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Editorial

We deem it a privilege to bring you the maiden issue of Vidushi published by Ghanshyam Binani Academy of Management Sciences, Mirzapur.

This journal is a modest attempt to explore the various scenario of Marketing, HR, IT and Finance. We have been able to draw article of leading researchers, prominent academicians, and people working in realm of knowledge management.

In this issue of Vidushi, we have endeavored to bring out papers and articles in different functional areas of management: one on insurance sector exploring HR challenges, one on IT field covering Database, one on rural marketing discussing the case study if HUL , one on derivatives market in India unveiling the tools, one on sport marketing indicating new way of IPL, some papers discussing the profitability of and private placement market by merchant banker very significantly.

We trust the readers world find the issue useful and interesting. We will be glad to receive your valuable feedback that will help us add values to the journal in future.

Dr. S. N. Kasera
Editor

Contents

Table: 7

Position	Exchanges	Number of contract traded in 2006	Number of contract traded in 2005	% Change
1st	Chicago Board Options Exchange	470196436	378748159	24.1
2nd	Eurex	270134951	184495160	46.4
3rd	Euronext.liffe	72135006	56092515	28.6
4th	National Stock Exchange	70286227	47375214	48.4
5th	Korea Exchange	46696151	43912281	6.3

Source: World Federations of Stock Exchanges, Figure in Parentheses shows negative change

CONCLUSION

Financial derivatives enable optimum utilization of funds of investors. Derivatives market reduces the price risk by providing effective tools of hedging. A need was felt in India to start derivatives trading as derivatives product became important instrument of price discovery, portfolio diversification and risk hedging all over the world. Finally financial derivative markets attract foreign funds and investments since they ensure liquidity for them.

Derivatives in its present form entered very late on Indian soil. Derivatives trading were introduced in june2000. The two premier exchanges, National Stock Exchange and Bombay Stock Exchange were permitted to start derivatives trading. In the recent past NSE has shown enormous growth and given powerful platform for derivatives trading.

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- Ranjan Mukherjee ”Derivatives- what it is ?” the Management Accountant, May 1998, pp 335-57
- World Federation Exchanges ,Annual Report(2006).

Table: 5

Position	Exchanges	Number of contract traded in 2006	Number of contract traded in 2005	% Change
1st	International Securities Exchange	583749099	442387776	32
2nd	Chicago Board Options Exchange	390657577	275646980	41.7
3rd	Sao Paulo Stock Exchange	285699806	266362631	7.5
4th	Eurex	272543052	255918793	6.5
5th	Philadelphia Stock Exchange	265370986	156222383	69.9
20th	National Stock Exchange	5214191	5224485	(0.19)

Source: World Federations of Stock Exchanges, Figure in Parentheses shows negative change

India in World Scenario in Stock Index Options Contracts traded in 2006

First position in stock index options contract was occupied by Korea Exchange as shown in Table 5. National Stock Exchange was at the 9th position in world scenario. The highest number of percent change was shown by Chicago Board Options Exchange 44.9%.

Table: 6

Position	Exchanges	Number of contract traded in 2006	Number of contract traded in 2005	% Change
1st	Korea Exchange	2414422955	2535201693	(4.8)
2nd	Chicago Board Options Exchange	279005803	192536695	44.9
3rd	Eurex	217232549	149338569	45.4
4th	Taifex	99507934	81533102	22
5th	Tel Aviv Stock Exchange	75539100	63133416	19.6
9th	National Stock Exchange	18702248	10140239	84.4

Source: World Federations of Stock Exchanges, Figure in Parentheses shows negative change

India in World Scenario in Stock Index Futures Contracts traded in 2006

Chicago Board Options Exchange is the largest number of stock Index futures contract traded in world. National Stock Exchange is on 4th position in world Scenario. Highest number of percent change is shown by Eurex 46.4%.

Insurance sector: Emerging Human Resource Challenges

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PPM financing is the direct sale by a company of its securities to a limited number of "sophisticated" investors. Equity / Preference shares, cumulative convertible preference shares and debentures are traded with a selected few investors' mainly institutional investors. The Private Placement market is governed by the guidelines of SEBI and the Reserve Bank of India.

Indian insurance is on the threshold of deep and fundamental changes. The life insurance industry was nationalized in 1956 and the general insurance industry in 1972. Before that India had a thriving and competitive insurance industry with hundreds of private and foreign operators. Indian companies held a 60% market share even then.

When LIC was formed in 1956 through the amalgamation of 225 private companies, its business objectives complemented its social objectives. The main objective is to spread life insurance to every nook and corner of the country especially rural areas, to socially and economically backward classes and provide them reasonably-priced financial cover against death.

Even today after 50 years, the core value of social commitment has not changed. What have changed in recent times are customers' expectations and the environment in which the life insurance sector operates. This is due to

globalization, which has opened up the insurance sector to private players.

The liberalization of the Indian insurance sector has been the subject of much debate for some years. The policy makers were in Dilemma. As some of them wanted competition, development and growth of insurance sector which is extremely essential for channeling the investments in to the infrastructure sector. On the other end, others had the fears that the insurance premium, which are substantial, would move out of the country, and wanted to have a cautious approach of opening for foreign participation in the sector. Some have opinion that large scale of operations; public sector bureaucracies and cumbersome procedures hampers nationalized insurers. Therefore, potential private entrants are given entry in this area so the consumer will gain high customer service, speed and flexibility. They point out that their entry will mean better products and choice for the consumer.

The gains are obvious for anyone who has been closely monitoring the Indian insurance sector. The total premium collected by the insurers both life and non-life in the year 2003-2004 is Rs.82, 415 crores (Rs.66, 288 crores in life and Rs. 16,127 crores in non-life) compared to Rs. 44, 985 crores (Rs.34, 898 crores in life and Rs. 10,087 crores in non-life) during the year 2000-2001. This represents an 83% increase in the last three years over the base year 2000-01. This represents an 83% increase in the last three years over the base year 2000-01. This is what we have witnessed after the opening up of the sector. The private sector accounts for nearly 13% of the first year premium market. The market share of the private players has to be seen in the context of this enlarged market. There is also evidence to show that the rate of growth of public sector undertakings had not shown any decline after the entry of the private sector companies. All of the companies are obviously having a share of a larger market. The credit for enlarging the market should however goes to the private sector as they come up with an aggregate marketing strategy to establish their presence.

PUBLIC SECTOR GENERAL INSURERS RECORDS SHOW

Progress Card	**(in Rs Cr.)**	
General insurers	**Profit /Loss**	
	2006-07	**2005-06**
New India	**1460**	**716**
Oriental	**497**	**284**
National	**421**	**-106**
United India	**529**	**425**
Royal Sundaram	**21**	**9**

2004-05	13024.21	227.5	941.06	455.87	14648.6
2005-06	25585.51	597.89	1520.58	817.84	28521.8
2006-07	61313.7	797.54	3194.38	1188.84	66494.47
2007-08*	132486.7	1243.4	6108.82	3605.12	143444

*Figure up Feb. 2008

It can be seen from table 3 that in the period 2007-08 settlement of futures and options in NSE F&O segment accounted for Rs. 248634.22 Crore and Rs. 19953.37 Crore respectively. The entire contract is settled in cash, physical settlement has not been introduced in the Indian derivative market.

INTERNATIONAL COMPARISON

India in World Scenario in Single Stock Futures Contracts traded in 2006

National stock exchange of India is the largest number of single stock futures contract traded in world. It can be seen from the table 4 that JSE shown 184.7 % growth in 2006 and second highest growth is shown by Euronext.liffe 142.8%. .Euronext has started trading in stock futures in October 2005 and the number of contract has increased significantly from 2005.

Table: 4

Position	Exchanges	Number of contract traded in 2006	Number of contract traded in 2005	% Change
1st	National Stock Exchange on India	100285737	68911754	45.5
2nd	JSE	69671751	24469988	184.7
3rd	Euronext*	35589089	77802	-
4th	Euronext.liffe	29515726	12158093	142.8
5th	MEFF	21229811	18813689	12.8

Source: world Federation Exchanges

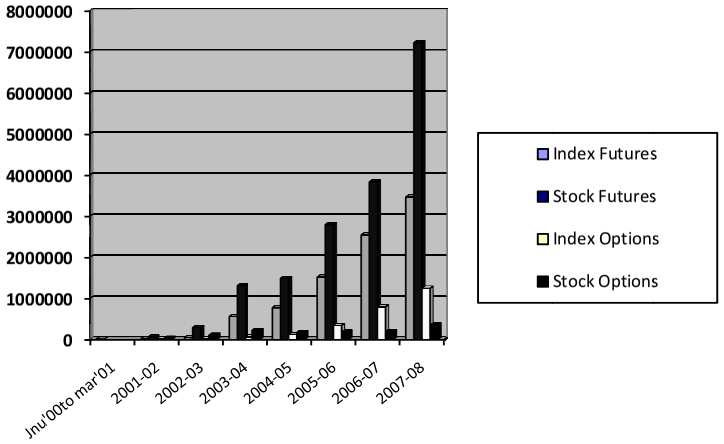
India in World Scenario in Stock Options Contracts traded in 2006

In case of single stock options contract the position of National Stock Exchange in world exchanges was 20th in the year 2006 and an apex position is occupied by International Securities Exchange. Highest percentage change was noticed in Philadelphia Stock Exchange 69.9% in 2006.

2003-04	1,099,535	2130408	193.8
2004-05	1,140,071	2546982	223.4
2005-06	1,569,556	4824174	307.4
2006-07	1,945,285	7356242	378.2
2007-08	3,017,850	12269263	406.6

Source: NSE

The product wise share in the turnover of the derivatives segment shows that futures are more popular than the options in India.



At present share of stock futures in derivate market is 61% , Index futures is 29%, Index options is 6.7% and Stock options is 2.9% of total turnover in 2007-08. From these figure it is clear that stock future dominate the derivate market.

Table: 3

SETTLEMENT STATISTICS IN DERIVATIVE SEGMENT OF NSE (RS. Crore)					
Month/year	Index/Stock future		Index/Stock Options		Total
	MTM Settlement	Final Settlement	Premium Settlement	Exercise Settlement	
1	2	3	4	5	6
Jun-00 to Mar-01	84.08	1.92	0	0	85.99
2001-02	505.26	21.93	164.76	93.94	785.88
2002-03	1737.9	45.76	331.21	195.88	2310.76
2003-04	10821.98	138.94	858.95	476.12	12295.98

Bajaj Allianz General	**75**	**52**
Tata AIG General	**22**	**14**
Reliance General	**2**	**14**
IFFCO Tokio	**27**	**15**
ICICI Lombard	**68**	**50**
Cholamandalam	**12**	**-3**
HDFC Chubb	**2**	**4**
Total	**3136**	**1474**

Losses of private sector insurance companies were up by nearly 80 per cent in 2006-07. According to figures provided by the Insurance Regulatory and Development Authority (IRDA) in its annual report, the total losses of 15 private life insurers rose to Rs 1,934 crore in 2006-07 compared with Rs 1,084 crore in the previous year.

Only two private insurers – SBI Life and Shriram Life posted profits of Rs 4 crore and Rs 10 crore respectively. The biggest losses were posted by ICICI Prudential at Rs 649 crore compared to Rs 188 crore earlier and Reliance Life at Rs 315 crore compared to Rs 98 crore earlier.

The public sector major Life Insurance Corporation (LIC) was comparatively in a much more comfortable situation, reporting a 22 per cent growth in profits at Rs 774 crore.

The average break-even period for life insurance companies was said to be 8 years when the sector was opened up to private sector entry at the turn of this millennium. That period may now be a little more away. A few private players have been able to reduce their losses this year or prevent it from getting worse. The life insurance market grew by 47 per cent last year.

Top players in private sectors;-

The public sector major New India Assurance Company dominated the profit sweepstakes, garnering nearly half the industry's profits in 2006-07 as well as 2005-06. Bajaj Allianz General with Rs 75 crore and ICICI Lombard with Rs 68 crore were among the toppers in the private sector.

The general insurance market grew at about 22 per cent to reach a level just under Rs 25,000 crore in premium in 2006-07. The public sector companies had a market share of 65 per cent while the eight private companies had a market share of 35 per cent.

What they gain (in Rs. Cr.)		
Life Insurer	Profit /Loss	
	2006-07	2005-06
Birla Sun Life	-140	-61
ICICI Prudential	-649	-188
ING Vysya	-178	-124
HDFC Standard	-126	-129
Max New York Life	-60	-60
Reliance Life	-315	-98
Bajaj Allianz	-72	-99
SBI Life	4	2
Kotak Mahindra	-110	-44
Tata AIG	-72	-54
Met Life	-12	-79
AViVa	-132	-143
Sahara	-1	-8
Shriam Life	10	2
Bharti AXA	-80	-
LIC	774	632

CHALLENGES OF HUMAN RESOURCE MANAGEMENT:-

Since liberalization, the variability in continual business success based on past history has substantially increased. There is no way that any successful organization can sit back on past laurels and relax in a highly challenging environment of today, which has global ramifications. Innovative practices and excellence is demanded continually from each sub set teams for collective results. Same is the case of insurance industry. The target is the same i.e. customer and the people of different organization have to approach differently to trap the targets assigned to them by the company. Their method might be different, their sources might be different, their process might be different but the target is not varied. It has become cumbersome nowadays for the people who are working in the field of insurance sector for getting achievement and fulfilling its targets.

Table: 1

Turnover in the derivative segment at BSE & NSE (Rs. Crore)							
Month/Year	Index Futures	Stock Futures	Interest Rate Futures	Index Option	Stock Option	Total	Percent growth
BSE							
1	2	3	4	5	6	7	8
Jun-00 to Mar-01	1,673	-	-	-	-	1,673	
2001-02	1276	452	-	83.8	114	1922	14.8
2002-03	1811	644	-	1.4	21	2478	28.9
2003-04	6572	5171	-	0.0	332	12,074	387.2
2004-05	13600	213	-	2297.2	3	16,122	33.5
2005-06	5	0.48	-	3.20	0.09	8.77	(94.5)
2006-07	55490.86	3515.5		0.06	0.2	59006.62	6628
2007-08*	216107.6	7593.55		0.26	0.35	223701.8	279
NSE							
Jun-00 to Mar-01	2365	-	-	-	-	2365	
2001-02	21,482	51,516	-	9,248	100134	101925	4209.7
2002-03	43951	286532	-	52823	217212	439865	331.6
2003-04	554462	1305949	202	52823	217212	2130649	384.3
2004-05	772174	1484067	0	121954	168858	2547053	19.54
2005-06	1513791	2791721	0	338469	180270	4824251	89.4
2006-07	2539574	3830967	0	1241793.15	193795	7806129	61.81
2007-08*	3460697.06	7218172.86	0	791906	348600.35	11819376	51

Source: NSE, BSE, * indicate turnover up to Feb. 2008

Table 1 shows that there is exponentially rising in the turnover of NSE derivative segment since 2001-02. Turnover of derivative segment of NSE was about 0.2 % of cash market turnover in 2000-01 and it increased to 406.6% of cash market turnover in 2007-08. It can be seen from table2 that Turnover of derivative segment of NSE has risen phenomenally over time. The average daily turnover in derivatives segment has also risen significantly from Rs.410 crore in 2001-02 to Rs.52657.78 crore in 2007-08.

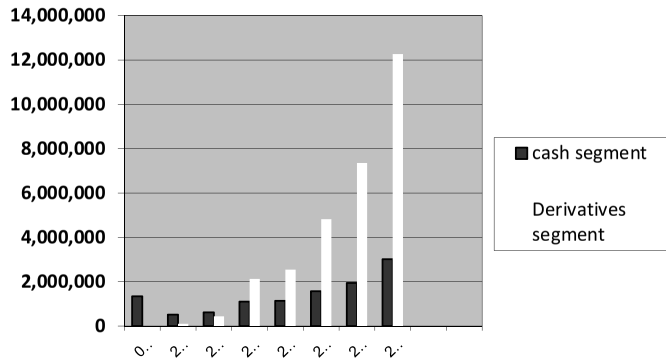
Table: 2

Turnover in the Cash and F&O Segment in NSE			
year	Cash Segment (Rs.Crore)	Derivative segment (Rs. Crore)	Derivative Turnover as % of cash turnover
2000-01	1,339,510	2365	0.2
2001-02	513,167	101926	19.9
2002-03	617,989	439862	71.2

(e) Innovations in the derivatives markets, which optimally combine the risks and returns over a large number of financial assets, leading to higher returns, reduced risk as well as transaction costs as compared to individual financial assets.

RECENT TREND IN DERIVATIVES TRADING

Derivatives trading commenced in India in June 2000 after SEBI granted the final approval to this effect in May 2000. SEBI permitted the derivative trading in two stock exchanges, NSE and BSE, and their clearing house/corporation to commence trading and settlement in approved derivatives contracts. To begin with, SEBI approved trading in index futures contracts based on S&P CNX Nifty and BSE–30(Sensex) index. This was followed by approval for trading in options based on these two indexes and options on individual securities. The trading in BSE Sensex options commenced on June 4, 2001 and the trading in options on individual securities commenced in July 2001. Futures contracts on individual stocks were launched in November 2001. The derivatives trading on NSE commenced with S&P CNX Nifty Index futures on June 12, 2000. The trading in index options commenced on June 4, 2001 and trading in options on individual securities commenced on July 2, 2001. Single stock futures were launched on November 9, 2001. The index futures and options contract on NSE are based on S&P CNX. In June 2003, interest rate futures were launched on Indian securities market. Derivatives market has grown substantially since the introduction of derivatives product in the market both in number of contracts and total turnover. The volume of derivatives segment has grown significantly than from cash segment since 2004 as shown in the following chart.



Derivatives market in India is presently dominated by NSE with its share of 99 percent in term of turnover and number of contracts. Total turnover of BSE Rs.223701.8 (Crore) is 1.89 % of NSE total turnover of Rs.118193769 (Crore).NSE turnover was very small Rs.2365 in 2000-01 when the derivative trading is introduced at NSE but it is roused to Rs.118193769 in 2007-08(up to Feb. 2008). It is seen from the table 1 that no doubt the turnover in NSE is increasing but the percentage of increasing rate is decreasing .

Again we cannot forget the impact and influence of human being who are really working in the organization. Being an evidence of such environment organization have to search the best talent for their organization and efforts should be made to retain them as a loyal employee.

In view of the above competitive environment, there are following emerging challenges which are faced by the insurance industry:-

1. TALENT MANAGEMENT:-

Talent management is a single biggest challenge faced by high growth industry. And, if a company is growing at double the industry's rate of growth, there's the additional problem of getting good quality people in large numbers. The insurance sector in the country is growing at 30-40 per cent annum and if the company is growing at more than double this rate. Therefore, there's a huge demand for good quality people across levels. In contrast, in an industry that's growing at 8-10 per cent, the need for people is not so high and intense and, therefore, people movement within the industry is far more limited. The real challenge is that movement within the industry is high leading to high attrition. There are more than 16 companies along with LIC who are playing in the Indian market. Therefore, most of the insurance companies shaking hands together with the multinational companies. So there is a need of good people not for India but for abroad.

2. GLOBAL TO LOCAL:-

Private players have adopted slogan of 'local'. Best local talent for the succession to the senior management roles through the development of both leadership skills and technical skills are required .LIC continuous to remain strong in rural areas and perhaps in the middle class and lower middle class segments while in the metros major urban areas, the private insurers have made their presence felt.

