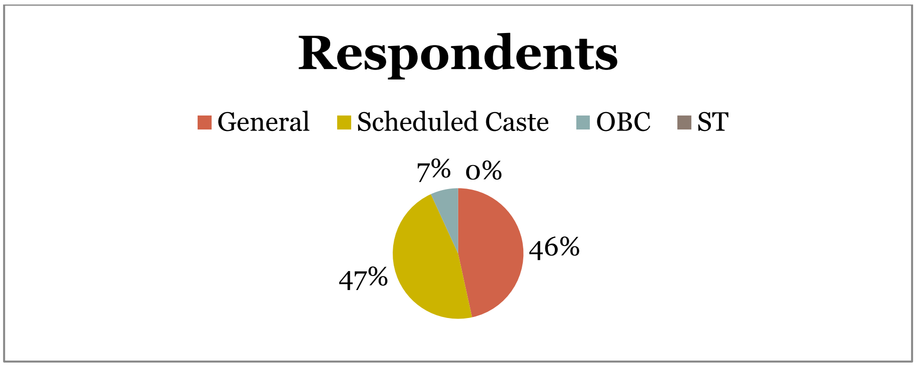
Caste	Respondents	%
General	34	46
Scheduled Caste	34	47
OBC	5	7
ST	0	0
Total	72	100.00

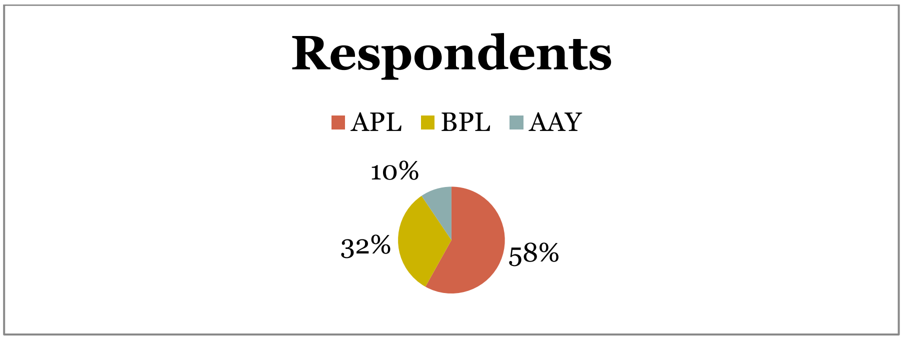
Source: Field Survey, 2016

Table 4: Economic Category-wise Respondents

Economic Category	Respondents
APL	43
BPL	24
AAY	7
Total	100

Source: Field Survey, 2016





Out of 72 respondents 47 % of the respondents belong to SC category, followed by 46 % as general category respondent followed by 7 % OBC. 55% of the respondents hold APL cards, where as 32 % have BPL cards and 10 % respondents posses AAY cards.

Table 5: Purpose of DBT

Purpose of DBT	No of Respondents
Gas Subsidy	50
Pension	26
MGNREGA	9
Any Other	6

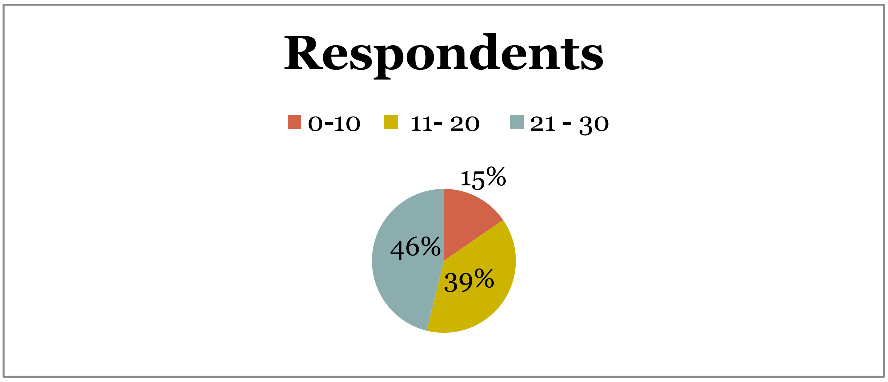
Source: Field Survey, 2016

Table 6: No of Days worked under MGREGA

No of MGNREGA days worked in	Respondents
0-10	2
11- 20	5
21 – 30	6

Source: Field Survey, 2016

DBT stands for Direct Bank Transfer, few respondents were getting money through government from then one purpose however there were many who were not receiving DBT at all. The reason in more than one reason was that there are people who are getting MGNREGA wages as well a pension or MGNREGA and gas subsidy. However it was discovered that many people do not hold any bank account and are not able to avail any kind of DBT.



During the financial year 2015 -16 only 13 respondents worked under MGNREGA and the kind of work they were involved in was laying of mud roads on the side of pucca roads.

Table 7: Satisfaction in receiving Wages through Bank

Satisfaction Wages in Bank A/c	Response
Satisfied	8
Unsatisfied	5

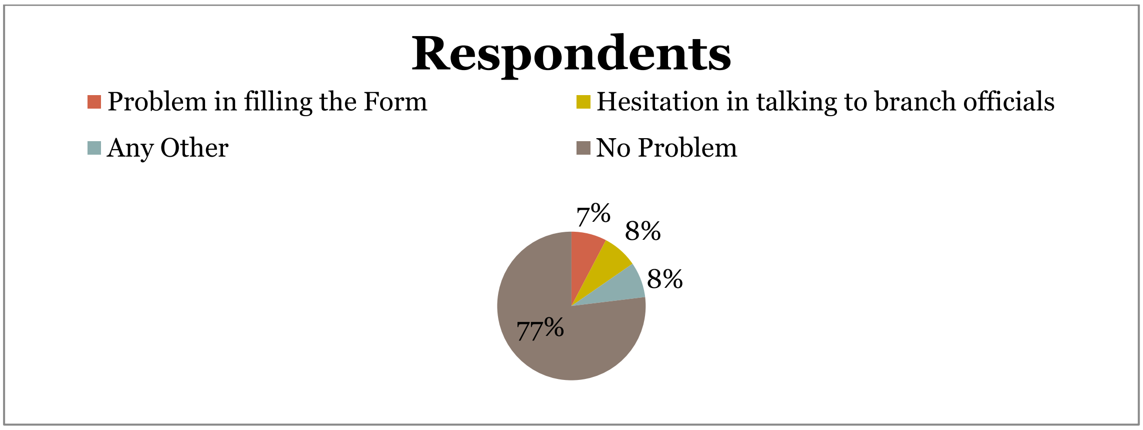
Source: Field Survey, 2016

Out of the 13 workers of MGNREGA only 8 respondennst were satisfied with the wage payment system as they actuially received the promised amount where as 5 were unsatisfied since they did not receive the amount even after 60 days of completing their work. The reason for this that the dealinghand did not send their details for job cards and other rgistration formalities.

Table 8: Problems faced in Operating Account

Problems faced in Operating Account	Respondents
Problem in filling the Form	1
Hesitation in talking to branch officials	1
Any Other	1
No Problem	10

Source: Field Survey, 2016



Since most of the respondents working under MGNREGA were totally illiterate and they did not know how to write their name faced lot of problem in filling the form and they were totally dependent on other people for filling the forms. Though few of them were literate up to primary level they were quiet hesitant in talking to bank officials and never asked for the money.

Table 9: Whether Authorized to Withdraw money or not

Authorisation	Respondents
Yes	9
No	4

Source: Field Survey, 2016

It was discovered in the survey that few of the people working under MGNREGA were not authorised to operate their Accounts the contractors' posses their Bank accounts and ATM cards and operate it on their own. The main reason was that they did not know how to operate the ATM and there is no other member in their family like they are the only one living.

Table 10 Wage Rate Given under MGNREGA

Wage Rate	Responses
In Majri	Rs 166
Surrounding Villages	Rs 210

Source: Field Survey, 2016

Table 11: Preference for MGNREGA

Preference	Respondents
First	56
Last Resort	16

Source: Field Survey, 2016

In Majri village the wage rate offered is Rs 166 where as for the same kind of work the surrounding villagers are getting Rs 210.

Out of the total respondents who have worked in MGNREGA for last three years 56 respondents that they still prefer to work under MGNREGA but the concerned person is not providing them with work while 16 respondents responded that MGNREGA is their last resort and they do not work under MGNREGA even if they are offered with high wages.

Table 12: t-test for Equality of Means (Wage Rate)

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference Lower	Upper
wage	Equal variances assumed	3.37	0.068	-0.759	142	0.449	-14.3056	18.85407	-51.5765	22.96537
	Equal variances not assumed			-0.759	137.276	0.449	-14.3056	18.85407	-51.5875	22.9764

Source: Calculated Values

T test was applied just to see the significance of variance of wages and wage rate t- test was tested (i) the variance between the lower wages and upper wages is insignificant. (ii) It is found that people are ready to work even at low wages.

Qualitative Aspect of the Study

- It is discovered that since most of the people are widowed, living alone or are not supported by their family and don’t have any other source of income they are ready to work even at the wage rate lower than that offered by the government.
- Attitude of Sarpanch and other officials: In a discussion with village Sarpanch it is discovered that he is not interested in getting the work of MGNREGA started as in that case his responsibilities will grow and he will have to keep the record and keep the track of the work in progress.

- In formal Discussion with people of weaker section of society disclosed the information that there are number of persons with in these villages who does not allow actual workers to get the money and they take the benefit of the people who are not educated they withdraw the money on their behalf and ask those workers to leave their thumb mark on the register stating that they have received the money. It is also discovered that the persons who are keeping the records of this work do not tell them the prevailing wage rate but instead tell them almost half of the wage rate and when someone asks for the same they tell the money has been spent on the project and on them during the course of work. It is in this way that the workers are being harassed and are not being paid as the government promises them.
- Financial Illiteracy is also one of the challenges in the area of financial inclusion. Lack of basic education prevents the people to have an access from financial services
- Another challenge in the area of financial inclusion is that access to formal financial services requires various documents of proof regarding persons' identity, income, birth certificates, etc. But poor people generally lack these documents and thus are devoid of these services.

Following observations were made in villages regarding MGNREGA

- Lack of Initiative on the Part of Sarpanch and concerned officials
- Failure on the Part of District Administration to get the village plan Implemented.
- Non Involvement Of line Department in Implementation of works
- Lack of Technical support.

Conclusion

The concept of financial inclusion has gained substantial importance in the Indian context. Financial Inclusion can be defined as the wide range of financial products and services to which everybody can have an access which allows them to efficiently manage their finances, regardless of their level of income or social status. MGNREGA is a relevant programme. It has been observed that wage rate doesn’t matter to the workers as they just want to get employment. MGNREGA has not been successful in providing stipulated 100 days employment to all the registered persons in village.

Policy Implications

- The Panchayats should take the responsibility of facilitating the villagers to open a bank account, especially with focus on poorer sections who do not know its significance.
- It should also undertake task of generating awareness and publicity about the financial inclusion and ensure that all the households of a village open a bank account and use the same for financial transactions such as payment of wages under MGNREGA, pensions and scholarships.
- There is a need for the banks and Panchayats to work in convergence and ensure collective action in helping the below poverty line population and others in such a way that the selection of beneficiaries under government schemes and programmes would get timely support.
- MNREGA work should not suffer due to lack of timely funds.

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Web Based Corporate Reporting in India

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Abstract

The present research paper examines the extent of web based reporting practices in Indian corporate sector. The sample for the study consists of 28 companies listed on Bombay Stock Exchange-100 index. The websites of the sample companies are browsed for the collection of data. The study shows that all companies have maintained active websites. The average disclosure score of all companies is 60.5 per cent. Voluntary disclosure index has been prepared to measure the item-wise disclosure of the companies.

Keywords: Corporate Reporting, Voluntary Disclosure Index

Introduction

Corporate reporting is the presentation of business information to the interested parties. It helps the investors in deciding best portfolio investment as they can easily assess the risk and growth potentials of the company. The informational need of the users induces the companies to disclose more and more business related information to the users. The disclosure of financial information provides true picture of the company to the users. The development of World Wide Web brings revolutionary change in the world. The technology has changed the way of conveying information and also the expectations of the investors for the need of information. All companies over the world have started disclosing financial and non financial information on internet due to low cost of disseminating information and wide reach. As a medium of communication of corporate information, internet has no equal alternative. As per RTI ACT, 2005, every public organization must disclose minimum amount of business information for the stakeholders on their websites. Though, there is no standardized content and format yet available to disclose corporate information on internet. The disclosure on web is voluntary on the part of business corporations.

Review of Literature

Singh and Singh (2015) examined the extent of financial disclosure practices by public and private sector companies and investigated the presence of difference between these sectors.

It was observed that the private sector companies were more concerned about disclosing financial information on the websites.

Sharma (2013) investigated the status of web based corporate reporting of commercial banks of Nepal. It was observed that companies were not utilizing the technological benefits of internet.

Malhotra and Makkar (2012) examined the extent of web based disclosure practices of 100 Indian companies. It was observed that 70 per cent of the companies disclosed general attributes such as contact us, about us, needs, events and history. Also, 81 per cent of the companies disclosed some kind of financial information such as annual reports, balance sheet and profit and loss account. As compared to other sectors banking companies presented financial and non- financial information at higher levels on the websites.

Verma D (2010) in her research paper examined the disclosure practices on internet by 200 Indian companies. The results highlighted that the average internet disclosure was almost 60 per cent. There was high degree of variation in the disclosure of private sector companies as compared to public sector companies. The result supported that the industry standard and the level of competition in particular sector determined reporting practices of the companies on web.

