THE RURAL-URBAN DIVIDE

AMAL IJESS

This issue of the Journal is Dedicated to the evergreen memory of the Father of Our Nation
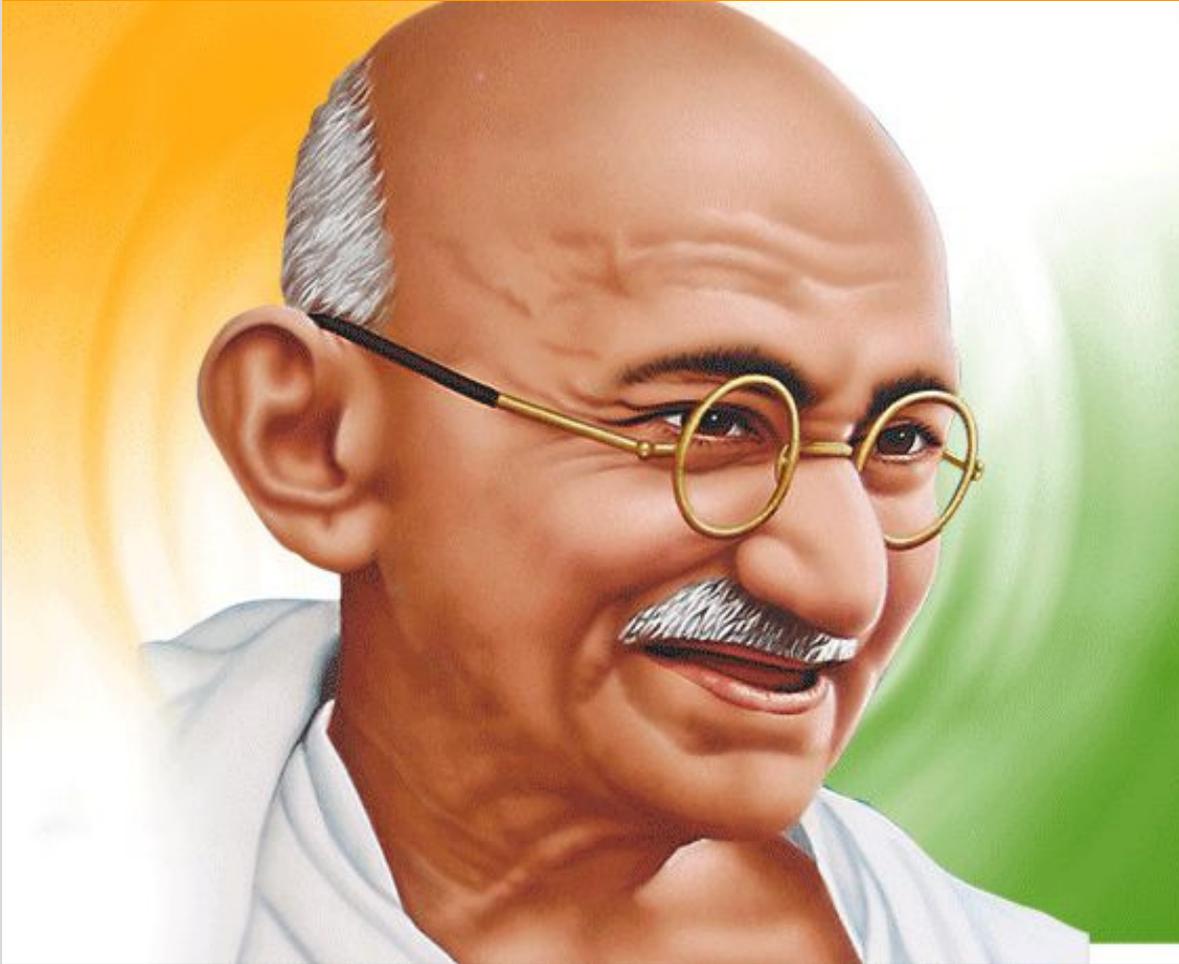
I would say that if the village perishes India will perish too

Mahatma Gandhi

From the Desk of the Chief Editor………..

We are again to you all our esteemed readers and researchers with new research studies and conceptual papers on different areas of Economics and other Social Sciences.

In this issue of the journal we brings to your open discussions and for your valuable comments empirical studies and other article on different dimensions of various socio-economic and political issues.

Amal International Journal of Economics and Social Sciences (AIJESS) published by the Department of Economics, Amal College of Advanced Studies releases this issue with a cover story on the rural urban divide which has been a crucial problem in our country for centuries.

We appreciate all the revered writers for being with us and their valuable intellectual contributions supporting our journey for promoting academic and research excellence.

With warm regards

Dr. M. Usman
Principal & Chief Editor

From the Desk of the Editor………..

Inclusive Development has been the primary objective in al most all the development programmes and projects since independence in India. Greater divide in respect of regional development, poverty, employment and in all other development parameters pulled back India from raising to a new dawn breaking all shackles of servitude and suppression

Immediately after independence planners and the great visionaries in our country deliberately attempted and chose for centralised planning to reconstruct a looted and plundered economy. Removing regional imbalances and regaining self sufficiency was the prime motives during that days.

Later we endeavored to have ambitious growth in tune with the growing changes globally. May thought that new financial capitalism can cure all ills of poverty, unemployment and inequality schooling the people to bear short term woe and distress. But the history witnessed to the retreating steps even by the architects of this neoliberalists plans to Indian economy by reminding the word of J M Keynes "in the long run we all are dead…."

Still we are touring ahead with new experiments from country to country in search of new ideas and partnerships for giving the people of this nation a short tem woe and a long term happiness. But it is very pathetic to see that none is ready to tour with in the country and to understand the basic issue that demand urgent attention

The current issue of the journal presents before our esteemed readers, researchers and other academic community some of empirical studies on different topics of national and international importance.

N Shihabudheen
Editor, AMAL IJESS

In this issue You Read

Share Your Knowledge. It is a way to achieve Immortality……………..

Dalai Lama

RURAL-URBAN DIVIDE OF POVERTY: PREREQUISITE FOR INCLUSIVE GROWTH STRATEGIES IN INDIA

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Abstract

India has made impressive progress in recent years with regard to its performance in growth and other macro-economic dimensions. The contradiction between India's economic growth and its high poverty related indicators points to skewed priorities with regard to growth and development, and could be attributed to inadequate policy focus on pro-poor growth on one hand; and significant failures in delivery of citizen centric public service, on the other. The main objectives of the study are to analyse the poverty trends, incidence of poverty, and inequality measures of rural-urban divide in India; to identify the elements of inclusive growth and to analyse the Indian experience of inclusive growth. The present study was purely based on analytical nature and makes use of secondary data. The 'inclusive growth' as a strategy of economic development received attention owing to a rising concern that the benefits of economic growth have not been equitably shared. Inclusive growth seeks to broaden the flow of benefits of globalization towards the currently excluded sections. However, for achieving inclusive growth, it is essential that the diffusion of opportunities be supported with good governance and accountability. A number of macro and micro level interventions have shown to be conducive to promoting inclusive growth.

Key Words: Inclusive Growth, Governance, Inequality, Poverty

Introduction

India has made impressive progress in recent years with regard to its performance in growth and other macro-economic dimensions. The Indian growth story has been one of high gross domestic product (GDP) growth but primarily driven by the growth in services sector. Not all sectors of the economy have grown at the same pace as is reflected in the relatively low agricultural growth rate, low-quality employment, poor education, inadequate healthcare services, rural-urban divide, social inequalities, and regional disparities (Dreze and Sen, 2013). The contradiction between India's economic growth and its high poverty related indicators points to skewed priorities with regard to growth and development, and could be attributed to inadequate policy focus on pro-poor growth on one hand; and significant failures in delivery of citizen centric

public service, on the other. Poverty refers to a condition in which people do not have enough resources (money, credit, assets) to maintain a standard of living that includes the basic necessities of life. Amartya Sen views poverty as capability deprivation that is, poverty seen as the lack of the capability to live a minimally decent life. Thus, poverty is an outcome of multiple deprivations going beyond income poverty and is by-product of livelihood systems which are shaped by socio-political and economic forces. India, which had poverty reduction as the central focus of its development strategy over the last 50 years, has recently switched to a new strategy focusing on two objectives: raising economic growth and making growth more inclusive (Planning Commission, 2006). The objectives of an inclusive growth agenda is to reduce poverty, improve quality of life, and ensure to the extent possible,

that all segments of society benefit from the economic growth of the country (Planning Commission, 2011).

Objectives of the Study and Data Bases

The main objectives of the study are to analyse the poverty trends, incidence of poverty, and inequality measures of rural-urban divide in India; to identify the elements of inclusive growth and analyse the Indian experience of inclusive growth. The present study was purely based on analytical nature and makes use of secondary data. The relevant secondary data are collected from various publications of Government of India, Economic Survey, Census Reports, Planning Commission and Human Development Reports etc.

Rural-urban divide of Poverty in India

Reducing poverty is a key element in inclusive growth strategy and there is some progress in that regard. According to previous official poverty estimates, the percentage of the population living below the poverty line had declined by 8 percentage points between 1993-94 and 2004-05. Since the appropriateness of the poverty line was questioned in some quarters, the Government of India was appointed an expert committee under the chairmanship of Suresh Tendulkar. The Tendulkar committee recommended a recalibration of the rural poverty line to make it more comparable with the urban poverty line, which it found to be appropriate. The application of the Tendulkar committee poverty line provides a higher estimate of rural poverty and therefore also of total poverty, but if the new method is applied to the earlier years, it shows that the percentage of the population in poverty declined from 46.25 per cent in 1993-94 to 38.22 per cent in 2004-

05. Thus, poverty declined at roughly 0.8 percentage points per year during the 11 year period before the Eleventh plan. Poverty rate was also declined from 38.22 per cent in 2004-05 to 33.85 in 2009-10 (see Table 1). It reveals the inclusive growth strategies would beneficial to India's poverty reduction.

The incidence of poverty in both rural and urban areas is presented in the Table 2. It shows that between 1993-94 and 2009-10, rural poverty declined by 15 percentage point and the level of poverty incidence in the urban areas, which stood at 20.8 per cent in 2009-10 is marginally lower than the rural areas. However the gap in the two sectors has narrowed down considerably since 1993-94. In case of SCs the reduction is more when compared to other two groups.

Table 3 provides information regarding the rate of change in the incidence of poverty over two periods i.e., 1993-94 to 2004-05 and 2004-05 to 2009-10. Rural poverty declined at the rate of 2.2 per cent annually during the first period, 1993-94 to 2004-05. The rate of decline is more in case of OBC and SC in the first period. In the second period, 2004-05 to 2009-10, there has been a significant acceleration in the annual rate of decline of poverty among classes. Rural poverty declined 4.4 per cent annually. The rate of decline is the highest for the STs (5.2 per cent), followed by the upper caste OBC 4.5 per cent and the SCs 4 per cent among the classes. Similarly, between 1993-94 and 2004-05, urban poverty declined at a rate of 1.9 per cent per annum. In urban area the decline is accelerated and varies from 3.3 to 3.9 among classes during the next period. This rate of decline in poverty can be linked to monthly per capita consumption expenditure for the same period in both the areas.

Table 1:Poverty HCR (based on MPCEMRP definition)

States	1993-94			2004-05			2009-10		
	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total
Andhra Pradesh	50.85	36.87	47.08	34.43	23.37	31.18	31.22	21.01	27.88
Arunachal Pradesh	61.50	30.62	56.97	33.55	23.53	31.42	31.06	27.62	30.29
Assam	55.82	29.14	52.74	36.38	21.78	34.45	42.78	27.49	40.65
Bihar	63.14	45.00	61.25	55.87	43.73	54.56	56.49	39.86	54.63
Chhattisgarh	57.03	28.51	51.86	56.85	28.39	50.80	66.20	25.38	56.87
Delhi	16.20	17.33	17.23	17.85	12.87	13.11	12.09	14.55	14.48
Goa	28.01	18.71	23.97	28.09	22.21	24.88	11.27	8.26	9.44
Gujarat	45.33	28.76	39.48	39.90	20.05	32.10	30.77	19.04	25.84
Haryana	40.40	24.17	36.21	24.82	22.41	24.07	20.54	23.49	21.54
Himachal Pradesh	38.32	13.83	36.12	27.36	4.55	25.10	15.11	16.90	15.29
Jammu and Kashmir	33.11	7.58	26.95	16.93	11.06	15.42	13.70	17.20	14.64
Jharkhand	66.52	42.16	61.27	51.95	23.82	45.50	46.61	32.48	43.24
Karnataka	58.21	35.49	50.99	44.67	25.88	37.96	35.83	21.85	30.52
Kerala	35.96	26.64	33.52	20.63	18.66	19.97	14.03	14.14	14.08
Madhya Pradesh	49.50	32.86	45.23	54.97	35.05	49.58	48.54	24.81	42.01
Maharashtra	59.87	30.61	48.25	49.11	25.76	38.96	34.93	19.14	27.84
Manipur	64.44	67.19	65.17	39.28	34.51	38.03	48.25	47.52	48.04
Meghalaya	38.85	24.91	36.22	15.69	24.68	17.47	21.80	25.83	22.60
Mizoram	19.39	8.29	14.17	25.15	8.95	17.01	38.06	14.11	25.78
Nagaland	20.10	22.09	20.45	10.02	4.26	8.77	19.70	25.19	21.21
Odisha	63.56	35.57	59.69	60.78	37.59	57.16	48.44	29.37	45.30
Poducherry	25.58	25.91	25.80	23.59	9.91	14.40	0.69	2.47	1.91
Punjab	20.56	27.43	22.68	22.12	18.71	20.92	16.09	18.37	16.94
Rajasthan	41.15	30.15	38.62	35.99	29.69	34.48	28.92	20.46	26.83
Sikkim	33.79	20.57	32.51	33.38	25.95	32.24	23.62	7.23	19.87
Tamil Nadu	54.09	36.94	47.77	47.03	21.69	35.47	33.94	18.16	26.38
Tripura	37.91	26.36	36.09	47.50	22.85	42.52	25.14	11.54	21.75
Uttar Pradesh	50.92	38.74	48.51	42.85	34.06	40.97	42.57	32.40	40.32
Uttarakhand	39.05	20.02	34.14	36.36	26.22	33.58	21.03	26.82	22.76
West Bengal	43.31	32.25	40.25	38.32	24.45	34.23	33.90	22.79	30.41
All India	51.11	32.56	46.25	43.29	25.80	38.22	38.82	22.60	33.85

Source: Planning Commission, 2014

Table 2
Incidence of Poverty by Head Count Ratio (HCR) among backward classes (in %)

Backward Classes	1993-94			2004-05			2009-10		
	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total
All	36.9	32.8	35.9	28.0	25.8	27.5	21.9	20.8	21.6
ST	50.2	42.9	49.6	44.7	34.2	43.8	33.0	28.6	32.5
SC	48.3	49.7	48.6	37.1	40.9	37.9	29.6	32.8	30.3
OBC	31.2	29.6	30.7	22.7	22.6	22.7	17.5	18.2	17.7

Source: Planning Commission, calculation for 2009-10 is updated and based on 1993 Expert group
    methodology.

Table 3: Rate of decline of HCR and rate of growth of MPCE (in %)

Backward Classes	Rate of decline in Poverty				Rate of growth of MPCE			
	1993-94 to 2004-05		2004-05 to 2009-10		1993-94 to 2004-05		2004-05 to 2009-10	
	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban
All	-2.2	-1.9	-4.4	-3.9	1.3	1.9	1.7	3.0
ST	-1.0	-1.8	-5.2	-3.3	0.5	1.8	3.0	5.0
SC	-2.1	-1.6	-4.0	-3.9	1.3	1.4	1.6	2.5
OBC	-2.5	-2.1	-4.5	-3.9	1.4	2.0	1.5	3.4

Source: Calculated using NSS data for MPCE.

In Table 3 the growth of real MPCE among the classes has been shown. In rural area during 1993-94 to 2004-05 the MPCE increased at the rate of 1.3 per cent. The STs experienced the lowest annual increase at 0.5 per cent, followed by 1.3 per cent for SCs and 1.4 per cent for the OBCs. In urban area the growth of MPCE is higher compared to rural. The MPCE in urban sector during 2004-05 to 2009-10 is significantly higher than that observed in the rural sector. Between the two sub periods MPCE growth increased substantially to 3 per cent from 1.9 per cent in urban sector, with the largest acceleration seen for the STs, from 1.8 to 5 per cent per annum but it is the lowest for the SCs (2.5 per cent).

Thus, in this analysis it is examined whether the poor is benefited from income gains and poverty reduction during 2005-10 (Eleventh Plan period) compared with 1994-2005.It is observed that rural poverty declined during 1993-2010 by 2.5 percent annually with a major acceleration during the second period, from 2.2 per cent during 1993-2005 to 4.4 per cent during 2005-10. In general among all classes experienced faster decline in rural poverty during 2005-10. Thus, so far as the rate of poverty decline is concerned, the growth in consumption expenditure has been more poverty reducing in the second period. Twelfth Plan lays emphasis on a high growth path but pledges that the growth needs to be inclusive and poverty reducing particularly of the deprived groups, the SCs, STs and OBCs that

Table 4: Gini Coefficients for Rural and Urban areas

Year	Rural			Urban		
	CES		EUS	CES		EUS
	URP	MRP	MRP	URP	MRP	MRP
1983	30.42	27.75	-	33.88	31.72	-
1987-88	29.93	27.27	-	34.97	32.69	-
1993-94	28.58	25.8	-	34.44	31.9	-
1999-00	-	26.32	25.68	-	34.63	33.30
2004-05	30.45	28.08	26.96	37.64	36.43	38.34

Note: CES: Consumption Expenditure Survey, EUS: Employment-Unemployment Survey

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are considered poor. The changes in poverty and MPCE among the classes during 1994-2010 have implications for inclusive growth i.e., pro poor growth. Though the growth in consumption expenditure helped to reduce poverty of the backward classes, it has been less pro-poor in case of SC and ST classes. So these groups they need special attention while making planning so that they can get employment through various programmes and their consumption expenditure can be increased. However, as the incidence of poverty is higher in SCs and STs Category, strengthening of wage employment programme is necessary to serve as supplementary to farm wage employment.

Inequality increased throughout the 1990s after falling during the 1980s in rural areas whereas it increased faster in the 1990s in urban areas with stagnant trend in the 1980s. But despite growth rates decelerating and inequality increasing to its highest levels since 1980s, the most recent period appears to be a period of high poverty reduction after a setback in the first 10 years of the reform process. The evidence so far suggests that the 1990s, whether defined as 1993-2000 or as 1987-2000, was indeed a period when poverty reduction suffered a setback. On the other hand, the period 1999-2005 appears to have seen significant poverty reduction.

Why Poverty decline?

One possible answer to this problem is actually as old as studies on determinants of poverty. This concerns the relative price of food and cereals in particular. The impact of relative price as a variable has figured prominently in the initial debate on rural poverty in India, both independently of agricultural production and in relative significance with it (Saith, 1981). He demonstrated that while rural poverty and fluctuations in agricultural production were inversely related, fluctuations in consumer prices aggravated rural poverty. As Sen (1985) argues, prices contributed to rural poverty because prices received failed to catch up with prices paid as consumers of food. In other words it is relative prices of food which is usually linked to rural poverty. Srinivasan (1994) demonstrated that the number of poor is a function of agricultural output and current prices of agricultural commodities. Gaiha (1989) demonstrated that while rural poverty and agricultural production were inversely related, the effect of agricultural production in some cases were weak or absent.

In fact, the fall in relative price of food is also responsible for some of the states showing higher real wage rate growth during 1999-2005. From this, one possible story emerges: that the high food price increase between 1993-94 and 1999-00 nullified much of the poverty reduction that could be expected from the improvements in wages and agricultural productivity that did occur during the period; and that, conversely, because food prices growth decelerated sharply between 1999-00 and 2004-05, there was rapid poverty reduction despite lower growth of wage rates and agricultural output.

The another important factor which emerges from the analysis of employment trends is the fact that this period of faster poverty reduction is also characterised by a very high growth rate of employment. Although, most of this growth in employment is in the form of informal and unorganised sector employment, this in turn did imply that the number of workers per house-

hold increased during the same period. The increase in number of workers per household did have the impact that even though wages were growing slower, the total earning capacity of households increased during the same period, and therefore total earnings of the households. However, the rate of poverty reduction has been higher in rural areas than urban areas through-out the reform period. While this may suggest urbanization of poverty largely driven by migration, the real picture is also that the growth of employment in non-farm sector has largely been in the rural areas with relatively faster growth of wage rates than the urban areas.

The removal of poverty requires targeted attention to the poor. The Planning Commission has given a long catalogue of schemes such as National Rural Employment Guarantee Scheme, Swaran Jayanti Rozgar Yojana (SJRY), slum improvement programme, and housing for the poor and skill development programmes etc. The effectively of implementation will indicate the extent to which the targeted beneficiaries are helped.

In recognition of this, the Planning Commission had made inclusive growth an explicit goal in the Eleventh Five Year Plan (2007-2012). The draft of the Twelfth Five Year Plan (2012-2017) lists twelve strategy challenges which continue the focus on inclusive growth. These include enhancing the capacity for growth, generation of employment, development of infrastructure, improved access to quality education, better healthcare, rural transformation, and sustained agricultural growth. The objectives of an inclusive growth agenda is to reduce poverty, improve quality of life, and ensure to the extent possible, that all segments of society benefit from the economic growth of the country.

Indian Experience in the Context of Inclusive Growth

Policies based on 'Washington Consensus' have been followed in many countries of the world in recent years. However, one of the main criticisms of globalization and economic reforms has been that they do not have 'human face' and have not achieved inclusive growth or equitable development. Now there seems to be some consensus at international level that we should have policies that achieve inclusive growth (World Bank, 2006). Inclusive growth strategy is an integration of two strands of analyses i.e. Poverty and growth, which implies relationship between the macro and micro determinants of growth (Elena and Susanna 2009). The paradigm of Inclusive growth can be defined as to reduce poverty substantially, rapid pace of growth is not only necessary, but it should be sustainable in the long run and broad-based across sectors, nonetheless, inclusive of country's labour force at large. This broad based and inclusive growth does not imply a return to Government-sponsored industrial policies, but instead puts the emphasis on policies that remove constraints to growth and create a level playing field for investment.

According to former Prime Minister, Dr.Manmohan Singh, the key components of the inclusive growth strategy included a sharp increase in investment in rural areas, rural infrastructure and agriculture spurt in credit for farmers, increase in rural employment through a unique social safety net and a sharp increase in public spending on education and health care. The interrelated elements of inclusive growth are: poverty reduction, employment generation, agri-

culture development, industrial development, social sector development, reduction in regional disparities, protecting the environment, and equal distribution of income.

The Eleventh Plan defines inclusive growth to be "a growth process which yields broad-based benefits and ensures equality of opportunity for all". The twelfth Plan approach paper includes several outcome of inclusive growth that is based on the recent literature on inclusiveness of growth. Inclusive growth presupposes growth in income, but all growth processes are not inclusive. Some researcher argues that inclusive growth is broad-based and benefits everyone in the society- the poor and the rich (Klasen, 2010). In this sense, inclusive growth is pro-poor growth, i.e., pro-poorness is to be embedded in the growth policy and result in a relatively higher increase in the income of the poor which is a departure from "trickle-down development doctrine of 1970's (Pernia, 2003).

In India, inclusive growth emerged as a major theme with the change in government in 2004. The 11th and 12th Five Year plan detail the type of development envisaged in an inclusive growth model, while recognising that a measure of inclusiveness is complex. The following factors encouraged the India to concentrate more on inclusive growth. India is the seventh largest country by area and second by population. It is the 12th largest economy at market exchange rate and 4th largest by PPP. Yet, India is far away from the development of the neighbourhood nation, i.e., China. The exclusion in terms of low agriculture growth, low quality employment growth, low human development, rural-urban divides, gender disparities and regional disparities etc. are the problems for the nation. Reducing of poverty and other disparities and rising of economic growth are the key objectives of the nation through inclusive growth. Various studies estimated that the cost of corruption in India amounts to over 10% of GDP. Corruption is one of the ills that prevent inclusive growth.

Achievement of 9% of GDP growth for country as a whole is one of the boosting factor which gives the importance to the Inclusive growth in India. Inclusiveness benchmarked against achievement of monitorable targets related to (i). Income and Poverty, (ii) education, (iii) health, (iv) women and children, (v) infrastructure, (vi) environment. Even at

Figure 1 Elements of Inclusive Growth
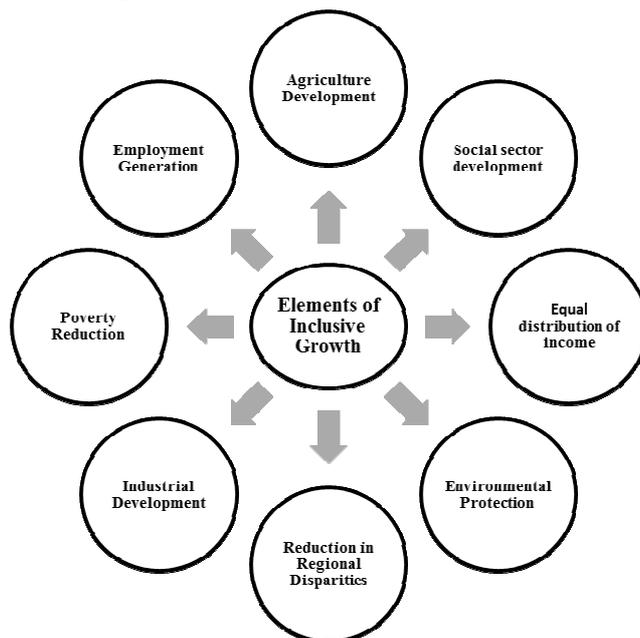
international level also, there is a concern about inequalities and exclusion and now they are also taking about inclusive approach for development.