Local people have its own networking so that they can easily be approach to the people living at that area. Such people are very much familiar about interior places which could be touched by the company easily. These people are very much familiar about the religion, language, culture and mental status of the people living in that area.

3. QUALITY OF PEOPLE:-

Insurance is an intensively people oriented business and human resources will be the undoubted differentiation like any other retail industry. The quality of manpower attracted and retained by the insurers and how their abilities and ambitions are harnessed would be the litmus test for the industry. Nowadays there are so many insurers in the market, so it has become very Herculean task to attract and retain the quality people in the organization.

The insurance industry is relatively new for India, having been opened up to the private sector in 2000. So the number of people with domain expertise is limited. There are three factors: a high-growth industry where people will automatically be attracted, a rapidly growing private sector

again where people might have keep interest and a limited number of people like insurance industry.

The challenges of human resource exist at all levels. Not just people with right skills who know their functional areas but those who come with a can-do attitude.

4. REMUNERATION MANAGEMENT:-

Insurance in India by and large governed by the remuneration charges paid out to the agents until the liberalization of the sector came about. The opening of the sector was essentially to provide the customer with customized protection and savings solutions suited to his overall financial requirements.

For attaining and retaining of the talented people in insurance industry, the companies have to provide best opportunities for growth as well as companies have to realize them that they could get best and brightest future in the insurance industry.

Growth is not defined by the years of experience but it depends upon the performance. Performance does not mean to just an individual's ability to deliver on the job but also his/her ability to develop and carry a team within him/her.

Companies have to emphasize more on the recognition and reward fit the performance. There should be an effective Performance Management System (PMS). It inculcates a kind of motivation among the employee and people get started their work not only by "Hard Core" but "Heart Core".

5. TRAINING AND DEVELOPMENT:-

Another basic criterion of the success in insurance industry is the awareness of customers about the product and services. It is the product which is for the human being, to the human being. The opening up of the sector has also seen improved efforts on educating the customer regarding his insurance needs and on fixation of insurance as a tool in his overall wealth management portfolio. The new age insurance agent is trained to be an advisor to the customer instead of being a mere seller of policies. With the evolutions of these advisors, insurance is being seen more as a wealth enhancer and will help insurers increase their sales in India.

Insurance sector also ensure high levels of training and development not just for advisors but also for agents and distribution organizations. Existing organizations train staff for better service and flexibility. Companies train employees to cope with new products and intensive use of information technology.

On line training emerged in the place of class-room training. Class-room training has become pure theoretical phenomenon. Organizations more emphasize on online learning. Such kind of training can also possible with the (MDP) Management Development Programme.

six months of trading (until the futures market stabilizes with a reasonable level of trading), the initial margin shall not be less than 5%.

2. The margin on calendar spreads to be levied at a flat rate of 0.5% per month of spread on the far month contract of the spread subject to a minimum margin of 1% and a maximum margin of 3% on the far side of the spread for spreads with legs upto 1 year apart.

3. The clearing member's liquid net worth must satisfy the following 2 conditions on a real time basis:

   Condition 1: Liquid Net Worth shall not be less than Rs 50 lakh at any point of time.

   Condition 2: The mark to market value of gross open positions at any point of time of all trades cleared through the clearing member shall not exceed 331/3 times the members' liquid networth.

4. There shall be a position limit at the trading member level of 15% of the open interest or Rs 100 crore whichever is higher recommendations of the Secondary Market Advisory Committee the committee has decided that Mutual Funds should participate in the derivatives market at par with Foreign Institutional Investors (FII) and the Mutual Funds shall be treated at par with a registered FII in respect of position limits in index futures, index options, stock options and stock futures contracts. The Mutual Funds will be considered as trading members like registered FIIs and the schemes of Mutual Funds will be treated as clients like sub-accounts of FIIs.

RECOMMENDATION OF THE DERIVATIVES MARKET REVIEW COMMITTEE (DMRC)

This committee was headed by Professor M. Rammohan Rao and it has given the followoing recommendations.

1. The committee has recommended introducing mini derivative contract on Index (Sensex and Nifty) with minimum contract size of Rs. 1 lakh at the time of its introduction in the market.

2. Introduction of new derivative products in the Indian market, with option contracts on indices and stocks with life/tenure of up to 5 years (60 months) being one of them.

MAJOR DRIVING FORCE BEHIND GROWTH OF FINANCIAL DERIVATIVES ARE

(a) Increased Volatility in asset prices in financial markets.
(b) Increased assimilation of national financial markets with the international markets.
(c) Improvement in communication facilities and sharp decline in their costs.
(d) Development of more sophisticated risk management tools, providing economic agents a wider choice of risk management strategies.

necessary that the SEBI should review the working of the governance system of stock exchanges and strengthen it further. A much stricter governance system is needed for the derivative exchanges in order to ensure that a derivative exchange will be a totally disciplined market place.

The Committee is of the opinion that the entry requirements for brokers/dealers for derivatives market have to be more stringent than for the cash market. These include not only capital adequacy requirements but also knowledge requirements in the form of mandatory passing of a certification programme by the brokers/dealers and the sales persons. An important regulatory aspect of derivatives trading is the strict regulation of sales practices.

Many of the SEBI's important regulations relating to exchanges, brokers-dealers, prevention of fraud, investor protection, etc., are of general and over-riding nature and hence, these should be reviewed in detail in order to be applicable to derivatives exchanges and their members.

The Committee has recommended that the regulatory prohibition on the use of derivatives by mutual funds should go. At the same time, the Committee is of the opinion that the use of derivatives by mutual funds should be only for hedging and portfolio balancing and not for speculation. The responsibility for proper control in this regard should be cast on the trustees of mutual funds. The Committee does not favour framing of detailed SEBI regulations for this purpose in order to allow flexibility and development of ideas.

The SEBI, as the overseeing authority, will have to ensure that the new futures market operates fairly, efficiently and on sound principles. The operation of the underlying cash markets, on which the derivatives market is based, needs improvement in many respects. The equity derivatives market and the equity cash market are part of the equity market mechanism as a whole.

The SEBI should create a Derivatives Cell, a Derivatives Advisory Committee, and Economic Research Wing. It would need to develop a competence among its personnel in order to be able to guide this new development along sound lines.

SEBI also set up a group under the chairmanship of Prof. J.R. Varma in June 1998 to recommend risk containment measures for derivatives trading and presented report in Oct.1998.

The Report provides the methodology for fixing of initial margin on Index Futures contracts, prescribes liquid net worth requirements for clearing members, transparency and disclosure norms for the clearing corporation, trading member position limits etc.

1. SEBI should recommend only the use of a particular Value at Risk estimation methodology, but should not mandate a specific minimum margin level. The derivatives exchange and clearing corporation would be authorised to fix the quantum of margin for index futures using this methodology. An exponential moving average method would be used to obtain the volatility estimate every day. The volatility at the end of a particular day is estimated using the previous day's volatility estimate and the returns observed in the futures market during the current day. However, for the first

At last, in the insurance sector the private sector recognized its presence in the Indian economy. The threats of private sector shaking and giving the run of incremental market share of the public sector. There are number of challenges faced by insurance sector like distribution network, variety of product, trust and faith of insurance companies etc. But above all these challenges there are one which is more challenging and inevitable, that is human resource management. The success of this sector is totally based on this pillar. Without approaching it efficiently, the success of industry could not be possible.

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Private Placement Market & The Role Of Merchant Bankers

The Indian Capital Market has witnessed quantitative as well as qualitative developments since nineties, which has made direct and indirect effect on PPM route. On the basis of the indications from the market till date it will not be irrational to expect a structural change in the Capital Market covering its various constituents. The following are some of the factors which will decide the fate of PPM of India.

Private Placement Market (PPM) financing is the direct sale by a company of its securities to a limited number of "sophisticated" investors. Equity / Preference shares, cumulative convertible preference shares and debentures are traded with a selected few investors' mainly institutional investors. The Private Placement market is governed by the guidelines of SEBI and the Reserve Bank of India.

The intent of the article is to make a broad assessment of Private Placement Market in the Indian Context. It carries a brief discussion on the regulatory aspect of Private Placement and suggests the possible ways by which a more pragmatic policy framework can be formulated for the recovery of PPM in India. The article also discusses among other aspects, the significance and growth prospects of PPM.

THE NEED FOR A DERIVATIVES MARKET

The derivatives market performs a number of economic functions:

a) It helps in transferring risks from risk adverse people to risk oriented people.
b) It helps in the discovery of future as well as current prices.
c) It catalyzes entrepreneurial activity.
d) It increases the volume traded in markets because of participation of risk adverse people in greater numbers.
e) It increases savings and investment in the long run.

LEGAL FRAMEWORK FOR DERIVATIVES TRADING

SEBI set up a committee under the chairmanship of Dr. L.C. Gupta to develop appropriate regulatory framework for derivatives trading. On 4th July 1998 a bill was introduced in the Lok Sabha for legislative amendment in the securities laws in Nov.1996. The Bill suggested that derivatives may be included in the definition of "securities" in the SCRA whereby trading in derivatives may be possible within the framework of that Act. The Gupta Committee submitted the report on 1st March, 1998. The recommendations of the committee are:

> The Committee strongly favors the introduction of financial derivatives in order to provide the facility for hedging in the most cost-efficient way against market risk. This serves an important economic purpose. At the same time, it recognises that in order to make hedging possible, the market should also have speculators who are prepared to be counter-parties to hedgers. A derivatives market wholly or mostly consisting of speculators is unlikely to be a sound economic institution. A soundly based derivatives market requires the presence of both hedgers and speculators.
>
> The Committee is of the opinion that there is need for equity derivatives, interest rate derivatives and currency derivatives. In the case of equity derivatives, while the Committee believes that the type of derivatives contracts to be introduced will be determined by market forces under the general oversight of the SEBI and that both futures and options will be needed. The Committee suggests that a beginning may be made with stock index futures.
>
> The Committee favours the introduction of equity derivatives in a phased manner so that the complex types are introduced after the market participants have acquired some degree of comfort and familiarity with the simpler types. This would be desirable from the regulatory angle too.
>
> The Committee's recommendations on regulatory framework for derivatives trading envisage two-level regulation, i.e. exchange-level and the SEBI-level. The Committee's main emphasis is on exchange-level regulation by ensuring that the derivative exchanges operate as effective self-regulatory organisations under the overall supervision of the SEBI.
>
> Since the Committee has placed considerable emphasis on the self-regulatory competence of derivatives exchanges under the over-all supervision and guidance of the SEBI, it is

1960	Forward trading banned in many primary/essential commodity
Dec 95	Permission sought by the exchanges from SEBI to start trading in derivatives
Nov 96	Setting up L .C .Gupta committee to design a policy framework for trading in India
Jul 99	RBI permitted OTC forward rate agreement (FRAs) and interest rate swaps
May 00	S&P CNX Nifty commenced trading at SGX
May 00	SEBI permitted the exchanges (NSE&BSE) to start trading in derivatives
9 Jun 00	BSE commenced trading in index futures based on Sensex 30 Index
12 Jun 00	NSE commenced trading in index futures based on S&PCNX Nifty Index
25 Sep 00	S&P CNX Nifty futures commenced trading at SGX
Jun 01	Index option introduced on NSE based on S&P CNX Nifty Index
Jun 01	Stock options introduced on NSE on 31securuties only now the list has been broadens and includes 119 securities
Nov 01	Stock futures introduced at NSE on 31 securities .the list now has been broadens and includes 119 securities
2002	Futures trading in commodity re-introduced

Source: NSE, Kotak Mahindra Bank Research

Derivatives include a wide variety of financial contracts including Forward, Futures, Options and Swaps.

FORWARD CONTRACTS

In a forward contract, two parties agree to do a trade at some future date, at a stated price and quantity. However, no money is exchanged. The contract price is not transparent as it is not publicly disclosed. Since the forward contract is not typically tradable, it has to settled by delivery of asset on the expiration date.

FUTURE CONTRACT

Future contract is an agreement to sell or buy an underlying asset at specified future date at specified price. They are standardized contracts traded on exchange. They are standardized in term of size, expiration date, settlement term, etc.

OPTION CONTRACT

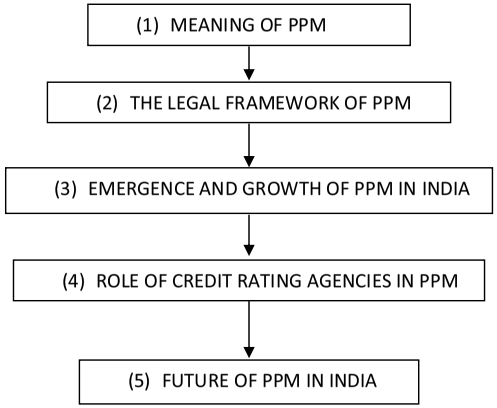
An option is simply a contract that gives the holder the right to buy or sell securities at specified prices within a stated time. Seller/writer has an obligation to fulfill the contract if the buyer/holder exercises his right. It is binding contract with strictly defined terms and properties. A call option gives an investor the right (but not the obligation) to buy a stock, bond, commodity, or other instrument at a specified price within a specific time period. A put option is an option which gives the right to owner, but not the obligation, to sell a specified amount of an underlying security at a specified price within a specified times.

SWAP

A financial contractual agreement between two parties to exchange (swap) a set of payments that one party owns for a set of payments owned by the other party. Two kinds of swaps are, currency swaps and interest-rate swaps.

INTRODUCTION:

The Article has been discussed under the following major heads:



MEANING OF PPM

It should be clearly understood that nowhere in Companies Act the phrase “Private Placement” is found. In a loose sense, this phrase denotes the practice of offering shares privately or to a section of public, either by the company itself or by the promoters or the directors of the company. In other words, broadly speaking, an issue of shares without offering them to the public may be said to be an issue made by PPM, the main feature being that no prospectus is issued for offering the shares to the public or inviting the public for subscribing to the shares so offered. This mode of issuing shares is not prohibited under the companies act.

In short, a PPM financing is the direct sale by a company of its securities to a limited number of “sophisticated” investors. Equity / Preference shares, cumulative, Convertible preference shares and debentures are traded with a selected few investors’ mainly institutional investors. The issuers include public limited companies, private limited companies or private as well as public sectors. Private limited companies closely held public limited companies of private sector and private limited companies of public sector companies are not permitted access to resources from capital market.

Unit Trust of India (UTI), Life Insurance Corporation of India (LIC), General Corporation of India Limited (GIC), Army Group Insurance (AGI), Navy Group Insurance (NGI), Infrastructural Leasing and Financial Services Limited., Air Force Group Insurance etc. are the main investor institutions in Private Placement. Private Placement business requires the involvement of some financial intermediaries such as credit rating agencies, trustees and financial advisors.

The intent of the present Article is to make a broad assessment of Private Placement Market in the Indian Context. It carries a brief discussion on the regulatory aspect of Private Placement and suggests the possible ways by which a more pragmatic policy framework can be formulated for

the recovery of PPM in India. The topic also discusses among other aspects, the significance and growth prospects of PPM.

THE LEGAL FRAMEWORK OF PPM

At present the Private Placement market is governed by the guidelines of SEBI and the Reserve Bank of India. As per the latest guidelines of SEBI, an issue can be privately placed only at a price which is not less than the average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during six months or two weeks (whichever price is higher) preceding the board meeting. Privately placed securities are not transferable in any manner for a period of five years from the date of allotment. Prior to this, SEBI has insisted that the promoters contribution should not be less than 25% of the total issued paid up capital up to Rs.100 crores and in case of partially convertible debentures, it should be one third of convertible portion of the total issue.

To fulfill the aim of the recent government policy of attracting foreign capital, SEBI has allowed Private Placement through the SEBI registered FIIs. Many of the Indian Companies are in need of foreign exchange resources for the purpose of expansion, Diversification and modernization plans. These companies are trading their securities in the International market through the issue of Global Depository Receipts (GDRs) and American Depository Receipts (ADRs). But the cost of raising resources through this mode is unbearable for a number of small and medium companies. In order to overcome the above problem, government of India and SEBI permitted Indian Companies to place their securities privately with FIIs. It has helped smaller companies to cut their issue expenses and raise resources quickly.

The SEBI has imposed the same pricing method and duration of lock in period for Private Placement with FIIs too without differentiating them from domestic investors. It has made the Private Placement route for foreign capital less attractive and FIIs do not prefer to lock their funds for five years because it goes against the investment objective. So they are opting for new issue market where they are entitled for 24% of shares without statutory requirement of any lock-in-period.

To overcome this difficulty, another alternative route by which FII find their way to the equity market is the purchase of unlisted securities for which lock-in-period is not applicable. SEBI has allowed FIIs to invest in companies which are to be listed without mentioning the time frame for listing. This loophole is being exploited by FIIs, who subscribe to privately placed securities of unlisted companies and selling them when the companies fulfill their listing requirements.

It is an issue of controversy whether it is justifiable to impose such a lock-in-period by SEBI on privately placed securities without making any difference between domestic and foreign investors. Actually, such a lock-in-period is imposed to dissuade the investors from using the weapon Private Placement for speculative gains. Nevertheless, the sponsors of mutual funds in particular, and Institutional Investors including FIIs in general, have taken exception to the lock-in-clause on certain special grounds which are apparently justifiable. Since the mutual funds are to promote the interest of millions of small investors, the blocking of their funds for long period contradicts with their very objective. It is not true in case of Institutional Investors.

DEVELOPMENTS OF DERIVATIVES IN INDIA

The past decade has witnessed an explosive growth in the use of financial derivatives by a wide range of corporate and financial institutions. Stock market has abandoned many old system and practices like open outcry trading system. The capital market reforms help to improve transparency in operation and prohibit unfair trade practices. Derivatives played a vital role in enhancing investor. Furthermore, active use of derivative instruments allows the overall business risk profile to be modified, thereby providing the potential to improve earnings by offsetting un-desired risks. The derivatives came into the spotlight along with the rise in uncertainty of post 1970, when US announced an end to the Bretton Woods System of fixed exchange rates leading to introduction of currency derivatives followed by other innovations including stock index futures. Since then, derivatives have quickly spread to many developed and developing countries. They are recognized as the best and most cost-efficient way of meeting the need for risk hedging in certain types of commercial and financial operations. Countries not providing such globally accepted risk hedging facilities are in disadvantageous position in today's rapidly integrating global economy. The liberalization and opening up of the Indian economy has precipitated the process of integration of India's financial market with the international financial markets.

MEANING OF DERIVATIVES

According to International Monetary Fund (IIMF) Derivatives are “Financial instrument that are linked to a specific financial instrument or indicator or commodity and through which specific financial risk can be traded in financial market in their own right. The value of financial derivatives is derived from the price of an underlying item, such as an asset or index. Unlike debt securities no principal is advanced to be repaid and no investment income accrues”. Financial markets are, by nature, extremely volatile and hence the risk factor is an important concern for financial agents. To reduce this risk, the concept of derivatives comes into the picture. Derivatives are products whose values are derived from one or more basic variables called bases. These bases can be underlying assets (for example forex, equity, etc), or reference rates. For example, wheat farmers may wish to sell their harvest at a future date to eliminate the risk of a change in prices by that date. The transaction in this case would be the derivative, while the spot price of wheat would be the underlying asset. These instruments also offer protection from possible adverse market movements and can be used to manage or offset exposures by hedging or shifting risks particularly during periods of volatility thereby reducing costs. By allowing for the transfer of unwanted risk, derivatives can promote more efficient allocation of capital across the economy, increasing productivity in the economy. The derivatives are formally defined under the Securities Contract (Regulation) Act of 1999 (No. 31 of 1999) to include: (a) a security derived from a debt instrument, share, loan whether secured or unsecured, risk instrument or contract for differences or any other form of security, and (b) a contract which derives its value from the prices or index of prices or underlying securities.