Dutta and Bose (2007) researched the utilization of the internet for communicating corporate information by 268 listed companies of Bangladesh. The companies were not having their own websites. Even the companies with websites were not utilizing the potentials of the internet reporting. Wide variation was found in the Internet Financial Reporting.

Khan (2005) made an attempt to determine the level of disclosure and transparency in the financial reporting of 177 companies on web for a period from January to March 2005. 31 per cent of the sample companies were not having websites. The item-wise disclosure shows that all companies presented balance sheet. Items such as income statement, cash flow statement, and director's biographies were presented by most of the sample companies. Analyst coverage was the least disclosed item. This showed the variation the level of financial disclosure on the internet due to difference in regulatory requirements.

Ashbaugh, Johnstone and Warifield (1992) in their research paper examined the use of internet by 290 firms for disclosing financial information for a period from November 1997 to January 1998. It was observed that 87 per cent of the companies had websites. 70 per cent of the companies with websites were engaged in financial reporting on internet. The variation was found in the content of firms' financial disclosure on internet. The firms engaged in internet reporting were particularly large in size and profitable.

Objectives of the Study

The objectives of the study were:

1. To check the presence of websites of sample companies.
2. To examine the extent of disclosure practices on internet in Indian corporate sector.
3. To provide suggestions to improve web based disclosure practices in India.

Research Methodology

The study covers 28 companies (based on market capitalization rate) listed on Bombay Stock Exchange-100 index as on 1^{st} October, 2015.

For the purpose of study, data has been collected from the websites of the companies for the period from 1 December 2015 to 29 February 2016. To measure the extent of voluntary disclosure practices on web, a voluntary disclosure index constituting 52 items has been prepared. The selection of items for the construction of voluntary index is based on review of literature of corporate reporting practice on web. For the purpose of analysis, the items have been classified into six categories such as-

1. Financial Information
2. General Information
3. Marketing Information
4. Corporate Social Responsibility Information
5. Corporate Governance Information
6. Technological Advantages & User Support Information

For scoring of items in the index, both weighted scoring method (in respect of 3 items) and unweighted scoring method have been used. If a company disclosures an item, then score one is given and if an item is not disclosed, zero score is given. The item-wise disclosure score has been calculated by dividing the number of companies disclosing a particular item by the total number of sample companies.

Disclosure Score = $\frac{Number of companies disclosing particular item}{Total Number of sample companies}$

Table 1: Scoring of Voluntary Disclosure Index

Items	Distribution criteria	Score
Annual Reports	0 year	0
	1-5 years	1
	5-10 years	2
	More than 10 years	3
Languages of Websites(English/Hindi/Both)	If any one	1
	If both	2
Format of Annual Report(html/PDF)	If anyone format is available	1
	If both formats are available	2

Table 2: Maximum Possible Score of Voluntary Disclosure Index

Categories of VDI	Max. possible score
Financial Information	17
General Information	10
Corporate Governance Information	8
Technological Aspects Information	13
Marketing Information	5
Corporate Social Responsibility Information	3
Total Score	**56**

Results & Discussions

Financial Information

Table 4 shows the item-wise financial disclosure of sample companies. The table shows that 100 per cent of the companies presented balance sheet and profit and loss account for the current year. 96 per cent of the companies presented reports on quarterly basis. Consolidated financial reports 86 per cent, earning per share 82 per cent and segment reporting 79 percent are available on website of companies. 75 per cent of the companies disclosed notes to financial statements and financial highlights. Financial ratios are reported by 50 per cent of the companies. Dividend information and auditor's report are disclosed by 43 per cent and 36 per cent respectively on websites. Only 11 per cent of the companies have disclosed director reports and 4 per cent of the companies show`s equity statement on their websites. The disclosure score to the annual reports have been provided for the number of years the annual reports have been presented on the websites. All companies have provided annual report of the current year on their websites. Many companies reported annual reports for more than one year and according the higher scores are given. The overall average of financial information disclosed by companies on their websites comes to 63 per cent. There is variation in the disclosure of financial information on web.

Table 4: Item-wise Disclosure of Financial Information

Sr. No.	Financial Information	Disclosure Score	Total Score	Per Cent
1.	Annual reports	66	84	79
2.	Auditors report	10	28	36
3.	Balance Sheet	28	28	100
4.	Cash Flow Statement	8	28	29
5.	Consolidated financial reports	24	28	86
6.	Dividend information	12	28	43
7.	Directors report	3	28	11
8.	Earnings per share	23	28	82
9.	Financial highlights	21	28	75
10.	Financial ratios	14	28	50
11.	Quarterly reports	27	28	96
12.	Owners' equity statement	1	28	3
13.	Income statement	28	28	100
14.	Notes to financial statements	21	28	75
15.	Segment reporting	22	28	79
	Total	308	476	
	Average	20.53	31.73	63

Source: Author's Calculation

are available on website of companies. 75 per cent of the companies disclosed notes to**neral**

Information

The table shows that all sample companies provide news and career information on their websites. About us and Contact us information is available on 96 per cent of websites. 86 per cent of the companies disclosed their history on websites. The site map is also provided by 86 per cent of the companies for the users to have a full glance of website at a single click. 57 per cent of the websites are provided with FAQ to provide additional information to the investors. Disclaimer is provided by only 43 per cent of the companies. 36 per cent of the corporate websites provide links to other sites to give additional information to the users from their web pages and 25 per cent of the websites provide the users with help option. The overall average of disclosure of general information is 73 per cent.

Table 5: Item-wise Disclosure of General Information

Sr.no.	General Information	Disclosure Score	Total Score	Per Cent
1	About us	27	28	96
2	News	28	28	100
3	History	24	28	86
4	Links	10	28	36
5	Help	7	28	25
6	Career	28	28	100
7	FAQ	16	28	57
8	Disclaimer	12	28	43
9	Contact us	27	28	96
10	Site map	24	28	86
	Total	203	280	
	Average	20.3	28	73

Source: Author's Calculation

Marketing Information

The table 6 shows that all companies are using websites for communicating information related to their products or services offered to the customers. E-commerce is being used at infancy stage. Only 39 per cent of the companies are using websites for E-commerce purposes. 32 per cent of the companies have revealed research and development information on their websites. Stakeholders are provided with Sales and Advertisement/ Marketing information by 25 per cent of the companies. In spite of mass reach of internet, still many companies are not utilizing its potentials for marketing purposes. The overall average of disclosure of marketing information is just 44 per cent.

Table 6: Item-wise Disclosure of Marketing Information

Sr. No.	Marketing Information	Disclosure score	Total score	Per cent
1	Product or Service	28	28	100
2	Research and Development	9	28	32
3	Advertisement/ Marketing	7	28	25
4	E-commerce	11	28	39
5	Sales	7	28	25
	Total	62	140	
	Average	12.4	28	44

Source: Author's Calculation

Corporate Social Responsibility Information

The tables 7 highlighted that 96 per cent of the corporate websites have disclosed Corporate Responsibility policy. The details of corporate social responsibility Committee have been given by 61 per cent of the companies. Only 43 per cent of the companies presented Corporate Social Responsibility Report on the websites. The overall average of Corporate Social Responsibility Information comes to 67 per cent, which is quite satisfactory.

Table 7: Item-wise Disclosure of CSR Information

Sr. No.	CSR Information	Disclosure score	Total score	Per cent
1	CSR Policy	27	28	96
2	CSR Committee	17	28	61
3	CSR Report	12	28	43
	Total	56	84	
	Average	18.66	28	67

Source: Author's Calculation

Corporate Governance Information

The table 8 shows that 96 per cent of the companies provide shareholders information. The Information about Board of Directors and code of conduct is made available by 89 per cent of the companies. Vision statement and mission statement are available on corporate websites by 57 per cent and 43 per cent respectively. Only 32 per cent of the companies disclosed Corporate Governance report on websites. Companies MOA and AOA are available on the websites by 32 per cent and 21 per cent respectively. The overall average of corporate governance information comes to 58 per cent. Some of the companies are following good Corporate Governance practices but still more information is needed to be disclosed by the companies so as to bring transparency in the disclosure to gain the confidence of stakeholders.

Table 8: Item-wise Disclosure of corporate Governance attributes

Sr. No.	Corporate Governance Information	Disclosure Score	Total Score	Per Cent
1	Code of Conduct	25	28	89
2	Article of Association	6	28	21
3	Memorandum of Association	9	28	32
4	Shareholders' Information	27	28	96
5	Board of directors	25	28	89
6	Vision	16	28	57
7	Mission	12	28	43
8	CG Report	9	28	32
	Total	129	224	
	Average	16.13	28	58

Source: Author's Calculation

Technological Advantages & User Support Information

The table 9 shows that 86 per cent of the companies provide a single click to reach to the investor relation page and 82 per cent of the companies provide search engine. Privacy information is disclosed by 86 per cent of the companies.75 per cent of the companies provide investors with audio and video support. English is used as a medium of communication. Few companies belonging to public sector companies give an option to view the websites in Hindi. Website using terms and Feedback Option is available on 46 per cent and 39 per cent of the websites. 18 per cent of the websites provide the facility to download the reports. 11 per cent of the websites provide users of annual reports with the facility to view the pages recently visited by them. Security data is disclosed in only 7 per cent of the websites. All sample companies have provided their annual reports in PDF. Along with PDF 4 companies have also reported annual reports in html format for the convenience of investors. The overall average of technological advantages and user support information is 50 per cent.

Table 9: Item-wise Disclosure of Technological Aspects Information

Sr. No.	Investor Relation Information	Disclosure Score	Total Score	Per Cent
1	Search	23	28	82
2	1 click on investor relation page	24	28	86
3	Format of annual report	32	56	57
4	Privacy	24	28	86
5	Multiple language support	33	56	59
6	Feedback	11	28	39
7	Download	5	28	18
8	Website using term	13	28	46
9	Security	2	28	7
10	Recently visited	3	28	11
11	Audio/Video support	21	28	75
	Total	191	364	
	Average	17.36	35.63	52

Source: Author's Calculation

Conclusions

The study highlighted that Indian companies have not completely utilized the prospects of internet for dissemination of business information to the public. There is variation in the type and extent of financial and non-financial information disclosed on web among Indian companies.

The information such as balance sheet, profit and loss account, news, product and services and career related information is disclosed by all companies.

SUGGESTIONS

1. The corporate reporting on website should be standardized.
2. There is need for convergence of Indian accounting standards with International accounting standards so as to provide real benefits of web reporting to the users.
3. The auditor's report should be attached along with the disclosure of financial information to make it more reliable.
4. The companies should provide important information at the home page level. This will provide ease to the user in accessing the financial information on the websites.
5. The companies should provided information on their websites in both English and the national language (Hindi). As it may be difficult for the local users to understand the information provided in English language.
6. The companies are recommended that efforts should be made to make websites technologically sound. Also, there is need to make websites more interactive and user friendly.

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Issue and challenges faced by regulatory framework with special reference to scam-An Analytical study

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Abstract

The emergence of new technologies in the era of globalization and liberalization entirely changed the nature of business transactions. By the evolution of business life cycles business transactions became very complex and managing risk became a challenging task for the organizations. Concerns about corporate governance in India were, however, largely triggered by Harshad Mehta stock market scam of 1992 followed by incidents of companies allotting preferential shares to their promoters at deeply discounted prices and also the recent scam of sat -yam. The aim of "Good Corporate Governance" is to ensure commitment of the board in managing the company in a transparent manner for maximizing long-term value of the company for its shareholders. The paper intends to present the various corporate scam occurred in India and also highlight the regulatory framework for regulating the corporate governance in India and failure of regulatory Framework in governing the corporate which leads to occurrence of scam and also the recommendations for better corporate governance practices in India.

Key words: Corporate Governance, Governance, Mechanism, Scam, Regulating, India.

Introduction

"In the happiness of the subject lies the benefit of the king, and in what is beneficial to the subjects is his own benefit".¬India's Journey of Corporate Governance'' - Kautilya's Arthashstra

It is a process set up for the firms based on certain systems and principles by which a company is governed. The guidelines provided ensure that the company is directed and controlled in a way so as to achieve the goals and objectives to add value to the company and also benefit the stakeholders in the long term. . It is about commitment to values, about ethical business conduct and about making a distinction between personal and corporate funds in the Management of the Company.

Corporate Scam is one of the Most Bad Things Happen in Corporate World. It Totally Destabilizes the Corporate Sector and Makes a Untruthful environment for investors in the corporate world. In India, there are lots of big corporate scams happened in the Past.The high profile corporate governance failure scams like the stock market scam, Ketan Parikh scam, Satyam scam, which was severely criticized by the shareholders, called for a need to make corporate governance in India transparent as it greatly affects the development of the country. Nearly Over 250 Scam have Occurred in India Since 1947 and Approximately Rs.910,603,234,300,000 Which is Equal to 20.23 Trillion US Dollar has been lost.

Indian Scam History Started from the 1940's When in 1948 – Jeep scandal case and in 1947 – INA treasure chest disappearance Scam Happened. To achieve the objectives of ensuring fair corporate governance, the Government of India has put in place a statutory framework and various committees have been formed globally to improve the effectiveness of corporate governance.

Objectives of the study

1. To highlight the various corporate scams occurred in India.

2. To highlight the regulatory framework for regulating the corporate governance in India

3. To highlight the Failure of Regulatory framework in governing the corporate this leads to occurrences of scam.

4. To give Recommendations for better corporate governance practices in India.

Corporate Scams Occurred in India

1. **Harshad Mehta Scam(1992**).