Concluding Remarks

The post-reform period witnessed increase in disparities across regions and social groups and between rural and urban areas. There is a need to have a broad based and inclusive growth to benefit all sections of the society. The overall growth strategy would be an important step for regional development and also to deal with the legitimate aspirations of the people of the neglected regions. This will require inter-state cooperation and strengthening the pace of development of inter-state and intra-state connectivity of tribal and other isolated communities spread through forests and difficult terrain. It will need better governance and deeper involvement of local people in the development processes.

Achieving inclusive growth is not only to be seen as a priority in the Planning Commission's Five Year Plans, but also as an equally significant opportunity for every enterprise in the public and the private sector. To achieve desired targets, the Indian government also needs to concentrate on agriculture and allied activities, research and development, infrastructural development and effective implementation of anti-poverty programmes. Similarly, more stress has to be given to microfinance through which remarkable empowerment of women is taking place. A number of macro and micro level interventions have shown to be conducive to promoting inclusive growth. At the macro level, recommendations such as improving fiscal discipline, trade liberalization, openness to foreign direct investment, privatization, deregulation, tax reforms, labour market flexibility, providing social safety nets, reorientation of public expenditure, and legal and political reforms can be useful in guiding policy discussions for promoting rapid and inclusive growth in developing countries. At the micro level, reducing income and non-income related inequality, improving public infrastructure, healthcare, education, access to markets, accountability, women's empowerment, role played by civil society organizations, and good governance can help accelerate poverty reduction. More concrete actions are required for major health concerns such as nutrition, drinking water, sanitation facilities etc. Moreover, qualitative employment in the manufacturing sector is also one of the major areas of interest which has to be concentrated on. Nevertheless, good governance is a base for inclusive development without which nothing can be worked out.

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ASSESSMENT OF THE RELATIONSHIP BETWEEN SERVICE QUALITY AND CUSTOMERS' SATISFACTION: A CASE STUDY OF AUDIT FIRMS IN NIGERIA

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Abstract

Improving the relationship between clients and service providers has been one of the impetuses for increasing customers' patronage of service providers. Consequently, the purpose of the study is to investigate the effect of audit firms' service quality on customers' satisfaction. A survey of their clients from three different organizations' includes 76 respondents which rated the services of the audit firm using the SERVQUAL model. Logistic regression is used to determine the probability of a customer being satisfied with the services of the audit firm based on the five dimensions of SERVQUAL which include reliability, responsiveness, tangibility, assurance and empathy. This result of the logistic regression shows that tangibility is the most outstanding dimension that drives customers' satisfaction. Notwithstanding, the study have shown that the five dimensions of SERVQUAL will jointly influence customers' satisfaction significantly. KPMG which is one of the four biggest audit firms in Nigeria is used as a case study. Three clients of the audit firms are investigated there are First Bank Nigeria PLC, MTN Nigeria and Guinness Nigeria PLC. Since these SERVQUAL dimensions have been shown to be affecting customers' satisfaction significantly, It is recommended that the audit firm should pay attention to these dimensions as they will improve their relationships with their clients. The review of literature has shown that no empirical study has investigated the relationship between audit services and customers; satisfaction in Nigeria. Therefore the study is making original contribution to literature.

Key Words: SEVQUAL, Customers' satisfaction, Customers' loyalty, Tangibility

Introduction

Service quality is the major driving force for business sustainability (Carlzon, 1987) and in today's competitive global marketplace, it is recognized that high quality service is essential for the success of the firm (Rust and Oliver, 1994). When other factors have been considered, it leads to customer loyalty (Lewis, 1994) and higher profitability (Gundersen et al., 1996).

Therefore, a key strategy for customer-focused firms is to measure and monitor customer satisfaction and service quality. In the marketing literature, service quality, customer satisfactions with audit firm are three distinctive elements that firms offering services should strive

for. Customer satisfaction or dissatisfaction results from experiencing a service and comparing that experience with the kind of quality of service that was expected (Oliver, 1980). Many customer satisfaction studies have concluded that there is a significant relationship between customer satisfaction and loyalty.

Hence, the primary objective of service providers and marketers is identical; i.e. to develop and provide services that satisfy customer needs and expectations. In short, in the service industry, the goal of the service marketer is to close or narrow the gap between expectations and perceptions of customers. In the context of auditing, the quality of service provided by audit firms is a very important issue when signs of dissatisfac-

tion with the services arise (Sutton, 1993). In a recent survey by the US General Accounting Office (GAO) in September 2003, it was found that half of the public companies reporting that they were satisfied with the audit service stated that they had used the services of their current auditor for 10 years or more. GAO also found service quality to be a very important consideration for public listed companies when choosing or looking for a new audit firm to act as their auditor. Usually, when the public listed companies are satisfied with the quality of service received from a particular audit firm, there is a strong probability that they will also use the same audit firm for other non-audit services such as taxation, secretarial practice, review engagement or other related non-assurance engagement.

In addition, GAO also found a positive association between audit tenure and client satisfaction. Audit quality is important in the rendering of audit services. Prior research has examined the attributes of audit quality (Carcello et al., 1992; Sutton,1993). However, the majority of previous research on auditing measured audit quality by the proxy of size, i.e. "big 4" and "non big 4" audit firms. Behn et al. (1997) introduced a new proxy for measuring audit quality by examining the attributes of audit quality that will determine client satisfaction. Some of the qualities of audit services found to influence client's satisfaction were responsiveness to client's need, effectiveness and on-going interaction with the audit committee, industry expertise and the appropriate conduct of audit field work. A more comprehensive approach to measuring audit service quality is the use of SERVQUAL which was popularized by Parasuraman (2003). This approach has been identified as a better way of ap-

praising quality of service.

There abounds literature on assessment of service quality of other professions in Nigeria such as banking, insurance, and manufacturing among others. But as far as we know, there is no empirical study that has specifically examined the relationship between service quality and customer satisfaction with reference to auditing services. Since the relationship between audit firms and their clients has been described as very germane to the success of the organization, it is imperative to assess the impact of quality of services render by the audit firms on their customers' satisfaction. This is the major objective of this study.

Review of Literature

Baker (2013) examined the service quality and customer satisfaction of the top 14 U.S. airlines between 2007 and 2011 using data from the Department of Transportation Air Travel Reports. The objectives of this study were to compare customer satisfaction and service quality with respect to airlines quality dimensions and subsequently to determine the relationships between the dimensions of service quality and passengers' satisfaction on airlines services. A critical review of the literature revealed that the airline industry has been struggling with many challenges: cutting costs, managing fluctuating demand, keeping up with tight quality requirements while trying to maintain superior services and satisfy the needs of various customer groups. Data were collected on the following variables: percentage of on-time arrival, passengers denied boarding, mishandled baggage and customer complaints. Using a quantitative research method, Microsoft Excel version 2010 was used to analyze the data using percentages, mean and

standard deviation. Results indicate that while the traditional carriers are converging toward a higher level of service quality, using the four measures, there continue to be significant variation. In this study, over a five year period 2007 to 2011, the service quality of low cost airlines was generally found to be higher than that of traditional legacy airlines. Implications related to operating costs, market share, infrastructure and customer service were evident.

Agyapong (2010) examined the relationship between service quality and customer satisfaction in the utility industry (telecom) in Ghana. The study adopted the SERVQUAL model as the main framework for analyzing service quality. Multiple regression analysis was used to examine the relationships between service quality variables and customer satisfaction. The results showed that all the service quality items were good predictors of customer satisfaction. For managers, this finding has important implications with regard to brand building strategies. Indications of a successful brand building strategy are found when companies provide quality services relative to other companies within the same industry. It is imperative for Vodafone (Ghana) and other telecom firms, therefore, to improve customer services by giving customers what they want and at the right time. Thus, identifying and satisfying customers' needs could improve network services because what is offered can be used to separate the company's services from competitors'.

Rasil etal (2011) investigated the relationship between service quality and customers satisfaction in a technology-based university. According to them, to achieve the twin objectives of satisfaction and loyalty, service quality in the uni-

versity sector needs to be evaluated from both the internal (customers) and external (service providers) perspectives. Based on the foregoing, issues involving service quality in university from the perspectives of the customers' satisfaction were reviewed, taking students as primary customers, especially in technology-based universities in Nigeria. The study noted that, service quality and customer satisfaction has direct relationship, because the students' expectations of a university education are skewed towards learning experiences and individual preferences, implying students' enrolment decision depends on the service encounters relating to factors like support facilities and infrastructure, image and marketing, academic issues, administrative issues, location and access.

Kahn and Fasil (2014) assessed the impact of service quality on customers' satisfaction and loyalty in the banking sector in Pakistan. The aim of this research study was to determine the satisfaction level of banking customers regarding quality of different services provided by their bank and their loyalty with the respective bank. Service quality is studied within a spectrum of different dimensions. An effort was also made to find out which service quality dimensions may enhance customer satisfaction and customer loyalty in a better way. Respondents were chosen from a range of varying demographic features using stratified random sampling. Banks from both public and private sector were selected for sampling. Survey questionnaires were distributed among 270 customers of different banks. An 83% (225 respondents) valid response rate is yielded. Descriptive statistics, one sample t-test, correlation and regression were used to analyze the data. Findings indicated that service quality

and all its dimensions have significant and positive association with customer satisfaction and customer loyalty. Banking sector is a significant sector in Pakistan's economy and has seen unprecedented growth and raging competition during the last decade. Therefore this study has been specifically conducted to look into this phenomenon and seek empirical justification in this regard by considering service quality as the main contributory factor towards customer satisfaction and customer loyalty.

Ojo (2010) assessed the relationship between service quality and customer satisfaction in the telecommunication industry in Nigeria with a focus on Mobile Telecommunication Network (MTN) Nigeria. The number of respondents that participated in the survey was 230. After the research questions the objectives of the study and hypotheses to be tested were stated. Descriptive statistics comprising the simple percentage and tables were used for data presentation and analysis. The estimating techniques used were regression analysis and carl Pearson product moment correlation coefficient. The study revealed that service quality has effect on customer satisfaction and that there is a positive relationship between service quality and customer satisfaction. The researcher concluded by recommending that organisations should focus more attention on service quality, because of its effects on customer satisfaction. To ensure that customer satisfaction level is high, organization must first of all know the expectations of the customers and how they can meet such expectations. Customer satisfaction helps in customer loyalty and retention. It has been discovered that it costs to attract new customer than to retain existing ones. It was also recommended that organizations should welcome

suggestions from customers and more programs should be designed to measure service quality and customer satisfaction.

Arokiasammy and Abdulla (2013) examined the impact of service quality dimensions on customer satisfaction using SERVQUAL model. A total of 225 current users of a GSM provider participated in this study. Gap Analysis was used to determine the perceived and expected satisfaction level on each of the service quality dimensions and regression analysis was conducted to test the relationship between the SERVQUAL dimensions and customer satisfaction. Results indicated that all 5 service quality dimensions positively influenced customer satisfaction in terms of loyalty and attitudes. In addition, t-test results showed that there was a significant gap between the perceived satisfaction and expectation (P-E) on all of the service quality dimensions.

It is obvious from the reviewed literature that there has been no empirical study that used auditing as a case study in Nigeria. On this note this, article is poised to make major contributions to the growing literature on service quality and original contribution as regards auditing services in Nigeria.

Objectives

Specifically, this paper will examine the relationship between audit service quality and customers' satisfaction. Some other sub objectives of the study are to:

i.Identify various ratings of the quality of service of the audit firms using the five dimensions of SERVQUAL that is reliability, responsiveness, tangibility, assurance and empathy

ii.Examine the impact of each of the five dimensions on the customers satisfaction

Research Questions

i.In achieving the set objectives some research questions readily come to mind. The research questions are as follows

ii.Is there any difference between the perception and expectation of customers regarding the services of the audit firms?

iii.How the quality of service of the audit firms is rated by the companies using the five dimensions of SERVQUAL namely reliability, responsiveness, tangibility, assurance and empathy?

iv.Do the five dimensions of SERVQUAL have significant effect on customers' satisfaction?

Hypotheses

H_0: There is no significant difference in the impact of each of the five dimensions of SERVQUAL on customers' satisfaction

H_1: There is significant difference in the impact of each of the five dimensions of SERVQUAL on customers' satisfaction

Limitations

The study focuses of the audit service of one of the big 4 audit firms in Nigeria, that is KPMG. The reason behind this is that KPMG is one of the most prominent audit firms in Nigeria that participates in auditing both government and private organizations. Also three different companies that are being audited by KPMG are selected; these are First bank Nigeria PLC , Guinness Nigeria PLC and MTN Nigeria. The three are selected to cover both service and production sector.

Methodology

This section describes the methods, approaches and designs in details, highlighting those methods used throughout the study and justifying the relevance of each approach and design, taking into account its practical applicability to the research. This research work is approached with special emphasis on the following research procedures:

a)Procedure and techniques to be used for data gathering.

b)Population to be studied and sampling technique.

c)Methods to be used in processing and analyzing data.

Procedures and Techniques for data gathering and collection

This study is ex-post factor in nature. Furthermore, the study set out to examine the relationship between service quality and customers' satisfaction by auditing firms. However, basically primary sources of data are explored.

Instrumentation for the Study

Questionnaires are used to collect responses from relevant workers in organizations patronizing the auditing firms selected for the study. The questionnaires are developed by the researcher based on ideas about the services rendered by auditing firms. The questionnaire used for the study consists of five component parts. SERVQUAL model is used to measure the desired (perceived) and adequate (expected) service levels of audit firms due to its high reliability and validity in previous studies.

Research instrument design is based on the five dimensions of service quality and the 22 service items of the SERVQUAL model. Some modifications were made to the items in order to suit the context of audit firms. The questionnaire was divided into three sections: part one con-

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tained items on demographic details of respondents and organizational profiles, part two comprised the modified standard SERVQUAL questions that examined each of the audit service elements.

Lastly, the part three contained items for respondents to provide feedbacks on customer satisfaction. This aspect basically describes the dependent variables which is customers' satisfaction.

Instrument scoring Scale

To capture audit service quality, we adopt the five-point Likert scale (1-strongly disagree to 5-strongly agree) perspective questions from Parasuraman et al. (1988). The questions were then divided into client perception and expectation. Client expectation refers to services that the client feels the audit firm should offer, while client perception is related to the performance of the audit firm in delivering its services.

Studies on customer satisfaction with services have traditionally measured the construct with single item measures (Bitner, 1990; Bolton and Drew, 1991). In this study, clients' satisfaction is measured using one item that captured overall satisfaction of clients based on the service offered by the audit firm. It was measured in binary scale due to the method of analysis to be adopted.

Validity and Reliability

The authors adopt a method of checking the validity, reliability and consistency of the instrument through Cronbach's a scores for each dimension SERVQUAL (Spreng and Mackoy, 1996). To further check the consistency of responses we include a few extra questions to respondents which deem essential for the study. Apart from the use of correlation coefficient, the

author used a technique of putting in two roughly equivalent or closely related questions but well separated in the questionnaire. With this, it is possible to measure the consistency of answers.

Pre-Testing of the Questionnaire.

Pre-test was carried out to see how the questionnaire would work out and whether changes will be necessary before the commencement of full-scale study. The respondents used for the pre-test exercise will be similar in grade and characteristics to those that would be eventually sampled in the final study.

Population studied and sampling technique

The population studied is relevant staff of three organizations that are audited by KPMG. A total number of thirty respondents are targeted from each of the organizations. The three organizations' are quoted firms and are from different subsectors.

(1)Financial sector

   i. First Bank Nigeria PLC

(2) Industrial Goods Sector

   i. Guiness Nigeria PLC

(3) Telecommunication

   i.MTN Nigeria

Sample Selection

Since it is not possible to cover all the staff in the 3 organization, the famous Yamane technique sample selection techniques was adopted by the study. The calculation of the sample size was done as follows:

$$n = \frac{N}{1+N*(e)^2}$$ ……………………………(1)

Where n = the sample size

   N = the population size

   e = acceptable sampling error

* 95% confidence interval is assumed (p=0.5)

Based on this, a total of thirty respondents were targeted in each of the three organisations, thus making our total sampling ninety.

Methods to be used in processing and analyzing data.

The major objective of this study is to examine the effect of service quality of audit firms on their customers' satisfaction. This objective guides us on the relative influences of some factors of SERVQUAL on customers' satisfaction. Individual respondents from each of the companies are allowed to rate the audit firm services to their organization based on the five dimensions of SERVQUAL using 22 items contained in the research instrument. The five dimensions are reliability, tangible, assurance, responsiveness and empathy. All these constitute the independent variable and are rated on 5 points likert scale. The dependent variable here is the customers' satisfaction which has to do with binary response from the respondents since logistic regression is adopted.

Model Specification

Based on the information above the model which will be estimated via a logistic regression analysis is illustrated thus:

$$CS_{i,t} = f\left(SERVQUAL_{i,t,}\right) \quad \dots\dots\dots\dots(2)$$

Where $CS_{i,t}$ is the customers satisfaction by firm i at period t ,and $SERVQUAL_{i,t}$ are responses based on five dimensions of SERVQUAL by firm i at period t.

The logistic regression

In literature logit and probit models were developed to resolve the problem associated with linear probability model LPM. Some of the problems associated with LPM are based on the fact that it cannot be used for a non-linear model (Soderborn, 2009). Also nonsense prediction is very possible under LPM since there is nothing that binds the dependent variable to the binary response (0, 1). Instead, logit model considers a class of binary response model of the form:

$$Pr(y - 1/x) - G(\beta_1 + \beta_2 x_2 + \dots + \beta_k x_k) \quad (3)$$

$$Pr(y = 1/x) = G(x\beta) \quad \dots\dots\dots\dots\dots(4)$$

Where G is a function taking strictly values that range between zero and 1 that is $0 \le G(z) \le 1$ for all real numbers z in the model. Equation 3.2 is often reffered to as the index model because $Pr(y = 1/x)$ is a function of vector x only through the index. That is :

$$x\beta = \beta_1 + \beta_2 x_2 + \dots + \beta_k x_k \quad \dots\dots\dots(5)$$

Equation 3.4 is simply a scalar. However, since $0 \le G(x\beta) \le 1$ this ensures that the estimated response probabilities are strictly between zero and one, which thus addresses the main worries of using LPM. G is usually accumulative density function (cdf), monotonically increasing in the index z (i.e. $x\beta$), with probabilities for responses to the dependent variables as:

$$Pr(y = 1/x) \to 1 \ as \ x\beta \to \infty \quad \dots\dots\dots(6)$$

$$Pr(y = 1/x) \to 0 \ as \ x\beta \to \infty \quad \dots\dots\dots(7)$$

It follows that G must be a non-linear function, and hence we cannot use OLS. Various non-linear functions for G have been suggested in the literature. By far the most common ones are the logistic distribution, yielding the logit model, and the standard normal distribution,

yielding the probit model. In the logit model,

$$G(x\beta) = \frac{exp(x\beta)}{1+exp(x\beta)} = A(x\beta)$$

……………(8)

The approach of logistic regression will generally inform us on the probability that a particular customer will be satisfied the services of the audit firm given the SERVQUAL dimensions

Discussions

The logistic regression is adopted to fulfill the objective of the study. The dependent variable in the logistic regression is the customers' satisfaction. In other words we examined the probability of a client of the audit firm to be satisfied given the quality of services render by the audit firms. Questions on customers' satisfaction are framed to accommodate binary responses in terms of yes or no. that is a respondent tick yes if satisfied with the services of the audit firm and no if not satisfied. However, the explanatory or the predictors are the variables of services quality

which are the five dimensions in the SERVQUAL model. The responses to the 22 point questions on the SERVQUAL are rated by the respondents based on the 5 point likert scale. The result of the logistic regression is presented in table 1

Table 1 and 2 presents the logit regression result. Table 4.3 shows the un-exponential coefficient while table 4.4 shows the result of exponential coefficient which is called the odd ratio. The results show similar result and they both explain the degree of responsibility of each of the dimension of SERVQUAL for the probability of meeting customers' satisfaction regarding the services of the audit firms. The results further indicate relative effect of each dimension in dictating the likelihood of a customer to be satisfied with the quality of service of the audit firm.

All the Un-exponential and exponential coefficients of each dimension are positive

Table: 1. Logistic regression for customers' satisfaction CS

Variable	Coefficient	Standard error	Z statistics	Probability
Reliability	0.333769	0.535456	0.623336	0.5331
Responsiveness	0.984762	0.687939	1.431468	0.1523
Tangibility	2.177921**	0.820896	2.653102	0.0080
Assurance	0.010355	0.743312	0.013931	0.9889
Empathy	-2.285020**	0.703450	-3.248304	0.0012

Source: Calculated by the author

Note: R square 0.69, Log Likely hood -30.89651

Table: 2 .Logistic regression for customers' satisfaction CS Odd ratios

Variable	Coefficient	Standard error	Z statistics	Probability
Reliability	0.334141	0.326000	1.024973	0.3054
Responsiveness	0.613730	0.436363	1.406467	0.1596
Tangibility	1.190642**	0.468763	2.539967	0.0111
Assurance	0.200061	0.486650	0.411098	0.6810
Empathy	-1.435975**	0.443923	-3.234739	0.0012

Source: Calculated by the author

Note: R square 0.69, Log Likely hood -28.76156

except empathy. This is indicating that an increase in each of them brings about more likelihood of a customer to be satisfied with the services of the audit firm. However, the coefficient varies in terms of their individual significance on the customer satisfaction.

From the result, only the un-exponential and exponential coefficients of tangibility and empathy have significant impact on the tendency of a customer to be satisfied with the quality of service of the audit firms. For instance, the un-exponential coefficient of tangibility is 2.177921 and the value is significant at 5% level. The implication of the result is that an increase in tangibility rating of the quality of service of the audit firm will bring about more likelihood of a customer to be satisfied with their services. This simply indicates that the rating of the services of the audit firms in terms equipment and items they possess to carry out their services brings more satisfaction to the customers. In other words, customers derive more satisfaction from the usage of sophisticated technology and all other tangible items applied by the audit firms when rendering their services. The implication of this is that possession of these tangible items by the audit firms have a significant influence on their tendency to be satisfied with the services rendered by the audit firms.

Another variable of the SERVQUAL with significant impact on customers' satisfaction is empathy. However, this dimension is wrongly signed. The implication is that empathy as a dimension of measuring quality of service of audit firms has not positively and significantly influenced customers' satisfaction. The un-exponential coefficient is -2.285020 and the value is significant at 5%. Therefore the kind of em-

pathy shown by the audit firms to customers further makes them to be dis-satisfied with their services. That is the empathy brings about significant dis-satisfaction to the customers.

The remaining three dimensions namely; reliability, responsiveness and assurance demonstrate positive influence on customers satisfaction but their effects are not significant. The coefficients of the three of them according to the result are 0.333769, 0.984762 and 0.010355 respectively. None of the coefficient is significant thus, indicating that rating the quality of service of the audit firms in terms of reliability, responsiveness and assurance will bring more likelihood of customers to be satisfied with their services but the influence the three have on their level of satisfaction is not significant.

Notwithstanding, the R square of 0.69 implies that the five dimensions jointly account for about 69% variation in the probability of a customer to be satisfied with the quality of services of the audit firms. Also the test of overall significance supports this. The implication of the result is that the five dimensions of SERVQUAL namely, reliability, responsiveness, assurance, tangibility and empathy will significantly influence the probability of a customer rating the services of audit firms satisfactory or not. Therefore, the hypothesis that the five dimensions of SERVQUAL have significant impact on customers' satisfaction is accepted.

However, the reliability of the logistics regression result is tested via some diagnostics tests. Basically, the normality test and the serial correlation tests are carried out to enable us determine the validity of the logistic regression results.

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Figure 1. Normality test

Series: Residuals	
Sample 1 76	
Observations 76	
Mean	-0.027589
Median	-0.026824
Maximum	0.317970
Minimum	-0.639696
Std. Dev.	0.195082
Skewness	-0.549911
Kurtosis	3.339674
Jarque-Bera	4.195795
Probability	0.122714

Source: Author's own computation
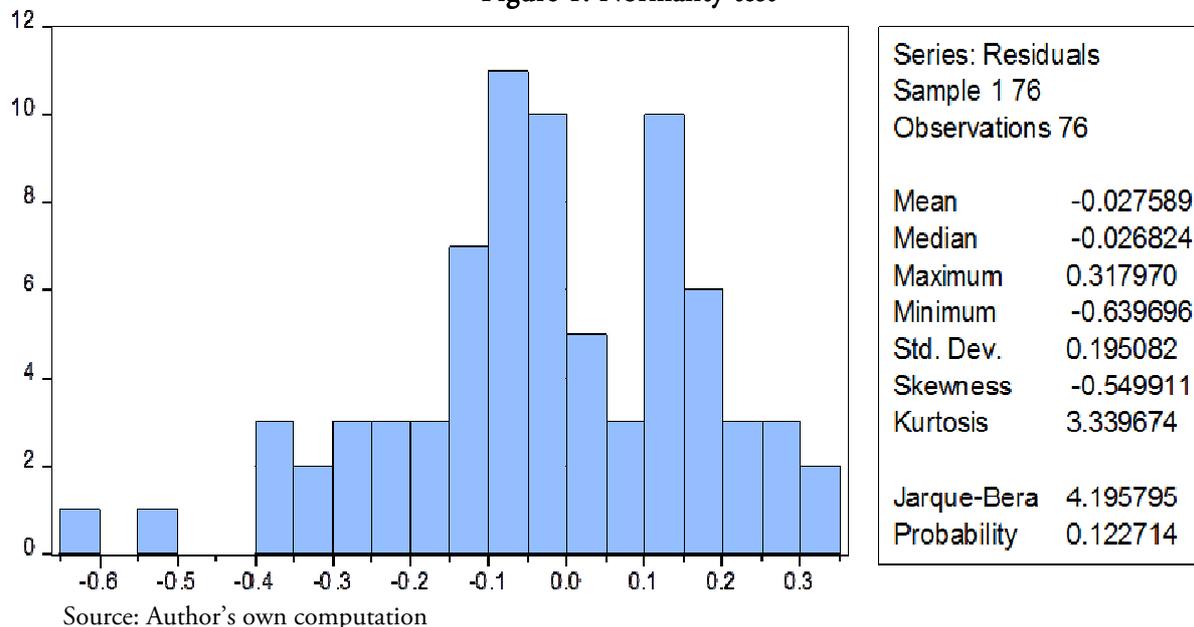
Diagnostics

Firstly the normality test is carried out to examine if the distribution is normal. The Jaque Berra statistics is used for this and the result is presented in fig.1

Considering the probability of the Jaque Berra statistics it is clear that the hypotheses that the distribution is normal. This is because the probability of 0.122714 is greater than 0.05 that is 5%. This result is very good for the logistic regression results.