Chronology of the development of derivatives market in india	
1875	Cotton Trade Association started futures trading
1900	Derivatives trading started in oilseeds in Mumbai
1912	Derivatives trading started in raw jute goods in Kolkata
1913	Derivatives trading started in wheat in Hapur
1920	Derivatives trading started in bullion in Mumbai
1952	Commodity options trading and cash settlement of commodity futures were banned on fear of speculation

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Growth of Derivative Market in India

Both the employees and managers should be made "cost conscious and profit oriented". A time has come when STUs are required to increase their occupancy by laying emphasis both on comfortable travel and amenities at bus station. A strict control on both men and material often by motivation and at times by resorting to penal action in case of failures is necessary to make the industry "an industry surviving to last".

Derivatives are risk management tools. As the name suggests, they have no independent value and their value is entirely derived from the value of assets bought and sold in the cash market on normal delivery terms. They mean forward, future, option and swap contract of a pre-determined duration linked for the purpose of contract fulfillment to the value of specified real or financial asset or to index of securities. Derivatives provide facility for hedging in most cost efficient way against risk. Hedging is the equivalent of insurance facility against risk from market price variations and so on.

The objective of this paper is need for a derivatives market , legal framework for derivatives trading, major driving force behind growth of financial derivatives, recent trend in derivatives trading in addition international comparison are also given.

As for the lock-in-period clause for FIIs is considered, it is justifiable on two grounds. Firstly, since portfolio investment by FIIs is presently recognized as one of the potential sources of foreign exchange, the blocking of out flow temporarily will not pose any upward pressure on exchange rate. Secondly, at least to the extent being blocked, the incoming of investments through Private Placement route does ensure that the market is not used by the FIIs for their short term business interest. To make popular the Private Placement amongst FIIs, such a ban should be lifted in due course.

EMERGENCE AND GROWTH OF PRIVATE PLACEMENT MARKET IN INDIA

In the Indian context, Private Placement Market has been as popular as public issue market. It has been one of the widely used avenues for raising capital in primary capital market. The recent developments in the Indian capital market have brought the Private Placement method to the center of controversy. It has changed the structure of securities traded in capital market.

The role of regulatory authority is limited in case of Private Placement as compared to other methods of raising capital. It is the freedom of companies to fix the quantum of Private Placement and only a mention has to be made in the application to SEBI. This reduced procedural delays considerably. At the same time, it is a cost and time effective method. The issue expenses are around 2 % as compared to above 10% in case of public issue. Funds can be raised in two months time compared to a time lag of not less than a half year in case of public issue. Less known and first generation entrepreneurs can raise funds effectively. Borrowers have to face with a limited number of investors and they are able to keep their business tactics secretly in a competitive environment.

PRESENT SITUATION OF PPM IN THE STOCK EXHANGE

The PPM is losing its share from 1992-93. The root cause is the rising share of equity particularly after 1992-93. It was due to the free pricing of equities. So Issuers prefer equity by charging higher amount of premium instead of depending upon the debt instruments. PPM is also losing its stake because of changing composition of capital issues.

As per SEBI guidelines, corporate are requiring to report details of resources raised through private placements to the stock exchanges. Majority of the resources mobilized through private placements were reported to NSE and BSE.

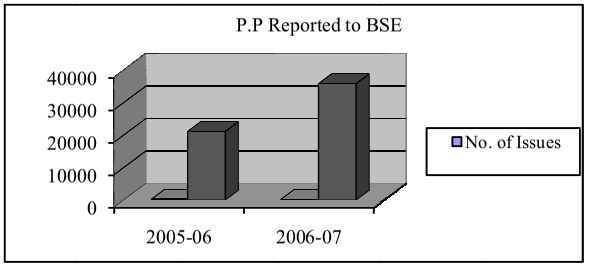
During 2006-07, the amount mobilized through private placements stood at Rs.1, 04,974 crore which was substantially higher than that of Rs.83, 827 crore garnered during the same period of last year. Of the total amount reported, the share of NSE was 71.1% during 2006-07.

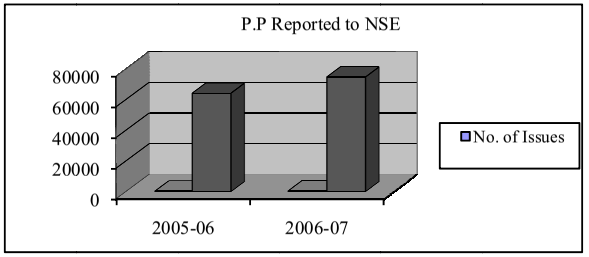
Table: Private placements Reported to NSE and BSE

Month/Year	BSE		NSE		Total	
	No. of Issues	Amount (in Rs. crore)	No. of Issues	Amount (in Rs. crore)	No. of Issues	Amount (in Rs. crore)
1	2	3	4	5	6	7
2006-07	198	35,859	438	74,659	588	1,04,974

	(308)	(21,142)	(365)	(64,087)	(667)	(83,827)
Oct-06	13 (27)	3,868 (2,021)	24 (26)	5,184 (3,922)	37 (53)	9,052 (5,943)
Nov-06	10 (19)	3,504 (666)	57 (31)	7,305 (3,738)	67 (50)	10,809 (4,404)
Dec-06	12 (22)	2,065 (988)	45 (20)	7,519 (7,274)	57 (42)	9,584 (8,262)
Jan-07	9 (16)	1,405 (1,830)	32 (46)	2,386 (10,700)	41 (61)	3,791 (12,369)
Feb-07	25 (2)	1,277 (45)	31 (9)	5,128 (1,039)	56 (11)	6,405 (1,084)
Mar-07	43 (53)	4,477 (4,531)	77 (50)	8,628 (12,345)	120 (99)	13,105 (15,888)

Note: Figures in parenthesis relate to 2005-06
Source: NSE and BSE.





Both the employees and managers should be made "cost conscious and profit oriented". A time has come when STUs are required to increase their occupancy by laying emphasis both on comfortable travel and amenities at bus station. A strict control on both men and material often by motivation and at times by resorting to penal action in case of failures is necessary to make the industry "an industry surviving to last".

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Social Costs

The Corporation is asked to operate on business principles by the government (that is through the provisions of the Act) and at the same time the government directs the corporation to shoulder some social responsibilities such as:

Providing free and concessional fare travel facility to the student, aged, home guards, sports teams, drama troupes, police personal, blind, handicapped etc.
Providing transport service to some of the rural areas through the revenue from some routes is not adequate enough to cover the operating cost;

Providing some amenities to the passenger such as bus stations, bus shelters, drinking water facility, lavatory etc.

It is said that this is enough the reasons for the continuous loss of the corporations. It is necessary, therefore, to quantify the cost of these facilities so that the entire cost can be got reimbursed from the government.

QUALITY OF PUBLIC TRANSPORT SERVICES

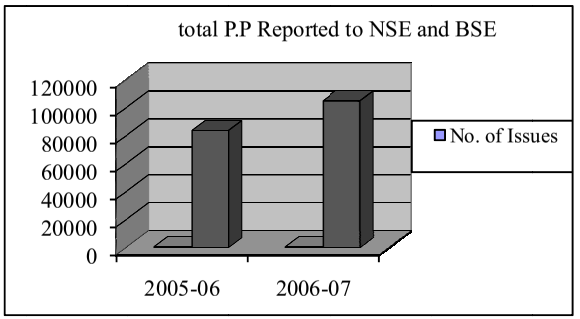
After the amendment of Motor Vehicle Acts 1988 and the liberal policy adopted by the Governments, both central and state, a number of private operators, tempos and matadors have come into the transport field. Since the private operators are attracting passengers by providing new and comfortable vehicles, the STUs operations affected badly and their earning have dropped considerably.

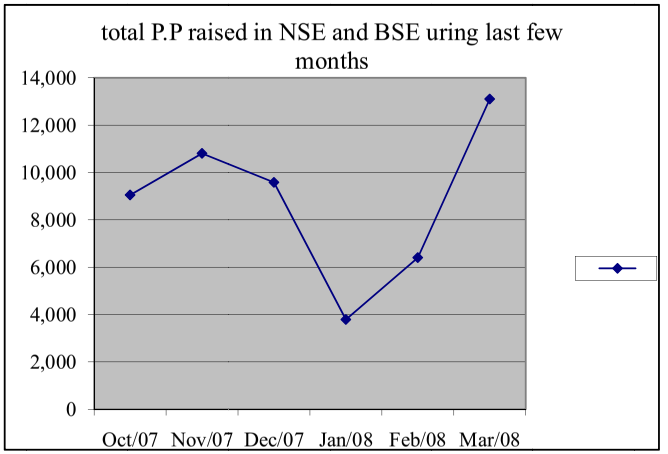
In the present modern society, passengers want door to door service in a short time with all the traveling comforts. When multiple modes of transport are available, passengers will have choice their own. Thus, the field has become the buyer's market. Now the situation has become very competitive and the STUs fit their survival have to compete with the private operators by improving the quality of their services.

CONCLUSION

Managements of the STUs should adopt controlling measures to improve the efficiency and performance of the undertakings by seeking efficiency through refinement, by fixing and refixing the targets. Hey should lay stress on the optimum utilization of the assets to increase the productivity of both vehicles and crew. Where it would not be possible to increase duty hours of the crew on account of the limitation imposed by the Motor Vehicle Act & Motor Transport Workers Act, utilization in terms of kms operated should be increased.

The cost per km should be reduced by every possible means. It should be made known that in an organization owning a fleet of 10,000 buses, a reduction in cost by one paisa per km results in savings of Rs. 100 lakh per annum. Similarly an increase in the earnings by one paisa per km will result in additional revenue of Rs. 100 lakh to the organization. All the managers should be educated about this aspect and necessary authority should be delegated to them to achieve the net results.





Note:
P.P – Private Placement
NSE – National Stock Exchange
BSE – Bombay Stock Exchange

Most widely used product in PPM is debentures and that too non-convertible. Demand for non-convertible debentures keeps changing from time to time depending upon various developments in the capital markets. The changing composition of capital issues i.e. preference to equity reduces demand for debt and consequently reduces the size of PPM. So one can observe major up's and down's in the share of PPM. It has no capital appreciation and has fixed yielding. That is why PPM is limited to institutional investors only.

It is a less expensive and less time consuming mode of raising capital. Very small companies have the PPM as the only alternative mode. To develop the market of PPM, sound secondary market should be created for non-convertible debentures. They will gain liquidity and marketability. Reduction in stamp fees may also contribute for the development of PPM.

In PPM, NCDs and Bonds are traded. Non-convertible debentures have been issued by both public and private sector companies. In India, companies have been privately placing mainly non-convertible instruments with various institutions.

It can be inferred that the size of PPM is determined by the size of debt instrument issues including NCDs and bonds. This is empirical evidence supporting the practice in India that debt instruments are mainly privately placed. The size of PPM to a large extent depends on the growth of NCDs and bonds.

ROLE OF CREDIT RATING AGENCIES IN PPM

Abolition of CCI's office and freeing ceiling on interest rates of issues has given a serious thought to credit rating. It occupies an important place in capital market. Companies are entering in the primary market with high premium issues. Naturally investors would want to know the state of affairs and repayment capabilities of the issuers by from an independent and professionalized institution. It helps investors in their investment decisions. For safeguarding the interest of investors, it is mandatory for debt issues to get credit rated before they are issued to the public. Even when companies follow private placement route for any debt instruments with institutions, credit rating is made compulsory.

Actually speaking, institutional investors are the participants in the private placement. Many of these investing institutions themselves have the skill of credit rating. Small issuers are not in a position to bear the rating expenses. It also consumes a lot of time and hence delays in marketing the issue. But some of the institutional investors do not possess credit rating facilities. Institutional investors are demanding different rates due to the introduction of free ceiling on interest rates. The only rational way for demanding varied interest rates is credit rating. Issuers with 'high' credit rating may be required to pay comparatively lower interest rates; whereas issuers with 'low' credit rating may be required to pay comparatively higher interest on debt instruments.

FUTURE OF PPM IN INDIA

The Indian Capital Market has witnessed quantitative as well as qualitative developments since nineties, which has made direct and indirect effect on PPM route. On the basis of the indications from the market till date it will not be irrational to expect a structural change in the Capital Market covering its various constituents. The following are some of the factors which will decide the fate of PPM of India.

Firstly, in Indian context, the growth of PPM and mutual funds are independent. The present flood of mutual funds is quite sufficient to ensure the rejuvenation of the PPM. It is the only route which permits to purchase stocks in desired quantity. The present capital market conditions such as, in which the growth of mutual funds is unavoidable.

Secondly, the cost of issue factor is also making PPM bright. In other modes of issues the cost of issues is in between 10-15%. In case of PPM it is just 2-3% only. In the competitive environment cost factor will play a vital role in the days to come.

well as external factors. The internal factors mainly include age and condition of vehicle, driving habits, efficiency and load factor etc. and the external factors may be road conditions and purity of diesel etc. The internal factors are under the direct control of the transport undertaking. So it is expected from them to improve KMPL. Besides this, drivers should be well- trained in their driving habits to improve the fuel performance. They should also be educated about the importance of fuel conservation. Each driver should also be educated about the importance of fuel conservation. Each driver should be provided with a pocket book to record daily kilometers performed, fuel consumed and KMPL achieved. It there is excess fuel consumption, that driver should be made accountable. This type of management control should be effectively enforced.

Cost of tyres and tubes

Another important item of material cost is the cost of tyres and tubes. Six tyres and tubes are fitted to each vehicle and one is kept as spare for emergency purposes. These tyres may be new or retreaded. Cost of tyres and tubes is calculated on the basis of their issue price and to calculate the cost of tyres and tubes per kilometer operated, the issue price is divided by the estimated or actual useful life. Useful life depends upon- whether the tyres are new or retreaded, driving habit, and types of roads, etc.

Other Material Costs

Cost of fuel, tyres and tubes account for about 80 percent of the material cost and 26 percent of total cost. The remaining 20 percent of material cost comprises of spare parts, lubricants, batteries and other consumables including reconditioning.

At the time of assembly of vehicles, the manufacturer uses hundreds of items of spare parts. Even after the vehicle is commissioned to operation, it is necessary to replace the old and worn out spares by new spares. Out of these, some are vital. Vital in the sense, they are very essential without which it is impossible to play the vehicle. For example-driving equipment, batteries, etc. There are some other items of spares which are essential but the vehicle can be operated without them for a short period. For example-horn system, water wiper, etc. Other items, though not essential, are desirable and without these the vehicle can be operated. The absence of these spares will not make any adverse impact on the quality of service. Still the corporation uses these as they render some additional service and these are called desirables items. For example-seat covers, standing holds, etc. It is necessary, therefore, to purchase these as required and use them properly. The cost of these spares is calculated keeping their issue price and the estimated useful life as the base.

Cost of lubricant oil is another item of material cost. It is required to keep the vehicles, engines,etc., in good running condition. The cost of batteries used is calculated in the same manner as the cost of tyres and tubes. Costs of all other items of materials are included under the head, other consumable stores.

This is a brief account of various elements of other material cost and it reveals their importance and also the fact that the corporations have to tackle this material cost with great vigour if it wants to control its operating cost as the material cost provides the most potential avenue for cost reduction.

calculated as "load factor" Different hours at the scheduled time. Earnings per kilometer are reflected to some extent by this load factor but it is also affected substantially by the number of seats provided and actual seats occupied.

Control to Segregate Social Objective Losses and Optimize Earning: Having provided roué-wise control data based on the kind of targets which statistical analysis supplies will reflect the profitability of each route. It may be sated that the unprofitable routes are deliberate because of the social objectives of the Government. It is quite possible to segregate the losses of such routes and on account of other social costs due to concessions and arrive at their total losses so that the figures can be available as a memorandum note to the Government for reimbursement.

As regards the routes where no social objective applies, it should be the Depot Managers' job so as to operate the schedules to produce the best profits. In order to operate the schedules effectively it may be desirable to invest more delegation of authority and responsibility to the Depot Manager.

Controls to Minimize Operating Cost

It is an era of competition and the situation has been changing slowly from a healthy competition to an unhealthy competition and from a constructive competition to destructive competition leading to cut-throat competition. In this type of situation, the management has to exercise maximum control over the cost. Only those companies which are capable of producing the product more economically than the others have good prospects of progress and expansion as compared to others. This will have a favorable effect on cost, price, demand, profit, profitability; etc.This applies to all the organizations- whether they are profit-oriented or service-oriented, public or private.

Control should be exercised on staff, fuel, tyres, spares, and other miscellaneous costs. (MVT depends on the revenue released as a percentage).

Staff Cost

The cost associated with this precious manual labour force forms the most important item of operating cost. The labour force of the Corporation comprises of drivers, conductors, traffic supervisors, office staff, class-I and II officers, mechanical staff, etc. All these employees work on a regular basis who are entitled to receive monthly salary irrespective of the work. They are also eligible for the receipt of additional pay at higher rates for the work done in excess of their normal work. In order to cover the staff cost fully, it is laid down that the staff cost which the Corporation has to incur on account of contribution towards provident fund, employees state insurance, provision for gratuity, etc., should be included.

Fuel Cost

There is a direct correlation between fuel consumption and cost of operation, so better fuel consumption reduces the cost of operations. Better average of fuel is one of the better determinants of an ideal bus services undertaking. The performance of vehicle in respect of fuel consumption is measured in terms of average kilometers per liter of High Speed Diesel (HSD) oil, which is commonly referred to as kilometer per liter (KMPL).KMPL is affected by internal as

Thirdly, India has already witnessed a slow but steady growth of debt market. The debt market is for more secure and high yielding as compared with the equity market. Even after the setting up of the debt segment in the National Stock Exchange and the setting up of three credit rating agencies, arbitrary rate fixation by RBI, the cash credit mode of financing are holding back the growth of debt market. According to R.Ravimohan, Managing Director of Credit Rating and Information Services of India Limited (CRISIL), "yield expectations for initial public offerings on the Capital Market have come down drastically and this clearly is no longer a boom area. The time is now ripe for the debt market getting more speculative and active." Generally, debentures and bonds are traded under PPM route. Though, at present there is a fall in the percentage of debt instruments, they are expected to regain their supremacy in the capital market. Finally, the various steps taken by SEBI like minimum subscription to public issues at 500 shares proportionate allotment, reduction in public quota in public issue will ultimately encourage the small investors to prefer mutual fund. So it will create a healthy atmosphere for the development of PPM.

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Tapping the Untapped via SHG A case study of HUL.

Rural India which was earlier ignored by marketers is now luring more & more companies towards it. Marketers now see a need to tap this segment of the population where they see a huge scope for marketing. The future is certainly bright for the Indian rural market through the effective strategy, which well creates more room for all players, including consumers, marketers & investors. The companies need to overcome the challenge of availability of their products in the rural market.

