

# ANVESHANA... Search for Knowledge

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- |                                                        |                                                                                                 |
|--------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| <b>Dr. A. K. Singh<br/>Vidhushi Rastogi</b>            | <b>Financial Inclusion in India: Status, Reforms and Roadmap</b>                                |
| <b>Dr. Ummappa Poojary</b>                             | <b>Key Determinants of Attracting and Retaining Managerial Talents: An Empirical Study</b>      |
| <b>Dr. Vibhuti Patel</b>                               | <b>Gender and the Millennium Development Goals</b>                                              |
| <b>Dattatraya R. Revankar<br/>Arunkumar R Kulkarni</b> | <b>Out of Pocket Spending(OOPS) on HIV/AIDS: Reflections from Dharwad District in Karnataka</b> |
| <b>Pradeep R. Bhandary</b>                             | <b>Industry-Academia Partnership for Employability</b>                                          |
| <b>Dr. Ravindra Kumar B</b>                            | <b>Global Diversity and Competency Inclusion</b>                                                |
| <b>Ms. Meera Mehta</b>                                 | <b>Commercial Banks and Liquidity Risk Management (LRM)</b>                                     |
| <b>Dr. Malini N. Hebbar</b>                            | <b>What Young India Wants - Book Review</b>                                                     |



## **A. J. INSTITUTE OF MANAGEMENT(AJIM)**

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**Contents**

Dr. T Jayaprakash Rao	Foreword	1
Dr. A. K. Singh Vidushi Rastogi	Financial Inclusion in India: Status, Reforms and Roadmap	2
Dr. Ummappa Poojary P	Key Determinants of Attracting and Retaining Managerial Talents: An Empirical Study	29
Dr. Vibhuti Patel	Gender and the Millennium Development Goals	53
Dattatraya R Revankar Arunkumar R. Kulkarni	Out of Pocket Spending (OOPS) on HIV/AIDS: Reflections from Dharwad District in Karnataka	67
Pradeep R Bhandary	Industry-Academia Partnership for Employability	82
Dr. Ravindra Kumar B	Global Diversity and Competency Inclusion	92
Ms. Meera Mehta	Commercial Banks and Liquidity Risk Management (LRM)	108
Dr. Malini N. Hebbar	Book Review - What Young India Wants	118

## Foreword...

I am very much pleased to place before the learned readers the Volume : 4, Number :1, of “ANEVESHANA”. With this issue, the Journal enters its fourth year of publication. Since inception, the Journal has provided a platform for scholars, researchers and noted personalities in the industrial field to share their valuable knowledge and experience in the field of management, banking, economics and such other areas and it will continue the same mission in the future also. We request our esteemed readers to send their feedback and constructive criticisms for the improvement of the quality of the Journal. The present issue of the Journal contains the following scholarly articles, research papers, case studies and book review.

- “Financial Inclusion in India: Status, Reforms and Roadmap” jointly written by Dr. A. K. Singh and Vidushi Rastogi.
- Dr. Ummappa Poojary in his research article “Key Determinants of Attracting and Retaining Managerial Talents: An Empirical Study” has discussed the major factors to attract and retain managerial talents.
- “Gender and the Millennium Development Goals” written by Dr. Vibhuti Patel.
- “Out of Pocket Spending (OOPS) on HIV/AIDS: Reflections from Dharwad District in Karnataka” jointly authored by Dattaraya R Revankar & Arunkumar R. Kulkarni.
- “Industry - Academia Partnership for Employability” a research article written by Pradeep R Bhandary .
- “Global Diversity and Competency Inclusion” by Dr. Ravindra Kumar B
- “Commercial Banks and Liquidity Risk Management (LRM)” by Ms Meera Mehtha.
- “What Young India Wants” A review by Dr. Malini N. Hebbar (Book authored by Chetan Bhagath).

*J. Jayaprakash Rao*

**Dr. T. Jayaprakash Rao**  
**Editor in Chief**

# Financial Inclusion in India: Status, Reforms and Roadmap

\* Dr. A K Singh

\*\* Vidushi Rastogi

## Abstract

*Financial inclusion has got momentum in the recent past in India. In order to promote the accessibility and outreach of banking and financial services to the masses, banking sector reforms have been introduced by RBI besides implementing regulatory framework for financial inclusion. Financial inclusion is closely related with inclusive growth and development as envisaged in 11<sup>th</sup> Five Year Plan. There has been remarkable progress in the direction of financial inclusion in India however; sharp variations have emerged in the accessibility and outreach of financial and banking services across the states and regions of India. A large chunk of population is still out of the gamut of financial and banking services in India and therefore there are daunting challenges to promote financial inclusion and provide banking and financial services to the unbanked population and in backward areas. Against this view point, present paper purports to examine the current status of financial inclusion and suggesting roadmap for augmenting the accessibility and outreach of banking and financial services to the masses.*

**Keywords:** *Inclusive Finance, No frill account, KYC, Micro Credit, SHG*

## Introduction

Credit is one of the critical inputs for economic development. Its timely availability in the right quantity and at an affordable cost goes

\* Assistant Director, Regional Center for Urban and Environmental Studies, Lucknow

\*\* Research Scholar, Dept. of Economics, Lucknow University, Lucknow

a long way in contributing to the well-being of the people especially in the lower rungs of society. It is one of the three main challenges to input management in agriculture, the other two being physical and human (Hans, 2006). Thus access to finance, especially by the poor and vulnerable groups is a prerequisite for employment, economic growth, poverty reduction and social cohesion. Further, access to finance will empower the vulnerable groups by giving them an opportunity to have a bank account, to save and invest, to insure their homes or to partake of credit, thereby facilitating them to break the chain of poverty. But India is lagging behind in this respect so it has become the matter of concern.

Inclusive finance, including safe savings, appropriately designed loans for poor and low-income households and for micro, small and medium-sized enterprises, and appropriate insurance and payments services can help people to enhance incomes, acquire capital, manage risk, and come out of poverty (United Nations, 2006). It has been well recognized that access to financial services facilitates making and receiving financial payments and reduces transaction costs. In India, growth with equity has been the central objective right from the inception of the planning process. The Eleventh Five Year Plan, therefore, re-emphasized the need for a more inclusive growth in order to ensure that the per capita income growth is more broad-based. The farming, micro, small and medium enterprises have immense potential to play a critical role in achieving the objective of faster and more inclusive growth as these sectors contributes to output and employment generation in a significant way with capacity to expand regionally diversified production and generating widely dispersed off-farm employment. Bringing the larger population within the structured and organized financial system has explicitly been on the agenda of the Reserve Bank since 2005 (Mohan, 2006).

While several central banks focus solely on inflation, many in developed and emerging economies including India also focus on growth. There is currently a perception that there are a large number of people, potential entrepreneurs, small enterprises and others, who may not have adequate access to the financial sector, which could lead to their marginalization and denial of opportunity to grow and prosper. The Reserve Bank has, therefore, introduced various new measures to encourage the expansion of financial coverage in the country. Financial inclusion is considered essential for fostering economic growth in a more inclusive fashion.

Banking sector is the major component in the financial sector. The banking network in India is wide and consisting of public and private sector banks. The commercial banks may further be classified in a variety of ways such as scheduled and non-scheduled banks, Indian and foreign banks, public sector and private sector banks. The banking sector in India has a long history. The year 1969 was a landmark in the history of commercial banking in India as Government of India nationalized 14 major commercial banks. In April, 1980, Government again nationalized 6 more commercial banks. In view of the global trends of banking and meeting out the banking needs in India, financial sector reforms were introduced in the wake of globalization and economic liberalization in India. Banking sector reforms were also introduced with the view of enabling and strengthening measures to improve stability and efficiency of banks. The enabling measures were designed to create an environment where banks could respond optimally to market signals on the basis of commercial considerations while the strengthening measures aimed at reducing the vulnerability of banks in the phase of fluctuations in economic environment. It also required suitable institutional framework conducive to development of banks

needs. There has been marked impact of banking sector reforms on the performance of Indian banks in India. The public sector banks continued to play a very prominent role in both deposit mobilization and credit disbursement even after the implementation of reforms since 1991. However the entry of private sector and foreign banks has created a new environment of banking that compelled public sector banks to improve the functioning and performance in the competitive environment.

### **Regulatory Initiatives for Financial Inclusion**

The inclusion growth has registered positive and beneficial changes due to positive change in both the constituents of inclusion growth i.e. intensity change and technology change (Gokarn, 2011). The Government initiated steps for financial inclusion in 2004 by setting up a commission headed by Shri H R Khan. Major initiatives were chalked out after the Rangarajan Committee Report in 2008.

- **No-frills Accounts:** No-frills accounts are with nil or very low minimum balance as well as charges that make such accounts accessible to vast sections of the population. Banks have been advised to provide small overdrafts in such accounts.
- **Relaxation on KYC Norms:** KYC requirements for opening bank accounts were relaxed for small accounts in August 2005. The banks were also permitted to take any evidence as to the identity and address of the customer to their satisfaction. It has now been further relaxed to include the letters issued by the Unique Identification Authority of India containing details of name, address, and Aadhaar number.
- **Introduction of General Credit Cards:** With a view to helping the poor and the disadvantaged with access to easy credit, banks have been asked to consider introduction of a general purpose credit card facility up to Rs 25,000 at their rural and semi-urban

branches. The objective of the scheme is to provide hassle-free credit to banks' customers based on the assessment of cash flow without insistence on security, purpose or end-use of the credit.

- **Business Correspondents and Facilitators Model:** The Reserve Bank permitted banks to engage BCs and BFAs as intermediaries for providing financial and banking services. The BC model allows banks to provide doorstep delivery of services, especially cash-in cash-out transactions, thus addressing the last-mile problem. With effect from September 2010, profit companies have also been allowed to be engaged as BCs.
- **Use of Technology and Micro Credit:** Banks have been advised to make effective use of information and communications technology, to provide doorstep banking services through the BC model where the accounts can be operated by even illiterate customers by using biometrics, thus ensuring the security of transactions and enhancing confidence in the banking system.
- **SHG Bank Linkage Programme:** The credit linkage of Self Help Groups and Joint Liability Groups by Commercial Banks is one of the major initiatives to bring low income poor people into the banking stream. The poor people come together and pool the savings of group and dispense small loans for meeting the individual requirements of the member.
- **Creation of Funds for Financial Inclusion:** Financial Inclusion Fund and Financial Inclusion Technology Development Fund were created by Central Government for meeting the costs of development, and promotional and technology interventions. A fund of Rs. 5,000 crores in NABARD was also created to enhance its re-finance operations to short term co-operative credit institutions.

- **Banking Services in Unbanked Villages:** Banks were advised to draw up a road-map to provide banking services in every unbanked village having a population of over 2,000 by March 2012. The Reserve Bank advised banks that such banking services can be extended through any of the various forms of ICT-based models. About 73,000 such unbanked villages were identified and allotted to various banks through state-level bankers committees.
- **Plan of Banks for Financial Inclusion:** The Reserve Bank advised all public and private sector banks to submit a board-approved, three-year financial inclusion plan starting April 2010. These plans broadly include self-set targets in respect of rural brick and-mortar branches opened; BCs employed; coverage of unbanked villages with a population above 2,000, as also other unbanked villages with population below 2,000 through branches; BCs and other modes; no-frills accounts opened, including through BC-ICT; Kisan Credit Cards and General Credit Cards and other specific products designed by them to cater to the financially excluded segments.
- **Consolidation of Regional Rural Banks:** The Central Government has kicked off a major consolidation exercise among RRBs which will play an important role in the country's scheme of financial inclusion. The number of banks will be cut to 46 from 82 after the merger process. A consolidation of existing rural banks will make them more viable.
- **Performance Appraisal of Bank Staff:** Banks were advised by RBI to integrate board approved Financial Inclusion plans with their business plans and to include the criteria on financial inclusion as a parameter in the performance evaluation of their staff.

## RBI's Policy Initiatives for Financial Inclusion

RBI has adopted a bank-led model for achieving financial inclusion and removed all regulatory bottle necks in achieving greater financial inclusion in the country. Further, for achieving the targeted goals, RBI has created conducive regulatory environment and provided institutional support for banks in accelerating their financial inclusion efforts. RBI has taken the following supporting policy initiatives in order to promote financial inclusion in the country:

### Outreach

- Branch Expansion in Rural Areas:** Branch authorization has been relaxed to the extent that banks do not require prior permission to open branches in centres with population less than 1 lakh, which is subject to reporting. To further step up the opening of branches in rural areas, banks have been mandated to open at least 25 per cent of their new branches in unbanked rural centres. In the Annual Policy Statement for 2013-14, banks have been advised to consider frontloading (prioritizing) the opening of branches in unbanked rural centres over a three year cycle co-terminus with their FIPs. This is expected to facilitate the branch expansion in unbanked rural centres.
- Business Correspondent/ Business Facilitator Model:** In January 2006, the Reserve Bank permitted banks to utilize the services of intermediaries in providing banking services through the use of business facilitators and business correspondents. The BC model allows banks to do 'cash in - cash out' transactions at a location much closer to the rural population, thus addressing the last mile problem.
- Combination of Branch and BC Structure to Deliver Financial Inclusion:** The idea is to have a combination of

physical branch network and BCs for extending financial inclusion, especially in geographically dispersed areas. To ensure increased banking penetration and control over operations of BCs, banks have been advised to establish low cost branches in the form of intermediate brick and mortar structures in rural centres between the present base branch and BC locations, so as to provide support to a cluster of BCs (about 8-10 BCs) at a reasonable distance of about 3-4 kilometers.

- **Relaxed KYC Norms:** Know Your Customer (KYC) requirements have been simplified to such an extent that small accounts can be opened with self certification in the presence of bank officials. RBI has allowed 'Aadhaar' to be used as one of the eligible documents for meeting the KYC requirement for opening a bank account.
- **Roadmap for Banking Services in Unbanked Villages:** In the first phase, banks were advised to draw up a roadmap for providing banking services in every village having a population of over 2,000 by March, 2010. Banks have successfully met this target and have covered 74398 unbanked villages. In the second phase, Roadmap has been prepared for covering remaining unbanked villages i.e. with population less than 2000 in a time bound manner. About 4, 90,000 unbanked villages with less than 2000 population across the country have been identified and allotted to various banks. The idea behind allocating villages to banks was to ensure availability of at least one banking outlet in each village.

## Products

- **Bouquet of Financial Services:** In order to ensure that all the financial needs of the customers are met, we have advised banks to

offer a minimum of four basic products, viz. (1) A savings cum overdraft account, (2) A pure savings account, ideally a recurring or variable recurring deposit, (3) A remittance product to facilitate EBT and other remittances, and (4) Entrepreneurial credit products like a General Purpose Credit Card or Kisan Credit Card.

## Transactions

- **Direct Benefit Transfer:** The recent introduction of direct benefit transfer, leveraging the Aadhaar platform, will help facilitate delivery of social welfare benefits by direct credit to the bank accounts of beneficiaries. The government, in future, has plans to route all social security payments through the banking network, using the Aadhaar based platform as a unique identifier of beneficiaries. In order to ensure smooth roll out of the Government's Direct Benefit Transfer initiative, banks have been advised to: (1) Open accounts of all eligible individuals in camp mode with the support of local Government authorities, (2) Seed the existing and new accounts with Aadhaar numbers, (3) Put in place an effective mechanism to monitor and review the progress in implementation of DBT.

## Financial Inclusion Plan of Banks:

- **Financial Inclusion Plan 2010-13:** Banks have been encouraged to adopt a structured and planned approach to financial inclusion with commitment at the highest levels, through preparation of Board approved Financial Inclusion Plans. The first phase of Financial Inclusion Plans was implemented over the period 2010-2013. The Reserve Bank has sought to use the Financial Inclusion Plans as the basis for Financial Inclusion initiatives at the bank level. RBI has put in place a structured, comprehensive

monitoring mechanism for evaluating banks' performance against their Financial Inclusion plans. Annual review meetings are being held with CMDs of banks to ensure top management support and commitment to the Financial Inclusion process.

- **Financial Inclusion Plan 2013-16:** In order to continue with the process of ensuring access to banking services to the excluded, banks have now been advised to draw up a fresh 3 year Financial Inclusion Plan for the period 2013-16. Banks have also been advised that the Financial Inclusion Plans prepared by them are disaggregated and percolated down up to the branch level. The disaggregation of the plans is being done with a view to ensure involvement of bank staff across the hierarchy, in the Financial Inclusion efforts and also to ensure uniformity in the reporting structure under the Financial Inclusion Plan. The focus is also now more on the volume of transactions in new accounts opened as a part of the financial inclusion drive.

### **Status of Financial Inclusion**

The large section of population below the expenditure curve also points to a worrying inequity in incomes, something that should concern planners as the government looks to target benefits for those who need them through initiatives like food security and employment guarantees (Sunday Times, 2012). India's schemes might be off target, or suffering from poor reach while benefits of economic growth are not meeting the government's objectives of "inclusive growth" as it is evident from the data (Table 1) that there is a concentration of buying power in the top 30 per cent-35 per cent of the population. The 60-plus per cent of population below the average monthly spending is clearly not progressing as fast as the segment whose income and expenditure is disproportionately influencing the statistical mean (Sunday Times, 2012).