The next diagnostic is the serial correlation test. This test examines the possibility of autocorrelation in the results which may render the parameter estimates of the logistic regression unreliable. The result is presented in table 3

Table 3 Serial Correlation Test

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	0.698405	Prob. F(2,69)	0.5009
Obs*R-squared	1.507987	Prob. Chi-Square(2)	0.4705

Source:Author's own computation

The result show that F statistics probability is again greater than 0,05. The implication is that the Null hypothesis of no serial correlations accepted. Therefore the parameter estimates of the logistic regression are reliable and good for forecasting.

Conclusion

Findings from the logistic regression have shown a kind of consistency in our findings. This is because tangibility remains the only rating dimension that exerts significant impact on customers' satisfaction. Responsiveness, reliability, assurance and empathy fail to impress the customers. The implication of this is that tangibility in terms of level of technology, equipment and other gadgets the audit firms use in carrying out their services meet the customers' satisfaction.

However, one of the seemingly bizarre findings from the study is the empathy which shows significant negative impact on customers' satisfaction. The implication is that the

empathy shown by the audit firms to their customer rather than bringing satisfaction it brings dis-satisfaction. However, the reason for this might not be unconnected with frosty relationships that sometimes exist between audit firms and some stakeholders in the companies being audited (Bondsu, 2004).

Recommendations

It is recommended that the audit firms should continue to maintain and update their level of technology application and usage of sophisticated equipment in carrying out their services as this has been shown to have significant influence on customers' satisfaction.

Again, it is recommended that the audit firms should generally improve on the following yardsticks for measuring quality of service that is reliability, responsiveness, assurance and empathy. These dimensions are capable of jointly driving customers' satisfaction.

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HOW BANKERS HEDGE AGAINST THE MARKET RISK:
A CASE STUDY OF JAMMU AND KASHMIR BANK

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Abstract

The Basic purpose of the study is to evaluate the market risk of Jammu and Kashmir bank. Further the Specific objectives of the study include (i) understanding the different types of Market Risks faced by the banks, (2) Evaluating what are the different tools which are used to evaluate the market risk of the banks (3) Evaluating the difference between the Internal Model approach and the Standard approach to account for market risk (4) How Historical Value at Risk (HVaR) is different from Standard approach assigned under BASEL norms. The study uses the data from five equity stocks and three debt stocks in which Jammu and Kashmir bank has invested for a period of 300 days prior from the date of investigation. The historical value at risk (HVaR) approach is used to identify the risk of each stock to compare it with the already set standard approach according to BASEL II. The findings of the study suggest that the internal model approach (HVaR) is very beneficial as compared to standard approach which sets a particular percentage to hedge against the market risk without analyzing the volatility of the stock. The implications of the study can be for banks and investors. Banks if have knowledge that they have invested in good stocks can used internal model based approach (HVaR) or any other approach rather than standard approach. Also investors can analyze what is the volatility of the stock and whether to invest in particular stock or not.

Key Words: Market Risk, Value-at-Risk, Standard Approach

Introduction

Risk is demarcated as anything that can create interruptions in the way of accomplishment of certain objectives. It can be because of either internal factors or external factors, depending upon the type of risk that exists within a particular situation (Kanchu and Kumar, 2013). Exposure to that risk can make a situation more critical. A better way to deal with such a situation; is to take certain proactive measures to identify any kind of risk that can result in undesirable outcomes. In simple terms, it can be said that managing a risk in advance is far better than waiting for its occurrence (Kanchu and Kumar, 2013). The major types of risks faced by banks include (i) market risk, (ii) credit risk, (iii) opera-

tional risk and (iv) performance risk. Market risk can be defined as the risk that accounts for loss in banks trading book due to change in prices of equity prices, interest rates, credit spreads, foreign-exchange rates, commodity prices, and other indicators whose values are set in a public market (Mehta et. al., 2012). It is risk that the value of a portfolio, either an investment portfolio or a trading portfolio, will decrease due to the change in value of the market risk factors. The four standard market risk factors are stock prices, interest rates, foreign exchange rates, and commodity prices. The value of investments may decline over a given time period simply because of economic changes or other events that impact large portions of the market. Asset allocation and diversification can

protect against market risk because different portions of the market tend to underperform at different times also called systematic risk. The associated market risks are, (i) Equity risk, the risk that stock or stock indexes (e.g. Euro Stoxx 50, etc.) prices and/or their implied volatility will change, (ii) Interest rate risk, the risk that interest rates (e.g. Libor, Euribor, inflation, etc.) and/or their implied volatility will change, (iii) Currency risk, the risk that foreign exchange rates (e.g. EUR/USD, EUR/GBP, etc.) and/or their implied volatility will change, (iv)Commodity risk, the risk that commodity prices (e.g. corn, copper, crude oil, etc.) and/or their implied volatility will change and others. Credit Risk is the change in Net Asset value due to change in perceived ability of counter parties to meet its obligations. Operational Risk is incurred due to costs which are amplified by the mistakes made during carrying out the transactions. Performance Risk accounts to the risk that arises due to non-monitoring of employees and keeping check at their performance.

According to the Higher Education Funding Council for England (HEFCE), Risk Management is not just used for safeguarding the decline of the probability of bad events but it also covers the increase in probability of occurring good things. According to the "Dynamic Prospect Theory" a person has more likeliness to take a risk than a sure loss.

Literature Review
Market Risk and its Importance

With the increase in complexity and competition risks have gained a sky high importance. The modern banking sector tends towards high focus on risk management. The management of risk helps the banks to survive in the high competitive market. There are basically two types of risks faced by the banks which include (i)

Financial and (ii) Non financial (McNamee, 1997). The non-financial risk can be further sub-divided into five more categories which include (i) operational, (ii) strategic, (iii) funding, (iv) political and (v) legal (Kuwain and Eiseinbies, 1997). The financial risks can be further divided into (i) Credit Risk and (ii) Market Risk. The credit risk includes, (i) Counter Part or Borrower Risk, (ii) Intrinsic or Industry Risk and (ii) Portfolio or concentration risk. The Market risk includes:

1.Equity risk,

2.Interest rate risk,

3.Currency risk and

4.Commodity risk.

Equity risk can be defined as a kind of financial risk that arises due to holding of investments in equity of a particular company (Kunishi and Yasuda, 2004). The risk arises due to fluctuations in the stock price. The main tool for calculating the equity risk is standard deviation. Interest rate risk is the risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship. Such changes commonly affect securities inversely and can be condensed by diversifying (investing in fixed-income securities with different durations) or hedging (e.g. through an interest rate swap). Currency risk is the risk that arises from the change in price of one currency against another. Whenever investors or companies have assets or business operations across national borders, they face currency risk if their positions are not hedged. Commodity risk is the risk that commodity prices (e.g. corn, copper, crude oil, etc.) and/or their implied volatility will change.

Market risk management gains its importance due to the various factors because it, (i) provides senior management with information on the risk exposure taken by traders. This risk exposure can then be compared to the capital resources of the Financial Institutions, (ii) helps in measuring the market risk of traders' portfolios, which will allow the establishment of economically logical position limits per trader in each area of trading, (iii) compares returns to market risks in different areas of trading, which may allow the identification of areas with the greatest potential return per unit of risk into which more capital and resources can be directed, (iv) calculates the return-risk ratio of traders, which may allow a more rational evaluation of traders and a fair bonus system to be put in place, and (v) sets up the private sector benchmarks against the overpriced benchmarks of regulators (Mathews and Thompson 2008).

Approaches to Calculation of Market Risk.

There are two approaches in calculating the market risk which include Standardised Approach and Internal Model Approach.

Standardised Approach

A Standardised approach can be defined as an approach where a certain percentage of investment is to be kept as risk premium irrespective of the volatility of the Security. The Basel Committee on Banking Supervision (BCBS) issued in April 1993 a consultative document (BCBS11 (a)) that proposed to introduce a capital charge for market risk in all positions, both on and off-balance sheet investments. This was the logical and anticipated extension of the 1988 Accord whose credit risk focus invariably also included situations where the risk of default was driven by market risk. Thus, the 1993 proposal not only extended the financial risks covered by the supervisory framework but also established some separation at three levels which include (i) in the oversight of credit and market risks, (ii) between specific and general market risk and (iii) between the trading book and the regular banking book.

For the general market risk component, the BCBS introduced its "building block approach" which essentially allowed for the direct summation of risk charges from separate components. After a relative short period of discussions, the proposal was formalized by BCBS in January 1996. Effective end of 1997, market risk supervision was incorporated into the 1988 Accord. The specification of the model is fairly straightforward. There are 13 to 15 maturity bands which have been pre-defined. The financial institution (FI) measures the remaining term for each security it maintains a position and slots these positions into the pre-defined time bands. The total capital charge for market risk exposure under Basel II is the sum of the aggregate capital charge for equity exposures, the aggregate capital charge for foreign currency exposures, and the aggregate capital charge for interest rate exposures for all currencies.

Internal Model Approach

Internal Model Approach can be defined as an approach developed by banks to analyze the overall risk position, to quantify risks and to determine the capital required to meet those risks. Value at Risk uses asset return distribution and predicted return parameters to estimate potential losses. The BCBS has set probability equal to 1% and time period equal to 10 days. In contrast the Internal Model Approach uses 5% level of significance and takes into account a considerable amount of time. There are various

methods for internal model approach which are used which include (i) Stress testing which represents a risk management tool used to evaluate the potential impact on a bank (or a group of entities) of a specific event and / or movement in a set of financial. The stress tests permit a forward-looking analysis and a uniform approach to identifying potential risks, generated by exceptional but plausible shocks, to individual institutions, but also to the banking system as a whole. Banks perform stress tests for their internal needs in order to identify reaction of sectors to extreme events; assess the sensitivity of credit factors and approaches to extreme events in order to ensure appropriateness; identify "hidden" correlations within portfolio; support portfolio allocations decisions and strategy beyond normal current conditions; evaluate potential capital requirements under possible future credit environments; and identify benchmarks to create some awareness of the current market situation, (ii) correlation Analysis, in which going to analyze how much the change in one variable like interest rate is going to affect the other like outcome (profit).Whether the variables are highly co related or not and accordingly taking decisions, (iii) external validation which includes Validation of models' accuracy by external auditors and/or supervisory authorities should at a minimum include verifying the internal validation processes formulae used in the calculation process as well as for the pricing of options and other complex instruments are validated by a qualified unit - independent from the trading area. Structure of internal models is adequate with respect to the bank's activities and geographical coverage results of the banks' back-testing of its internal measurement system data flows, (iii) back testing which is a Statistical testing that consist of checking wheth-

er actual trading losses are in line with the VAR forecasts. The Basle back testing framework consists in recording daily exception of the 99% VAR over the last year. Even though capital requirements are based on 10 days VAR, back testing uses a daily interval, which entails more observations. On average, one would expect 1% of 250 or 2.5 instances of exceptions over the last year. Too many exceptions indicate that either the model is understating VAR the Bank is unlucky and (iv) most importantly Value at Risk which we are going to analyze the maximum amount we are likely to lose over some period, at a specific confidence level. VaR is the Risk Metrics system developed by JP Morgan. According to industry legend, this system is said to have originated when the chairman of JP Morgan, Dennis Weatherstone, asked his staff to give him a daily one-page report indicating risk and potential losses over the next 24 hours, across the bank's entire trading portfolio. The measure used was value at risk (or VaR), or the maximum likely loss over the next trading day, the VaR was estimated from a system based on standard portfolio theory, using estimates of the standard deviations and correlations between the returns to different traded instruments. While the theory was straightforward, making this system operational involved a huge amount of work: measurement conventions had to be chosen, data sets constructed, statistical assumptions agreed, procedures determined to estimate volatilities and correlations, computing systems established to carry out estimations, and many other practical problems resolved. Developing this methodology took a long time, but by around 1990, the main elements—the data systems, the risk measurement methodology, and the basic mechanics—were all in place and working reasonably well.

The VaR figure has two important characteristics. The first is that it provides a common consistent measure of risk across different positions and risk factors. It enables us to measure the risk associated with a fixed-income position, say, in a way that is comparable to and consistent with a measure of the risk associated with equity positions. VaR provides us with a common risk yardstick, and this yardstick makes it possible for institutions to manage their risks in new ways that were not possible before. The other characteristic of VaR is that it takes account of the correlations between different risk factors. If two risks offset each other, the VaR allows for this offset and tells us that the overall risk is fairly low. If the same two risks don't offset each other, the VaR takes this into account as well and gives us a higher risk estimate. Clearly, a risk measure that accounts for correlations is essential if we are to be able to handle portfolio risks in a statistically meaningful way.

Need for Study

Market risk management gains its importance due to the various factors because it, (i) provides senior management with information on the risk exposure taken by traders. This risk exposure can then be compared to the capital resources of the Financial Institutions, (ii) helps in measuring the market risk of traders' portfolios, which will allow the establishment of economically logical position limits per trader in each area of trading, (iii) compares returns to market risks in different areas of trading, which may allow the identification of areas with the greatest potential return per unit of risk into which more capital and resources can be directed, (iv) calculates the return-risk ratio of traders, which may allow a more rational evaluation of

traders and a fair bonus system to be put in place, and (v) sets up the private sector benchmarks against the overpriced benchmarks of regulators (Mathews and Thompson 2008).

Objectives of Study

The main objectives of the study include:

I.Understanding the different types of Market Risks faced by the banks.

II.Evaluating what are the different tools which are used to evaluate the market risk of the banks.

III.Evaluating the difference between the Internal Model approach and the Standard approach to account for market risk.

IV.How Historical Value at Risk (HVaR) is different from Standard approach assigned under BASEL norms.

Research Methodology
Data and Sample Size

The data for the study has been collected from the secondary sources. The data regarding the share price of the investing companies has been collected from the official BSE website (*www.bse.com*) on 31st of March 2012. The data has also been collected from other secondary sources like *moneycontrol.com* and others. The data has been collected for nine companies which includes five equity investments and three debt investments. All these companies are taken from the investment portfolio of Jammu and Kashmir Bank. The Jammu and Kashmir Bank invests in both debt and equity securities.

Research Method

The study uses the VaR (Value at Risk) approach to calculate the maximum amount we are likely to lose over some period, at a specific confidence level. Then a comparison is made be-

tween the Standardised approach and Internal Model approach (VaR in this case) to evaluate the difference in the amount we are likely to lose over some period calculated using two different approaches. The various steps to calculate VaR using Historical Simulation include:

1. Suppose we use m days of historical data

2. Let vi be the value of a variable on day i

3. There are m-1 simulation trials

4. The *ith* trial assumes that the value of the market variable tomorrow (i.e., on day m+1) is

$$ H\ S\ V\ a\ R \qquad = \qquad v_m\ \frac{v_i}{v_{i-1}} $$

The calculation of VaR has been done using the already inbuilt VaR command in Microsoft Office Excel 2007. The time period to calculate the VaR is taken as 1 year trading period at a confidence level of 5% which will be sim-

Table 1. Eroded amount due to volatility calculated by VaR approach

Company's Name	Price Per Unit	Number of Units	Total Amount invested	Level of Confidence	Standard Deviation	Calculated HSVaR In percentage	Expected Eroded Amount
Bajaj Auto .Ltd	1250	500	625000	95%	1.79%	-2.53%	15367
Bharti Airtel .Ltd	350	500	175000	95%	2.03%	-3.34%	5839
Jammu & Kashmir Bank	750	500	375000	95%	1.70%	-2.36%	8883.5
Mahindra &Mahindra. Ltd	700	500	350000	95%	2.02%	-3.164	12650.9
Tata Motors .Ltd	150	500	75000	95%	3.05%	-4.31%	3238.3
Indian Railways. Ltd	100	500	50000	95%	1.38%	-2.40%	1202.5
National Housing Bank	100	500	50000	95%	0.93%	-1.66%	831.6
Rural Electrifica-tion Corpo-ration .Ltd	100	500	50000	95%	2.65%	-6.29%	3149.2

Table 2. Amount to be kept as to counter market risk using Standardised Approach

Company's Name	Price Per Unit	Number of Units	Total Amount invested	Amount to be kept as to counter market risk at 9% of investment
Bajaj Auto .Ltd	1250	500	625000	56250
Bharti Airtel .Ltd	350	500	175000	15750
Jammu & Kashmir Bank	750	500	375000	33750
Mahindra &Mahindra.Ltd	700	500	350000	31500
Tata Motors .Ltd	150	500	75000	6750
Indian Railways. Ltd	100	500	50000	4500
National Housing Bank	100	500	50000	4500
Rural Electrification Corporation .Ltd	100	500	50000	4500

ulating for the next 10 days. The number of units which Jammu and Kashmir bank have invested is taken as 500.

Results

The study evaluates the data into three different stages. In the first stage all the individual investment companies are evaluated on both Internal Model Approach (which is VaR in this case) and Standardised Approach to identify the amount of capital required to meet market risk. The study revealed that there is a considerable difference in the amount calculated by Standardised approach and Internal Model Approach. Table 1 illustrates the amount which we are going to calculate by VaR approach at 5% level of

Confidence and a time period of 225 days.

Now taking into consideration the Standard Approach which necessities the banks to keep a certain percentage of their Risk Weighted Assets (RWA) as the amount of capital required to meet market risk. In case of Jammu and Kashmir Bank it is 9% of RWA. Table 2 will illustrate the amount which is to be kept to counter market risk according to Standard Approach provided by Basel Committee of Banking Supervision.

A comparison between the Internal Model Approach and Standard Approach to identify the amount which we need to keep to

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Table 3.
The difference between the Internal Model Approach (VaR) and Standardised Approach.

Company's Name	Price Per Unit	Number of Units	Total Amount invested	Expected Eroded Amount as per VaR Approach	Amount to be kept as to counter market risk at 9% of investment	Difference
Bajaj Auto .Ltd	1250	500	625000	15367	56250	40883
Bharti Airtel .Ltd	350	500	175000	5839	15750	9911
Jammu & Kashmir Bank	750	500	375000	8883.5	33750	24866.5
Mahindra &Mahindra.Ltd	700	500	350000	12650.9	31500	18849.1
Tata Motors .Ltd	150	500	75000	3238.3	6750	3511.7
Indian Railways. Ltd	100	500	50000	1202.5	4500	3297.5
National Housing Bank	100	500	50000	831.6	4500	3668.4
Rural Electrification Corporation .Ltd	100	500	50000	3149.2	4500	1350.8

counter market risk of our investments in both cases is illustrated by table number 3

It becomes evident from the table that the Standardised approach exaggerates the amount which we have to keep as to counter against the market risk. Since the difference is very huge. On the other hand VaR (Internal Model Approach) takes into consideration the volatility of the stock in the past trading year and on the basis of standard deviation it determines the amount that we have to keep to counter the market risk of our investment. There is very high correlation between the standard deviation of the stock and its HSVaR value.

The data (table 3) clearly shows that there is a considerable difference between the two approaches. Considering the total amount we have invested in these 8 investments Rs 175000 we have to keep Rs 157500 according to Standardised approach to counter the market risk. On the other hand if we use Internal Model Approach we have to keep a mere amount of Rs 51162 only to counter the market risk of all these investments. So we can say that VaR is a much more advanced technique which gives us the amount we need to keep against the market risk on the basis of volatility not any fixed vague model. Its calculated amount differs with the volatility of the stock. The more volatile a stock is

the more is the amount that we have to keep to counter market risk.

Conclusion

As with other forms of risk, the potential loss amount due to market risk may be measured in a number of ways or conventions. The two basic approaches are Standardised Approach and Internal Model Approach. The standard approach assumes a certain percentage of investment need to be kept as amount to counter market risk and Internal Model approach uses techniques and tools to analyze the same. The Historical Simulation approach one of the Internal Model Approaches to calculating Value at Risk also assumes that historical correlations are stable and will not change in the future or breakdown under times of market stress. In addition, care has to be taken regarding the intervening cash flow, embedded options, changes in floating rate interest rates of the financial positions in the portfolio. They cannot be ignored if their impact can be large. The VaR gives us the amount on the basis of volatility and not on any other basis. So the Internal Model approach can be a better tool to analyze the amount we need to keep as to counter the market risk. In short, VaR can help provide for a more consistent and integrated approach to the management of different risks, leading also to greater risk transparency and disclosure, and better strategic management.

Implications and Future Directions of the Study

There are wide implications of the study which include:

1. Senior management can use it to set their overall risk target, and from that determine risk targets and position limits down the line. If they want the firm to increase its risks, they would increase the overall VaR target, and vice versa.

2. Can be used to determine capital requirements at firm level and also right down the line, to the level of the individual investment decision: the riskier the activity, the higher the VaR and the greater the capital requirement.

3. VaR can be very useful for reporting and disclosing purposes, and firms increasingly make a point of reporting VaR information in their annual reports.

4. Can be used as information to assess the risks of different investment opportunities before decisions are made. VaR based decision rules can guide investment, hedging and trading decisions, and do so taking account of the implications of alternative choices for the portfolio risk as a whole. VaR information can be used to implement portfolio-wide hedging strategies that are otherwise rarely possible.

5. Can be used to provide information for new remuneration rules for traders, managers and other employees that take account of the risks they take, and so discourage the excessive risk-taking that occurs when employees are rewarded on the basis of profits alone, without any reference to the risks they took to get those profits.

The future directions of the study include increasing the sample size and most importantly the companies taken here are all those companies where the amount to be kept to counter market risk has been exaggerated and in future studies we can look for few companies where the amount should have been underestimated also. That will strengthen the findings more evidently.

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THE IMPACT OF DEMONETIZATION ON INDIAN ECONOMY

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Abstract

Demonetization refers to discontinuing of current currency units and replacing those currency units with new currency units. It is a major decision and it impacts all the citizens of the country because overnight all the money you have become a piece of paper which has no value if you do not exchange it with new currency units or deposit it in the banks. On Nov. 8, Prime Minister Narendra Modi announced the Rs500 and Rs1000 notes—India's two big currency denominations that account for 86% of the money in circulation by value—invalid from midnight that day. Millions were left stunned and there has since been a clamour to deposit cash in bank accounts, exchange old notes for new ones, and to withdraw scarce cash from ATMs. Meanwhile, the exercise is expected to slam the brakes on India's GDP in the coming months. On Nov. 23, Goldman Sachs revised its forecast for India's economic growth for this fiscal year to 6.8% from the earlier estimate of 7.6%. While Modi's gamble has been lauded by some economists, others have criticised its shoddy execution.Even Anil Bokil, head of Arthakranti Pratishthan, the Pune-based think-tank that reportedly advised Modi on the move, appeared to have washed his hands of it. "This is not what we proposed," Bokil told The Economic Times newspaper on Nov. 21.In this paper effort has been made to analyze the effect of demonetization in detail.

Key Words: Demonetization, Indian Economy, GDP

Introduction

At the stroke of the hour on midnight of 9th November 2016, India lost 86% of its monetary base. In this single move, the Government has attempted to tackle all the three issues affecting the economy i.e. a parallel economy, counterfeit currency in circulation and terror financing. After initial euphoria, questions began to emerge. What are the costs of this demonetization? Will it be effective if people can still create new black money thereafter? Will it increase the GDP? Will it increase inflation? What about tax revenues?

The idea of demonetization is good but it has to be taken into consideration that most of the black money is kept in the form of land, buildings or gold or kept abroad. What is in cash constitutes only 4% of the total amount of black money on which taxes are not being paid. Out of

this, a lot of money is in circulation in everyday transaction like if someone is building a house; the bill is not paid through banks for sand, bricks etc. This money goes into the other systems though it has been drawn from bank.

Small farmers, sellers, merchants, daily wage labourers and traders are suffering because of lack of proper planning, intelligence and foresight such as recalibration of ATM machines. There was need to pile up enough 100 Rupee notes and other smaller denomination notes in the market before taking this step. It is being said by critics that this step was taken only to bolster the image of the Prime Minister as he has been unable to deliver on GDP growth, inflation and bringing the black money from abroad.

Demonetization is an established practice in monetary policy to tackle black money. The

Prime Minister has explained why this is a financial surgical strike. It was meant to be suddenly implemented. If announcement and time would have been given, this step might not have been successful in controlling black money and counterfeit currency in circulation coming from Pakistan, Nepal or other countries.People are facing problems because the limit of withdrawal has not been kept at a higher level. If this would have been kept at a higher level, there were chances that the recycling of black money might begin. The ideal money in circulation has to come to the banking channels.