Thus marketing companies see SHG (Self Help Group) as major tools for marketing in rural areas. Since SHGs are well-entrenched in rural areas, they are equipped to take the additional role of marketing the consumer goods. Companies can also avoid unnecessary marketing and advertising expenses, if their products are sold through the SHG route. This article identifies and focuses on the possibility of adding the emerging SHGs as channel partners to promote consumer product in rural India.

Rural marketing is much talked about subject by business establishments- especially the FMCG and the consumer durable industry. A large number of companies have made a big headway by focusing on rural markets. It proved to be an opportunity rather than a problem for the marketers to concentrate on rural markets and the poor. Many of them who had earlier ignored this segment due to a lot of investment requirements and low returns have again started foraying in to it and have begun targeting the rural masses.

utilization of buses but are also an indicator of efficiency of engineering department and control of a transport undertaking. That how many the vehicles are treated for mechanical maintenance by following a well regulated preventive work in order to avoid breakdowns? Which deplete the fleet available for operation? All the vehicles held by the transport undertaking can not always be expected to put on road as a certain vehicles are likely to be held in the workshops for routine maintenance, besides the need to maintain traffic spares. According to the recommendation of the study group setup by the association of the state road transport undertakings, the fleet utilization should be as follows;

Vehicle in operation – 90%
Road worthy but not in operation (traffic spares) – 2%
Off – road vehicles – 8%

MANAGEMENT CONTOL ON COST OF OPERTATION

Minimizing Operating Cost

Apart far as basic need to make maximum use of resources in term of vehicle and crew utilization, the transport undertakings should also be concerned with reducing operating costs. The minimum cost concerned with, however, must be judged on a long-term rather than short-term basis. In the short term, one might reduce the cost by omitting adequate maintenance but such a policy could have the adverse effect on the health and life of the recourses in the long term. Route Economic (Route planning): As far as possible, stress should be laid on selecting such routes which offer a higher and regular traffic potential together with adequate vehicle utilization, although operation of uneconomical routes cannot be ruled out on account of the state Government policy to operate such route for the social and economic upliftment of the social cost as also, to deduct such cost as also, to deduct such costs while determining the efficiency of the as a business industry.

The "Perishable" Product

The study of Route economic is thus one of the prime factors for effective operations. Traffic officers, at all levels, should consider their task as that of a Sales Manager and assess the "market" for the services they sell. They should ensure that the seat kms produced are always sold to a maximum extent. The analogy of keeping stock of the production turned-out in any factory operations do not hold good because the "seat kilometers produced" cannot be kept in the stock. They must be sold as and when they very close to his market than any average Sales Manager must be very close to his market than any average Sales Manager and he must be sensitive to the day to day fluctuations of the business.

Earning Per Kilometer

There is another kind of utilization for every vehicle, which varies from vehicle to vehicle, though the productivity of the vehicle is measured through vehicles utilization i. e. the number of passengers carried in the vehicles for every kilometer it is operated. In reality, the provision of a particular service can be thought of as the provision of a specific number of passenger seats for a specific number of kms. In fact, these seats will rarely be occupied fully over the whole distance the bus travels. The extent to which the seats provided are in fact occupied is usually named and

Although the Government's funds is invested in the nationalized transport, its management is not the "business of the Government." This does not mean that the undertakings need not follow the business principles. It is very essential to follow the business principles to survive on its own besides aiming the above objectives. The fact that they are public undertakings in no way absolves them from the responsibility of careful management of the public fund with them since they are managing a public trust.

Optimizing Utilization of the Main Assets – Vehicles

Vehicles being the most important resource available to the bus transport undertaking, its utilization is measured in terms of kilometers obtained per vehicle on road per day i.e. average vehicle utilization and it determines to a large extent the operational efficiency of the undertakings. Optimizing the utilization of resources is the basic requirement for the management of public sector undertakings and more so the transport undertakings in which a formidable capital is invested. About 80% of the capital in any nationalized transport undertaking is in the form of vehicles. Optimizing the use of vehicles is thus a basic responsibility of the management. There have been no accepted standard fix about the vehicle utilization but according to one estimate by Dr. Sudarshanam is his article, the vehicle utilization should be at least 300 Km. per day. It generally varies between two hundred to four hundred Km. per day. Higher vehicle utilization is much favorable because it reduces fixed cost per Km. The important in vehicle utilization gives strength to the economy of undertaking by reducing the need of new vehicle.

Optimizing utilization of resources in road transport undertakings mainly involves

Optimum fleet utilization in terms of buses in services (on road) and
Optimum vehicle utilization (vehicle in service) in terms of kilometers runs.

For example, in a big Corporation, which operates daily 30 lakh Kms, with vehicle utilization is increased by 10 Kms, i.e., the vehicle utilization is increased to 310 Kms per day, and then the requirement of vehicles would reduce to 9677 vehicles. Thus there will be considerable savings (on capital investment) in fixed cost, and also the profitability of the operation will increase.

Optimizing Utilization of Human Resource

The human resource of an organization is its precious wealth and backbone and hence plays a stupendous role in its developmental and productive activities. The development and the progress of an organization of its available human resource. In the same analogy, if this human resource is not being utilized properly, it is certain that its developmental activities and therefore, its progress are bound to be retarded. In simple terms, the human resource can ruin an organization which is working well or it can put an organization which is counting days on the right track against this background, creation of proper environment to put the human resource for productive purposes also assumes equal importance.

Fleet Utilization

The objective of providing sufficient transport facility to the public is only fulfilled when the corporations posses sufficient number of bases and put them are regular use. "Fleet utilization of percentage of vehicles pressed into services against the total number of vehicle available and held by the organization." So the parameters showing the fleet utilization reveal not only the extent of

RURAL SCENARIO IN INDIA

Rural India accounts for roughly 70% of the population. Almost 6, 27,000 villages are home to 790 million Indians today.

At present 85% of the organized retailing takes place in India's urban areas. But the good thing is that the retail focus has already shifted to the rural areas. The Indian rural market with its vast size and demand base offers great opportunities to marketers. Two-thirds of country's consumers live in rural areas and almost half of the national income is generated here. 70% population of the India, lives in 6, 27,000 villages in rural areas. For a retailer its essential to see in which segment it is catering in the above division of villages. For example Shakti caters to villages with a population of 500 or above. Wherein Eveready considers even the remotest of village as its target customers. It operates through a more than thousand company-owned vans and has over 4,000 distributors to directly service 6,00,000 retail outlets.

OPPORTUNITY FROM CHANGING DEMOGRAPHICS IN INDIA

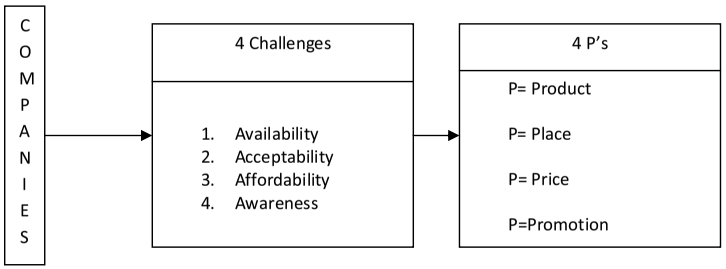
The figure below depicts the changing demographics of rural India.
In 2005: Number of Aspirers= (32*790/100) million= 252.8 million
In 2015: Number of Aspirers= (47*875/100) million= 411.2 million
That is roughly 158 million people will be added to the aspirers class.

By 2015 the aspirer class of household will be the largest group at 47% of rural population or 80 million households and will control 55% of the spending. In 2015, 47% of rural population (aspirers) will account for 55% of the rural consumption. Wherein in 2025 one-fifth of the population (seekers) will account for roughly one-third of the rural consumption. The shift in rural population from one segment to another will shift rapidly. Hence it will be important for the retailer to keep a track of this and change the merchandise mix in the store accordingly.

ENABLERS FOR GROWTH IN RURAL RETAIL

Rural India will see the consumption growth on per household basis. It will grow at a compounded annual growth rate of 5.1% during next two decades and will reach today's urban level till 2017. This also depicts the change in consumption basket of rural consumers over a period of time. This means that rural retailers will have to constantly work on their merchandise mix with the increasing purchasing power of the rural households.

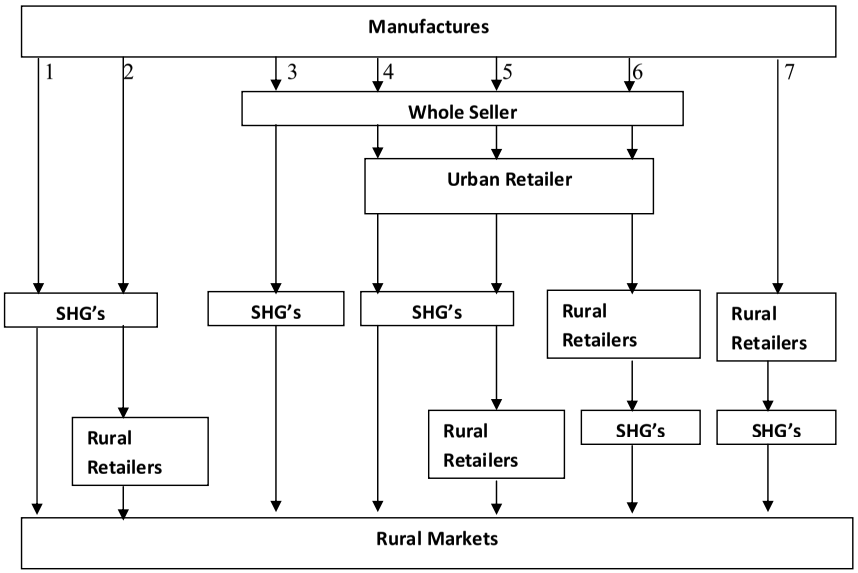
MARKETING MIX AND CHALLENGES TO COMPANY



Marketers need to design creative solutions to overcome challenges, typical of the rural environment such as physical distribution and many more. Given the state of roads it is even a greater challenge to make the products regularly available to the rural India. In recent years, self employment and women's economic independence have emerged as major trends in rural areas; their increased literacy level promotes a slow urbanization process. These developments are reflected in the formation of Self Help Groups (SHGs) in rural areas, now the SHG's are emerging as the rural entrepreneurs associated with various business activities. MNC such as HUL are looking at targeting SHG not only as potential consumers but also as future distributor of their products.

SHG AS A TOOL OF OVERCOMING CHALLENGES OF DISTRIBUTION

SHGs are voluntary, small group structures for mutual aid and for accomplishment of social purposes. Generally, an SHG any consist of10 to 20 individuals. The SHGs have been established with the mission to make people in rural places socially viable and economically independent and to reduce poverty, provide regional balances in rural communities.



(Models for using SHGs as Channel Partner in Rural Market)

BENEFITS OF USING SHGs

To the Manufactures

- Increase the rural market share
- Penetration of untapped rural markets
- Reduce transportation & promotional cost.

INTEGRATING STRATEGIC PLANNING AND CONTROL SYSTEMS

Strategic planning and management control are two of the most important processes and systems contributing to the effectiveness of business organizations. Therefore, there should be proper integration of these two systems. This integration can be achieved by developing consistency of strategic objectives and performance measures. Prescribing performance measures which are strategically important is quite significant because often it is said 'what you measure is what you get'. In developing performance measures two considerations must be taken into account. First the performance measures should focus on whether short- term profitability, or growth and technological ascendancy, or logistic efficiency, or some other objectives should be of primary concern. Second, the measures should relate to managerial domain of each of the managers as each of them is responsible to exercise control in their own domain.

IDENTIFYING STRATEGIC CONTROL POINTS

As we have discussed earlier, control system should be based on management by exception. It implies that if a manager wants to control everything, he can control nothing. Therefore, managers should identify strategic control points in the system at which monitoring or collecting information should occur. The method for selecting strategic control points is to focus on the most significant elements in a given operation. Usually, only a small percentage of the activities, events, or objects in a given operation account for a high proportion of expenses or problems that managers have o face. Control system should focus more on this.

ORGANIZATIONAL COMMUNICATION

The organization has to design a communication network for carrying the control information both downward and upward. Through the downward communication, a superior sends the information about what a subordinate is expected to do: the upward communication is used to get control information from the subordinate, that is, what they have one.

MOTIVATIONAL DYNAMICS

The control is affected by the motivational dynamics of people and how the organization is going to satisfy the various needs of the people. The motivational dynamics have two-fold role in control. First how the various attempts at control are in tune with the needs of the people. Second, the organization itself provides motivation or de-motivation to the people to work.

MANAGEMENT CONTROL RELATED TO UTILISATION OF RESOURSES

The Government "in business"

The nationalization of Road Transport in India reflects the socialist philosophy of the Government under which all major utilities will come progressively under public management. The objectives of nationalization road transport undertakings laid down in the Road Transport Corporation Act 1950 clearly indicate that they are formed to provide adequate, economic, efficient and properly coordinated transport services to the traveling public.

Controlling and other functions

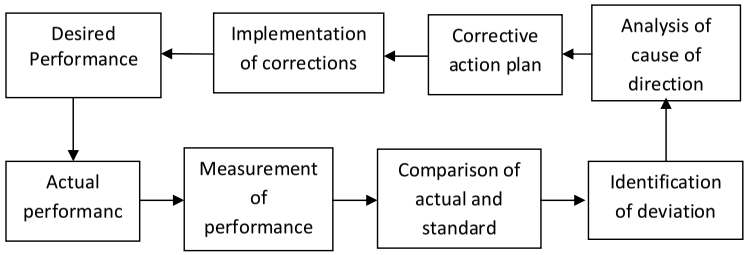
Control is closely related with other functions of management because control may be affected by other functions and may affect other functions too. Often it is said: planning is the basis, action is the essence, delegation is the key, and information is guide for control. This reflects how control is closely related with other functions of management. In fact, managing process is an integrated system and all management functions are interrelated and interdependent. When control exist in the organization, people know what targets they are striving for, they know how they are doing in relation to the targets, and they know what changes, if any, are needed to keep their performance at a satisfactory level.

Steps in controlling: The systems, processes and techniques of control are same whatever the area of their applications may be. As pointed out earlier, control is reciprocally related with planning. It is performed in the context of planning and aids planning in two ways: it draws attentions to situations where new planning is needed; and it provides some of the data upon which plans can be based. Apart from reciprocal relationships, it has circular relationship with planning as explained by figure:

The figure identifies the various steps in control process which are necessary for its relationship to planning. These steps may broadly be classified into four parts:

(i) Establishment of control standards
(ii) Measurements of performance
(iii) Comparison between performance and standards and the communication
(iv) Correction of deviations from standards.

DESIGN OF EFFECT



DESIGN OF EFFECTIVE CONTROL SYSTEM

A control system is a multi-step procedure applied to various types of control activities. Managers face a number of challenges in designing a control system that provides accurate feedback in a timely and economical fashion that is acceptable to organization members. Most of these challenges can be traced back to decisions about what needs to be controlled and how often progress needs to be measured. In order to overcome these challenges, managers should design their control systems based on the following principles:

To the Consumers

- Getting Product at right Price at convenient place.
- Saving of time, energy & cost.

To the SHGs

- Improvement in the group activities
- Profitable venture

To the Society

- Resolve the problem of unemployment
- Develop the rural environment
- Generation of income

THE HUL MARKETING EFFORT: TRANSITION TO RURAL MARKET

HUL's competitive advantage generated from three sources. First its strong well established brands, second, its local manufacturing capacity and supply chain and third its vast sales and distribution system. It was soon felt that HUL's sales and distribution system which had protected it from competitors would be soon replicated by its rivals and to maintain its edge, the company had to increase its reach beyond the urban markets. So far the operations of HUL included more than 2,000 suppliers and associates. The distribution network consisted of 4,000 stockiest, covering 6.3 million retail outlets reaching the entire urban population, and about 250 million rural consumers.

Typically, the goods produced in each of the HUL's 40 factories were sent to a depot with the help of a carrying and forwarding agent (CFA). The company had its depot in every state of the country. The CFA was a third party and got servicing fee for stock and delivery of the products. In each town, there was a redistribution stockiest (RS) who took the goods from the CFA and sell them to retail outlets. By the late 1990s, the HUL management realized certain problems with the existing sales model. First, the model was not viable for small towns with small population and small business. HUL found it expensive to appoint one stockiest exclusively for each town. Secondly, the retail revolution in the country changes the pattern the customers shop. Large retail self service shops were established. In the response of these problems, HUL redesigned its sales and distribution channel and the new system was known as 'diamond model' in the company. At the top end of the diamond, there were the self service retail stores which constituted 10% of the total FMCG market. The middle, fatter part of the diamond represented the profit-center based sales team. In the bottom of the pyramid was the rural marketing and distribution which accounted for 20% of the business.

Almost three-fourth of the total 1.2 billion Indian population resided in the rural areas and majority of them had a very low per capita income (around 44% of that of urban India). Urban market had reached the saturation point, thus changing focus on rural India. In comparison to just 5,161 towns in India there are 6,38,365 villages in India. Moreover, more than 70% of India's population lived in villages and made a big market for the FMCG industry because of increasing disposal incomes and awareness level.

When HUL shifted to the rural India, it faced many problems. In contrast with a low per capita income comparative to the urban citizens, there were some areas with enough money but their

awareness level and consumerism was very low. Secondly, rural FMCG demand was depended upon agricultural situation which was again depended upon monsoon. Transportation was also a major hindrance. Many of the rural areas were not connected by rail transport. The Kacha roads were unserviceable during the monsoon and interior villages get isolated. Besides transportation, there was a problem of distribution and communication facilities such as telephone, fax and internet. Moreover, the lives in rural areas were still governed by ethnicity and traditions and people did not simply get used to new practices. For example, even rich and educated class of farmers does not wear jeans or branded shoes. The buying decisions in villages were slow and delayed. They wanted to give a trial and buy only after being satisfied. And, finally the poor illiterate villagers viewed experience more important than formal education and they valued sales people who could provide practical solutions to their problems.

HUL approached the rural market with two criteria - the accessibility and viability. Around 40% of the accessible rural market had high business potential. To service this segment, HUL appointed a common stockiest who was responsible for all outlets and all business within his particular town. In the 25% of the accessible markets with low business potential, HUL assigned a retail stockiest who was responsible to access all the villages at least once in a fortnight and send stocks to those markets. This enables HUL to influence the retailers stocks and quantities sold through credit extension and trade discounts. HUL launched this indirect coverage (IDC) in 1960s.

To cater the needs of the inaccessible market with high business potential HLL initiated a Streamline initiative in 1997. HLL appointed rural distributors and Star Sellers. The star seller purchased goods from rural distributors and distributed them to retailers in small villages using the local mean of transport. In this way around 35% of the inaccessible rural market came under the control of HLL. But a still untapped market - the inaccessible but low business potential market was left outside. The size of this untapped market was estimated to be around 500,000 villages with a population over 500 million. At this stage, Project Shakti was conceived.