**Table No. 1: Position of Households Availing Banking Services**

Households	As per Census 2001			As per Census 2011		
	Total number of households	Number of households availing banking services	Percent	Number of households availing banking services	Number	Percent
Rural	138,271,559	41,639,949	30.1	167,826,730	91,369,805	54.4
Urban	53,692,376	26,590,693	49.5	78,865,937	53,444,983	67.8
<b>Total</b>	<b>191,963,935</b>	<b>68,230,642</b>	<b>35.5</b>	<b>246,692,667</b>	<b>144,814,788</b>	<b>58.7</b>

**Source:** *Census of India 2011*

Among the States, there is not much to choose between those often stigmatized as “backward” like UP and Bihar, Gujarat and Maharashtra. Even in the better off States, the percentage of rural populations below the average monthly expenditure line is above 60 per cent. In urban areas, it is a shade under 60 per cent for Gujarat, but almost 70 per cent for Maharashtra (Sunday Times, The extent of financial exclusion in India is (Khan, 2012) found to be higher as compared with many developed and some of the major emerging economies. The wide extent of financial exclusion in India is visible in the form of high population per bank branch and low proportion of the population having access to basic financial services like savings accounts, credit facilities, and credit and debit cards. State wise percentage of households (Govt., 2012), availing Banking Services in 2011 (Table 2), clearly show that there still remain a large number of households which do not avail banking services, resulting to financial exclusion.

**Table No. 2 : State-wise Percentage of Households Availing  
Banking Services in 2011**

*Source : Census of India 2011*

About half of farmer households are financially excluded from both formal/ informal sources. Of the total farmer households, only 27 per cent access formal sources of credit; one third of this group also borrowed from non-formal sources. Overall, 73 per cent of farmer households have no access to formal sources of credit. Across regions, financial exclusion is more acute in Central, Eastern and North-Eastern regions. All three regions together accounted for 64 per cent of all financially excluded farmer households in the country. Overall indebtedness to formal sources of finance of these three regions accounted for only 19.66 per cent. However, over the period of five decades, there has been overall improvement in access to formal sources<sup>4</sup> of credit by the rural households (Table 3).

### **Table No. 3: Access to Credit by Rural Households**

*Source: RBI, 2013*

As per census 2011, only 58.7 per cent of households are availing banking services in the country. However, as compared with previous census 2001, availing of banking services increased significantly largely on account of increase in banking services in rural areas. Sadhan Kumar (2011) worked out an Index on financial inclusion (IFI) based on three variables namely penetration (number of adults having bank account), availability of banking services

(number of bank branches per 1000 population) and usage (measured as outstanding credit and deposit). The results indicate that Kerala, Maharashtra and Karnataka has achieved high financial inclusion (IFI >0.5), while Tamil Nadu, Punjab, A.P, H.P, Sikkim, and Haryana identified as a group of medium financial inclusion and the remaining states have very low financial inclusion (Table 4).

#### **Table No. 4 : Availing of Banking Services**

*Source: Department of Financial Services, Government of India.*

Due to RBI's concerted efforts since 2005, the number of branches of Scheduled Commercial Banks increased manifold from 68,681 in March 2006 to 1,02,343 in March 2013, spread across length and breadth of the country (Table 5). In rural areas, the number of branches increased from 30,572 to 37,953 during March 2006 to March 2013. As compared with rural areas, number of branches in semi-urban areas increased more rapidly. The number of banking outlets in villages with population more than 2000 as well as less than 2000 increased consistently since March 2010. Total number of banking outlets in villages increased from 67,694 in March 2010 to 2,68,454 in March 2013 (increased around 4 times during the period of three years). Of total branches, banking outlets through BCs increased from 34,174 to 2,21,341 during the same period (increased around 6.5 times).

**Table No. 5 : Branches of Scheduled Commercial Banks in India**

*Source: RBI, 2014*

Expansion of banking network is done through the opening of new bank branches in various regions. The distribution of new branches region wise and population group wise is shown in the Table 6. The Southern region, which is already well banked, had the highest share of new bank branches in 2010-11 in comparison to other region whereas north eastern region is still least banked. Out of total new branches opened by SCB, 22 per cent were in rural areas, 42 per cent were in semi-urban areas, 17.9 per cent in urban and 18.1 per cent in metropolitan. The concentration of ATMs has been reported significantly high in southern region followed by northern and western region while it was reported least in north-eastern region.

## **Table No. 6 : Distribution of New Bank Branches Across Regions and Population Groups**

*Source: RBI, 2012*

Region-wise population per branch and share in credit is shown in Table 7. Population per bank branch has been reported significantly high in north-eastern region followed by eastern and central region while low population per bank branch was recorded in southern region. Western region has witnessed lion's share in credit while north-eastern region received credit least.

## **Table No. 7 : Region-wise Population Per Bank Branch**

*Source: RBI, 2012*

Banks have, up to June 2011, opened banking outlets in 1.07 lakh villages up from just 54,258 as on March 2010. Out of these, 22,870 villages have been covered through brick-&-mortar branches, 84,274 through BC outlets and 460 through other modes like mobile vans, etc. Basic banking no frills account with nil or very low minimum balance requirement as well as no charges for not maintaining such minimum balance, were introduced as per RBI directive in 2005. As on June 2011, 7.91 crores No-frills accounts have been opened by banks with outstanding balance of Rs. 5,944.73 crores. Banks have been asked to consider introduction of a General Purpose Credit Card (GCC) facility up to Rs. 25,000/- at their rural and semi-urban braches. The credit facility is in the nature of revolving credit entitling the holder to withdraw up to the limit sanctioned. Interest rate on the facility is completely deregulated. As on June 2011, banks had provided credit aggregating Rs. 2,356.25 crores in 10.70 lakh General Credit Card (GCC) accounts. Kisan Credit Cards to small farmers have been issued by banks. As on June 30, 2011, the total number of KCCs issued has been reported as 202.89 lakh with a total amount outstanding to the tune of 1,36,122.32 crores (Table 8).

**Table No. 8 : Data Related to Number of Villages Covered, No-Frill Account, GCC and KCC**

*Source: RBI, 2012*

The total number of ATMs in rural India witnessed a CAGR of 30.6 per cent during March 2010 to March 2013. The number of rural ATMs increased from 5,196 in March 2010 to 11,564 in March 2013 (Table 9).

## Table No. 9 : Expansion of ATMs Network

*Source: RBI, 2013*

Banks have been advised to issue KCCs to small farmers for meeting their credit requirements. Up to March 2013, the total number of KCCs issued to farmers remained at 33.79 million with a total outstanding credit of Rs. 2622.98 billion. Banks have been advised to introduce General Credit Card facility up to Rs. 25,000/- at their rural and semi-urban branches. Up to March 2013, banks had provided credit aggregating to Rs.76.34 billion in 3.63 million GCC accounts. In order to provide efficient and cost-effective banking services in the un-banked and remote corners of the country, RBI directed commercial banks to provide ICT based banking services – through BCs. These ICT enabled banking services have CBS connectivity to provide all banking services including deposit and withdrawal of money in the financially excluded regions.

## Table No. 10 : Number of Credit Cards Issued by Banks (In Millions)

*Source: RBI, 2013*

The number of ICT-based transactions through BCs increased from 26.52 million in March 2010 to 250.46 million in March 2013, while transactions amount increased steadily from Rs. 6.92 billion to Rs. 233.88 billion during the same period (Table 10).

Financial education, financial inclusion and financial stability are three elements of an integral strategy. While financial inclusion works from supply side of providing access to various financial services, financial education feeds the demand side by promoting awareness among the people regarding the needs and benefits of financial services offered by banks and other institutions. Going forward, these two strategies promote greater financial stability. Financial Stability Development Council (FSDC) has explicit mandate to focus on financial inclusion and financial literacy simultaneously. RBI has issued revised guidelines on the financial literacy Centres (FLC) on June 6, 2012, for setting up FLCs. This model helps in bringing more people under sustainable development in a cost effective manner within a short span of time. As on March 2011, there are around 7.46 million saving linked SHGs with aggregate savings of Rs.70.16 billion and 1.19 million credit linked SHGs with credit of Rs. 145.57 billion (NABARD,2012). Though RBI has adopted the bank-led model for achieving financial inclusion, certain NBFCs which were supplementing financial inclusion efforts at the ground level, specializing in micro credit have been recognized as a separate category of NBFCs as NBFC-MFIs. At present, around 30 MFIs have been approved by RBI. Their asset size has progressively increased to reach Rs. 19,000 crore as at end Sept 2013. MSME sector which has large employment potential of 59.7 million persons over 26.1 million enterprises, is considered as an engine for economic growth and promoting financial inclusion in rural areas. MSMEs primarily depend on bank credit for their

operations. Bank credit to MSME sector witnessed a CAGR of 31.4 per cent during the period March 2006 to March 2012. Of total credit to MSME, public sector banks contributed the major share of 76 per cent, while private sector banks accounted for 20.2 per cent and foreign banks accounted for only 3.8 per cent as on March 31, 2012 (Table 11).

**Table No. 11: Bank Credit to MSME**

*Source: RBI, 2013*

Financial inclusion is one of the biggest challenges facing the banking sector today. The Reserve Bank has been encouraging the banking sector to expand the banking network both through setting up of new branches and also through BC model by leveraging upon the information and communication technology (ICT). As a result of all these efforts the status of financial inclusion improved in 2010-11 over the previous year (Table 12). Various indicators mentioned below in the table are showing growth in year 2010-11 when compared with the previous year 2009-2010. Still the extent of financial exclusion is shocking.

**Table No. 12 : Progress of Financial Inclusion**

*Source: RBI, 2012.*

To strengthen the financial inclusion drive, almost all banks have made financial inclusion plans (FIPs) to cover villages with population more than and also less than 2000 and Reserve Bank is closely monitoring the implementation of these plans. The progress made under FIPs is provided in Table 6.33. The total number of villages covered by at least one banking outlet grew at 82 percent in 2010-11 over the previous year. Importantly, in 2010-11, 47 percent of the total villages covered under FIPs were villages with population less than 2,000. It can be understood from the table that banks have been heavily relying on BCs to expand the banking network in the unbanked areas under FIPs. In 2010-11, almost 77 percent of the total

villages covered were through BCs. The number of 'no-frills' accounts recorded a growth of 50 per cent in 2010-11 over the previous year. The share of 'no-frills' accounts with overdrafts in the total 'no-frills' accounts improved from 0.3 per cent in 2009-10 to six per cent in 2010-11. The number of Kisan Credit Cards (KCCs) and General Credit Cards (GCCs) witnessed growth of 15 per cent and 49 per cent, respectively in 2010-11 over the previous year( Table 13).

**Table No. 13 : Progress Made Under Financial Inclusion Plans**

*Source: RBI, 2012*

The analysis of micro credit programmes on women empowerment simply demonstrate that government's policies for empowering

weaker sections articulate focus on forward and backward linkages to make them economically independent and self-reliant. The micro credit strategy for economic empowerment laid out in the Tenth Five Year Plan while Government of India started SHG based micro credit programmes viz. Swashakti, Swayamsiddha, RMK and SGSY for economic empowerment of rural poor women. Moreover the term loan and micro credit programmes and schemes are also being implemented by Apex bodies of the Ministry of Social Justice and Empowerment, Ministry of Tribal Affairs, Ministry of Minority Affairs and the financial institutions such as SIDBI and NABARD. These programmes have no doubt created opportunities for starting of income generating activities, convergence of schemes and programmes and social empowerment for women.

Poverty and exclusion continue to dominate socio-economic and political discourse in India as they have done over the last six decades in the post-independence period. Poverty reduction has been an important goal of development policy since the inception of planning in India. Various anti-poverty, employment generation and basic services programmes have been in operation for decades in India. The ongoing reforms attach great importance to removal of poverty and to addressing the wide variations across states and the rural-urban divide. Though the Indian economy recorded impressive growth rates until recently, its impact has sadly not fully percolated to the lowest deciles. Despite being one of the ten fastest growing economies of the world, India is still home to one-third of the world's poor. Further analysis shows that poverty is getting concentrated continuously in the poorer states. The importance of financial inclusion has been emphatically underlined in the wake of the financial crisis. As we all know, the crisis has had a significant negative impact on lives of individuals globally. Millions of people

have lost their livelihoods, their homes and savings. One of the prominent reasons for the crisis was that the financial system was focused on furthering its own interests and lost its linkage to the real sector and with the society at large. The crisis also resulted in a realization that free market forces do not always result in greater efficiency in the financial system, particularly while protecting the interests of the vulnerable sections of society. This is due to the information asymmetry working against these sections, thereby placing them at a severe disadvantage. In wake of the Crisis, therefore, Financial Inclusion has emerged as a policy imperative for inclusive growth in several countries across the globe. However, though much lip service has been paid to Financial Inclusion, the actual progress has remained far from satisfactory. It is regrettable that the entire debate surrounding financial inclusion has generated significant heat and sound, but little light. Financial inclusion is the main agenda which India needs to achieve for becoming a global player. Financial access will attract more global market players in our country which will result in increasing employment and business opportunities. Moreover, financial inclusion will lead to reduction in poverty and empowerment of marginalized, backward and weaker sections of society. However, India needs to address the supply side factors besides improving the existing infrastructure, bank and ATM network and access to improved technology.

### **Suggestions**

- Financial inclusion along with the Governmental development programmes will lead to an overall financial and economic development in our country and as in the case for most developing countries, extending the banking services to everyone in the country will be the key driver towards an inclusive growth. It is

important not to introduce electronic payment system for poor class because majority of the population in this category are illiterate and the cost of deploying electronic payment services for the large number of accounts having lower deposits would not be profitable.

- The Government welfare programmes targeted towards the poor may be linked with banks. All the monetary benefits should be routed through banks only. Any government or social security payments or payments under all the government schemes should be strictly routed through the service area bank account. This will make people in rural areas to compulsorily have an account in their service area branch to avail the government benefits.
- The solutions for financial inclusion lies in channelizing existing resources and building up a platform for public –private partnerships using technology. There are three important constituents for inclusive growth i.e. infrastructure, advanced technology and user's network which are mandatory for providing easy, safe and affordable financial services.
- Infrastructure development is an essential prerequisite for attaining greater inclusive growth. Adequate rural infrastructure facilities and improvements in terms of availability of electricity, improved connectivity through provision of rural roads and telecommunications, construction of warehouses and market infrastructure are expected to lead to efficient supply chain management in agriculture and hence greater demand for banking activities in rural areas.
- Outreach of financial institutions may be increased through intermediaries like SHGs, MFIs, civil society organizations, etc., through the use of business facilitators and business

correspondents. Mobile banks need to be promoted to resolve the problem of access to isolated and remote regions. The banks need to aggressively adopt mobile banking as a strategy for increasing their outreach in the rural areas. Regulatory mechanism to support mobile banking with cash in/ cash out facilities also need to be put in place as early as possible. There is also a need for effective coordination among the various agencies like banks, NGOs, MFIs, Govt. participating in inclusive growth.

- Tailor made financial products that suit the requirement of bottom of pyramid should be designed at affordable cost. The regional imbalance in financial inclusion needs to be corrected and special efforts in this regard may have to be taken by NABARD. Micro insurance services should be given greater importance while extending financial services. There is imperative need of encouraging bancassurance - a term coined by combining the two words bank and insurance - connotes distribution of insurance products through banking channels.

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## Key Determinants of Attracting and Retaining Managerial Talents: An Empirical Study

\* Dr. Ummappa Poojary P

### *Abstract*

*Attracting and retaining talents especially at the managerial level will be a big challenge for the modern business organizations. The central purpose of this study is to measure and assess the key determinants of attracting and retaining managerial talents in respect of selected industrial units in Karnataka. In this research paper, which is a part of larger research study, an attempt is made to identify the major factors responsible for attracting and retaining managerial talents at junior, middle and senior management levels. . The key results and discussions presented in this paper are based on the primary data and information extracted through a sample survey of 247 industrial units.*

*A conducive and congenial working environment has been perceived as a key driving force for attracting talented people to junior manager and middle manager positions, whereas executive compensation was figured out as a dominant factor for attracting promising people to the senior-level management positions.*

*Lack of career growth was perceived to be the main reason for junior and middle level managers leaving their respective organizations, but in case of senior level managers it was lack of timely and appropriate recognition for the job well-done. Most of the industrial units responding to the sample survey adopted innovative benefit schemes for retaining executive talents such as sign-on bonus,*

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*\* Associate Professor of Commerce, Shree Gokarnanatheshwara College, Gandhinagar, Mangalore 575003 Cell: 9448251230 / 9844295636 Email: poojaryup@yahoo.com*

*retention bonus, stock option, skill-based bonuses and overseas assignments.*

*Compensation package and innovative benefit schemes might vary from situation to situation within a firm (situation-specific), company to company within industry (company-specific), industry to industry (industry-specific), and from one country to another (country-specific). It is precisely due to the fact that management of human resources is context-specific, and accordingly, its impact on attraction and retention of managerial talents is bound to be the 'child of circumstances and the prevailing context'. In the fitness of things, a host of factors individually and collectively may be responsible for attracting and retaining executives at junior, middle and senior levels.*

**Key Words:** *Executive Compensation, Managerial talents, Attrition, Employee benefits, Innovative schemes.*

## **Introduction**

Modern business organizations are increasingly coming to terms with the economic downturn and its after effects mainly in the domain of human resource management. Not surprisingly, companies are trying to redefine the rules of the game especially in recruiting, developing, engaging, retaining and utilizing human resources. Organizations are striving hard to attract and retain competent, flexible, committed, multi-skilled and talented executives by offering a variety of employee benefits in addition to the gross emoluments. Progressive organizations are very much concerned with controlling the attrition rate. Smart companies are realizing the dangers of two-digit attrition rate and taking innovative measures to contain attrition and retain talented executives. Attracting and retaining talents especially at the managerial level will be a big challenge for the modern business organizations.

## **Aim of the Study**

The central purpose of this study is to measure and assess the key determinants of attracting and retaining managerial talents in respect of selected industrial units in Karnataka. The key results and discussions presented in this paper are based on the primary data and information elicited through a sample survey of 247 industrial units. In this research paper, which is a part of larger research study, an attempt is made to identify the major factors responsible for attracting and retaining managerial talents at junior, middle and senior management levels. Among other things, this study also focused on the key drivers of attracting managerial talents into the organizations, primary reasons for executives quitting their respective organizations, and prominent innovative schemes adopted by the companies to retain managerial talents.