It is also being said that what is being attempted is replacement of currency and not demonetization itself which was unnecessary. This is a terrible setback for the international standing of the Indian economy. At this time, the economy is struggling with slowdown. There is demand sluggishness in the economy leading to practically no private sector investment and stagnant industrial growth. If we look at the farm sector, this is the harvest time. Farmers generally deal in cash and India is also largely a cash economy. The cash transactions in this economy are far more than the total number of electronic transactions done on a daily basis. In the tribal heartland of the country, the poor people through middlemen are getting their currencies exchanged for Rs.300 or Rs.400 because of lack of proper information which is hitting them.

The stock of the black economy constitutes a major part of the GDP is significant. Even if 50% of this amount is withdrawn, the kind of relief that RBI will get on its liabilities and the sort of deposits commercial banks will get will lead to a rise in the deposit and later on there will be decrease in lending rates plus fiscal deficit. The black money in circulation is like a steroid in the economy which keeps the demand going gives a feeling that everything is working well. The problem is that investment is not taking place in the economy and the rate of growth of capital formation is down. The only way to bring this up is to divert more funds into investments which will happen when the cost of capital comes down.

Breaking down Demonetization

The first demonetization took place in 1946 and Rs 1000 and Rs 10,000 notes were demonetized. Later in 1978, Rs.1000, Rs.5000 and Rs.10,000 were demonetized. This is the third time demonetization has taken place. The critical difference is in the quantum however. The first and second demonetisations effected really high value notes which formed a small part of notes in circulation. We can arrive at the estimates by comparing the denomination of the note with the annual per capital GDP. In 1960, India's percapita GDP was Rs. 400 (then currency), in 1978 per capita GDP was Rs. 1722/- whereas today it is Rs. 103,000/-(today's currency). 10Thus in 1960, a 1000 Rupee note was 2.5X and in 1978 it was 0.5X per capita GDP, considerably easy to withdraw. The second aspect is that today the 500/- and 1000/- currency notes represents ~85% of physical money in circulation. At that time, it was considerable less11. RBI earlier removed pre-2005 notes of all denominations from circulation as they have fewer security features compared with subsequent notes. The process of removing the older notes from circulation continued for nearly one year. The deadline was extended till December 2015 and those notes continued to remain legal tender till November 8. This was not exactly demonetisation but removing from circulation and has now subsumed into the present

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demonetisation.

A recent example of demonetization occurred when the nations of the European Monetary Union adopted the euro. In order to switch to the euro, authorities first fixed exchange rates for the varied national currencies into euros. When the euro was introduced, the old national currencies were demonetized.However, the old currencies remained convertible into euros for a while so that a smooth transition through demonetization would be assured.

Economic and Political risk of Demonetization

Disruptive technology can unleash creative forces through destructive impact on an industry that exists in a stable equilibrium of vested interests. Will the world's fastest growing big economy show similar resilience and regeneration from deep shock therapy, or will demonetization cure the disease but kill the patient? By withdrawing 86 percent of circulating currency when 70 to 80 percent of transactions are cash-based, has the Indian government burned down its economic house in order to eradicate the pest of corruption?

All previous instances of large-scale overnight currency cancellations were in countries ravaged by hyperinflation or facing state or economic collapse. Such shock therapy in a major economy is without precedent, so no one can predict the long-term structural impact and the full range of intended, pernicious and perverse consequences.The goal is to eradicate black money, counter tax evasion and destroy counterfeit currency. In most large economies, cash is around 5 percent of GDP; in India it is 12 to 14 percent. Less than one-third of Indians have access to financial institutions. While most banks are concentrated in cities, most Indians live in villages.

Forcing businesses to use banks and digital payments will help to bring them inside the tax net. Only 5 percent of Indian workers pay income tax, just 15 percent of the economy is inside the tax net and India's tax to GDP ratio at 17 percent is 5 points lower than comparable countries. Because of high property taxes, for example, buyers collude with sellers to understate the sale value and split the tax difference. This explains why the policy is an attack on the Indian way of doing business: Much of India's cash-based consumer transactions have ground to a halt.Yet it will do little to flush out significant proportions of illicit wealth. Former Finance Minister P. Chidambaram is right: In practice it amounts more to demonization of cash than demonetization of currency. It is shockingly callous in its indifference to the distributional consequences. The ATM networks have been hit by total chaos, while the central bank struggles to print replacement currency. Almost 100 deaths have been reported among people forming long lines at banks. Has a single parliamentarian, let alone Cabinet minister, stood in line to exchange currency notes? The rich have engaged "mules" to line up and exchange their currency for them while the "common man" faces hardships in the daily purchases of food, medicine, bus and rail tickets, and so forth.

Consumer goods sales are reported to have dropped by one-third. Trucks are at a standstill. Farmers have difficulty buying seeds and fertilizer and selling crops and perishable produce. The fishing industry is close to collapse. Few villages have ATMs and having to trek into cities and wait in line for hours means the loss of daily wages — as it does for the rickshaw drivers, street vendors, domestic workers and daily labor-

ers in the cities. The construction industry has been badly hit with significant wage implications for its casual workforce.

While the poor keep their money in cash, the rich park illicit wealth in Indian and overseas real estate, shell companies, shares, gold and overseas bank accounts. Only 5 to 6 percent of India's illicit wealth is estimated to be held in cash components. Demonetization attacks the stock without touching the flow of black money. Cumulative illicit outflows from developing to developed countries increased from $369 billion in 2000 to $1.26 trillion in 2008. In the 10-year period from 2004 to 2013, the developing world as a whole lost $7.8 trillion. India has experienced the third-highest illicit capital outflow ($83 billion in 2013) after China ($259 billion) and Russia ($120 billion). Yet India's tax authorities have been among the least aggressive in going after names leaked in the Panama Papers in April.

The move also confuses the black with the informal economy by conflating cash with black money. Demonetization has the potential to permanently damage the latter, which comprises 45 percent of GDP and 80 percent of the workforce. Its main motor is the desire to escape the crushing burden of state taxes, regulations and bureaucracy. India's formal and informal economies are not quarantined from each other, but form a seamless value chain. For example, almost one-third of the working capital of small businesses comes from the black economy. Can that lost capital be replenished with fresh credit?

The policy also highlights several pathologies of India's governance. It buttresses the power of economically illiterate politicians and heavy-handed bureaucrats to control a large economy. Few citizens have encountered the tax inspector

as a paragon of efficiency and probity. Forcing people to stand in line for unending hours and answer humiliating questions is an attack on property rights that puts restrictions on the people's ability to earn, access and use money.

A better solution would have been to shift the balance of economic decision-making away from the state to firms and consumers; simplify, rationalize and reduce taxes; cut regulations and curtail officials' discretionary powers; eliminate loopholes; and widen the tax net.

A major cause for the persistence of poverty and the growth of corruption in India is regulators and tax inspectors who harass entrepreneurs at every rung of economic activity because of the maze of regulations and the thickets of red tape. Shock therapy without institutional transformation enlarges government while minimizing governance; more government equals more corruption. Demonetization cements the Indian government's reputation for capricious and arbitrary economic actions.Politically, the decision has reinforced Modi's image as a strong and decisive leader prepared to take bold and tough decisions in the country's interests. It could denude political rivals of substantial cash assets for fighting the forthcoming elections in Uttar Pradesh, India's most populous state.

Foreign tourists were caught unawares and most simply do not have the time or patience to stand in line for long hours for minor sums of money. A substantial proportion of the 25-million-strong Indian diaspora is likely to have $100 to $300 in the high-denomination rupees as convenient small change on arrival in India. For these groups the shock therapy amounts to a minor inconvenience rather than a major hardship. But several million mildly irritated people among

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a country's most likely overseas goodwill ambassadors is not to be disregarded.

Another governance pathology is the failure to tell friends from foes and a stubborn refusal to listen to contrarian voices from people of goodwill with the requisite expertise. Instead the government's default mode is to attack any criticism as somehow anti-national or pro-corruption.

The Impact of Demonetization on Indian Economy

Prime Minister's surprising demonetization experiment has rich credibility and shows his commitment towards black money fight. At the same time, the programme has exposed some serious and unbelievably low quality thinking at the top level when comes to practical implementation.The first mistake was the wrong conception that Rs 2000 notes can fill the transaction needs of this billion plus economy along with too smaller denominations.The mistake of replacing the rightsized Rs 500 and Rs 1000 notes with a high denomination Rs 2000 notes without issuing new Rs 500 and Rs 1000 notes, was an unimaginably low quality decision. Simply look at different currency notes and their importance in terms their value. Here, Rs 500 is the most sought currency and is the hero among currencies. Most of the day to day transactions are centered on Rs 500 notes. An Rs 2000 note can't replace four Rs 500 notes in terms of performance.

The second mistake was related to the issue of ATM Recalibration.The people who advised the government on monetization are not seemed to be technically literate as they were not able to understand the process of calibration. Fine tuning the ATM by incorporating the fine fea-

tures of the new currency units need time.

The third mistake was wrong assumption that digital transactions are universal.India is still a currency using economy. Common man use currencies and not digital payments. Street vendors, small businesses, labourers etc., all use currencies rather than opting for digital settlement.

Altogether, the slow process of monetization may jam economic activities. Monetary paralysis will last till popular denominations are back. It will dampen economic activities including consumption, investment and production. Reduced tax revenue for the government is a real possibility and a decline in GDP growth rate also can't be ruled out. The hardly generated and sustained economic momentum is on risk because of poor design.The intensity of demonetization effects clearly depends upon the duration of the liquidity shocks. Following are the main impacts.

Short Term Impact

The demonetisation has resulted in a very severe contraction in money supply in the economy. Since income and consumption are intrinsically related to transactions in the economy, it has resulted a severe contraction in income and consumption in the economy. This effect is more severe on individuals who earn incomes in cash and spend it in cash. To a lesser extent it has affected individuals who earn incomes in non-cash forms but need to withdraw in cash for consumption purposes, since a number of sectors in the economy still work predominantly with cash.

In terms of the sectors in the economy, adversely affected sectors are those sectors where demand is usually backed by cash, especially those not within the organised retailing. For instance, transport services, fruits and vegetables

and all other perishables, have faced compression in demand which is backed by purchasing power.

A further impact is a compression of the demand for non-essentials by all the agents in the economy in the face of uncertainty in the availability of cash. The demand from segments which have access to digital medium of exchange remained unaffected, but that from the rest of the economy have compressed. This has transmitted the effect to the rest of the sectors in the economy as well.

There is some increase in tax collections. To the extent people attempt to get rid of unaccounted cash balances through purchase of goods and services and/or payment of property taxes, the economy is witnessing a spurt in tax collections in indirect taxes as well as property tax after demonetisation which may disappear thereafter. There is evidence already that property tax collections in some cities are higher than last year.

Long Term Impact

Apart from the transition issues faced by banks, in judging the impact on the economy, it is important to differentiate between the two changes that the demonetisation can bring about in money supply. The first change, i.e., cash being extinguished, to the extent it was being used as medium of exchange, would result in a compression in incomes, employment and consumption in the economy. On the other hand, the effect of the second change, i.e., cash being only partially replaced in the system would have the opposite effects of expansion in potential credit creation. The potential credit creation would translate into actual credit creation provided there is sufficient demand for credit. If the demand for credit in the economy is large enough, the potential credit can

be realised. Of the credit created, other things remaining the same, it can be expected that at least a part of the credit, will be for productive purposes. This would mean expansion in investment in the economy and subsequently an increase in GDP and employment.

If there is increase in investment in the economy, the demand for capital goods rises. If output can expand in this sector, there would be an expansion in the income generation and in demand for goods and services. Sectors that are not operating with excess capacity cannot meet the expanded demand with increased output, leading to increase in prices. This would hold for agriculture as well as any industry with long gestation lags to investment. In other words, in the short run there is a possibility of increase in inflation.

With increase in GDP, since imports are supposed to be related to the size of the economy, it is expected that imports will rise, but the same cannot be said about exports. In other words, the balance of trade could worsen. This could result in pressures on the rupee towards depreciation. Any increase in inflationary pressures too could augment these pressures.It is, however, not correct to assume that expansion in credit will definitely materialise. In the last two years, the demand for credit in the economy has been sluggish at best. In comparison to a credit deposit ratio of 1.53 in 2011-12, the figures for 2014-15 were as low as 0.54. While there might be many factors that contributed to this outcome, what is of consequence is that the demonetisation has been introduced in this environment where demand for credit is rather low. A compression in demand in the economy would further depress the sentiment driving investments. In other words, demand for

credit would continue to be low and the potential credit will not be realised immediately.

The first consequence of this would be a fall in the interest rates in the economy which could revive some of the sentiment since firms with outstanding debt would have lower interest liabilities and hence, can see improved balance sheets.The compression in demand would mean a decline in imports while exports might not be adversely affected. This change in the balance of trade would induce an appreciation of the currency with lower interest rates.If the demand for credit is not very sensitive to interest rates – then the lower interest rates would not bring in sufficient demand and banks would need to explore alternative ways of placing the additional deposits available with them. This could mean that banks take in more risky assets potentially opening up the economy to more volatility and risks. This could include real estate, consumer credit and consumer credit cards. The housing loan bubble of the US economy might be one such example of lending to more risky projects, thereby bringing in more volatility into the system.

Two more extreme possibilities that might follow are: a loss in the confidence of the people in the official currency leading to bank run kind of situations if the current description of waiting for long hours for withdrawing money persists and the caps on withdrawal are not relaxed. Alternatively, they could shift to alternatives to currency. Second, there could be social unrest if the compression in incomes and consumption are severe and persistent.

Conclusions

The demonetisation undertaken by the government is a large shock to the economy. The impact of the shock in the medium term is a function of how much of the currency will be replaced at the end of the replacement process and the extent to which currency in circulation is extinguished. India has a long way to go in providing a digital infrastructure which in turn would provide a framework to keep track of the undisclosed income. There is also a risk of the two-thousand rupee note again starting the vicious circle of black money at a much higher rate this time. A digital infrastructure and its coordination with the Income tax department would help achieve the desired goal of the government.

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SOCIO-ECONOMIC IMPLICATIONS OF POPULATION AGEING IN KERALA

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Abstract

Population ageing is one of the important issues faced by human societies in the present century. It is one of the most important social and economic challenges in the world. Ageing of population means the proportion of older population increases with reduction in child (0-14) and working age population (15-59). Kerala, the southern state of India, with desirable distinctions in human development indices, which are on par with that of many of the most developed nations, is far ahead in the demographic transition process compared to other Indian states. Longevity in Kerala has increased significantly in the last few decades. It is mainly due to the socio-economic and health care developments in the state, which lead to the higher numerical presence of elderly people. Kerala has become an aged society and the percentage of aged population is close to that of the developed countries of the world. This study attempts to understand the socio-economic implications of ageing population in Kerala. The data are derived largely from Census of India. Different aspects of ageing have been looked up on in the case of Kerala, but the socio-economic implication of ageing and the workforce participation of elderly has not been given due attention. On this account, this paper made an attempt of exploration of the issue of socio-economic implications of population ageing in Kerala.

Key Words: Population ageing, Socio-Economic factors, Workforce participation, Dependency

Introduction

Population ageing is one of the most significant trends of the 21st century. It has important and far reaching implications for all aspects of society. The main reason for this demographic transition is the decrease in fertility and mortality rates along with an increase in life expectancy. India is also not an exception from this phenomenon (Bongaarts, 2009). India has the second largest number of elderly in the world and their proportion to total population is increasing continuously. There has been tremendous increase in the number of elderly population since independence in India from 20.19 million in 1951 (5.5 per cent of total population) to 43.17 million in 1981 (6.5 per cent), and 55 million in 1991 (6.5 per cent) (Shettar, 2013). According to 2011 census around 104 million populations is above 60 years which constitutes 8.6 per cent of the total population of the country. This number is expected to increase to 177.4 million in 2025. Longevity has increased significantly in the last few decades. The main reason behind this increased life span is due to the socio-economic and health care developments. These factors are responsible for the higher numerical presence of elderly people leading to higher dependency ratio (Kumari, 2001).

There are both positive and negative implications of getting old. On the positive side old age is associated with wisdom, respect and the potential for spiritual growth. It discharges elderly from family responsibilities and gives them freedom of action. On the negative side it is associated with physical and mental decline, unhappy and unproductive. Most often they are suffer from depression, loneliness and alienation. These negative effects probably derive from a loss of

authority, absence of a meaningful role in social life, marginality in social relationships, material insecurity, dependence etc. (Bhat and Dhruvarajan 2001).

Among the all Indian states, Kerala has the highest proportion of elderly. According to 2011 census, elderly comprises 12.6 per cent of total population in Kerala with 11.8 per cent of elderly males and 13.3 per cent of elderly females. Increasing longevity is one of humanity's greatest achievements. People live longer because of improved nutrition, sanitation, medical advances, health care, education and economic well-being (UNFPA, 2012).

Review of literature

Gulati (1993) focused on the population ageing and the status of women in Kerala. This paper discussed gender gap in mortality, marital status among elderly women and their age at marriage, dependency ratio, economic status and economic support of elderly and their welfare programmes. Kurian (2008) talked about numerous difficulties faced by the aged women like psychological problems, economic/financial problems, health and medical care, family and emotional problems, housing problems etc. in Kerala. To evaluate the social security pension system in an ageing society of Kerala, Prasad and Beena (2008) conducted a study based on primary data. The study was focused on the assessment of provisions of social security for elderly based on issues of targeting, delivering mechanism and impact on beneficiaries. To test empirically the im-

pact of demographic transition on some specific areas such as age structure transition, labour market changes and emigration process in Kerala, Rajan and James (2008) conducted a study about the role of emigration in demographic transition and economic development in Kerala. To find out social and health problems among the elderly women across different socio-economic groups in Kerala, Kumari (2010) studied morbidity pattern and utilization pattern of elderly women. The study tried to find out the availability of support system, provision utilization and felt need of the elderly women. Irudaya Rajan and Mishra (2014) mentioned in their study that, Kerala has a life expectancy of more than 71 years and with a fertility rate of 1.6, the older age group is expanding and the younger age group is dwindling.

Trends of population growth in Kerala

Kerala is heading for a significant phase in its demographic transition with the state moving towards achieving zero population growth rate, which will result in an increase in scarcity of labour[1]. Kerala has experienced a very low population growth rate compared to the national population growth rate. Kerala is heading for a significant phase in its demographic transition[2] with the state moving towards achieving zero population growth rate, which will result in an increase in scarcity of labour. The very low natural increase in population, low fertility rate, stabilized death rate all leads to the third stage[3] of demographic transition in Kerala (Rajan, 2011).

Kerala continues to be the only state in

1. http://indianexpress.com/article/india/regional/kerala-heading-towards-zeropopulation-growth-rate/
2. Demographic transition is a model used to represent the transition from high birth and death rates to low birth and death rates as a country or region develops from a pre-industrial to an industrialized economic system.
3. The third stage of the demographic transition is the industrial stage, which is characterized by an increasing population with declining birth rates and low death rates

Table 1
Trends of population growth in Kerala 1961-2011

Year	Persons	Males	Females
1961	16903715	8361927	8541788
1971	21347375	10587851	10759524
1981	25403217	12487961	12915256
1991	29098518	14288995	14809523
2001	31838619	15468664	16369955
2011	33406061	16027412	17378649

Source: Census of India, various years

the country where women outnumber men (Table 1). As of 1961 census, Kerala accommodates around 17 million people, out of which 8.3 million males and 8.5 million females. The total population of Kerala has increased to 29 million (14.2 million males and 14.8 million females) in 1991 and further increased to 33.4 million (16 million males and 17 million females) in 2011. The total population of Kerala is projected to increase from 25.4 million in 1981 to 45 million in 2026 (Kumari, 1991).

The ageing population

Ageing of population means the proportion of older population increases with reduction in child (0-14) and working age population (15-59). The United Nation defines that the society as ageing when the share of population above 60 years goes over 7 per cent of the total population (Chakrabarti and Sarkar, 2011). According to the World Population Ageing 2013, the number of older persons in the world is 841 million (12 per cent) in 2013, which is four times higher than the 202 million (8 per cent) that lived in 1950. The report says that the older population will almost triple by 2050. The advance in medical knowledge, increased standard of living etc. has leads to an increase in life expectancy and an increase in the number of old people in the society (WHO, 2010).

The percentage of elderly[4] in Kerala has increased from 9.86 million in 1961 to 41.93 million in 2011 (Table.2). Kerala has the largest proportion of elderly population as compared to other states. As per 1961 census only 5.8 per cent

Table 2: Size and Growth of Elderly Population in Kerala and India

Year	Kerala		India	
	Number (in millions)	Proportion	Number (in millions)	Proportion
1961	9.86	5.8	25	5.6
1971	13.28	6.2	33	6
1981	19.1	7.5	43	6.5
1991	25.74	8.9	55	6.8
2001	34.87	10.95	77	7.5
2011	41.93	12.6	104	8.6

Source: Census of India, various years

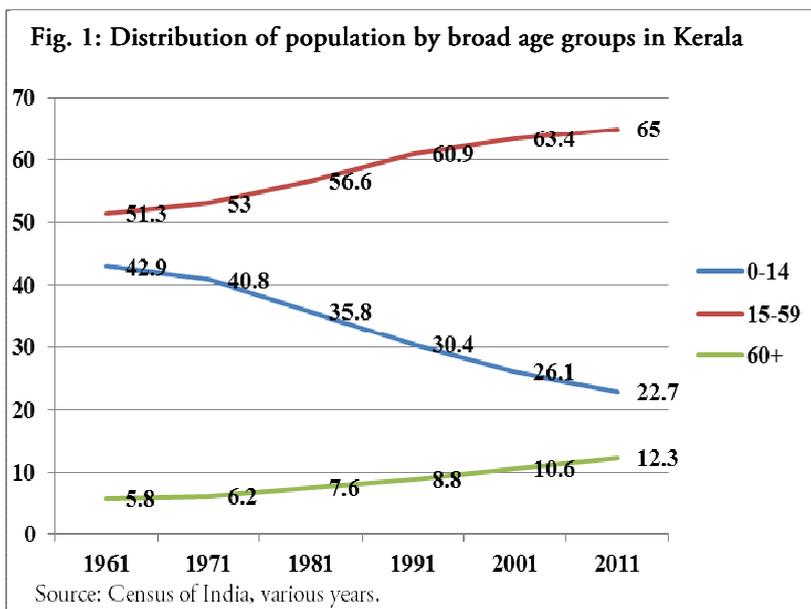4. Percentage of people 60 and over age group
5. http://www.ecostat.kerala.gov.in/pdf/aged/Aged_Households.pdf

of Keralites were 60 years and over. But it has tremendously increased to 12.6 per cent in 2011. Kerala has peculiarities in socio-economic, cultural and demographic fronts. The birth rate, death rate, infant mortality rate, marriage age, expectancy of life, literacy rate, consumption pattern etc of Kerala are in a higher level than any other part in the country and in some cases these indicators are even comparable with developed countries[5]. During 1961, the proportion of elderly to total population in India and Kerala were more or less same. But it has increased enormously in Kerala than India during 2011. This would mean that every family in Kerala has to take care of one

groups (Cesaretto, 2014). In Kerala, if we divide the total population into three major age groups, like 0-14 years, 15-59years and 60 years and above, we can find clearly that during last few decades the share of children (0-14) is decreasing from 42.9 percent in 1961 to 22.5 per cent in 2011(Figure 1). Since 1961, the population aged 60 years or more has grown steadily. It has increased more than double during 1961-2011. In 1961, the elderly population was only 5.8 per cent of the total population, increasing to 6.2 per cent in 1971; it is likely to increase 10.9 per cent in 2001 and 12.6 per cent in 2011. The age group between 15 and 59 is considered as working age group. The proportion of working age group has increased from 51.3 percent in 1961 to 65 percent in 2011. The worst affected group is the children below age of 14. The elderly population which accounted for 12.3 per cent of total population in 2011 is expected to increase its share to 35 percentage by the year 2051 (Rajan and Aliyar, 2004) and therefore government needs to initiate appropriate programs and policy interventions to ensure the social security for the senior citizens in the state

Fig. 1: Distribution of population by broad age groups in Kerala

Source: Census of India, various years.

child and an aged mother or father or both and the spending on the elderly would be a major component of family budgets[6].

Decreasing fertility along with lengthening life expectancy has reshaped the age structure of the population in most regions of the planet by shifting relative weight from younger to older

Life Expectancy

Life expectancy at birth is the number of years a new born infant would live if prevailing patterns of mortality at the time of its birth were to say the same throughout its life. Life expectancy at birth is an important indicator of health

6.http://www.thehindu.com/todays-paper/tp-national/tp-kerala/kerala-population-greying-fast study arti le197440.ece

Table 3
Gender wise Life Expectancy in Kerala

Year	Males	Females	Male-female difference
1961	46.2	50	3.8
1971	60.5	61.1	0.6
1981	60.6	62.1	1.5
1991	66.9	72.8	5.9
2001	68	74	6
2011	71.4	76.3	4.9

Source: Census of India, various years

status of a country or region (World Bank, 2003). It is evident from the Table 3 that there has been significant improvement in the life expectancy of both males and females in Kerala. Life expectancy of males was 46.2 years in 1961, which increased to 66.9 in 1991 and further increased to 71.4 years in 2011. The female life expectancy has increased from 50 years to 72.8 years and further to 76.3 years over the same period of time. The gender gap has widened as gains in female life expectancy have exceeded those for males. During 1971, the life expectancy of birth of both males and females was almost same with a mild difference of 0.6 years. It has widened with a gap of 4.9 years in 2011

Labour market and employment

The vast majority of the elderly do not have any independent means of support except for those who had a pensionable job during their working life. Those who are involved in agriculture or casual wage labour have access to income only during their working life. Once they stop working, they become totally dependent on their children or relatives. As a result elderly men and women continue to work much beyond what is normally regarded as the working ages (Gulati, 1993). The majority of the elderly tend to work even after the age of retirement due to the inadequate old age security, both emotional and material (Rajan, 2014). However, the work participation ratio of the elderly tends to decline with the advancement in age.

