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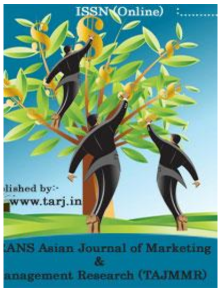

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(Double Blind Refereed & Reviewed International Journal)

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CSR IN INDIA: FROM PHILANTHROPY TO RESPONSIBILITY

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ABSTRACT

The concept and practice of Corporate Social Responsibility (CSR) in India has undergone a process of evolution in the flux of time. The process symbolizes an unending journey which begins with the noble intension of philanthropy (means charity or giving without expecting any return), but, on the way, the journey has become a matter of corporate responsibility. In India, philanthropic model did not work for long. As a result of which, there was pressure from various stakeholders on business corporate houses to undertake the responsibility of the society. Therefore, there is paradigm shift from philanthropic approach to responsibility approach. CSR in India is now mandated by law under New Company Act 2013. This paper attempts to put some insight into the evolution of CSR in India, CSR models in practice and explore gap in its implementation procedure. The business enterprises that pioneered industrialization and instigated rivalry against the British oppressors during pre- independent India also followed Trusteeship (M.K Gandhi) which is closely synonymous with CSR. According to him, 'a stakeholder in an organization is any group or individual who can affect or is affected by the achievement of the organization's objectives.' This is more pertinent in particularly a country like India where wide gap exists between people in terms of income and living standards as well as social status. Many of the companies who really invest on some social development projects; the basic intention was to formulate a business policy to stay away from the tax net, rather than to ensure the good of the nation.

KEYWORDS: *Corporate Social Responsibility (CSR), philanthropic, illiteracy, contractual*

INTRODUCTION

Philanthropy and Responsibility, in the critical segment of corporate sustainability matrix, stand in two extreme ends of a continuum. At one end, people interpret it as compliance to law, in the other extreme; it is sheer philanthropic in nature. Much before the phrase corporate social responsibility was coined, the industries and the individuals engage in philanthropic actions by contributing certain amount of their earnings for the development of society. CSR was more widely accepted as community-based development approach for the long time.

Over the period of time, a wide range of issues relating to rising population, poverty, global warming, health, illiteracy, unemployment in the country have been alarming and impacting the nation and the corporation to a large extent. There was pressure from international bodies, media, community and various other sections of society on the corporate houses and government that corporate houses should be responsible for the consequence of their action and the damage done to society. Therefore, the government of India passes the new company bill in 2012 which become an act in 2012 mandating CSR for certain companies. The business houses today feel it necessary to stay legitimately in business by complying to CSR legislation. This has been reflected in the social responsibility activities of the corporate houses which have moved beyond the traditional focus on periphery development as against the traditional contractual obligation.

DEFINING CSR

The definition of CSR is reflected in the three words contained within its title phrase: '**corporate'**, **'social'**, and **'responsibility'**. Broadly speaking, CSR cover the responsibilities of the business enterprises (or other for-profit organizations) towards the societies within which they operate. More specifically, CSR engages a business enterprise identifying its stakeholder groups and incorporating their needs and values within the strategic and day-to-day decision-making process.

The term stakeholder, means those on whom an organization's activities have an impact, was used to delineate as corporate owners beyond shareholders as a result of an influential book by R Freeman in 1984. The stakeholders of CSR include employees, suppliers, customers to that vulnerable entity known as the **community.**

GENERATION OF CSR IN INDIA

The concept of CSR in India is not new though it was acclaimed recently. Philosophers like Kautilya preached and promoted ethical principles while doing business. The concept of helping the poor and invulnerable was enshrined in many of the ancient literature.

The idea was also endorsed by several religions where it has been knotted with religious laws. "Zakaat", followed by Muslims, is donation from one's earnings which is specifically given to the poor and disadvantaged. Similarly, Hindus also practice the principle of "Dhramada" and Sikhs the "Daashaant".

India, with its rich tradition of high corporate accountability to the social sector, has been able to make a convergence of the government, the business community and the UN agencies working together for the national development effort even in pre-independent era. TATA, for example, has set up benchmark in CSR long before it was talked of and considered necessary. It introduced labour welfare measures such as the eight hour working day (1915), establishment of welfare department (1917) and ensuring maternity benefits (1928) to name just a few, even before the Acts relating to Social Security such as The Workmen's Compensation Act (1923), Employees' State Insurance Act (1948), The Employees Provident Fund Act (1952), Payment of Gratuity Act (1972), EPF Act (1952 & 1995) came into existence. The business enterprises that pioneered industrialization and instigated rivalry against the British oppressors during pre- independent India also followed Trusteeship (M.K Gandhi) which is closely synonymous with CSR. The business houses translated Trusteeship into reality by setting up Charitable Foundations, Educational and Healthcare Institutions, and Trusts for Community Development even before independence.

In 1990's, the importance of CSR is better realized because of the advent of liberalization, privatization and globalization. Quite a number of corporate houses emerged to operate in the open business environment which had the percussions on the world's natural resources. It resulted in gradual environmental degradation which has already taken an alarming form in the name of Global Warming. The change in environment and CSR legislations could compel the business houses realize that they could no longer persist to exploit environmental resources and abscond from their responsibility by acting as separate entities regardless of the interest of the society. Corporate have to take issues like Environmental protection, elimination of poverty, development of community etc. as a matter of their responsibility which have to be ingrained in business strategy as evoked in the preamble of the Charter laid down by the Ministry of Corporate Affairs, India.

This can be corroborated by the fact that while in 1977 less than half of the Fortune 500 firms even mentioned CSR in their Annual Reports, by the end of 1990, approximately 90 percent Fortune 500 firms embraced CSR as an essential element in their organizational goals, and actively, promoted their CSR activities in annual reports.

Respect is a much sought after tag in the Indian corporate world. This is one of the reasons for the immense popularity of **The Most Respected Companies of India Survey**, initiated by one of India's premier business magazines, **Business World** in 1983, long before skeletons began toppling out of the corporate closets around the globe. In fact, the magazine admitted in a cover feature following its first survey that the overwhelming reader response to its first ever ranking of corporate reputations indicated that "there is a great deal of interest within the management community in the subject of corporate reputations" and that this interest was "more than academic. Respect, as viewed by the survey was an aggregation of two broad parts of a company's deliverables: quantitative (like profitability) and qualitative (like community responsibility).

The 2010 list of Forbes Asia's **'48 Heroes of Philanthropy'** contains four Indians. The 2009 list also featured four Indians. India has been named among the top ten Asian countries paying increasing importance towards corporate social responsibility (CSR) disclosure norms. India was ranked fourth in the list, according to social enterprise CSR Asia's **Asian Sustainability Ranking (ASR)**, released in October 2009.

According to **Indian Brand Equity Foundation (2010)**, a study was undertaken by an industry body in June 2009, which studied the CSR activities of 300 corporate houses. The study report indicated that corporate India has spread its CSR activities across 20 states and Union territories, with Maharashtra gaining the most from them. About 36% of the CSR activities are concentrated in Maharastra, followed by about 12% in Gujarat, 10% in Delhi and 9% in Tamil Nadu. The companies have on an aggregate, identified 26 different themes for their CSR initiatives. Of these 26 schemes, community welfare tops the list, followed by education, the environment, health, as well as rural development.

Further, according to a report in the **Economic Times**, donations by listed companies grew 8% during the fiscal ended March 2009. The article mentioned that disclosures made by companies showed that 760 companies donated US$ 170 million in FY09, up from US$ 156 million in the year-ago period. As many as 108 companies donated over US$ 216,199, up 20 per cent over the previous year.

CSR MODELS IN PRACTICE

The Survey Report titled as "Altered Images: the 2001 State of Corporate Responsibility in India Poll", conducted by Tata Energy Research Institute (TERI) reveals that the evolution of CSR in India has followed a chronological evolution of 4 thinking approaches:

Ethical Model (1930 –1950): Ethical model of CSR is grounded on the citadel of 'Trusteeship' concept developed by M.K Gandhi which envisages that the owners of property should voluntarily manage their wealth on behalf of the people. This model has been advocated by 19th century corporate philanthropists such as the Cadbury brothers in England and the Tata family in India. Gandhi's influence stimulated various Indian enterprises to play dynamic roles in nation building and championed socio-economic development during the 20th century. Indian Corporate Philanthropy during this period is replete with cash or kind donations, community investment in trusts and provision of essential services such as schools, libraries, hospitals, etc. Many firms, particularly 'family-run businesses', continue to support such philanthropic endeavors.

Statist Model (1950 –1970s): Under the prime ministership of Jawaharlal Nehru, this model came into focus. This is the era, marked by the socialist and mixed economy framework, with a large public sector and state-owned companies. The boundaries between the state and society were lucidly defined for the state enterprises. Elements of CSR, especially those connecting to community and worker relationships, were enshrined in labour legislation and management principles. This state sponsored corporate philosophy continued to operate in the several public sector companies that have survived the wave of privatization of the early 1990s.

Liberal Model (1970s –1990s): The worldwide trend towards privatization and deregulation is said to be underpinned by this model of corporate responsibility – that companies are solely responsible to their owners. This model of CSR was encapsulated by Milton Friedman. As per this model, corporate responsibility is limited to its economic bottom line. This entails that it is sufficient for business to obey the law and generate wealth, which through taxation and private charitable choices can be directed to social ends to uplift the down-trodden what Prof. C. K Prahallad in his ground breaking book 'Bottom of the Pyramid' has implicitly focused. The dictum, 'survival of the fittest' should be replaced by the 'survival of the weakest.'

Stakeholder Model (1990s – Present): The model came into existence during 1990s as a consequence of realization that with growing economic profits, business houses also have certain societal roles to fulfill. Citizen campaigns against irresponsible corporate behavior along with consumer action and increasing shareholder pressure culminated in the birth of the stakeholder model of CSR. This view is associated with R. Edward Freeman's seminal analysis of the stakeholder approach to strategic management in 1984 which brought stake holding into the mainstream of management literature. According to him, 'a stakeholder in an organization is any group or individual who can affect or is affected by the achievement of the organization's objectives.'

Increasingly, the business enterprises are motivated to become more socially responsible because of the growing expectations of the stakeholders to understand and address the social and community issues that are important to them. Understanding what causes are significant to employees is usually the first priority because of the many interrelated business benefits that can be derived from increased employee engagement (i.e. more loyalty, improved recruitment, increased retention, higher productivity, and so on). Key external stakeholders include investor (particularly institutional investors), customers, consumers, regulators, academics, and the media.

The model expects companies to perform according to *triple bottom line:* Social Bottom line- People; ecological bottom line- Planet and economic bottom line- Profit. The businesses are also focusing on accountability and transparency through several mechanisms.

CSR CHALLENGES IN INDIA

CSR, in its implementation part, involves a lot of challenges while building partnership with various stakeholders. The corporate sector in India very often accuses the Government for poor governance and shortsightedness. Government and its executing machinery Bureaucracy often blame Indian Corporate for lack of transparency in so motto attitude to practice CSR. In India, it is the ground level reality that most of the corporate did neither have a clear cut CSR policy, nor the Governments of the concerned states had formulated standardized guidelines on CSR spending in periphery development activities. For example, though Nalco in Orissa has a clear cut CSR policy, nevertheless, it spends majority of its CSR allocation through Rehabilitation and Periphery Development Advisory Committee (RPDAC). And the state of Orissa does not have also any transparent guidelines for CSR spending which possibly renders immense scope for the misappropriation of CSR funds.

Many of the companies who really invest on some social development projects; the basic intention was to formulate a business policy to stay away from the tax net, rather than to ensure the good of the nation.

The community is also not properly aware of what CSR is all about. Community is not also unanimous on the CSR activities which have to be carried on by the corporate majors. Lack of awareness on CSR among the members of the community poses threat during the need assessment survey and CSR implementation. Suppose it is the case digging a few tube wells in a village. The place of digging becomes a matter of big controversy which is raised by the vested interests. In many of the places, this also happens that people are not aware of various kinds of projects undertaken by either the Government Machinery or the corporate agencies. This puts a question mark on the existing information system of the concerned agencies. Much needs to be done to change the mindsets of the stakeholders towards CSR and bring awareness among the corporate about their social responsibilities.

CONCLUSION

A healthy society requires three vital segments: a public sector, a private sector and a social sector. The responsibility of the public sector is essentially governance, that of private sector is enterprise and the social sector is committed to social good. In an evolving democracy, which is in a transition in India and after adoption of New Economic Policy (NEP) since 1990 and the LPG regime, CSR in the part of Industries, Corporate and Civil Society, Organizations can, indeed, hasten economic and social development, making the process inclusive. With negligible state welfare and infrastructure facilities in many regions, companies have to take initiatives through various projects relating to housing, healthcare and education, afforestation etc. from humanitarian point of view to uplift the major section of the society. This is more pertinent in particularly a country like India where wide gap exists between people in terms of income and living standards as well as social status.

The CSR is not supposed to be merely a statement of intent. It should be made mandatory, not just in writing as enshrined in the Preamble of Ministry of Corporate Affair, India, that corporate are required to spend at least 1% of their net profit in CSR activities, but in practice that this 1% must have positive bearing on the major sections of society. In this context, the following measures may be undertaken to ensure participation of the corporate in social development:

- Incorporation of a section on company’s social responsibility initiatives and its spending in different social developmental projects in its annual reports.
- Appointment of an independent authorized Committee to gauge, monitor, evaluate and report the impact of CSR, in annual reports
- Separate CSR department to be constitutes to look after the CSR activities
- Periodic training programmes to train personnel involved in CSR activities.
- Periodic awareness camps to show company’s concern for the stakeholder groups, especially, the community
- Establishment of a proper Linkage between CSR and financial performance of the company
- Allocating and spending at least 1% of the company’s net profit on social development projects that should reflect in the annual balance sheets of companies.

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INDIA'S FOREIGN POLICY AND ECONOMIC LIBRALIZATION

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ABSTRACT

India was passing through an economic mess in the 1990s. Hence economy was liberalized and a plethora of reforms were brought about in the economy by the then Prime Minister P.V. Narasimha Rao under his able Finance Minister Dr. Manmohan Singh. Old policies of licensing, quota, permits, etc. were abolished to a major extent and foreign investors and businesses were given a red carpet welcome. It was clear that for additional capital formation and employment generation foreign investment has to be the key. And therefore, India instead of wooing only the developed Western countries started emphasizing on the South-East Asian countries in a major way. This was the start of India's cherished Look East Policy. LEP was patronized by successors of P.V. Narasimha Rao like I.K. Gujral and Atal Behari Vajpayee, who continued to give their support to this new dimension of India's foreign policy. However later the policy also attached with itself some new dimensions – diplomatic and defense and now this policy has blossomed into an important and successful tool of India's foreign policy. In 1993, Prime Minister Rao, wishing to create a climate of confidence between India and Southeast Asia, paid an official visit to Thailand, the first country he visited outside the Indian subcontinent. In a situation where the Doha round under WTO has not seen success as yet and where western economies have collapsed the growing value of India's relations with ASEAN as a whole needs no emphasis.