## **Research Methodology**

The Directory of Confederation of Indian Industry (CII – Karnataka) was used as a base for sampling frame. Out of this, only large scale private, public and multinational enterprises engaged in manufacturing/ service operations were considered for conducting the quantitative empirical survey. A disproportionate stratified random sampling technique was used to choose the respondent organizations. Accordingly, a comprehensive, structured and pre-tested questionnaire was mailed to the industrial units. The respondents were '*Human Resource Managers/Payroll Administrators*', who could answer the questions contained in the questionnaire about executive compensation policies and practices on behalf of the organizations at the establishment level. The key results and discussions presented in this paper are based on the primary data and information extracted through a sample survey of 247 industrial units. Appropriate statistical tools and techniques were used to analyse and interpret the quantitative empirical survey data.

## **Profile of the sample**

Out of 247 respondent industrial units, nearly 60 per cent belonged to the private sector and public enterprises accounted for 27.5 per cent. However, only 12.5 per cent of the respondent organizations were represented by the Multinational Corporations (MNC). With regard to the nature of the main activity, 53 per cent of the respondent units were mainly engaged in manufacturing operations, while the remaining 47 per cent identified themselves in the provision of various services. Around two-third (60.3percent) of the respondent units represented the matured age group of 10 to 20 years. Accordingly, more than one-half of the sample units (53.8 percent) represented the 'medium organizational size' (100- 500 employees) in terms of the number of employees. With regard to the International Organisation of Standards (ISO) accredited status of the respondent units, nearly 56 per cent possessed ISO certification.

As far as the industrial category of the respondent units is concerned, nearly 44 percent represented the Banking, Finance and Insurance (BFI) sector, Fast Moving Consumer Goods (FMCG), and Consumer Durables. The remaining respondent units belonged to a diverse group of industries such as Food processing, Advertising/Marketing, Business Process Outsourcing (BPO), IT-enabled Services (ITeS), Information Technology (IT), Retail sector, Chemical, Tourism/Transport Services, Automobile, Health care and Entertainment Services.

Around 80 per cent of the respondent units were in their 'growth' and 'maturity' stages of their organisational life cycle. Out of 247 respondent units 53 per cent were 'single- site' establishments, whereas the 'multi-site' industrial units accounted for 47 per cent.

## **Attracting Talents: Key Factors**

An attempt was made to identify the major factors responsible for attracting new talents at the junior manager level in the responding organisations. Accordingly, the respondents ranked eight factors based on their perceived relative importance of each factor. The data and information are presented in table - 5.9(a).

For the purpose of analysing and interpreting the responses, the researcher computed mean value; Garrets mean score and mean ranks. The relative importance of each factor responsible for attracting the talents was ascertained based on the relative weights. As shown in the table, the highest weight of '8' was assigned to the responses indicating the first rank and the least weight of '1' was given to the responses showing the last (8<sup>th</sup>) rank. The mean value ranged from 5.33 to 3.79 (mean score 56.88 to 44.83).

On the basis of the mean ranks (descending order of the mean value/mean score), it could be stated that, the first three major factors responsible for attracting new talent at the junior manager level were: working environment (mean = 5.33; mean score = 56.88), career growth and learning opportunity (mean = 5.10; mean score = 54.74), and the compensation (mean = 4.87; mean score = 54.55). This order of preference was followed by the next three factors: performance management system (mean= 4.79; mean score = 52.58), robust risk management practices (mean = 4.21; mean score = 47.71), and the talent fit (mean = 4.00; mean score = 46.16). Finally, the two factors least preferred by the respondents as instrumental in attracting the candidates for junior level positions were: job content (mean = 3.90; mean score = 45.55) and brand equity of the organisation (mean = 3.79; mean score = 44.83).

**Table No. 5.9(a): Key factors responsible for attracting talents at the junior level as perceived and ranked by the respondents. (n=247)**

*Source: Field survey*

*Note: Figures in the parentheses indicate relative weights assigned to each rank. The highest weight of '8' is assigned to the first rank and the lowest weight of '1' is given to the last 8<sup>th</sup> rank.*

It is worth noting that firms are becoming more conscious about the need to minimise risk in today's business landscape. They have to be more rigorous about embedding a culture of risk mitigation by sensitising the entire organisation to measuring and assessing the overall risk in every possible scenario. It is needless to reiterate that firms ignoring catastrophic, which have a low probability of occurring, could face divesting consequences. As a matter of fact, only a few companies have been fully cognizant of the sizeable risks that increasingly confront their business in an era where wild swings in commodity prices, fluctuations in currencies or improper assessment of political or business landscapes have damaged companies. The magnitude and reach of risk-management functions are on the rise in bigger companies. Companies investing in new

projects that fail to sufficiently cushion themselves from the risk emanating from, say, operating in a country that has fickle power supply, chronic labour problems or a high rate of kidnapping of businessmen, can be in for a nasty surprise. Accordingly, the presence of 'Robust risk management practices' could be one of the indicators of progress, stability and longevity of the organisations. Hence, firms need to figure out where to place bets, where to hedge them, and where to avoid betting altogether. The prescription is not to avoid risk altogether, because without risk, there would be no returns.

In order to highlight the major factors responsible for attracting new talents at the middle level in the responding organisations, the ranks assigned by the respondents for eight factors based on their perceived relative importance of each factor are being analysed in table – 5.9(b).

On the basis of the mean ranks (descending order of the mean value/mean score), it could be stated that, the first three major factors responsible for attracting new talent at the middle level were: working environment (mean = 5.39; mean score = 57.29), robust risk management practices (mean = 5.23; mean score = 56.24), and performance management system (mean = 5.02; mean score = 54.05). Next three factors responsible for attracting talent were: talent fit (mean = 4.63; mean score = 51.52), compensation (mean = 4.66; mean score = 51.47), and the job content (mean = 4.21; mean score = 48.32). Finally, the respondents felt that career growth and learning opportunity (mean = 3.56; mean score = 42.78), and brand equity of the organisation (mean = 3.10; mean score = 41.33) affect least in attracting them towards the organisation.

**Table No 5.9(b): Key factors responsible for attracting talents at the Middle level as perceived and ranked by the respondents. (n=247)**

*Source: Field Survey*

*Note: Figures in the parentheses indicate relative weights assigned to each rank. The highest weight of '8' is assigned to the first rank and the lowest weight of '1' is given to the last 8<sup>th</sup> rank.*

The responses obtained from the senior level executives to identify the major factors responsible for attracting new talents based on their perceived relative importance of each factor are presented in table – 5.9(c).

On the basis of the mean ranks assigned in the descending order of the mean value/mean score, it could be stated that, the first three major factors responsible for attracting new talent at the senior manager level were: compensation (mean = 5.90; mean score = 61.37), talent fit (mean = 5.18; mean score = 55.60), and the brand equity of the organisation (mean = 4.83; mean score = 52.72).

The senior executives feel that job content (mean = 4.27; mean score = 48.66), career growth and learning opportunity (mean = 4.15; mean

(mean=4.12; mean score = 46.89) come next in the order of preference in attracting them towards the organisation. The least important factors attracting senior executives were: working environment (mean = 3.82; mean score = 45.49), and the performance management system (mean = 3.72; mean score = 44.46).

**Table No 5.9(c): Key factors responsible for attracting talents at the senior level as perceived and ranked by the respondents. (n=247)**

**Source:** Field survey

**Note:** Figures in the parentheses indicate relative weights assigned to each rank. The highest weight of '8' is assigned to the first rank and the lowest weight of '1' is given to the last 8<sup>th</sup> rank.

As highlighted in summary table – 5.9(d), 'a conducive and congenial working environment' appeared to be the most important driving force for attracting talented people to the junior manager and middle manager positions in the respondent organisations. On the other hand, 'executive compensation' has been reported as the key driving force for attracting gifted people to the senior manager levels.

However, the other two factors perceived to be important for attracting executives significantly varied among junior manager, middle manager and senior manager positions. The 'pull factors' for junior manager positions included 'career growth and learning opportunity', and 'the size of executive compensation'; robust risk management practices' and 'sound performance management system' for middle manager positions, and 'talent fit' and 'brand equity' of the organisation for senior level management positions.

**Table No 5.9(d): Key factors responsible for attracting talents as perceived and ranked by the respondents (Summary table)**

*Source: Field survey*

### **Employee Benefits**

Organisations are striving hard to attract and retain competent, flexible, committed, multi-skilled and talented executives by offering a variety of employee benefits in addition to the gross emoluments. As shown in table - 5.10, an over-whelming population of nearly 82 per cent of the respondent organisations offered 'medical

benefits' to their employees. As many as 64 per cent provided 'health benefits' with a view to enhancing employees' physical, mental, intellectual, social and spiritual well being through innovative fitness and wellness programmes. Around 54 per cent of the responding organisations reported the practice of offering 'mobile phones and laptops' to their employees.

Fewer than one-half of the responding companies provided 'housing support' (49 per cent) and 'car loans' (41.7 per cent). A few responding companies offered opportunities for 'overseas training/assignments' (36.8 per cent), 'employee referral scheme' (35.6 per cent, and 'employee stock option plan' (29.6 per cent). However, only a negligible proportion of around 8 per cent reported the scheme of 'foreign holidays' for their executives.

**Table No 5.10: Type of employee benefits offered by the organisation**

*Source : Field survey*

*Note: Multiple Response Rate (MRR) = 4.0*

### **Possibility of Change in the Executive Pay**

In the course of the survey, a question was posed to the respondents in order to ascertain the possibility of changes in executive pay for junior, middle and senior managers during next 2 years. The relevant data and information are presented in Table – 5.11. It is worth noting that a little over 67 per cent of the respondents reported the likelihood of decreasing the pay of junior managers, a little over 68 per cent perceived possible increase in the pay of senior manager, and around 60 per cent felt that there would not be any change in the pay of middle-level managers during the next 2 years. From this analysis it follows that there is a likelihood of increase in the pay of senior managers and decreased pay for junior managers and no change in the pay of middle level managers in the immediate future.

**Table No 5.11: Likelihood of changes in executive pay during the next 2 years.**

*Source : Field survey*

### **Percentage of Expected Pay Hike**

Out of 247 respondents 42 (17 per cent) anticipated pay hikes for junior managers, 36 (14.6 per cent) for middle-level managers and 169 (68.4 per cent) for senior-level managers during the next two years. As shown in table – 5. 12, among those who expected pay hikes, 35.7 per cent anticipated a pay hike of below 8 per cent for junior managers, a little over 36 per cent expected a pay hike ranging

between 8 per cent and 15 per cent for middle level managers, and nearly 48 per cent predicted more than 22 per cent pay hike for senior management positions in the immediate future. It is needless to say that, their anticipation of pay hikes was guided by the recent economic slowdown and recovery phases of Indian economy.

**Table No 5.12: Percentage of expected pay hikes during the next two years**

*Source : Field survey*

**Executives Leaving the Organisation: Key Factors**

It is interesting to note that the respondents reported nine factors responsible for junior level executives leaving their respective organisations. As shown in table – 5.13(a), the relative importance of each factor was indicated by the order of importance perceived and reported by the respondents. The highest weight of '9' was assigned to the responses indicating the 1<sup>st</sup> rank and the least weight of '1' was given to the responses representing the last (9<sup>th</sup>) rank. The interpretations of the results were assisted by the mean value, Garrets mean score, and mean ranks.

It is worth noting that the first three factors mainly responsible for junior level managers leaving the present organisation include: lack of meaningful career growth prospects (mean = 6.49; mean score = 60.62), inadequate compensation (mean = 6.02; mean score = 56.53), and lack of recognition for the job well done (mean = 5.06; mean score = 50.11).

The second set of factors possibly driving them out were: lack of proper and enough learning opportunities available in the work place (mean = 4.50; mean score = 50.07), Compulsion to look after the family responsibilities (mean = 4.96; mean score = 49.53), lack of meaningful and satisfying job content (mean = 4.96; mean score = 48.89), and the talent misfit to perform efficiently and effectively at the current position (mean = 4.45; mean score = 46.18).

Finally, most of the respondents assigned lower ranks (indicating the least disturbing factors for leaving their respective organisations) to 'un-cooperative and un-sympathetic immediate supervisor' (mean = 4.15; mean score = 44.91), and work-life imbalance (mean = 4.04; mean score = 43.16).

**Table No 5.13(a): Key factors responsible for executives leaving the organisation at the junior level as perceived and ranked by the respondents. (n=247)**

**Source:** Field survey

**Note:** Figures in the parentheses indicate relative weights assigned to each rank. The highest weight of '9' is assigned to the first rank and the lowest weight of '1' is given to the last 9<sup>th</sup> rank.

The interpretations of the responses obtained from the middle level managers with respect to the nine factors responsible for leaving their organisations are shown in table – 5.13(b). The interpretations were done based on the mean value, Garrets mean score, and mean ranks.

The first three factors mainly responsible for senior level managers leaving the present organisation include: lack of meaningful career growth prospects (mean = 6.42; mean score = 60.04), work-life imbalance (mean = 5.83; mean score = 55.68), and the unsupportive immediate supervisor (mean = 5.47; mean score = 52.94).

**Table No 5.13(b): Key factors responsible for executives leaving the organisation at the middle level as perceived and ranked by the respondents. (n=247)**

**Source:** Field survey

*Note: Figures in the parentheses indicate relative weights assigned to each rank. The highest weight of '9' is assigned to the first rank and the lowest weight of '1' is given to the last 9<sup>th</sup> rank.*

The next three factors which prompt them quit the organisation were: lack of proper and enough learning opportunities available in the work place (mean = 4.78; mean score = 48.75), Compulsion to look

after the family responsibilities (mean = 4.76; mean score = 47.73), and lack of meaningful and satisfying job content (mean = 4.24; mean score = 46.97).

Lack of recognition for the job well done (mean = 4.54; mean score = 46.55), Inadequate compensation (mean = 4.47; mean score = 45.91), and talent misfit (mean = 4.24; mean score = 45.42) were the least significant factors as perceived by the middle level managers for leaving their respective organisations.

Table – 5.13(c) below depicts the results of perceived responses obtained from the senior level managers with respect to the nine factors responsible for leaving their respective organisations. The results were analysed based on the mean value, standard deviation and mean ranks.

It is significant to note that the first three factors responsible for changing their affinity towards the organisation were: lack of due recognition (mean = 5.84; mean score = 55.69), lack of adequate and attractive compensation (mean = 5.74; mean score = 55.62), and increased responsibility towards family tasks (mean = 5.67; mean score = 53.89).

Close to these factors they felt that the factors like: proper balance between work and personal life (mean = 5.46; mean score = 53.40), misfit between talent and job (mean = 4.80; mean score = 50.37), and mismatch between the immediate supervisor and the manager (mean = 4.74; mean score = 48.19), make them leave their organisations.

However, most of the respondents assigned lower ranks indicating the least disturbing factors to the factors such as lack of meaningful career growth prospects (mean = 4.64; mean score = 47.19), lack of satisfying job content (mean = 4.21; mean score = 44.77), and lack of

enough learning opportunities available in the work place (mean = 3.66; mean score = 40.88), for leaving their respective organisations.

**Table No 5.13(c): Key factors responsible for executives leaving the organisation at the senior level as perceived and ranked by the respondents. (n=247)**

*Source: Field survey*

*Note: Figures in the parentheses indicate relative weights assigned to each rank. The highest weight of '9' is assigned to the first rank and the lowest weight of '1' is given to the last 9<sup>th</sup> rank.*

As clearly depicted in summary table – 5.13 -(d), 'lack of career growth' seemed to be the dominant force for junior and middle-level managers leaving their respective organisations, whereas 'lack of recognition' has been reported as the most important factor responsible for senior-level managers quitting the organisation. However, the other two dominant factors perceived to be responsible for changing the organisations somewhat varied among junior, middle and senior-level management positions. They include 'inadequate compensation' and 'lack of recognition' for junior managers; 'work-life imbalance' and 'unsympathetic immediate

supervisor' for middle-level managers; and 'inadequate compensation' and compelling 'family tasks' for senior-level managers.

**Table No 5.13 (d): Key factors responsible for executives leaving the organisation as perceived and ranked by the respondents (Summary table)**

**Source:** Field survey

**Note:** Figures in the parentheses indicate relative weights assigned to each rank. The highest weight of '9' is assigned to the first rank and the lowest weight of '1' is given to the last 9<sup>th</sup> rank.

**Retaining Executive Talent: Innovative Schemes**

Progressive organisations are very much concerned with controlling the attrition rate. Smart companies are realising the dangers of two-digit attrition rate and taking innovative measures to contain attrition and retain talented employees. They are focusing on creating an “Attrition agnostic” organisation. Research shows compensation remains a key factor behind job changes, but companies have to redo

the way they lead the business as they will now have a workforce that thinks very differently and aligns its goals with those of the employer only if there is a connect that is functional, emotional and also social. This does make the task of creating the culture very different and challenging. Not surprisingly, the three frequently cited reasons for quitting jobs included: better career growth, better pay elsewhere, and other personal reasons. Companies are using a mix of fast-track career paths, global salaries, stock options, performance bonuses, music rooms and gyms to retain talent. It is worth noting that some of the companies are also using new compensation tools such as marriage allowances, birthday rewards, recognition awards, foreign holidays, sign-on bonuses, loyalty bonuses and targeted skill bonuses. Along with investing in creating a pool of talent, companies are also focusing on right-skilling so that over-qualified employees are not made to do jobs which do not require their kind of skills.

In the fitness of things, the following question was asked to the respondent: 'whether your company has got innovative benefit scheme for retaining executive talents'? By and large, the respondents offered multiple responses (Multiple Response Rate = 2.96). In total 5 different benefit schemes were reported by the respondents for retaining executive talents in their respective organisations. As evident in table – 5.15, a little over 60 per cent indicated 'sign-on bonus' for top management, whereas a little over 45 per cent reported the 'retention bonuses' for middle management. On the other hand 'the stock options' were offered for top management in just over 76 per cent of the respondent units and 'skill-based bonuses' were existing for retaining middle managers in the case of little over 65 per cent of the respondent. Finally, the respondent units offering 'over-seas assignment' for junior management/supervisory level accounted for 49 per cent. In this way, most of the industrial units in Karnataka adopted different benefit scheme such as sign-on bonus, retention bonus, stock option, skill-based bonuses and overseas assignment for retaining scarce and valuable executive talents.