As per 2011 census, 18.5 per cent of the elderly above 60 years of age in Kerala are in the labour force (33.7 per cent of elderly men and 6.1 per cent of elderly women) (Table 4). During 1961, elderly work participation rate was 65.64 per cent in the state and it has decreased as half after five decades. As compared to male counterparts, the female elderly's participation in the labour market is very less. The most significant aspect of female employment in Kerala is the low proportion of women employed in the primary sector. The structural transformation of women's economic activity have indeed taken place in the State with primary sector losing its importance and tertiary sector taking up its place (Sebastian and Navaneetham, 2008).

Table 4
Work participation rate of Elderly in Kerala

Year	Male	Female	Total
1961	65.64	14.76	39.11
1971	60.13	7.71	32.65
1981	49.10	10.00	28.35
1991	45.65	9.61	26.32
2001	40.5	8.8	22.9
2011	33.7	6.1	18.5

Source: Census of India, various years

Dependency

The old age dependency ratio is defined as the number of people aged 60 plus for every 100 people in the age group 15-59 (Bhat and Dhruvaranjan, 2001). Dependency is thus found to be one of the reasons for the elderly to continue to work in their old age in spite of poor health (Rajan and Prasad, 2011). The relatively faster increase in the elderly population will contribute to a higher dependency ratio of the population in the non-productive age group. The old age dependency ratio of Kerala was 11.33 in 1961, is increased to 16.53 in 2001 and further to 19.64 in 2011 (Table 5). The dependency ratio is slightly higher among elderly women than among elderly men. This ratio of both men and women has almost doubled from 1961 to 2011. Rajan et al. (2011) observed that the marked gender disparity in the levels of economic dependence among the elderly is rooted in the social expectation of financial dependence of women on men and the gender division of labour which restricts the participation of women in paid work

Table 5
Old Age Dependency Ratio by Sex in Kerala

Year	Total	Males	Females
1961	11.33	11.13	11.51
1971	11.62	11.26	11.97
1981	13.05	12.59	13.49
1991	14.41	13.72	15.07
2001	16.53	15.24	17.73
2011	19.64	18.58	20.60

Source: Census of India, various years

Conclusions and policy suggestions

The increase of the process of demographic ageing in a society has number of socio-economic problems. The proportion of the elderly in Kerala population has been increasing steadily over the last five census periods. In 1961, the elderly constituted 5.8 per cent of total population and rose to 12.3 per cent in 2011 and expected to rise about 35 per cent by 2051. In absolute number they were only 9.86 million in 1961 and they were 41.93 million in 2011. As the proportion of elderly people increases in the state, this will impose a heavy burden on state expenditure by providing social security. The study shows that in Kerala, the dependency ratio is increased over decades. Both male and female elderly are economically dependent on the younger population. In future, every household in Kerala has to take care of an aged father or mother or both. The government needs to consider some measures or policies for the elderly in terms of their relevance, contribution to society, medical requirements etc. If the government is not taken any steps towards the aged now, it will become very difficult to provide proper care and security to the elderly people in the coming decades.

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WOMEN EMPOWERMENT THROUGH EMPLOYMENT GUARANTEE SCHEME IN KASHMIR VALLEY*

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Abstract

Since rural women remain untouched by rural development their empowerment is a must for ensuring and mobilizing their greater participation in developmental activities. Women empowerment is synonymous with the achievement of equality of men and women. In the concept of empowerment the word power entails the capacity to act independently and the ability to influence others. Empowerment of women was one of the nine primary objectives of the ninth plan and every effort was made to create an enabling empowerment where women could freely exercise their rights within and outside their home as equal Partner with men. Several poverty alleviation and employment generation programmes were introduced by different state governments, Union Territories and Government of India. But those schemes not effectively and efficiently worked to reduce poverty and increase the living standard of the people in rural India especially women population. As a rural wage employment programme, Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) was enacted on 23rd of August 2005 and got presidential assent on 5th of September 2005. The Act recognised the relevance of incorporating gender equity and empowerment in its design. An empirical analysis on the change brought by this programmes finds the even though empowerment is slightly higher in case of beneficiaries than that of non-beneficiaries yet difference between beneficiaries and non-beneficiaries of MGNREGS in terms of overall empowerment was not found to be significant. The reason may be that no doubt MGNREGA has provided employment opportunities to women but empowerment is more social than economic phenomena.

Key Words: Women Empowerment, MGNREGA, Empowerment differentials

Introduction

Empowerment of women is a multidimensional process which enables women to realize power in the different spheres of life i.e. social, political, economic etc. For the development of the society equal participation of both men and women is a must. Since rural women remain untouched by rural development their empowerment is a must for ensuring and mobilizing their greater participation in developmental activities. Women empowerment is synonymous with the achievement of equality of men and women. In the concept of empowerment the word power entails the capacity to act independently and the ability to influence others. Empowerment of women was one of the nine primary objectives of the ninth plan and every effort was made to create an enabling empowerment where women could freely exercise their rights within and outside their home as equal Partner with men. Several poverty alleviation and employment generation programmes were introduced by different state governments, Union Territories and Government of India. But those schemes not effectively and efficiently worked to reduce poverty and increase the living standard of the people in rural India

especially women population. As a rural wage employment programme, Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) was enacted on 23rd of August 2005 and got presidential assent on 5th of September 2005. The Act recognised the relevance of incorporating gender equity and empowerment in its design. Various provisions under the act and its guidelines, aim to ensure that women have equitable and easy access to work, decent working conditions, equal payment of wages and representation on decision-making bodies.

It was "an Act to provide for the enhancement of livelihood security of the households in the rural area of the country by providing at least one hundred days of guaranteed wage employment in every financial year to every household whose adult members' volunteers to do unskilled manual work and for matters connected or incidental thereto…." (NREGA-2005). An important objective MGNREGA has been to encourage women's effective participation, both as workers and as administrators. Empowerment of women is considered in terms of economic, social and political aspects of MGNREGS.It was "an Act to provide for the enhancement of livelihood security of the households in the rural area of the country by providing at least one hundred days of guaranteed wage employment in every financial year to every household whose adult members' volunteers to do unskilled manual work and for matters connected or incidental thereto…." (NREGA-2005). An important objective MGNREGA has been to encourage women's effective participation, both as workers and as administrators. Empowerment of women is considered in terms of economic, social and political aspects of MGNREGS.

Economic Empowerment of Women through MGNREGS

Economic empowerment of women due to MGNREGS is reviewed from following angles such as employment opportunity, women as wage earner, reduced differential wages and wage parity, control rights of women in earning from MGNREGA, financial inclusion, and bargaining power.

Employment Opportunity

MGNREGA contains provisions which cater objective of socio-economic empowerment of women with respect to wages and work opportunity. So far as women participation in MGNREGA in Jammu and Kashmir is concerned, the women participation rate is around 25 per cent in 2014-15as against 0.97 per cent in 2007-08 which shows that women work participation rate is an increasing trend in the State.

Women as Wage and Income Earner

The MGNREGS has helped the women to become wage earner. The wages earned contribute to the family income, which is used for clothing, nutrition and health care of the members. The MGNREGS employment of women has helped them to play an equal role in decision making.

Reduced Differential Wages and Wage Parity

MGNREGA has reduced traditional gender wage discrimination, particularly in the public works sector. As per NSSO 66th round, the average wage for labour in MGNREGA was Rs 90.9 per day for men, and for women it was Rs 87 per day. The wage difference was larger for labour in other public works; Rs 98.3 per day for men and Rs 86.1 per day for women. Other studies also suggest an upward movement of unskilled

wages for women post-MGNREGA. For instance, in Kerala, the wages for women in agriculture and forest work rose from Rs 70–80 in 2007 to Rs 110–25 in 2009. In fact, real wages increased more rapidly for female workers than for male workers. In a survey of 75 villages across four states- Bihar, Gujarat, Kerala and Rajasthanit was found that the ratio of male-female wage rates, on an average, declined from 1.40 in 2007–08 to 1.30 in 2009–10. Parity in wage rates also appears to be positively affecting participation of women in the Scheme. States that have a high wage differential in casual labour market (for works other than MGNREGA) are likely to have a greater participation of women in MGNREGA, which assures wage equity. An intra-household substitution effect appears to be at work. In other words, when casual labour market opportunities are better for men than they are for women, it is easier for women to get the (limited) number of jobs available under the Scheme. However, Punjab (43 per cent participation of women) and Haryana (36 per cent participation of women) appear to be the exceptions; these States have high differences between men and women in market wages, yet have participation below the national average of 50 per cent. This trend requires further investigation. The possible reasons could be, limited demand of work such that men avail of the employment, or non-availability of work suitable for women, or it could be due to cultural reasons such as non-acceptance of women in the labour force, etc.

Control Rights of Women in Earning

The women workers are becoming economically empowered due to MGNREGS. They get the wages through the system of bank account payments or through post office, which gives them the control right on their earning. Women now earn equally so they have also started taking interest as to how their earning is to be utilized.

Financial Inclusion

Financial inclusion is the process of facilitating the access of those segments of the population which are denied these facilities to become a part of the formal financial system, either as individual or as groups (Karmakar, 2011). Under the scheme it is now mandatory to make payment of wages through bank or post office. Their access to bank or post office has led to another form of inclusion which is so called financial inclusion.

While financial inclusion may be the first step to empowering economic independence of women, the follow through stages are as essential. Among these are enhancing financial literacy of women and encouraging them to make independent financial decisions. One of the initiatives being taken under NREGA is to make women open individual bank or post office accounts, rather than co-owning it with their spouses / parents as it is important that women own and operate their accounts than just being enrolled into one.

No frills bank account was opened for the payment of MGNREGS wages. This increased transparency in payments and also encouraged the habit of thrift and savings. This has had the greatest impact on women workers for whom financial independence was a dream. The in-depth analysis based on secondary data shows that 100 per cent of workers had bank accounts from among the registered workers and about 100 percent of wage payment is through accounts (bank/ post office). Separate accounts are also being opened in the name of women workers, "To visit a Bank was beyond our expectations.

MGNREGS has not only led us to a bank, but now we are also to save something out of our wages and we have come to visit a Bank. We are very much grateful to MGNREGS scheme which has totally changed our life style..."

NREGA perhaps can also be credited to be the scheme that led to the opening of maximum numbers of rural bank accounts in India and an accelerator of financial inclusion. The NSSO survey in 2014 showed that the MGNREGA mandate to route wage payments as direct benefit transfers to the beneficiary's bank accounts lent a direct push to opening of bank and post office savings accounts. As in 2013, 8.6cr bank and PO accounts had been opened via MGNREGA. This number increased to 9.3 crore as in 2014. 80 per cent payments are made through these means (MHRD - Report to the people, 2014).

Bargaining Power

The bargaining power of women workers have improved due to MGNREGS. The average wage rate in the agriculture sector also went up toward minimum wages. Previously, women worked were poorly paid. Now with MGNREGS, the general wages for women has increased to Rs 120/- in all types of work. The total household income has also increased as now women are able to work in MGNREGS Scheme during lean agricultural season and undertake agriculture activity during agricultural period.

Low Level of
Dependency and Self Sufficiency

The most significant gainers of the scheme were women, as they have got the opportunity to break the social shackles of male dependency and be self-sufficient. There was once a time when women were not allowed to step out of the house and women were not independent. Men had the responsibility of taking care of all the needs of women. Women were completely dependent on men. But now the times have changed and women are working in MGNREGA, they are getting good rewards for their labour and now the participation of women has increased more than men.

Social Empowerment of Women

Social empowerment of women cannot be quantitatively measured but the impact of it can be qualitatively felt. The important qualitative changes are in the form of changed attitude to work, social acceptability, happiness and contentment. Social empowerment of women due to MGNREGS is reviewed from following angles such as social interaction, women participation in social audit, participation in decision making, dignity of labour, worksite management and impact on education & health sectors.

Social Interaction

MGNREGS has brought social interaction betweendifferent social groups and has also brought interaction between men and women. They now work shoulder to shoulder to earn their dignified living. The social dogmas which restricted the genders to work together have gone out. The caste divide has also ended, which is a great advantage of MGNREGS.

Women Participation in Social Audit

Women participation in social audit is being encouraged bythe government but it has not gained much ground. Formation of social audit team is lacking and so is the women participation in social audit.

Participation in Decision Making

The women workers are being encouraged to participate in decision taking. They have

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started participating in the process. In the panel, 4 to 5 women workers are now being kept to take decision regarding the project planning. In the shelf of work, mate selection is also being encouraged from among the women. About 50 per cent of the works are managed by the women as per Govt. feedback. The formation of Self Help Groups (SHGs) and participation of women at the Panchayat level as elected members has given them strength to highlight the issues which are prime for social wellbeing.

Dignity of Labour

Through implementation of the scheme in the right earnest, the status of the workers improved and dignity of labour was ensured. For the first time the worker could demand work and get his dues in a time bound and transparent manner. This has transformed the relationship between the work provider and the worker from that of a master servant relationship to one of an employer and an employee. Ensuring dignity of labour has probably been one of the most important outcomes of MGNREGS.

Worksite Management

Ensuring the rights of the worker being the focus of thisprogramme, worksite management becomes an essential component. it was emphasized from the beginning that worksite management is not an ancillary item, but as important as correct measurement of work and accurate payments. It was seen as key to ensuring labour retention and especially crucial to inclusion and participation of women labourers. It is mandatory for every worksite in the district to have provision for rest-shed, safe drinking water, first aid and other facilities. This has mainly had an impact on women and marginalized job seek-

ers in two ways. Firstly, better worksite facilities increase their participation and retain them in the workforce. Secondly, pregnant women, differently-abled persons and aged jobseekers who may not necessarily get a good return on a piece rate basis are engaged in such works providing water, maintenance of crèche etc. and hence are able to get a daily minimum wages while retaining dignity of labour. The most surprising thing is that where these work site facilities are lacking, duo to this, pregnant women, women with young children and elderly women are unable to take employment even if they want.

Impact on Education

It is a well-known fact that increasing incomes of the poor lead to better retention rates in schools and a greater chance of continued education for children. The observation in Chhattisgarh shown a positive impact on education. The data from the field shows that there has been a substantial reduction in drop-out rates in primary schools in the district.

The MGNREGS has ensured employment to the poor in rural India. The "Stop Dams", "Link Roads" and "Forestry" have generated employment, which has increased the income of the family. Further, the time that women spend on the chores of water collection, fuel collection, folder collection has been reduced. The girl child was kept at home from school to help in domestic chores, but is now encouraged to attend school.

Impact on Health

The health of the women was strongly affected by carrying water for long distance, up steep terrains etc. they suffered from depression, backache, headache, spinal injuries, obstructed

birth, leading to high mother and infant mortality. Further, the level of self hygiene is very low and hence they were exposed to communicable diseases. A clean water tank built through the MGNREGS scheme has reduced these risks and helped in the improvement of health.

Social Parity

Women's access to economic resources in terms of income and property ownership was unequal. There was a gender gap in the earnings and often was a cause of social disparity. MGNREGS, by ensuring equal wage has helped to achieve social parity in terms of Income and status.

Social Climate

Gender inequality was a major factor contributing to violence against women, disaster situations etc. the women and girls were often not equipped to handle adverse situations due to less female mobility and illiteracy. The women and girls are victims of sexual harassment and domestic violence, particularly when they are left alone at home. The MGNREGS has reduced these incidents as most of the women go out for work and the girls are encouraged to go to school.

Self Esteem and Confidence

The MGNREGS was implemented to give livelihood to the poor families. The survey reveals that in some schemes the enrolment of the women is higher. The woman earns the wages for 100 days in a dignified manner without being harassed by contractors etc. There is a definite rise in the confidence and self-esteem of the women. They are vocal and also conscious of their rights. (Job cards, wage rate, days of work etc.) The place of the women in the house and society has changed and in some cases the women is "Pradhan", and safeguards the interest of the other women. This has brought out the quality of leadership amongst the women especially those from the backward sections. The inclusion of "Women" as the "Mate" and "Rojgar Sahayak" has also given confidence to the women. A physically disabled or differently abled woman had no place in the society. The MGNREGS has ensured employment to them in the softer areas, thus ensuring some employment to the women.

Enhancement of Knowledge

The MGNREGS generates employment in identified sectors.The main indented schemes are related to land works, forestry programmes, fisheries, agriculture, floriculture, horticulture, irrigation etc. when a woman is employed in these schemes she gains knowledge, about the various things and soon exercises her opinion in decision taking regarding choice of plans.

Cultural Climate

Women are the custodians of the cultural wealth. The MGNREGS has gone a long way in saving the "Cultural Climate" from degrading. The employment of women has generated small groups and network of women from different segments of the society. Interaction at the worksite, journey to and from, visit to the bank / post office, etc. has been very beneficial to the women at large. They enjoy and celebrate small events and also transfer the folk arts and culture to each other.

Enhancement of Choices and Capability

MGNREGA has widened the choice set for women by giving them independent income-earning opportunity. If a woman depends on the head of the household then her choice become the subject of household direction MGNREGA has enhanced the choice of women to use earnings.

Indirect Benefits

MGNREGS has helped in development of water bodies, check dams, link roads etc. which has proved to be a boon for women and to the village community at large. The time saved in bringing water, traversing on un-even roads, to get things of personal needs was a distant dream, which MGNREGS has made a reality. The women are now able to get their personal need fulfilled as vendor visit their village. The general disposition of women and children reflect good health and give a satisfied appearance.

Women Empowerment Index: Methodology

Women's empowerment is multidimensional and it is very difficult to measure. It comprises the entire complexities of interactions, roles, rights and status that surround being male versus being female in a given society or culture. However, in this study I have tried to measure women's empowerment through MGNREGS by using women empowerment index. Here we construct the composite index of women empowerment where several indicators have been used to assess the extent of women empowerment. The most commonly used indicators are socio-economic and political empowerment comprising its various indicators. The study has used some proxies to measure different attributes of women empowerment because subjective attributes are difficult to measure. The used proxies to measure women empowerment are:

I. Economic Empowerment Index (EEI)

II. Social Empowerment Index (SEI)

III. Political Empowerment Index (PEI)

Indicators of Economic Empowerment Index

Economic independence is very much necessary for the empowerment of women and traditionally, rural women have been to a great extent, economically dependent on men. There has been a misrepresentation in rural society that a women's economic role in the family and society is marginal and, therefore, merely supplementary. Contrary to it, the reality of the economics of rural family suggests that women's contribution in the fulfilment of the basic needs of the family is no less than men. Women work harder and for long hours, engaged in more tedious jobs within and outside the family. Her activities of fuel collection, storing the produce and taking care of domestic animals do not receive economic consideration. Employment is most important requirement in the empowerment of rural women which makes them economically independent. The Seventh Plan (1985-90) emphasized women's role in employment and the need to strengthen it was accepted. Economically empowered women have full control over economic resources or free to spend her own income. The economic empowerment of women from MGNREGS is assessed based on the following indicators.

a. Employment opportunity increased;

b. Increase in income & expenditure;

c. Improvement in living standard and satisfaction;

d. Freedom to spend her own income;

e. Market wage rate increased;

f. Increase in savings and investment activities;

g. Increase in the local wage rate of wage earners;

h. Checking distress migration from village;

i. Repayment of family debt/ lowering indebtedness and

j. More financial inclusion (banking inclusion)

The economic empowerment index was constructed by use of five point scale as 1 shows strong disagreement with given statement and 5 shows strong agreement with statement. By summing up the scores obtained for each indicator listed above, economic empowerment index has been calculated using the following formula.

$$EEI = \frac{Score\ Obtained}{Total\ Possible\ Score}$$

An economically empowered woman enjoys increasing employment opportunities, income and standard of living with increased wage rate and with some other economically related factors. MGNREGA has provided employment opportunities and its other cascading effects to rural women. Account payment of wages also creates some other effects. Apart from increasing the chances for greater control over earnings, it leads to the development of a saving habit. Initially, most of these workers used to withdraw their entire wages at one go. Gradually, they have started withdrawing as per their needs. This has an added advantage as women are able to save money from wasteful expenditure, if husbands or other male members tend to spend on items like liquor. Women were also found to invest in fixed deposit schemes in the same bank. Greater linkage of women with financial institutions may trigger many individual and community-level social and economic effects (Kabeer 2001b; Mayoux 2001; Pitt et al 2006; Mayoux and Hartl 2009).The study by Institute of Applied Manpower Research (2008) found that NREGS helps to improve the income level and enhance the standard of living of the rural people particularly the vulnerable section of the society such as women, SC/STs, minorities and so on.

Ratna. M. Sudarshan (2010) study focused that improved women participation in MGNREGA is enhanced from active participation of NGOs and better wage payment of scheme which is above the prevalent market wage. The study by Sudha Narayanan (2008) pointed out that the provision of shade, food and other basic amenities for young children at MGNREGA worksite would ensure effective participation of women particularly mothers who are having young child. It is prominent to study

Table: 1. Economic Empowerment Index of Women Respondents

Sl.No	Districts	Status	Value of Index	Difference
1.	Badgam	Beneficiaries	0.509	0.094
		Non-beneficiaries	0.415	
2.	Baramulla	Beneficiaries	0.524	0.092
		Non-beneficiaries	0.432	
3.	Kulgam	Beneficiaries	0.591	0.100
		Non-beneficiaries	0.491	
4.	Srinagar	Beneficiaries	0.596	0.068
		Non-beneficiaries	0.528	
5.	Kargil	Beneficiaries	0.614	0.100
		Non-beneficiaries	0.514	
	Kashmir Valley	Beneficiaries	0.567	0.091
		Non-beneficiaries	0.476	

Source: :Author's Calculations

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whether these women after getting employment opportunities and its other provisions and direct and indirect benefits from MGNREGA have become economically empowered or not. The district has highest value of economic empowerment index among the surveyed districts and the differences in the value of index is higher (0.100) between beneficiaries and non-beneficiaries showing some sort of economic impact of MGNREGS on women in the district of Kargil than other district.

The results of table: 1shows the overall value of economic empowerment index. The value of economic empowerment index was found to be 0.567 for beneficiaries and 0.476 for the non-beneficiaries women of MGNREGS in entire Kashmir valley including Kargil. The whole analysis reveals that value of economic empowerment index was slightly higher for the beneficiaries as compared to non-beneficiaries with difference of 0.091 indicating some economic empowerment of women due to participation under the Scheme.

Indicators of Social Empowerment Index

Social empowerment will start from the family. In rural families the men and older women discourage young generation of women from the efforts of empowerment by curtailing their movement in the outside world for education, vocational training, employment and political participation. In the joint families elderly women enforce the traditional ethos of discrimination and subordination of women. In rural families women's submissiveness is valued. Women's subordination is justified for the welfare of the family and it is contended that too much freedom to women would result in the family to suffer. Social empowerment of women in the family will re-

quire adult education among rural women for transforming their attitude towards progressive thinking. Self-image plays an important role in the social empowerment of women. This includes faith and confidence of women in their capabilities and potentials. It is important to note that rural women have a very poor and pathetic self-image. This image is the result of women's socialization in a traditional ethos of inequality of sexes which project women inferior to men in almost all the spheres of life. This self-image hampers her confidence in taking decisions independently. Lack of education, ignorance and position of dependence of women plays a great role in it.The social empowerment of women from MGNREGS is assessed based on the following indicators.

a. Literacy/ improvement in enrolment ratio;

b. Medicine/improved health care;

c. Improvement of self-esteem and confidence;

d. Improvement in social status;

e. Increased social interaction;

f. Improved dignity of labour;

g. Increased social parity;

h. Improved control rights of women in earning;

i. Increased participation in social audit;

j. Increased role in household decision making;

k. Enhancement of knowledge;

l. Enhancement of choices and capability;

The social empowerment index was constructed by using same five point scale as mentioned above. By summing up the scores obtained for each indicator listed above, social empowerment index has been calculated using the above formula.

Table: 2. Social Empowerment Index of Women Respondents

Sl.No	Districts	Status	Value of Index	Difference
1.	Badgam	Beneficiaries	0.547	0.089
		Non-beneficiaries	0.458	
2.	Baramulla	Beneficiaries	0.381	0.060
		Non-beneficiaries	0.321.	
3.	Kulgam	Beneficiaries	0.455	0.115
		Non-beneficiaries	0.340	
4.	Srinagar	Beneficiaries	0.485	0.102
		Non-beneficiaries	0.383	
5.	Kargil	Beneficiaries	0.573	0.116
		Non-beneficiaries	0.457	
	Kashmir Valley	Beneficiaries	0.488	0.096
		Non-beneficiaries	**0.392**	

Source: :Author's Calculations

A socially empowered woman is free to move in the society, also free from any kind of discrimination and has equal status in the society. It is expected that when women become economically independent and contribute to some extent to household income; she can establish her control over the family decision making process and other family affairs and thus ultimately improve her position in the family and society (Hoque and Itohara, 2009).Vinita Arora et al., (2013) study found that MGNREGA enhances decision making power in social and economic well being of women. Gowhar Bashir Ahangar (2014) conducted study on women empowerment through MGNREGS in Shahabad Block of district Anantanag and reported that 90 per cent of the surveyed respondent believes that their social status is improved after joining in this programme, especially from widows. They got more self-respect than earlier period. People are able to mingle with others, share their feelings, and increase their confidence and dignity. All this happened only after joining in this programme.