KEYWORDS: *Emphasizing, Dimension, Emphasis,*

INTRODUCTION

Indian foreign policy already faces many challenges. The international scene has changed a great deal in the last two decades or so India has needed to adjust its foreign policy accordingly. **Look East Policy (LEP)** was a new series of policy change brought about the Indian Govt. in India's foreign policy. LEP laid emphasis on having strong relations with countries of East and South-East Asia. Basic underlying thought behind LEP was India's strong traditional and cultural relations with these countries. India enjoyed very cordial relations with countries of this region in almost all spheres, whether cultural, commercial or trade. Seeking strong economic relations with countries of South-East Asia was base of India' Look East Policy, which was formulated in 1991 under the Prime Ministerial tenure of P.V. Narasimha Rao. It was emphasized that support of developing nations must also be sought in the process of India' economic growth and development, which was ushered into in a major way during liberalization and reforms of the Indian economy. P.V. Narasimha was the main architect of this policy, which in the initial stages emphasized on seeking strong economic ties with economically strong economies of South-East Asia like Singapore. It was planned that after initial stages strong economic relations with Western countries like the US should be sought to give further momentum to India's economic development. But later it was understood that strong economic ties with countries of South-East Asia would be far more beneficial and would result in long term benefits for the economy. It was also noted that India's strong cultural and traditional relations with countries of South-Eastern Asia would make the process of forming economic ties more easily as compared to Western countries. Hence, it could be observed that the Look East Policy was primarily an economic policy. However later the policy also attached with itself some new dimensions – diplomatic and defense and now this policy has blossomed into an important and successful tool of India's foreign policy.

With the end of the Cold War and subsequent collapse of the Soviet Union, India not only lost its primary patron, it also lost its main trading partner, arms supplier, and source of subsidized oil. At the same time, the end of the bipolar struggle between the superpowers freed Asia from many of the ideological divisions that had defined it in previous decades. Desiring a way to link India's own liberalizing economy to those of Southeast Asia, as well as cultivate a greater role in the region, Prime Minister P. V. Rao launched the "Look East" policy in 1991. This multi-pronged initiative sought to create strategic political and economic ties with individual nations in Southeast Asia while simultaneously developing closer ties with the Association of Southeast Asian Nations (ASEAN), the region's premiere multilateral economic and political institution. Rather than being simply an economic policy, Look East marked "a strategic shift in India's vision of the world and India's place in the evolving global economy."

Over the past 16 years, India has steadily expanded and strengthened its relationship with ASEAN. It first became a sectoral dialogue partner in 1992, engaging with member states on issues such as trade, investment, and tourism. As a result of the "growing ties between the two sides that have developed in recent years," India became a full dialogue partner in 1995. The following year, India began to participate in the ASEAN Regional Forum (ARF) – a regional security grouping that included Asia-Pacific powers such as Australia, China, Japan, and the US as well as the EU and Russia. This marked a dramatic reversal of Indian policy, which had previously been strongly opposed to participating in multilateral security foray. In 2002, the relationship was upgraded again when the first ASEAN–India summit was held. The following year, India became one of the first non-Southeast Asian nations to accede to ASEAN's Treaty of Amity and Cooperation, which commits India to upholding the provisions of ASEAN's 1967 charter – including adhering to the principles of non-aggression and non-interference in the internal affairs of partner nations. In combination with the ARF, this step significantly bolstered India–ASEAN security cooperation. With the policy supported by both BJP and Congress governments, Look East and its associated strategies to establish India's presence in Asia have become an institutionalized component of the country's foreign policy. This approach has met with success because it achieves important foreign policy goals for both India and its partners. Increased engagement in the region is part of New Delhi's overall effort to increase its presence in an area where its sphere of influence overlaps with that of Beijing. For ASEAN member countries, India provides an alternative that allows them to reduce their economic dependence on both China and Japan. Unlike those two East Asian powers, India does not have a historical legacy of invasion or domination in the region. Deeper integration with India allows ASEAN nations to tap into a dynamic liberalizing economy in a democratic state. Not surprisingly, Singapore's Foreign Minister has noted that, "We see India's presence as being a beneficial and beneficent one to all of us in South-east Asia."

India's economic engagement with the region has expanded by an order of magnitude since 1990 as its annual trade with ASEAN nations grew from $2.4 billion to over $30 billion by 2007, with a goal of expanding bilateral trade to $50 billion by 2010. As a result of these increasing ties, India has reached an agreement with ASEAN to create a free trade zone by 2012 that would link 1.6 billion people in an area with a combined GDP of over $1.5 trillion. These measures are welcomed in the region, because they allow countries to avoid economic dependence on a single market. As Singapore's deputy Prime Minister has argued, "For Southeast Asia, a dynamic India would counterbalance the pull of the Chinese economy, and offer a more diversified basis for prosperity." Complementing its economic and political linkages to Southeast Asia, India has taken steps to achieve physical linkage as well. These efforts include the construction of a rail link between Hanoi and New Delhi that passes through Burma, Thailand, Laos, and Cambodia, as well as a major highway project linking India to Thailand via Burma.

LOOK EAST POLICY

The end of the Cold War transformed Southeast Asia from an ideological battlefield into a new source of economic vibrancy. The Rao administration immediately grasped the opportunity and quickly rebuilt economic and trade ties with countries in the region. Domestic factors permitted India to break free from its 'policy loneliness'. India, in the 1990s, commenced its own economic reform process, mainly to alleviate the balance of payments crisis which forced the country to procure a USD 1.8 billion loan from the International Monetary Fund (IMF). Accordingly, the government introduced stabilization measures to reduce the fiscal deficit, including a devaluation of the rupee by approximately 25 percent, as a short-term solution to the crisis. Simultaneously, Finance Minister Manmohan Singh began to seriously address the underlying causes of India‘s economic woes, such as India‘s failure to integrate effectively with the global economic system.

He immediately introduced broader reforms, including market-determined exchange rates, liberalization of interest rates and reductions in tariffs. Singh enthusiastically encouraged foreign direct investment (FDI), promoting privatization and developing the country‗s service and tertiary sectors. FDI poured into various sectors that resulted in rapid growth in the standard of living, per capita income and the gross domestic product (GDP). India‗s subsequent economic growth unquestionably helped expand its economic engagement with Southeast Asia. Although the Rao government seemed eager to implement a proactive diplomacy toward Southeast Asia, his Look East policy has often been criticized for lacking strategic vision. Baladas Ghoshal, for instance, has argued that the policy was not conceived with specific goals or a roadmap and is largely reactive in nature and simply addresses the rise of other regional powers and players in Southeast Asia.

Southeast Asian countries were also searching for new partners at that time to strengthen their economies and to materialize economic integration within the framework of ASEAN. There were at least two fundamental reasons for the rapprochement between India and Southeast Asia: first, India‗s decision to curtail its naval build-up due to financial constraints and, second, the United Nations-brokered peace settlement in Cambodia. Amitav Acharya has argued that, prior to the rapprochement, both Malaysia and Thailand expressed their concern about India‗s growing naval capability, and that Thailand‗s own military build-up was partly a direct reaction to the Indian threat. The two events dissipated some of the suspicion on the Southeast Asian side and allowed India to develop its relationship with it. In 1993, Prime Minister Rao, wishing to create a climate of confidence between India and Southeast Asia, paid an official visit to Thailand, the first country he visited outside the Indian subcontinent. From the Indian perspective, the Look East policy serves not only to promote economic partnership with Southeast Asia, but also to diminish the country‗s image as a military threat. Although the Look East policy may be a ―unstructured creation, India has continued to implement it as a platform for its objectives in Southeast Asia. The essential philosophy of the Look East policy is that India‗s future and economic interests are best served by greater integration with Southeast Asia. Most analysts agree that the Asian region will remain the most vibrant segment of the world economy in the medium term. Therefore, to achieve higher economic gains, India has been enthusiastic to expand its economic networks with Southeast Asian economies, as they have earned a large share of global exports in recent years, progressively becoming a part of supply chains of industrial components and raw materials. Hence, it is an attempt to forge closer and deeper economic integration with its eastern neighbours as part of the new real politic evident in India‗s foreign policy.

India's 'Look East' policy needs to be seen in the context of the situation in India and in the world prevailing in the early nineties of the last decade of the last century. Former Prime Minister Narasimha Rao ably assisted by the then Finance Minister had embarked on the policy of opening up the Indian economy, the former Soviet Union was on the verge of imploding, India and China had started on the path of improving their relations after decades of stagnation, economic reforms in China were showing initial results and South East Asian countries had improved their economies. India clearly needed to adapt to these changes while discarding the insular economic policies of the previous decades. Although Indian strategic thinkers talk of the 'Look East' policy as a strategic shift etc. it was really an attempt at restoring in a modern context India's traditional age old links in commerce, ideas and culture with a vast populated region with which India has historically, socially, culturally enjoyed close contacts. South East Asian countries also were enthused by the policy decisions to open up India referred to above as they also were no longer restrained by the previous estrangement between India and China. At the time of the announcement of the 'Look East' policy, in 1992, it would seem that the countries of the ASEAN Group were the first to see the potential inherent in the change of India's domestic economic policies. It is certainly the case that New Delhi could take a more proactive role in putting forth its vision for the strategic relationships it is building in the Asia-Pacific, rather than merely reacting to the actions of others, which will allow it to start shaping events in the region. Moreover, on occasion the rhetoric of Look East exceeds the reality, as illustrated by the failure of Indo-Japanese economic engagement between to keep pace with the development of their security ties. However, it is not correct to say that there is no depth to the bilateral and multilateral relationships India has forged in the Asia-Pacific over the past two decades. There is significant scope to the economic and strategic linkages New Delhi now possesses with key countries and institutions in the region. The degree to which this is a result of a single strategic plan crafted by the MEA or merely the result of events taking their course in a series of separate state-to-state relationships is open to question, but not the reality of these developments. If the present government had any political capital to burn, the time may be ripe for a Look East, Phase III that articulates India's vision of its political and economic role in the Asia-Pacific, its desired regional order and its role, if any, in the region's key security challenges, such as North Korean nuclear proliferation or the territorial disputes in the South China Sea.

A number of regional analysts perceive that India's economic and military engagement with the Asia-Pacific under Look East is a tangible sign that New Delhi will not meekly accept China's regional dominance. In Southeast Asia, such a competing influence is welcome, since the countries of the region have historically had difficulty preserving their autonomy in the presence of great powers. Without a legacy of dominating the region, India does not provoke this same anxiety as China or Japan does. India's increasing economic and military links broaden the range of powers influencing Southeast Asia, which allows local states to adopt hedging strategies versus China – developing ties with New Delhi while maintaining relations with Beijing. A similar phenomenon can be seen beyond ASEAN where support for India's inclusion in the East Asian Summit came from Singapore, Indonesia, and Thailand, as well as Japan and South Korea – all of which championed India's participation despite objections from China. Such a move was clearly made to prevent Beijing from dominating the institution. Japan increasingly sees India as a like-minder economic and strategic partner who shares significant mutual interests and concerns with respect to China's growing regional role. As a result, Japan has proactively advanced security cooperation agreements with India and also encouraged its participation in pan-Asian regional foray. Commenting on the significance of enhanced Indo-Japanese ties, then-Prime Minster Abe suggested that this will become Japan's ―most important bilateral relationship in the world, a sentiment that has been shared by his successors. Given the importance of Japan's security alliance with the United States, this is a bold pronouncement.

As the Asia-Pacific enters a period of transition, a number of actors believe that India's expanding economy, increasing maritime capability and security ties with Japan, Australia, and the United States, as well as key Southeast Asian nations, is positioning it to have a stabilizing impact on the region. Although, at present, India lacks the ability to independently shape the regional order in the Asia-Pacific, its presence is welcomed by the major democracies of the region as well as China-wary nations who believe that it is in India's interests, as well as that of many states in East and Southeast Asia, to avert a power transition in the region. In so far as Look East is a concrete sign of India's sustained interest in the region, it is a welcome one. After the economic meltdown in the West, the impressive growth of China and the steady economic growth of India have led to hyphenated international expectations that their rise would come to the rescue of the global economy. This is of course an exaggeration which points to the centre of economic gravity shifting to the East. However implicit in this are political implications about the increasing role of India in global affairs with which China needs to come to terms. The rapid growth of India-ASEAN relations offers a good building block for the EAST Asia Summit process to succeed in bringing a greater measure of economic and political order to a vast region of Asia, east of India. In spite of Chinese attitudes towards India all other participants in the East Asia Summit which would include the ASEAN, USA, Russia, Japan, Republic of Korea, Australia and New Zealand are supportive of India. Facts speak for themselves about the success of India's Look East policy and its great value to expand interests in Asia, east of India.

In the face of China's rise and its own relative decline, the US views India's closer geo-economics and geostrategic linkages in the Asia Pacific region to be beneficial all round. Accordingly, the US is hoping that India would expand its market and security integration across the region and enhance her role at Asia Pacific multilateral foray. The US is also seeking India's help in exploring the possibility of a "regional architecture" in the Asia Pacific region that would enforce international norms, ensure collective security - particularly maritime security, and help combat sea piracy together. The LEP, as enunciated in the early 1990s, was somewhat limited in scope with its emphasis primarily on economic relations with the ASEAN countries. But during the last decade, with changes in the geopolitical scenario, smaller south-east Asian states have also looked towards India to increase its regional profile and engagement as a balancer. India's LEP can be now said to have been upgraded to version 2. Starting with development of trade and investment linkages with the ASEAN region, the focus is now on deeper economic ties and more consultation on security issues. With her military-security power projection through naval deployments and maritime diplomacy, India has also moved into wider East Asia (Pacific Asia) and Pacific Basin (southern Pacific) settings. So, it can be seen that the scope of India's LEP has expanded. At least one analyst did indeed postulate that the foreign policy innovation to "Look East" was only the first stage of the strategy to "Look West"- towards US, but it later became an end in itself. Much deeper research would be required to establish or refute this and it would be perhaps best to leave it for history to judge after some more versions of LEP have evolved. The Southeast Asian nations and India are increasingly becoming conscious of the imperative of interdependence. China's growing economic and strategic influence in the region makes diversified relationship with India necessary for Southeast Asia. With the US down-scaling its presence in the region, many believe that India has the potential to contribute in enhancing stability and security of the region. The prospects are immense. But the challenge is to convert the potential into achievement.