**Table 5.14: Particulars in respect of 'innovative benefit scheme' for retaining executive talent (n= 247)**

*Source: Field survey*

*Note: Total percentage will not add up to 100 due to multiple responses (MRR-2.96)*

### **Conclusion**

A conducive and congenial working environment has been perceived as a key driving force for attracting talented people to junior manager and middle manager positions, whereas executive compensation was figured out as a dominant factor for attracting promising people to the senior-level management positions.

In addition to the gross emoluments, most of the companies provided medical and health benefits, mobile phones and laptops to their executives. A few companies also offered their executives benefits such as housing support, car loans, overseas training/assignment, employee referral schemes and employee stock option plan (ESOP).

Lack of career growth was perceived to be the main reason for junior and middle level managers leaving their respective organizations, but in case of senior level managers it was lack of timely and appropriate recognition for the job well-done. Most of the industrial units responding to the sample survey adopted innovative benefit schemes for retaining executive talents such as sign-on bonus, retention

bonus, stock option, skill-based bonuses and overseas assignments.

Compensation package and innovative benefit schemes might vary from situation to situation within a firm (situation-specific), company to company within industry (company-specific), industry to industry (industry-specific), and from one country to another (country-specific). It is precisely due to the fact that management of human resources is context-specific, and accordingly, its impact on attraction and retention of managerial talents is bound to be the 'child of circumstances and the prevailing context'. In the fitness of things, a host of factors individually and collectively may be responsible for attracting and retaining executives at junior, middle and senior levels. Previous research studies indicated that a few industries have been found to be in the constant throes of 'attrition syndrome' such as IT-Hardware, IT Software, IT Enabled Services, Call Centers, Business Process Outsourcing, Pharmaceutical Industry, Manufacturing and Engineering Industries, Technology and Engineering Consultancy Industries. Hence, it is more appropriate to examine this phenomenon in a given context taking into account a variety of micro (firm-specific), meso (industry-level) and macro (national-level) environmental factors which tend to influence the relationship among compensation package, innovative benefit schemes and attrition rates. To complicate this issue further, high attrition rate may act as a key driver to design and implement more innovative benefit schemes and HR practices to activate employee retention management strategies by a firm, and conversely innovativeness of HR practices, benefit schemes and compensation packages of a given firm may significantly reduce the attrition rates. In this context, future research should address these issues considering a larger sample size in a cross-industrial and cross-cultural setting. Under such circumstances, future research may focus on many questions on

the relationship among compensation packages, innovative benefit schemes, HR practices and attrition rates which are left unanswered based on ideological underpinnings and holistic context.

All said and done, 'attrition' is a fact of life every HR manager has to live with in today's fast changing and highly competitive business world. The day is not far off when in some sectors the attrition management may even assume strategic dimensions for HR functions. At the end of the day, it is always better to institute certain proactive measures to fight attrition than to rush for a reactive panic button.

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# Gender and the Millennium Development Goals

**Dr. Vibhuti Patel**

## **Abstract**

*The Millennium Development Goals (MDG's) have become a prime focus of development work throughout the globe. They are derived from the Millennium Declaration of September 2000. The MDG's are the benchmarks of development progress which includes programmes for eradication of poverty, achieving universal primary education, combating dreaded deceases, gender equality and empowerment etc. MDS's can be achieved when all actors work together. Further there should be commitment on the part of rich as well as poor countries to help each other .The present paper discusses the different aspects relating to MDGs such as Promotion of Gender Equality and Empowerment, Identifying the indicators to measure MDGs, the limitations of these indicators etc., The present article also offers certain suggestions to meet the goals of women empowerment.*

**Keywords:** *Millennium Development Goals(MDGs), Gender Equality and Empowerment, Indicators to measure MDGs*

## **Introduction**

The Millennium Development Goals are a derivative of the Millennium Declaration of September 2000, which spells out the following values: freedom, equality, solidarity, tolerance, respect for nature, and shared responsibility. They are a clarion call of 189 governments, on behalf of their citizens, to “free our fellow men,

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*Director, Centre for Study of Social Exclusion & Inclusive Policy, Professor and Head, Post Graduate Department of Economics SNDT Women's University, Mumbai - 400020 Mobile-9321040048  
Email-vibhuti.np@gmail.com*

women and children from the abject and dehumanizing conditions of extreme poverty, to which more than a billion of them are currently subjected. We are committed to making the right to development a reality for everyone and to freeing the entire human race from want.” (Patel, 2006). These measures, collectively known as the *Millennium Development Goals* (MDGs), have become a prime focus of development work throughout the globe- a gold standard to which programs aspire, and by which they measure their work. They are as follows:

- I Eradication of Poverty and Hunger,
- II Achievement of Universal Primary Education,
- III Promotion of Gender Equality and Empowerment,
- IV Reduction of Child Mortality,
- V Improvement of Maternal Health,
- VI Combat HIV/AIDS, Malaria, T.B.,
- VII Ensure Environmental Sustainability
- VIII Develop a Global Partnership for Development

As articulated in the Millennium Declaration, the MDGs are benchmarks of development progress based on such fundamental values as freedom, equity and human rights and peace and security. MDGs can be achieved if all actors work together- heads of the nation states, civil society organizations, international financial institutions, global trade bodies and the UN system- and do their part. Poor countries have pledged to govern better, and invest in their people through health care and education. Rich countries must stick to their pledge to support the poor countries through aid, debt relief, and fairer and just trade. Only if there is commitment on the part of the rich as well as poor countries to fulfil these promises all the MDGs could be achieved.

## **Gender concerns in MDGs**

All goals are expected to mainstream gender and MDG 3 has a special focus on gender and challenges discrimination against women by Focusing on school education, ensuring that more women become literate, Guaranteeing more voice and representation in public policy and decision making-political participation, providing improved job prospects- 36 percent WPR , gender equality and the empowerment of women –Win-win approach, Food and nutrition security, Women subsistence farmers, Women as users, managers and storers of natural resources-Climate change.

The MDGs explicitly acknowledge that gender -- what a given society believes about the appropriate roles and activities of men and women, and the behaviours that result from these beliefs -- can have a major impact on development, helping to promote it in some cases while seriously retarding it in others. MDG number 3 (out of 8) is specifically about gender, calling for an end to disparities between boys and girls at all levels of education. There is general agreement that education is vital to development, and ensuring that girls as well as boys have full opportunities for schooling will help improve lives in countless ways. Nevertheless, it would be wrong to conclude -- as a casual reader of the MDGs might --. Not surprisingly, then, the rules that regulate the behaviours and values of men that the relevance of gender to development is confined to the educational sphere. Men and women, both, participate in nearly every aspect of life in communities throughout the world and women in a given society -- that is, its gender system -- have the potential to impact nearly every aspect of life. Therefore, while only one of the MDGs is specifically about gender, addressing gender is of critical importance to every MDG.

## **Critique of the Indicators**

The United Nations has suggested four indicators to measure Goal 3—the ratio of girls to boys in primary, secondary and tertiary education, the ratio of literate females to males among 15-24 year olds, the share of women in wage employment in the nonagricultural sector, and the proportion of seats held by women in national parliaments.

The first two are indicators of capabilities, the third is an indicator of opportunity, and the fourth is an indicator of agency. Although they represent all three domains of gender equality, they are not without their drawbacks. In addition, there may be other indicators that are better suited to tracking progress toward the MDG gender targets.

## **Capability Indicators**

There are both substantive and technical concerns with the two capability indicators. The ratio of girls to boys in school reflects the input side of education, that is, how many girls and boys are enrolled in school, which is where most policy efforts have been directed. Getting girls and boys to school is clearly an important first step. Yet, the more important issue is school completion and student learning outcomes. The completion of 5 to 6 years of schools is necessary for mastery of basic competencies, such as literacy and numeracy. School enrolment ratios, whether on a gross or net basis, are poorly correlated with the rate of primary school completion; moreover, enrolment ratios are consistent with many different patterns of drop-out and retention. Finally, gender differences are brought into sharper contrast in the comparison of enrolment rates against completion rates.

Beyond the substantive issue of what should be the focus of the MDG goal, there are other concerns with the proposed capability indicators. The ratio of girls to boys in school simply depicts the

number of girls relative to boys in school. Enrolment rates, by contrast, give a picture of the number of students, boys or girls, enrolled in a given level of education relative to the population of the age group which should be enrolled at that level. Net enrolment rates, which take into consideration the appropriate age for each grade, are a good indicator of access to education, but they are not available for many countries. Gross enrolment rates are more widely available, but they include repeat students in the calculation and so will be higher than net enrolment rates. There are also concerns about the literacy indicator. This indicator was chosen to reflect the performance of the national education system, as well as the quality of the human resources within a country in relation to their potential for growth, contribution to development, and quality of life. Yet, the quality of the literacy data is suspect. Some countries collect literacy information using sophisticated and comprehensive techniques while others are not able to even provide the most basic information. In addition, because literacy is not a simple concept with a single universally accepted meaning, different countries measure literacy differently. The UNESCO definition (“A person is literate if s/he has completed five or more years of schooling”) has been widely criticized partly because it assumes that people can be easily categorized as “literate” or “illiterate” or because adults with five or more years of schooling may still be functionally illiterate, while those with less than four years of schooling may have acquired literacy skills by non-formal means. Despite these limitations, this indicator is the best that exists across countries and over time.

### **Opportunity Indicators**

The choice of indicator in the MDGs to measure progress in economic opportunity is the female share of non-agricultural wage

employment. As noted in UNIFEM's Progress of the World's Women 2000, this is an indicator of the extent to which women have equal access to paid jobs in areas of expanding employment. As stated in the report, "Wage employment in industry and services usually puts some money directly into the hands of women themselves, unlike employment as an unpaid family worker on a family farm. Moreover, the pay is likely to be higher than the average pay for self-employment." The drawback of using this indicator is that it could be interpreted to also mean equality in income. A second drawback is that an increase in women's share of paid employment adds to women's total workload such that what women may gain in terms of cash they lose in terms of time (UNIFEM 2000). Third, as Anker (2002) notes, this indicator only measures the presence or absence of work, and not the "decency" of work itself or the disadvantages women face – in access to employment (measured by unemployment rates), in returns to their labor (earnings or wages), in the types of jobs they hold (occupational segregation), and in security of employment (social protection). Finally, in grouping together all non-agricultural employment, the indicator can't distinguish between work which is formal or informal, full time or part time, and permanent or seasonal. There is ample evidence that women's participation in informal employment is as high as 80 percent in some countries such as India, Uganda, Indonesia, among others (Charmes 2000), and that women are more likely to predominate in part-time and seasonal jobs.

The ILO has proposed a series of indicators for equality in access to and fair treatment in employment as part of the ILO's decent work initiative (Anker 2002). These indicators include gender-disaggregated unemployment rates, the female to male wages or earnings ratio (divided by years of school which controls for human capital), and occupational segregation by sex (the percent of non-

agricultural employment in male-dominated and female-dominated occupations and the index of dissimilarity), among others.

These indicators show a sobering picture of women's status in employment. For instance, in 1997 female unemployment rates were higher than male unemployment rates in all regions of the world for which data were available, although the gap narrowed in some regions (United Nations 2000). Similarly, in no country for which data are available do women earn as much as men. For instance, in the manufacturing sector in 13 out of 39 countries, women earned up to 20 percent less than men; in the other countries, the pay differential was even greater (ibid). Approximately half of all workers in the world are in gender-dominated occupations where at least 80 percent of workers are of the same sex, a form of labor market rigidity that reduces employment opportunity and impairs economic efficiency (Anker 2002). Occupational segregation is also associated with lower wage rates for women, as typical women's occupations tend to have lower pay, lower status and fewer possibilities for advancement than do male occupations.

Because of multiple data and other problems, it is difficult to recommend one global indicator to measure progress toward eliminating gender inequalities in access to assets and employment. Unemployment rates, for instance, are an important indicator of labor market performance in industrialized countries, but are of much more limited significance in low-income economies where the majority of the population engages in some form of economic activity – usually informal employment or self-employment. Occupational segregation indicators may not cover informal employment, and in some countries, they may not be correlated with other indicators of labor market disadvantage. And finally, data on

the gender earnings gap – in both paid and self-employment -- are currently not available for many countries. Of these three indicators, the gender earnings gap is probably the best marker of gender equality in the labor market.

### **Agency Indicators**

The United Nations has recommended that progress toward women's empowerment be tracked by the female share of seats in national parliaments. Currently, this is the only indicator that can be tracked on a global scale. It is an imperfect proxy for tracking aggregate levels of female empowerment because it says nothing about whether women have power in parliament to make decisions or whether or not they are sensitive to gender issues and can promote a gender equality legislative agenda. It has also been observed that greater progress has been made in municipal and local level elections than in national elections, so it would therefore be very useful to track progress that women are making at the local level. The International Union of Local Authorities has scattered data on municipal level institutions but aims to construct a global database on women in local government. At the individual level, indicators could include control over fertility and sexuality. Again, however, there is a paucity of such information for most countries. One barrier that stands in the way of women being able to use their capabilities, exploit opportunities, and exercise agency is violence. Worldwide, it has been estimated that violence against women is as serious a cause of death and incapacity among women of reproductive age as cancer, and is a greater cause of ill-health than traffic accidents and malaria combined. Therefore, another indicator of women's agency, albeit in a negative way, is the prevalence of physical violence in the past year experienced by women aged 15-49 at the hands of an intimate partner.

Measuring the true prevalence of gender-based violence presents several challenges. To accurately measure true prevalence of physical violence, the questions used to gather data must disaggregate specific acts of physical violence such as kicking, beating, hitting and slapping, information which can be hard to obtain because of its sensitive nature. Statistics available through the police, hospitals, women's centers, and other formal institutions often underestimate the levels of violence because of under-reporting. The WHO's World Report on Violence and Health, which presents data from 48 population-based surveys conducted in 35 developed and developing countries, and WHO's recent multi-country study on women's health and domestic violence lay a strong foundation for larger-scale data collection initiatives. Thus, although prevalence rates are a good indicator, they can't be used to track progress toward the goal since data are not currently available for a large number of countries.

### **General limitations of all indicators**

Beyond the specific issues associated with each indicator described above, there are a number of more general issues. First, the paucity of data on some indicators automatically restricts their use, despite the fact that there may be more valid indicators than the ones for which there is more data. Second, good ratios are not good enough because they say nothing about the absolute levels achieved. Third, national averages mask regional variation. Finally, few indicators exist that measure *quality* of progress toward the goal instead of just *quantity* of progress. The dearth of data and lack of standardization across countries limit a complete and accurate measurement of gender equality and empowerment. There are data gaps across all domains – capabilities, opportunity, and agency -- but gaps are particularly prevalent in the domain of opportunity. For example, most of Sub-

Saharan Africa and South Asia are missing data on the share of women in wage employment in the non-agricultural sector. As noted earlier, even fewer have information on women's relative earnings. Lack of time-series data is an additional hindrance. Finally, data are often missing for countries that experienced violent conflict during the decade.

### **Meeting the Goal of Empowering Women**

Meeting the three targets will lay the foundation for women's empowerment because gaining power in society is dependent upon having capability, opportunity and influence over key decisions that affect life outcomes. However, achieving the goal of women's empowerment is not only about the content of interventions but about the process. The process of empowerment varies from culture to culture, but there are several types of changes that are considered to be central across cultures. Some of these changes include increased participation in decision-making, more equitable status of women in the family and community, increased political power and exercise of rights, and increased self-esteem.

Women can be empowered through development interventions. Some of the clearest evidence comes from evaluations of well-designed micro credit programs (Hashemi, Schuler, and Riley 1996). In addition to gaining greater respect and legitimacy in the broader community – particularly from male members – because of their access to credit, the opportunity to have control over decisions about loan size, use of the loan, and so forth has been found to be empowering for women. Women borrowers have also gained experience and confidence as leaders of their Trust Banks (in the Philippines) and have gone on to be elected within their barangays in the Philippines and Mayor in Honduras (Cheston 2002). A significant

barrier to women's empowerment is gender-based violence. As mentioned earlier, the prevalence of violence against women can serve as an indicator of the level of empowerment of women in any given country. The lack of data currently makes this difficult to operationalise in the MDG context, but it does not reduce the urgency to address this problem.

At the country level, most initiatives to address violence have been legislative. Although the legislation varies, it typically includes a combination of protective or restraining orders and penalties for offenders. As with property rights, a formidable challenge are often the enforcement of existing laws. Procedural barriers and traditional attitudes of law enforcement and judicial officials undermine the effectiveness of existing anti-violence laws. Training programs for judicial and law enforcement personnel often go a long way to change such attitudes. Beyond training programs, the establishment of female-staffed police stations has been effective in making them more accessible to women. For the women who have experienced violence, a range of medical, psychological, legal, educational, and other support services is necessary.

Finally, to prevent violence, improving women's education levels and economic opportunities has been found to be a protective factor (Duvvury 2002; Panda 2002). The interventions noted above to improve women's economic opportunities thus become even more important. Ultimately, however, the threshold of acceptability of violence against women needs to be shifted upwards. To do that requires a massive media and public education campaign.