Social empowerment index (SEI) was constructed on the basis of various economic indicators for beneficiaries and non- beneficiaries of MGNREGS separately for the Kargil district. The value of SEI is found to be0.573for beneficiaries of the Scheme and is 0.457 for non-beneficiaries indicating empowerment of women beneficiaries of MGNREGS socially than non-beneficiaries in the district which is highest among the surveyed districts and the difference between value of index is also found to be highest (0.112) indicating that MGNREGS has played significant role in social empowerment of women in district Kargil as compared to other districts (Table 2).

The results of table 2 show the overall value of economic empowerment index. The value of economic empowerment index was found to be 0.488 for beneficiaries and 0.392 for the non-beneficiaries of MGNREGS in entire Kashmir valley including Kargil with difference among beneficiaries and non-beneficiaries equal to0.096. The whole analysis reveals that value of economic empowerment index was slightly higher for the beneficiaries as compared to non-beneficiaries indicating some social empowerment of women due to participation under the Scheme.

Indicators of Political Empowerment Index

Without co-operation of rural men, women cannot be empowered. Active participation of women in Panchayats and political sphere, interacting with officials largely depends on the attitude of men and society. The political empowerment of women from MGNREGS is assessed based on the following indicators.

a. Increased political awareness

b. Participation in political parties

c. Participation in elections

d. Interaction with officials/ representative

e. Participation in meetings of Village Panchayat/ Gram Sabha

f. Participation in political organisation/ SHG

g. Participation in decision making

The political empowerment index was constructed by using same five point scale as mentioned above. By summing up the scores obtained for each indicator listed above, Political Empowerment Index has been calculated using the above formula.

Women are said to be politically empowered if they have political awareness, determined about their decisions relating to their politics, involvement in political parties and election, participation in panchayat meeting and gramasabha. With passive Panchayati raj system and less involvement of people in election and other related activities, it is expected that political empowerment of women in Kashmir would be low.

The value of PEI is found to be0.593for beneficiaries of the Scheme and is 0.459 for non-beneficiaries which highest index value among the surveyed district with difference between value of index highest (0.134) indicating that MGNREGS has played significant role in social empowerment of women in district Kargil.

Composite Women Empowerment Index

The latent variable empowerment is measured through an index called Composite Women Empowerment Index (CWEI). Based on above three indices, composite women empowerment index has been constructed by taking average of each index.

$$CWEI = \frac{EEI + SEI + PEI}{3}$$

Table: 3. Political Empowerment Index of Women Respondents

Sl.No	Districts	Status	Value of Index	Difference
1.	Badgam	Beneficiaries	0.483	0.028
		Non-beneficiaries	0.455	
2.	Baramulla	Beneficiaries	0.384	0.002
		Non-beneficiaries	0.382	
3.	Kulgam	Beneficiaries	0.462	0.06
		Non-beneficiaries	0.402	
4.	Srinagar	Beneficiaries	0.496	0.055
		Non-beneficiaries	0.441	
5.	Kargil	Beneficiaries	0.593	0.134
		Non-beneficiaries	0.459	
	Kashmir Valley	Beneficiaries	0.4836	0.0558
		Non-beneficiaries	0.4278	

Source: :Author's Calculations

Table: 4. Composite Women Empowerment Index

Sl.No	Districts	Status	Value of Index	Difference
1.	Badgam	Beneficiaries	0.513	0.07
		Non-beneficiaries	0.443	
2.	Baramulla	Beneficiaries	0.430	0.159
		Non-beneficiaries	0.271	
3.	Kulgam	Beneficiaries	0.503	0.092
		Non-beneficiaries	0.411	
4.	Srinagar	Beneficiaries	0.526	0.075
		Non-beneficiaries	0.451	
5.	Kargil	Beneficiaries	0.593	0.116
		Non-beneficiaries	0.477	
	Kashmir Valley	Beneficiaries	0.513	0.081
		Non-beneficiaries	0.432	

Source: :Author's Calculations

Closer the value of index to 1 higher will be empowerment and vice-versa. Like human development index measured as an index ranging between values of 0 which indicates deprived of development and value one which shows the full development (UNDP, HDI, 2005; varghese, 2011; cited by Nombo, Mdoe, 2012). International Food Policy and Research Institute (IFPRI) have also developed Women Empowerment in Agriculture Index (WEAI) where women empowerment is also measured as an index ranging from 0 to 1.

A look at composite women empowerment index shows that overall empowerment status of women is not found to be very satisfactory. But still the empowerment level of women beneficiaries of MGNREGS was slightly higher than non-beneficiaries. The results of table show that value of composite women empowerment index is highest for Kargil district (0.593) in case of beneficiaries and 0.477 in case of non-beneficiaries followed by Srinagar district, where value of CEI was 0.526 and 0.451 in case of beneficiaries and non-beneficiaries respectively. The

lowest composite women empowerment index is found to be in case ofBaramulla district with value of 0.430 in case of beneficiaries and 0.271 in case of non-beneficiaries showing wide gap between beneficiaries and non-beneficiaries. The results reveal that, although the composite women empowerments index value is less in Baramulla district,the difference between value of index in case of beneficiaries and non- beneficiaries is higher in district. Therefore impact of empowerment is more visible in Baramulla district.

The overall composite women empowerment index was highest in Kargil district which is found to be 0.513 in case of beneficiaries of MGNREGS and 0.432 for non-beneficiaries with high difference of 0.116 and Baramulla district has lowest composite index value of 0.430 for beneficiaries and 0.271 for non-beneficiaries with highest difference of 0.159 showing significant impact of the Scheme in the district. The overall composite women empowerment index of Kashmir valley including Kargil district is found to be 0.513 in case of beneficiaries of MGNREGS and 0.432 for non-beneficiaries with high difference of 0.081.

Conclusion

Although value of each empowerment index based on selected socio-economic and political indicators is found to be slightly higher in case of beneficiaries than that of non-beneficiaries yet difference between beneficiaries and non-beneficiaries of MGNREGS in terms of overall empowerment was not found to be significant. The reason may be that no doubt MGNREGA has provided employment opportunities to women but empowerment is more social than economic phenomena. There are some practical problems of MGNREGA which need to be solved by government to make it more effective

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EDUCATIONAL AND DEVELOPMENT POTENTIAL OF RURAL STUDENTS A STUDY WITH SPECIAL REFERENCE TO MALAPPURAM DISTRICT

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Abstract

The education system has undergone a sea change not only in classroom level teaching but also in changing the socio economic and cultural order of life. It inculcates human values in the minds of students to instill a sense of citizenship befitting response to the changing socio economic order. This study aims at analyzing the socio economic profile of degree students from rural community and their aspirations towards higher education and career growth. Hypotheses developed are tested using T test. The study also exhibits the major hindrances towards growth potential of rural students. A constructive model for rural students' upliftment is also included. Result shows that students are highly dissatisfied towards economic factors when compared to social and cultural factors. Students have low aspirations towards higher education.

Key Words: Growth potential, Socio economic variables, Career prospects.

Introduction

Education means all round development of a child to face further challenges in life. Education not only means gaining academic knowledge but also acquiring skills to develop their hidden talents. Education has a power to change the society thereby contributing in the development of nation. Malappuram district in northern kerala is bounded on the north by wayanad, on the northeast by Tamilnadu and west by Arabian Sea. According to 2011 census data 55.82% of population in malappuram is rural. As on September 13, 2016 there is 4628724 population in malappuram. The new district of Malappuram was formed with four taluks (Eranad, Perinthalmanna, Tirur and Ponnani), four towns, fourteen developmental blocks and 100 panchayats. Two more taluks, Tirurangadi taluk and Nilambur taluk, were formed from Tirur Taluk and Eranad taluk.

Significance of the Study

Providing quality education to rural children has been a matter of concern since the review of educational policies. There is significant difference in the socio economic conditions, growth potential , skill development opportunities etc of rural students and urban students. Up-lifting of rural india should come from enhancing the educational and development potentialities of children and youth from rural economy. Steps should be taken from the bottom level rather than implementing government policies which never reaches the bottom of the pyramid in the right sense. Due to lack of motivational and supportive measures taken, drop outs of students from rural educational institutions are increasing. No measures are taken to identify the educational aspirations of rural students. At this juncture study is of high relevance as it evaluates the socio economic profile of rural students and also throws light on psycho cultural factors hindering their growth potential.

Statement of the Problem

Steps have been taken by government to provide primary education to rural children. But does this education lead to the overall development and cultural change of a student?, still remain as an unanswered question. 'Do the rural students who enter the degree level education have the necessary skills and potential to compete with their counterparts' is the matter of discussion in this paper. Role played by socio economic conditions in shaping their mindsets are also analysed here.

Objectives of the Study

1. To examine socio economic and cultural status of rural students
2. To analyse the effect of socio economic variables on growth potentialities.
3. To assess the aspiration level of rural students towards higher education and career growth.

Research Methodology

The study is a descriptive one based on primary data collected from rural students in different colleges of malappuram district.

Variables Selected(indicators) :

1. Demographic variables
2. Socio economic variables
   2.1. Education
   2.2. Economic
   2.3. Household
   2.4. Life style
3. Psychological variables
4. Cultural variables
5. Career aspirations

Target population: Degree students from rurally backward areas studying in arts and science colleges of malappuram district are the target population for this study.

Sample selection: Multi stage sampling method was adopted to select sample. The sample frame is list of colleges in Malappuram district sited from kerala_colleges.com. Out of 31 colleges listed, ten colleges were randomly selected in stage one. In stage two, purposive sampling was adopted to select rurally backward students from these selected colleges as sample group.

Sample size: Twenty students selected from ten different colleges of malappuram district constitute the sample group. Hence sample size is 200. But after editing and avoiding incomplete questionnaires the sample size reduced to 186.

Data collection: Data was collected using structured questionnaire. Closed ended questions were used to collect data from respondents.

Tools for analysis: Descriptive statistics like mean median are used in this study. Hypotheses are tested using statistical tests like ANOVA and T test.

Hypotheses

H_0: There is no significant difference in the satisfaction level of rural students towards economic and social factors of living conditions.

H_0: There is no significant difference between higher education aspirations and career aspirations of rural students.

Analysis and Discussion

Demographic profile of selected students shows that 62% of sample selected are male and 38% are female. Community wise 20% belongs to general category , 48 % belongs to OBC category and 24% belongs to SC and 8% belongs to ST. Socio economic status of rural students are identified using different variables like education, economic status, household and life style. The summary statistics is exhibited Table 1.

Table 1 exhibits socio economic profile of rural students on the ground of four aspects household, education, economic status and lifestyle. Regarding education aspect majority are from commerce stream. It can be noted that the achievements secured by students on academics is very less when compared to sports and culturals. Fewer achievements in academics and lack of opportunities to participate in higher level competitions will have an impact on their perception level and thinking process. Regarding household status, in majority of families there are 5 to 8 members, 66% students' parents are coolies and more than 70% students parents belong to no education or primary education category. As majority belongs to uneducated and poor household atmosphere the future prospects level of students may be affected. Economic status also shows that majority belongs to poor income level and depends on part time jobs for their livelihood. Financial stress may block the developmental ambitions of students.

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Table 1: Socio Economic Profile of Rural Students

EDUCATION		HOUSEHOLD		ECONOMIC STATUS		LIFESTYLE	
Criteria	f (%)	Criteria	f(%)	Criteria	f(%)	Criteria	f (%)
Course selected		**Family Members**		**Income level**		**Holdings**	
Commerce	115 (62)	4 and below	65 (35)	Below 10000	167 (90)	Bank a/c	172 (92)
Science	28 (15)	5 to 8	112 (60)	10000 to 20000	19 (10)	Voter ID	156 (84)
Humanities	43 (23)	8 and above	9 (5)	**Welfare funds**		Adhar	182 (98)
Achievements in Academics		**Father's Education**		Yes	64 (34)	License	65 (35)
School level	16 (8.6)	No education	65 (36)	No	122 (66)	Facebook	102 (55)
District level	2 (1)	Primary education	79 (42)	**Part time jobs**		Email id	68 (37)
State level	Nil	High school	34 (18)	Yes	102 (55)	Mobile	115 (62)
Achievements in sports		Plus two	8 (4)	No	84 (45)	Desktop	4 (2)
School level	42 (22)	**Father's occupation**				Laptop	15 (8)
District level	15 (8)	Agriculture	56 (30)			**Unhealthy Habits**	
State level	Nil	Coolie	122 (66)			Smoking	78 (42)
Achievements in cultural		Self employed	8 (4)			Use of Alcohol	8 (4.3)
School level	33 (17.7)	**Facilities at Home**				Use of Drugs	5 (4.1)
District level	8 (4)	No Toilets at home	12 (6.4)				
State level	Nil	Separate study room	4 (2)				

Source: Compiled from primary data

Note: Figures in parenthesis shows percentages

Hindrances to Development

Based on the socio economic variables selected for the study, its impact on growth of rural students were also assessed. Some specific factors hindering the overall growth and develop-ment of students were identified. Five point scales was used to measure the responses of students.

Preferences in selecting desired course: Rarely do students get a chance to select their desired course after school education. Most of the

time due to pressure from home and circumstances force them to select a course. The average mean score is 2.4

Academic support from family: Responses shows that students are neutral with the statement that there is academic support from family. Parents prefer their students to learn but family circumstances may be problem. The average mean score is 3.1

Financial aid: It was noted that there is only poor financial assistance students get for higher education. Scholarships and fee concessions are not enough to motivate the students to learn. Average mean score is 2.2

Family issues: Another major hindrance affecting the growth potential of students seems to be the family issues. Separated parents, health issues of parents, large number of dependents in family etc were identified as major issues. Average mean score is 4.6

Chance of exposure: Rural students never get a chance of exploring the competitive world around. Hence they are less aware of the opportunities available. This also hinders their potential growth. Average score is 1.3

Poor living condition: It was also noted that poor living condition of rural students also hinder their potential to develop. Their friend, relatives, neighbors all are uneducated and are either doing some coolie works or engagaed in some small works. Upliftment from such a background seems to be a major issue. The average mean score is 4.1

Participation in extracurricular: There is less participation from rural students in district and state level programmes because of lack of financial support. They drop their interest in these and go for some part time jobs to assist their parents. Average score is 2.8

Part time jobs: Undertaking part time jobs may also be a hindrance in the career development of students. Major chunk of their excess time they spent in doing heavy and tedious jobs which will make them tired and they will lose

their interest to learn. Moreover since they start earning at the earlier stage of their life they never get a chance to understand the importance of higher learning and career prospects.

Satisfaction level on living conditions will have an impact on the overall development and future aspirations of the students. Five point scales is used to measure the satisfaction level on three different aspects economic factors, social factors and cultural factors. The average mean score is summarized in table 2

Table 2: Satisfaction Level on Living Conditions

Economic factors			
Family income	Education	Parents occupation	Average score
1.2	2.3	2.1	1.83
Social factors			
Societal aspects	Lifestyle	Food	Average score
2.2	1.8	2.1	2.03
Cultural factors			
Traditions	Beliefs	Language	Average score
3.6	3.8	2.6	3.37

Source: Compiled from primary data

Five sub variables where used to measure the satisfaction of students towards each of the variables like family income, education, parents occupation etc mentioned in Table 2. Average mean score on family income seems to be 1.2 which means highly dissatisfied, education mean score 2.3 which means dissatisfied. It can be noted that except for cultural factors, average satisfaction score is dissatisfied. For economic factors average mean score is 1.83 and for social factors 2.03. Regarding cultural factors score is 3.33 which means neither satisfied nor dissatisfied. As the scores of economic factors and social factors are very close to test the hypothesis that there is no significant difference in the satisfaction level of students towards economic factors and social factors T test is applied.

Test result at 370 df shows that calculated value is 2.87 while critical value for two tailed test at 5% level of significance with more than 30 df is 1.96. Since calculated value is larger than the critical value, null hypothesis is rejected. Hence it can be assessed that there is significant difference in the satisfaction level of students towards three elements of living conditions. They are more dissatisfied with economic factors than social factors. But at the same time they are neutral in their opinion about cultural factors.

Aspiration Towards Education and Career

Overall development and cultural exchange of rural community highly depend on the future aspirations of rural youth. Rural students' future aspirations are studied and their preferences are summarized in table 3.

Table 3: Preferences of Rural Students

Higher Education		Career Prospects	
Preferences	f(%)	Preferences	f(%)
PG courses	12 (6.45)	Government job	65 (34.95)
Professional courses	6 (3.23)	Professional job	15 (8.06)
Short term courses	56 (30.11)	Private job	52 (27.96)
PSC coaching	36 (19.35)	Self employed	43 (23.12)
Not interested for further learning	76 (40.86)	Others	11 (5.91)
Total	186	Total	186

Source: Compiled from primary data

Note: Figures in parenthesis shows percentages

Forty percent of students are not interested for further learning while 30% look for some short term courses to get easily employable. In career options many prefer government jobs and many prefer private jobs. Only very few are interested for higher learning. Upliftment of society takes place only when youth show interest in acquiring higher degrees and professional degrees and there

by entering into good paid jobs so that their life will be settled. To know the attitude of students towards higher education and career 10 statements were used with a 5 point scale from highly agree to highly disagree. Mean scores are exhibited in table 4.

Table 4 shows the attitude of rural students towards higher education and career development.

### Table 4
Attitude towards Higher Education and Career Prospects

Higher Education	Score*	Career prospects	Score*
I will benefits from higher learning	3.2	Iam ready to work anywhere	2.1
I Prefer learning in prestigious institutes	1.8	Iam educated , I will get good job	2.6
Iam ready to write entrance tests	2.4	Iam ready to work abroad	3.6
Iam interested to attend education expos	2.8	I look for jobs with career growth	3.8
Iam fit for higher education	2.3	Iam ready to start career with low salary	2.4
Average score	2.5	Average score	2.9

Source: Compiled from primary data

* Mean Score

opment. On an average the students disagree with the benefits of higher education and career. To test the hypothesis "There is no significant difference between higher education aspirations and career aspirations of rural students" t test is used. Test result shows that calculated value is 3.3 while critical value at 5% level of significance for two tailed t test is 1.96. As calculated value is larger than critical value null hypothesis is reject-

Figure 1: Constructive Model
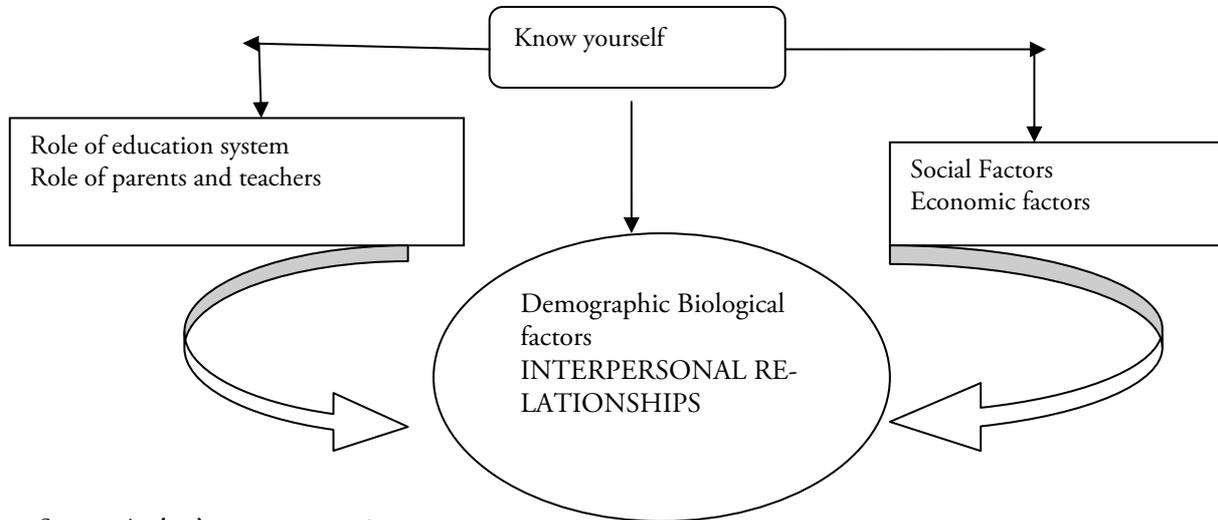
Source: Author's own construction

ed. Hence there is significant difference in the attitude of rural students towards higher education and career prospects. They are more negative towards higher education than career aspects

Constructive Model

Rural upliftment happens only when there is a transcend shift in the thoughts and desires of rural youth. They come up from such a family where livelihood may be questionable due to poor financial condition. They come up from such a living environment where majority are uneducated with very poor earnings. Health and social issues may also affect the overall development of a rural student. To overcome these obstacles they need a good support from all spheres of society. A constructive model for development potential is given in figure 1

Conclusion

The study identifies less performance of rural students in academics and other extracurricular events. It reduces their confidence level. The financial stress suffered by them and lacks of education support from parents also hinder their ambitions. Dissatisfaction towards living conditions is yet another problem. Higher dissatisfaction is towards economic aspects than towards social and cultural aspects. Due to all these the aspiration level of rural students seems to be poor. The study shows that they are least interested in higher education avenues while more interested in making earnings at the earliest so that they can assist their family. Steps should be taken for giving more exposure to these students and also to motivate them for having positive aspirations towards learning and development. Good career can be chosen through good educational track record. Fine tuning of their mindset is the need of the hour since rural society culture can be changed and development can be brought in only through corrective measures. Parents and teachers can play a significant role in redesigning their thought process and uplifting them for further development. Though this may be a slow process of shifting it has got high relevance as it's meant to change coming generations of rural economy.

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PERSPECTIVES OF OVER EDUCATION:
A STUDY OF OVER QUALIFIED TEACHERS

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Abstract

Education is essential for everyone. It is the level of education that helps people earn respect and recognition. Everything in life is based on the knowledge and skill of the people which ultimately comes from education. The growth and development of any country depends on the quality of education system set for students in that country. Quality of education system largely depends on quality of teachers which in turn depends on qualification status of teachers. As the masters of their subject, overqualified teachers can convey utmost knowledge that they possess about a particular subject in the best possible manner. This paper examines the merits and demerits of over qualification of teachers in teaching. The study found that, generally additional qualification is an advantage, in some rare occasions, this may act as a negative factor in job market and it creates under employment. But the merits of over qualification far outweigh the problems of over qualification.

Key Words: Quality Education, Over Qualification, Knowledge and Skill

Introduction

Education makes a worthy contribution to our lives, by making us responsible citizens. We get to know our history and culture through education and imbibe those values. Education opens our mind and expands our horizon. It enables us to understand our duties as a citizen and encourages us to follow them.

Education is the process of acquiring experiences to develop one's innate abilities and talents needed for a productive and successful personal and social life. It is an active process in which modifications are brought about in behavior of individual. Thus education has more than one perspective such as philosophical, sociological and psychological.

The significance of education, for a great part, lies in its ability to open new vistas for us. It expands our outlook and teaches us to be tolerant towards other views. An educated person will find it easier to understand a different point of view than the one who is uneducated. Education broadens our mental landscape and is the way forward to greater enlightenment.

Education is a determined element for the civilization of human society. Not only does it help to develop healthy surroundings but it also generates an advance community. As a matter of fact, everything we create today is based on the knowledge that we obtain throughout our life by way of education. Education is absolutely beneficial for society on the whole. It is a life-long process to each person that needs to be reinforced throughout life.

Employment in the contemporary world is based on education. The advancement of a society both economically and socially is by gaining education which consequently enables them to run a modern society. Education trains us whole life and brings lots of opportunities to our way to get better prospects required for the career growth. Each and every individual needs proper

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education to enhance their own life standards as well as to become a part of the social and economic growth of their own country.

An educated person has the ability to change the world, as he/she is brimming with confidence and assured of making the right moves. Mental health and satisfaction are some essential qualities of a healthy man. These qualities are also indispensable for personality development. The ideals and attitudes of an educated person are definitely different from others.

Role of teachers in education

Education imparts skill and knowledge to a student which instills confidence in him to achieve his dreams. However, this education is delivered to the student through teachers who combine the subject with their ideas, in order to give their students a better education and understanding. Teachers have a big role to play in shaping the future of the nation through their approach and performance in teaching. Only educated teachers and nation builders take the students to the heights of success and progress. Education makes us as perfect noble and kind as possible. It is not an exaggeration to say that a great teacher can change a student's life.

According to Eric Hanushek, teachers can make a big difference. Of all the things that school control, teachers matter most. More than class size, more than the curriculum, more than the amount of money spent per student. The best teachers get three times, as much learning out of their students as the worst teachers. Education is a teacher –driven business.

Significance of the study

In this modern era of competition, people acquire more and more qualifications. The preference for white collar, non-manual salaried jobs create an excess pressure in some categories of occupations and abundant supply of highly qualified persons has created the problem of educational-occupational mismatch in the sense of over qualified person as being employed in jobs requiring little education. In the teaching profession of Kerala, this problem is very severe. Hence a study about the merits and problems of over qualification experienced by the over qualified teachers is very significant.

Objectives

a. To examine the merits and demerits of over qualification in teaching.

b. To analyse the constraints of teaching profession experienced by the overqualified teachers.

Methodology

The study made use of mainly primary data. Thrissur District from the state of Kerala is selected as the sample area. Three hundred over qualified teachers are randomly selected from aided, unaided and government sectors for the data collection. Percentage method and index method is used for the analysis of data.

Key Concept

Over qualification: - Over qualification is a state of being qualified more than prescribed/notified for a particular job.