PROJECT SHAKTI

HUL soon realized that although it was enjoying a greater penetration in the rural market when compared with its competitor such as Nirma and ITC, its direct reach was restricted to only 16% . The FMCG giant was desperate to increase this share. HUL saw its dream fulfillment in the vast Indian rural market. The company was already engaged in rural development with the launch of the Integrated Rural Development Programme in 1976 in the Etah district of Uttar Pradesh. This program was in tandem with HUL's dairy operations and covered 500 villages in Etah. Subsequently, the company introduced similar programs in adjacent villages. These activities mainly aimed at training farmers, animal husbandry, generating alternative income, health & hygiene and infrastructure development. The main issue in rural development was to create income-generating prospects for the poor villagers. Such initiatives, linked with the company's core business, became successful and sustainable and proved to be mutually beneficial to both the company and its rural customers. However, much remained to be done. Project Shakti was conceived.

Following the pioneering work carried out by Grameen Bank of Bangladesh , Self Help Groups (SHGs) of rural women were formed by several institutions, NGOs and government bodies in villages across India. This group of usually 15 members contributed a small amount of money to a

"Control refers to the task of ensuring that activities are producing the desired results. Control in this sense is limited to monitoring the outcome of activities, reviewing feedback information about this outcome, and if necessary, taking corrective action".

All organizations, business or non-business, face the necessity of coping with problems of control, like other managerial functions, the need for control arises to maximize the use of scarce resources and to achieve purposeful behavior of organization members. In the planning stage, managers decide how the resources would be utilized to achieve organizational objectives; at the controlling stage, managers try to visualize whether resources are utilized in the same way as planned. Thus, control completes the whole sequence of management process.

Concept of controlling

The concept of controlling is somewhat ambiguous in management. For example, let us consider the following statement; "What exactly do you mean by management control? When the question was asked to a number o managers, in both Government and industry, the answers showed a surprising lack of agreement- surprising, since in a field for which theory has been developed to the extent; it has in business management, terms should be precise, specific, and unambiguous."

Perhaps the reason for this ambiguity is the context in which the terms control and other related terms are used. Controlling is used in terms of process of control. At the same time, the term control is also used which is not used as a plural form of control but as techniques of control. For example, Giglione and Bedeian have observed that in management, controls mean measurements, whereas controlling is a process of gathering and feeding back information about performance so that decision makers can compare actual results with planned results and decide what to do about any apparent discrepancies or problems. Control has following distinction;

- Controls refer to measurement and information whereas control is related to direction.
- Controls pertain to means and control pertains to an end.
- Controls deal with facts and events of the past; control, on the other hand, deals with an expectation, that is with future.
- Controls are analytical an
- Control is normative and is concerned with what ought to be.

Thus, control is an element of management process involves analyzing whether actions are being taken as planed and taking corrective actions to make these to confirm to planning. Based on concept, control has the following features:

- Control is forward looking because one can control future happenings and not the past.
- Control is both an executive process and, from the point of view of the organization of the systems, a result.
- Control is a continuous process.
- A control system is a coordinated-integrated system.

Management Control in State Road Transport Undertaking

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So far as State Transport Undertaking (STUs) is concerned, the day of monopoly, prosperity and stability are non-existent today. STUs are facing direct and indirect severe competition and at the same time their financial position is very critical, with their growth almost stagnated even when national economy is trying to flourish. Today many STUs in the country are facing instability and their future is bleak. The paper discusses elaborately the various management control measures to be adopted by STUs in utilizing the available resources and reducing the cost of operation. By fixing and re-fixing various targets and strictly adopting various controlling measures STUs will be able to improve their efficiency and performance to a greater extent. Strict control on both men an material, often by resorting to penal action in case of failure, is necessary to make the industry "an industry serving to last."

Both the employees and managers should be made "cost conscious and profit oriented". A time has come when STUs are required to increase their occupancy by laying emphasis both on comfortable travel and amenities at bus station. A strict control on both men and material often by motivation and at times by resorting to penal action in case of failures is necessary to make the industry "an industry surviving to last".

common pool and then offered a micro-credit to a member of the group to invest in a commonly approved economic activity. Partnering with these SHGs, HUL started its Project Shakti in Nalgonda district of Andhra Pradesh in 50 villages in the year 2000. The social side of the Project Shakti was that it was aimed to create income-generating capabilities for underprivileged rural women, by providing a sustainable micro enterprise opportunity, and to improve rural living standards through health and hygiene awareness. Most SHG women viewed Project Shakti as a powerful business proposition and are keen participants in it. There after it was extended in other states with the total strength of over 40,000 Shakti Entrepreneurs.

HLL offered a wide range of products to the SHGs, which were relevant to rural customers. HUL invested significantly in resources that work with the women on the field and provide them with on-the-job training and support. HUL provided the necessary training to these groups on the basics of enterprise management, which the women need to manage their enterprises. For the SHG women, this translated into a much-needed, sustainable income contributing towards better living and prosperity. Armed with micro-credit, women from SHGs become direct-to-home distributors in rural markets

SHAKTI: HOW IT WORKS

In general, a member from a SHG was selected as a Shakti entrepreneur, commonly referred as 'Shakti Amma' received stocks from the HUL rural distributor. After trained by the company, the Shakti entrepreneur then sold those goods directly to consumers and retailers in the village. Each Shakti entrepreneur usually serviced 6-10 villages in the population strata of 1,000-2,000 people with 4-5 major brands of HUL - Lifebuoy, Wheel, Pepsodent, Annapurna salt and Clinic Plus. Apart from these, other brands included Lux, Ponds, Nihar and 3 Roses tea. The Shakti entrepreneurs were given HUL products on a `cash and carry basis.' However, the local self-help groups or banks provided them micro credit wherever required. According to Dalip Sehgal, Executive Director, New Ventures & Marketing Services, HLL Project Shakti was adding up to 15% of HUL sales in rural Andhra Pradesh. He further asserted that given the largeness of the country and backwardness of its women, Project Shakti-like endeavor would place everybody in a win-win situation.

HUL acknowledged that for Project Shakti to be successful for the company's rural penetration, dealers and communicators must be well trained. It was unclear how dealers would perform in an expanded infrastructure. Although HUL's rural initiatives incurred huge costs to the company, it was expected that with the monsoon revival and greater rural incomes could decline the payback period for projects like Shakti. Moreover, the decreasing brand loyalty among urban consumers rural market had become an imperative. According to the Concurs K.N. Siva Subramanian, Sr. Vice President, Franklin Templeton India Ltd, "The (HUL) management had recognized the impending saturation of the urban markets some time back and launched aggressive plans to capture the rural markets. However, a slowdown in the agricultural sector resulted in rural incomes remaining flat and affecting sales. We believe that by targeting lower price points and further expanding the distribution network, companies can tap the potential of rural markets. Initiatives like Project Shakti will help them in establishing and consolidating their base in rural markets."

HUL would have to determine whether Project Shakti could be repeatable in other countries. The Indian family structure and village interaction provide a unique diffusion mechanism that is an

effective vehicle for Shakti. Whether this model could be successfully implemented in other countries must be further explored. Moreover, it need to find out whether the Project Shakti or e-choupal like initiatives could be increased. There was no doubt that the regional brands, or even larger FMCG companies, did not have the kind of distribution reach that HUL had established and in the long run, that could prove a winner for HUL.

CONCLUSION

Rural India does constitute an attractive and sizable market, and marketers have to strive hand for securing a share. The rural markets throw up a variety of challenges, and the marketers have to grapple with them and find innovative solutions. In this context, SHGs are emerging as promising channel partners to promote the offering of consumer durables and non durables and also enrich their channel values through close and interactive rural services. If the consumer product promoters utilize the services of the SHGs aptly, it will help them penetrate the rural markets in rural areas and also bring lucrative businesses.

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Purpose-wise Assistance

We have classified the IFCI assistance into assistance to new project, assistance to the existing project for expansion, diversification, modernization, rehabilitation and subscription to right issue of shares and supplementary assistance to meet cost over runs. It is important to note that the rise in the demand for supplementary assistance for meeting cost over runs by the assisted project has become the matter of great concern to the IFCI and also a subject matter of severe criticism of the appraisal standards of the bank.

Purpose-wise Assistance Sanctioned by IFCI Venture Capital Funds Ltd. (IVCF) in India (1998-1999 to 2002-2003) (Rs. in Crore)

Purpose	1998-99	1999-00	2000-01	2001-02	2002-03	Cumulative up to end-March 2003
New	5.4	-	1.0	0.3	-	116.1
Expansion/diversification/acquisition	5.3	5.1	2.6	3.0	1.5	39.7
Modernisation/balancing equipment	-	-	-	-	-	0.5
Rehabilitation	-	-	-	-	-	0.3
Total	10.7	5.1	3.6	3.3	1.5	156.6

Source: Report on Development Banking in India 2002-03, Industrial Development Bank of India.

CONCLUSION

From the above study, it is evident that IFCI is able to project financing for modernization, new establishment, diversification, rehabilitation. IFCI is one of the best financial institutions so it is also conscious of its responsibility in matter of providing assistance.

IFCI also implementing all possible plan of action in dealing with problem of project finance according to different type of industrial sectors. All these measures help IFCI institution for comeback and also get success through improvement in industrial development. It can be said that IFCI will be also to strengthen the steps further by having more rigorous follow up of the existing measures and also search for more effective ways for dealing with the problem. IFCI should also enforce a satisfactory proportion of equity capital while sanctioning financial assistance to projects.

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Database vs Knowledgebase

Most information systems today are databased. That's too bad for many companies because they are going to fall behind as their competitors build and deploy intelligent rule-based and knowledge-based applications. Data-based systems are limited to processing data and outputing information. The result is often information overload. Users don't know what information is really important, and they don't even know if they have all the information they need to make a good decision.

Computer database is a structured collection of records or data that is stored in a computer system. A database relies upon software to organize the storage of data. The database is a collection of related electronic records in a standardized format, i.e. searchable in a variety of ways, such as title, author, subject, and keyword. Common examples of databases are the library catalog and citation indexes.

The structure is achieved by organizing the data according to a database model. The model in most common use today is the relational model. Other models such as the hierarchical model and the network model use a more explicit representation of relationships (see below for explanation of the various database models).

A computer database relies upon software to organize the storage of data. This software is known as a database management system (DBMS).

Database Management System (DBMS) is software that helps to manage the storage of data in a more systematic way. Database management systems are categorized according to the database model that they support. The model tends to determine the query languages that are available to access the database. A great deal of the internal engineering of a DBMS, however, is independent of the data model, and is concerned with managing factors such as performance, concurrency, integrity, and recovery from hardware failures. In these areas there are large differences between products.

HISTORY

The earliest known use of the term data base was in November 1963, when the System Development Corporation sponsored a symposium under the title Development and Management of a Computer-centered Data Base. Database as a single word became common in Europe in the early 1970s and by the end of the decade it was being used in major American newspapers. (The abbreviation DB, however, survives.)

The first database management systems were developed in the 1960s. A pioneer in the field was Charles Bachman. Bachman's early papers show that his aim was to make more effective use of the new direct access storage devices becoming available: until then, data processing had been based on punched cards and magnetic tape, so that serial processing was the dominant activity. Two key data models arose at this time: CODASYL developed the network model based on Bachman's ideas, and (apparently independently) the hierarchical model was used in a system developed by North American Rockwell later adopted by IBM as the cornerstone of their IMS product. While IMS along with the CODASYL IDMS were the big, high visibility databases developed in the 1960s, several others were also born in that decade, some of which have a significant installed base today. Two worthy of mention are the PICK and MUMPS databases, with the former developed originally as an operating system with an embedded database and the latter as a programming language and database for the development of healthcare systems.

The relational model was proposed by E. F. Codd in 1970. He criticized existing models for confusing the abstract description of information structure with descriptions of physical access mechanisms. For a long while, however, the relational model remained of academic interest only. While CODASYL products (IDMS) and network model products (IMS) were conceived as practical engineering solutions taking account of the technology as it existed at the time, the relational model took a much more theoretical perspective, arguing (correctly) that hardware and software technology would catch up in time. Among the first implementations were Michael Stonebraker's Ingres at Berkeley, and the System R project at IBM. Both of these were research prototypes, announced during 1976. The first commercial products, Oracle and DB2, did not appear until around 1980. The first successful database product for microcomputers was dBASE for the CP/M and PC-DOS/MS-DOS operating systems.

During the 1980s, research activity focused on distributed database systems and database machines. Another important theoretical idea was the Functional Data Model, but apart from some specialized applications in genetics, molecular biology, and fraud investigation, the world took little notice.

In the 1990s, attention shifted to object-oriented databases. These had some success in fields where it was necessary to handle more complex data than relational systems could easily cope

Selected State-wise Assistance Sanctioned by IFCI Venture Capital Funds Ltd. (IVCF) in India
(1998-1999 to 2002-2003)
(Rs. in Crore)

States/UTs	1998-99	1999-00	2000-01	2001-02	2002-03	Cumulative up to end-March 2003
Andhra Pradesh	3.9	1.0	-	1.0	1.5	29.8
Assam	-	-	-	-	-	1.0
Bihar	-	-	-	-	-	0.2
Delhi	0.3	1.1	1.6	-	-	11.3
Goa	-	-	-	-	-	1.2
Gujarat	3.0	-	-	-	-	7.2
Haryana	-	-	0.2	-	-	21.2
Himachal Pradesh	-	-	-	0.2	-	2.9
Karnataka	-	3.0	0.2	0.5	-	7.4
Kerala	-	-	-	-	-	2.0
Madhya Pradesh	-	-	-	-	-	5.7
Maharashtra	3.0	-	-	-	-	14.1
Meghalaya	-	-	-	-	-	0.1
Orissa	-	-	-	-	-	1.3
Punjab	-	-	-	-	-	3.9
Rajasthan	0.5	-	0.3	1.0	-	11.8
Tamil Nadu	-	-	-	-	-	5.3
Uttar Pradesh	-	-	0.6	0.3	-	23.9
West Bengal	-	-	0.7	0.3	-	4.8
Union Territories	-	-	-	-	-	1.5
Andaman and Nicobar Islands	-	-	-	-	-	0.1
Chandigarh	-	-	-	-	-	0.3
Pondicherry	-	-	-	-	-	1.1
India	10.7	5.1	3.6	3.3	1.5	156.6

Source: Report on Development Banking in India 2002-03, Industrial Development Bank of India.

Sector-wise Assistance

The analysis of the sector-wise fiancés has been made to find the trend of its finances to the private, public, joint as well as co-operative sector. This has been studied to find the role of the corporation in providing finance to the four sectors individually. This has been studied to find the role of the Bank in providing finance to the four sectors individually.

Sector-wise Assistance Sanctioned by IFCI Venture Capital Funds Ltd. (IVCF) in India
(1998-1999 to 2002-2003)
(Rs. in Crore)

Sector	1998-99	1999-00	2000-01	2001-02	2002-03	Cumulative up to end-March 2003
Public	-	-	-	-	-	1.8
Joint	-	-	-	-	-	17.7
Private	10.7	5.1	3.6	3.3	1.5	137.1
Total	10.7	5.1	3.6	3.3	1.5	156.6

Source: Report on Development Banking in India 2002-03, Industrial Development Bank of India.

Paper	199.2	430.1	353.6	127.6	62	17.4	50.5	1077.5
Rubber	23.1	9	62.7		27	21.4	33	346.7
Chemicals & products	878.3	2428.1	1260.5	1373.5	341.8	213.3	170.5	6822.2
Fertilizers	323.9	123.3	325.9	416.4	151.3		65	1666.7
Cement	69.5	756.4	170.7	225.2	234.6	34.7	45	2123.4
Ferrous metals	590.1	1255.2	862.8	1448	378.1	231.5	711.5	5784.6
Non-ferrous metals	67.4	158.5	171.8	222	112.4	44.2	4.1	393.1
Metal products	7.4	20.4	65.2	118	145.6	191.3	72.1	1690.2
Machinery (non-elec.)	58.6	460.3	217	45.8	72	3.2a		833.5a
Electrical & electronics	293.4	888.5	460.5	540.6	190.2	72.4	27.2	2544.8
Transport eqpt.	119	200.2	119.3	126.4	81.5	54	12.7	1064.5
Electricity generated	1073.2	688	1412.8	3460.4	3106	57.5	16.4	4549
Services	429.9	609.4	398.8	458.4	820	146.2	133.5	2547.1
Others	563	1174.9	502.3	1483	415.8	141	23.6	1885.6
Total	5719.5	10300.3	7212.3	10982.6	6948.8	2080	1858.5	43412.8

Note: Include electrical machinery

Source: Industrial Data Book 2002-03, CIER.

Need of Industry wise analysis to achieve higher and more economic level of production and to improve their competitiveness in the domestic as well as the international markets. 'high priority' industries requires huge amount of capital and expect greater attention of the IFCI so as to achieve higher and more economic level of production and to improve their competitiveness in the domestic as well as the international markets. A major purpose of the establishment of the financial institutions in India has been "to provide financial assistance to Industry at concessional rate. An industry-wise analysis of assistance provided by the Industrial finance Corporation of India would show how far this important purpose has been served by this institution

State-wise Assistance

IFCI play a crucial role through preferential treatment to industries set up in backward regions and by making terms and conditions of assistance sufficiently attractive and more real, the second plan emphasized that the pattern of investment must be so devised as to lead to balanced regional development .Thus a reduction in regional industrial disparities through financing activities is an important objective of development banks in India. One of the major objectives of economic planning in India is to bring about a balanced development of different states of the country. State-wise analysis has been made to examine as to how for this basic objective has been promoted by the Industrial Finance Corporation of India by making of the financial assistance provided by it. IFCI also helps in creation of necessary infrastructure and provision of incentives to attract private enterprises to the backward regions of the country.

with, such as spatial databases, engineering data (including software repositories), and multimedia data. Some of these ideas were adopted by the relational vendors, who integrated new features into their products as a result. The 1990s also saw the spread of Open Source databases, such as PostgreSQL and MySQL.

In the 2000s, the fashionable area for innovation is the XML database. As with object databases, this has spawned a new collection of start-up companies, but at the same time the key ideas are being integrated into the established relational products. XML databases aim to remove the traditional divide between documents and data, allowing all of an organization's information resources to be held in one place, whether they are highly structured or not.

DATABASE MODELS

Various techniques are used to model data structure. Most database systems are built around one particular data model, although it is increasingly common for products to offer support for more than one model. For any one logical model various physical implementations may be possible, and most products will offer the user some level of control in tuning the physical implementation, since the choices that are made have a significant effect on performance. Here are three examples:

Hierarchical Model

In a hierarchical model, data is organized into an inverted tree-like structure, implying a multiple downward link in each node to describe the nesting, and a sort field to keep the records in a particular order in each same-level list. This structure arranges the various data elements in a hierarchy and helps to establish logical relationships among data elements of multiple files. Each unit in the model is a record which is also known as a node. In such a model, each record on one level can be related to multiple records on the next lower level. A record that has subsidiary records is called a parent and the subsidiary records are called children. Data elements in this model are well suited for one-to-many relationships with other data elements in the database.

This model is advantageous when the data elements are inherently hierarchical. The disadvantage is that in order to prepare the database it becomes necessary to identify the requisite groups of files that are to be logically integrated. Hence, a hierarchical data model may not always be flexible enough to accommodate the dynamic needs of an organization.