## **Conclusion**

Overall, the Convention to Eliminate All Forms of Discrimination against Women (CEDAW) provides a useful international

mechanism to hold countries accountable for meeting Goal #3. All nation states that have ratified the convention are obligated to take all necessary measures at the national level to implement the provisions within it, including providing legal protection against discrimination of women. In order to monitor progress made by nation states in advancing the agenda of CEDAW, each nation state is required to report to the Committee on the Elimination of Discrimination against Women on specific measures that they have taken to advance the Convention's agenda. Each country is required to report within one year of acceding to the Convention and at least every four years thereafter, including whenever the Committee so requests. The Committee annually reports to the UN General Assembly and makes recommendations to nation states based on an evaluation of the country reports. A recent study of the impact of CEDAW has shown that it provides a powerful instrument at the national and international level for defining norms for constitutional guarantees of women's rights, for interpreting laws, mandating proactive, pro-women policies, and for dismantling discrimination overall (McPhedran et al. 2000). For CEDAW to be used effectively requires action at many levels and by many actors. Among the many factors identified by the study as being key to the effective utilization of CEDAW were the following: widespread awareness and knowledge of CEDAW; constructive dialogue between government representatives, CEDAW Committee members, and NGOs; governments recognizing how policy goals can be adapted to implement their stated commitment to CEDAW; and the systematic use of gender-specific indicators to assess the impact of governmental policies, laws, and budgets. The CEDAW mechanism can be used to monitor progress toward the MDGs and to hold nations accountable.

It is important that the women organizations advocating for sexual and reproductive rights develop ways to achieve progress on a range of issues within the framework established by the MDGs. They should ensure that a rights based approach be applied to development, both within the UN system and at the country level, that prioritizes equity, profound social changes, and sustainability, rather than simply the achievement of narrow quantitative targets.

The MDG campaign offers an opportunity to attend to the unfinished business of development by fulfilling the promises made by world leaders to reduce poverty, end hunger, improve health and eliminate illiteracy. Gender inequality fuels many of these ubiquitous challenges and is exacerbated by them. Conversely, gender equality and the empowerment of women can secure the future of women themselves, their households, and the communities in which they live. Relative to the past, current international development rhetoric places gender inequality high among the list of development priorities. Having an independent MDG goal on gender equality is a reflection of this new emphasis. The Millennium Development Goals are a derivative of the Millennium Declaration of September 2000, which spells out the following values: freedom, equality, solidarity, tolerance, respect for nature, and shared responsibility. They are a clarion call of 189 governments, on behalf of their citizens. World leaders who are currently doing performance appraisal must address the gender gap in the MDGS.

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# Out of Pocket Spending (OOPS) on HIV/AIDS: Reflections from Dharwad District in Karnataka

\*Dattatraya R. Revankar

\*\* Arunkumar R. Kulkarni

## Abstract

*In this paper a modest attempt has been made to estimate the magnitude of HIV / AIDS specific out of pocket expenditure. The paper is based on the primary survey of 350 HIV/AIDS patients in Dharwad District in Karnataka state. The study reveals that the per capita expenditure on HIV/AIDS affected persons was Rs. Rs.8465 in Dharwad district during the year 2009-10. On an average the households, government and external agencies/NGOs spend Rs.6996, Rs.748 and Rs.724 respectively. Thus, the major portion of the total expenditure (i.e. 82.6 percent) has been spent by the household from Out of Pocket (OOP). The study further reveals that HIV/AIDS epidemic has severely affected the economic, social and psychological status of the families.*

**Key Words:** *Health Expenditure, Out of Pocket Spending, Household Spending on HIV/AIDS, Antiretroviral Therapy, Sources of HIV/AIDS Spending*

## Introduction

Every one wishes to be away from disease, disability and premature death. Substantial evidence is now available regarding the fact that good health is an important contributor to economic growth in any nation. In this background, both policy makers and researchers have

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\* Research Assistant, Centre for Multi-disciplinary Development Research (CMDR), Dharwad, Karnataka

\*\* Assistant Professor, Centre for Multi-disciplinary Development Research (CMDR), Dharwad, Karnataka

recognized the importance of investments in health. Public spending on health and education bring about a change in incomes among the poor. Such investments also seem to be the major determinants, which would contribute to the better health status of the community. Such an outcome also depends on equitable sharing of provision of health services coupled with life-enhancing activities such as nutrition and education. Therefore, the role of Government is very important in order to achieve better health in a country like India

HIV/AIDS is a calamity of the new millennium, similar to Plague and Smallpox that devastated mankind in the Middle Ages. Like leprosy in the bygone centuries, Human Immunodeficiency Virus (HIV) infection is also associated with social stigma. This is a challenge that goes beyond public health, raises fundamental issues of human rights, and threatens human achievements in many areas. AIDS ranks fourth among the world's top killers of mankind. It has killed more than 25 million people since it was first recognized in 1981; it is one of the most destructive epidemics in recorded history. For this reason alone, Government has been spending significant amounts of its resources for the provision of Preventive and Curative Care Services. In this context, the present study also tried to sketch the OOPS on HIV/AIDS with an intention to further decompose such expenditure into various aspects which would throw light on the burden of such spending on households. The paper has been presented in five sections. The first section gives the introduction, second section presents the brief review of literature, third section gives methodology and profile of sample HIV/AIDS affected persons, the fourth section presents findings of the study and the last section concludes.

## Brief Review of Literature on Private Expenditure on HIV/AIDS

There are a few studies that have previously been undertaken to estimate the amounts spent on HIV/AIDS-related activities. Some focused only on expenditures incurred by the public sector, whereas others provided more information on sources and uses of funds for HIV/AIDS. In the early 1990s, two studies sought to estimate expenditures on HIV/AIDS in Asia – one in Thailand for 1991-92 (Viravaidya, Obremsky and Myers 1993), and the other in Sri Lanka for 1993 (Bloom *et al.* 1997). The Thailand study highlighted HIV/AIDS expenditures by various *ultimate* sources of funds – the Government, donors and the private sector. The authors also tried to estimate expenditures incurred on treatment, using estimates based on costs for a limited sample of AIDS patients in two provincial and two central hospitals. Many health care providers (e.g., traditional providers) are excluded from their analysis and it is not clear, what proportion of the estimated expenditures in their study was an out-of-pocket payment by households, and what proportion was paid by other agencies.

The study for Sri Lanka considered expenditures incurred by the Government, Non-Governmental Organizations and international donor agencies. Data for this study were obtained from Government records, Sri Lanka's National AIDS Control Agency, and from international donor groups. The study suffered from many of the coverage inadequacies identified above for Thailand. For instance, it did not include any estimate of household expenditures on prevention and treatment. The second study for Thailand (Pothisiri *et al.* 1999) presents data on public expenditures that are directly related to HIV/AIDS. It also failed to include expenditures made by HIV/AIDS patients.

The Harvard School of Public Health undertook a study on behalf of UNAIDS to track the level and flow of national and international resources to HIV/AIDS related activities in developing countries during 1996 and 1997 (Ernberg *et al.* 1999). It relied mainly on seven mailed questionnaires to collect information on HIV/AIDS expenditures from 64 developing countries and transition economies of Eastern Europe, and provided information only on funds provided by the Government and the donor agencies, while data on expenditure by households, employers and NGOs, and the entire private sector, were not captured by the study.

Shepard and others undertook a five-country study of the sources and uses of health expenditures linked to AIDS – in Brazil, Cote d'Ivoire, Mexico, Tanzania and Thailand, respectively (Shepard *et al.* 1998; Kone *et al.* 1998; Izazola *et al.* 1998; Lunes *et al.* 1998; Tibendebage *et al.* 1998; Kongsin *et al.* 1998). These studies used a variety of sources (e.g., official documents, expert assessments, household health surveys) to bring together estimates on sources of funds by public, private and international sources, and uses – by prevention and treatment. For example, expert assessments were used to estimate the health care utilization patterns of AIDS patients and per-case costs of treatment of AIDS, which were then multiplied by the estimated number of AIDS cases to obtain total treatment costs.

Barnett *et al.* (2001) used a methodology similar to the one for Latin America and adapted it to the case of Rwanda to construct HIV/AIDS accounts based on the National Health Accounts (NHA approach). This study identified three HIV/AIDS-related activities, namely those relating to *prevention and promotion*, such as raising awareness, effecting behavior change and promoting safe sex campaigns; *management*, such as palliative care, surveillance, blood

screening and family support; and *treatment*, including hospital and clinic expenditures, counseling and alternative/traditional therapies. It also considered the expenditure by households on HIV/AIDS. NCAER-UNDP-NACO (2006) study shows that about 20 per cent of non- food spending of HIV households goes into medical expenditure as against 5 per cent of non-HIV households. In such a context, estimating HIV/AIDS specific OOPS would help health sector managers to get a clear idea about the quantum of OOPS and its impact on affected households. In this paper a modest attempt has been made to estimate the magnitude of HIV / AIDS specific out of pocket spending.

In sum, different researchers have tried to understand different facets of private expenditure on HIV/AIDS but various expenditures still need to be further decomposed to throw light on the burden of such spending on households in India.

### **Methodology and Profile of Sample HIV/AIDS Patients**

Karnataka ranks sixth in number as far as HIV-infected patients are concerned. Moreover, 30 districts including Dharwad are among the 158 high risk districts identified in the country. The study has been conducted in Dharwad district in Karnataka. Agriculture is the main occupation in the district and the District is also progressing in the industrial sector. There are more than 60,000 industrial units in the District. Thus, Dharwad is one of the developing districts in the State, Karnataka. Both primary and secondary data have been collected to calculate the total expenditure incurred by the HIV/AIDS patients. The primary data has been collected from 350 HIV/AIDS affected persons. The secondary data has been collected from Karnataka State AIDS Prevention Society (KSAPS), Dharwad district AIDS Prevention Society (DDAPS) and NGOs. The reference year for the estimation of expenditure is 2009-10.

**Table No 1: Profile of Sample HIV/AIDS Affected Persons**

Items	Categories	Percent
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*Source: Survey data*

Table 1 shows the profile of selected HIV/AIDS affected persons. It reveals that 18.91 percent of the total surveyed HIV/AIDS affected persons belongs to Scheduled Castes (SC), 9.45 percent belongs to Scheduled Tribes (ST), 18.91 percent belongs to Other Backward Communities (OBC) and 11.17 percent belongs to religious Minority Communities. All these taken together, account for 58.46 percent of the total. General category which consists of forward community accounted for about 41.54 percent of the patients. It is interesting to note that, out of 350 patients the people belonging to the poverty

category or popularly known as BPL (Below Poverty Line) were less than the rich community as far as incidence / prevalence of the disease. The poor accounted for about 40 per cent as against the rich which were to the extent of about 60 percent. The educational status shows that, those with less than seven years of schooling account for about 60 percent of the patients. This probably indicates that lack of knowledge and ignorance about disease to the people would act as a factor that would push the people into this death trap. This would also make a case for strong actions on spreading awareness campaigns and making the people to know how the disease occurs and how best one can prevent such occurrence. A look at the Age group of People Living with HIV/AIDS shows that 52 percent are in the age group of 18-35 and 45 percent are in 36-52 and remaining 3 percent is a gift from parents to children. A look at the Domicile Status of People Living with HIV/AIDS shows that 57 per cent are migrants. This supports the view that migrant families are at risk and resident families are somewhat safer.

### **Findings of the Study**

The finding of the study has been presented in three sections. The first section shows HIV/AIDS scenario in Dharwad district and available health facilities in the district. The total expenditure incurred on HIV/AIDS in Dharwad district and details of Out of Pocket (OOPs) by households has been presented in third section. The third section shows impact of HIV/AIDS on the affected persons.

#### **1. HIV/AIDS Scenario and Related Health Facilities in Dharwad District**

The District has a good network of public health services including one district hospital, 32 Primary Health Centres (PHCs), and 183

Sub-centres, There are 20 Integrated Counselling and Testing Centres (ICTCs), 19 Prevention of Parent to Child Transmission (PPTCT) Centres, 8 Government recognized blood banks and 2 Sexually Transmitted Diseases (STD) clinics in the District. There is one Community Care Centre (CCC) in each taluk, there is one ART centre, Drop Centre (DIC) for people living with HIV (PLHIV) and PLHIV network for the district. In addition, there are four Link ART centres in the district. The Society for People's Action for Development (SPAD) implements the TI for FSWs (in urban areas), Bhoruka Charitable Trust (BCT) implements the TI for FSWs (in rural areas), and Suraksha implements the TI for MSM (only in urban areas) in the district, with support from the Karnataka Health Promotion Trust (KHPT) under the Avahan Project. The Belgaum Integrated Rural Development Society (BIRDS), Tukanatti implements the TI for Truckers. The BCT also implements the Link Workers scheme in the district, under the Samastha project of KHPT, funded by United States Aid for International Development (USAID). Thus, the district is having better infrastructure related to

**Table No 2: HIV+ Cases, AIDS Cases and AIDS deaths in Dharwad District (No. s)**

Year	HIV +ve	AIDS Cases	Death due to AIDS	Total
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*Source: Karnataka Aids Prevention Society Bangalore & District ART centre*

HIV/AIDS disease. The Government and many NGOs are working in Dharwad district for HIV/AIDS affected persons. They have been providing preventive as well as curative services to the affected persons. The district of Dharwad is having high prevalence of HIV/AIDS and stands second after Bagalkot district in the state of Karnataka. Table 2 shows number of HIV positive cases, number of AIDS cases and number of deaths in the district.

## 2. Expenditure on HIV/AIDS

Based on the average expenditure incurred by the sample HIV/AIDS affected persons, the total expenditure incurred patients/households for all the affected persons(16586) in the entire Dharwad District. has been calculated

Table 3 shows total expenditure incurred from various sources on HIV/AIDS in Dharwad district.

**Table No 3: Expenditure on HIV/AIDS by Different Sources in Dharwad District**

Expenditure	Total Expenditure (Rs. Lakhs)	Per Capita Expenditure (Rs)	% to Total
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*Source: Karnataka state AIDS Prevention Society & Dharwad AIDS Prevention Society*

*Note: OOPS- Out of pocket spending*

Table 3 reveals that the per capita expenditure for HIV/AIDS persons was Rs.8465 in Dharwad district during the year 2009-10. On an average the households, Government and external agencies/NGOs

spend Rs.6996, Rs.748 and Rs.724 respectively. Thus, the major portion of the total expenditure (i.e. 82.6 percent) is borne by the household Out of Pocket (OOP).

The public health facilities provide all type of services / facilities free of cost to the affected persons. Therefore, it is interesting to know, why and on which services the patients have spent their money. The pattern of Government spending reveals that, the major share of its allocation has been spent on prevention of the disease and the share of expenditure on care and treatment is comparatively less. The reverse is the case with households; they spent more on care and treatment and very less on prevention. The discussion with the patients reveals that the affected persons consult private doctors and private medical shops to maintain confidentiality. The affected persons do not want to reveal their health condition to others due to social stigma attached to HIV/AIDS and this tendency is very high in middle class families. The quality of service provided is also an important factor. The patients/households have a notion that the services provided by the Government are not of good quality. On account of this, the patients/households depend on private providers.

Table 4 shows that the BPL and APL households have spent Rs.1313 and Rs.9542 respectively on care and treatment of HIV/AIDS during the reference year. The various expenditures incurred by the households (APL & BPL) from Out of Pocket (OOP) reveals that on an average, 73 percent of the amount (Rs. 5135) has been spent on Antiretroviral Therapy & Related Medicines, 9 percent on Clinical Tests (Rs. 642), 8 per cent on STD Treatment (Rs. 585), 5 percent on Complementary and alternative medicines (Rs. 324) and remaining 5 per cent has been spent on Counseling, Prevention of Onward Transmission, Treatment of OIS, Child Monitoring, Diagnostic Services and Terminal Life Care. Thus, 89.7 percent of the total

expenditure was incurred on care and treatment and remaining 10.3 percent on preventive care by the households.

**Table No 4: Expenditure on Care and Treatment of HIV/AIDS During 2009-10 (Rs/Person)**

Expenditure on HIV/AIDS Related Functions	Per Capita Expenditure (Rs)		
	BPL	APL	Total

*Source: Survey data*

### **3. Impact of HIV/AIDS**

HIV/AIDS epidemic severely affects the economic, social and psychological status of the family. The household impact begins as soon as a member of a household starts suffering from HIV/AIDS. Most of the sample affected persons in the study are breadwinners, for the family and due to HIV/AIDS they have lost their employment. Apart from this, the sample households are forced to spend Rs. 6996 on health and Rs. 1613 on non-health expenditure which includes travel and accommodation of patients and attendants during the reference year. The increasing expenditure and loss of income of HIV/AIDS patients result in the impoverishment of the family. As a result of this, the households are forced to borrow from various

sources to meet the health expenditures. Table 5 shows source of OOPS for HIV/AIDS care and treatment.

**Table No 5: Source of OOPS to HIV/AIDS by Selected Patient Households**

Source of Expenditure	BPL	All
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*Source: Survey data*

A Table 5 show that on an average, 50 percent of the expenditure is met out of borrowings from relatives and friends, about 33 percent met out of their own savings, and 10 percent by their regular income and 3 percent by institutional lenders and 1.2 depend on money lenders for meeting the HIV/AIDS health expenditure. About 2.3 percent of households sold their assets or articles to pay for the treatment. In case of BPL families, the higher proportion of expenditure is borne by borrowings and the proportion of distress sale of articles is also high. Borrowing as a source is likely put extra burden on the BPL households. The following case study reveals burden of HIV/AIDS affected person and family.