Analysis and results
Problems of over qualification

Generally, additional qualification is an advantage in all types of jobs. But in some rare occasions, this may act as a negative factor in job market. Some unaided teachers are of the opinion that, over qualification creates some problem in finding a job. Employers think that, the teacher may discontinue because they can easily find an-

other better job. If the selected teacher discontinue, it makes an additional burden on employers to fill the post again.

Another problem is if an over qualified teacher is succeeded in finding a job, she is compelled to teach in lower classes also. In the lower classes there are no chances to apply or use the additional knowledge of the teacher. A post graduate NET qualified teacher or a doctorate holder teaching in the first standard makes some sort of problems to her. This educational- occupational mismatch adversely affect the psychological mood of a teacher. Table 1 provides the data of problems of over qualification.

Table 1 Over qualification as a problem

Problems	Govt.	Aided	Un aided	Total
Yes	1.25	1.43	2.67	2.0
No	98.75	98.57	97.33	98
Total	100	100	100	100

Source: Survey data 2014

Note: Figures are in percentages

Only 2 percent of the total over qualified teachers was suffered from their qualifications. In the unaided sector, 2.67 percent teachers confront this mild problem because of over qualification. But 98 percent teachers have not any problem because of over qualification.

Merits of over qualification in teaching

The merits of over qualification far outweigh the problems of over qualification. Following are the merits of over qualification enjoyed by the over qualified teachers.

i. Effective teaching: An over qualified teacher can give added information to the topic related. She can make her class more resourceful. In order to motivate students and to promote knowledge among them additional qualification is helpful. This has empowered teacher to make their teaching more interesting and effective.

ii. Needs less time for preparation: Over qualification improves teacher skills and helpful in systematic teaching. The added knowledge from the additional qualification helps a teacher to prepare easily.

iii. Helps to update information: Teachers need to teach their learners how to gain information and how to select and use them. An over qualified teacher can impart more and new knowledge to students and they themselves can update information. The additional qualifications help teachers to involve in research activities also.

iv. Interconnectivity of subjects: Lectures on a single subject at a time were the norm in the past. Today collaboration is the thread for all students learning. An efficient teacher can connect their subject with other subjects. She can teach more than one subject at a time by interconnecting the topics.

v. Boosts confidence: Over qualification brings more confidence in teaching. Only a confident teacher can make their students confident. The teacher is a kind of walking resource centre ready to offer help if needed. A teacher without sufficient knowledge about the subject lacks confident and it will adversely affects the confidence level of students also.

vi. Satisfaction in teaching: Teaching is not only for imparting knowledge. A teacher should be a role model who inspires and encourages students to strive for greatness. A highly qualified teacher can easily do all her duties well and hence that teacher can get maximum satisfaction from teaching.

vii. Manage a class without preparation: A teacher with vast knowledge can manage a class or an unexpected class interestingly. In this situation, knowledge about advanced areas of subjects will be beneficial to the teacher.

viii. Advantage at the time of interview: Over qualification is very much useful at the time of interview. In order to answer all the subject related questions, this additional qualification helped them very much. Besides to impress the interview board also it is beneficial.

ix. Gain more respect: A man with knowledge will be always honored. Achievements always lead to physical, social, emotional and spiritual growth. The achievements of over qualification help a teacher to attain respect from various corners of life.

x. Reduces risk: Today's fast changing world demands high qualifications. The 21st century students are coming with lots of knowledge. Without knowledge it is very difficult to stick on teaching. Besides, alternative governments may raise the minimum qualification level for a particular post. Over qualification is helpful to avoid such risks.

Table 2 Economic benefits of over qualification

Sources	Govt.	Aided	Un aided	Total
External classes/as resource persons	21.25	11.42	4	10.33
Tuition for higher classes	1.25	5.71	18.6	11.0
Guest faculty	0	0	1.33	0.67

Source: Survey data 2014
Note: Figures are in percentages

Economic benefits of over qualification

Apart from the above benefits, there are some other economic benefits enjoyed by over qualified teachers, because of their qualification.

Table 2 reveals that, income from external classes as resource persons, income from tuition classes and income from working as guest lecturers are the different sources of income of over qualified teachers. In the sample, 22 percent teachers enjoyed monetary benefit out of their over qualification. 10.3 percent get benefit from external classes, 11 percent get benefit from tuition classes and 0.7 percent get benefit from working as guest lecturers. Sector wise classification shows that, the respective percentages of unaided sector teachers are 4 percent, 18.6 percent and 1.33 percent. In government and aided sector, no one is working as guest faculty. 21.25 percent of government teachers are earning by taking external classes and 1.25 percent gets income from tuition classes. In the aided sector, 11.42 and 5.71 are the respective percentages.

Chances of promotion.

Appointments in higher posts always lead to higher salary. Over qualified teachers have greater possibility for getting promotion. There

are teachers who joined in service as an LPSA and now working as HSST. These are possible because of their high qualification and efficiency. Table 3 shows the number of teachers who got promotion in their service.

Table 3 Number of teachers got promotion

promotion	Govt	Aided	Un aided	Total
got promotion	13.75	11.43	10.00	11.33

Source: Survey data 2014

Note: Figures are in percentages

Out of 300 teachers, 11.33 percent of teachers got promotion. In the government sector, the percentage is 13.75, in aided sector, it is 11.43 and in unaided sector, the percentage is 10.00. With promotion, the extent of over qualification reduces or disappears. This shows that over qualification is a temporary phenomenon or it is a form of allocative inefficiency.

Constraints in teaching

There are number of problems confronted by a teacher while teaching. The important problems in teaching are numbered into four main problems. The major problems are (P_1) extracurricular activities being organised in schools (P_2) Collection of fees and maintenance of records (P_3) lack of opportunities to display and develop teachers talents and (P_4) lack of recognition and appreciation to the good performance by teachers.

For the analysis purpose, the problems are measured at five point scale. After finding the weighted total scorings of each problem, the scholar identify more severe problem among them. The problem which has the high total weighted scorings is the serious problem.

Weighted total scorings in table 4 shows that, extracurricular activities being organised in schools is a serious burden for teachers. Sector wise analysis shows that, government and aided teachers main problem is the collection of fees and maintenance of records. Actually, these are the time consuming duties of teachers other than teaching.

Table 4 Total weighted scorings of the problems

Problems	Govt.	Aided	Unaided	Total
P_1	-5	17	74	86
P_2	7	19	-3	5
P_3	-16	-8	51	-23
P_4	-2	-41	-80	-123

Source: Survey data 2014

Note: Figures are in percentages

Conclusion

The over qualification of teachers is not a problem of education system and not a problem to the student community. But for the teachers, over qualification sometimes happened to be a problem in the form of under employment and under utilisation of knowledge. The problem of underemployment is accepted as a major problem of developing countries. Mere education is not sufficient for getting a suitable employment. Quality of education occupies an important role in the job market. Quality of education in any nation depends on the quality of teachers. The study found that over qualified teachers are enjoying lots of advantage because of their additional qualifications. Governement or responsible agencies may take necessary steps to encourage teachers both ideologically and economically, Thus the teacher person can take part a major role in making out the next generation.

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MICRO INSURANCE- A TOOL FOR FINANCIAL INCLUSION IN INDIA

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Abstract

In India, the rural poor have very low risk management capacity and they are even excluded from many financial services including insurance services. Many poor and low income households may involve in activities or enterprises of smaller scale but with high risk and uncertainty. It makes them more vulnerable because they are more prone to economic and financial collapse. Insurance is one of the best risk dealing strategies. Micro insurance is the new term used to refer insurance services that are specially aimed at poor that involve modest premium and coverage amount. Micro insurance is the provision of insurance services to the low income households. It serves as an important tool to reduce risks and hardships of the vulnerable groups. Hence, micro insurance is recognized as a useful tool in economic development. In this regard this study focuses on role of micro insurance in the financial inclusion of the poor in India, various micro insurance schemes available in India. Against this background the present study tries to study the various micro insurance schemes in India and the impact of micro insurance on financial vulnerability of the poor in India. The study is based on secondary data sources which include Insurance Regulatory Development Authority, NABARD and various journals and books by eminent authors.

Key Words: Micro Insurance- Financial inclusion-Poverty alleviation

Introduction

Risk is common in the lives of poor and low-income groups. Economic, social, natural, and other factors affect the household's risk management capability and their struggle to come out of poverty. Faced with multiplicity of risks, poor and weaker sections are often forced to deplete their financial, physical, social and human assets just to cope with the contingencies. Some common risks they confront with are unemployment, illness, and accident, death of main earning members of the family, crop loss, loss of livestock, fire, theft, drought, flood, and loss in petty trading activity due to market factors. Some groups are more vulnerable to many of these risks than the others and unable to cope with risk events.

But access to and provision of formal insurance is limited for the poor and low income groups. State-provided social security measures are inadequate to cover all kinds of household risks. Under this condition many poor households may tend to behave as resilient to risk events or their risk coping behavior may result in huge welfare loss due to wrongly managed or unable to manage risks. It may also induce many poor households to focus on low risk and low return activities.

In India, the rural poor have very low risk management capacity and they are even excluded from many financial services including insurance services. Hence it is important to understand the need of the poor as well as their demand for financial products including insurance. Many poor and low income households may involve in activities or enterprises of smaller scale but with high risk and uncertainty. It makes

them more vulnerable because they are more prone to economic and financial collapse. Under this situation it is interesting to analyze how micro insurance can play a meaningful role in uplifting the status of the disadvantaged sections in India and how the risk management capacity of the poor in India increases through micro insurance schemes. In this regard this study focus on role of micro insurance in the financial inclusion of the poor in India, various micro insurance schemes available in India and the impact of micro insurance in the financial vulnerability of the poor in India.

Insurance Industry in India

In India insurance is a big opportunity where large untapped population is there. Increasing insurance penetration contributed 4% of GDP in terms of premium volume for life insurance business. Increased customer awareness helped the industry to grow and tapped the untapped market. Increased competition brought innovative product with competitive price with good service. This created an impact on the insurance industry. The overall insurance industry in India is still yet to be developed. In India the coverage of the population in terms of insurance business is huge.

Insurance Penetration and Density

Insurance penetration is measured as the ratio of the premium to the GDP. Insurance density is measured as a ratio of the premium to the total population. Both insurance penetration and insurance density are at the low level in India. The measure of insurance density and insurance penetration reflect the level of development of the insurance sector in the country. These low pene-

tration levels suggested that the insurance sector in India has a promising potential for growth. Additionally a rising population, a growing economy, increased domestic savings and greater awareness of insurance products are positive signs for growth for the insurance industry.

Table: 1
Global Comparison of
Insurance Premiums, Penetration and Density

Country	Premium (US$ million)	Penetration (% of GDP)	Density (US$ Per Capita)
India	46206	6.6	48.1
Malasia	5682	2.9	206.9
Tailand	6212	2.4	91.9
China	99175	2.3	81.1
Sri Lanka	233	0.6	11.8
Philippines	1563	1.0	17
Pakistan	543	0.3	3

Source: IRDA web site

Table 1.shows that India is likely to have the fast growing insurance market. India and China are the two most promising insurance markets. India's insurance penetration appears higher. Taiwan has the highest insurance penetration in the world.

Table: 2. Population excluded from insurance

Countries	Percent	Million
India	90	950
Bangladesh	93	134
Pakistan	97	147
Nepal	95	23

Source: IRDA web site

In India, about 90% of the population is excluded from insurance. The situation is similar in almost all under developed countries of the world. Micro insurance is the only way to increase the

low insurance penetration and insurance density in countries like India.

Review of Literature

Ramakrishnan (2009) in his article, 'Micro insurance in India, Outreach and Efficacy' made an attempt to study the legal environment and micro finance in India and its opportunities for further development. He suggest that the success of micro insurance depends in the correct delivery mechanism and the requirement of micro lending solutions such as micro finance and micro insurance can help the rural poor across the globe.

Prabhakar Akhila (2010) in her article, 'Micro insurance the Risk Reward Spectrum in India' explain the growth of micro insurance and how it helps to alleviate poverty in India. She reveals that index rain insurance can have significant social benefit in the country.

Mathur (2010) in his study, 'Micro insurance- A Powerful tool to empower poor' give details about micro insurance products and companies offering micro insurance in India. The study shows that there is significant progress I micro insurance in India.

Sahu.K.Basanta (2011) in his study, 'Micro insurance in India; Outreach and Efficacy' shows that the outreach and efficacy of micro insurance is very poor I India and also find that most of the micro insurance products are not demand driven and there exist lack of awareness about micro insurance among the rural poor.

Amruthavarshini and Suresh (2013) in their article, 'Penetration of Micro insurance A Study' analyse and identify the causes of the low penetration of micro insurance in rural sector in India. They find that proper guidance is necessary to buy micro insurance products. T is better to

have annual premium rather than monthly premium.

Rob Rusconi (2012) in his article, 'Savings in Micro insurance lessons from India' attempt to know the benefits of savings for micro insurance and prospects finds that paying more attention to the manner in which customers might be encouraged to combine savings with insurance.

Anuradha.K.Rajivan (2007) the study reveals that planned actual steps to address constraints like poverty will help express the insurability of the poor in the future and the study also shows that micro insurance is on the edge of floating take off in India. The current interest from the different stakeholders, combined with the solid movement provided by the Directive of IRDA, concrete, complementary, catalytic support will enable all the stakeholders to play a more pro-active role.

VenkitaRamanaRao (2008) in his study reveals that micro insurance is not an opportunity but a responsibility and to serve this responsibility good awareness campaign is needed. Micro insurance is offering real solutions to the billions of rural poor that raises the awareness of micro insurance as a key issue in the coming future.

Sarthak Gaurav and Anu Paola (2007) in their study concludes that rural households need a dependable, useful, transparent and affordable solution for effectively deal with risk and shocks they face and micro insurance is one of the effective risk management tools for the development and addressing critical risk of the rural poor.

Hema Divya. (2013) in the article, 'Importance of Micro insurance in financial inclusion' mention the importance of micro insur-

ance in financial inclusion finds that micro insurance is an effective financial instrument to the poor people. It is essential to create more awareness about micro insurance products. This helps the financial inclusion in India.

Need of the Study

In developing countries like India, majority of the people are lived below the poverty line. They have very low income. It is better to analyse the effect of risk management tool like micro insurance that create financial inclusion of the poor in India. Micro insurance is one of the best risk management tools for the poor people. This scheme covers those people who are excluded from formal social protection measures.

Objectives of the Study

a. To study the role of micro insurance in the financial inclusion of the poor in India.

b. To study the various micro insurance schemes in India.

c. To study the impact of micro insurance on financial vulnerability of the poor in India.

d. To study the problems and challenges of micro insurance in India.

Methodology

The study is basically descriptive and analytical and it is based on secondary data sources which include Insurance Regulatory Development Authority, NABARD and various journals and books by eminent authors.

Micro insurance

Micro insurance is the term used to refer insurance to the low income people, is different from insurance in general as it is a low value product involving mode of premium and benefit packages which requires different design and distribution strategies. A macro definition of micro insurance states that it is the provision of financial protection contingent on the occurrence of predefined risk in exchange for an ex-ante premium payment affordable to the clients. In terms of micro definition, micro insurance is more complicated as there are different approaches. ⊠Micro as reference to low premium and low benefits may be affordable but it may not be effective enough to manage risks of different types of different categories of clients. Micro insurance is specifically targeted at low income people, who have limited financial resources and often irregular income flows. Thus, the product design is adapted to these people's needs and financial capabilities.Micro insurance is the key element in the development of the poor people.

Micro insurance in India

The market for micro insurance is enormous and remains untapped. India's micro insurance industry is going for rapid growth in the coming days. The UNDP study estimates the potential market size for micro insurance in India to be between Rs.62000 and Rs.84000 million. Low income persons live in risky environments, vulnerable to numerous perils, including illness, accidental death and disability, loss of property due to theft or fire, agricultural losses, and disasters of both the natural and manmade varieties. The poor are more vulnerable to many of these risks than the rest of the population. Micro insurance is the protection of low income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved. Micro insurance is specifically targeted at low income people, who have limited financial resources and often irregular income flows. Thus, the product design is

adapted to these people's needs and financial capabilities.

Development of Micro Insurance in India

Development of micro insurance sector in India is recent phenomenon. Micro-insurance portfolio has made steady progress during last few years after IRDA (Micro-insurance) Regulations 2005 that allow the insurers for composite covers or package products. According to IRDA source, more life insurers have commenced their micro-Insurance operations and many new products have been launched during the year 2008-09. With expansion of distribution infrastructure and new business has shown upward trend in micro insurance sector but it is still much smaller than the desired level.

However, micro-insurance business in India largely constitutes group portfolio. Under the individual policy category micro insurance though more policies are underwritten but total premium amount is low. Among the insurers the share of LIC was substantial in micro insurance business. As regard to infrastructure and manpower expansion there has been increase in the number of micro-insurance agents. By at end of March 2009 it was 7250; of which 6647 were for the LIC and the remaining represented the private sector companies. Fifteen life insurers have so far launched 30 micro-insurance products. Of the 30 products, 16 are for individuals and the remaining 14 are for groups.

Regulation of IRDA has defined both general and life micro insurance products. The former refers to any health insurance contract protecting assets such as a hut; livestock, tools and instruments; or an accident contract, either for an individual or a group. The latter refers to any term insurance contract, with or without return of premium; endowment insurance contract; or health insurance contract, with or without accident rider, either on an individual or group basis. For each of these policies, the minimum and maximum for amount of cover, term of cover, and age at entry have been specified. Companies have to design products under these specifications and get special approval from IRDA for them to qualify as micro insurance products.

Table :3.
IRDA Prescribed Range of Micro insurance Cover

Policy	Minimum Sum Assured (Rs)	Maximum Sum Assured (Rs)
Life Term	5000	50000
Endowment	5000	30000
Health (Individual)	5000	30000
Health (Family)	10000	30000
Personal Accident	10000	50000
Crop	5000	50000
Livestock	5000	50000
Asset(Dwelling unit & others)	5000	50000

Source: IRDA web site

Types of Micro insurance

Life insurance- Life insurance pays benefits to designated beneficiaries upon the death of the insured.

Health insurance- Health insurance provides coverage against illness and accidents resulting in physical injuries. Micro Financial Institutions have realized that expenditures related to health problems have been a significant course of defaults and peoples inability to continue improving their economic conditions.

Table: 4. Micro Financial Institutions in India

Sl. No	Name of the Organisation	No. of Clients	State
1	Adhikar Microfinance Pvt. Ltd.	45285	Odisha
2	AIR Credit Cooperative	1256	Odisha
3	Annapurna Microfinance Pvt Ltd	185684	Odisha
4	Arohan Financial Services Pvt. Ltd	1859	West Bengal
5	Bandhan Financial Services Pvt Ltd	10738191	West Bengal
6	BWDA Finance Limited	43752	Tamil Nadu
7	Cashpor Micro Credit	1165062	Uttar Pradesh
8	Chaitanya India Fin Credit Pvt. Ltd.	46361	Karnataka
9	DarabarSahityaSansad	314	Odisha
10	DhosaChandaneswarBratyajanaSamity	2600	West Bengal
11	dMatrix Development Foundation	1385	Maharashtra
12	G U Financial Services Pvt Ltd	12046	Odisha
13	GramaVidiyal Microfinance Ltd.	761282	Tamil Nadu
14	Grameen Financial Services Pvt Ltd	890374	Karnataka
15	Grameen Sahara	27627	Assam
16	Guardian	26771	Tamil Nadu
17	Hand in Hand India	49317	Tamil Nadu
18	Kalighat Society for Development Facilitation	71	West Bengal
19	Kotalipara Development Society	692	West Bengal
20	Mahasemam Trust	117195	Tamil Nadu
21	Mahashakti Foundation	10439	Odisha
22	Matashree Gomati Devi Jan SevaNidhi	1260	Rajashtan
23	Planned Social Concern		Delhi
24	Prayas Organization for Sustainable Development	32264	Gujarath
25	Prochesta Thrift and Credit Cooperative Society Ltd.	1419	Assam
26	Rors Finance Pvt Ltd	6250	Karnataka
27	Samarthan Weakling Development Foundation	42	Jharkhand
28	Samhita Community Development Services	105913	Madhya Pradesh
29	SankalpGraminMahilaSwayamsiddhaSangh	375	Maharashtra
30	Shree KshetraDharmasthala Rural Development Project (SKDRDP)	643358	Karnataka
31	Social Action for Rural Community	390	Odisha
32	Society for Model Gram Bikash Kendra	17187	West Bengal
33	Sonata Finance Ltd	323277	Uttar Pradesh
34	Sreema Mahila Samity	78327	West Bengal
35	Swashrayee Mahila Sakha Sahkari Sanstha	4538	Madhya Pradesh
36	Swayanshree Mahila Samabaya Ltd	12675	Odisha
37	The Saath Saving And Credit Co Operative Society Ltd	10877	Gujarath
38	Virutcham Microfinance Ltd.	2842	Tamil Nadu
39	Volunteers for Village Development (VVD)	5611	Manipur
40	Welfare Services Ernakulum	5397	Kerala
41	Yashvardhini Gramin Mahila Swayamsiddha Sangh	399	Maharashtra
42	Youth Volunteers Union (YVU)	5677	Manipur
43	Chanura Microfin Manipur	443350	Manipur

Source: IRDA

Disability insurance- Disability insurance in most cases is tried to life insurance products. It provides protection to the policy holders and the family, when they suffer from disability.

Crop insurance- Crop insurance provides policy holders protection in the event their crops are destroyed by natural calamities such as flood, draughts etc.

Unemployment insurance- Unemployment insurance provides cash relief to individuals who become unemployed involuntarily and who meet certain government requirements. It also helps unemployed workers find jobs.
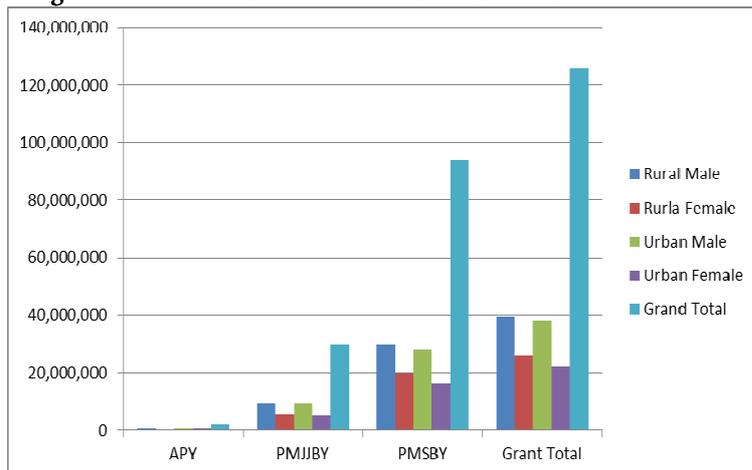
Reinsurance- Reinsurance is the shifting of part or all of the insurance originally written by one insurer to another.

Micro Insurance Players in India

In India 14 companies are providing micro insurance products. This shows the low attraction of companies towards micro insurance products.
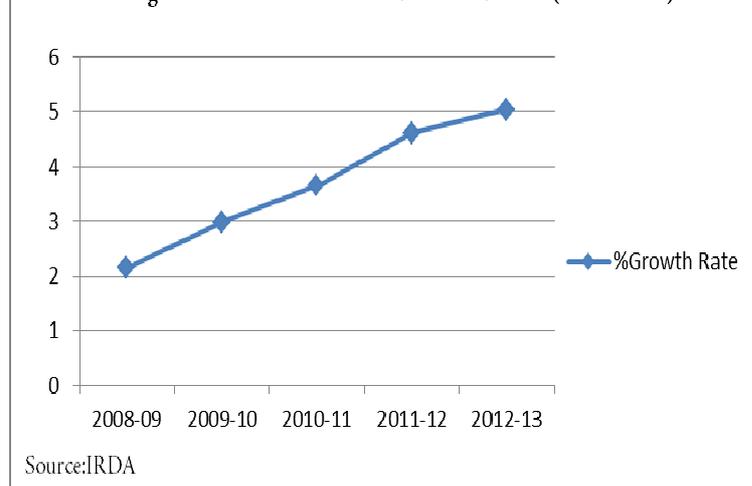
1. Aviva life Insurance Co. India.Pvt.Ltd. ,2. Bajaj Alliance Life Insurance Co.Ltd.3. Birla Sun Life Ins.Co.Ltd.4. DLF Pramerica Life Ins.Co.Ltd.5. ICICI Prudential Life Ins.Co.Ltd. 6. IDBI Forti Life Ins.Co.Ltd. 7. ING Vysya Life Ins.Co.Ltd. 8. Life Insurance Corporation of India Ltd. 9.Meta Life India Ltd. 10.Sahaa India Life Ins.Co.Ltd. 11.SBI Life Ins.Co.Ltd. 12.Shriram Life Ins.Co.Ltd. 13.Star Union Life Ins.Co.Ltd.14.TATA AIG LifeIns.Co.Ltd.