It is one of the most technical and done with very cleverness Scam in the year 1992.This scam takes all the advantage of loopholes in the Indian share market. Harshad Mehta was an intelligent Broker and he knew the exact loopholes with the Indian economy and the banking system. In terms of Value, This Scam is About a sum of Rs 4000 crore. The Immediate impact of Harshad Mehta scam was sharp fall in share prices and indices. Due to Harshad Mehta scam market loss 0.1 million crore loss in terms of market capitalization. Then Government liberalization policy comes under various criticisms. SEBI Postponed sanctioning of Private sector Mutual Fund. The Euro-Issues Planned by various companies were delayed due to Harshad Mehta scam.

2. **C. R Bhansali Scam(1992-1996)**

Chain Roop Bhansali Shortly known as C.R Bhansali scam occurred in 1995.The C.R Bhansali scam was of Rs.1200 Crore, Which is the huge amount of the time of 1995.C.R Bhansali Collecting all money through his mutual fund company and transferring all amount to Non-Existing Company. Bhansali had floated 133 companies to pull in funds and suck them out.

3. **Cobbler Scam (1995).**

Borrowing Loan From Banks in the Names of Fictitious/Non-Existence Cooperative Society of Shoe Makers. The Cobbler Scam is one of the biggest million dollars scams in Indian History, is nicknamed The Great Cobbler Scam. This Great Cobbler Scam was that various businessman & politicians had siphoned around $600 million US dollars from a scheme that was running by the Government of India meant to benefit the poor cobblers of Mumbai.

The money of the scheme was meant to provide low-interest loans and tax grants to the Mumbai's poorest – cobblers who work 16-hours a day for less than $2. Not single money reached these cobblers.

4. **Ketan Parekh Scam(1999-2001)**

Ketan Parekh is also Described as Pied Piper of Dalal Street. Ketan Parekh was Trainee of Harshad Mehta. Currently, Ketan Parekh debarred from trading in Indian share market till 2017. His financing method was very simple. he bought a share when they traded at a low price and when the price was high enough he pledges to share with the bank as collateral for Funds and he also borrowed from various companies like HCFL. The amount involved in the scam was Rs.1500 crore. Impact:-One of the biggest falls in Bombay stock exchange-700 points, short selling was banned for 6 months, options and future index derivatives were introduced.

5. **Sanjay Agrawal Scam(2001)**

Sanjay Aggarwal was CEO Of Home Trade Company. He Launched Home Trade in the year 2000. He Spends nearly Rs.240 million on advertising and advertisements were done by big stars like Shahrukh khan,Sachin Tendulkar's and Hrithik Roshan. After Gaining Trust and Popularity he Swindled rs. 600 crore from more than 25 cooperative banks. The government securities (gilt) scam of 2001 was exposed when the Reserve Bank of India checked the accounts of some cooperative banks following unusual activities in the gilt market. Co-operative banks and brokers acted in collusion in a bid to make easy money at the cost of the hard earned savings of millions of Indians.

6. **Dinesh Dalmia Scam(2001)**

Scam Industry-Information Technology, amount Involved in Scam-595 crores. Trading in Share Which is not listed in Stock Exchanges. Dinesh Dalmia was a promoter and managing director of DSQ Software limited. Dinesh Dalmia was involved of criminal breach of trust, cheating, and fraud is claimed to have induced National Securities Depository Limited (NSDL) to dematerialize and credit 130 lakh equity shares of the software company as fully paid shares.The shares were transferred allegedly by Mr. Dalmia to his front companies and entities without payment of sale considerations.

7. **Satyam Scam (2009)**

It is regarded as "Debacle of Indian Financial System". This scam was clear cut example of how an investor can lose is money by simply misstating the Balance Sheet of the company. Protagonist – B Ramalinga Raju & others, Amount – Rs. 8000 Cr. Satyam was one of the biggest accounting scandals where protagonist Ramalinga Raju Accepts that he Cooked up Accounts of Satyam Computers and inflated Satyam computers bank balances and Accounting Entries. He and his family members have also been accused of money laundering through hundreds of companies.

8. **Speak Asia Scam (2011)**

Protagonists: Harinder Kaur, Manoj Kumar Sharma, Tarak Bajpai & others, Amount – Rs. 2000 + Cr. An online business survey firm that collected thousands of crores of rupees from over 24 lakh investors, asking them to fill surveys and guaranteeing to quadruple their income in one year, speak Asia was accused of running a Ponzi scheme. Some accounts frozen and its business shutdown.

9. **Saradha Chit Fund Scam(2013)**

Protagonist – Sudipta Sen Amount – Rs.4000 crore. It's about fake collective investment scheme and it is one of the biggest Ponzi schemes. Shraddha scam also enjoys big political patronage. The chit fund ultimately collapsed leading to defaults after a crackdown by SEBI and the Reserve Bank of India. The default, apart from leaving small depositors high and dry, also led to 10 media terminals owned by Saradha being forced to wind up, leaving 1000 journalists jobless.

10. **PACL Scheme Scam.(2015)**

Lures near 55 million investors by the technique of raising money against bogus and allotment letters. Money Involved-Near Rs.47000 crore. The matter involves the alleged collection of about 450 billion rupees ($6.8 billion) from roughly 55 million investors across the country.

Regulatory framework on corporate governance

1. **The Companies Act, 2013** *inter alia* contains provisions relating to board constitution, board meetings, board processes, independent directors, general meetings, audit committees, related party transactions, disclosure requirements in financial statements, etc.

2. **Securities and Exchange Board of India (SEBI) Guidelines:** SEBI is a regulatory authority having jurisdiction over listed companies and which issues regulations, rules and guidelines to companies to ensure protection of investors.

3. **Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI):** ICAI is an autonomous body, which issues accounting standards providing guidelines for disclosures of financial information. Section 129 of the New Companies Act *inter alia* provides that the financial statements shall give a true and fair view of the state of affairs of the company or companies, comply with the accounting standards notified under s 133 of the New Companies Act. It is further provided that items contained in such financial statements shall be in accordance with the accounting standards.

4. **Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI):** ICSI is an autonomous body, which issues secretarial standards in terms of the provisions of the New Companies Act. So far, the ICSI has issued Secretarial Standard on "Meetings of the Board of Directors" (SS-1) and Secretarial Standards on "General Meetings" (SS-2). These

Secretarial Standards have come into force w.e.f. July 1, 2015. Section 118(10) of the New Companies Act provide that *every company* (other than one person company) shall observe Secretarial Standards specified as such by the ICSI with respect to general and board meetings.

5. The Companies Act, 2013: The Government of India has recently notified Companies Act, 2013 ("New Companies Act"), which replaces the erstwhile Companies Act, 1956. The New Act has greater emphasis on corporate governance through the board and board processes. The New Act covers corporate governance through its following provisions:

- Introduce significant changes to the composition of the boards of directors.
- Every company is required to appoint 1 (one) resident director on its board.
- Nominee directors shall no longer be treated as independent directors.
- Listed companies and specified classes of public companies are required to appoint independent directors and women directors on their boards.
- The first time codifies the duties of directors.
- The Listed companies and certain other public companies shall be required to appoint at least 1 (one) woman director on its board.
- SEBI has amended the Listing Agreement with effect from October 1, 2014 to align it with New Companies Act. Clause 49 of the Listing Agreement can be said to be a bold initiative towards strengthening corporate governance amongst the listed companies. This Clause intends to put a check over the activities of companies in order to save the interest of the shareholders. Broadly, clause 49 provides for the following: Board of Directors, Audit Committee, Disclosure Requirements CEO/ CFO Certification, Report and Compliance.

Failures of regulatory framework in governing the corporate which leads to occurrence of scam

1. No Proper Structure

It is true that the ‘corporate governance’ has no unique structure or design and is largely considered ambiguous. There is still lack of awareness about its various issues, like, quality and frequency of financial and managerial disclosure, compliance with the code of best practice, roles and responsibilities of Board of Directories, shareholders rights, etc. There have been many instances of failure and scams in the corporate sector, like collusion between companies and their accounting firms, presence of weak or ineffective internal audits, lack of required skills by managers, lack of proper disclosures, non-compliance with standards, etc. As a result, both management and auditors have come under greater scrutiny.

2. No Government Support

Recent corporate scandals have led to public pressure to reform business practices and increase regulation. The public outcry over the recent scandals has made it clear that the status quo is no longer acceptable: the public is demanding accountability and responsibility in corporate behavior. The recent scandals themselves demonstrate that lax regulatory institutions, standards, and enforcement can have huge implications for the economy and for the public.

3. Insider Trading

Corporate insiders like officers, directors and employees by the virtue of their position have access to confidential information about the corporation and may misappropriate that information to reap profits. In most countries, trading by corporate insiders such as officers, key employees, directors, and large shareholders may be legal, if this trading is done in a way that does not take advantage of non-public information.

Section 17 Securities Exchange Act, 1933 contained prohibitions to deal with the fraud in the sale of the securities in the most stringent manner possible. The Act addressed insider trading directly through Section 16(b) and indirectly through Section 10(b). Section 16(b) of the Securities Exchange Act, 1934 prohibits the purchase and sale of the shares within six month Period involving the directors, officers, stock holders owning more than 10% of the shares of the company. The rationale behind the incorporation of this provision is that it is only the substantial shareholders and the persons concerned with the decision and management of the company who can have access to the price sensitive information and therefore there should be bar upon them to transact in securities.

4. Other Weaknesses

- Family-owned business- Family-owned companies are characterized as organizations in which the shareholders belong to the same family and participate substantially in the management, direction, and operation of the company. A family business refers to a company where the voting majority is in the hands of the controlling family; including the founder(s) who intend to pass the business on to their descendants.
- Many Indian businesses are old family establishments and while controlling shareholders may welcome cash infusions by outside investors, but they may hesitate to relinquish control. It becomes difficult for outsiders to track the business realities of individual companies. Family control also brings governance problems – not least of which are a lack of checks and balances over executive decision making and behavior, and a lack of transparent reporting to the outside world.
- Compliance with disclosure norms and even the failure of auditor’s reports to conform to the law attract nominal fines with hardly any punitive action. The Institute of Chartered Accountants in India has not been known to take action against erring auditors.
- While the Companies Act provides clear instructions for maintaining and updating share registers, in reality minority shareholders have often suffered from irregularities in share transfers and registrations – deliberate or unintentional.
- Sometimes non-voting preferential shares are used by promoters to channel funds and deprive minority shareholders of their dues.
- Minority shareholders have sometimes been defrauded by the management undertaking clandestine side deals with the acquirers in the relatively scarce events of corporate takeovers and mergers.
- Misleading financial statements- There are many ways to present factually accurate information on a financial statement in a manner that is misleading to investors

- The Harshad Mehta stock market scam of 1992 concerns about corporate governance stemming from the corporate scandals as well as opening up to the forces of competition and globalization gave rise to several investigations into the ways to fix the corporate governance situation in India.
- One of the big problems with Indian corporate governance is that too many listed companies and directors follow the letter of the law, rather than the spirit.
- ‘Good people are very few’ partly because there is a legal limit on the amount companies can pay non-executives. They are not allowed to receive a salary and can only be paid for attendance at board meetings that gives the non-executives little incentive to fulfill their obligations properly.
- Directors’ remuneration needs a rethink, as does the process of appointing directors. Currently, non-executives are generally selected by the board, with little input from shareholders – they should become more active.

Recommendations (Improving Standards)

- Preventing insider trading by devising an internal procedure for adequate and timely disclosures and specific rules for the conduct of insiders and the power to punish offenders. SEBI should show seriousness about checking insider trading and there should be a separate code by itself.
- Organisation for Economic Co-operation and Development (OECD) lays down certain principles for reforming corporate governance. They are-The right of shareholders- These include a set of rights including secure ownership of their shares, the right to full disclosure of information, voting rights, participation in decisions.
- The Equitable Treatment of Shareholders- Here the OECD is concerned with protecting minority shareholders rights by setting up systems that keep insiders, including managers and directors, from taking advantage of their positions.
- The Role of Stakeholders in Corporate Governance- the OECD recognizes that there are other stakeholders in companies in addition to shareholders whose rights needs to be protected on being associated with the company.
- New method for the appointment of Independent Director is required.
- Independent directors- selection criteria must be transparent; also process of appointment of BOD must be reconsidered.
- It is important to focus on not just Quantity or profits but on the sustainability of business models.
- Need for having supervising the functions of management and make them accountable and transparent to shareholders.
- To revise clause 49 of SEBI listing Agreement.
- Codes of conduct and whistle blower policies must be framed in such a way as to be possible to put in to practice.

Conclusions

At present, corporate governance reforms in India are at a crossroads. One must, however, understand that no matter how strong a regulatory system is, it cannot always prevent frauds. Despite the enormous increase of disclosures and stringent risk management systems scams do take place. Moreover, strong measures often lead to expensive regulations and defiance. There are limits to legislations as a lot depends on the integrity and ethical values of various corporate players such as directors, promoters, executives and shareholders. The key lies in management decisions and its commitment to establish and follow rigorous governance systems while corporate governance codes have been drafted with a deep understanding of the governance standards around the world, there is still a need to focus on developing more appropriate solutions that would evolve from within and therefore address the India specific challenges more efficiently.

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Problems and Challenges of Small and Medium Enterprises in India

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Abstract

Small and medium enterprises or SME'S accounts for considerable share of industrial enterprises, employment and production in India. Small business has low capital investment and therefore the risk of the entrepreneur is limited and he can afford to be venturesome. Moreover small businesses have a small gestation period so returns are also quick. The flexibility inherent in this sector allows the entrepreneur to work aggressively if a project seems promising or change course in case things do not work out. In his manner the small business functions as a nursery for developing entrepreneurial talent.