### **Case Study**

Rahim (Name Changed) is around 39 years old and is residing in a village of Dharwad district. He has completed his primary education in the village. Agricultural laboring is the main occupation of the family. He is staying with his wife and two male children. When we

contacted him he said that in the year 2008 he visited some other district in search of job and he got unsafe sexual contact with a Commercial Sex Worker. Presently, the patient cannot work regularly as agricultural labour, hence his children are forced to work by giving up their school education. We could also learn that unfortunately his spouse is also infected. They are taking medicines from ART center at KIMS free of cost (Government Teaching hospital at Hubli). But they have to spend lot of money on travel and food. Apart from this, they also spend for controlling opportunistic infection. These costs go beyond Rs 500 per month. The patient feels very sad because his friends and relations are away from him after knowing about his infection. His wife is also quarreling every day for her present situation and family condition. Children are also not giving any respect. Thus the family's socio-economic status has declined drastically

### **Concluding Observations**

The study reveals that the per capita expenditure on HIV/AIDS affected persons was Rs. Rs.8465 in Dharwad district during the year 2009-10. On an average the households, government and external agencies/NGOs spend Rs.6996, Rs.748 and Rs.724 respectively. Thus, the major portion of the total expenditure (i.e. 82.6 percent) has been borne by the household from Out of Pocket (OOP). The Government has provided all type of services / facilities free of cost to the affected persons. But due to inefficiency of public providers and the social stigma attached to the disease, the patients mainly depend on private providers. Therefore, Government should try to improve the efficiency of its facilities for the benefits of patients.

### **End Notes**

1. The functional categories have been adopted from the National AIDS Spending Assessment (NASA) standards.

2. Transactions that cross the boundaries of the district have not been considered for obvious reasons.
3. OIs – Opportunistic Infections
4. HB Test – Haemoglobin Test
5. HB SAG - Hepatitis B surface antigen
6. VDRL - a blood test that is used to determine whether one has an active syphilis infection.
7. CD4 Test - a CD4 percent, or a CD4/CD8 ratio is used to help evaluate and track the progression of HIV infection and disease
8. TI---- Targeted Intervention

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# Industry-Academia Partnership for Employability

\* Pradeep R. Bhandary

## *Abstract*

*When a question is asked about problems of developing and underdeveloped countries, poverty caused by unemployment always stands at the top. No matter how efficient may be the government's effort to remove the problem of unemployment, there remains the problem of unemployment. Even in the developing countries like India, China and African nations, where the educational institutions doing at their best, the problem of unemployment exists. One of the important characters we can trace in developing countries is, the fast growing economy because of industrialization. Now the question arises, how these developing countries are affected by the problem of unemployment even they are at the stage of industrialization. The MNC's are keen interested in investment in these developing countries. No doubt, this will generate plenty of employment opportunities. But, the problem is that the people of these developing countries are lacking the required skill and efficiency. Their productivity is not up to the expectation of MNC's. This paper aims at identifying the problems generally faced by people, students and the companies. Possible remedies to overcome the problem of inefficiency can be adopted by the co operation of educational institutions and companies. The paper also includes opinions of 50 students about their expectations. Out of 50 students 20 students are from city area who have completed their primary and secondary education in English medium. Remaining 30 students are from rural background.*

\* Assistant Professor, Department of PG Studies in Commerce, FMKMC College, Madikeri, Karnataka State, India. Mobile : 9844111667, Email: pradeeprbhandary@yahoo.com

**Keywords:** *Unemployment, Academia-industry partnership, Employability, Skill Development*

## **Introduction**

Universities and industry, which for long have been operating in separate domains, are rapidly inching closer to each other to create synergies. The constantly changing management paradigms, in response to growing complexity of the business environment today have necessitated these two to come closer. Higher education institutions not only contribute skilled human resources to business, but also influence business in various intangible ways. The intersecting needs and mutually interdependent relationships require identifying means of further strengthening academia-industry partnerships.

This paper attempts to explore how business schools can work closely with industry, study the dimensions of academia-industry partnership, and identify possible areas where industry's contribution to academia would be most effective.

## **Objective of the study**

The objective of this paper is to discuss various aspects of employability, problems in developing employability skill etc. This paper also focuses on the feasibility of consultation with industries by the academia in framing syllabus.

## **Scope of the Study**

This paper is based on secondary information obtained from web and books. The paper includes the opinion pooled out of the interaction with 50 student respondents. The opinion pooling is not backed by the support of statistics. Along with the information obtained from web and books, the opinions formed on the basis of discussions with the noted personalities in the field are also included this paper.

## **Challenges**

It is widely held that, knowledge, skills and resourcefulness of people are critical to sustain development, economic and social activity in a knowledge society. Given the current high-paced growth and dynamic investment climate in India, the demand for knowledge workers with high levels of technical and soft skills is bound to increase. With expansion taking place across various sectors such as banking and financial services, retail, manufacturing, pharma, SMBs, outsourcing companies, service providers etc there already exists a large need for IT talent. It is also estimated that India would require a workforce of 3.2 million employees in the IT and IT-enabled service sectors by 2014. However, over the past 15 years, India has produced 1.6 million professionals and faces the uphill task of producing another 0.8 million in the next two years.

In this demand-supply scenario, according to the All India Council of Technical Education a look at the Indian education system will reveal that the number of technical schools in India, including engineering colleges, has actually more than trebled in the last decade. One of the reasons for the skills gap is that only a small percentage of India's young go to higher education. Not more than 7 percent of Indians aged 18-25 go to college according to official statistics. Even a more fundamental level of education is proving difficult with nearly 40 percent of people over the age 15 being illiterate. Ironically, it is becoming even harder to create a robust and continuous pipeline of talent. The University systems of few countries would be able to keep up with such demand and India is certainly having trouble. The best and most selective Universities generate too few graduates and new private colleges are producing graduates of uneven quality.

Further, Universities and educational institutions have been unable to

update their syllabus in tune with the high speed changes taking place in the world of technology. Hence, the students churned out are not equipped to meet the current industrial requirements and often companies have to incur additional expenses (time and monetary) to train new hires. Besides the technology aspect industries also evaluate competencies with regard to soft skills, team building, overall attitude and values.

### **Need for Academia-Industry Interface**

Academia- Industry Interface could be defined as interactive and collaborative arrangements between academic institutions and business corporations for the achievement of certain mutually inclusive goals and objectives. Traditionally, business schools were looking for placements and internships for their students and the industry for fresh recruits who are well trained and equipped with the right KSA (Knowledge, Skills and Attitudes) to be able to contribute to organization's growth. Bisoux (2003) has explored the relationship between academic and industry. He says that corporations are placing growing emphasis on finding the 'right person'. It forces the business schools to think more carefully on whom they hire and therefore the role of industry in the entire business school model becomes important.

Today, the business schools have realized the importance of 'working closely with employers' for the following reasons:

- Increasing complexity in academic and business world and constantly changing needs of the industry.
- Increasing criticality of human competence in creating and sustaining competitiveness of the organizations.
- Shift in management paradigm of business schools from earlier academic models to revenue based models.
- Growing pressure from industry to make their fresh inductees

productive from day one to reduce the subsequent training costs.

- Increasing interdependence between academia and industry to satisfy need for sustenance and innovation in their respective areas.

### **Modes of Interface**

For the above reasons, industry rather than just being customers of business school output today have become stakeholders and partners in progress. Industry on the other hand has also discovered the advantages of collaborative learning opportunities. Corporations seek to play increasingly important role in activities of academic institutions to incubate the talent they need. The shift towards the short-term performance metrics and shareholders interest has led to a number of changes in the conduct of business, which has translated its effect on business schools.

There are number of avenues, through which business schools collaborate with industry. Some of the commonly used avenues are:

1. Guest lectures by industry representatives.
2. Suggestions in curriculum and content designing.
3. Executive education and management development programmes.
4. Joint seminars by academia and industry both for executives and students.
5. Consulting on management and related issues by academia.
6. Academia generating ideas and acting as incubators to new business.
7. Inclusion of industry experts in governing councils and other board of studies.
8. Industry providing financial and infrastructure support to

business schools for their development.

9. Funding for academic and applied research.

### **Industry-Academia Partnership**

These days many IT companies are partnering with engineering colleges and universities. Infosys has launched a program called 'Campus Connect' to align the education being given at various engineering colleges, with the requirements of the industry. Wipro has also started a program called 'Wipro Academy of Software Excellence', in association with BITS to prepare fresh graduates for careers in software programming and provide them with the necessary skills.

Many multinationals have also established alliances with academic institutions on specific initiatives covering faculty upgradation, internships, curriculum revision workshops, research incubation etc aggregating the architects of the new global economy. Recently, a new article mentioned that Tech Mahindra (a joint venture of Mahindra group and British Telecom), has found a unique way to address the manpower shortage and wage inflation problems by getting into the education business itself. The company has decided to setup an engineering college, Mahindra College of Engineering, that will equip engineers with the skills required in a 'Fast Changing Global Scenario'.

The Cisco Networking Academy (NetAcad) is also aimed as a timely response to these challenges. The curriculum incorporates hands-on experience when teaching students about computer networks. The NetAcad program offers various curriculum viz , CCNA, CCNP, Network Security, fundamentals of wireless LAN, which cover the principles and practice of designing, building and maintaining networks capable of supporting national and global organizations.

The Networking Academy is in line with the needs of Indian colleges and features project-driven training in high-demand job skills.

Currently there are over 160 Cisco Academies (across 26 states and union territories) with 7600 plus students currently enrolled in the program and 4900 plus professionals have already graduated in CCNA. In India today there are over 67000 Cisco certified professionals. In addition to imparting IT knowledge and networking skills, NetAcad also aim to bridge the 'digital divide' as it takes technical education to rural India including technologically backward states like Kashmir, Orissa and Tripura. Cisco has also tied up exclusively with all women institutes to encourage girls to learn networking which has been always considered as a male bastion. Coinciding with its 10<sup>th</sup> anniversary, NetAcad is also updating its CCNA curriculum to accommodate a broader spectrum of students skill levels and help increase enrollment rates. Cisco has also launched its entry level certification (CCENT-Cisco Certified Entry Network Technician) to enable students from technical schools viz, polytechnic's and ITI's to equip themselves for growing industry needs. NetAcad is also working on localizing the curriculum and certification exams to meet the growing Indian demand for networking skills.

Its high time now for us to reboot the Indian education system. Joint initiatives by the industry and academia will play an important part in plugging the talent gap in the years to come. Training individuals for the jobs of the future and allowing them to visualize what it is possible today will not only make a difference in their lives but also enrich our communities now and for the future.

### **Opinion Pooling**

While preparing this paper, opinions have been collected from

students regarding industry-academia partnership, as they are the real beneficiaries from this kind of partnership. We have approached 50 students; out of them 20 students are from city area who have completed their primary and secondary education in English medium. Remaining 30 students are from rural background and Kannada medium.

Following are the opinions of students:

1. Out of 20 students 18 students (90 percent) believe that their English communication has improved and is good as they did their primary and secondary education in English medium.
2. Out of 30 students from rural area that have completed their primary education in Kannada medium, 50 percent have the opinion that medium of education does not make any difference in the communication skills.
3. More than 60 percent students say that students often fail in interview due to lack of proper communication skill and interview mannerism.
4. 50 percent students have the opinion that the present syllabus plays an average role regarding employability and skill development and rest of the students say that it is not useful at all for employability and skill development.
5. More than 95 percent students have the opinion that a future oriented syllabus which enriches the employability of the students can be developed by a joint committee comprising university and industry experts.
6. 60 percent students strongly believes that industry and university participation gives best outcome in designing syllabus and 32 percent students believes that industry and university participation is highly required to conduct training and development program.

7. 97 percent students stress the need for industry oriented training which should be included in actual time table of the educational institute.

## **Conclusion and Recommendation**

- It is imperative for business schools to bring Academia and Industry closer and build a strong collaborative relationship;
- Each business school needs to identify the areas where they can build an effective academic-industry relationship. They need to revisit mission and academic model to be able to identify the right Interface mix;
- It is not a must that all modes of partnership are equally beneficial to every business school. They have to work on 'differential relationship' mechanism;
- Academia and industry need to build organic relationships, with long term strategic intent contributing to the growth and development of both the entities;
- Business schools essentially have collaborated with corporate to provide training and internships to students. Two months internships are integral part of business curriculum in India with certain credit assigned. This is seen as one of the best methods of giving students both the theoretical concepts and their applications and enhancing their ability to relate the two for decision making purpose.
- Executive education and management development programmes are the two important areas where Indian Business Schools are foraying. These initiatives on the part of business schools trigger industries interests to collaborate by assisting them in development and training of their human capital, hence increasing the mind-share and enhancing the

image of the business school. This kind of partnership model is still in the initial stage in India. There is also a need to work on appropriate strategy for mutual benefit.

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## Global Diversity and Competency Inclusion

\* Dr. Ravindra Kumar B

### **Abstract**

*The basic formula for diversity is rapidly evolving. It is no longer simply a matter of creating a heterogeneous workforce, but using that workforce to create the innovative products, services and business practices that can set a company apart and give it a competitive advantage in the marketplace. And as companies compete on a global scale, the meaning of diversity and inclusion has to be modified as different markets and different cultures have varied definitions for the term 'diversity'. A diverse and inclusive workforce is necessary to drive innovation, foster creativity and guide business strategies. Multiple voices of diverse workforce lead to new ideas, new services and new products, and encourage out-of-the-box thinking. Today, companies no longer view diversity and inclusion efforts as separate from their other business practices. Instead, they recognize that a diverse workforce can differentiate them from their competitors by attracting top talent and capturing new clients. In this background, the present paper has been designed to analyse the structure of diverse and inclusive strategies at organisational levels. The paper also deals with numerous issues for the success of diversity and inclusion programs within the organization. It also tries to examine mechanism for competency models, status of commitment, barriers and ways to implement a strategy for workplace diversity and inclusion. The scope of the paper permeates many functions of the company from recruitment to sales and also to community outreach.*

\* Associate Professor & Chairman, Dept of Studies and Research in Economics, Tumkur University, Tumkur. Karnataka -572103  
Email: ravivani69@gmail.com

**Key words:** *Demographic, Competency, Innovation, Alliance, Leadership.*

## **Introduction**

A few years ago, the word “inclusion” was used only by a few organizations. Now, the phrase “diversity and inclusion” has its own acronym- Diversity and Inclusion (D&I). The attention has accelerated from valuing differences- which was largely achieved through awareness training and multi-cultural celebrations- to strategic global business growth. The basic formula for diversity is rapidly evolving. It is no longer simply a matter of creating a heterogeneous workforce, but it also means, using that workforce to create the innovative products, services, and business practices that can set a company apart and give it a competitive advantage in the marketplace. Multiple voices of diverse workforce for organization lead to new ideas, new services, and new products, and encourage out-of-the box thinking.

The focus today is on targeting new markets, building effective and efficient global teams, and managing brand reputation. Clearly, the 21st century D&I practitioner, adapting this and decidedly a strategic role seeks a challenging new set of competencies. The business case for diversity and inclusion is intrinsically linked to a company's innovation strategy. Our survey respondents overwhelmingly agreed that a diverse and inclusive workforce brings different perspectives that a company needs to empower its innovation strategy. Companies such as AT&T, Mattel, Intel, and others have employee groups that foster inclusion among women and other minorities within their organizations, and also provide valuable insight into the markets they reflect.

In our survey, more than three quarters of respondents reported that their companies are focusing more on leveraging diversity for innovation and other business goals over the next three years. “The diversity of thought, types of industry and multi-market backgrounds of the candidates that these companies recruit, have direct impact on the ability of the candidates to innovate and give them a foundation upon which they are able to achieve the business goal of reaching a billion new consumers in the next 10 years.”

The globalization of business has generated a sophisticated, complex and competitive environment. Competing on the global stage presents companies with a series of challenges and avenues. In addition to the routine concerns that companies face such as managing growth, building a sound infrastructure, and keeping an eye on the bottom line, promoting overseas markets has its own special challenges. Laws and regulations vary from region to region and added to these, there are language and cultural barriers that can induce unanticipated hiccups or challenges. In the light of these, the organizations have to find out the best way to ensure their continued success on a global scale, which is possible only by embracing a diverse and inclusive workforce. In this background, the paper has been designed with the following objectives.

1. To analyse the structure of diversity and inclusive strategies at organisational levels.
2. To examine the drivers for diversity and inclusion at work place
3. To develop the competency models
4. To know the status of commitment in diversity and inclusion
5. To identify the perils and offer suggestions

## **Methodology**

The paper has been based on primary and secondary sources. A survey has been conducted by administering questionnaires among 60 executives of domestic and Bangalore based business units of MNC's. The information collected through these questionnaires and insights gathered through interaction with these executives are the primary source.