Network Model

In the network model, records can participate in any number of named relationships. Each relationship associates a record of one type (called the owner) with multiple records of another type (called the member). These relationships (somewhat confusingly) are called sets. For example a student might be a member of one set whose owner is the course they are studying, and a member of another set whose owner is the college they belong to. At the same time the student might be the owner of a set of email addresses, and owner of another set containing phone numbers. The main difference between the network model and hierarchical model is that in a network model, a child can have a number of parents whereas in a hierarchical model, a child can have only one parent. The hierarchical model is therefore a subset of the network model.

Programmatic access to network databases is traditionally by means of a navigational data manipulation language, in which programmers navigate from a current record to other related records using verbs such as find owner, find next, and find prior. The most common example of such an interface is the COBOL-based Data Manipulation Language defined by CODASYL.

Relational Model

The basic data structure of the relational model is a table where information about a particular entity (say, employees) is represented in columns and rows. The columns enumerate the various attributes of an entity (e.g. employee_name, address, phone_number). Rows (also called records) represent instances of an entity (e.g. specific employees).

The "relation" in "relational database" comes from the mathematical notion of relations from the field of set theory. A relation is a set of tuples, so rows are sometimes called tuples. All tables in a relational database adhere to three basic rules.

- The ordering of columns is immaterial.
- Identical rows are not allowed in a table.
- Each row has a single (separate) value for each of its columns (each tuple has an atomic value).

Tables can have a designated column or set of columns that act as a "key" to select rows from that table with the same or similar key values. A "primary key" is a key that has a unique value for each row in the table. Keys are commonly used to join or combine data from two or more tables. For example, an employee table may contain a column named address which contains a value that matches the key of an address table. Keys are also critical in the creation of indexes, which facilitate fast retrieval of data from large tables. It is not necessary to define all the keys in advance; a column can be used as a key even if it was not originally intended to be one.

Database Normalization

Relations are classified based upon the types of anomalies to which they're vulnerable. A database that's in the first normal form is vulnerable to all types of anomalies, while a database that's in the Boyce-Codd Normal Form has no modification anomalies. Normal forms are hierarchical in nature. That is, the lowest level is the first normal form, and the database cannot meet the requirements for higher level normal forms without first having met all the requirements of the lesser normal form.

Relational Database Management Systems

An RDBMS implements the features of the relational model outlined above. In this context, Date's Information Principle states:

The entire information content of the database is represented in one and only one way. Namely as explicit values in column positions (attributes) and rows in relations (tuples) Therefore, there are no explicit pointers between related tables.

1982-83	230.2	5.5	196.1	15.8
1983-84	321.9	39.8	224.5	14.5
1984-85	415.4	29.0	272.9	21.6
1985-86	499.2	20.2	403.9	48.0
1986-87	798.1	59.9	451.6	11.8
1987-88	922.6	15.6	657.1	45.5
1988-89	1635.5	77.3	997.5	51.8
1989-90	1817.0	11.1	1121.8	12.5
1990-91	2429.8	33.7	1574.3	40.3
1991-92	2421.2	-0.4	1604.4	1.9
1992-93	2347.9	-3.0	1733.4	8.0
1993-94	3745.9	59.5	2163.1	24.8
1994-95	4327.0	15.5	2838.7	31.2
1995-96	6579.7	52.1	4586.5	61.6
1996-97	3952.2	-39.9	5175.5	12.8
1997-98	5708.2	44.4	5615.0	8.5
1998-99	3622.7	-36.5	4836.4	-13.9
1999-00	1938.5	-46.5	3373.6	-30.2
2000-01	1257.0	-35.2	2180.0	-35.4
2001-02	698.0	-44.5	1097.2	-49.7
2002-03	1963.7	181.3	1783.6	62.6
2003-04	1394.6	-29.0	281.2	-84.2
Cumulative up to end-March 2004	46293.7		44399.4	

Abbr.: IFCI: Industrial Finance Corporation of India.

Source: Report on Development Banking in India 2003-04, Industrial Development Bank of India.

Financial system is to make appropriate recommendations for enable IFCI, to develop strategy and plan of action, to improve its viability and competitive position in the Indian financial system. Meanwhile, management too has initiated a number of actions to improve overall financials of the company and to build a healthier portfolio viz. augmenting company's share capital through rights issue and preference share capital, giving thrust on short-term products in order to achieve better match between assets and liabilities. An Asset-Liability Committee (ALCO) has been constituted at the Corporate Office headed by Chairman, covering areas like the review of potential mismatches between assets and liabilities, review of projections of the requirement of funds and proposals for raising resources, deployment of funds and review of interest rate movement, etc.

Industry-wise Assistance

Industry-wise Assistance Sanctioned
by Industrial Finance Corporation of India
(1994-1995 to 2000-2001)
(Rs. in Crore or 10 Million)

Industry	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	Cumulative upto 2000-01
Food products	182.7	363.9	138	157.2	242.3	119.7	99.5	2180.5
Textiles	680.5	734.2	690.4	780.1	568.2	358.1	94.3	4718.3

INTRODUCTION

The usual agencies meant to provide finance for large-scale industries were either pathetic or were found inadequate and hence the Government of India came forward and set up the Industrial Finance Corporation of India (I.F.C.I.) in July 1948 under a special Act. The authorized share capital of the Industrial Finance Corporation was Rs. 10 corers, divided into shares of Rs. 5000 each, (the authorized capital has now been raised to Rs. 20 corers).

On July 1st 1948, the Industrial finance Corporation of India was set up to provide financial assistance, technical and administrative advice to industrial units in Private sector as well as public sector. It assists specialized financial institutions by refinancing their loans and subscribing to their securities. It also assists industrial concerns by granting to them and guaranteeing their loans and advances.

ASSISTANCE SANCTIONED AND DISTRIBUTION

This analysis offers an opportunity for noting the trends in the amount of assistance flowing from this institution to Indian industries. It granted loans only to public limited companies and co-operating but not to private limited companies or partnership. By an amendment to the Industrial Finance Corporation of India Act, private limited companies are also eligible to get financial assistance from the corporation. Among the many industries which have received financial assistance from the Industrial Finance Corporation of India are those manufacturing food, textiles, paper, basic chemicals and fertilizers, cement, metals and metal products, machinery, motor vehicles, glass, rubber etc.

To advise on the future role of IFCI in the emerging economic and financial scenario, an expert committee has been set up under the chairmanship of Shri D.Basu, the terms of reference of which, inter alia, include to examine the asset- liability profile, financials and also the causes for NPAs and suggest necessary remedial measures, to work out a time-frame and methodology for conforming to the and prudential norms, to suggest suitable operational, financial and organizational restructuring to enable IFCI to play its role in the emerging Indian

Assistance Sanctioned and Disbursed by IFCI in India (1970-1971 to 2003-2004) (Rs. in Crore)

Year	Sanctions	Growth Rate (%)	Disbursements	Growth Rate (%)
1970-71	32.3		17.4	
1971-72	28.7	-11.1	23.3	33.9
1972-73	45.7	59.2	28.0	20.2
1973-74	41.9	-8.3	31.9	13.9
1974-75	29.2	-30.3	37.0	16.0
1975-76	51.3	75.7	34.7	-6.2
1976-77	76.6	49.3	54.9	58.2
1977-78	113.4	48.0	57.5	4.7
1978-79	138.5	22.1	73.5	27.8
1979-80	137.9	-0.4	91.0	23.8
1980-81	206.6	49.8	108.9	19.7
1981-82	218.1	5.6	169.4	55.6

Post-relational Database Models

Several products have been identified as post-relational because the data model incorporates relations but is not constrained by the Information Principle, requiring that all information is represented by data values in relations. Products using a post-relational data model typically employ a model that actually pre-dates the relational model. These might be identified as a directed graph with trees on the nodes.

Examples of models that could be classified as post-relational are PICK aka MultiValue, and MUMPS.

Object Database Models

In recent years, the object-oriented paradigm has been applied to database technology, creating a new programming model known as object databases. These databases attempt to bring the database world and the application programming world closer together, in particular by ensuring that the database uses the same type system as the application program. This aims to avoid the overhead (sometimes referred to as the impedance mismatch) of converting information between its representation in the database (for example as rows in tables) and its representation in the application program (typically as objects). At the same time, object databases attempt to introduce the key ideas of object programming, such as encapsulation and polymorphism, into the world of databases.

A variety of these ways have been tried for storing objects in a database. Some products have approached the problem from the application programming end, by making the objects manipulated by the program persistent. This also typically requires the addition of some kind of query language, since conventional programming languages do not have the ability to find objects based on their information content. Others have attacked the problem from the database end, by defining an object-oriented data model for the database, and defining a database programming language that allows full programming capabilities as well as traditional query facilities.

INDEXING

All of these databases can take advantage of indexing to increase their speed. This technology has advanced tremendously since its early uses in the 1960s and 1970s. The most common kind of index is a sorted list of the contents of some particular table column, with pointers to the row associated with the value. An index allows a set of table rows matching some criterion to be located quickly. Typically, indexes are also stored in the various forms of data-structure mentioned above (such as B-trees, hashes, and linked lists). Usually, a specific technique is chosen by the database designer to increase efficiency in the particular case of the type of index required.

Relational DBMS's have the advantage that indexes can be created or dropped without changing existing applications making use of it. The database chooses between many different strategies based on which one it estimates will run the fastest. In other words, indexes are transparent to the application or end-user querying the database; while they affect performance, any SQL command will run with or without index to compute the result of an SQL statement. The RDBMS will produce a plan of how to execute the query, which is generated by analyzing the run times of the

different algorithms and selecting the quickest. Some of the key algorithms that deal with joins are nested loop join, sort-merge join and hash join. Which of these is chosen depends on whether an index exists, what type it is, and its cardinality.

An index speeds up access to data, but it has disadvantages as well. First, every index increases the amount of storage on the hard drive necessary for the database file, and second, the index must be updated each time the data are altered, and this costs time. (Thus an index saves time in the reading of data, but it costs time in entering and altering data. It thus depends on the use to which the data are to be put whether an index is on the whole a net plus or minus in the quest for efficiency.)

A special case of an index is a primary index, or primary key, which is distinguished in that the primary index must ensure a unique reference to a record. Often, for this purpose one simply uses a running index number (ID number). Primary indexes play a significant role in relational databases, and they can speed up access to data considerably.

TRANSACTIONS AND CONCURRENCY

In addition to their data model, most practical databases ("transactional databases") attempt to enforce a database transaction. Ideally, the database software should enforce the ACID rules, summarized here:

Atomicity: Either all the tasks in a transaction must be done, or none of them. The transaction must be completed, or else it must be undone (rolled back).

Consistency: Every transaction must preserve the integrity constraints — the declared consistency rules — of the database. It cannot place the data in a contradictory state.

Isolation: Two simultaneous transactions cannot interfere with one another. Intermediate results within a transaction are not visible to other transactions.

Durability: Completed transactions cannot be aborted later or their results discarded. They must persist through (for instance) restarts of the DBMS after crashes
In practice, many DBMSs allow most of these rules to be selectively relaxed for better performance.

Concurrency control is a method used to ensure that transactions are executed in a safe manner and follow the ACID rules. The DBMS must be able to ensure that only serializable, recoverable schedules are allowed, and that no actions of committed transactions are lost while undoing aborted transactions.

REPLICATION

Replication of databases is closely related to transactions. If a database can log its individual actions, it is possible to create a duplicate of the data in real time. The duplicate can be used to improve performance or availability of the whole database system. Common replication concepts include:

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Role of IFCI on Assistance Provide To Different Form of Indian Industries

IFCI play a crucial role through preferential treatment to industries set up in backward regions and by making terms and conditions of assistance sufficiently attractive and more real, the second plan emphasized that the pattern of investment must be so devised as to lead to balanced regional development .Thus a reduction in regional industrial disparities through financing activities is an important objective of development banks in India.

The first development finance institution was set up in 1948 under the IFCI Act to pioneer long-term institutional credit to medium and large industries. With a view to achieving greater operational flexibility and access to capital market, the undertaking of IFCI was transferred to and vested in a new company called Industrial Finance Corporation of India Ltd. (since renamed as IFCI Ltd.) with effect from July 1, 1993. Industrial Finance Corporation of India [IFCI], is first development financial institution in country to cater to long term financial needs of industrial sector. IFCI has fulfilled its original mandates as a developing financial institution by providing long term and medium term financial support to all segments of Indian industries. Over the years, it has diversified its activities by setting up several subsidiaries. So the main points of this paper are to examine about the assistance in different sector by Industrial Finance Corporation of India.

Price

The ticket rates ranged from Rs 500 to 2500. The pricing can be justified as people were lining up early in the morning at the stadium counters. Initially there was no problem to selling the tickets off. But later, it was heard that the managers were getting it difficult to sell the tickets of those matches which were perceived by the consumers as not so competitive and exciting. To cater situations, the marketers had different strategy. Discounts were offered some franchisee having star value like preety Zinta and Shahrukh kahn strated selling tickets themselves.

But it was just a fraction of the consumers watched the show at the venues. The real market was watching the event in their home which was opportunity for those corporate who were avoided TV rights.

Distribution

A franchisee network was created across the country. Country's well known business tycoons, some film stars and media house became the franchisee of BCCI. They were given different stadia all over the country. They had the right to collect the earnings from the matches played in the stadia allotted to them. This was franchisee network was adopted a value delivery models.

Value Communication

The event got huge publicity after the announcement of BCCI to unveil IPL. Indian media are usually abscessed with cricket. Every new magazine has a section on cricket. It was also a great opportunity to media to have such a mega event having immense news value. Both print and audio visual media competed with each other to report IPL in greater detail. So, There was a huge publicity of the event, and the media managers of the event must have has a strategy to benefit from it.

Apart from publicity, each team came up with its own commercials promoting their own team its was run on every channel at different time slots. Print media, too, w2as heavily use. Every prominent news papers contained the advertisement of some important event. DLF being the sponsor of the event promoted the idea in a big way.

Positioning

It was successfully positioned as a super excitement packed mega event. The marketers were able to present themselves in a positive way. On the contrary ICL was victim of misconceived positioning. People viewed it as a rebel organization. This may be the reason that ICL could not win consumer's mindshare.

The fist mega show of IPL was well marketed and organized. However, business wise, it was not successful. All but one franchisee lost money. Only team Rajasthan Royals earned a marginal profit. However the event is at an early stage. The corporate planners have a long term strategy for survival and growth. Let's keep our finger crossed as what is in store for the consumers in future.

Master/Slave Replication: All write requests are performed on the master and then replicated to the slaves.

Quorum: The result of Read and Write requests are calculated by querying a "majority" of replicas.

Multimaster: Two or more replicas sync each other via a transaction identifier.

Parallel synchronous replication of databases enables transactions to be replicated on multiple servers simultaneously, which provides a method for backup and security as well as data availability.

SECURITY

Database security denotes the system, processes, and procedures that protect a database from unintended activity.

Security is usually enforced through access control, auditing, and encryption.

Access control ensures and restricts who can connect and what can be done to the database.
Auditing logs what action or change has been performed, when and by whom.

Encryption: Since security has become a major issue in recent years, many commercial database vendors provide built-in encryption mechanism. Data is encoded natively into the tables and deciphered "on the fly" when a query comes in. Connections can also be secured and encrypted if required using DSA, MD5, SSL or legacy encryption standard. Enforcing security is one of the major tasks of the DBA.

In the United Kingdom, legislation protecting the public from unauthorized disclosure of personal information held on databases falls under the Office of the Information Commissioner. United Kingdom based organizations holding personal data in electronic format (databases for example) are required to register with the Data Commissioner.

LOCKING
Please help improve this section by expanding it. Further information might be found on the talk page or at requests for expansion. (June 2008)

Locking is how the database handles multiple concurrent operations. This is how concurrency and some form of basic integrity is managed within the database system. Such locks can be applied on a row level, or on other levels like page (a basic data block), extend (multiple array of pages) or even an entire table. This helps maintain the integrity of the data by ensuring that only one process at a time can modify the same data.

Unlike a basic filesystem files or folders, where only one lock at the time can be set, restricting the usage to one process only. A database can set and hold mutiple locks at the same time on the different level of the physical data structure. How locks are set, last is determined by the database

engine locking scheme based on the submitted SQL or transactions by the users. Generally speaking, no activity on the database should be translated by no or very light locking.

For most DBMS systems existing on the market, locks are generally shared or exclusive. Exclusive locks mean that no other lock can acquire the current data object as long as the exclusive lock lasts. Exclusive locks are usually set while the database needs to change data, like during an UPDATE or DELETE operation.

Shared locks can take ownership one from the other of the current data structure. Shared locks are usually used while the database is reading data, during a SELECT operation. The number, nature of locks and time the lock holds a data block can have a huge impact on the database performances. Bad locking can lead to disastrous performance response (usually the result of poor SQL requests, or inadequate database physical structure)

Default locking behavior is enforced by the isolation level of the dataserver. Changing the isolation level will affect how shared or exclusive locks must be set on the data for the entire database system. Default isolation is generally 1, where data can not be read while it is modified, forbidding to return "ghost data" to end user.

At some point intensive or inappropriate exclusive locking, can lead to the "dead lock" situation between two locks. The Database has a fail-safe mechanism and will automatically "sacrifice" one of the locks releasing the resource. Doing processes or transactions involved in the "dead lock" will be rolled back.

Databases can also be locked for other reasons, like access restrictions for given levels of user. Databases are also locked for routine database maintenance, which prevents changes being made during the maintenance.

ARCHITECTURE

Depending on the intended use, there are a number of database architectures in use. Many databases use a combination of strategies. On-line Transaction Processing systems (OLTP) often use a row-oriented datastore architecture, while data-warehouse and other retrieval-focused applications like Google's BigTable, or bibliographic database (library catalogue) systems may use a column-oriented datastore architecture.

Document-Oriented, XML, Knowledgebases, as well as frame databases and rdf-stores (aka Triple-Stores), may also use a combination of these architectures in their implementation.

Finally it should be noted that not all database have or need a database 'schema' (so called schema-less databases).

Also there are other types of database which cannot be classified as relational databases.

issued notice to all corporate sponsors, the state cricket associations & the BCCI against terminating contracts of players joining the league.

The Monopolies and Restrictive Trade Practices Commission (MRTPC) of India has asked it's Director-General of Investigation to do an initial investigation into BCCI's action against players who have joined ICL. The investigation was based on media reports of BCCI giving an open statement that it will ban players who will join ICL. It was also reported in the media that all state associations, under BCCI, have removed cricket players from contracts.

LAUNCHING OF IPL

The announcement of Indian premier League (IPL) came full circle and the game cricket was transformed into an entertainment event.

Although the idea of IPL not new. It has been borrowed from European Soccer League. However, the organizers deserve kudos to replicate it in yet another game for the first time with fair amount of success.

The disposable income of the expanding middle class was rising. They were busy purchasing while goods and latest gizmos. Country's faster economic growth and rising income of urban and rural middle class created a distinct space for a mega event which could even be enjoyed in the comfort of their home along with family. Consumers wanted an escape from nonsense hindi movies and occupational tensions. Market was ready, strategic marketers took no time in announcing the event.

MARKETING PERSPECTIVE

Value Proposition

It was promised the event will be more exciting, result oriented, less time consuming. In fact it is a non-stop excitement of 3 to 4 hrs. The best players of the world will be chosen by the corporate magnets. Every team will have renowned players in its ranks which will make the event more competitive and plenty of suspense.