Keywords: Small and Medium Enterprises, Challenges, India

Introduction

Entrepreneurship has acquired a special significance in the context of economic growth and industrial development in the rapidly changing socioeconomic and socio-cultural climates both in developed and developing countries. Most of the students of MBA aspire to become entrepreneur rather than an employee in any organisation. One of the way of achieving this is to analyse the environment critically and the study the problems faced by the entrepreneurs. With this purpose in mind, a study on the problems and challenges faced by the small scale entrepreneurs is analysed. Problems of these entrepreneurs of these are analysed from various angles-production, marketing, finance, labour and infrastructural. While the challenges are effectively tackled by the entrepreneurs, the result in terms of profits, need to be more rewarding.

Small and medium enterprises or SME'S accounts for considerable share of industrial enterprises, employment and production in India. It is essential to sustain this sector because it generate employment in a depressed manner across country-in cities, towns as well as villages; it prevents concentration of economic power and it contributes to economic development through a wide variety of production activities by utilizing the dispersed resources,which might otherwise remain unutilized.Therefore,SMEs occupy a place of strategic importance in the INDIAN economy.

However the economic environment in SMEs operate-domestic as well as international-has undergone a radical transformation since 1991.As a result, SMEs have been exposed to intensive competition like never before. Therefore, it is imperative for SMEs to strengthen their competiveness for survival and growth. Among others, technology is one factor that contributes decisively to building competitiveness in industries as well as nations.

Technology progress has been the key driving force in industrialized countries,accounting for a lion's share of productivity growth. Technological advancement has enabled newly industrializing econmies such as Japanese, Korean,Chinese,American and European.The economic environment in which Indian SMEs are functioning today,global changes do affect them as much as local developments. Attaching due signifance to technology development is absolutely to their competitiveness.

To understand the need and significance of technology development in INDIAN SMEs in a proper prespective,it is essential to analyse their performance and problems in the light of policy changes that have taken place in the country and elsewhere.

An Overview of Economic Growth and Industrialization

To begin with, it is necessary to examine the major policy changes-local and global-that have implications for SMEs and would have an impact on SMEs performance in the 1990s.After doing so, strategies need to be suggested to address their crucial problems to build competitiveness for the better performance. The economic environment in India has undergone a major transformation since 1990-91 when a balance of payments crisis was used by the Government of India as an opportunity to launch wide ranging economic reforms in the industrial and trade policy regime. Indian industry has been increasingly subjected to competition from imports as well as domestic deregulation, and the private sector has been given larger scope for contributing to the growth process.

What is important is to know how significant were SMEs in the Indian industrial scenario prior to 1991 in terms of number of enterprises, fixed capital investment,employment, production and gross value added. Equally important to find out whether their relative status has undergone any change or not. A state like Punjab has been in the forefront of the Green Revolution that helped liberate the nation from the perpetual threat of hunger and famine. The extensively developed farm sector provides a wealth of opportunity for industries that use agricultural produce. Broadly, there is need to harness science and technology, and design policy to conserve both water and land and improve on their productive potential for agriculture as well as industry. Conserving water is one of the most fundamental challenges facing the economy of Punjab. The answer lies not only in science and technology but also in the industrial strategy adopted by the state. To build successful agricultural diversification, it is necessary to define an industrial strategy which can exploit agricultural linkages and also encourage the process of agricultural diversification.

Role of the State Government

The state governments have acquired a very important role in the new environment in attracting private investment through creating competitive conditions for investment in their states. This includes facilitating infrastructure development and skill development as well as enhancing the case of doing business by ensuring good governance, administrative efficiency and maintaining law and order. In particular, since the state governments have the primary responsibility for education and health, and these services are at the base of human resource development, the state governments can attract private investment by being proactive in developing skills and creating the knowledge base which can sustain high economic growth and generate productive employment for skilled labor. Punjab has not done well in the new economic environment. This report makes recommendations for an industrial strategy for Punjab which enables the state to make up for lost time and realise its economic potential.

State of finances

Before presenting an overview of economic growth in Punjab, this section presents an overview of the state of government finances. Punjab has had large and persistent fiscal deficits and revenue deficits right from the early 1980s. In fact, Punjab's fiscal and revenue deficits have been consistently much higher than the average of all states **.** Even during the recent period between 2001-02 and 2005-06 when there has been some improvement, the deficits remained high and were consistently above the average for all states.

There was a major deterioration in the fiscal balance of Punjab in 2006-07 when fiscal deficit reached 3.6 per cent of GSDP and the revenue deficit 1.4 per cent. The revised estimates for

2007-08 show some improvement. However, with revenue deficit at 0.9 per cent of GSDP and fiscal deficit at 3.2 per cent of GSDP in 2007-08, and projected at 0.7 per cent and 2.9 per cent, respectively in 2008-09, Punjab will still not meet the targets of the Fiscal Responsibility and Budget Management Act which stipulates that by 2008-09, each state should phase out the revenue deficit and compress its fiscal deficit to 3 per cent of GSDP. Punjab's own effort at tax mobilisation has been among the weakest of the major states. In 1994, Punjab's own tax revenue to GSDP ratio was 7.6 per cent, while that of Haryana was 7.2 per cent. In 2006-07, Haryana reached 9 per cent, while Punjab was still at 7.6 per cent. There have been some regressive decisions in Punjab in recent years, e.g., substantial lowering / removal of property taxes. Punjab was also one of the last states to remove Octroi, although octroi is still levied on electricity. Since Octroi was replaced by LADT (Local Area Development Tax), the information centres at the boarder continue to act as "extortion points", significantly impending the movement of goods.

Office of the Development Commissioner
M/O Micro & Small Enterprises Cluster Development Programme
(Statistics & Data Bank Division)

Table 1: Performance Of Micro & Small Enterprises

Year	Number of Enterprises (Lakh Nos.)			Empl. (Lakh Person)	Production (Rs. Crs.)	Growth	Share In
	Registered	Unregistered	Total		at Current prices	Rate (%)	GDP (%)
2002-2003	15.91	93.58	109.49	263.49	314850	8.68	5.92
2003-2004	16.97	96.98	113.95	275.30	364547	9.64	5.79
2004-2005	17.53	101.06	118.59	287.55	429796	10.88	5.84
2005-2006	18.71	104.71	123.42	299.85	497842	12.32	5.83
2006-2007	20.98	107.46	128.44	312.52	587196	12.65	5.94
2007-2008 (Projected)	24.68	108.99	133.67	322.28	695126	13.00	NA

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Table 2: Exports From Small Scale Sector

Item	Year					
	2000-2001	**2001-2002**	**2002-2003**	**2003-2004**	**2004-2005**	**2005-2006**
Total Exports (Rs. Crore)	202510	207769	252137	291582	375339.52	456417.88
Exports from SSI Sector (Rs. Crore)	69797	71244	86013	97644	124416.56	150242.03
Share of SSI sector in total exports (%)	34.47	34.29	34.03	33.49	33.15	32.92
Growth rate in Exports (%)	28.78	2.07	20.73	13.52	27.42	20.76

Table 3: Details of Existing Micro & Small Enterprises and Artisan Units in the District

Code	Types of Industry	Units (No.)	Employment (No.)	Investment (Rs. Lakh)	Production (Rs. Lakh)
15	Mfg. of Food Products Beverages	199	1296	1766.79	29175.00
17	Mfg. of Textiles	24	63	55.20	446.00
18	Mfg. of Wearing Apparels	9	31	5.09	16.65
19	Leather & Leather Products	85	165	18.25	68.00
20	Mfg. of Wood Products	34	185	243.30	1768.00
21	Mfg. of Paper & Paper Products	5	39	22.00	195.00
22	Printing / Publishing	12	19	33.55	29.00
24	Chemicals & Chemical Products	27	309	1037.62	4065.00
25	Rubber & Plastic Products	12	57	94.75	566.00
26	Other Non-Metallic Products	27	778	860.57	2941.00
27	Basic Metals	429	10430	19815.51	197492.00
28	Fabricated Metal Products	97	659	940.19	4815.00
29	Machinery & Equipments	315	1618	1008.48	9531.00

31	Electrical Machinery & Apparatus	8	54	63.40	217.00
32	Radio TV Communication Equip.	2	11	1.95	31.00
34	Motor Vehicles Trailers etc. & Parts	38	183	124.00	1409.00
35	Mfg. of other Transport Equipment	13	216	314.00	260.00
36	Mfg. of Furniture Mfg. N.E.C	72	102	54.31	503.00
37	Recycling	213	454	737.00	14411.00
50	Repair of Motor Vehicle	117	253	86.63	86.00
52	Repair of Household Goods	293	877	563.00	1809.00
63	Cold Storage	5	41	436.93	431.00
93	Other Service Activities	1	10	89.00	50.00
Sub Total		2037	17850	28371.52	270314.65
Artisan Units (Non-SIDO)		1088	2374	552.30	3434.25
Grand Total		**3125**	**20224**	**28923.82**	**273748.9**

Source: DIC, Mandi Gobindgarh

Table 4: Potential for New MSMEs

1. Confectionery Items	2. Oil Expellers	3. Biscuits & Bakery Products
4. Ice Cream & Ice Candy	5. Leather Shoes	6. Milk Products
7. Wooden Furniture	8. Wooden Electrical Accessories	9. Book Binding
10. Packaging Materials	11. Paper Bags	12. Tissue Paper Napkins
13. Glazed Tiles	14. RCC Pipes & Collars	15. Cement Bricks & Blocks
16. Agriculture Implements	17. Tyre Retreading	18. Building Hardware Items
19. Steel Furniture	20. Auto Parts &Components	21. Rolling Shutters
22. Parts of Industrial Machinery	23. Paint & Varnish	24. Generator Sets
25. Wires And Cables	26. Rice & Dal Mill Machinery	27. Cosmetics

Details of Existing Micro & Small Enterprises and Artisan Units in the District LUDHIANA:

Code	Types of Industry	Units (No.)	Employment (No.)	Investment (Rs. Lakh)	Production (Rs. Lakh)
15	Mfg. of Food Products Beverages	918	8226	8214	59653
17	Mfg. of Textiles	6750	93065	44668	483257
18	Mfg. of Wearing Apparels	1133	13126	7779	286543
19	Leather & Leather Products	2460	11036	1753	8318
20	Mfg. of Wood Products	467	3470	1566	5849
21	Mfg. of Paper & Paper Products	412	3587	2754	16475
22	Printing / Publishing	324	1700	805	2302
23	Coke & Refined Petroleum Prod.	12	97	186	789
24	Chemicals & Chemical Products	606	4124	3465	19484
25	Rubber & Plastic Products	744	5361	4126	18436
26	Other Non-Metallic Products	226	2490	941	8839
27	Basic Metals	1156	16210	13978	304658
28	Fabricated Metal Products	3547	25106	11392	93689
29	Machinery & Equipments	3200	28852	14775.10	181521
30	Analog Data Processing Machinery	6	85	33	1271
31	Electrical Machinery & Apparatus	179	1744	1261	6961
32	Radio TV Communication Equip.	314	2222	725	14515
33	Medical	28	403	117	791

	Precision & Optical etc.				
34	Motor Vehicles Trailers etc. & Parts	1245	11320	9002	62765
35	Mfg. of other Transport Equipment	3105	55540	28500	637878
36	Mfg. of Furniture Mfg. N.E.C	933	3834	1368	11294
50	Maintenance & Repair of Motor Veh.	895	2200	660	1612
52	Maintenance & Repair Household	3271	7059	1602	6155
55	Paper & Paper Board	1	54	55	25
63	Cold Storage	20	112	1145	3152
72	Computer & Relating Activities	43	165	156	122
74	Other Business Activities	27	44	16	57
80	Computer Education	1	1	15	28
93	Other Service Activities	10	30	6	49
Sub Total		32033	301263	161063.10	2236488
Artisan Units (Non-SIDO)		7058	34478	15033.35	206353
Grand Total		**39091**	**335741**	**176096.45**	**2442841**

Growth Trends:
The new investment in large scale sector was observed in the field of textiles and food products, cycle parts and Fastener during the 2009-10 year. In 2009-10, there was a growth of 790 persons in employment, Rs. 1183.78 Lakhs in production and Rs. 705.04 lakhs increase in investment.

Business Environment

Punjab fares very poorly in business environment. Administrative delays, apathetic approach of the government officials and blatant corruption emerge as important messages from the dialogue. The single window clearance system for multiple approvals from the state government has not worked. The Udyog Sahayak is the 17th stop on the train of government approvals rather than the one and only one as it is supposed to be. Our understanding is that the rules under the Industrial Facilitation Act of 2005 have been notified but the question is whether these are being enforced. Officers causing delays beyond specified time frames for approvals should be penalised. What is needed is a system of deemed approvals after a certain specified lapse of time. As regards clearances for pollution control and environment protection from the Government of India, again, an agreement should be sought for proceeding with deemed approval if the parameters are clearly in line with the responsibility and a certain amount of time has elapsed**.**

The Proposed Industrial Strategy

The industrial strategy proposed in this report attempts to promote synergy between agriculture and industry as well as between the large and the small scale industrial sub-sectors. It combines the rejuvenation of traditional industries such as cotton textiles (including hosiery and knitwear), food processing, dairy, leather, hand tools, etc., with the promotion of non-traditional industries, e.g., Bio-technology, IT and IT-related industries, logistics and cold chains, and healthcare. A promising area for Punjab is the tertiary healthcare industry which can be linked with spiritual tourism in and around Amritsar. This can be built on the strength of the pharmaceutical industry in the state and the good health infrastructure that has been developed over the years.