The next phase of LEP will be much more complex as India's increasingly global economic and strategic interests require capacity for undertaking coordinated and concurrent responses involving economic, commercial, cultural and strategic engagements. India will need to become adept at projecting various dimensions of her influence constructively in defending her own core interests. Also, the role of non-government actors, including the Diaspora, will need to harmonize with India’s geo-economic and geo-strategic interests. The Southeast Asian region welcomes any major influence that can check China's ambitions in the region. It welcomed U.S. protective umbrella provided by the SEATO and U.S.'s bilateral, mutual treaties with countries in the region throughout the period marked by the Vietnam conflict. India was, during that time, on the other side, diplomatically supporting the Soviet-backed North Vietnamese. A saving grace for the ASEAN countries was the Sino-Soviet conflict, which served as a brake on China's ambitions in the region.

In the aftermath of the Cold War and the fall of the Soviet Union, the ASEAN region had only one potential threat to contend with. That was and has been a rising China and its potential ambitions -political, economic and military for the region. Any power which can checkmate China is welcome. The U.S. has been advising the ASEAN countries of India's usefulness in this regard, though India is neither willing to toe the U.S. policies and anger China, which after all, is a neighbor while the U.S. is a geographically distant power, which has manifested a lack of will to continue with the military burden. The ASEAN countries look at India's Look East Policy as one that may not be of much help but one that cannot hurt either. Of all its relations with ASEAN countries, India‘s ties with Myanmar have remained the most controversial; but still resonate the pragmatic thinking behind the Look East policy. Wai Moe argues that India‘s Look East policy toward Myanmar is indeed designed to obtain security along its common borders, to secure energy resources in Myanmar, to develop an overland route to Southeast Asia, and to prevent the Chinese influence in the Indian Ocean. If the military junta in Myanmar is able, on the other hand, to persuade India to defend its regime in front of the international community and supply resources for its armed forces – including arms and training – then China‘s leverage over the regime will be reduced. In the past decades, China‘s influence over the regime in Myanmar has been overwhelming. China has acted as a source of economic stability for the junta by intensifying bilateral trade activities as well as a source of political legitimacy for Myanmar‘s leadership. But this overwhelming influence has in turn restricted Myanmar‘s policy choices. Thus, strengthening ties with India could help diversify Myanmar‘s options. India, although democratic, has been a quick learner in this ferociously competitive economic and defence game. For instance, in the aftermath of the state‘s crackdown on pro-democracy demonstrators in Myanmar in September 2007, the Indian government announced its position of separating politics from economic interests in its relations with Naypyidaw, purportedly to protect its energy security investments in Myanmar. Recently, as Myanmar was preparing for its first election in 20 years, held on 7 November 2010, India once again remained silent even though it fully understood that the election would not be free and fair. It maintained its support for the SPDC and upheld its contention that the election was an encouraging step toward pluralism. US President Barack Obama, during his trip to New Delhi precisely at the time of the Myanmar election, criticized India for shying away from condemning alleged human rights abuses by the junta. ―When peaceful democratic movements are suppressed, as they have been in Myanmar, then the democracies of the world cannot remain silent, Obama said in an address to the Indian parliament.

In 2012 it is proposed to have a Summit meeting in Delhi to mark the twentieth anniversary of India-ASEAN relations which will be attended by Heads of States and Governments of respective member states. This is a symbol of the vast importance attached by the ASEAN as a whole and India to their mutual relations which has evolved to become a major factor in the geopolitics and economic relations in the region of South East Asia. Indo- ASEAN trade today has touched US50 billion. India has Comprehensive Economic Partnership Agreements with Singapore, which played a very leading part in the initial years of Indo-ASEAN relations in guiding India into the various institutions of ASEAN, Malaysia and such agreements are under negotiation with Indonesia and Thailand. Free Trade Agreement in goods has been signed between India and ASEAN. This needs to be supplemented by an FTA in services which is under intense negotiations. Mutual investments by India in ASEAN countries and by them in India have grown. In a situation where the Doha round under WTO has not seen success as yet and where western economies have collapsed the growing value of India’s relations with ASEAN as a whole needs no emphasis. The expanding role of military links between India and major ASEAN countries is another factor which consolidates mutual relations. Here the role of the Indian Navy which is today welcomed in the region as benign contributor in the event of disasters or against piracy or as a protector of the safety of sea lanes is important.

In the end, a true major power should cater both its international and domestic clients. A genuine hegemony must have the capacity to employ its available strategies not only to smarten its international image but more importantly to improve its domestic condition by bringing out the real developments to the masses. Developmental projects and user friendly technology should be simultaneously offered to the people in order for them to appreciate the state’s quest for power. After all, a real power must be holistically secured both within and outside her domain for it cannot sustain a power status without the support of the sound and satisfied movers. It is at this juncture that LEP as a hegemonic strategy must also be felt largely in India.

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PERFORMANCE OF SELECTED INDIAN EQUITY MUTUAL FUND SCHEMES DURING BULL AND BEAR MARKET SENTIMENTS

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ABSTRACT

This paper investigates risk and returns performance of selected mutual fund schemes and market return during bear and bull market sentiments during the financial years 2008-09 to 2014-15. The paper also attempts to compare public and private sector mutual fund performance during the study period. The average risk and return values for the selected schemes and for the stock market are calculated. The required data is taken from the daily net asset values given on Association of Mutual Funds in India's website and National stock exchange respectively. The study concludes that mutual fund schemes perform better than market in bull and bear market sentiments. Further, it is also found that both private and public sector mutual funds have performed similarly in terms of risk and return during 2008-09 to 2014-15. The study is useful for the investors of mutual funds as it is claimed by mutual fund industry that mutual funds are suitable investment option in different market conditions.

KEYWORDS: *Indian mutual funds, public sector mutual funds, bear and bull market sentiments, annual risk and return, Bench mark, risk adjusted measures, Net Asset Value.*

INTRODUCTION

In today's era of uncertainties, complexities and competition, investment has become an indispensable part of everyone's life. It has been understood that making a right investment is far more crucial than mere saving the money. A right investment is the one that provides a sense of security to its investor apart from just being safe and secure. The Indian capital market witnessed innovations during this period (Raju and Rao, 2009). These innovations related to opening of new financial institutions such as Mutual funds, and variety of financial services like merchant banking, credit rating, factoring etc. The mutual funds are playing a vital role in the development of capital markets, financial intermediation and the growth of corporate sector. Mutual funds have become major vehicle for mobilization of savings, especially from the small and household savers for investment in the capital market (Bhuvaneshwari, 2008). The need and scope for mutual fund operation has increased tremendously with the emphasis in increase in domestic savings and improvement in deployment of investment through markets. The mutual fund industry is a fast growing sector of the Indian financial markets (Turan and Bodla, 2004). Mutual funds have some comparative advantages as claimed by fund houses are presented in table 1.

TABLE 1 HERE

Table provides an evaluation of various financial products and the comparison also serves as a usual guide towards determination of the best option. It is evident from the above table that the growing acceptability of mutual funds is because of its returns, safety, liquidity and capital appreciation.

Market sentiments and mutual fund performance: Market sentiments are the subjective measure of how investors are feeling about a security or market. Generally speaking, market sentiments are positive when stock prices are expected to go up and negative when they are expected to go down. Because feelings sometimes change more slowly than a market's underlying fundamentals, market sentiment helps explain why securities have a tendency to become either overvalued or undervalued (www.financialdictionary.com). The performance of mutual fund scheme is judged under different market conditions i.e. bull and bear phase to evaluate the whether the fund has underperformed or over performed under different situations. Mutual fund managers design their investment strategy by assessing the market sentiments then only they would be able to successfully time the market. Successful fund managers are those who are capable of assessing correctly the direction of the market, whether bull or bear, by positioning their portfolios accordingly. If managers are expecting a declining market, they could change their portfolio suitably by increasing the cash percentage of the portfolio or by adjusting their equity investments in favor of defensive securities having lower beta. In case of a rising market, fund managers could reduce the cash position or adjust their equity portfolio in favour of aggressive securities having higher beta. By adjusting their portfolios correctly to the market timing, fund managers can generate superior returns compared to the market (Raju and Rao 2009). Mutual fund managers having good market timing abilities design the Investment portfolio pattern of the mutual fund schemes by analyzing the sentiments. Various tools and techniques are applied to know the superiority of the schemes in relation to the other schemes in terms of judging the market timing skill of the fund managers.

REVIEW OF LITERATURE

There is a plethora of literature on the mutual fund industry of the developed world, where mutual funds have been an important part of the capital market since the 1960s. Performance evaluation of mutual funds is of paramount importance to both investors as well as fund managers. A good number of studies have used risk adjusted measures of performance of mutual funds. The available literature on the performance of mutual funds basically deals with three important issues. i.e. performance, selectivity and market timing. A large number of studies have been conducted in India and abroad covering different aspects of mutual funds. A number of studies have been searched for the purpose of doing this research work which has helped in the completion of the research. Performance evaluation of mutual funds is a highly researched area. Enormous studies have been conducted in this area. The Indian literature on analyzing the investment pattern of mutual fund schemes is scarce. I did not find any relevant primary study in the Indian context which is related to market sentiments and mutual funds.

Shruti (2013) attempted to evaluate the performance of 12 equity mutual funds during bull and bear periods. The analysis was done using tools such as relative performance index, risk return analysis, Treynor, Sharpe, Jensen and Fama. Monthly closing NAVs were collected for the purpose of the study. It was found that the fund that performed well during bull period also performed reasonably good during bear period. On comparison with the sensex it was found that the funds performed better than the sensex during the bull period and the sensex outperformed the fund during the bear period.

Muruganandan (2011) examined the performance persistence of Indian Fund of Mutual Funds (FoFs) during the period from January 2nd 2007 to December 31st 2010. To assess the performance persistence in the bull and bear market horizons, the total study period has been divided into three sub-periods based on the movement of BSE 500 index closing value. The sub-periods are: First Bull Market Period: from 2nd January 2007 to 14th January 2008; Bear Market Period: from 15th January 2008 to 9th March 2009 and Second Bull Market Period: from 12th March 2009 to 31st December 2010. The performance of individual FoFs in each sub-period were assessed by employing the performance measures of average excess return, Sharpe ratio and Jensen's alpha. In the study, average excess return and Sharpe ratio exhibited the significant reversal pattern of performance persistence, when bear market performance is used to predict the second bull market performance. However, when the first bull market performance is used as a base, to predict the bear market and second bull market performance, no performance measures shows the significant persistence except average excess return.

Rude (2010) has employed the three academically backed well know financial models to analyse the abnormal performance of open and closed-end mutual funds. The paper has found that during bull market conditions, the aggregate monthly returns of open-end funds have greater abnormal performance yet during bear market conditions, closed-end funds have greater abnormal performance. It was also found that the size and market-to-book factors have a greater impact on the close-ended funds as compared to the open-ended funds. Another interesting thing that was found is during bull market periods, the closed-end aggregate returns had greater abnormal performance with the CAPM model yet did not with the other models. During bear market periods, closed-end equally weighted aggregate fund returns underperform the open-end returns.

Umamaheswar (2001) analyzed that mutual fund managers do not appear to possess any special information about the market direction of the future. Sample of 570 mutual funds were studied for a period from 1987-1996. The analysis was done with the help of Henriksson and Merton model. The results had shown that mutual fund managers have not been able to follow an investment strategy that successfully time the market return of the portfolio during 10 year bull market, which negatively impacts fund performance. Only 5 out of the 570 selected funds have shown significant fund selection ability of the fund managers.

The reviews of previous studies indicate lack of research about the subject. In the light of above mentioned literature a fresh study is required to analyze the recent performance of mutual funds during bear and bull market sentiments

OBJECTIVES

1. To investigate the average annual risk and return performance of selected equity mutual fund schemes during bear and bull market sentiments (2008-09 to 2014-15).
2. To compare the average annual risk and return performance of selected equity mutual fund schemes with market risk and return performance during the selected study period.
3. To compare the sector wise (public and private sector) average annual risk and return performance of selected equity mutual fund schemes during the selected study period.

NULL HYPOTHESES

1. That there is no significant difference between the average annual risk and return of the selected equity schemes during bull and bear market sentiments.
2. That there is no significant difference between the average annual risk and return of the selected equity schemes and market's average risk and return during bull and bear market sentiments
3. That there is no significant difference between the average annual risk and return of the selected equity schemes of public sector and private sector mutual funds.

RESEARCH METHODOLOGY

For the purpose of achieving objectives the data of daily NAVs of selected Equity schemes of MF was collected from the website of AMFI and the daily scrips of NSE Nifty was collected from NSE website. On the basis of NSE Data the bull phases years are 2009-10, 2014-15 and the years 2008-09, 2011-12 are considered as bear phase. The years 2010-11, 2012-13 and 2013-14 are taken as the less fluctuating years.

Period of Study: The period of study was 7 years i.e. from the year 2008-09 to 2014-15.

Sample Size: To achieve the mentioned objectives 86 equity schemes are selected on the basis data availability for the period 2008 to 2015. Out of total 86 selected schemes, 20 schemes are selected from public sector mutual fund houses and 66 schemes from private sector mutual fund houses. Further public sector mutual fund houses are divided into two sub categories and private sector mutual fund houses are divided into four sub categories. Among these sub categories the selection of fund houses was based on highest AUM in year 2012-13.

Tools for analyses: To achieve the objectives of the study, the daily NAV of selected mutual fund schemes and daily NAV values are collected and then the following tools are applied to find out results:

Measurement of Return: The following equation was used to work out return on daily basis.
Return is calculated as follows:

$$R_p = (NAV_t – NAV_{t-1}) / NAV_{t-1}$$

For Scheme, return is calculated with the help of NAV whereas for Market return and NSE values were used for the purpose of calculating market return.

Measurement of Risk: Total risk is measured with the help of standard deviation of daily returns both for the mutual fund schemes and the benchmark. Mathematically, the following formulae are used to compute mutual funds risk and the market risk:

Mutual fund risk is calculated as follows:

$$\sigma_p = \sqrt{\Sigma(Rp-\bar{R}p)^2 \;/n-1}$$

Where, $\sigma_p =$ standard deviation of daily return of a schemes, $\bar{R}_p$ is daily return of the scheme, n is number of observations.

Further to test the hypotheses t-test and F test were applied with the help of SPSS software version 19.