Value Addition

In order to create more value, the event managers contracted internationally acclaimed charming leggy models who were called "Cheer Leaders" to attract reluctant consumers. High voltage music and light system were rearranged to create the right mood. A gold opening ceremony maws organized in which the film stars performed on some popular numbers.

Product

The event being the product here was already pretty familiar with Indians. They have been experiencing the entertainment value of the event. A strong need for healthy entertainment and excitement is already there. However, it was packaged beautifully by the event managers with added values.

of the game. A new mega star named Mahendra Singh Dhoni was born. It was another World cup wins for India albeit in different format.

Till this stage the corporate were participating in the game as sponsors only. Although they were always watching and exploring the possibility of the their direct participation and involvement in the business of the game. One of the sports i.e. cricket was now about to be transformed into a "Corporate event".

By now, the corporate marketers took over the game completely and began their proceeding in their own corporate marketing style.

STRATEGIC PLANNING

The cricket (event) marketers had gathered a whole lot of data and information regarding the market size, market potential and & competition. Cricket played in India generates Rs. 1,000 crore (Rs. 10 billion) in advertising and subscription revenue and Subhash Chandra has been acutely aware of his company missing out on this lucrative cricket pie.

ANNOUNCEMENT OF THE FORMATION OF ICL

Zee Telefilms (part of the Essel group, which is promoted by Subhash Chandra) bid for the telecast rights to the 2003 Cricket World Cup. Although the highest bid, it was unsuccessful. In 2004, Subhash Chandra again bid for telecast rights and ended up in an inconclusive court battle. He made another bid for the 2006 ICC Champions Trophy rights and once again lost. He responded by creating the ICL. Zee Telefilms announced that it would partner infrastructure major IL&FS to create a new, ambitious cricket organisation, the Indian Cricket League (ICL) with prize money of one million US dollars in the initial edition for the winning team. The ICL was set up with a billion dollar Indian Rupee corpus, and was to initially comprise six teams playing Twenty20 cricket, with plans to expand to sixteen teams within three years and to eventually move to 50-over matches.

UNETHICAL COMPETITION

'Rivalry' is better known as 'competition' in the corporate lingua.Since ICL was in direct confrontation with the BCCI, it was its only competitor.BCCI refused to recognize ICL as a cricket league.ICC took the stand that it will not recognize ICL unless BCCI recognizes.

ICL TAKES BCCI TO COURT

In August 2007, ICL filed a petition against BCCI in the Delhi High Court accusing that BCCI is threatening and intimidating them as well as other state organsiations not affiliated to it and asked the court to stop BCCI from interfering with its attempts to sign up players for its tournaments. It also petitions that the BCCI stop trying to "out-hire" many cricket stadiums in India that are owned by the state governments, in anti-competitive, anti-market behaviour to stop the ICL from using them to play matches.

On August 27, 2007, the Delhi High Court ruled in favor of ICL. In its ruling, the Delhi High Court has said that players should not suffer in the battle between corporate giants. The court has

But that was not enough for a real and intelligent application because a database is a tabular structure of data that always updates by the end users. The intelligent system must have ability to update itself so the basic need of the database has to be changed for the future development.

A knowledge base (or knowledgebase; abbreviated KB) is a special kind of database for knowledge management. It provides the means for the computerized collection, organization, and retrieval of knowledge. Just as it has become standard practice to write *database* as one word it is increasingly common - but grammatically incorrect - in computer science to write *knowledgebase* as one word (an interim approach was to write the term with a hyphen).

TYPES OF KNOWLEDGE BASE

Machine-readable knowledge bases store knowledge in a computer-readable form, usually for the purpose of having automated deductive reasoning applied to them. They contain a set of data, often in the form of rules that describe the knowledge in a logically consistent manner. Logical operators, such as and (conjunction), or (disjunction), material implication and negation may be used to build it up from the atomic knowledge. Consequently, classical deduction can be used to reason about the knowledge in the knowledge base.

Human-readable knowledge bases are designed to allow people to retrieve and use the knowledge they contain, primarily for training purposes. They are commonly used to capture explicit knowledge of an organization, including troubleshooting, articles, white papers, user manuals and others. A primary benefit of such a knowledge base is that it can help a user to find an existing solution to his or her current problem (thus avoiding having to're-invent the wheel').
The most important aspect of a knowledge base is the quality of information it contains. The best knowledge bases have carefully written articles that are kept up to date, an excellent information retrieval system (such as a search engine), and a carefully designed content format and classification structure.

A knowledge base may use an ontology to specify its structure (entity types and relationships) and classification scheme. An ontology, together with a set of instances of its classes, constitutes a knowledge base.

Determining what type of information is captured, and where that information resides in a knowledge base, is something that is determined by the processes that support the system. A robust process structure is the backbone of any successful knowledge base.

Some knowledge bases have an artificial intelligence component. These kinds of knowledge bases can suggest solutions to problems sometimes based on feedback provided by the user, and are capable of learning from experience (see expert system). Knowledge representation, automated reasoning and argumentation are active areas of research at the forefront of artificial intelligence.

IMPLEMENTATIONS

Tufts University School of Medicine has created a software infrastructure called the Tufts University Sciences Knowledgebase, TUSK. It serves as a knowledgebase for curricular information for the health sciences schools at Tufts (medical, dental, veterinary, public health, nutrition, graduate biomedical sciences). This infrastructure has been shared with three medical schools in the U.S., three in Africa and soon, one in India. The infrastructure enables institutions to create a knowledgebase serving local needs.

A pediatric research group at the British Columbia's Children's Hospital has created a knowledge base authoring tool called iKnow. It is used by clinicians at the hospital to develop knowledge rules for improving patient care in surgical operations. A decision support system then runs the rules in the operating room to assist anesthesiologists in dealing with adverse events. The knowledge base developed is machine-readable, and using iKnow it is also human-readable.

Teragrid (Project which integrates high-performance computers, data resources and tools, and high-end experimental facilities around the United States of America) has developed its own knowledge base in human readable form. It is a collection of documents which can be retrieved using several interfaces. The TeraGrid Knowledge Base can be searched for content and text. The default interface for the TeraGrid Knowledge base shows document in categories such as most recently viewed, added, edited and most popular. For every document displayed a set of related documents which may interest the user are shown.

CHORUS is based on Fact/File, a radiology hypertext reference that has been integrated with a clinical radiology information system (at the University of Chicago) since 1990. Fact/File has been used extensively, mostly by radiology residents who use it for quick review and for diagnostic decision support. To the original set of 810 documents, 12 authors have contributed more than 400 documents.

DATABASE VS. RULEBASE VS. KNOWLEDGEBASE

Most information systems today are databased. That's too bad for many companies because they are going to fall behind as their competitors build and deploy intelligent rule-based and knowledge-based applications.

stars till now. Infusion of big money raised the standard and improved the quality of the game drawing more and more spectators.
Another important factor needs to be mentioned here which contributed appreciably to the rise of cricket and cricketers in India is introduction of TV in India and its rapid expansion across the country. It was followed by the satellite TV which made the game of cricket more accessible to the people. Now they could see their stars in action practically everywhere at the same time, it provided the co0rporates a plate form to showcase their offerings to a vast market of cricket lovers. It made a lot of sense by getting their offerings endorsed by those where people applaud and admire. This opened a floodgate of opportunities before the corporate world to cash in on the cricketer's popularity, and keep their cash register ringing. They grabbed it with then both hand.

RISE OF SHORTER VERSION OF THE GAME

Stage was set for yet another experiments and excitement in the game. Earlier when people started losing their interest in five-day test cricket, one day international was rolled out before them which was well accepted and satisfied their need far a result oriented and quick results game.

This need was of the cricket market gave rise to yet another shorter version of the game popularly known as Twenty-Twenty tournament. It was further reduced from 50 over to 20 over and people had results within 3-4 hrs.

T-20 WORLD CUP

Twenty-twenty format of the game was faster and more exciting vis-à-vis on day international. This experiment was essentially on marketing principles of meeting the consumer's need of result oriented, quick results and extreme excitement. In addition to meeting these core needs the marketers (and not administrators now) of the game.

Although this format was not new to England, Australia, South Africa, West Indies and New Zealand, yet it wasn't so popular in Asian rule- continent. However, going by the initial response, the cricket pundits anticipated the huge commercial potential and a bright future of the virgin format. Howe3ver, there was another school of thought who were dead against of bending rules of the gentlemen's game only for commercial success. Many former cricketing icons rejected the idea on the ground that it will kill the classical test match format which happened to be the original and pure form of the game. They opened that the real test of skill, class and caliber of the player is in the test format only. Every average player can hit some sixes and fours, but only on accomplished player can stay on to the crease and pace his innings according to the situation of the game. It requires a lot of talent, concentration and patience to make tactical adjustments to ensure victory of their side. These are the virtues which make a player and the game of cricket great.

However even these noble thoughts had to succumb to the demand of live market spanning several continents.

Finally, the first ever 46 days T-20 world cup was unveiled. The venue was South Africa. 13 Countries participated. The mega event was watched by 3 billion people in the entire world. Another history was in the making and India emerged the world champions in the shorter format

RISE OF CRICKET IN INDIA

If we ponder and think as to what could be the reasons behind the sudden rise in popularity of this game, we can enumerate the following reasons.

DECLINE OF HOCKEY

After independence, hockey was declared the national game of India. It was very much justifiable as it was just this game which kept the Olympic torch burning for India. The golden and glorious past of hockey winning eight gold medals in a row speaks volumes as to how this game has kept our national pride intact for a pretty long period. This became possible sheer because or individual zeal and Karishma of certain players like the legendary "Major Dhyan Chand" and his disciples. But after 1980, this game started losing its sheen and kept fading out. The apathetic attitude of government towards sports, large scale corruption and nepotism in the sports bodies, politics-bureaucratic interventions etc. were sufficient to shatter the morale of the players and the so called "National Game." Even it chips are down lack of motivation alienated the spectators. The game of Hockey declined creating a void in the sports arena of our country.

CRICKET WORLD CUP 1983

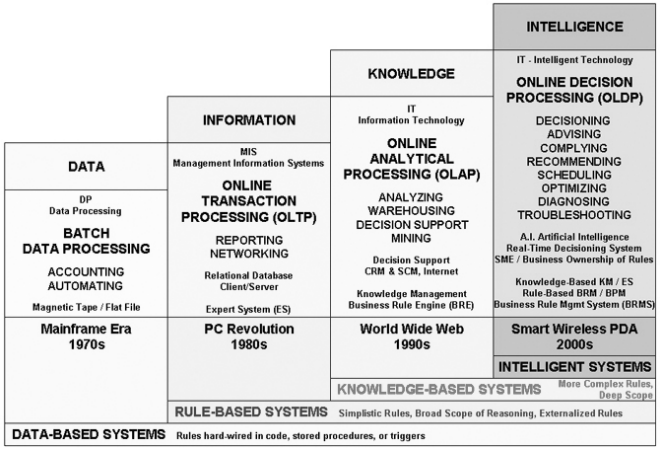
1983 has been the watershed year in the sports arena in general and Cricket arena in particular. India, the underdogs were against the formidable, invincible and dreaded opponent like West Indies in the finals. The demoralized country was surprised by this unexpected turn of event. Still they thought "so near yet so far." But a history was to be created and Kapil's devils came out with flying colors in the finals beating the invincible. This illustrious feat of Kapit Dev and Company brought smile on the face of a gloomed country. It rejuvenated the sagging moral and pride of the country in sporting arena.

This '1983 World Cup' phenomenon successfully filled the void created by Hockey and the countrymen look no time in switching their loyalty to the game of Cricket. Now cricket has created high expectations.

The patronage of the countrymen infused a lot of confidence in the managers and administrators of this game. A new found love for the game emerged among the youth of this country. They had new heroes and model before them. They were overwhelmed by the iconic status they had conferred on them. Kapil's eleven inspired a fresh crop of players of international standard and at least one of them surprised even the international community by his exceptional abilities. Sachin Tendulkar for the first time fearlessly negotiated the Pakistani aggressive strategy to intimidate India and win the game.

A comparatively fair success rate, through not excellent kept the interest and hence the huge patronage of the people which resulted in improving the financial health of the cricket board eventually making it the richest cricket body in the world. The body was shared by the cricketers as well making them millionaires practically overnight. Now stars were born.

The corporate world watching the events from a distance till now lost no time in capitalizing on the opportunity and lined up before the cricket board of India with their lucrative sponsorship offers. Corporate had now wider choice for endorsement contract which were restricted to film



Data-based systems are limited to processing data and outputing information. The result is often information overload. Users don't know what information is really important, and they don't even know if they have all the information they need to make a good decision. Too many choices confuse people and slow down their decision-making process. Too many shopping carts are left behind as browsers give up and browse somewhere else. People want answers not more information.

In databased systems, business rules are usually hard-wired in code, stored procedures, or triggers. Only programmers can change these rules.
Rule-based systems are more powerful and more flexible than database systems. They process data and rules to make decisions. They are good at processing lots of simplistic business rules, like pricing and promotion rules, and they can handle a broad scope of reasoning. They are best for real-time decision-making and decisioning applications. In rule-based systems, business rules are usually externalized so that business analysts and sometimes even SMEs can change the rules. Inference (IF/THEN) and pattern-matching rules are commonly used in rule-based systems.

Knowledge-based systems are smarter than databased systems. They process data and use expert knowledge to output answers, recommendations, and expert advice. Customers get a personalized answer or product recommendation tailored to their unique requirements. Sellers get pre-qualified customers ready to buy. They are good at processing deep logic and very complex business rules. They can handle more complex rules and a deep scope of reasoning. In knowledge-based systems, business rules are externalized and can go beyond inference and pattern-matching rules. They can also handle probabilistic reasoning, case-based reasoning, fuzzy logic, and other advanced AI reasoning techniques. The more complex the business problem and the business rules are, the more likely a knowledge-based solution will work.

WHAT IS THE DIFFERENCE BETWEEN DATA-BASED, RULE-BASED, AND KNOWLEDGE-BASED SYSTEMS?

The chart below summarizes the key differences between data-based, rule-based, and knowledge-based systems:

	Data-Based system	Rule-Based system	Knowledge-Based system
Can process	Data	Data Rules	Data Rules Knowledge
Can output	Information	Information Decisions Real-Time Decisions	Information Decisions Answers Expert Advice Recommendations
Commonly used for	Hard-coded rules	Enterprise rules	Departmental rules
Ideal for	IT/System rules	Simplistic business rules	Complex business rules
Best for these types of applications*	Traditional information systems	Decisioning Compliance	Advising Product Selection Recommending Troubleshooting
Domain scope	-	Broad logic	Deep logic

The problem with legacy data-based systems is that they are hard-coded and limited to processing data and outputting information. It's still up to the human being to analyze all the information to make decisions and recommendations. The result is often information-overload and costly mistakes.

Rule-based systems process data and output information, but they also process rules and make decisions. They are good at processing lots of simple business rules with broad logic. They are commonly used for real-time decisioning systems, straight-thru processing (STP) systems, and compliance systems.

Knowledge-based systems also process data and rules to output information and make decisions. In addition, they also process expert knowledge to output answers, recommendations, and expert advice. They are good at processing deep logic and very complex business rules. They are commonly used for advising systems, expert systems, and knowledge automation.

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From Game To Entertainment Event A Case Study of IPL

The corporate world watching the events from a distance till now, lost no time in capitalizing on the opportunity and lined up before the cricket board of India with their lucrative sponsorship offers. Corporate had now wider choice for endorsement contract which were restricted to film stars till now. Infusion of big money raised the standard and improved the quality of the game drawing more and more spectators.

"Cricket has become a religion in India and cricketers have attained the status of semi-Gods."

These words are often heard to explain the unprecedented popularity of this game in India. This is no exaggeration. Of late, it has turned out to be a great integrating force. People across caste, creed, class and religion, assemble and enjoy whenever a match, particularly one day international is being played. The urge is so strong that even a suave high profile executive driving a luxury car doesn't hesitate to enquire about latest score form a pedestrian. In normal circumstances, he would stop only to find some address or to enquire about the right way to his destination. Cricket has been a great leveler.

emerged as an important segment of financial markets in India.

CONCLUSION

Diversification is the biggest advantage associated with mutual funds. Diversification is the idea of investing money across many different types of investment avenues. When one investment is not doing well, other might be yielding good profit. Diversification reduces risk significantly. In addition to this, by purchasing mutual funds, one is actually hiring a professional manager at an especially inexpensive price. Now-a-days, a higher portion of investors' savings is now invested in market-linked avenues like mutual funds as compared to earlier times.
In conclusion, it can be said that despite few problems, the recent changes in the mutual funds industry in India has really favoured its amazing growth and in conclusion it can be said that in times to come mutual funds will continue to be a significant resource mobilizer in the Indian financial market.

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Mutual Fund: Cheap & Managed way for Making Money

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Mutual Funds invest according to the underlying investment objective as specified at the time of launching a scheme. So, we have equity funds, debt funds, gilt funds and many others that cater to the different needs of the investor. The availability of these options makes them a good option. While equity funds can be as risky as the stock markets themselves, debt funds offer the kind of security that is aimed for at the time of making investments.

A mutual fund is a form of collective investment that pools money from investors and invests the money in stocks, bonds, short-term money-market instruments, or other securities. The portfolio manager trades the fund's underlying securities, realizing a gain or loss, and collects the dividend or interest income. The investment proceeds are then passed on to the individual investors. Mutual funds are one of the main channels for capital flows to emerging economies. Mutual funds have become important contributors to financial market integration. Today, India's financial system is considered to be sound and stable as compared to many other Asian countries where the financial market is facing many crises. During last one decade or so, role of Indian mutual funds industry as a significant financial service in financial market has really been noteworthy. In fact, Mutual funds have emerged as an important segment of financial market of India. Mutual fund now plays a very significant role in channelzing the saving of millions of individuals into the investment in equity and debt instruments. This paper aims at making a significant study of the role performed by mutual funds as a financial tool.

offer documents, standardization of valuation norms for investment and computation of net value of assets (NAV).

During April-December, 1999 Mutual Funds raised Rs. 35,915 crore in gross terms as against Rs. 16,288 crore in the corresponding period of 1998. In net terms, they mobilized Rs. 12,194 crore during the same period as against a net outflow of Rs. 950 crore during the whole of 1998-99. Out of the total mobilization, the share of Unit Trust of India was about 28% while the share of private sector was 66%. The balance of 6% was mobilized by banks and financial institution-sponsored funds. Out of the total mobilization of Rs. 22,088 crore by the private sector mutual funds, foreign funds (nine) raised the maximum amount of Rs. 9,822 crore. The monetary and credit policy for 1999-2000 has permitted money market mutual funds to offer cheque writing facility to unit holders.