The strategy recommends five new engines of growth, i.e.,

(i) special focus on logistics, cold chains and supply and distribution chains to encourage high value added agriculture and food processing for urban centers, specially as the retail sector is being modernized

(ii) Special Economic Zones for IT, biotechnology, pharmaceuticals, textiles, and agro-processing

(iii) A knowledge city in close proximity to Mohali,

(iv) The promotion of a PCPIR in Bathinda ,

An Industrial Zone along the dedicated rail freight corridor and also ensuring that Punjab is linked to the corridor in the first phase of the extension of the Western corridor. Good infrastructure, peaceful industrial relations, flexible labor market conditions and an efficient administrative machinery can be used to attract large investments in a competitive environment vis-à-vis other states. The World Bank’s earlier assessment of 2003 was confirmed by the industry representatives, i.e., that the investment climate in Punjab clearly lags behind other states. It is necessary that the industries which are already in Punjab must "feel good" about the business environment in the state. Only then can the efforts on the part of the government to attract new investments would look credible. To address the enormous challenges of modernising the small scale units in a number of industries in Punjab, the strategy strongly endorses using a cluster approach with public-private partnership (PPP), which is being used effectively and successfully in many states with active support from the Government of India.

Making Land Available for Industrial Development

Punjab needs a clear and transparent policy of facilitating land acquisition for industrial development. In the absence of such a policy, Punjab will miss out on the opportunities which are being exploited by many states in providing a major push to their industrial drive.

Punjab is a state of fertile land. There is apparently a lot of demand for land for urban usage – housing, commercial and supporting infrastructure – where the ability to pay is often in excess of what would be viable for industrial use. This is particularly true along the industrial belt, i.e., the rapidly urbanising axis running from Chandigarh through Ludhiana to Jalandhar and Amritsar. Land prices have shot up so much as to seriously dent the prospective competitiveness of any industrial project in Punjab.

There are always options of investing in other states where land prices are much lower. It is obviously not possible to provide land to industry at a cost that is lower than the price at which the farmer is willing to sell. However, in levying additional development and other charges, care should be taken that the cost does not become so high that the viability of the industry is compromised. From the previous land allotments, a large number of plots have not been developed into industrial units, and the reason may well lie in the fact that the original applicant was interested only in the speculative gain that could be made due to the increase in land prices.

Recommendation

To modernise and rejuvenate the small scale units in light engineering, leather, hand tools, sports goods, hosiery, etc., the strategy recommends the development of modern clusters and/or attracting a large scale plant in automotives which can facilitate the technological upgradation of the component suppliers through vendor development. The following recommendations address these challenges:

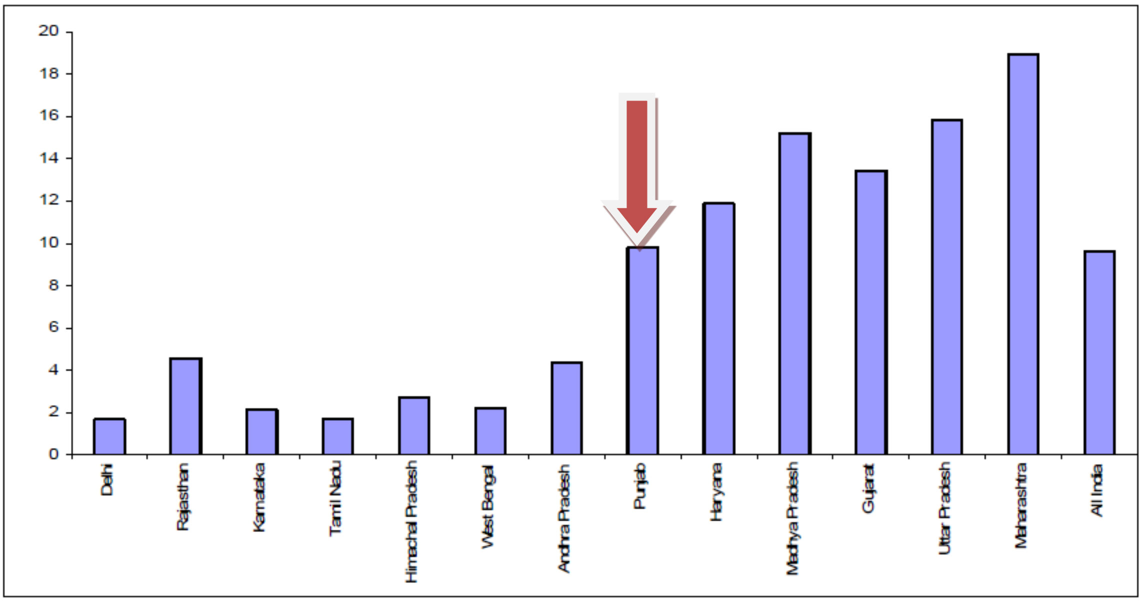
(i) To develop Industrial Clusters under Public Private Partnership (PPP), the government of Punjab must set up industry-specific Task Forces in collaboration with

(ii) industry associations such as PHDCC, CII and FICCI to study the best practices by other states of India or other countries, and come up with concrete proposals on cluster development without losing much time.

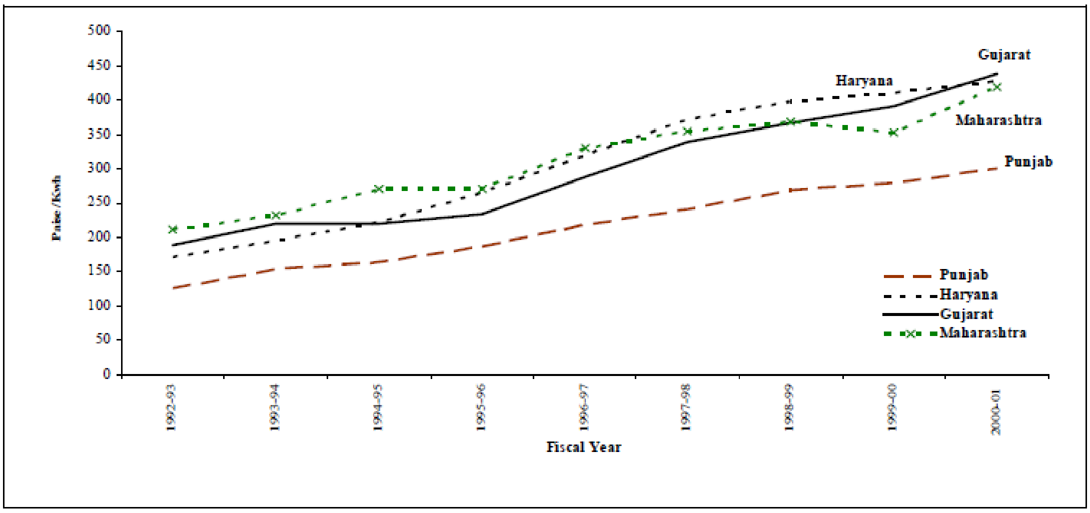
(iii)To review why Punjab has failed to benefit from Central Schemes such as Food Parks, Textile Technology Parks, Cluster Development, Special Economic Zones, etc., the government of Punjab must set up a High-Powered Administrative Review Committee with Chief Secretary as Chairman and principal Secretaries of the major economic departments as members.

(iv) A Secretary level officer should be put in place in the Chief Minister's office to track the opportunities offered by these schemes and get the administrative machinery in the state to respond to exploit these opportunities. The government of Punjab should proactively attract a large plant for automotive manufacture because of its potential for positive downstream effects on the numerous small scale auto-component manufacturers.

A. Shortfall in Power Supplied: Major States



Average Power Tariff to Industry



Source : Annual Report on the working of State Electricity Boards & Electricity Departments, 2001, Planning Commission.

Aggregate Technical and Commercial Losses of Power

(Per cent)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Punjab	**27.7**	**26.5**	**25.5**	**24.0**	**25.8**	**25.2**	**22.2^**
Delhi	60.1	51.8 – 62.5	45.7 – 55.5	35.9 – 51.7	33.8 – 43.9	23.8 – 43.3	21.7*
Haryana	40.7 – 45.9	41.4 – 42.5	40.0 – 40.5	43.4 – 44.0	40.8 – 41.9	29.0 – 34.5	
Himachal	28.3	29.5	9.3	21.7	15.2	13.2	
Rajasthan	49.0 – 59.3	40.0 – 42.0	41.7 – 46.2	43.2 – 49.8	42.3 – 47.5	37.2 – 42.6	
Andhra	14.5 – 28.9	17.6 – 30.2	9.8 – 19.0	14.3 – 24.0	12.7 – 19.2	12.5 – 26.6	
Gujarat	23.3	31.2	35.5	35.2	26.9	22.2	
Karnataka	40.5	35.7 – 47.7	25.8 – 43.9	21.5 – 37.1	15.3 – 36.0	15.0 – 27.1	
Madhya Pradesh	48.6	49.4	41.5	54.3	50.4	52.2 – 56.6	
Maharashtra	46.3	44.3	39.0	26.6	36.7	39.4	
Tamil Nadu	19.3	20.0	20.6	19.4	20.5	20.1	
West Bengal	35.3	26.6	32.9	23.9	26.6		

Source: ICRA Ltd.

Growth of GDP: Major sectors

(15 Major States)

	GDP			Agriculture			Industry			Construction			Services		
	1980-81 to 1990-91	1990-91 to 2000-01	2000-01 to 2005 -06	1980-81 to 1990-91	1990-91 to 2000-01	2000-01 to 2005 -06	1980-81 to 1990-91	1990-91 to 2000-01	2000-01 to 2005 -06	1980-81 to 1990-91	1990-91 to 2000-01	2000-01 to 2005 -06	1980-81 to 1990-91	1990-91 to 2000-01	2000-01 to 2005 -06
Punjab	5.3	4.7	4.2	4.9	3.1	1.8	9.1	6.2	3.9	1.0	7.9	13.0	4.5	5.7	5.2
AP	5.0	5.4	6.5	3.7	4.2	3.6	6.3	4.9	7.2	5.1	6.2	7.9	6.0	6.5	7.8
Assam	4.2	2.5	5.4	2.5	0.5	2.1	7.0	1.5	10.1	4.9	3.1	6.9	5.4	4.7	6.0
Bihar	4.9	3.9	2.8	3.6	3.3	-1.5	6.9	4.8	4.0	6.6	8.7	12.3	5.9	5.4	5.3
Gujarat	5.9	6.3	10.2	8.9	2.8	16.4	8.8	8.0	9.5	2.3	10.9	15.5	6.9	7.8	8.5
Haryana	6.6	5.2	8.3	5.3	2.2	1.6	10.0	6.1	7.7	2.0	3.1	18.1	8.0	8.3	11.0
Karnataka	5.2	7.4	5.9	2.6	6.0	-0.6	7.4	6.1	8.3	2.8	10.8	6.9	7.3	8.8	8.4
Kerala	3.7	5.6	6.8	2.2	2.6	2.8	4.0	7.0	3.0	1.9	6.3	12.5	5.3	7.0	7.9
MP	5.2	4.2	4.5	3.6	0.2	8.3	8.6	5.9	2.7	-0.8	13.6	5.6	6.5	5.4	3.9
Maharashtra	6.1	6.1	7.1	4.4	3.8	3.1	6.7	5.0	5.2	3.7	1.5	12.9	7.5	8.4	8.4
Orissa	3.3	4.3	8.0	0.9	1.4	5.7	6.5	5.9	14.1	9.1	1.9	-0.4	5.1	6.7	8.3
Rajasthan	8.1	4.9	5.8	9.4	1.3	11.6	8.0	9.0	2.7	9.8	6.9	9.4	8.6	6.5	5.3
TN	5.7	6.3	5.0	5.2	3.8	0.8	5.5	5.1	3.6	9.4	7.9	6.2	6.4	8.2	6.8
UP	5.1	3.6	4.2	3.0	2.7	1.0	9.9	4.0	5.2	1.8	6.0	12.2	6.3	4.2	5.0
WB	4.4	6.5	6.3	4.3	4.7	3.0	3.1	6.0	7.5	6.0	6.1	14.6	5.1	8.0	6.9
India	5.4	5.6	7.0	3.5	2.8	3.0	6.7	5.7	6.3	4.7	5.1	11.3	6.6	7.3	8.5

Source: NAS. CSO

Entrepreneurship Skill Development Programmes

The MSME-DI, Ludhiana, during the year 2012-13, conducted 54 Entrepreneurship Skill Development Programmes. In these programmes total 1275 persons, including 602 males (Gen-123, SC-472, OBC-3 and PH-2) and 673 females (Gen-159, SC-512 and BC/OBC-2) were provided training, at various places in the State. These 54 programmes were conducted in different categories viz. SC-Stipendiary (5), Women & PH-Stipendiary (2), SC-Non Stipendiary (45) and UEY-General (2). In these programmes, the educated unemployed youth were provided basic inputs covering both managerial and technical aspects to set up their own venture. Lectures covering philosophy of entrepreneurship, procedures to set-up small scale units, State & Central Government policies, achievement motivation, project identification, selection of appropriate technology, production management, financial management, marketing,quality systems, ethic & moral values, working capital assessment, the concept of export & international marketing, preparation of project reports etc. were delivered by the experts from respective fields. Practical demonstrations alongwith theoretical linkage, were arranged to provide comprehensive knowledge for concerned particular trades. The candidates were also provided opportunities to have interaction with successful entrepreneurs to know the practical problems they faced and how did they overcome to pave their way to success.