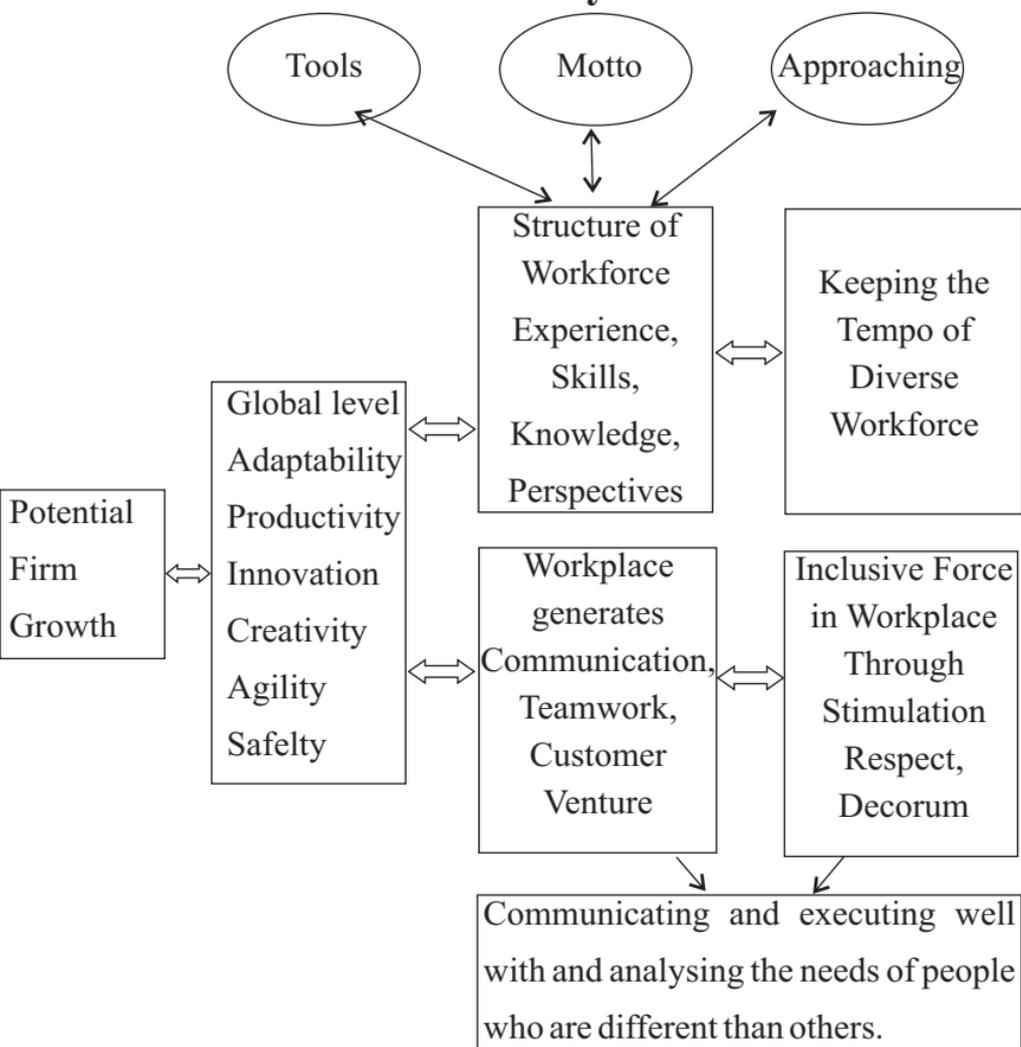
## **Analysis**

### **Structure of Diversity and Inclusive Strategies**

Good Diversity and Inclusion strategies and tactics must be job-relevant, skills-specific and assist team members in understanding current workforce and marketplace realities. Organizations which tie diversity and inclusion to their business strategy, have to improve performance, productivity and customer satisfaction. The emphasis should be on creating a supportive learning environment utilizing consultation, training programs and team, containing skills development tactics. Further, recognising diversity and its role as a critical business and individual success factor, gaining the key competencies for leading a diverse team, and serving multicultural and multilingual customers are the other elements which help to tackle the question of Diversity and Inclusions strategies. In the fight for global talent, diversity and inclusion policies are being designed specifically as recruiting and retention tools, helping to broaden the pool of talent from which a company can recruit. It also helps to build an employment brand for the company. If firms seek to attract the best talent, they need to be reflective of the talent in that market.

Figure 1 illustrates this relationship between business growth, workforce, workplace and diversity, inclusion and intercultural competence.

**Figure No 1 : Tools for Firms in the Emerging Economy**



**Source :** *Compiled from Survey Inputs.*

The above figure illustrates Business-Aligned® diversity and inclusion. MDB Group, - the USA based global company is the originator of the Business aligned diversity and inclusion strategy. It combined proven lining models, techniques and approaches with the most-current knowledge and insight in developing or reinvigorating such a strategy. In any business strategy, the core issues of strategic structure need to be addressed. For example: New processes typically require people to think and act differently and they need to engage executive teams and employee communications plans.

**The factors influencing the organisation to adopt Diverse and Inclusive strategies:** The following factors influence the organization to adopt Diverse and Inclusive strategies

**A) Globalisation:** Accelerating globalization is the most significant trend having an impact on human resources today. As employees and managers are asked to work with team members, business partners, and customers from around the world, a global perspective and cultural competencies have become imperatives and D&I leaders are often responsible for driving these skills. Similarly, immigration has changed the face of many workforces around the world. This too, calls for advanced cultural competence, as well as making the success of D&I strategies more urgent than ever.

**B) Demographic factors :** In developing parts of the world, soaring economic growth rates coupled with limited numbers of skilled workers have caused high levels of turnover. In other parts of the world (such as the European Union, Canada and the United States) the labour pool is aging, where as in India, the work force of younger ages have supremacy in decision empowerment causing demands for increased flexibility and redefining employee needs and expectations. These concurrent trends require organizations to rethink traditional methods of recruiting and retaining workers, and require D&I leaders to be at the forefront of workforce strategies that exhibit cultural competence, flexibility, and business acumen.

**C) Client culture:** Organisations have desires to improve its business performance based on the nature and type of client it enjoys. At the same time, the clients have different expectations from the organisation to fulfil their ambitions through the value systems and decision building measures.

**D) Technology:** Technology has increased the accessibility to information and transparency on the part of organizations. It has also made global communication simpler and faster than ever. Rapid advances in technology translate into free availability of information. This provides ample avenues for diversity and inclusion functions with access to communication, education and resources. It also increases employee expectations regarding flexibility, openness of the culture and availability of information.

**E) Innovation:** With the competition and market segmentation, there arises more avenues for developing and nurturing the novel products and services which would result in leveraging diversified strategies.

#### **F) Legal Environment / Regulation :**

Increased regulation and media attention have added new dimensions to organizations' compliance requirements. More than ever, companies need to be concerned about the legal problems which will damage their reputation, brand image, community relationships and stock price. These legal problems arise out of legal fees and financial awards.

#### **Competency Models**

Competencies such as knowledge, skills, abilities, behaviours and attributes etc. fulfil certain roles in the given workplace. People who are successful, most frequently exhibit these competencies. The model includes 1) categories of behavioural attributes like competencies, 2) the competencies themselves and 3) behaviourally-based definitions for each competency. The major competency models involved in the diversity and inclusion are presented in the following figure

**Figure No 2 : Competency Model**

Concepts	Avenues into core areas
Liberal management	<p>Organisational development: Identifies and facilitates the change process through task completion. Gains leadership involvement and line ownership.</p> <p>Communication: Tracks and communicates strategy progress and setbacks. Utilizes multiple communication vehicles such as web sites, brochures, talking points, and more.</p> <p>Analytical Intervention: Offers useful and timely interventions in cases where progress is impeded due to a diversity-related issue.</p>
Global Perspectives	<p>Cultural Norms: Examines the dynamics of cross-cultural and inclusion related conflicts, tensions, misunderstandings, or opportunities. Identifies the history, context, geography, religions, and Commits to continuous learning / improvement in diversity, inclusion, and cultural competence languages of the regions in which the organization does business. Understands subtle and complex diversity and inclusion issues as they relate specifically to marginalized groups (while these vary by region, they often include women, people with disabilities, older people, and racial, ethnic or religious minorities).</p>

Business Knowledge	Market driven- Understands the impact of the financial, economic, and market drivers on bottom line results. Gathers and uses competitive Intelligence. Understands diverse customer/ client needs
Global Alliances	Corporate Social Responsibility: Knowledge about external pressure points (e.g., society, work councils, environment, regulatory, government, customers, and related trends) Identifies, partners and leverages relationships with key external diverse suppliers, organizations and customers.
Integrity	Ethics: Behaves in a way that leads others to trust him/her. Negotiates and persuades effectively at all levels of the organization. Understands the point of view and emotions of others, in the context of their cultures, including both minority and majority groups.
Leadership	Wise directions: Collaborates appropriately with others to envision and convey an inspiring, compelling, and relevant D&I future state. Frames new directions in understandable, innovative, and inspiring terms. Move with other functional areas to derive outcomes for all (especially HR, Organizational development, Leadership development).

Competency Mapping	Competency/ Compliance : Possesses knowledge of programs, policies and best practices that ensure equity and achievement of organizational D&I objectives in a variety of HR areas, including but not limited to recruiting and staffing, OD, work and life balance, succession planning, training / development, and performance management. Understands applicable laws, regulations, and government requirements and their impact on the business. Works with others appropriate to the situation to resolve individual and group conflict, including the development and delivery of successful interventions.
Operational Executor	The operational aspects of managing people and organizations and echoes our HR Competencies.

A high quality productive and innovative workforce and workplace do not happen with yesterday's management practices. Employees must both be able to and want to contribute their maximum potential. Attracting and retaining employees who are able to contribute, requires a workplace that encourages their creativity, innovation, and productivity. This competency model covers a broad range and depth of skills. In truth, rarely we will find a D&I practitioner (or any other professional) who demonstrates mastery of the entire set of competencies. Business needs, organizational size and reach, complexity of the D&I strategy, and the D&I practitioner's level of responsibility within the organization will dictate the specific level of

proficiency needed for each competency. Higher-level practitioners—such as Chief Diversity Officers, General Managers, Directors, Senior Vice Presidents and Vice Presidents—should have mastery over most of these competencies. For those competencies which D&I functional leaders have not personally mastered, they should have the ability to identify, recruit, and lead others (be they outside consultants or internal team members) with the requisite skills. Thus, while it may be the fact that no one individual possesses mastery of all of the competencies, the D & I team as a whole does.

### **Commitment to Diversity and Inclusion**

With the disproportionate spread of wealth and the regional differences within India, MNCs have found it easier to focus on CSR in India than in Europe and North America. As a consequence, companies in India have at times found it easier to focus on projects that enhance inclusive society and started to give limited attention to address the leadership and organizational culture issues. Companies investing in Diversity and Inclusion in India have felt a positive impact on their business performance.

Robust economic growth in India was a primary reason for women to join IT. As the war for talent in India was gaining momentum, senior leaders in the organisation recognised the need to recruit and retain the best. As a global unit, creating an inclusive culture was given prime importance. It has been observed that almost 74.5 percent of senior roles outside India are filled with local talent. As many as 60 percent of the participating companies in India reported about having a diversity and inclusion strategy in place at the global and regional level and around 14.5 percent had a diversity strategy at country level. Among the 40 percent of respondents reported that their companies do not have a diversity and inclusion strategy. Among

them over half of the number reported that they would like to explore or are already looking into establishing a diversity and inclusion strategy. A majority of Indian companies (83.9 percent) stated that they have succeeded in their diversity strategy utilizing the diverse knowledge of employees for business development with target customers/clients. They also believe that having a diversity strategy enables them to enter new markets easily. Top three drivers behind an organization's Diversity & Inclusion strategy are recruitment of talent (70 percent), employer brand (61.3 percent) and access to untapped talent pool (60 percent). Diversity has also been seen as an important factor for the business performance also as the bottom line, through its impact on team effectiveness and innovation.

Gender diversity is the primary focus of many Diversity and Inclusion activities. All organisations continue to focus on ensuring that female talent is represented across all tiers of the organisation. It is interesting to observe that the number of women in senior roles have been increasing. The main gap is in the talent pipeline for middle management roles. The Women's Inclusivity Network (IWIN) is the primary initiative that has influenced the vision for creating a culture which is gender sensitive and allows for a working environment which is female 'friendly'. All organisations reported that this is the age where women take career breaks for raising families and very often do not return. All of the organisations are making a concerted effort to ensure that women receive career counselling and support with a view to achieve a better work life balance and ensuring return to work. Employee networks are seen as one of the useful forums for providing support on areas of mutual concern, career development and idea generation. Positioning these has strategically helped to create a more inclusive culture. Support from leaders for taking time out to participate in network activities is

important for employee networks to be engaging and effective. Building an inclusive culture is a must. This journey has been described as: Conventional Work Model → New Age Work Model.

## Perils

“The recruitment of diverse talent for the organization is critical to build the business and drive future growth,” said Sumita Banerjee, Vice President, Talent Recruitment at L'Oréal USA. To that end, company executives connect with more than 3,000 students on campus each year via business games, professor partnerships, student organizations, and campus presentations. Additionally, executives maintain a network of strategic partnerships to connect with “experienced” talent. These relationships include Junior Military Officers, outstanding women in science, National Diversity Recruitment Fairs, and others. The puzzle before us is that do they have any official programs in place specifically to recruit, develop, or retain a diverse or inclusive workforce? When it comes to recruitment of a diverse workforce, where do they go to find the talent? Will it be University/graduate school diversity associations?

The other aspect is which of the following programs do they currently have in place specifically to develop diverse/inclusive talent? Is it Professional Development Programs, Diversity-focused mentoring programs, Employee resource/networking groups, Affiliations to diversity-focused professional organizations, Organization communications focused on different groups etc. Which of the following is currently part of organization's diversity and inclusion efforts?-Gender, Ethnicity/national origin, Age, Race/colour, Disability, Nationality, Sexual orientation etc. When it comes to the strategy and implementation of a diversity program, responsibility for the success of company's diversity/inclusion efforts lies with whom? Who is ultimately accountable for the success of diversity

and inclusion programs within the organization? Will it be CEO, CHRO, Board of Directors, senior leaders within division or business unit, COO, General Managers, Senior leaders within geography, Individual managers and other C-level?

Just as with other corporate initiatives, gauging the success or efficacy of diversity and inclusion efforts requires companies to have measurable outcomes in place. They are; Employee productivity, employee morale and employee turnover, the tools for holding senior executives responsible for their diversity programs performance or a mix of monetary awards and reviews. According to the participants, accountability is measured by performance reviews, bonuses, salary increases, business/department reviews and promotions.

The other hiccups being the-middle management's failure to execute diversity programs adequately, budgetary issues which prevent greater implementation, failure to perceive the connection between diversity and business drivers, inadequate attention from senior leadership other priorities related to managing the workforce, unable to identify the cultural background of customers, the poor strategies to adopt the inclusive oriented programmes etc. Competing on the global stage also presents companies with a series of challenges. In addition to the routine concerns that companies witness such as managing growth, building a sound infrastructure and keeping an eye on the bottom line, expanding overseas markets etc., they have certain special challenges too. Laws and regulations vary from region to region and there are language and cultural barriers that can create unanticipated problems. Organizations still face external and internal challenges in implementing policies and procedures related to diversity and inclusion. Internally, companies are still struggling with negative attitudes about diversity among their rank-and-file, while externally, a rocky economic recovery has

impeded many companies' hiring efforts.

## **Prospects**

“Diversity always delivers a competitive advantage,” added Howard Lewis, Vice President of Sales and Education for Mizani, an L'Oréal brand that targets women of colour. “In order to generate a sustainable business model, they need to include as many consumers as possible and provide them the best products.” One such product is Mizani's True Texture line. Scientists at L'Oréal spent two years studying 1,000 heads of hair and came up with a “curl key” that defines eight types of hair and how to treat each specific hair type. Hence, DIVERSITY + INCLUSION = INNOVATION & SUCCESS®. This formula permeates many functions of the company from recruitment to sales and then, to community outreach. The consulting and training programs provide meaningful, relevant content and impactful delivery that assist organizations in tying diversity and inclusion to each team member's role for progressive path. A diversity and inclusion strategy is most effective and sustainable when it directly aligns with and help achieve key business strategies and plans, measures progress in ways that the CEO expects, which is also important to the business. Further, the full active support and engagement of the CEO and senior executive team, taking into the account of company's organizational culture and readiness and capacity for change etc are significant for the growth of the firm. Top team engagement, commitment and 'walking the talk' are also considered as the pre-requisites for diversity and inclusion to perform in India.

## **Conclusion**

A diverse and inclusive workforce is necessary to drive innovation, foster creativity and guide business strategies. Multiple approaches

generate novel concepts, new services, and new products, and encourage out-of-the-box thinking. Today, companies no longer view diversity and inclusion efforts as separate from their other business practices, but recognize that a diverse workforce can differentiate them from their competitors by attracting top talent and capturing new clients. An Inclusive culture helps to create a workplace where individuals manage and leverage difference in ways that allow people from all backgrounds to hear and be heard, understand and be understood and work together productively towards sustainable business environment.

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# Commercial Banks and Liquidity Risk Management(LRM)

\* Ms. Meera Mehta

## **Abstract**

*Banking is a business which is subject to various risks and Liquidity Risk is one among them. A well defined, systematic risk management system is required to guard against this risk. LRM arises due to mismatch between inflows and outflows of funds. Hence any process and LRM should include, system of identification, measurement and control of liquidity exposures. In this paper, an attempt is made to analyse this, less known vital risk.*

**Keywords:** *Liquidity Risk Management, Risk Indicators, Information system, Liquid Ratio*

## **Introduction**

Banking, as we all know, is a risky business but that's the business of banking. Banks view risk as a chameleon that keeps changing its colours. It cannot be wished away and is there all over a bank's balance sheet in various forms like the credit risk, market risk and liquidity risk. It keeps changing dimensions and banks being highly leveraged institutions need to have proper risk management systems to guard themselves against these risks. This can be effectively done only through a well-defined process of risk management which basically involves identification, measurement and management of risks. Given the topic, the reader of an article would like to know answers to three questions viz. what, why and how of the subject matter under narration. Keeping this in perspective there are simplified responses in the succeeding paragraphs to what is LRM, why LRM and how LRM?

*\*Assistant Professor, Dept. of Commerce, Shaheed Bhagat Singh College Delhi University*

## **What is LRM?**

What does the word liquidity in liquidity risk management mean?

Liquidity as defined by the Bank for International Settlement is the ability to fund increases in assets and meet obligations as they come due. In plain terms, liquidity is having just enough cash to meet the current needs. What therefore, is the liquidity risk for a bank?

Liquidity risk is the current and prospective risk to a bank's earnings and equity arising out of its inability to meet the obligations when they become due. Thus, effective LRM is the management of liquidity by raising sufficient funds either by increasing liabilities or by converting assets promptly and at a reasonable cost. Banks with large off-balance sheet exposures or the banks, which rely heavily on large corporate deposit, have relatively high level of liquidity risk. Further the banks experiencing a rapid growth in assets should have major concern for liquidity.

## **Early Warning indicators of liquidity risk**

An incipient liquidity problem may initially reveal in the bank's financial monitoring system as a downward trend with potential long-term consequences for earnings or capital. Given below are some early warning indicators that not necessarily always lead to liquidity problem for a bank; however these have potential to ignite such a problem. Consequently management needs to watch carefully such indicators and exercise further scrutiny/analysis wherever it deems appropriate. Examples of such internal indicators are:

- A negative trend or significantly increased risk in any area or product line.
- Concentrations in either assets or liabilities.
- Deterioration in quality of credit portfolio.
- A decline in earnings performance or projections.
- Rapid asset growth funded by volatile large deposit.