Table 6

Resource Mobilization By Mutual Funds (Rs. In Crores)

Items	Private Sector	Public Sector	UTI	Total
Gross Inflow				
1998-1999	7,847	1,671	13,193	22,711
1999-2000	43,726	3,871	13,698	61,241
2000-2001	75,009	5,535	12,413	92,957
April-December				
2000-2001	47,550	3,110	8,790	59,430
2001-2002	92,461	7,346	3,858	103,666
Redemption				
1998-1999	6,394	1,336	15,930	23,660
1999-2000	28,559	4,562	9,150	42,271
2000-2001	65,160	6,580	12,090	83,829
April-December				
2000-2001	39,360	4,970	9,310	53,640
2001-2002	78,150	5,471	9,009	92,632
Net Inflow				
1998-1999	1,452	335	-2,737	-949
1999-2000	15,167	-745	4,548	18,970
2000-2001	9,849	-1,045	323	9,128
April-December				
2000-2001	8,190	-1,530	480	7,050
2001-2002	14,311	1,874	-5,151	11,033

Source: AMFI

The mutual fund industry registered significant growth in the last two years. The investible resources of mutual funds rose from Rs. 68,200 crore in 1998-99 to Rs. 1, 09,114 crore in 1999-2000. Gross resource mobilization by mutual funds during 2001-2002 amounted to Rs. 1, 03,666 crore compared with Rs. 59,430 crore during the previous year, 2000-2001. Private sector mutual funds accounted for 89.2% of the total resource mobilization during April-December 2001, compared to 80% in the previous year. The public sector mutual funds accounted for 7.1% while UTI accounted for 3.7% during this period. Thus, it can be concluded that mutual funds have

periods. Balance Funds cater to the need of investors having an appetite for risk greater than that of the debt funds but less than the equity funds. The only pertinent factor here is that the fund has to be selected keeping the risk profile of the investor in mind because the products listed above have different risks associated with them. So, while equity funds are a good bet for a long term, they may not find favor with corporate or High Net-worth Individuals (HNIs) who have short-term needs.

ILLUSTRATION

Mr. Gupta purchased Mutual Fund units worth Rs. 10,000 at an NAV of Rs. 10 per unit on February 1, 2004. The Entry Load on the Mutual Fund was 2%. On September 15, 2004, he sold all the units at an NAV of Rs 20. The exit load was 0.5%.

His growth/ returns is calculated as under:

1. Calculation of Applicable NAV and No. of units purchased:
   (a) Amount of Investment = Rs. 10,000
   (b) Market NAV = Rs. 10
   (c) Entry Load = 2% = Rs. 0.20
   (d) Applicable NAV (Purchase Price) = (b) + (c) = Rs. 10.20
   (e) Actual Units purchased = (a) / (d) = 980.392 units

2. Calculation of NAV at the time of Sale
   (a) NAV at the time of Sale = Rs 20
   (b) Exit Load = 0.5% or Rs.0.10
   (c) Applicable NAV = (a) – (b) = Rs. 19.90

3. Returns/Growth on Mutual Funds
   (a) Applicable NAV at the time of Redemption = Rs. 19.90
   (b) Applicable NAV at the time of Purchase = Rs. 10.20
   (c) Growth/ Returns on Investment = {(a) – (b)/ (b) * 100} = 95.30 %

Performance of Mutual Funds

The performance of mutual funds in 1995-96 and 1996-97 had not been encouraging. Investor confidence in mutual funds, which ideally should be the most preferred investment vehicle for lay investor, had been low. There has been lukewarm response to their schemes during this period. This could be attributed partly to a lack at confidence and partly to market conditions which have affected the perception of investors. Mutual funds in India mobilized only Rs. 2,167 crores during 1996-97, up to December 1996, However, the position improved during 1997-98. The number of offer documents of mutual funds field with SEBI increased substantially from 32 in 1996-97 to 60 in 1997-98. The amount mobilized through various schemes also increased considerably. The gross mobilization of resources by all mutual fund schemes during the year 1997-98 was around Rs. 13,000 crores which was for the first time higher than the resources mobilized by the primary market. These improvements were partly in response to the regulatory changes brought by SEBI following the Mutual Fund 2000 Report and the notification of new regulations. The emphasis of these new regulations is on empowerment of investors, greater compliance of regulations by mutual funds, obligations of trustees as frontline regulators, improved disclosure standards in

INTRODUCTION

Different investment avenues are available to investors. Mutual funds also offer good investment opportunities to the investors. Like all investments, they also carry certain risks. The investors should compare the risks and expected yields after adjustment of tax on various instruments while taking investment decisions. The investors may seek advice from experts and consultants including agents and distributors of mutual funds schemes while making investment decisions.

CONCEPT

A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities. The income earned through these investments and the capital appreciation realized is shared by its unit holders in proportion to the number of units owned by them. Thus, a Mutual Fund is the most suitable investment for the common person as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost.

The Security and Exchange Board of India (Mutual Funds) Regulations,1996 defines a mutual fund as a " a fund establishment in the form of a trust to raise money through the sale of units to the public or a section of the public under one or more schemes for investing in securities, including money market instruments."

Mutual Funds have been a significant source of investment in both government and corporate securities. It has been for the decades the monopoly of the state with UTI being the key player with invested funds exceeding Rs. 300 billion. The state owned insurance companies also hold a portfolio of stocks. Presently, numerous mutual funds exist, including private and foreign companies. Banks - mainly state owned too have established Mutual Funds. Foreign participation in mutual funds and asset management companies permitted on a case-by-case basis.

MUTUAL FUND INDUSTRY IN INDIA

The Evolution

The formation of Unit Trust of India marked the evolution of the Indian mutual fund industry in the year 1963. The primary objective at that time was to attract the small investors and it was made possible through the collective efforts of the Government of India and the Reserve Bank of India. The history of mutual fund industry in India can be better understood divided into following phases:

Phase I. Establishment and Growth of Unit Trust of India - 1964-87

Unit Trust of India enjoyed complete monopoly when it was established in the year 1963 by an act of Parliament. UTI was set up by the Reserve Bank of India and it continued to operate under the regulatory control of the RBI until the two were de-linked in 1978 and the entire control was transferred in the hands of Industrial Development Bank of India (IDBI). UTI launched its first scheme in 1964, named as Unit Scheme 1964 (US-64), which attracted the largest number of investors in any single investment scheme over the years.

UTI launched more innovative schemes in 1970s and 80s to suit the needs of different investors. It launched ULIP in 1971, six more schemes from 1981 to 1984, Children's Gift Growth Fund and India Fund (India's first offshore fund) in 1986, Mastershare (India's first equity diversified scheme) in 1987 and Monthly Income Schemes (offering assured returns) during 1990s. By the end of 1987, UTI's assets under management grew ten times to Rs 6700 crores.

Phase II. Entry of Public Sector Funds - 1987-1993

The Indian mutual fund industry witnessed a number of public sector players entering the market in the year 1987. In November 1987, SBI Mutual Fund from the State Bank of India became the first non-UTI mutual fund in India. SBI Mutual Fund was later followed by Canbank Mutual Fund, LIC Mutual Fund, Indian Bank Mutual Fund, Bank of India Mutual Fund, GIC Mutual Fund and PNB Mutual Fund. By 1993, the assets under management of the industry increased seven times to Rs. 47,004 crores. However, UTI remained to be the leader with about 80% market share.

Table 1

1992-93	Amount Mobilized	Assets Under Management	Mobilization as % of gross Domestic Savings
UTI	11,057	38,247	5.2%
Public Sector	1,964	8,757	0.9%
Total	13,021	47,004	6.1%

Source: AMFI

Phase III. Emergence of Private Sector Funds - 1993-96

The permission given to private sector funds including foreign fund management companies (most of them entering through joint ventures with Indian promoters) to enter the mutual fund industry in 1993, provided a wide range of choice to investors and more competition in the industry. Private funds introduced innovative products, investment techniques and investor-servicing technology. By 1994-95, about 11 private sector funds had launched their schemes.

Phase IV. Growth and SEBI Regulation - 1996-2004

The mutual fund industry witnessed robust growth and stricter regulation from the SEBI after the year 1996. The mobilization of funds and the number of players operating in the industry reached new heights as investors started showing more interest in mutual funds.

Investors' interests were safeguarded by SEBI and the Government offered tax benefits to the investors in order to encourage them. SEBI (Mutual Funds) Regulations, 1996 was introduced by SEBI that set uniform standards for all mutual funds in India. The Union Budget in 1999 exempted all dividend incomes in the hands of investors from income tax. Various Investor Awareness Programmes were launched during this phase, both by SEBI and AMFI, with an objective to educate investors and make them informed about the mutual fund industry.

In February 2003, the UTI Act was repealed and UTI was stripped of its Special legal status as a trust formed by an Act of Parliament. The primary objective behind this was to bring all mutual

Balanced Funds	Growth & Regular Income	Capital Market Risk and Interest Risk	Balanced ratio of equity and debt funds to ensure higher returns at lower risk	Moderate & Aggressive	2 years plus

Source: AMFI

Table 5

Investment Objective	Investment horizon	Ideal Instruments
Short-term Investment	1- 6 months	Liquid/Short-term plans
Capital Appreciation	Over 3 years	Diversified Equity/ Balanced Funds
Regular Income	Flexible	Monthly Income Plans / Income Funds
Tax Saving	3 yrs lock-in	Equity-Linked Saving Schemes (ELSS)

Mutual Funds as a Financial Service

According to the Global Asset Management 2006 Report from Boston Consulting Group, India-managed assets will exceed more than $1 trillion by 2015. This means an annual growth rate of 21% for the next nine years. The Indian mutual funds industry has been growing at a healthy pace of 16.68% for the past eight years and the trend will move further as has been emphasized by the report. With the entrance of new fund houses and the introduction of new funds into the market, investors are now being presented with a broad array of Mutual Fund choices. The total asset under management of Mutual Fund industry rose by 9.45% from Rs.309953.04 crores to 339232.46 crores in November, 2006 as published by AMFI. In 1987, its size was Rs.1, 000 crores, which went up to Rs. 4,100 crores in 1991 and subsequently touched a figure of Rs.72, 000 crores in 1998. Since then this figure has been increasing tremendously and thus revealing the efficiency of growth in the mutual fund industry. It has generally been observed that as the GDP of a country starts moving up, the share of AUM as a percentage of household financials assets start to increase. At present, India has a GDP of around $3,000 on a per capita basis and the AUM as a percentage of household financial assets is under 4%. This is undoubtedly very low as compared to other countries. As India's GDP is expected to maintain its growth rate, households will surely be holding more assets through mutual fund than ever before. The tremendous growth of Indian Mutual Funds industry is an indicator of the efficient financial market we are currently having and the trust which investors have on the regulatory environment. Mutual Funds are essentially investment vehicles where people with similar investment objective come together to pool their money and then invest accordingly. Each unit of any scheme represents the proportion of pool owned by the unit-holder (investor). Appreciation or reduction in value of investments is reflected in net asset value (NAV) of the concerned scheme, which is declared by the fund from time to time. Mutual fund schemes are managed by respective Asset Management Companies (AMC). Different business groups / financial institutions / banks have sponsored these AMCs, either alone or in collaboration with reputed international firms. Several international funds like Alliance and Templeton are also operating independently in India. Many more international Mutual Fund giants are expected to come into Indian markets in the near future.

Mutual Funds invest according to the underlying investment objective as specified at the time of launching a scheme. So, we have equity funds, debt funds, gilt funds and many others that cater to the different needs of the investor. The availability of these options makes them a good option. While equity funds can be as risky as the stock markets themselves, debt funds offer the kind of security that is aimed for at the time of making investments. Money market funds offer the liquidity that is desired by big investors who wish to park surplus funds for very short-term

Gilt Fund

These funds invest exclusively in government securities. Government securities have no default risk. NAVs of these schemes also fluctuate due to change in interest rates and other economic factors as is the case with income or debt oriented schemes.

Index Funds

Index Funds replicate the portfolio of a particular index such as the BSE Sensitive index, S&P NSE 50 index (Nifty), etc. These schemes invest in the securities in the same weightage comprising of an index. NAVs of such schemes would rise or fall in accordance with the rise or fall in the index, though not exactly by the same percentage due to some factors known as "tracking error" in technical terms. Necessary disclosures in this regard are made in the offer document of the mutual fund scheme.

There are also exchange traded index funds launched by the mutual funds which are traded on the stock exchanges.

Table 4

Snapshot of Mutual Fund Schemes:

Mutual Fund Type	Objective	Risk	Investment Portfolio	Who should invest	Investment horizon
Money Market	Liquidity + Moderate Income + Reservation of Capital	Negligible	Treasury Bills, Certificate of Deposits, Commercial Papers, Call Money	Those who park their funds in current accounts or short-term bank deposits	2 days - 3 weeks
Short-term Funds (Floating - short-term)	Liquidity + Moderate Income	Little Interest Rate	Call Money, Commercial Papers, Treasury Bills, CDs, Short-term Government securities.	Those with surplus short-term funds	3 weeks - 3 months
Bond Funds (Floating - Long-term)	Regular Income	Credit Risk & Interest Rate Risk	Predominantly Debentures, Government securities, Corporate Bonds	Salaried & conservative investors	More than 9 - 12 months
Gilt Funds	Security & Income	Interest Rate Risk	Government securities	Salaried & conservative investors	12 months & more
Equity Funds	Long-term Capital Appreciation	High Risk	Stocks	Aggressive investors with long term out look.	3 years plus
Index Funds	To generate returns that are commensurate with returns of respective indices	NAV varies with index performance	Portfolio indices like BSE, NIFTY etc	Aggressive investors.	3 years plus

fund players on the same level. UTI was re-organized into two parts: 1. The Specified Undertaking, 2. The UTI Mutual Fund

Presently Unit Trust of India operates under the name of UTI Mutual Fund and its past schemes (like US-64, Assured Return Schemes) are being gradually wound up. However, UTI Mutual Fund is still the largest player in the industry. In 1999, there was a significant growth in mobilization of funds from investors and assets under management which is supported by the following data:

Table 2

GROSS FUND MOBILISATION (Rs. Crores)					
FROM	TO	UTI	PUBLIC SECTOR	PRIVATE SECTOR	TOTAL
01-April-98	31-March-99	11,679	1,732	7,966	21,377
01-April-99	31-March-00	13,536	4,039	42,173	59,748
01-April-00	31-March-01	12,413	6,192	74,352	92,957
01-April-01	31-March-02	4,643	13,613	1,46,267	1,64,523
01-April-02	31-Jan-03	5,505	22,923	2,20,551	2,48,979
01-Feb.-03	31-March-03	*	7,259*	58,435	65,694
01-April-03	31-March-04	-	68,558	5,21,632	5,90,190
01-April-04	31-March-05	-	1,03,246	7,36,416	8,39,662
01-April-05	31-March-06	-	1,83,446	9,14,712	10,98,158

Source: AMFI

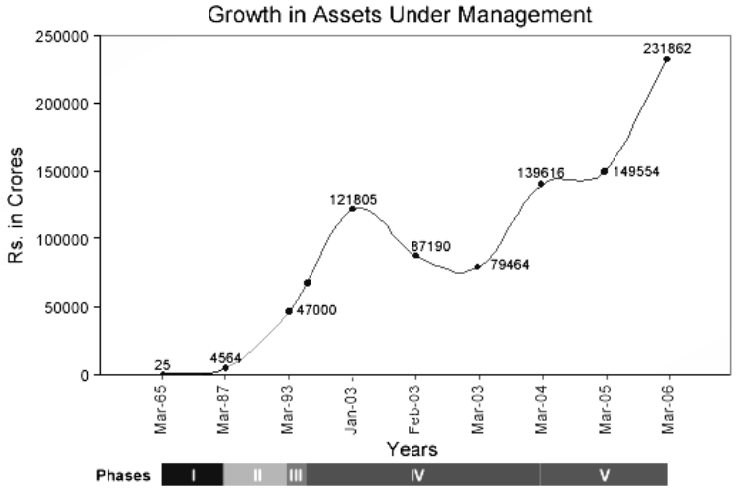
Table 3

ASSETS UNDER MANAGEMENT (RS. CRORES)				
AS ON	UTI	PUBLIC SECTOR	PRIVATE SECTOR	TOTAL
31-March-99	53,320	8,292	6,860	68,472

Source: AMFI

Phase V. Growth and Consolidation - 2004 Onwards

The industry has also witnessed several mergers and acquisitions recently, examples of which are acquisition of schemes of Alliance Mutual Fund by Birla Sun Life, Sun F&C Mutual Fund and PNB Mutual Fund by Principal Mutual Fund. Simultaneously, more international mutual fund players have entered India like Fidelity, Franklin Templeton Mutual Fund etc. There were 29 funds as at the end of March 2006. This is a continuing phase of growth of the industry through consolidation and entry of new international and private sector players.



Source: AMFI

DIFFERENT TYPES OF MUTUAL FUND SCHEMES

Schemes according to Maturity Period

A mutual fund scheme can be classified into open-ended scheme or close-ended scheme depending on its maturity period.

Open-ended Fund/ Scheme

An open-ended fund or scheme is one that is available for subscription and repurchase on a continuous basis. These schemes do not have a fixed maturity period. Investors can conveniently buy and sell units at Net Asset Value (NAV) related prices which are declared on a daily basis. The key feature of open-end schemes is liquidity.

Close-ended Fund/ Scheme

A close-ended fund or scheme has a stipulated maturity period e.g. 5-7 years. The fund is open for subscription only during a specified period at the time of launch of the scheme. Investors can invest in the scheme at the time of the initial public issue and thereafter they can buy or sell the units of the scheme on the stock exchanges where the units are listed. In order to provide an exit route to the investors, some close-ended funds give an option of selling back the units to the mutual fund through periodic repurchase at NAV related prices. SEBI Regulations stipulate that at least one of the two exit routes is provided to the investor i.e. either repurchase facility or through listing on stock exchanges. These mutual funds schemes disclose NAV generally on weekly basis.

Schemes according to Investment Objective

A scheme can also be classified as growth scheme, income scheme, or balanced scheme considering its investment objective. Such schemes may be open-ended or close-ended schemes as described earlier. Such schemes may be classified mainly as follows:

Growth / Equity Oriented Scheme

The aim of growth funds is to provide capital appreciation over the medium to long- term. Such schemes normally invest a major part of their corpus in equities. Such funds have comparatively high risks. These schemes provide different options to the investors like dividend option, capital appreciation, etc. and the investors may choose an option depending on their preferences. The investors must indicate the option in the application form. The mutual funds also allow the investors to change the options at a later date. Growth schemes are good for investors having a long-term outlook seeking appreciation over a period of time.

Income / Debt Oriented Scheme

The aim of income funds is to provide regular and steady income to investors. Such schemes generally invest in fixed income securities such as bonds, corporate debentures, Government securities and money market instruments. Such funds are less risky compared to equity schemes. These funds are not affected because of fluctuations in equity markets. However, opportunities of capital appreciation are also limited in such funds. The NAVs of such funds are affected because of change in interest rates in the country. If the interest rates fall, NAVs of such funds are likely to increase in the short run and vice-versa. However, long term investors may not bother about these fluctuations.

Balanced Fund

The aim of balanced funds is to provide both growth and regular income as such schemes invest both in equities and fixed income securities in the proportion indicated in their offer documents. These are appropriate for investors looking for moderate growth. They generally invest 40-60% in equity and debt instruments. These funds are also affected because of fluctuations in share prices in the stock markets. However, NAVs of such funds are likely to be less volatile compared to pure equity funds.

Money Market or Liquid Fund

These funds are also income funds and their aim is to provide easy liquidity, preservation of capital and moderate income. These schemes invest exclusively in safer short-term instruments such as treasury bills, certificates of deposit, commercial paper and inter-bank call money, government securities, etc. Returns on these schemes fluctuate much less compared to other funds. These funds are appropriate for corporate and individual investors as a means to park their surplus funds for short periods.