Consultancy Services

This is one of the important activities being carried-out by the Institute.

Consultancy services include not only providing guidance to set-up new units but also to the existing MSME units pertaining to techno-managerial-cum-marketing assistance. Prospective entrepreneurs are guided in identifying the viable products/projects, selection of appropriate technology, manufacturing processes and techniques, selection of machinery & equipment, raw materials, standardization and specifications and quality control techniques. Information is also provided about various facilities being provided by other Organisations like DIC, PFC, NSIC etc. While providing consultancy services to existing units, developments taking place in various fields like technology, manufacturing processes, market trends, environmental protection, energy conservation etc. were taken care of. These factors lead to improve the quality of their products vis-a-vis to improve their overall productivity.

Conclusion

The small-scale sector has emerged as an engine of growth in most of the developing and newly industrialized countries of the world. In India the SSI has played a catalytic role in socio-economic transformation of the country. This sector has exhibited tremendous capacity for employment generation, greater resource use efficiency, and technical innovation, promoting inter-sectoral linkages, raising exports and reducing regional imbalances.

Small business has low capital investment and therefore the risk of the entrepreneur is limited and he can afford to be venturesome. Moreover small businesses have a small gestation period so returns are also quick. The flexibility inherent in this sector allows the entrepreneur to work aggressively if a project seems promising or change course in case things do not work out. In his manner the small business functions as a nursery for developing entrepreneurial talent.

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Shareholders' Perception towards Corporate Governance in India

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Abstract

Good corporate governance is a key component in enhancing the economic competence of a firm and it additionally serves to ensure that companies consider the interests of a broader range of communities, as well as society within which they operate. [N. R Narayana Murthy Committee, 2003]. This paper intends to study Shareholders' Expectations on Corporate Governance. The data used for this purpose is primary and was collected from a sample of 495 respondents through a well-structured questionnaire. The main statistical techniques used for subjecting the primary data include frequency distribution, mean, SD, t test, f test and Factor Analysis. Major findings of the study revealed that the sampled respondents consider five factors, namely, 'shareholders rights', 'timeliness and adequacy of disclosure', 'trustworthiness of financial intermediaries', 'fairness and independence of the legal system' and 'treatment of foreign investors as equal to local investors', quite satisfactory across all independent variables.

Keywords: Corporate Governance, Shareholder's Perception, India

Introduction

Cadbury Committee (1992) defined corporate governance as "the system by which companies are directed and controlled…". It deals with laws, procedures, practices and inherent rules that determine a company's ability to take management decisions with regard to its stakeholders, specifically, the shareholders, creditors and employees. [*Confederation of Indian Industry Code*]. It involves an understanding of connections between an organization's management, board, shareholders and alternate partners. Also, it gives a structure through which the objectives of the organization are formed; the way of accomplishing those targets is determined and performance monitoring is facilitated. [*The OECD Principles of Corporate Governance, 2004*].

Review of Literature

For several years, researchers in the field of corporate governance studied its various aspects. Country level investor protection and firm level corporate governance practices are interrelated and highly important to investment decisions as institutional investors who are actively monitoring their portfolio holdings are prepared and willing to engage in shareholder activism and their investment decisions appear to be related to their preferences [*McCahery et al., 2009*]. A statistically significant relation between corporate disclosures and foreign share ownership is reported by *Bokpin* and his co-authors. They documented that foreign investors consider corporate governance and disclosure practices of firms too in making their investment decisions, and avoid investing in countries with a governance regime with poor disclosure practices; thus, international capital mobility is affected by good governance and disclosure practices [*Bokpin et al., 2009*]. Policy makers should also continue to reform corporate governance to improve transparency and accountability to adopt international standards and to attract foreign capital [*Demirbas and Yukhanaev, 2011*].

Although, *Raithatha and Bapat* argued that corporate governance state in India might not be an important factor for FFIs to decide on buying stakes in the company and the falsehood that usually small/medium market capitalization based companies do not have a very strong and sound corporate governance was proved false. The company attributes like size, profitability, market capitalization, leverage ratio, foreign ownership, etc. are not significantly related to Corporate Governance score [*Raithatha and Bapat, 2012*]. Affected by disclosure practices of various governance information and quality of financial reports, the groups of institutional and individual investors exhibit different levels of confidence [*Lee and Shailer, 2005*].

Research methodology

The present piece of work is an exploratory study. For this study, sampling elements comprised of five hundred shareholders. The total numbers of questionnaires administered to shareholders are around seven hundred, but around five hundred twenty are received back as filled up. Of which, twenty five could not be included in the final sample due to the inadequacy of the information provided by the respondents. Finally, the responses of 495 respondents were included in the study. Five point measurement scales have been developed with a view to gaining insights, on the governance issues. Both primary and secondary data is used in present study. Primary data were solicited with the help of a structured questionnaire administered to the sampled shareholders manually and electronically. Prior to finalizing the questionnaire, a pilot survey had been carried out and it involved fifty respondents. The primary data collected through sample survey are subjected to statistical analysis with the help of SPSS 13.0 software. The main statistical techniques used for subjecting the primary data include frequency distribution, mean, SD and Factor Analysis.

Objective of the study

The present study aims to reveal the factors of corporate governance considered by shareholders while taking investment decisions in India.

Reliability of the construct: Reliability of test refers to the degree to which a test is consistent and stable in measuring what it is intended to measure. The most widely used reliability coefficient is Cronbach's alpha which can range from 0 to 1, with higher figures indicating a better reliability. The reliability of this construct is 0.90 which indicates data is highly reliable.

Result and Discussions

This aspect covers nineteen statements which were evaluated on a five point Likert scale encompassing very low, low, neutral, high and very high. Factor analysis is used on these nineteen statements to find out the major consideration factors of corporate governance for making investment decision. Principal components method is used to find out the major factors of consideration and only the factors with Eigen values greater than one were retained for analysis. Further, the varimax rotation method is used. In addition to this, factor ranking is assigned on the basis of the overall mean value of each factor.

Table 1 Factor Analysis of Corporate Governance Variables of Consideration

Factors	**Statements**	**Loading**	**Eigen values**	**Mean**	**SD**	**Factor Mean**	**Factor Rank**
F_1: Board members' caliber and meeting schedule	Number and caliber of independent directors	0.51	7.03	2.83	1.10	2.73	4
	Caliber of members of audit committee	0.71		2.88	1.19		
	Powers given to the audit committee	0.66		2.73	1.15		
	Meeting schedule of audit committee	0.78		2.74	1.23		
	Caliber of the members of remuneration committee	0.78		2.43	1.19		
	Frequency of the board meetings held	0.61		2.88	1.10		
	Number of directorships held by directors	0.62		2.64	1.26		
F_2: Board's	Board effectiveness in	0.43	1.50	3.34	1.12	3.32	3

effectiveness and governance compliance status	discharging their duties and responsibilities						
	Content and quality of directors' reports	0.64		3.33	1.02		
	Effectiveness of shareholders/investors grievance committee	0.74		3.17	1.19		
	Disclosure range in corporate governance report	0.70		3.28	1.15		
	Compliance status of company to SEBI rules on corporate governance	0.71		3.58	1.14		
	Board composition	0.40		3.22	0.94		
F_3: Shareholders' privileges and communication means	Management profile	0.59	1.24	3.68	1.02	3.35	2
	Rights given to the shareholders	0.56		3.31	1.02		
	Shareholders' protection rules	0.67		3.39	1.15		
	Means of communication	0.67		3.01	1.07		
F_4: Ownership structure and shareholders' activism	Ownership structure	0.74	1.04	3.97	0.93	3.39	1
	Shareholders' activism level in AGMs	0.45		2.81	1.11		

Table 1 reveals the results of factor analysis and produces four major factors given as follows:

i. Board members' caliber and meeting schedule (F_1)
ii. Board's effectiveness and governance compliance status (F_2)
iii. Shareholders' privileges and communication means (F_3)
iv. Ownership structure and shareholders' activism (F_4)

- F_1: Board members' caliber and meeting schedule:

Here, the first factor F_1 includes seven major issues, viz. the number and caliber of independent directors on board of company, caliber of the members of audit committee of company, powers given to the audit committee by the board of the company, meeting schedule of the audit committee on board of company, the caliber of the members of remuneration committee of company, the frequency of the board meetings held in a company and a number of directorships held by directors of the company.

The loading values of these factors worked out at 0.51, 0.71, 0.66, 0.78, 0.78, 0.61 and 0.62 respectively. The values of factor loadings present the correlation between the factor and variable. It implies that the factor F_1 "Board members' caliber and meeting schedule" and all seven variables are highly correlated. Keeping in view, the nature of these variables, the name for factor F_1 is considered as "Board members' caliber and meeting schedule".

- F_2: Board's effectiveness and governance compliance status

The second factor F_2, Board's effectiveness and governance compliance status, is a combination of six variables such as 'effectiveness of company's board in discharging their duties and responsibilities', 'content and quality of directors report of company', 'effectiveness of shareholders/investors grievance committee', 'disclosure range in the corporate governance report of company', 'compliance status of company with SEBI rules on corporate governance' and 'composition of board of the company'. The loading values of these variables are 0.43, 0.64, 0.74, 0.70, 0.71 and 0.40 respectively. This implies a high level of correlation between the second factor and its variables due to the high value of loading variables.

- F_3: Shareholders' privileges and communication means

The third factor F_3 "Shareholders' privileges and communication means" comprises four aspects, 'management profile of the company', 'rights given to the shareholders of the company', 'shareholders' protection rules of the company' and 'means of communication used by the company to communicate its shareholders'. The loading values for these variables are 0.59, 0.56, 0.67 and 0.67 respectively. The higher loading values of variables present the high level of correlation between the factor and the variables. It implies that the third factor and its variables are highly correlated with each other.

F_4: Ownership structure and shareholders' activism:

The fourth factor F_4 (Ownership structure and shareholders' activism) has only two sub factors 'ownership structure of the company' and 'shareholder activism level in annual general meeting of company'. The loading values of these two sub factors are 0.74 and 0.45 respectively. These values are good enough and present a high correlation between the factor and its variables.

Table 1 further discloses the value of loading, mean and SDs of variables, value of mean of factors and ranking of factors on the basis of afore-discussed mean values. It is noticed that factor F_4 (Ownership structure and shareholders' activism) having the highest mean value (3.39), falls in the first rank. The factors F_3 (Shareholders' privileges and communication means) and F_2 (Board's effectiveness and governance compliance status) obtained second and third rank with mean values of 3.35 and 3.32 respectively. The last rank goes to the factor F_1 (Board members' caliber and meeting schedule) with mean 2.73. The aforesaid rankings assigned to the factors are based on the concept that as the mean value of factors decreases, the corresponding values of their rank increases.

Conclusions and Suggestions

Shareholders are the main party who gets affected by failure of a corporate governance system. In a country like India, minority shareholders mainly invest for speculative purpose, but during the survey it was found that people who are aware of corporate governance mechanisms consider this aspect while investing their money in any company. The ownership structure and shareholders' activism is found the most considered variable by respondent shareholders. In addition, it was found that companies should also focus on its communication means because these are also considered important by respondents more than compliance status. Board members' calibre which seems important factor was not considered so much by minority shareholders.

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Transformation of Indian Banking through IT- Enabled Services

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Abstract

Information Technology has become fuel for rapid change. Banking sector in India has been a major beneficiary of the inroad made by IT. The banks appear to be on fast track for IT based products and services. Many new processes, products and services offered by banks and other financial intermediaries are now IT centered. Another major development witnessed in recent years is the growth in multiple delivery channels to customers such as internet-based banking, mobile banking and anywhere banking. The major objective of the study is to focus on the role of information technology in managing bank transformation. The study also highlights the benefits of IT enabled services for customers and banks. It also focus on the major challenges faced by Indian banking industry in the use of information technology such as security, legal issues, building –up of skilled personnel and educating people about technological banking products. The study concluded that no doubt customers are benefitted by transformation but India is required to address the important issues to get the full benefits of information technology implementation.

Keywords: *Information Technology, Indian Banking Industry, Customer*

Introduction

Technological innovations have made sea changes in Indian Banking Industry and it has flourished to the level that it can compete with global players. Banking sector in India has been a major beneficiary of the inroad made by IT. Current stage is of IT advancement because technology continues to make a dramatic and profound impact in service industry and radically shapes how services are delivered (Bitner et al., 2000). Many new processes, products and services offered by banks and other financial intermediaries are now IT centered. Most of the initiatives regarding technology are aimed at providing better and more efficient customer services by offering multiple options to the customers. A common impact of IT enabled banking services has been upon the third 'P' of the marketing mix- the 'Place'. These services enable a bank customer to avail banking services from hundreds and thousands of places across the country and some of these across globe. Another major development witnessed in recent years is the growth in multiple delivery channels to customers such as internet-based banking, mobile banking and anywhere banking. Indian banking industry today is in the midst of an IT revolution. A combination of regulatory and competitive forces has led to increasing importance of total banking automation in the Indian banking Industry. Banks has moved from 'brick & mortar' banking to 'click & order' banking. Indian banking Industry is flying on the innovative and new wings of technology in search of new customers over new territories. Information technology developments in the banking sector have sped up communication and transactions for clients (Booz et al., 1997). The new technology has radically altered the traditional ways of doing banking business.