DATA ANALYSIS AND INTERPRETATIONS

A) Risk Analysis: To achieve the first objective of the study an attempt is made to compare the public and private sector mutual funds. The public sector comprises of (i) Joint Ventures, and (ii) Others; and private sector is further classified into (i) Indian (ii) Joint Ventures- Predominantly Indian (iii) Joint Venture- Predominantly Foreign and (iv) Foreign (taken from AMFI website). A sector-wise position of risk found in case of Equity schemes is presented in table 2. It is obvious from the table that, there is no significance difference between the risk associated with public sector and private sector equity schemes except the year 2014-15 where the level of significance is .049 which indicates that in the year 2014-15 there is a difference in the risk level of the schemes of public and private sector equity mutual fund schemes. The public sector equity schemes are risky than private sector equity schemes.

Table 2 here

Other than year 2014-15, public sector schemes and private sector schemes have experienced insignificant level of variability in their return. In year 2008-09 private sector (Foreign) has the maximum risk followed by public sector (Joint Venture), on contrary private sector (Indian) has the lowest risk value. Similarly in year 2009-10 the highest risk is reflected by public sector (Joint Venture) and private sector (Foreign). Here the lowest average risk value belongs to private sector (Joint Venture-Predominantly Indian). But the difference of average risk is not too high to be significant. Consequently null hypothesis is rejected.

Table 3 is more detailed aspect of public and private sector performance in terms of risk associated with the respective equity schemes. The year 2010-11 has shown low risk value in compensation to the previous two years. In year 2011-12, public sector (Joint Venture) is found with maximum average values of risk. The value of average risk is also low in the year 2012-13. But the difference in the mean values of risk among all sectors maintained is not significant. In year 2014-15, private Sector (Foreign) has the lowest level of average risk and public sector (Joint Venture) has the highest level of risk. The F value is significant at 10% level of significance.

TABLE 3 HERE

In conclusion it can be inferred that there is no significant difference among the risk of all the sectors in all the years since the significance level is found more than 5 percent in all the cases. A slight degree of significance is found in the year 2014-15, where the hypothesis is rejected at 10 percent level of significance which indicates that there is a significant difference between the schemes of various sectors in the year 2014-15, where the maximum mean value of risk is found in the Public Sector –Joint Venture (15.24) and the minimum mean risk is found in Private Sector-Foreign (9.11) standard deviation value.

TABLE 4 HERE

Risk during Bear and Bull Market Sentiments: In the table 4 comparison of risk of the schemes is done on a year on year basis where the years are mentioned as bull and bear periods. In all the years' t-test value is found significant which implies that there is a significant difference in the standard deviation of the schemes in different years due to change in Market conditions and other factors. As far as the mean value is concerned, year 2008-09 have registered the highest mean values i.e. 31.37 when the economy was in Bear market phase. After this year the mean value of risk started declining.

In the table 5 comparison of risk of the Market (benchmark) is done on an year to year basis where the years are mentioned as bull and bear periods. In all the years' t value is found significant at 99 percent level of significance which implies that there is a significant difference in the standard deviation of the schemes in different years due to change in market conditions and other factors. Similar to the mutual fund equity schemes' mean risk, year 2008-09 has registered the highest mean values i.e. 41.05.

TABLE 5 HERE

Comparison of Market Risk and Scheme (Portfolio) Risk: After analyzing the risk and return pattern it is very important to compare the risk of portfolio with market risk. It is an advantage of mutual fund investment option that it provides more return in comparison to market and the risk level is also comparatively less than the risk associated with the market. Hence, an attempt is made in the present section to dig out the conclusion related to the mentioned aspect.

TABLE 6 HERE

In table 6, it can be observed that in all the years the t values are found significant. This reflects that there is difference of risk taken by the market and the portfolio. By looking at the mean values it can be interpreted that except 2014-15, the mean risk of the portfolio is found less than the mean value of the market which indicate that the portfolio manager has been able to reduce risk by diversification to a considerable amount.

It can also be judged that the risk of the portfolio is found highest in the year 2008-09 when the economy was under bear market run, but still the risk is comparatively less than the mean risk of the market.

B) Return Analysis: In order to compare the returns associated with public and private sector growth schemes, independent sample t-test was applied. The outcome of the test is available in table 7.

TABLE 7 HERE

To examine whether the returns of equity schemes differs significantly across the sector, t-test was applied at 5 percent level of significance. The outcome of t-test shows that there is no significant difference between the return offered by public sector and private sector equity mutual funds. The above is found true irrespective of year concerned. Hence both public and private sector equity schemes are performing equally well in India. Interestingly the above phenomenon holds well in case of each and every level of return. The return is found generally lower in case of private sector schemes in each of the year except 2013-14. However the variation in the risk has turned insignificant at 5 percent level of significance.

TABLE 8 HERE

Return during Bear and Bull Market Sentiments: In the above table 9 comparison of returns of the schemes is done on a year to year basis. In all the years t value is found significant at 99 percent confidence level which implies that there is a significant difference in the performance of the schemes in different years due to change in market conditions and other factors. As far as the mean return value is concerned, year 2009-10 (60.70) reflects the highest value of mean return, since the market was witnessing the bull run during that period. On the contrary the lowest mean return of the selected mutual fund equity was registered in 2008-09 (-43.99), since the market was in bearish phase.

TABLE 9 HERE

In the table 10 year wise comparison of returns of the benchmark (market) is done on a year to year basis. In all the years, t value is found significant at 99 percent confidence level which implies that there is a significant difference in the performance of the schemes in different years due to change in market conditions and other factors. Similar to selected mutual fund equity schemes' mean value, the mean value of the market has registered highest value in the year 2009-10 (56.02), as the market was witnessing the bull run during that period. On the contrary the lowest mean return of the selected mutual fund equity was registered in 2008-09 (-45.74), as the market was in bearish phase. It can also be analyzed that during the bullish phase i.e. 2009-10 and 2014-15, the mutual fund mean return was more than market return. Also, during bearish phase i.e. 2008-09 and 2011-12, the mutual fund is able to protect from losses to a better extent than the market.

TABLE 10 HERE

The year wise comparative analysis of scheme return vis a vis market return and scheme risk vis a vis market risk is projected to judge whether there is a significant difference between the benchmark (market) and portfolio (mutual fund equity schemes) in terms of risk/return during the period of study i.e. 2008-09 to 2014-15 (Table 11).

TABLE 11 HERE

As far as the comparison between the market return and portfolio return is concerned, a significant difference is found in three years i.e. 2011-12, 2014-15 and 2012-13 where the t values are significant at 99 and 95 percent confidence level as the significance value is 0.000, 0.000 and 0.036 respectively (table 11). It indicates that there is a difference in the return given by the portfolio and the market during these three years. In the years 2013-14 and 2014-15 the value of mean of portfolio (17.34 and 31.15) has been found higher than the market mean (16.41 and 22.20) showing that the portfolio have given higher return than the market. But for these two years the level of return is seen commensurating with the return taken as the mean values of risk of the portfolio (15.84 and 13.79) is also found higher than the mean value of market risk (18.65 and 13.42) . In rest of the years, there is negligible difference in the return generated by portfolio and the market.

The year wise analysis reflected that in year 2008-09 the return of portfolio is highly negative, but the intensity is slightly less than the benchmark. Further, in year 2009-10, the portfolio outperformed then the benchmark. On contrary, 2010-11 and 2012-13, the portfolio returns are not able to outperform as the market return is higher as reflected by the average mean values.

MAJOR FINDINGS

- It is found in the study that there is significant difference during the bear and bull market sentiments in terms of annual risk and annual return. The mutual fund equity schemes have generated significantly high return and risk during bull market sentiments. The intensity of risk and return was found high in bull market sentiments

- As far as the sector wise comparison is concerned it is found that there is no significant difference between annual risk and return values of public and private sector mutual fund schemes. The average highest risk is shown by private sector (Indian) and private sector (others).

- The comparison between market return and portfolio return is concerned, a significant difference is found in three years i.e. 2011-12, 2014-15 and 2012-13 and in the respective years the mutual fund schemes outperformed than the market return.

- The comparison of average annual risk reflected that mutual fund equity schemes have generated comparatively less risk than the market risk excepted in the year 2014-15. In this year the risk values of schemes are higher than the market values of risk.

Managerial Implications : The results of this study has explained the performance of mutual funds during bear and bull market sentiments and try to prove the claim of mutual fund managers that mutual fund schemes provide higher returns in comparison to risk and equally competent to stock market investment options. The study may provide useful information for both mutual fund investors and stock market investors in applying this study to improve their own investment decisions. Through this paper the mutual fund managers would also be able to justify their claims and can attract more numbers of investors'.

Future research Directions: The current study has explained the performance of equity mutual fund schemes. The further research can be done by adding new methods and models to the collected information. Further one can select a specific sector or types of scheme.

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Table 1 : Comparative Advantages of Various Forms of savings

Particulars	Returns	Safety	Liquidity	Volatility	Convenience
Equity	High	Low	High or low	High	Moderate
FI Bonds	Moderate	High	Moderate	Moderate	High
Corporate Debentures	Moderate	Moderate	Low	Moderate	Low
Company Fixed Deposits	Moderate	Low	Low	Low	Moderate
Bank Deposits	Low	High	High	Low	High
PPF	Moderate	High	Moderate	Low	High
Life Insurance	Low	High	Low	Low	Moderate
Gold	Moderate	High	Moderate	Moderate	Low
Real Estate	High	Moderate	Low	High	Low
Mutual Funds	High	High	High	Moderate	High

(Source: AMFI Mutual Funds test workbook – 2000, pp 150.)

Table 2: Sector-Wise Comparison of Risk of Select Equity Schemes of Mutual Funds

	Sector	2008-09 (Bear)	2009-10 (Bull)	2010-11 (Normal)	2011-12 (Bear)	2012-13 (Normal)	2013-14 (Normal)	2014-15 (Bull)
Mean	Public Sector	33.47	27.03	15.74	19.52	14.42	16.96	15.37
	Private Sector	30.60	25.73	15.05	17.04	11.76	15.51	13.34
S.D.	Public Sector	5.10	3.72	2.32	7.86	9.11	3.84	3.23
	Private Sector	10.06	8.49	4.45	5.22	4.79	5.03	5.37
Mean Difference		2.86	1.29	.688	2.48	2.66	1.44	2.02
t-Value		1.428	.856	.855	1.259	1.226	1.338	2.019

Significance Level	.160	.396	.396	.221	.234	.189	.049*

**Significant at 95 percent level of Confidence*

Table 3: Category -wise Comparison of Annual Risk of Mutual Fund Equity Schemes

Year	Sector	Mean Value	Std. Deviation	F Value	Sig. level
08-09	Public Sector –Joint Venture	34.250	4.23	1.098	0.372
	Public Sector- Others	32.72	5.85		
	Private Sector- Indian	27.28	11.76		
	Private Sector-Joint Venture (Predominantly Indian)	30.25	11.52		
	Private Sector-Joint Venture (Predominantly Foreign)	33.65	5.08		
	Private Sector(Foreign)	34.85	2.95		
09-10	Public Sector –Joint Venture	27.79	2.97	0.594	0.705
	Public Sector- Others	26.17	4.25		
	Private Sector- Indian	27.35	10.98		
	Private Sector-Joint Venture (Predominantly Indian)	23.85	8.93		
	Private Sector-Joint Venture (Predominantly Foreign)	24.75	2.93		
	Private Sector(Foreign)	27.77	1.47		
10-11	Public Sector –Joint Venture	15.52	2.09	0.301	0.911
	Public Sector- Others	16.13	2.55		
	Private Sector- Indian	15.16	5.21		
	Private Sector-Joint Venture (Predominantly Indian)	14.50	5.06		
	Private Sector-Joint Venture (Predominantly Foreign)	14.93	3.64		
	Private Sector(Foreign)	16.23	1.47		
11-12	Public Sector –Joint Venture	20.06	9.71	0.721	0.610
	Public Sector- Others	18.39	3.86		
	Private Sector- Indian	16.69	6.09		
	Private Sector-Joint Venture (Predominantly Indian)	16.22	5.97		
	Private Sector-Joint Venture (Predominantly Foreign)	17.93	3.23		
	Private Sector(Foreign)	18.35	3.66		
12-13	Public Sector –Joint Venture	15.59	11.84	1.062	0.388
	Public Sector- Others	12.59	2.79		
	Private Sector- Indian	11.66	4.44		
	Private Sector-Joint Venture (Predominantly	12.93	6.69		

	Indian)				
	Private Sector-Joint Venture (Predominantly Foreign)	10.56	3.50		
	Private Sector(Foreign)	12.21	3.03		
13-14	Public Sector –Joint Venture	16.16	3.01	0.512	0.766
	Public Sector- Others	17.81	4.51		
	Private Sector- Indian	15.65	6.70		
	Private Sector-Joint Venture (Predominantly Indian)	14.71	5.93		
	Private Sector-Joint Venture (Predominantly Foreign)	15.92	1.57		
	Private Sector(Foreign)	16.08	3.46		
14-15	Public Sector –Joint Venture	15.24	3.49	2.012	0.086*
	Public Sector- Others	15.17	3.09		
	Private Sector- Indian	14.73	5.99		
	Private Sector-Joint Venture (Predominantly Indian)	13.50	5.30		
	Private Sector-Joint Venture (Predominantly Foreign)	13.53	3.93		
	Private Sector(Foreign)	9.11	5.30		

**Significant at 90 percent level of Confidence*

Table 4: Comparison of Mutual Fund Equity Scheme Risk in Bull and Bear Market Sentiments

Particulars	**08-09/ 09-10**		**09-10/ 10-11**		**10-11/ 11-12**		**11-12/ 12-13**		**12-13/ 13-14**		**13-14/ 14-15**	
	08-09	**09-10**	**09-10**	**10-11**	**10-11**	**11-12**	**11-12**	**12-13**	**12-13**	**13-14**	**13-14**	**14-15**
Mean	31.37	26.01	26.01	15.22	15.22	17.59	17.59	12.33	12.33	15.84	15.84	13.79
SD	9.13	7.70	7.70	4.05	4.05	5.93	5.93	6.04	6.04	4.77	4.77	4.98
t value	28.238		33.15		26.357		18.94		30.403		25.194	
Sign.	.000**		.000**		.000**		.000**		.000**		.000**	
Accept/Reject	Rejected		Rejected		Rejected		Rejected		Rejected		Rejected	

**Significant at 99 percent level of Confidence*

Table 5: Comparison of Market risk in Bull and Bear Market Sentiments

Particulars	**08-09/ 09-10**		**09-10/ 10-11**		**10-11/ 11-12**		**11-12/ 12-13**		**12-13/ 13-14**		**13-14/ 14-15**	
	08-09	**09-10**	**09-10**	**10-11**	**10-11**	**11-12**	**11-12**	**12-13**	**12-13**	**13-14**	**13-14**	**14-15**
Mean	41.0	31.0	31.0	17.0	17.0	22.5	22.5	13.7	13.7	18.6	18.6	13.5