- A large size of off-balance sheet exposure.
- Deteriorating third party evaluation about the bank

A liquidity risk management involves not only analyzing banks on and off-balance sheet positions to forecast future cash flows but also how the funding requirement would be met. The later involves identifying the funding market the bank has access, understanding the nature of those markets, evaluating banks current and future use of the market and monitor signs of confidence erosion.

### **Why LRM?..... The Importance of LRM**

How does the liquidity problem arise? They basically arise on account of the mismatches in the timing of inflows and outflows. What are these inflows and outflows? Liabilities being the sources of funds are inflows while the assets being application of funds are outflows. However, in the context of LRM we need to look at it from the point of maturing liabilities and maturing assets; a maturing liability is an outflow while a maturing asset is an inflow. The need for LRM arises on account of the mismatches in maturing assets and maturing liabilities. And banking is managing mismatches. If banks were to have perfectly matched portfolios they would neither make money nor need treasury managers to run their business. Any one can manage banks. Just imagine what could happen to a bank if a depositor wanting to withdraw his deposit is told to do so later or the next day in view of non-availability of cash. Are not the consequences too dreadful to visualize? It could very well sound the death knell of the bank. No bank, however, strong and mighty it be, would be able to survive if all the depositors queue up demanding their money back. A liquidity problem in a bank could be the first symptom of a financial trouble brewing. If not addressed quickly and effectively, it could very well turn into a thunder ball of ultimate destruction. The balance sheets of banks are swelling in complexity and managing liquidity

properly is going to be much more challenging in the days to come. Liquidity problems can cause significant disruptions on either side of a bank's balance sheet. They have, therefore, to be assessed and addressed on an enterprise-wide basis. The recent sub-prime crisis in the US and its impact on others, stands ample testimony to this reality. Liquidity Risk Management, thus, is of critical importance not only to bankers but to the regulators as well. Effective LRM brings in a host of benefits. It smoothens the operations of banks, enhances the confidence factor of its stakeholders, nurtures a healthy relationship with the borrowers/depositors, avoids fire sale of assets, lowers the default premium, improves the profitability and enhances the solvency of a bank.

### **How LRM?**

There are two simple ways of measuring liquidity; one is the stock approach and the other, flow approach. The stock approach is the first step in evaluating liquidity. Under this method, certain ratios, like liquid assets to short term total liabilities, purchased funds to total assets, core deposits to total assets, loan to deposit ratio (taken up in the later part of this paper), etc. are calculated and compared to the benchmarks that a bank has set for itself. While the stock approach helps up in looking at liquidity from one angle, it does not reveal the intrinsic liquidity profile of a bank. The flow approach on the other hand forecasts liquidity at different points of time. It looks at the liquidity requirements of today, tomorrow, the day thereafter, in the next seven to 14 days and so on. The maturity ladder, thus, constructed helps in tracking the cash flow mismatches over a series of specified time periods

### **Liquidity Risk Management Process**

An effective liquidity risk management include systems to identify,

measure, monitor and control its liquidity exposures. Management should be able to accurately identify and quantify the primary sources of a bank's liquidity risk in a timely manner. To properly identify the sources, management should understand both existing as well as future risk that the institution can be exposed to. Management should always be alert for new sources of liquidity risk at both the transaction and portfolio levels. Key elements of an effective risk management process include an efficient MIS, systems to measure, monitor and control existing as well as future liquidity risks and reporting them to senior management.

### **Management Information System**

Robust MIS is a prerequisite in LRM. Timely and precise information is the lifeblood of any sound risk management process. A bank has the option of managing liquidity through the liability side or asset side or both. When done through the liability side, the size of the balance sheet remains unaltered; for instance, the deposit pay-offs being offset through fresh deposits mobilisation. When done through the asset side, the size of the balance sheet gets shrunk; for instance, sale of investments to repay the borrowings. When done through a combination of both the assets and the liabilities side, the balance sheet size is reduced to the extent of the sale of assets; for instance net funding requirements being met partly by deposit accretion and securitization. Which of these is the best? A million dollar question for which there is no straightjacket answer. The best option depends on which of these is the most effective, in terms of cost and business strategies. The maxim, "higher the risk, higher the return", encapsulates the dilemma in risk management. There is always a trade off between earnings and risks and liquidity risk is no exception. There is, thus, a price for liquidity. The more the resources of a bank are tied up in readiness to meet the demands of liquidity, the higher

would be the impact on profitability. Holding excess liquidity represents a loss to the bank in terms of earnings. The right balancing, therefore, becomes a crucial factor in effective management of liquidity.

### **Liquidity Risk Measurement and Monitoring**

An effective measurement and monitoring system is essential for adequate management of liquidity risk. Consequently banks should institute systems that enable them to capture liquidity risk ahead of time, so that appropriate remedial measures could be prompted to avoid any significant losses. It need not be mentioned that banks vary in relation to their liquidity risk (depending upon their size and complexity of business) and require liquidity risk measurement techniques accordingly. For instance banks having large networks may have access to low cost stable deposit, while small banks have significant reliance on large size institution deposits. However, abundant liquidity does not obviate the need for a mechanism to measure and monitor liquidity profile of the bank. An effective liquidity risk measurement and monitoring system not only helps in managing liquidity in times of crisis but also optimize return through efficient utilization of available funds. Discussed below are some (but not all) commonly used liquidity measurement and monitoring techniques that may be adopted by the banks.

### **Contingency Funding Plans**

In order to develop a comprehensive liquidity risk management framework, institutions should have way out plans for stress scenarios. Such a plan commonly known as Contingency Funding Plan (CFP) is a set of policies and procedures that serves as a blueprint for a bank to meet its funding needs in a timely manner and at a reasonable cost. A CFP is a projection of future cash flows and

funding sources of a bank under market scenarios including aggressive asset growth or rapid liability erosion.

### **Liquidity Ratios and Limits**

Banks may use a variety of ratios to quantify liquidity. These ratios can also be used to create limits for liquidity management. However, such ratios would be meaningless unless used regularly and interpreted taking into account qualitative factors. Ratios should always be used in conjunction with more qualitative information about borrowing capacity, such as the likelihood of increased requests for early withdrawals, decreases in credit lines, decreases in transaction size, or shortening of term funds available to the bank. To the extent that any asset-liability management decisions are based on financial ratios, a bank's asset-liability managers should understand how a ratio is constructed, the range of alternative information that can be placed in the numerator or denominator, and the scope of conclusions that can be drawn from ratios. Because ratio components as calculated by banks are sometimes inconsistent, ratio-based comparisons of institutions or even comparisons of periods at a single institution can be misleading.

i. **Cash Flow Ratios and Limits.** One of the most serious sources of liquidity risk comes from a bank's failure to "roll over" a maturing liability. Cash flow ratios and limits attempt to measure and control the volume of liabilities maturing during a specified period of time.

ii. **Liability Concentration Ratios and Limits.** Liability concentration ratios and limits help to prevent a bank from relying on too few providers or funding sources. Limits are usually expressed as either a percentage of liquid assets or an absolute amount. Sometimes they are more indirectly expressed as a percentage of deposits, purchased funds, or total liabilities.

iii. **Other Balance Sheet Ratios.** Total loans/total deposits, total

loans/total equity capital, borrowed funds/total assets etc are examples of common ratios used by financial institutions to monitor current and potential funding levels.

In addition to the statutory limits of liquid assets requirement and cash reserve requirement, the board and senior management should establish limits on the nature and amount of liquidity risk they are willing to assume. The limits should be periodically reviewed and adjusted when conditions or risk tolerances change. When limiting risk exposure, senior management should consider the nature of the bank's strategies and activities, its past performance, the level of earnings, capital available to absorb potential losses, and the board's tolerance for risk. Balance sheet complexity will determine how much and what types of limits a bank should establish over daily and long-term horizons. While limits will not prevent a liquidity crisis, limit exceptions can be early indicators of excessive risk or inadequate liquidity risk management.

### **Internal Controls**

In order to have effective implementation of policies and procedures, banks should institute review process that should ensure the compliance of various procedures and limits prescribed by senior management. Persons independent of the funding areas should perform such reviews regularly. The bigger and more complex the bank, the more thorough should be the review. Reviewers should verify the level of liquidity risk and management's compliance with limits and operating procedures. Any exception to that should be reported immediately to senior management / board and necessary actions should be taken.

## **Monitoring and Reporting Risk Exposures**

Senior management and the board, or a committee thereof, should receive reports on the level and trend of the bank's liquidity risk at least quarterly. A recent trend in liquidity monitoring is incremental reporting, which monitors liquidity through a series of basic liquidity reports during stable funding periods but ratchets up both the frequency and detail included in the reports produced during periods of liquidity stress. From these reports, senior management and the board should learn how much liquidity risk the bank is assuming, whether management is complying with risk limits, and whether management's strategies are consistent with the board's expressed risk tolerance. The sophistication or detail of the reports should be commensurate with the complexity of the bank.

As far as information system is concerned, various units related to treasury activities, the dealing, the treasury operation & risk management cell/department should be integrated. Furthermore, management should ensure proper and timely flow of information among front office, back office and middle office in an integrated manner; however, their reporting lines should be kept separate to ensure independence of these functions.

## **Conclusion**

Liquidity problems have the potential to affect the balance sheet of banks and, thus, the capital adequacy. Improvement in one area benefits the other and banks would be better off with strong capital base to withstand the kind of liquidity risk challenges seen in today's markets.

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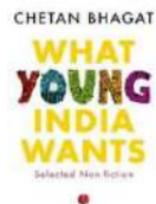
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**A Review on**  
***What Young India Wants***

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**\* Dr. Malini N. Hebbar**

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Choosing a writer like Chetan Bhagat for a Book Review in a journal brought out by an educational institution has more chances of receiving disapproval than approbation. The choice would be censured on the grounds that Bhagat is not a literary figure and that his works constitute what gets loosely termed as 'light reading'. However, it is rather surprising that in times when the politically appropriate notions are of breaking canons and erasing boundaries between classical and popular writing, we still exclude certain writers from research-based studies with the supercilious opinionated conclusion that they do not sound profound enough. The question that crops up is whether we grudge them their popularity or whether we dismiss them because they can be understood by lay people. In their works there is no 'differance' of meaning; there is no 'aporia'; there is no 'erasure'. Meaning is clear cut; interpretation is straight forward, comprehension is lucid. In other words, their works are not inscrutable, and they don't make readers frantically flip through the pages of heavy tomes in their desperate attempts at internalising and appropriating modern literary theories to 'deconstruct' the text. Yet these are the texts that stand their ground because they are action-oriented, and the action ensues from intellectual reflections that the authors initiate with their loaded writing. Though such works are not theoretical discourses, they have the power to impact society.

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\* Associate Professor of English, St. Agnes College (Autonomous), Mangalore - 575 002. Email : [hebbarmalini@gmail.com](mailto:hebbarmalini@gmail.com)

One such action-oriented book, with an intellectual edge is Chetan Bhagat's *What Young India Wants*. A compilation of his columns in the *Times of India*, *Hindustan Times*, *Dainik Bhaskar* and *Asomya Pratidin*, the book appeals to the youth of India to ponder over the existing situation in India and change it for the better. The notable feature of the work is the optimism of this forty year old, IIT Delhi and IIM-A graduate, who believes in the idea that the future of India and the future of Indian youth are interconnected. The voice of the columnist cum novelist, who gave up his lucrative investment banking career in 2009 to invest his time on issues related to national development from the perspective of the youth, is worth listening to.

In 181 pages divided into four parts (Our Society, Politics, Our Youth and Two Stories) and the introductory chapter of 25 pages (My Journey), Bhagat voices his optimism that with proper direction and motivation our youth can transform India. It's heartening that a writer whom our youth will not dismiss as 'one of the old-fashioned, stiff-necked burrs' talks about the possibility of a new set of Indian values emerging out of art and artists. For every problem that scourges India, he offers solutions fully aware that they run the risk of being considered simplistic. Even as we turn cynical about the viability of these suggestions, he stumps us with the sentence, "...transformation will come about only if everyone decides to change together." (xxii) The readers get initiated into, to use Bhagat's phrase, "an alternative way of thinking." (xxiii)

In the first part 'Our Society', while discussing our numbness to injustice, our numbness to corruption, our confusion over community values, Bhagat warns us about the possibility of economic colonisation unless a new India quest begins. Even as his canvass includes scams, sensationalism, terrorism, lure for money, absence of ingenuity in the educational system, cricket mania, agriculture, women and their sanity, he turns the gaze of optimism towards the youth of India and comes up

with the efficacious suggestion of using the massive student population in an exchange programme of urban and rural colleges for a better India. Bhagat's agenda for reform includes incentivising MNCs to base themselves in smaller towns, having educated people in villages as ambassadors for a new India and being serious about agriculture as it can be India's competitive strength globally. Coming down heavily on BCCI's refusal to go transparent, Bhagat urges the big money generated with the 'drug' of cricket, to be used for the development of sport in India. Does he convince the readers with his formula for development? Though here and there, he sounds rather naive, he does open out the world of possibilities and even if he were to convince just a fraction of young India, it would still mean transforming millions.

The next part on 'Politics' starts rather lamely with references to communal forces in India. Bhagat doesn't seem to be at ease while dealing with this sensitive issue of caste conscious stratified society. However, as he strides forward, his thinking cap sits firm, and he does impress the readers with some of his 'out of the box' observations. While lamenting that most of the political leaders, supposedly chosen by the people, are not only corrupt but also misfits, Bhagat places before the readers his three-pronged strategy for better governance with better leaders: institutions to groom political talent, effective induction methods to get bright young workers and training/meritocratic evaluation system to make the best talent shine. His perennial optimism makes him conclude, "If all the political parties, the media and we, the citizens, play our roles right, we can spring clean our country." (72)

The author's introduction to the third part 'Our Youth' delineates what he takes up in the succeeding pages. Bhagat continues to be consistently good though the acerbic sarcasm in some of the earlier chapters, take for example 'Altitude Sickness', does not come to the forefront here. Though nothing that he says about education in India can be taken as

highly original, the focus on the spark within, talent as performance indicator, English as the decisive factor can motivate young readers. It's ironic that a substantial chunk of this part too revolves around corruption making it obvious that the bane of Indian educational system is that it is not really delinked from politics. Moreover, the gaudy display of wealth can send wrong messages to the impressionable youngsters, and perhaps this explains the Indian weakness for flaunting wealth. While these observations made by the author make an interesting reading, somewhere along the line, the readers are likely to feel that the part, carrying the title 'Our Youth' should have had a deeper analysis of the status of the youth in India, bringing into focus their challenges and opportunities. Concepts like community service, problems like drug addiction and new avenues of career opportunities don't get covered. Hence, one can only say that the part makes easy reading and easy thinking, and stops short of going to the higher plane.

In the last part, the writer brings in fiction with two short stories: 'Of Ducks and Crocodiles' and 'The Cut-off'. The short stories are, in the words of the author himself, an allegory about a two-faced government and an account of the stress caused to students by ever-increasing university cut-offs. In the first story if he focuses on the self-destructive selfishness and short-sightedness, in the second, he laments the fact that the Indian Government has not risen to the occasion by establishing state-of-the-art new universities despite the easy availability of land and human resource, and has thereby mounted the pressure on the young who might buckle under stress. However, the never-say-die optimist that Bhagat is, in both the stories he comes to a happy ending.

The epilogue 'My Great Indian Dream' pre-emptly possible criticism with the author admitting that at times he might have been too simple or idealistic. His humility is appealing. He even thanks the readers for sharing his Great Indian Dream. However, the very last line, "I hope that

from now on, you will make it yours too,” with reference to the Great Indian Dream, sounds slightly pompous as it smacks of smugness of considering the dream an ideal, perfect shared vision. (181)

There are also instances where the writer seems to exhibit disregard for traditional rules of grammar. For example, the sentence, “The Indian Government wants foreign investment but ignore the basic expectations that come with it,” should be, “The Indian Government wants foreign investment but ignores the basic expectations that come with it.” (xiii) “Since the majority of Indian citizens doesn't care about corruption issues and will vote based on caste, religion or even dynasty over performance, the looting never stops,” should be, “Since the majority of Indian citizens don't care about corruption issues and will vote based on caste, religion or even dynasty over performance, the looting never stops.” (13) “Was the police sleeping?” should be, “Were the police sleeping?” (45) “There is heaps of praise,” should be, “There is a heap of praise.” (105) He doesn't seem interested in wasting his breath over writing 'The Buddha' every time he has to refer to the Buddha and chooses to simplify it to Buddha. He refers to RDX which is an abbreviation as an acronym. (47) He uses the faulty construction, '...is because'. (66) However, this kind of nitpicking is unwarranted while discussing a work that places before our youth fine examples of the fifty seven richest billionaires of America who pledged to give away more than half their wealth to charity, including Mark Zuckerberg, the twenty-six old billionaire, who started Facebook from the college dorm in 2004. Such fault-finding is unnecessary because it might come in the way of our enjoyment of significant analogies like: “Power-driven systems resemble the jungle. The lion is always right and the lion's friends have a good life.” (xxi) Such listing would be pointless because it might make us overlook loaded statements like: “We have been enamoured less by honesty, more by dynasty.” (9)

The final point of interest is whether Bhagat in his book answers the question that he raises in the title, “What young India wants?” The unequivocal answer is, “Yes, he delivers.” In addition to the imaginative presentation of the values on the letters YOUNG on the cover page, Bhagat does succeed at making the readers less numb towards the question of corruption and more active at being a part of the solution. That's why the review is in defence of Chetan Bhagat and his ilk.