In fact in banking industry, IT is finding its use in five key areas:

- Convenience in product delivery access
- Managing productivity access
- Product design
- Adapting to market and customer needs
- Access to customer market

Objectives of the Study

- The paper aims to explore some important and popular IT enabled services of banking institutions, its benefits and issue at present.

- The major objective of the study is to focus on the role of information technology in managing bank transformation.

Database of the Study

The present study is based on the secondary data collected from published data of Reserve Bank of India. Various journals, magazines, websites and studies on this subject have also been referred in this study.

Technological Evolution of IT in Indian banking industry

The early 1980s were instrumental in the introduction of mechanization and computerization in Indian banks. This was the period when banks as well as the RBI went very slow on mechanization, carefully avoiding the use of computers to avoid resistance from employee unions. However, during this critical period banks led to the slow and steady move towards large scale technology adoption.

Important events in evolution of IT

- The introduction of MICR based cheque processing – a first for the region, during the years 1986-88.

- Arrival of card-based payments- Debit/ Credit card in late 1980s and 90s.

- Introduction of Electronic Clearing Services (ECS) in late 1990s.

- In 1994 RBI constituted a committee for technical up gradation of bank Based on the recommendations of the committee the Institute for Development and Research in Banking Technology (IDRBT) was established in 1996.

- In 1999 the collaborative efforts of IDRBT and RBI developed a satellite based wide area network known as Indian Financial Network (INFINET).The network is restrictive to be used by banks and financial institutions only.

- Introduction of Electronic Fund Transfer (EFT) in early 2000s.

- Introduction of RTGS in March 2004.

- Introduction of National Electronic Fund Transfer (NEFT) as a replacement to Electronic Fund Transfer/Special Electronic Fund Transfer in 2005/2006.
- Cheque Truncation System (CTS) or Image-based Clearing System (ICS), in India, is a project undertaken by the Reserve Bank of India (RBI) in 2008, for faster clearing of cheques.

Bank Transformation & E-Delivery Channels

Bank branches alone are no longer enough to offer services to meet the need of today's high demanding and challenging customers. In e-banking system, banks are expanding their customer base with the help of multiple e-delivery channels like ATMs, Credit/Debit/Smart Cards, Internet Banking, Mobile Banking, Tele-banking, EFTs etc. The virtual financial services can be largely categorized as follows:

A. Automated Teller Machines

- Cash withdrawals
- Details of most recent balance of account
- Mini statement
- Statement ordering facility
- Deposit facility
- Payments to third parties

B. Remote Banking Services

- Balance enquiry Statement ordering
- Funds transfer (payment) to third parties
- Funds transfer between customer's different accounts
- Order traveller's cheques and other financial instruments.

C. Smart Cards

(i) Stored value cards

(ii) As a replacement for all types of magnetic stripes cards like ATM Cards, Debit Cards, Charge Cards etc.

- One smart card to carry out all these functions
- One smart card can contain the functionality of several different types of cards issued by different banks while running different types of networks

D. Internet Banking

- The latest wave in IT is Internet banking. It is becoming more obvious that the Internet has unleashed a revolution that is affecting every sphere of life.
- Internet is an interconnection of computer communication networks spanning the entire globe, crossing all geographical boundaries.
- Touching lifestyles in every sphere the Net has redefined methods of communication, work, study, education interaction, health, trade and commerce. The Net is changing everything, from the way we conduct commerce, to the way we distribute information.
- Being an interactive two way medium, the net, through innumerable website, enables participation by individual in B2B and B2C commerce, visits to shopping malls, books stores, entertainment sides, and so on cyberspace.

E. Interbank Mobile Payment Service (IPMC)

- IPMC is an instant internet electronic fund transfer service through mobile phones.
- The customers can use mobile phone devices as a channel for accessing their bank accounts, remitting funds from the accounts and making payments at shops and commercial establishments.
- This is envisaged as a safe, secure, 24 x 7, convenient payment mechanism for Indian for domestic transactions.

Table 1. Technological Developments of Scheduled Commercial Banks in India

(Amt. in Millions)

Item/Year	2015-16	2014-15
Total number of Credit Cards	24	21
Total number of Debit Cards	662	553
Number of ATMS	212061	189279

Source: Statistical Tables Relating to Banks in India (2015-16)

Table 1 clearly shows that number of credit cards, debit cards and ATMs have increased over a period of time.

Benefits of IT-Enabled Banking Services

A. **Benefits to Customers**

- Ability to draw cash outside normal banking hours for 24 hours a day and 7 days a week.
- Can get cash anywhere, anytime in the world where there ATM of concerned bank are installed.

- Enable the cardholder to avail soft credit and making him more mobile without the risk of carrying cash/cheques for shopping.
- Accurately transfer the funds, no chance of any fraud and theft as funds are directly transferred from one account to another account, no need of any cash.
- Electronic Clearing Services are cost effective and time saving because no need to make the payments personally by standing in long queues.
- Electronic Data Interchange reduces frauds in transferring their important trading documents.
- Customers perform number of non-cash transactions from the convenience of their own office or home in fact from anywhere they have access to phone.
- Mobile banking makes banking location independent. This technology serve to check details, issue new cheque book, payment of bills, instruction to stop payment, other value added services etc.
- Internet banking provides quality customer services with personal attention.
- RTGS is settlement done in real time, hence no delay in transaction. It helps in easy and safe management and transfer of funds.

B. **Benefits to Banks**

- Through ATM service, banks are more likely to retain existing customers and attract non-bank customers.
- Banks earn interest on credit offered to the customers.
- EFT reduces paper work and reduces over burden of appointing a special person to go to transfer funds from one place to another.
- Banks are benefitted from ECS in terms of commission on these transactions from parties, company and customer.
- Electronic Data Interchange helps to generate deposits from foreign exchange through exporters and importers.
- Through internet banking, banks gain competitive advantages by providing more competitive services.

Major Issues with IT in Banking Services

Security, legal issues, building –up of skilled personnel and educating people about technological banking products are some of the major issues or problems in the use of information Technology. These are discussed as follows:

- **Security:** Internet Banking could result in the siphoning off money by perpetrators of computer crime. Therefore, banks need to put place of computer security-related hardware and software and software such as firewalls, encryption programs and virus protection software.
- **Legal Issues:** Legal issues arising out of siphoning off cash electronically by computer criminals will pose a major challenge to Indian banks. IT Act provides the security and legal framework for e- commerce transactions.
- **Building–up of skilled personnel:** There is need to building up a pool of software application developers and database administrators who can handle e- business application under proper supervision.
- **Educating customers for IT enabled services:** The technological transformation has also created a fear-factor among customers due to security, unawareness and unfamiliar with the use of technology, especially in country like India.

Conclusions

The transformation in banking services is providing various advantages to customers with anytime, anywhere access to their accounts as well as power to operate their accounts. IT-enabled banking services has not only increased the cost effectiveness but also helped in making small value transactions. It also enhanced choices, created new markets and improved productivity and efficiency. Without information technology and communication we cannot think about the success of banking industry, it has enlarged the role of banking sector in Indian Economy. Although the change is good but still banks in India are required to address the important issues to get the full benefits of information technology implementation. Banks need to focus on swift and continued infusion of technology.

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FDI in India – A Sectoral Analysis

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Abstract

The Foreign Direct Investment plays an important role in economic growth of developing countries like India. FDI contributes for the development of the country in the form of development of Multinational companies in India, which provides education training, employment for major part of population of India and brings new skills, information and technology to host country. Government of India allowed FDI in different sectors of Indian economy. With a view to infuse globally acceptable best practices, modern management skills and latest technology, it has been decided to allow foreign investment in India. The objective of this research paper is to do the sectoral analysis for FDI inflows in India and also to know about which sector has concerned with the major share of FDI inflows in India.

Keywords – Sector-wise FDI Inflows in India of Services sector, Telecommunications sector, Chemicals sector, Metallurgical Industries, Hotel and Tourism sector.

Introduction

A Foreign Direct Investment (FDI) is an investment made by a company or entity based in one country, into a company or entity based in another country. FDI is distinguished from portfolio foreign investment, a passive investment in the securities of another country such as public stocks and bonds by the element of control. Entities making direct investments typically have a significant degree of influence and control over the company into which the investment is made.

FDI helps to overtake the problem of low capital, low growth rate untapped natural and human resources, high rate of inflation, unemployment, balance of payment and other structural & administrative rigidities. Its ability to deal with major obstacles namely shortages of financial resources and technology & skills has made it centre of attention for developing countries. The flow of FDI in India from across world will help in acquiring funds at cheaper cost, better technology, generation, and upgraded technology transfer, scope for more trade, linkages and spillovers to domestic firms.

Open economies with skilled workforces and good growth prospects tend to attract larger amounts of foreign direct investment than closed, highly regulated economies. FDI is a key element in this rapidly evolving international economic integration, also referred to as globalization. FDI provides a means for creating direct, stable and long-lasting links between economies. Under the right policy environment, it can serve as an important vehicle for local enterprise development and it may also helps to improve the competitive position of both recipient (host) and investing (home) economy.

Objectives of the Study

- To do the sectoral analysis for FDI inflows in India.
- To give the recommendations for improving FDI inflows in India.

Data base and Research Methodology

Various statistical and mathematical techniques have been used in the research paper to provide analytical results of the data. The following methods have been used to analyse the data:

A. Tabular Analysis

On the basis of the data collected from the various sources, the tabulation analysis is made to make study more meaningful. The use of tables, charts, graphs is also made whenever it is needed and necessary for clarify of thoughts, easy understanding and to make the presentation of research more vivid.

B. Growth Rate

Trend indicates the directions of operations over a period of time. It also predicts the historical development's in bank's operations.

a. Simple Growth Rate

It simply gives the percentage increase over the previous year i.e.

$$g = Y(t) – Y(t_0) / Y(t_0) * 100$$

g = simple percentage growth rate over the base year

Y (t) = value of the given parameter in the current year

$Y(t_0)$ = value of the given parameter in the base year

b. Compound Annual Growth Rate

It indicates change for a given period on the basis of the base year and the end year values

$$.g = [(Y_1 / Y_0)^{1/t} - 1] 100$$

g = compound growth rate

Y_1 and Y_0 = values of the variable Y at the end year and base year

t = difference of years between the end year and the base year

c. Trend Analysis

In the trend analysis, we used the Least Squares method. The method of least squares may be used either to fit a straight line trend or a parabolic trend. The straight line trend is represented by the equation

$Y_c = a + b X$

Y_c = trend values

a = computed trend figure of the y variable when x = 0,

b = slope of the trend line (or amount of change in y for a given

X = independent variable (which is time in the case).

The constant 'a' is equal to the mean of Y values and the constant 'b' gives the rate of change.

Analysis and Interpretation

Sector-wise FDI Inflows in India: In the analysis of sector-wise FDI inflows in India, we analyze the five sectors during the period 1991-15.

Table-1 shows sector-wise FDI inflows in India during the period 2014-15.

Table-1

Sector-wise FDI Inflows in India as the period 2014-2015

(Rs. Crore)

Sr. No.	Name of Sector	FDI Inflow in 2014-15
1.	Services Sector	27369
2.	Telecommunications Sector	17372
3.	Chemicals Sector	4658
4.	Metallurgical Sector	2897
5.	Hotel & Tourism Sector	4740

Source: Computed from the various issues of RBI Bulletin, Ministry of Commerce.

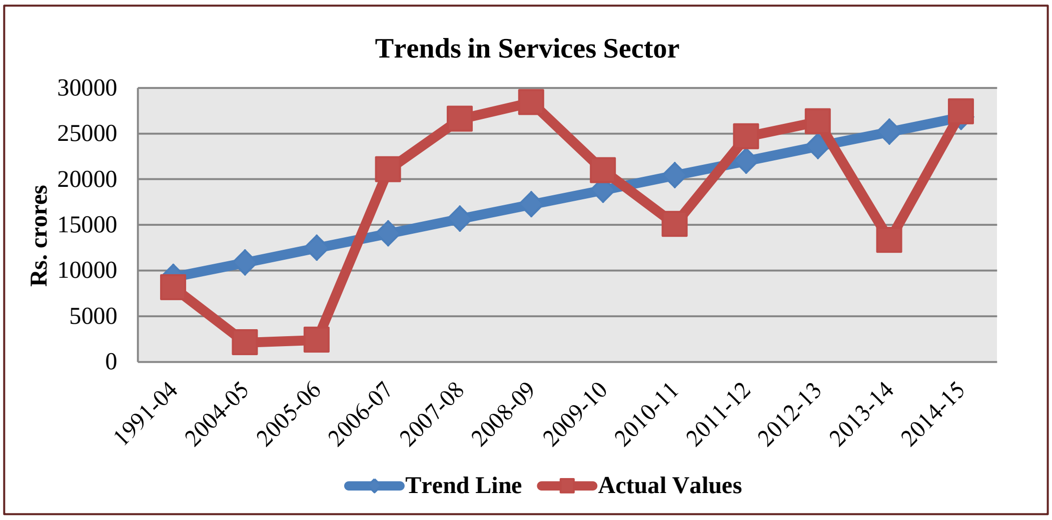
The services sector has highest inflow of FDI (Rs. 27369 crore) in 2014-15 and Metallurgical sector has lowest FDI inflows (Rs. 2897 crore) during 2014-15.

Sector-wise FDI Inflows in India

1. Services Sector

Services Sector put the economy on a proper glide path. It is among the main drivers of sustained economic growth and development. India received cumulative FDI inflows of Rs. 1277232 crore during 1991-2015. Out of this, Services sector received an inflow of Rs. 216323 crore, which is 16.94 % of total FDI inflows through FIPB/SIA route, RBI's automatic route and acquisition of existing share route during January 1991 to March 2015.