	5	9	9	7	7	9	9	4	4	5	5	8
SD	1.88	1.29	1.29	1.17	1.17	0.20	0.20	2.49	2.49	0.100	0.100	2.35
T value	34.89		68.519		-40.84		32.69		-18.12		19.61	
Sign.	.000**		.000**		.000**		.000**		.000**		.000**	
Accept/Reject	Rejected		Rejected		Rejected		Rejected		Rejected		Rejected	

***Significant at 99 percent level of Confidence*

Table 6: Comparison between Benchmark (Market) Risk and Portfolio (Equity Mutual Fund Schemes) Risk

Year	**2008-09 (Bear)**		**2009-10 (Bull)**		**2010-11 (Normal)**		**2011-12 (Bear)**		**2012-13 (Normal)**		**2013-14 (Normal)**		**2014-15 (Bull)**	
	σ_p	σ_m	σ_p	σ_m	σ_p	σ_m	σ_p	σ_m	σ_p	σ_m	σ_p	σ_m	σ_p	σ_m
Mean	31.31	41.05	26.01	31.09	15.22	17.07	17.59	22.59	12.33	13.74	15.84	18.65	13.79	13.42
SD	9.13	1.88	7.70	1.29	4.05	1.17	5.93	0.20	6.04	2.49	4.77	0.10	4.98	2.77
t vale	-8.217		-5.438		-3.855		-7.473		-1.996		-5.390		-0.598	
Sign	0.000**		0.000**		0.000**		0.000**		0.048*		0.000**		0.551	
Hypothesis	Rejected		Rejected		Rejected		Rejected		Rejected		Rejected		Accepted	

***Significant at 99 percent level of Confidence*

**Significant at 95 percent level of Confidence*

Table 7 : Sector-Wise Comparison of Return of Selected Equity Schemes of Mutual Funds

	Sector	**2008-09 (Bear)**	**2009-10 (Bull)**	**2010-11 (Normal)**	**2011-12 (Bear)**	**2012-13 (Normal)**	**2013-14 (Normal)**	**2014-15 (Bull)**
Mean	Public Sector	-50.53	65.07	15.74	-6.35	5.30	16.55	34.41
	Private Sector	-42.89	59.57	15.05	-4.00	4.91	17.55	30.03
S.D.	Public Sector	20.18	14.00	2.32	8.15	7.21	6.82	10.18

	Private Sector	19.98	26.21	4.45	8.43	8.00	7.18	17.45
Mean Difference		-7.64	5.49	.688	-2.35	.38	-1.00	4.37
t-Value		-1.247	1.06	.855	-1.06	.201	-.557	1.364
Significance Level		.226	.292	.396	.296	.842	.582	.178
Hypothesis		Accepted	Accepted	Accepted	Accepted	Accepted	Accepted	Accepted

Table 8 : Category- wise Comparison of Annual Return of Mutual Fund Equity Schemes

Year	Sector	Mean Value	Std. Deviation	F Value	Sig. level
08-09	Public Sector –Joint Venture	-60.51	21.60	2.280	0.05*
	Public Sector- Others	-38.78	6.74		
	Private Sector- Indian	-35.61	21.76		
	Private Sector-Joint Venture (Predominantly Indian)	-42.96	21.45		
	Private Sector-Joint Venture (Predominantly Foreign)	-53.15	17.90		
	Private Sector(Foreign)	-44.24	4.83		
09-10	Public Sector –Joint Venture	70.85	13.70	0.409	0.841
	Public Sector- Others	57.92	10.20		
	Private Sector- Indian	57.12	33.91		
	Private Sector-Joint Venture (Predominantly Indian)	62.61	23.62		
	Private Sector-Joint Venture (Predominantly Foreign)	59.58	18.55		
	Private Sector(Foreign)	58.66	20.22		
10-11	Public Sector –Joint Venture	3.66	7.33	1.026	0.409
	Public Sector- Others	10.70	7.69		
	Private Sector- Indian	8.26	9.08		
	Private Sector-Joint Venture (Predominantly Indian)	9.66	6.46		
	Private Sector-Joint Venture (Predominantly Foreign)	7.60	7.28		
	Private Sector(Foreign)	5.86	10.75		
11-12	Public Sector –Joint Venture	-5.99	9.32	0.457	0.807
	Public Sector- Others	-6.74	6.06		

	Private Sector- Indian	-4.54	8.27		
	Private Sector-Joint Venture (Predominantly Indian)	-2.30	9.95		
	Private Sector-Joint Venture (Predominantly Foreign)	-5.4	15.31		
	Private Sector(Foreign)	-4.07	10.16		
12-13	Public Sector –Joint Venture	5.70	8.95	0.988	0.431
	Public Sector- Others	5.98	5.50		
	Private Sector- Indian	5.08	8.12		
	Private Sector-Joint Venture (Predominantly Indian)	7.72	6.71		
	Private Sector-Joint Venture (Predominantly Foreign)	2.13	8.41		
	Private Sector(Foreign)	4.75	8.58		
13-14	Public Sector –Joint Venture	17.24	8.48	0.817	0.541
	Public Sector- Others	15.95	3.79		
	Private Sector- Indian	16.01	5.66		
	Private Sector-Joint Venture (Predominantly Indian)	20.19	7.64		
	Private Sector-Joint Venture (Predominantly Foreign)	7.06	7.84		
	Private Sector(Foreign)	16.59	7.74		
14-15	Public Sector –Joint Venture	37.78	11.84	3.762	0.004**
	Public Sector- Others	30.85	5.59		
	Private Sector- Indian	33.79	13.46		
	Private Sector-Joint Venture (Predominantly Indian)	35.76	14.20		
	Private Sector-Joint Venture (Predominantly Foreign)	28.12	17.23		
	Private Sector(Foreign)	11.84	22.92		

***Significant at 95 percent level of Confidence*

**Significant at 90 percent level of Confidence*

Table 9 : Comparison of Returns of Mutual Fund Equity Schemes in Bull and Bear Market Sentiments

Particulars	**08-09/ 09-10**		**09-10/ 10-11**		**10-11/ 11-12**		**11-12/ 12-13**		**12-13/ 13-14**		**13-14/ 14-15**	
	08-09	09-10	09-10	10-11	10-11	11-12	11-12	12-13	12-13	13-14	13-14	14-15
Mean	-43.99	60.70	60.70	7.59	7.59	-4.50	-4.50	5.12	5.12	17.34	17.34	31.15
SD	20.58	24.07	24.07	8.08	8.08	8.28	8.28	7.83	7.83	7.03	7.03	16.04

T value	-27.024	17.614	9.379	-7.67	-10.69	-7.188
Sign.	0.000**	0.000**	0.000**	0.000**	0.000**	0.000**
Hypothesis	rejected	Rejected	rejected	rejected	rejected	rejected

***Significant at 99 percent level of Confidence*

Table 10: Comparison of Returns of Market in Bull and Bear Market Sentiments

	2008-09/ 2009-10		**2009-10/ 2010-11**		**2010-11/ 2011-12**		**2011-12/ 2012-13**		**2012-13/ 2013-14**		**2013-14/ 2014-15**	
Particulars	2008-09	2009-10	2009-10	2010-11	2010-11	2011-12	2011-12	2012-13	2012-13	2013-14	2013-14	2014-15
Mean	-45.74	56.02	56.02	9.27	9.27	-10.12	-10.12	7.09	7.09	16.41	16.41	22.47
SD	3.01	1.47	1.47	2.99	2.99	2.55	2.55	3.57	3.57	0.49	0.49	4.69
T value	86.25		122.22		43.64		-35.80		-23.92		-11.70	
Sign.	0.000**		.000**		.000**		.000**		.000**		.000**	
Hypothesis	Rejected		rejected		rejected		rejected		rejected		rejected	

***Significant at 99 percent level of Confidence.*

Table 11: Comparison between Benchmark (Market) Return and Portfolio (Equity Mutual Fund Schemes) Return

Year	**2008-09 (Bear)**		**2009-10 (Bull)**		**2010-11 (Normal)**		**2011-12 (Bear)**		**2012-13 (Normal)**		**2013-14 (Normal)**		**2014-15 (Bull)**	
	R_p	R_m	R_p	R_m	R_p	R_m	R_p	R_m	R_p	R_m	R_p	R_m	R_p	R_m
Mean	-44.70	-45.74	60.70	56.02	7.89	9.27	-4.55	-10.12	5.12	7.09	17.34	16.41	31.15	22.20
SD	19.96	3.01	24.07	1.47	8.09	2.99	8.32	2.55	7.83	3.57	7.03	0.49	16.04	5.27
t vale	0.408		1.622		-.419		5.682		-2.111		1.213		4.828	
Sign	0.685		.109		-159		.000**		.036*		.228		.000**	
Hypothesis	Accepted		Accepted		Accepted		Rejected		Rejected		Accepted		Rejected	

**Significant at 95 percent level of Confidence*

***Significant at 99 percent level of Confidence*

TRANS Asian Journal of Marketing & Management Research (TAJMMR)
(Double Blind Refereed & Reviewed International Journal)
UGC APPROVED JOURNAL

A STUDY ON IMPACT OF GST ON THE INDIAN MSME SECTOR

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ABSTRACT

This paper aims to address the overview, concept of on MSME sector in India and impact of new indirect tax regime GST. The Indian MSME sector is critical for the growth and development of the nation. The contribution of Indian MSMEs to the national output, employment generation, exports and industrial output is enormous. But a complicated compliances system and a rigid taxation regime place added limits on the growth potential of these enterprises. The Indian MSME sector will gain tremendously form the GST and the implementation of this taxation regime has been a recurring policy recommendation by various stakeholders engaged in initiatives for the amelioration of the MSME sector in India. GST has the potential to increase tax compliance amongst MSMEs in India, significantly reduce their input cost and cultivate financial discipline among MSMEs, leading to an increase in revenue collection for the government and a simplified tax regime for these enterprises. But there are also some areas of concern for MSMEs relating to the GST law. The biggest one which has the capability to derail the process of a robust tax regime being Input Tax Credit and availing it, the transference of responsibility and liability of tax remittance to the customer in the event of failure of supplier in meeting the compliance requirement, etc. There are other issues around payment of GST on advances, taxing free supplies, complications around sales returns etc. A careful analysis of the impact of GST on various nosiness processes as well as a studied examination of the various underlying features and concepts will be crucial to enhance the preparedness of Indian industry, especially the Indian MSME to adapt to this new indirect tax regime touted as a path breaking step in the area of taxation reforms in the country.

KEYWORDS: *MSME, GST, Indirect Taxes, Growth, Opportunity*

I.INTRODUCTION - MSMES IN INDIA

Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. MSMEs not only play a crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country. Ministry of Micro, Small & Medium Enterprises (M/o MSME) envisions a vibrant MSME sector by promoting growth and development of the MSME Sector, including Khadi, Village and Coir Industries, in cooperation with concerned Ministries /Departments, State Governments and other Stakeholders, through providing support to existing enterprises and encouraging creation of new enterprises.

The Sector consisting of 36 million units, as of today, provides employment to over 80 million persons. The Sector through more than 6,000 products contributes about 8% to GDP besides 45% to the total manufacturing output and 40% to the exports from the country. The SME sector has the potential to spread industrial growth across the country and can be a major partner in the process of inclusive growth.

SMEs also play a significant role in Nation development through high contribution to Domestic Production, Significant Export Earnings, Low Investment Requirements, Operational Flexibility, Location Wise Mobility, Low Intensive Imports, Capacities to Develop Appropriate Indigenous Technology, Import Substitution, Contribution towards Defence Production, Technology – Oriented Industries, Competitiveness in Domestic and Export Markets thereby generating new entrepreneurs by providing knowledge and training. Despite their high enthusiasm and inherent capabilities to grow, SMEs in India are also facing a number of problems like sub-optimal scale of operation, technological obsolescence, supply chain inefficiencies, increasing domestic & global competition, working capital shortages, not getting trade receivables from large and multinational companies on time, insufficient skilled manpower, change in manufacturing strategies and turbulent and uncertain market scenario. To survive with such issues and compete with large and global enterprises, SMEs need to adopt innovative approaches in their operations. SMEs that are innovative, inventive, international in their business outlook, have a strong technological base, competitive spirit and a willingness to restructure themselves can withstand the present challenges and come out successfully to contribute 22% to GDP. Indian SMEs are always ready to accept and acquire new technologies, new business ideas and automation in industrial and allied sectors.

DEFINITION OF MSMES IN INDIA

As Per Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 defined the MSMEs India based on the Investment of Manufacturing Enterprises and Service Enterprises – Investment in Equipments as showed below tables.

Manufacturing Enterprises – Investment in Plant & Machinery		
Description	**INR**	**USD($)**
Micro Enterprises	upto Rs. 25Lakh	upto $ 62,500
Small Enterprises	above Rs. 25 Lakh & upto Rs. 5 Crore	above $ 62,500 & upto $ 1.25 million
Medium Enterprises	above Rs. 5 Crore & upto Rs. 10 Crore	above $ 1.25 million & upto $ 2.5 million

Service Enterprises – Investment in Equipments		
Description	**INR**	**USD($)**
Micro Enterprises	upto Rs. 10Lakh	upto $ 25,000
Small Enterprises	above Rs. 10 Lakh & upto Rs. 2 Crore	above $ 25,000 & upto $ 0.5 million
Medium Enterprises	above Rs. 2 Crore & upto Rs. 5 Crore	above $ 0.5 million & upto $ 1.5 million

II.REVIEW OF THE LITERATURE:

Before embarking upon the research study the researcher made an attempt to review the literature on the subject. Since the research area chosen for the study being concept of 'Impact of GST on the Indian MSME Sector', the researcher reviewed the reports of various committees appointed by the Government of India from time to time and contribution of tax experts by way of books and research articles. The important and few of them are presented here:

Empowered Committee of State Finance Ministers – Annual Report 2015-16

The Empowered Committee of State Finance Ministers was originally set up on 17th July, 2000 by the Government of India. Later on, it registered under Societies Registration Act in 2004. All the Ministers in charge of Finance/Taxation of all State Governments and Union Territories with legislatures, Additional Secretary (Revenue), Government of India and Member Secretary, Empowered Committee are the members of the Empowered Committee.

Reports of Confederation of Indian Industry– CII MSME Policy Series2016-17.

III.OBJECTIVE OF THE STUDY:

The main objectives of the study are:

- To give an overview about MSMEs in India and its Contribution to the Nation's GDP
- To state the GST Impact on Micro Small and Medium Business

IV. METHODOLOGY OF THE STUDY

The paper employs secondary data analysis as the major tool for this study. Primary methods were used to supplement this analysis, by means of telephonic, semi-structured interviews, visits with officials from the concerned government ministries and department's annual reports.