Micro financial Institutions involved in Micro Insurance

Table 4 shows the various Micro Financial Institutions involving in Micro Insurance

Micro Insurance-Recent Initiatives by the Govt. of India

Some of the recent developments I the field of micro insurance India is given below

a. Weather Based Crop Insurance Scheme (WBCIS): WBCIS in India initially launched by the private sector, but gradually adopted by the state and was subsidized in 2007. Agricul-

Fig:1. Current Status of New Micro Insurance Schemes in India

Source: IRDA

Fig:2. Growth of Micro Insurance Business (in Millions)

Source:IRDA

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tural Insurance Corporation offers subsidized WBCIS products at state level. In 2015, 34136,419 farmers were covered and 46 million hectare insured.

b. Rashtriya Swasthya Bima Yojana (National Health Insurance Scheme): National Health Insurance Scheme was implemented by different insurers at different districts. Government can shift contracts with commercial insurers. This will ensure competition that allows the government to drive the programme at low cost. In 2015, 50 per cent of BPL population is covered under this scheme.

c. Pradhan Manthri Jan Dhan Yojana (PMJDY): PMJDY is step towards the financial inclusion of the poor in India. This scheme is for promoting micro insurance in India. This scheme involves 27 public sector, 22 Regional Rural Banks and 13 private sector banks as participatory banks. Te beneficiaries would get RuPay Debit card and built I accident insurance cover of Rs.1 lakh and approximately 1886 million accounts were opened in October 2015 under this scheme.

Results and Discussions

a. Majority of the poor people in India live in remote rural areas requires a different distribution channel as compared to urban insurance products.

b. In rural areas majority are illiterate, so they are unfamiliar with the concept of insurance. This requires new approaches tin marketing and contracting insurance products.

c. Poor people have little experience in dealing with formal financial institutions

d. Designing micro insurance product is a com-

plex one. It is not simply reducing prices of existing insurance products

Problems, Issues and Challenges of Micro insurance

The contemporary insurance paradigm is not served the poor due to high costs, restrictive access and low transparency.

a. Lack of unfamiliarity and trust on the service providers.

b. The penetration of micro insurance to the low income groups has not been successful and its promotion by micro financial institutions has not yet realized its full potential.

c. Lack of awareness value of micro insurance.

d. Difficulties in understanding technology introduced by the service providers.

e. Delivery systems are poor when growing demand is there for micro insurance.

Suggestions

i. Increasing the partnerships between Micro Finance Institutions, Government and other societies to reach the under covered market.

ii. Government sponsored schemes.

iii. Designing the product that is operated in the particular micro insurance environment.

iv. Minimizing the documentations and developing efficient, transparent claims processing schemes.

v. Product should be affordable to the poor.

vi. Flexibility in premium.

vii. To conduct more and more trained rural life insurance agents, especially micro insurance agents

Conclusion

Many insurance schemes for the poor are being tested with across the country covering crop, property, assets and health hazards for the under privileged population, and the time has come to scale up the pilot schemes to much larger populations with the active support fo the governmental and non-governmental infrastructure that is existing.

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EQUITY VS. DERIVATIVE INVESTORS:
A COMPARATIVE STUDY INTO THE USAGE OF INVESTMENT TOOLS

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Abstract

Investors use various tools in the investment process. Some use technical or fundamental analysis, or both in that process. The difference between those investments tools have been well documented in the financial literature. The aim of the following survey research is to examine differences between equity investors to derivative investors in their approach towards technical and fundamental analysis. We used interview schedule among retail investors in Malappuram district of Kerala state. The results show there is significant difference between equity and derivative investors in terms of how frequently they use fundamental and technical investment tools. Equity investors use more frequently fundamental tools than technical when they make buy/ sell decisions. While derivative investors use more frequently technical tolls than fundamental when they make buy/sell decisions. Equity investors use more fundamental tools such as "analysts' recommendations" when they buy stocks and more technical tools such as "support and resistance lines" when they sell stocks. Moreover, while older investors prefer fundamental tools when they buy and sell stocks, younger investors prefer to use technical tools over fundamentals. This important result might indicate that younger investor less believe in a long time consuming fundamentals analysis than their older colleagues and they rather use a more quick method that does not demand an extensive effort and knowledge.

Key Words: Derivative Investors, Equity, Investment Tools.

Introduction

My intention in the following research is to concentrate on the process of investment decisions and not on the result of that process. In that perspective, I want to know whether equity investors use different set of tools when they make investment decisions than derivative investors. I also want to know if the extent of use of investment is correlated to years of experience and age for both the equity investors group and derivative investor group.

Derivative investors are expected to use more extensively well known investment tools by relatively to equity investors. They are also expected to use more sophisticated tools in the investment process over equity investors. I examined two sets of tools: fundamental and technical. The first uses firm's financial information while the later uses the stocks past price movement to predict future performance.

Literature Review

For many years investors used various tools to support their buying and selling stocks decisions. Two sets of tools are commonly used by investors: fundamental and technical analysis. The first uses the firm's economics data such as profits, dividends and growth projection, and the second method is based on the Dow Theory (Murphy (1999)) and uses historic price movements, and mathematical formulas to predict future returns. While fundamental analysis has been extensively researched in the finance literature, not many academics have investigated whether common practice use of technical tools can outperform the "buy and hold strategy". Example for the work that has been done in the field of tech-

nical analysis is the work of Kwon and Moon (2007) which tried to predict future price changes using technical indicators. Their prediction was based on regression with neural networks tested with 36 stocks for 13 years and was able to beat the "buy and hold" strategy. Skabar and Cloete (2002) used generic algorithm and neural networks to determine buy and sell points of commodities in the stock exchange. Fernandez Rodriguez et al. (2001) optimized the parameters of moving averages using generic algorithm. Lin et al. (2004) exempted to find the best parameter combination for filter trading rule, and La Fuente et al. (2006) who optimized parameters in three known technical indicators. Subramanian et al. (2006) designed agents that are based on composite trading rules. The performances of the agents were evaluated by making them compete with other automated agents.

Database and Survey design

A group of 50 equity investors and 25 derivative investors from Malappuram district of kerala were asked to fill in a short questionnaire. All the respondents were asked to indicate their gender, age, and number of years of active experience in the capital market. Table 1 (in Appendix 1) reports the basic descriptive statistics of our sample. The majority of our participants were males (78.05% and 74.10% in the professionals and nonprofessionals groups, respectively), 30 to 40 years old (53.66% and 55.08%, respectively), and had more than 10 years of experience in stock market investments (39.02% and 40.98%, respectively).

The survey questionnaire consisted of 12 questions, 4 questions involve fundamental investment tools and 8 questions technical tools . In each question, participants were asked to rate appropriateness of a statement on a Likert scale between 1 (strongly disagree) and 5 (strongly agree).

Results

Table 1 summarizes the differences and the similarities between equity and derivative in-

vestors when they make investment decisions. The Table shows that equity investors make more extensive use of fundamental tools than of technical ones when they make buy/sell decisions. This result might imply that equity investors adapt a long run investment point of view rather than a shorter one that is represented better by technical tools.

On the other hand derivative investors make most extensive use technical tools than of fundamental ones when they make buy/sell decisions. The most popular analytical tool used by equity investors in analyst's recommendation and by derivative traders is support resistance line. The described results show that investors, both equity and derivative, use both fundamental and technical tools as a mix for achieving the best possible decisions.

Table 1: Equity Vs Derivative investors use of known investment tools

Investment tool	Equity investor	Derivative investors
Financial statements	3.32	3.15
Analyst's recommendation	3.54	3.15
Mean Fundamental	**3.43**	**3.15**
Support resistance lines	3.31	4.18
Moving averages	3.07	3.43
RSI Oscillators	2.69	2.86
MICD Oscillators	2.57	2.64
Mean Technical	**2.91**	**3.27**

Source: Primary Survey 2016

Now, we examine the buying versus selling issue for each of the two discussed groups of investors: equity and derivative. Table 2A summarizes the results for the former group, and Table 2B for the latter.

Table 2A shows that equity investors use more extensively investment tools when they buy stocks than when they sell stocks. This result agrees with our expectation that because of the "endowment effect", investors are more rational when they buy the stock and more emotional when they sell it. Moreover, they use more funda-

mental than technical tools when they buy stocks, while the opposite occurs when they sell it.

Table 2A: Buy versus Sell use of Investment tools by equity investors

Investment tool	Buy	Sell
Financial statements	3.52	3.12
Analyst's recommendation	3.85	3.23
Mean Fundamental	**3.68**	**3.17**
Support resistance lines	3.24	3.38
Moving averages	3.01	3.14
RSI Oscillators	2.74	2.65
MICD Oscillators	2.65	2.49
Mean Technical	**2.91**	**2.91**

Source: Primary Survey 2016

Table 2B demonstrates that derivative investors also use fundamental tools more frequently when they buy stocks than when they sell them. However, they use technical tools more frequently when they sell stock than when they buy them.

Here we examine whether years of active experience in the market, age and gender affects investor's behaviour. Table 3 summarizes the differences between experienced and non- experienced investors using 5 years of experience as a splitter of the data.

Table2B: Buy versus Sell use of Investment tools by derivative investors

Investment tool	Buy	Sell
Financial statements	3.25	3.05
Analyst's recommendation	3.2	3.1
Mean Fundamental	**3.37**	**3.32**
Support resistance lines	4.08	4.28
Moving averages	3.41	3.45
RSI Oscillators	2.78	2.95
MICD Oscillators	2.61	2.67
Mean Technical	**3.24**	**3.26**

Source: Primary Survey 2016

Table 3 shows that generally more experienced investors use investment tools more extensively than less experienced investors. This is true for both fundamentals and technical tools. However, the difference is a specifically strong for analyzing financial statement which as mentioned above, is considered the most important fundamentals tool.

Table 3: The use of investment tools by Experienced and Not experienced investors

Investment tool	Buy /Sell	More than 5 years	Less than 5 years
Financial statements	Buy	3.55	3.25
	Sell	3.26	3.04
Analyst's recommendation	Buy	3.56	3.46
	Sell	3.41	3.06
Support resistance lines	Buy	3.37	3.32
	Sell	3.31	3.35
Moving averages	Buy	2.98	3.31
	Sell	2.96	3.12
RSI Oscillators	Buy	2.84	2.89
	Sell	2.78	2.92
MICD Oscillators	Buy	2.61	2.60
	Sell	2.61	2.64
Mean Total		**3.10**	**3.08**

Source: Primary Survey 2016

Table 4 demonstrates very interesting phenomena. While older investors prefer fundamental tools when they buy and sell stocks, younger investors prefer to use technical tools over fundamentals. This result agrees with the former observed results concerning the preferences of the experienced investors over the less experienced. This important result might indicate that younger investor less believe in a long time consuming fundamentals analysis than their older colleagues and they rather use a more quick method that does not demand an extensive effort and knowledge

Table 4
Use of investment tools by the age of the investor

Investment tool	Buy /Sell	> 40 years of age	< 40 years age
Financial statements	Buy	3.49	3.24
	Sell	3.28	3.05
Analyst's recommendation	Buy	3.59	3.32
	Sell	3.36	3.16
Support resistance lines	Buy	3.38	3.22
	Sell	3.36	3.27
Moving averages	Buy	2.98	3.14
	Sell	2.96	3.10
RSI Oscillators	Buy	2.85	2.90
	Sell	2.79	2.85
MICD Oscillators	Buy	2.64	2.60
	Sell	2.61	2.61
Mean Total		**3.10**	**3.03**

Source: Primary Survey 2016

Summary and conclusions

In the current study We used an interview schedule that was distributed among equity and derivative traders from Malappuram district of Kerala.

We did not find significant differences between professional and non-professional investors in terms of how frequently they use fundamental and technical investment tools. It might be the case that equity investors use more fundamental tools while derivative investors use more technical tools for their buy/sell decisions. This result may indicate a relatively long investment horizon suitable to fundamental analysis relatively to short-run investment preferences in which technical analysis is needed.

This study has also shed light on an important issue which is age differences impact on investing behaviour. While older and more experienced investors use more traditional long run fundamental analysis, younger investors prefer less time consuming methods of stock buying or selling. That may result from their finance education and nature

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SUSTAINABLE ORGANIC FARMING IN INDIA

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Abstract

Organic farming uses almost exclusively biological and natural materials and processes to produce food. The practice aims to protect human health and conserve, maintain or enhance natural resources, with the goal to preserve the quality of the environment for future generations while being economically sustainable. The sustainable agriculture can mitigate the socio- economic and environmental problems of chemical fertilizer based farming. Organic farming can provide quality food without adversely affecting the soil's health and the environment; however, a concern is whether large-scale organic farming will produce enough food for India's large population. Certified organic products including all varieties of food products including basmati rice, pulses, honey, tea, spices, coffee, oilseeds, fruits, cereals, herbal medicines, and their value-added products are produced in India. One of the most valuable benefits of organic farming is the improvement in soil quality, which can be expressed in terms of chemical, physical and biological properties and their interactions. In this article we analyse the possibility of espousing organic agriculture as an effective strategy to promote sustainable agriculture in India.

Key Words: Organic Farming, Environmental Problems, Biological and Natural Resources

Introduction

Most challenging task for agricultural sciences today is to ensure for continuous and enough supply of food to growing human civilization. India is an agro based country. It ranks 2nd in agricultural products manufacturing in the world. So organic farming plays an important role in agro field. India has many natural resources of various organic compounds and so it is an excellent opportunity to produce sufficient quantity of organic foods to meet the global demand. There is a bright future for organic farming to export its quality product. Organic farming is a form of agriculture that excludes the use of synthetic fertilizers and pesticides, plant growth regulators, livestock feed additives, and genetically modified organisms. This type of farming is not new to Indian farming community. Several forms of organic farming are being successfully practiced in diverse climate, particularly in rain fed,

tribal, mountains and hill areas of the country. According to the latest FiBL and IFOAM survey (2015) India accounts 5.2 million hectares of organic land and 6,50,000 organic producers. India has largest number of organic producers in the world. More than this, India has an astounding feature of large number of organic producers are involved in PGS (5977, FiBL& IFOAM survey 2015). India accounts for the most producers certified through PGS followed by Brazil (2771), Peru (2000) and Bolivia (1310). All these figures show the possibility of promoting organic farming as an effective method for sustainable agriculture. The constraints of adopting organic farming in the initial phases can be easily overcome with PGS.

In the context of agricultural production, Ikerd (1993) defines a sustainable agriculture as capable of maintaining its productivity and usefulness to society over the long run, .it

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must be environmentally sound, resource conserving, economically viable, socially supportive and commercially competitive. The concept of sustainability lies at the heart of the debates that currently exist over the use of the planet's natural resources, yet there is no consensus on its meaning despite its intuitive appeal (Park and Seaton 1996).

The intensive use of chemical inputs in cultivation methods such as in pesticides and fertilizers has led to giving significant attention to alternate methods and forms of agriculture. This is due to the growth in awareness by both the consumers and producers towards health and environmental issues usually linked with heavy chemical inputs and artificial synthetic in agriculture all around the world (Ramesh et al., 2010 pp 1190). This is because organic agriculture is also known to be productive with the notion of sustainability for the farmers as well as for the environmental sustainability. (Reganold et al., 2006; Letourneau &Goldsteitfdn, 2001; Mader et al., 2002).

Definition of organic farming

Given the plethora of types of organic farming, it has to be seen how various authorities define organic farming.

There are many definitions of organic farming, which is also known as ecological agriculture (Gosling *et al.*, 2006) or biodynamic agriculture (Lampkin, 2002). According to Lampkin (1994, 1997), the aim of organic farming is: "to create integrated, humane, environmentally and economically sustainable production systems, which maximize reliance on farm-derived renewable resources and the management of ecological and biological processes and interactions, so as to

provide acceptable levels of crop, livestock and human nutrition, protection from pests and disease, and an appropriate return to the human and other resources". IFOAM (2000) has defined organic agriculture as "a process that develops a viable and sustainable agro ecosystem". The principles of organic farming lie in the maintenance of soil fertility through careful husbandry, the recycling of agricultural wastes, avoidance or reduction of external inputs and the use of natural forms of pest management and weed control (Goldsmith& Hildeyard,1996). A general definition of organic food is food which has not been subjected to chemical .Pesticides or artificial fertilizers and which has been grown in soil whose humus content has been increased by the addition of organic matter. Organic farming is the raising of such food (Oelhaf, 1978).

According to Francis Blake the principles of organic agriculture are (1) Organic agriculture aims to be in harmony rather than in conflict with natural systems. The powers of nature are harnessed and developed to their fullest extent, rather than dominated. (2) It adopts an approach that minimizes the use of non-renewable forms of energy (3) Organic food aims to be of optimum nutritional value (4) The organic world strives to be localized. Local markets, decentralized systems of distribution and processing are sought. (5) Organic agriculture does not pollute the environment (Blake 1987).

Impacts of organic farming

The increase of environmental pressure from agriculture is unlikely to reverse in the near future, since the world population continues to increase faster than global food supply, and diets continue to shift towards animal products

(Goodland, 1997; Pimentel, 1994; Kendal and Pimentel, 1994).

In many parts of the world, agriculture has caused environmental pressure, such as land degradation, water use and greenhouse gas emissions. Some specific impacts of agriculture on the global environment are documented below (Pimentel, 1994; Kendal and Pimentel, 1994).

During the past 40 years almost one third of the world's cropland has been abandoned because erosion and degradation. Agriculture accounts for 80% of deforestation, and 40% of the world's population lives in regions where water resources are over drafted and stressed, and where users compete for water. Methane (CH_4) and nitrous oxide (N_2O) emissions from agriculture in the EU amounted to 383mi. tons of carbon dioxide (CO_2) equivalent in the year 2000, which correspond to approximately 10% of the total EU greenhouse gas emissions (Gugele *et al.*, 2002).

Challenges faced in organic farming

1. Highly labor intensive
2. Effective organic inputs are not available in appropriate quantity and time.
3. Lack of adoption in standardized agronomic practices for organic farming.

Global market

Organic food without the use of chemical fertilizers and pesticides is being promoted in the USA, Canada, Austria, Italy, Poland and Cuba. These are processed without artificial preservatives. The products are more nutritious and resistant to diseases.

Global sales of organic food and drink reached 72 billion US dollars in 2013.Revenues have increased almost five-fold since 1999. Or-

ganic product sales have increased at a healthy rate over the last decade, and organic monitor predicts growth will continue in the coming years. Europe and North America generate over 90 percent of global sales. Although Asia, Australasia, Latin America, and Africa have become important producers of organic agricultural crops, their markets for organic products remain small. In 2013, the countries with the largest organic markets were the United States (24.3 billion euros), Germany (7.6 billion euros), and France (4.4 billion euros). The largest single market was the United States (approximately 43 percent of the global market), followed by the European Union (22.2 billion euros, 40 percent) and China (2.4 billion euros). The highest per-capita consumption with more than 100 euros was in Switzerland, Denmark, and Luxembourg. The highest market shares were reached in Denmark (8 percent), Switzerland (6.9 percent) and Austria (6.5 percent).

Advantages of organic farming

Sustainability: Organic agriculture considers the medium- and long-term effect of agricultural interventions on the agro-ecosystem. Production of food is accompanied with establishment of ecological balance to prevent soil sterility or pest problems.

Ecological services: The impact of organic agriculture on natural resources favors interactions within the agro-ecosystem and environmental variables. Ecological services derived include soil forming and conditioning, soil stabilization, waste recycling, carbon sequestration, nutrients cycling, predation, pollination and habitats.

Biodiversity: Organic farming help in

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conservation of the environment and hence bio-diversity. Lack of use in chemical pesticides, helps in maintain and recolonizing of the beneficial species in the area, including wild flora and fauna. The number of studies on organic farming and biodiversity increased significantly within the last years. A recent study reporting on a meta-analysis of 766 scientific papers concluded that organic farming produces more biodiversity than other farming systems.

Organic Farming in India

Organic farming is now being promoted in India. It plans to cover a range of high-value crops, including spices, fruit, vegetables, milk, poultry products, etc. An estimated 3.8 million hectares are now under organic farming in different states. In India modern organic agriculture came into existence with the growing demand for organically grown food and fiber in the western world. Soon civil society organizations joined the movement for its potential in sustaining the soil health, preventing contamination in surface and ground water aquifers and ensuring safe and healthy food. To support the export prospects, Ministry of Commerce launched the "National Programme on Organic Production" (NPOP) defining the National Standards for Organic Production (NSOP) and the procedure for accreditation and certification in 2000. India now has 30 accredited certification agencies for facilitating the certification to growers. For area expansion and technology transfer, Ministry of Agriculture launched a National Project on Promotion of Organic Farming (NPOF-DAC) and earmarked funds for setting up of organic and biological input production units, vermin compost production units and for organic adoption and certifica-

tion under various schemes such as NHM (now MIDH), NMSA and RKVY. To empower farmers through participation in certification process and to make the certification affordable for domestic and local markets, Ministry of Agriculture has also launched a farmer group centric organic guarantee system under PGS-India programme.

Sustainable agriculture and organic farming

FAO strongly advocates that improved pasture and range land management practices are essential not only for supporting livestock production but also for restoring carbon pool, nutrient cycling and soil quality. Thus organic farming supports natural resources and their sustainability. In India small farm holders constitute over 70 % of farming community are potential organic farmers.

The ever-growing human and animal population coupled with the decreasing per capita availability of land and water; and other associated negative impacts on the environment consequent to unplanned developmental activities, have stretched the resilience of the natural resources to a level of catastrophe. The depletion and degradation of the natural resources at an alarming rate have not only caused decline in productivity but also have generated numerous environmental concerns. The compulsion to produce more has further compounded the problems leading to un-sustainability of the agricultural production system all over the world in general, and the developing countries in particular, necessitating a paradigm shift towards a holistic ecosystem management in an integrated manner for development of eco-friendly technologies.

Intensification of agriculture, an inevitable consequence of the compulsion to produce

more, has put an enormous burden on the natural resources. Rapid and uncontrolled industrialization compounded by adoption of developmental programmes without due regard to their long-term adverse impact on the environment has been continuously eroding the basic resources. Development of efficient resource management strategies is therefore crucial for sustained agricultural production. Limitation in land and water resources, increase in population, conversion of agricultural land to other uses, and persistence of hunger and malnutrition in several regions of the globe have heavily underscored the growing concern for issues related to sustainability in the agricultural production systems. Our past efforts to promote the use of fertilizers particularly of N and P have caused a clear shift in the soil fertility management characterized by over-dependence on chemical fertilizers which in many contexts was wrongly conceived as substitute to organic manure, probably due to the unavailability of the latter. This has slowly but surely resulted in a decline in soil organic matter, optimum nutrient balance and consequently deterioration of physical, chemical and biological functioning of soils in many intensively cropped areas. It, therefore, calls for reversion of present chemical based soil fertility management strategy to the one based on integrated nutrient management strategy.

The importance of micro-biological research which can create a revolution in the application of micro-biological processes into technologies for supporting sustainable agriculture and ecological harmony needs to be recognized and promoted. The increased use of a variety of agricultural chemicals viz. pesticides, fungicides, weedicides, growth regulators etc. has also to be viewed in same dimensions.

In the Indian scenario, the arable land availability will be reduced to 0.087 ha per capita if population is stabilized by 2050. The biggest challenge will, therefore, to be produce more food with less land demanding more water and other inputs to feed the millions. The factors, which have been responsible to usher in green revolution, are becoming subject to criticism for their second-generation problems. There is, however, option to integrate the recommended inputs with organic manure and bio-fertilizers. Besides shrinking resource of arable land availability the water for agriculture shall be most limiting factor in the coming decades. The availability of energy and power will be other limiting factors for increased agricultural production. Thus, the key to meet these challenges lies in the integrated management of the natural resources like land (soil), water, energy and also the biodiversity, which is threatened, with extinction of some endangered species.

Characteristics of Sustainable agriculture

a. -Farming system based, not commodity based

b. -Recycling system, minimum depletion of natural resources

c. -Suitable to agro-ecological region, with planning based on rural recourses at watershed/village level; group approach -Defends technological gains already made which are environment friendly

d. -Makes new gains through innovative technologies, new frontiers of knowledge under close watch on their impact on environment

e. -Increases use efficiency of agricultural inputs through INM, IPM, seed quali-

ty, water management, energy manage-ment, efficient use of bio-diversity etc

f.   -Involves processing, value addition and marketing network

g.   -Identifies natural resource depleting factors and take precautionary measures against soil erosion, soil degradation, pollution of soil, water and environ-ment, etc. through location specific technology

h.   -Monitors changes in fragile eco-systems as early indicators of impact of new innovations

i.   -Ensures blending of local adaptability, economic viability, social acceptability and resource conservation

j.   -Does not damage the fabric of social-rural community

k.   -Involves local groups and institutions in planning, monitoring and imple-menting processes for a close watch on sustainability.

Promotion of Sustainable organic agriculture in India

The following possibilities are identified regarding potential of organic farming to pro-mote sustainable agriculture in India:

As India now in the initial stage of or-ganic farming, the quantity produced not enough to feed the large Indian population. Under this situation, concentrating on the export aspect of organic farming is more suitable opportunity for India. Optimization of the potential trade in organic products is one of the good opportunities for improving the conditions of agricultural sec-tor of India. Through the export of organic agri-cultural products, India can improve the condi-

tions of Indian farmers as well as the entire agri-cultural sector. Organic farming can be adopted as one of the strategy for sustainable agriculture promotion with a long term perspective to foster community institutions that meet employment, environmental and health needs of the society. Institutional barriers to the development of the organic sector are needed to be resolved with proper strategy and execution. The traditional and indigenous farming knowledge should be conserved, while introducing selected modern technologies to manage and enhance diversity into farming systems.

Conclusion

Thus, in conclusion changing demo-graphic trends and technological advancements are delivering new innovations in the field of agri-culture. These emerging technologies are required to be used judiciously to meet the growing de-mands from modern agriculture. Agriculture is not sustainable if its resource base declines, or if it has an adverse impact on the environment or if it leads to economic hardship for farmers especially for farmers with limited resources and landless tenant cultivators. As an initial step to promote Sustainable Farming, the Governmental inven-tiveness to assist the unorganized frames through various means are essential to overcome the pre-sent problems faced by organic farmers and ena-ble them to achieve social and economic develop-ment thorough successful sustainable agricultural practices.

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