Chart-1



Source: Computed from the various issues of RBI Bulletin, Ministry of Commerce.

(Chart-1) shows that FDI inflows declined in 1991 to 2004 in services sector and has steady inflow up to 2006, but there is an exponential rise in FDI inflows 2006 to 2009. FDI inflows then shot up in 2010 & 2011 but rose in 2012 & 2013. In 2014, FDI inflows decline but in 2015 rose to an appreciable level.

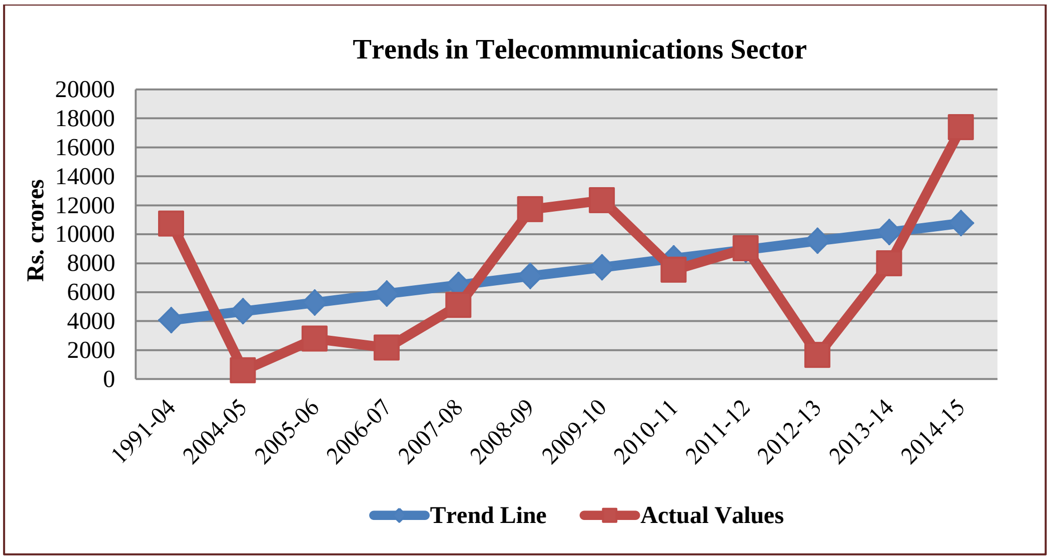
Services sector ranks 1st in the list of sectors in terms of cumulative FDI approved from January 1991 to March 2015. The leading Indian companies which received FDI inflows in this sector are: Cairn (I) Ltd., DSP Merrill Lynch Ltd., AAA Global Ventures Pvt. Ltd., Kappa Industries Ltd., Citi Financial Consumer Finance (I) Ltd., Blue Dart Express Ltd., Vyasa Bank Ltd., CRISIL Ltd., Associates India Holding Co. Pvt. Ltd., Housing Development Finance Corp. Ltd.

2. Telecommunications Sector

Telecommunications Sector comprises Telecommunications, Radio Paging, Cellular Mobile / Basic Telephone Services, etc. India received cumulative FDI inflows of Rs. 1277232 crore during 1991-2015. Out of this, Telecommunications sector received an inflow of Rs. 88979 crore, which is 6.97 % of total FDI inflows through FIPB/SIA route, RBI's automatic route and acquisition of existing share route during January 1991 to March 2015.

(Chart-2) shows that FDI inflows in telecommunications sector declined in 1991 to 2004, rise from 2005 and again decline from 2006 but there is an exponential rise in FDI inflows from 2007 onwards and decline from 2010, rise from 2011. FDI inflows then shot up from 2012 and then rose to an appreciable level from 2013 onwards**.**

Chart-2



Source: Computed from the various issues of RBI Bulletin, Ministry of Commerce.

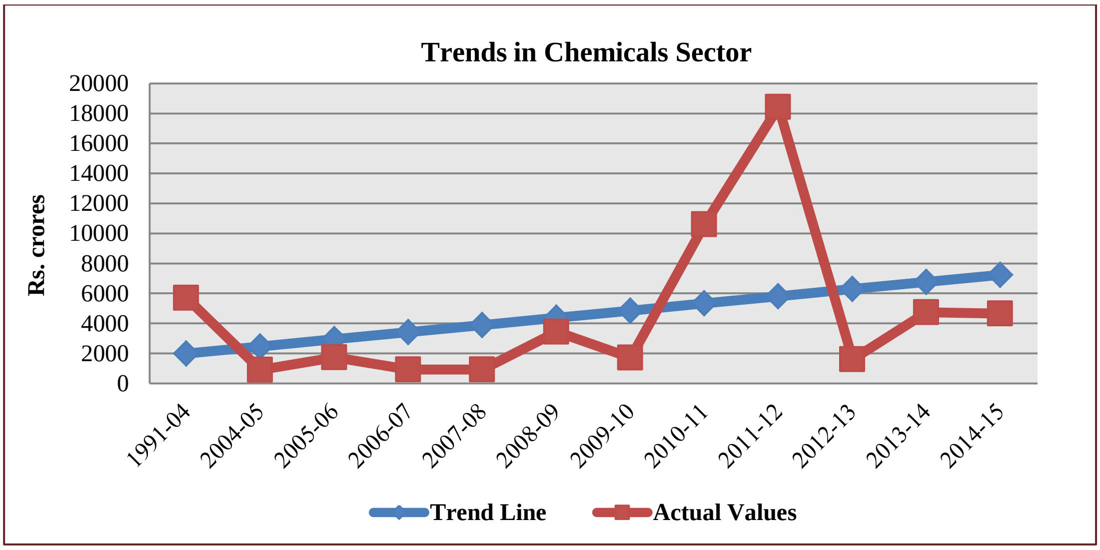
Telecommunication sector ranks 2nd in the list of sectors in terms of cumulative FDI approved from January 1991 to March 2015. The leading Indian companies which received FDI inflows in this sector are: Bhaik Infotel Pvt. Ltd., Aircel Ltd., Bharti Tele Ventures Ltd., Bharti Telecom Ltd., Flextronics Software Systems Ltd., Hathway Cable & Data Com. Pvt. Ltd, Unitech Developers & Projects Ltd., Hutchison Essar South Ltd., etc.

3. Chemicals Sector

Chemicals sector ranks 3rd in the list of sectors in terms of cumulative FDI approved from January 1991 to March 2015. India received cumulative FDI inflows of Rs. 1277432 crore during 1991-2015. Out of this, Chemicals sector received an inflow of Rs. 55342 crore, which is 4.33 % of total FDI inflows through FIPB / SIA route, RBI's automatic route and acquisition of existing share route during January 1991 to March 2015.

(Chart-3) shows FDI inflows has declined in chemicals sector in 1991 to 2004 and rise in 2005, decline from 2006 & 2007, rise from 2008 and then shot up in 2009 but rise in FDI inflows from 2010 & 2011. FDI inflows then decline from 2012 but rise in FDI inflows from 2013. As a result, we can say that there is upward and downward FDI inflows during 2005 to 2009 and 2012 to 2015.

Chart-3

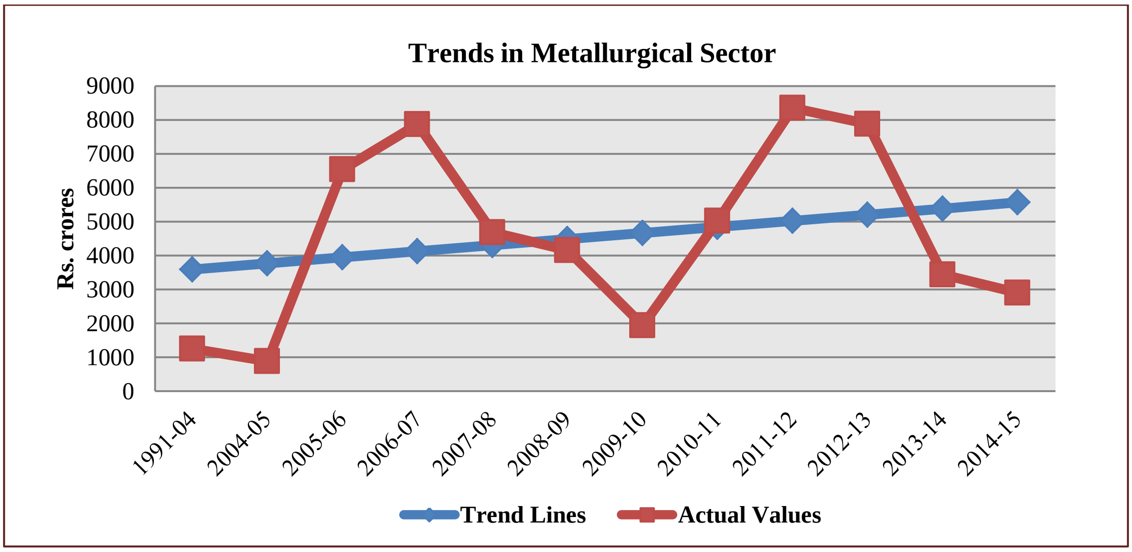


Source: Computed from the various issues of RBI Bulletin, Ministry of Commerce.

4. Metallurgical Industries

Metallurgical Industries comprises metals and metal products industries.

Chart-4



Source: Computed from the various issues of RBI Bulletin, Ministry of Commerce.

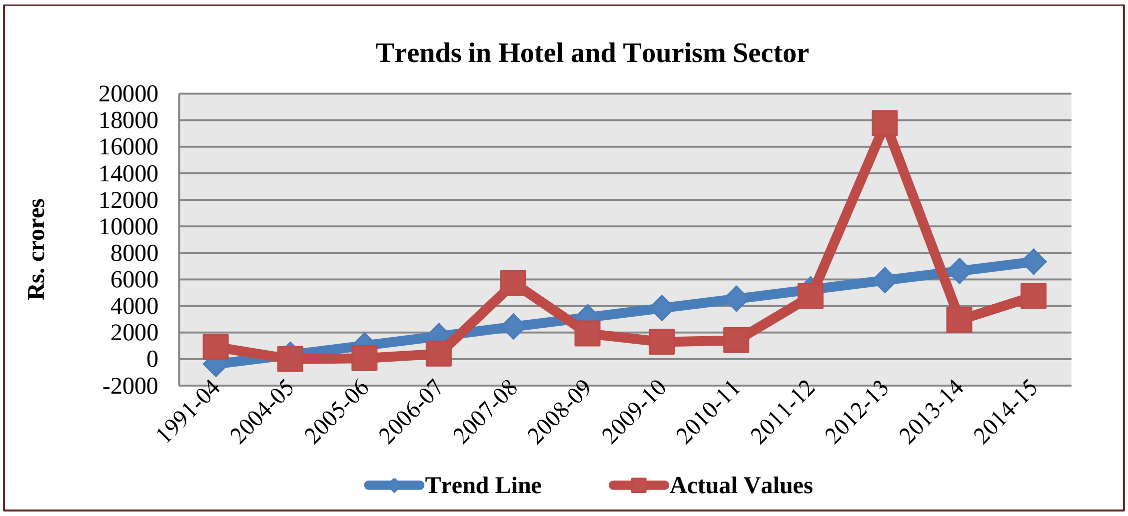
India received cumulative FDI inflows of Rs. 1277232 crore during January 1991 to March 2015. Out of this, metallurgical industries received an inflow of Rs. 54901 crore, which is 4.30 % of total FDI inflows through FIPB / SIA route, RBI's automatic route and acquisition of existing share route.

(Chart-4) shows FDI inflows in metallurgical industries sector has declined in 1991 to 2004, but there is an exponential rise in FDI inflows from 2005 then inflows decline from 2007. Then FDI inflows increased from 2010 onwards and decreased 2012-2015.

5. Hotel and Tourism Sector

Hotel and Tourism sector received 3.28 % of total FDI inflows during 1991-2015. India received cumulative FDI inflows of Rs. 1277232 crore during January 1991 to March 2015. Out of this, Hotel and Tourism sector received an inflow of Rs. 41946 crore through FIPB/SIA route, RBI's automatic route and acquisition of existing share route during January 1991 to March 2015.

Chart-5



Source: Computed from the various issues of RBI Bulletin, Ministry of Commerce.

(Chart-5) shows FDI inflows in hotel and tourism sector declined up to 2006, but rise in FDI inflows from 2007 and again decline from 2008. But there is an exponential rise in FDI inflows from 2011 and there is decline in 2013 and after that there is small increase in 2014.

Conclusion

From the above analysis, the study concluded that in the FDI-Sectoral analysis, Services sector is at the top position and received 16.94 % of total FDI inflows from January 1991 to March 2015. Telecommunication sector is at the 2nd position and received 6.97 %, and Chemicals sector is at the 3rd position and received 4.33 % of total FDI inflows. Metallurgical sector received 4.30 % of total FDI inflows and this sector comprises metals and metal products industries. Hotel and Tourism sector received lowest FDI inflows 3.28 % of total FDI inflows. As a result, we can say that sectoral analysis of FDI inflow plays an important role in the economic development of the country.

Recommendations

- Government should open doors to foreign companies in the export-oriented services which could increase the demand of unskilled workers and low skilled services and also increases the wage level in these services.
- It recommends that government must promote sustainable development through FDI by political involvement of people and ensuring personal security of citizens and

government should focus on FDI to boost domestic competitiveness, enhance skills, for social and economic gains.

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