V. GOODS AND SERVICES TAX AND MSME'S – ANALYSIS:

The Indian MSME sector is critical for the growth and development of the nation. The contribution of Indian MSMEs to the national output, employment generation, exports and industrial output is enormous. The Indian MSME sector will gain tremendously form the GST and the implementation of this taxation regime has been a recurring policy recommendation by various stakeholders engaged in initiatives for the amelioration of the SME sector in India. MSMEs are currently required to pay indirect taxes as producers of goods and services and file returns as sellers. This system of double taxation results in high transaction costs and adversely affects their competitiveness.

According to the previous practice, MSME units in India typically paid four major categories of taxes:

1. The Central Sales Tax (CST) levied by states

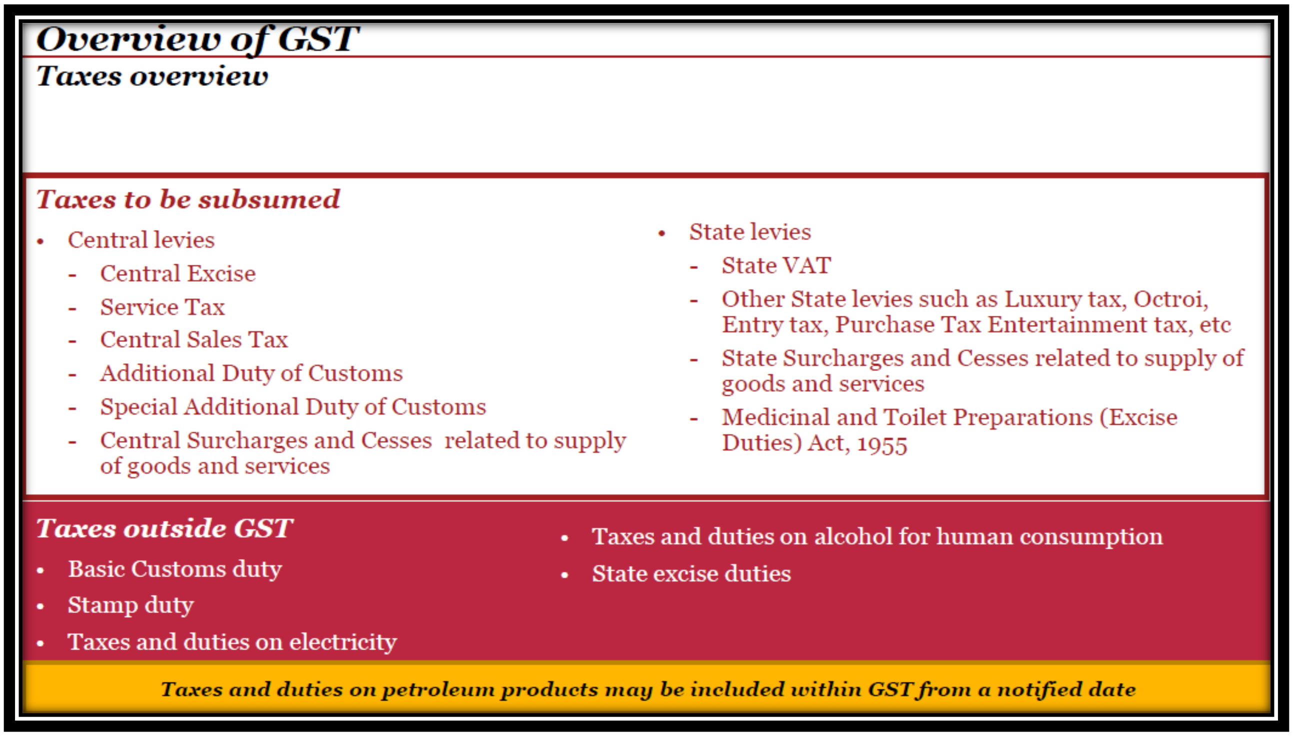
2. The' Central Excise Tax to the tune of 4% to 16% when an MSME crosses annual revenues of Rs. 1.5 crore

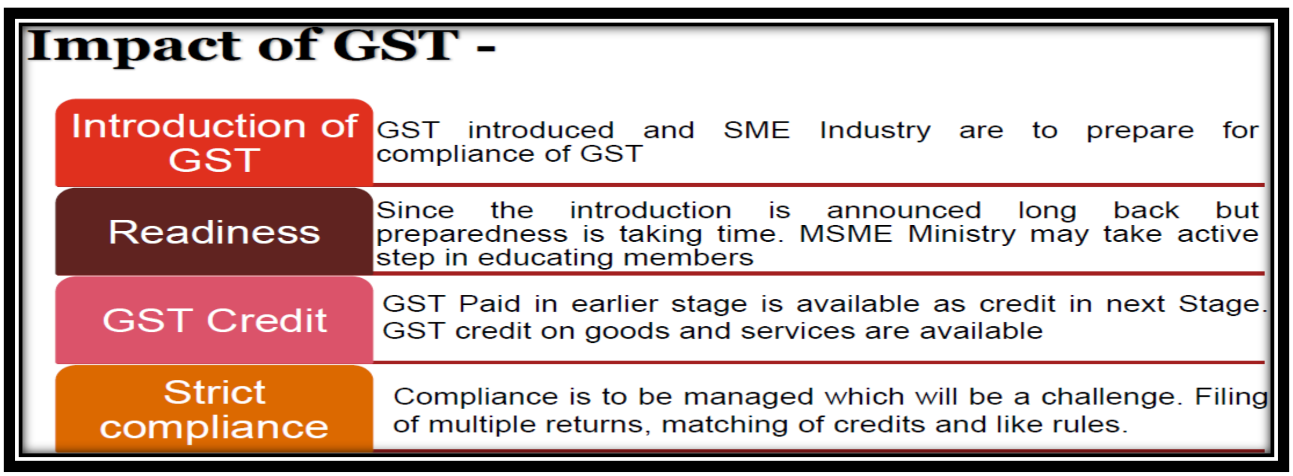
3. Service tax

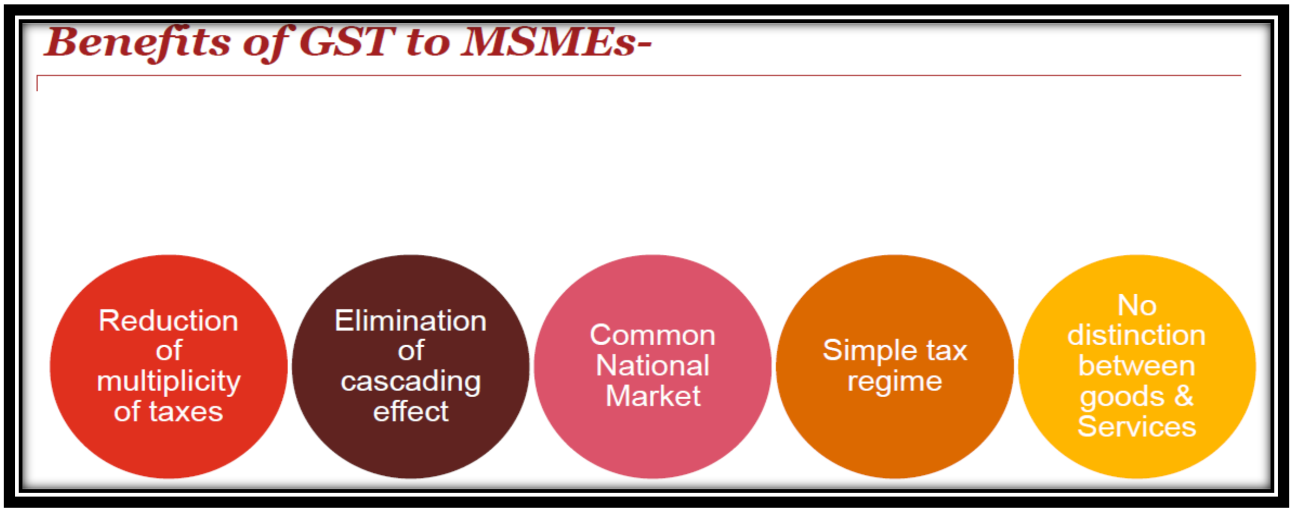
4. Sales Tax or Value-Added Tax to the tune of 10% to 20% on the final good.

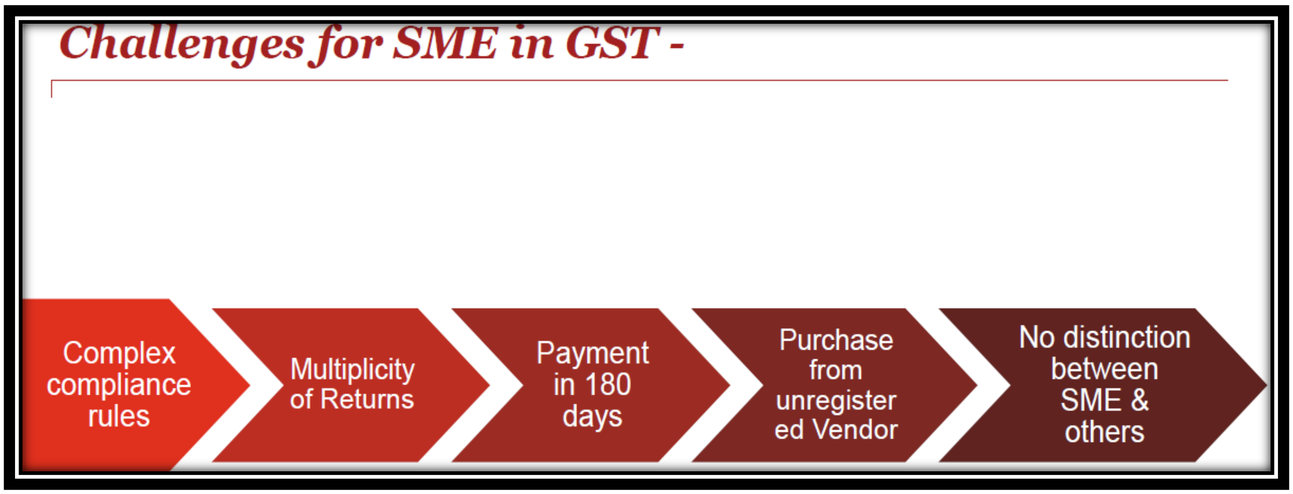
By replacing these with a single tax with a common rate across the country, the GST will reduce the costs for MSMEs, save time and enhance their competitiveness. Under the current regime, large enterprises 'stock transfer' goods to other states due to availability of infrastructural resources and thereby avoid the impact of central sales tax (CST) on interstate movement. Post-stock transfer, goods are sold locally on payment of applicable VAT to the buyer, who is eligible to avail of credit against output VAT liability. However, SMEs, owing to lack of infrastructure, effect inter-state sales (instead of stock transfers) and bear the burden of CST. The CST paid is currently not available as input credit to the buyer against his output VAT liability. The non-availability of input credit increases the cost of the product, thereby, rendering SMEs uncompetitive versus large enterprises.

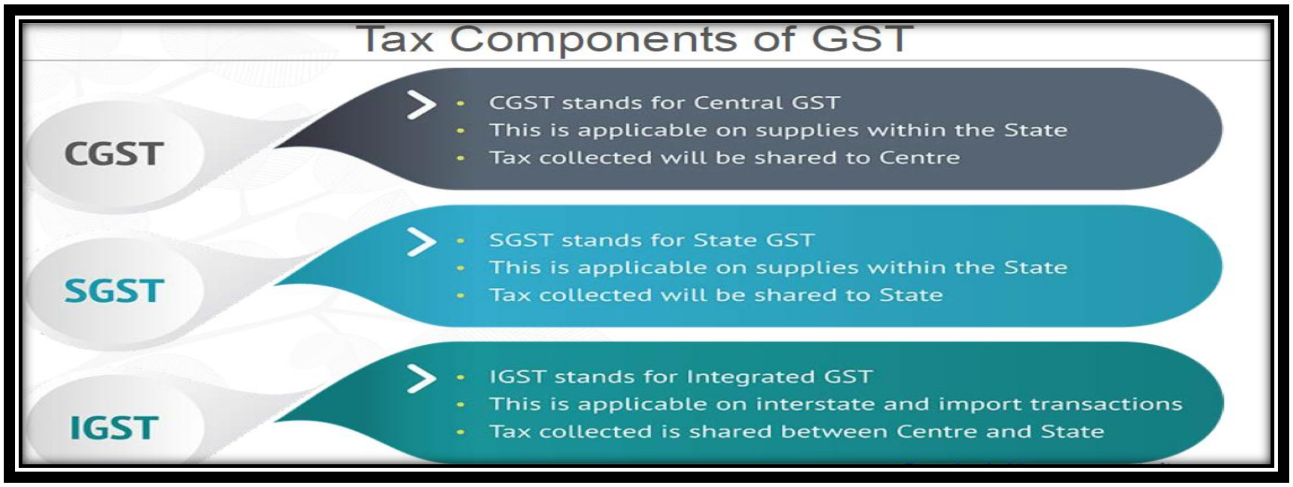
GST towards MSMEs can be easily understood with the help of below table's presentations:


Overview of GST
Taxes overview
Taxes to be subsumed
Central levies
Central Excise
Service Tax
Central Sales Tax
Additional Duty of Customs
Special Additional Duty of Customs
Central Surcharges and Cesses related to supply of goods and services
State levies
State VAT
Other State levies such as Luxury tax, Octroi, Entry tax, Purchase Tax Entertainment tax, etc
State Surcharges and Cesses related to supply of goods and services
Medicinal and Toilet Preparations (Excise Duties) Act, 1955
Taxes outside GST
Basic Customs duty
Stamp duty
Taxes and duties on electricity
Taxes and duties on alcohol for human consumption
State excise duties
Taxes and duties on petroleum products may be included within GST from a notified date


Impact of GST -
Introduction of GST
GST introduced and SME Industry are to prepare for compliance of GST
Readiness
Since the introduction is announced long back but preparedness is taking time. MSME Ministry may take active step in educating members
GST Credit
GST Paid in earlier stage is available as credit in next Stage. GST credit on goods and services are available
Strict compliance
Compliance is to be managed which will be a challenge. Filing of multiple returns, matching of credits and like rules.


Benefits of GST to MSMEs-
Reduction of multiplicity of taxes
Elimination of cascading effect
Common National Market
Simple tax regime
No distinction between goods & Services


Challenges for SME in GST -
Complex compliance rules
Multiplicity of Returns
Payment in 180 days
Purchase from unregistered Vendor
No distinction between SME & others



Nature of Taxes – Inward & Outward Supplies

Levy	*Current Tax*	*GST Regime*
Local Purchase / Sales (Delhi to Delhi)	• VAT • Excise • Entry Tax/Octroi	• CGST • SGST/UTGST • Compensation Cess
Inter State Purchase/ Sales (Delhi to Uttar Pradesh)	• CST • Excise	• IGST • Compensation Cess
Imports	• Basic Customs Duty (BCD) • Countervailing Duty (CVD) • Special Additional Duty (SAD) • Customs Cess	• Basic Customs Duty (BCD) • IGST • Compensation Cess
Exports	• No Duty	• No Duty

Source: www.cbec.gov.in

GST AND HOW ITS WORK ?

The illustration shown below indicates, in terms of a hypothetical example with a manufacturer, one wholesaler and one retailer, how GST will work. Let us suppose that GST rate is 10%, with the manufacturer making value addition of Rs.30 on his purchases worth Rs.100 of input of goods and services used in the manufacturing process. The manufacturer will then pay net GST of Rs. 3 after setting-off Rs. 10 as GST paid on his inputs (i.e. Input Tax Credit) from gross GST of Rs. 13. The manufacturer sells the goods to the wholesaler. When the wholesaler sells the same goods after making value addition of (say), Rs. 20, he pays net GST of only Rs. 2, after setting-off of Input Tax Credit of Rs. 13 from the gross GST of Rs. 15 to the manufacturer. Similarly, when a retailer sells the same goods after a value addition of (say) Rs. 10, he pays net GST of only Re.1, after setting-off Rs.15 from his gross GST of Rs. 16 paid to wholesaler. Thus, the manufacturer, wholesaler and retailer have to pay only Rs. 6 (= Rs. 3+Rs. 2+Re. 1) as GST on the value addition along the entire value chain from the producer to the retailer, after setting-off GST paid at the earlier stages. The overall burden of GST 33 on the goods is thus much less.

This is shown in the table below. The same illustration will hold in the case of final service provider as well.

Stage of Supply Chain	Purchase Value Of Input	Value Addition	Value at Which Supply Goods and Services Made to Next Stage	Rate of GST	GST on Output	Input Tax Credit	Net GST=GST on output-Input Tax Credit
Manufacturer	100	30	130	10%	13	10	13–10 = 3
Whole Seller	130	20	150	10%	15	13	15–13 = 2
Retailer	150	10	160	10%	16	15	16–15 = 1

POSITIVE IMPACT OF GST ON MSMES AND STARTUPS:

The present threshold prescribed in different State VAT Acts below which VAT is not applicable varies from State to State. The existing threshold of goods under State VAT is Rs. 5 lakhs for a majority of bigger States and a lower threshold for North Eastern States and Special Category States. A uniform State GST threshold across States is desirable and, therefore, the Empowered Committee has recommended that a threshold of gross annual turnover of Rs. 10 lakh both for goods and services for all the States and Union Territories may be adopted with adequate compensation for the States (particularly, the States in North-Eastern Region and Special Category States) where lower threshold had prevailed in the VAT

regime. Keeping in view the interest of small traders and small scale industries and to avoid dual control, the States considered that the threshold for Central GST for goods may be kept at Rs.1.5 crore and the threshold for services should also be appropriately high. This raising of threshold will protect the interest of small traders.

Simplification of Compliance Burden: Excessive compliance burdens imposed by a bevy of indirect taxes has been working against the growth potential of SMEs imposing significant compliance costs on this sector. The proposition to back the GST with a robust and comprehensive IT system called the Goods and Services Tax Network (GSTN) would result in simplification of compliance burden for SMEs through the online availability of registrations, returns, payments, etc. This will eliminate the requirement of manually filing returns which has been a long standing woe for Indian MSMEs.

Ease of Doing Business through Uniform Tax Rates and Structure: The GST will contribute towards enhancing the ease of doing business for Indian MSMEs through the implementation of a uniform tax structure across the country.

Reduced Transaction Costs: The GST regime addresses the issue of cascading of taxes through seamless transfer of tax credits across state boundaries. This will ease the movement of goods and services across the country, minimize cascading of taxes and eliminate the hidden costs of doing business.

Enhanced Productivity and Competitive -ness: GST will contribute towards enhancing the national and global competitiveness of Indian MSMEs by way of reducing the transaction costs and bringing down the cost of doing business.

Market Expansion for MSMEs in Remote Locations: The imposition of Central Sales Tax has been a major deterrent for SMEs producing goods in a state to sell their products in other states. Given the nature of MSMEs, they utilize significantly higher local resources to produce their goods and services. The CST has been a major roadblock in the movement of quality and speciality products from one part of the country to another. The GST will create a common market for raw materials, goods and services in the country.

Boosting the Export Potential of Local SMEs: The GST subsumes major Central and State taxes such as the Central Excise Duty, Service Tax, State Value Added Tax, Central Sales Tax, Stamp Duty, Octroi, etc. This will reduce the cost of goods and services locally manufactured by SMEs situated across the country and enhance their competitiveness in the global market. MSME exporters will receive a major boost with the launch of GST.

Enhanced MSME Registrations: Almost 94% of all Indian MSMEs are unregistered and cannot avail of the various schemes and initiatives by the government to support them. A complicated, burdensome and costly tax regime is one of the most important factors contributing to this. This also renders them ineligible to claim tax set-offs. A simplified tax regime such as the GST will encourage SMEs to register themselves and avail of tax refunds, schemes of the government and also contribute to addressing the issue of tax avoidance.

KEY CHALLENGES AND AREAS OF CONCERN FOR MSMES WITH THE IMPLEMENTATION OF THE MODEL GST LAW

In spite of the perceived benefits, there are also some areas of concern by SMEs associated with the implementation of the GST. Enhanced compliance requirements and a steep reduction in the duty threshold are some problem areas for SMEs. Some other challenges are discussed below: ,

Complex Rules and Compliances: Compliances may increase for many businesses owing to the requirements to maintain multi-state registers. The law also retains some of the existing input tax credit restrictions and seeks to introduce complex rules for valuing supplies of goods and services between related or associated enterprises. A lot is left in the hands of the assessing officer who has the right to open up books at any point of time.

Problems with Availing Input Tax Credit: Another concern is the ability of the manufacturing and distribution chain to take input credit for the taxes it has paid. The model law has made input credit availability a combination of several conditions and notified several ways to reverse it later. It is possible that many businesses will be unable to actually take credit and treat the taxes paid for input as a cost. The problems associated with input credit will spill over to commercial decisions around credit period, and increased working capital requirement for the same business activity will invariably result in higher cost in the value chain.

Skilling Requirements: The tight deadline and the complexity of law requires millions of people in the economy to be up skilled. Since every single invoice is critical for the chain to work efficiently, even the lowest data entry operator needs to be adequately trained about the repercussions of errors. Lack of skilled manpower at the disposal of SMEs will grant them a further disadvantage in this respect.

Transference of Liability and Payment Linkage: Another big area of concern relates to the transference of responsibility and liability of tax remittance to the customers of a supplier. If a particular supplier has failed to comply with the law correctly, by furnishing the correct returns and/or making the correct payment, then its customers cannot avail themselves of the input credit; if given, it will be reversed. At present non-payment of tax liability of seller imposes no liability on purchaser. In this proposal, purchaser is fully liable for the tax payment of seller. This will have a huge impact on working capital for the SMEs and has the potential to kill the SME industry. The government's wish of increasing the tax payer base can evaporate in thin air.

IMPLICATIONS OF THE GST ON THE SERVICES SECTOR:

Recent discussions indicate that the GST rate will be fixed at around 18% for both goods and services. With a wide range of indirect taxes currently applicable to the manufacturing sector, a fixed rate of 18% will be lower than the aggregate rate of tax currently payable by them. But the services industry currently attracts 15% tax. The implementation of GST will make various services costlier. This will have an adverse impact on sectors such as commercial vehicles, telecom, print media, air travel, insurance. The destination based GST will also make computation of tax complicated for services providers providing services to customers across multiple states. The positive factors are that the services sector will be able to avail tax credit under the new regime. GST will also eliminate the double taxation of services such as software which are currently treated both as goods and services.

CONCLUSION:

Unarguably, GST rollout will open up a can of worms and the impact on SMEs across various industries will vary greatly. It is quite natural for a pervasive, country-wide tax reform, as GST is, to have a mixed opinion. Furthermore, the revolutionary tax regime will have acceptance that will vary from state to state. Overall, the new tax proposals under GST will have a mixed verdict. In essence, the GST’s effect on the entire Indian economy will have to be scrutinized in totality to reach a widely accepted conclusion.

SOURCE OF THE DATA:

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AN ANALYSIS OF SOCIAL PROBLEMS OF RETAILERS IN VIRUDHUNAGAR DISTRICT

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ABSTRACT

Retailing includes all the activities involved in selling goods or services to the final consumers for personal or non – business use. Virudhunagar district is full of unorganised retail sector. Hence, the researcher has chosen Virudhunagar district as a research area to the study the problems and prospects of retail business of the same. Moreover, with the latest move of the government to allow FDI in the multi brand retailing sector, the paper analyses the effects of these changes on farmers and agri-food sectors along with all economic factors. . So every retail business should focus its attention towards social problems and also identify the solutions that solve them. They have concluded that India has been rich always in its visual merchandising although the corporate phenomenon is a relatively new one. Visual Merchandising has been practiced through times immemorial. Hence, the researcher has chosen Virudhunagar district as a research area to the study the social problems of retailers.

KEYWORDS: *Dynamic, Merchandising, Attributes, Influences, Communication*

INTRODUCTION

Retailing includes all the activities involved in selling goods or services to the final consumers for personal or non – business use. Any organization selling to final consumers whether it is a manufacturer, wholesaler or retailer is doing retailing. By virtue of this fact, retail occupies an important place in the world economy. The retail industry has developed into a full-fledged industry in almost all developed countries.

The retail industry has continued in India in the form of Kiranas till 1980. Soon, following the modernization of retail sector in India, many companies have started pouring in the retail industry in India. As mentioned earlier, the retail sector in India can be widely split into organized and unorganized sector. The unorganized sector is predominant.

The unorganized retail sector basically includes the local Kiranas, hand cart, the vendors on the pavement etc. This sector constitutes about unorganized of the total retail trade. Virudhunagar district is full of unorganised retail sector. Hence, the researcher has chosen Virudhunagar district as a research area to the study the social problems of retailers.

STATEMENT OF PROBLEM

At present, the customers are also more dynamic. For a retailer, it is very difficult to retain the potential buyer when the consumers are scattered according to their convenience of purchasing. In order to keep possession of their sales volume, the retailer has to face a stiff competition in the retail business. Due to limitation/lack of resources, the owners themselves have to multitask and perform majority of the work related to their business. So the researcher has made a sincere attempt to analyse the problems and prospects faced by retailers in Virudhunagar district, during the course of starting and managing their retail business.

REVIEW OF LITERATURE

A critical literature review shows how prevailing ideas fit into the thesis and how the thesis agrees or differs from them. In is necessary for any researcher to know the facts for better understanding of the topic.

Bridson and Hickman[1] (2003) in their article "Loyalty Program Attributes and their influences on Retail Customer Satisfaction" have found that soft attributes are significant predictors of satisfaction with the merchandise, trading format, and customer service and customer communication of the store. It is found out that customer services and customers' communication are better predicted by hard attributes; whereas, merchandise satisfaction is better predicted by soft attributes.

Vyass[2] (2007) in his article "Sales Promotions Practices in Apparel Retail Sector and Challenges Ahead" has pointed out that in terms of consumer sales promotions, almost everyone have used discount coupons and few have used lucky draws, contests, gifts, "buy one get one free" type of promotions.

Subbiah, A. and Gurusamy, M.[3] (2009) in their article "The Retail Industry in India" have analysed organised and unorganised retail sectors in India and the contribution of Indian organised retailers and world retailers towards the economic growth. They have also viewed that there is an immense growth in Indian retail sector because of the changing consumer profile, increasing number of international brands, credit availability and increasing investment in technology.

Gurusamy, M. and Anbalagan, M.[4] (2010) in their article "Visual Merchandising in Retailing" have examined the importance of visual merchandising, different visual plans, tool and problems of visual merchandising and its impact on Indian context. They have concluded that India has been rich always in its visual merchandising although the corporate phenomenon is a relatively new one. Visual Merchandising has been practiced through times immemorial.

Sivakumar M, and Joshua Paul Moses L.[5] (2016), in their paper entitled "Impact of FDI with reference to Indian Retail Sector", attempt to analyse the strategic issue concerning the influx of foreign direct investment in Indian retail industry. Moreover, with the latest move of the government to allow FDI in the multi brand retailing sector, the paper analyses the effects of these changes on farmers and agri-food sectors along with all economic factors. The findings of the study point out that FDI in retail would undoubtedly enable India to integrate its economy with world economy.

All these previous studies had failed to analyse the entire problems of retailers both in organised and unorganised retail sectors. Hence, there is a need to study the entire problems of retailers such as personal, labour, marketing, finance, legal, technology and social problems of retailers and also have tried to give individual suggestions for solving them. This research gap is filled up by the researcher through this study.

OBJECTIVES OF THE STUDY

- To study the social problems of retailers
- To compare the business profile of retailers with their social problems
- To provide suitable suggestions for solving social problems of retailers

SCOPE OF THE STUDY

Scope of the study had analyzed the social problems of retail business in Virudhunagar District. This study has taken into account both the organized and the unorganized retail sector for analysis.

PERIOD OF THE STUDY

Secondary data are collected for the period of 6 months. The primary data are collected from the respondents through interview schedules from July 2015 to November 2015.

METHODOLOGY OF THE STUDY

The study is descriptive in nature based on both the primary and secondary data. The research problem, the hypotheses and interview schedule all have been formulated and framed accordingly. The suggestions of the study emerge from the inferences drawn from the sample survey of retailers in Virudhunagar district.

SAMPLING DESIGN

There are totally 9,847 retail businesses available in Virudhunagar District. It is not possible to collect the data for the entire population. Hence, it has been decided to use sampling techniques. As the details of retail business in Virudhunagar District are not available, the probability sampling technique cannot be adopted. Therefore, non-probability sampling technique and convenient sampling methods are applied. The sample respondents for this study have been selected based on taluk. The sample size of 500 has been decided on the basis of 5 per cent of the population.

PLAN OF ANALYSIS

The data are analyzed by using appropriate statistical techniques such as, Percentage Analysis, Mean, K-S Test and Chi-square Test.

HYPOTHESIS

There is no significant relationship between the business profile of retailers and their level of social problems.

SOCIAL PROBLEMS OF RETAILERS

It is the duty of retailers to create social awareness among the public through their business activity. The researcher identified some problems related with society.

TABLE 1
Social problems of Retailers

Sl. No.	Social Problems	No. of Respondents	Percentage to Total
1.	Influenced by social problem	419	83.80
2.	Not influenced by social problem	081	16.20
	Total	500	100.00

Source: Primary Data

Table 1 points out that out of 500 respondents, 419 are affected by social problems and the remaining 81 respondents do not face any social problems in their business. It is vivid that most of the retailers (83.80 per cent) are influenced by social problems.

TYPES OF SOCIAL PROBLEMS FACED BY RETAILERS

The researcher has identified five social problems which are frequently faced by retailers. Table 2 has presented the responses received from retailers on the social problems faced by them.

TABLE 2

Types of Social Problems faced by Retailers

Sl. No.	Social Problems	V.H	H	M	L	V.L	Total
1	Slow growth of economy	260 (62.05)	85 (20.29)	43 (10.26)	15 (3.58)	16 (3.82)	419 (100)
2	Frequent change in custom and tradition	76 (18.14)	163 (38.90)	86 (20.53)	80 (19.09)	14 (3.34)	419 (100)
3	Frequent changes in fashion and behaviour	69 (16.47)	114 (27.21)	156 (37.23)	46 (10.98)	34 (8.11)	419 (100)
4	Religious and caste problems	49 (11.69)	102 (24.34)	121 (28.88)	114 (27.21)	33 (7.88)	419 (100)
5	Poor education level	73 (17.42)	77 (18.38)	91 (21.72)	67 (15.99)	111 (29.49)	419 (100)

Source: Primary Data

Note: The figures in the brackets show percentage to total.

(V.H. – Very High, H – High, M – Moderate, L – Low, V.L. – Very Low)

Table 2 enumerated the social problems of retailers. The problem of “slow growth of economy” is very highly affected by 62.05 per cent of respondents, “poor educational level” is by 17.42 per cent of respondents, “frequent changes in custom and tradition” is by 18.14 per cent of respondents and “religious and caste problems” is very highly affected by 11.69 per cent. Very low response from 3.82 per cent of respondents for slow growth of economy, 8.11 per cent of respondents for frequent changes in fashion and behavior and 3.34 per cent of respondents for frequent changes in custom and tradition.

RANKING OF SOCIAL PROBLEMS FACED BY THE RETAILERS

In order to rank the social problems, a set of scores are assigned to the responses. The score for each response is given as follows:

Responses	V.H.	H	M	L	V.L.
Scores	5	4	3	2	1

(V.H. – Very High, H – High, M – Moderate, L – Low, V.L. – Very Low)

On the basis of above the scores, the total and average score for each social problem is calculated and the ranks are assigned on the basis of average score.

TABLE 3

Ranking of Social Problems Faced by the Retailers

Sl. No.	Particulars	V.H	H	M	L	V.L	Total	Total	Avg.	Rank
1	Slow growth of economy	1300	340	129	30	16	1815	419	4.33	1
2	Frequent change in custom and tradition	380	812	258	160	14	1624	419	3.88	2
3	Frequent changes in fashion and behaviour	345	456	468	96	34	1399	419	3.34	3
4	Religious and caste problems	245	408	363	228	33	1277	419	3.05	4
5	Poor education level	365	308	273	134	111	1191	419	2.84	5

Source: Primary Data

(V.H. – Very High, H – High, M – Moderate, L – Low, V.L. – Very Low)

It is obvious from Table 3 that the problem of "Slow growth of economy" has recorded an average of 4.33 followed by "Frequent change in custom and tradition" with an average of 3.88. The Poor education level has placed in fifth rank as its average is very minimum of 2.84. The third and fourth rank had been awarded to "Frequent changes in fashion and behavior" and "Religious and Caste problems" with an average of 3.34 and 3.05 respectively.

OPINION OF THE RETAILERS ABOUT THE ABOVE FIVE STATEMENTS

In order to study the opinion of the retailers about the above five statements, the Kolmogorov–Smirnov (K-S) test has been used. For the purpose of this study, the following null hypothesis is framed.

There is no significant difference in the opinion of the retailers about the above five statements. The calculation of the observed proportion, expected proportion and D value has been presented in the following Tables.

TABLE 4

Analysis of Opinion of Retailers about the Statement "Slow growth of economy"

Sl. No.	O	ON	OP	COP	EN	EP	CEP	D = COP - CEP
1	Very High	260	0.62	0.62	83.80	0.20	0.20	0.42
2	High	85	0.20	082	83.80	0.20	0.40	0.42
3	Moderate	43	0.10	0.92	83.80	0.20	0.60	0.32
4	Low	15	0.04	0.96	83.80	0.20	0.80	0.16
5	Very Low	16	0.04	1.00	83.80	0.20	1.00	0.00
	Total	419			419			

The calculated value for this study is the highest value of D (i.e.,) 0.42 The table value at both 95 per cent and 99 per cent confidence level is 0.066 i.e. $\frac{1.36}{\sqrt{419}}$. As the calculated value (0.42) is greater than the table value (0.066), the null hypothesis is rejected. Hence, there is a significant difference in the opinion of retailers about the statement "Slow growth of economy".

TABLE 5
Analysis of Opinion of Retailers About the Statement
"Frequent change in custom and tradition"

Sl. No.	O	ON	OP	COP	EN	EP	CEP	D = COP - CEP
1	Very High	76	0.18	0.18	83.80	0.20	0.20	0.02
2	High	163	0.39	0.57	83.80	0.20	0.40	0.17
3	Moderate	86	0.21	0.78	83.80	0.20	0.60	0.18
4	Low	80	0.19	0.97	83.80	0.20	0.80	0.17
5	Very Low	14	0.03	1.00	83.80	0.20	1.00	0.00
	Total	419			419			

The calculated value for this study is the highest value of D (i.e.,) 0.18. The table value at both 95 per cent and 99 per cent confidence level is 0.066. As the calculated value (0.18) is greater than the table value (0.066), the null hypothesis is rejected. Hence, there is a significant difference in the opinion of retailers about the statement "Frequent change in custom and tradition".

TABLE 6
Analysis of Opinion of Retailers About the Statement
"Frequent changes in fashion and behaviour"

Sl. No.	O	ON	OP	COP	EN	EP	CEP	D = COP - CEP
1	Very High	69	0.16	0.16	83.80	0.20	0.20	0.04
2	High	114	0.27	0.43	83.80	0.20	0.40	0.03
3	Moderate	156	0.67	0.80	83.80	0.20	0.60	0.20
4	Low	46	0.12	0.92	83.80	0.20	0.80	0.12
5	Very Low	34	0.08	1.00	83.80	0.20	1.00	0.00
	Total	419			419			

The calculated value for this study is the highest value of D (i.e.,) 0.20. The table value at both 95 per cent and 99 per cent confidence level is 0.066. As the calculated value (0.20) is greater than the table value (0.066), the null hypothesis is rejected. Hence, there is a significant difference in the opinion of retailers about the statement "Frequent changes in fashion and behaviour".

TABLE 7
Analysis of Opinion of Retailers About the Statement "Religious and Caste problems"

Sl. No.	O	ON	OP	COP	EN	EP	CEP	D = COP - CEP
1	Very High	49	0.12	0.12	83.80	0.20	0.20	0.08

2	High	102	0.24	0.36	83.80	0.20	0.40	0.04
3	Moderate	121	0.29	0.65	83.80	0.20	0.60	0.05
4	Low	114	0.27	0.92	83.80	0.20	0.80	0.12
5	Very Low	33	0.08	1.00	83.80	0.20	1.00	0.00
	Total	419			419			

The calculated value for this study is the highest value of D (i.e.,) 0.12. The table value at both 95 per cent and 99 per cent confidence level is 0.066. As the calculated value (0.12) is greater than the table value (0.066), the null hypothesis is rejected. Hence, there is a significant difference in the opinion of retailers about the statement "Religious and Caste problems".

TABLE 8

Analysis of Opinion of Retailers About the Statement "Poor education level"

Sl. No.	**O**	**ON**	**OP**	**COP**	**EN**	**EP**	**CEP**	**D = COP - CEP**
1	Very High	73	0.17	0.17	83.80	0.20	0.20	0.03
2	High	77	0.18	0.35	83.80	0.20	0.40	0.05
3	Moderate	91	0.22	0.57	83.80	0.20	0.60	0.03
4	Low	67	0.16	0.73	83.80	0.20	0.80	0.07
5	Very Low	111	0.27	1.00	83.80	0.20	1.00	0.00
	Total	419			419			

The calculated value for this study is the highest value of D (i.e.,) 0.07. The table value at both 95 per cent and 99 per cent confidence level is 0.066. As the calculated value (0.07) is greater than the table value (0.066), the null hypothesis is rejected. Hence, there is a significant difference in the opinion of retailers about the statement "Poor education level".

ASSOCIATION BETWEEN BUSINESS PROFILE AND SOCIAL PROBLEMS: APPLICATION OF CHI-SQUARE TEST

In order to test the relationship between business profile and social problems of the respondents, the following the null hypothesis is formulated. "*There is no significant relationship between the business profile of retailers and their level of* social *problem".* The Chi-Square test is applied to examine the hypothesis and the computed results are given below:

TABLE 10

Business Profile and Social Problem: Chi – Square Test Result

Sl. No.	**Variables**	**Chi-Square Value**	**P Value**	**Result**
1	Area of establishment and Social Problems	08.129	0.087	Not Significant
2	Location of business and Social Problems	03.075	0.799	Not Significant
3	Person who initiated the outlet and Social Problems	07.091	0.717	Not Significant

4	Category of business and Social Problems	06.182	0.186	Not Significant
5	Forms of organization and Social Problems	13.106	0.108	Not Significant
6	Year of business functioning and Social Problems	04.232	0.836	Not Significant
7	Type of products dealt with and Social Problems	23.456	0.493	Not Significant
8	Level of satisfaction and Social Problems	12.647	0.049	Significant

With regard to the business profile and social problems of the respondents towards the retail business, the P values of Chi-Square for all the problems except level of satisfaction are more than 0.05, for the other problem the P value is less than 0.05. Therefore, it is concluded the business profile such as area of establishment, location of business, person who initiated the outlet, category of business, form of organization, year of business and type of product dealt do not have any influence on the social problems whereas, other business profile variable like the level of satisfaction has some influence on the social problems of retailers.

SUGGESTIONS TO OVERCOME THE SOCIAL PROBLEMS

Table 11 briefs on the suggestions offered by retailers to eliminate their social problems.

TABLE 11
Suggestions to Overcome the Social Problems

Sl. No.	Suggestions	SA	A	NO	DA	SDA	Total
1	Take steps to economy of the country	251 (59.90)	90 (21.48)	36 (8.59)	16 (3.82)	26 (6.21)	419 (100)
2	Increase the earning capacity	65 (15.51)	198 (47.26)	98 (23.39)	39 (9.31)	19 (4.53)	419 (100)
3	Inculcate the value of our customs	76 (18.14)	102 (24.34)	161 (38.42)	52 (12.41)	28 (6.68)	419 (100)
4	Follow the prepare market segmentation	45 (10.74)	124 (29.59)	94 (22.43)	121 (28.88)	35 (8.35)	419 (100)
5	Give demonstration about the product	76 (18.14)	76 (18.14)	101 (24.11)	63 (15.04)	103 (24.58)	419 (100)

Source: Primary Data; Note: The figures in the brackets show percentage to total.
(S.A – Strongly Agree, A – Agree, N.O. – No Opinion, D.A. – Disagree, S.D.A. – Strongly Disagree)

It is apparent from Table 11 that the suggestion titled "Take steps to economy of the country" is strongly agreed by 59.90 per cent of respondents and the same is strongly disagreed by 6.21 per cent of respondents. Out of 419 respondents, 198 have agreed on the suggestion titled "Increase the earning capacity", 102 have agreed on the suggestion titled "Inculcate the value of our customs" and 124 have agreed on the suggestion titled "Follow the prepare market segmentation". 24.11 per cent of respondents have not opined for the suggestion "Give demonstration about the product". The suggestion titled "Follow the prepare market segmentation" have disagreed by 121 respondents and have agreed by 124 respondents. 22.43 per cent of the respondents have selected no opinion for the suggestion titled "Follow the prepare market segmentation" and the same is strongly disagreed by 8.35 per cent of the respondents.

RANKING OF SUGGESTIONS TO OVERCOME THE SOCIAL PROBLEMS OF RETAILERS

Table 12 describes the ranks given on the basis of weighted average mean scores obtained for suggestion to overcome the social problems of retailers.

TABLE 12

Ranking of Suggestions to Overcome the Social Problems of Retailers

Sl. No.	Suggestions	SA	A	NO	DA	SDA	Total	Total of Respondents	Avg.	Rank
1	Take steps to economy of the country	1255	360	108	32	26	1781	419	4.25	1
2	Increase the earning capacity	325	792	294	78	19	1508	419	3.60	2
3	Inculcate the value of our customs	380	408	483	104	28	1403	419	3.35	3
4	Follow the prepare market segmentation	225	496	282	242	35	1080	419	2.58	5
5	Give demonstration about the product	380	304	303	126	103	1216	419	2.90	4

Source Primary Data

Table 12 states the ranks obtained for the suggestions given by retailers to overcome their social problems. The suggestion of "Take steps to economy of the country" with an average score of 4.25 and "Increase the earning capacity" with an average score of 3.60 are placed in first and second rank respectively. The average score for the suggestion "Inculcate the value of our customs" is 3.35 with third rank. The last rank goes to the suggestion "Follow the prepare market segmentation" as it has only 2.58 as average scores.

FINDINGS

- Out of 500 respondents, 416 are affected by social problems and the remaining 81 respondents do not face any social problems in their business.
- Very low response from 3.82 per cent of respondents for “Slow growth of economy”, 8.11 per cent of respondents for “Frequent changes in fashion and behaviour” and 3.34 per cent of respondents for “Frequent changes in custom and tradition”.
- The problem of “Slow growth of economy” has recorded an average of 4.33 followed by “frequent change in custom and tradition” with an average of 3.88.
- 61.80 per cent of the respondents have medium level confidence towards the social problems.
- The suggestion to “Take steps to develop economy of the country” with an average score of 4.25 and “Increase the earning capacity” with an average score of 3.60 are placed in first and second rank respectively.
- After analyzing all the social problems of retailers through K-S Test, the researcher has found that there is significant difference in the opinion of retailers about all the statements given them.
- The business profile such as area of establishment, the location of the business, person who initiated the outlet, category of business, form of organisation, year of business functioning and type of products dealt with do not influence the social problems whereas, other business profile variable like the level of satisfaction does have some influence on the social problems faced by retailers.

CONCLUSION

The life of retail business will improve continuously in the long run only if it does some social related welfare activities. Socially committed concerns earn more profitability and customer loyalty. So every retail business should focus its attention towards social problems and also identify the solutions that solve them.

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